

# NEWCASTLE MUNICIPALITY



## DRAFT ANNUAL REPORT 2020/2021



## CONTENTS

1. CHAPTER 1 MAYORS FOREWARD AND EXECUTIVE SUMMARY .....	5
1.1 COMPONENT A MAYORS FOREWARD.....	5
1.2 COMPONENT B EXECUTIVE SUMMARY .....	8
1.3 MUNICIPAL MANAGERS OVERVIEW .....	8
1.4. MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW .....	12
<b>DEMOGRAPHICS AND SOCIO-ECONOMIC CHARACTERISTICS OF THE MUNICIPALITY .....</b>	<b>17</b>
1.5 SERVICE DELIVERY OVERVIEW .....	18
1.6 FINANCIAL HEALTH OVERVIEW.....	20
1.7 AUDITOR GENERAL REPORT FOR THE 2020'21 FINANCIAL YEAR .....	20
1.8 STATUTORY ANNUAL REPORT PROCESS .....	21
2. CHAPTER 2 GOVERNANCE .....	23
INTRODUCTION .....	23
2.1. COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE .....	23
2.2. POLITICAL GOVERNANCE .....	24
2.3 POLITICAL GOVERNANCE .....	24
2.4 COUNCILORS .....	27
2.5 ADMINISTRATIVE GOVERNANCE .....	44
2.6.COMPONENT B: INTERGOVERNMENTAL RELATIONS.....	1
2.7 INTERGOVERNMENTAL RELATIONS .....	1
<b>THE INSTITUTIONALISATION OF THE DISTRICT DEVELOPMENT MODEL .....</b>	<b>2</b>
COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION .....	2
2.8 PUBLIC MEETING .....	3
2.9 IDP PARTICIPATION AND ALIGNMENT .....	49
COMPONENT D: CORPORATE GOVERNANCE .....	50
2.10 RISK MANAGEMENT .....	50
2.11 FRAUD AND CORRUPTION .....	52
2.12 SUPPLY CHAIN MANAGEMENT .....	53
2.13 FINANCIAL BY-LAWS/ POLICIES INTRODUCED IN THE 2020/21 FINANCIAL YEAR .....	61
COMMENTS FROM THE PUBLIC ON THE FINANCIAL POLICIES AND BY-LAWS	62
2.14 WEBSITES .....	62
2.15 PUBLIC SATISFACTION ON MUNICIPAL SERVICES .....	63
2.16 SECTOR PLANS .....	64
3. CHAPTER 3 SERVICE DELIVERY PERFORMANCE .....	67
INTRODUCTION .....	67
COMPONENT A: BASIC SERVICES .....	68

3.1 WATER PROVISION .....	68
3.2 Water Services -WCDM, RW Management, Leak Programs and Pressure Management .....	74
3.3 ELECTRICITY PROVISION .....	84
3.4 HOUSING .....	89
3.5 WASTE .....	97
3.6 FREE BASIC SERVICE AND INDIGENT SUPPORT .....	102
COMPONENT B: ROAD TRANSPORT .....	102
3.7 ROADS .....	102
3.8 RESEALING OF ROADS FOR 2020/21 .....	111
3.9 THREE YEAR CAPITAL PLAN FOR ADDRESSING INFRASTRUCTURE BACKLOGS IN TERMS OF THE MUNICIPAL INFRASTRUCTURE GRANT (MIG) FRAMEWORK .....	112
3.10 SECURITY SERVICES .....	116
3.11 TRAFFIC SERVICES .....	117
3.12 CEMETERIES .....	121
COMPONENT C: PLANNING AND DEVELOPMENT .....	125
3.13 PLANNING .....	125
PERFORMANCE HIGHLIGHTS 2020/21 .....	125
NEWCASTLE AMAJUBA PRIVATE HOSPITAL .....	128
TABS PROJECT: .....	129
PERFORMANCE HIGHLIGHTS 2021/22 .....	129
NEWCASTLE AMAJUBA PRIVATE HOSPITAL .....	133
<b>TABS PROJECT:</b> .....	134
<b>BUILDING PLANS APPROVED FOR THE MONTH OF JULY 2020 TO JUNE 2021:</b> .....	135
PROPERTY DEVELOPMENT / BUILDING PLANS: .....	135
<b>CATEGORY</b> .....	135
3.14 URBAN RENEWAL AND SPECIAL PROJECTS .....	136
3.15 LOCAL ECONOMIC DEVELOPMENT .....	140
COMPONENT D: COMMUNITY & SOCIAL SERVICES .....	155
3.16 CULTURAL DEVELOPMENT .....	155
3.17 LIBRARY PROGRAMMES .....	155
3.18 ART GALLERY .....	157
3.19 MUSEUMS .....	159
3.20 SPECIAL PROGRAMMES .....	163
3.21 FIRE AND DISASTER .....	173
3.22 Fire Services .....	175
NATIONAL DISASTER OF CORONA VIRUS IN NEWCASTLE .....	175

3.23 SPORTS AND RECREATION .....	178
CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE .....	185
COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL.....	185
4.1 EMPLOYEE TOTALS, turnover and vacancy.....	185
NEW APPOINTMENTS: 1 JULY 2020 – 30 JUNE 2021 .....	190
COMPONENT B MANAGING THE WORKFORCE .....	192
4.2 POLICIES .....	192
4.3 INJURIES, SICKNESS AND SUSPENSIONS .....	193
COMPONENT C SKILLS DEVELOPMENT .....	195
4.4 SKILLS DEVELOPMENT .....	195
COMPONENT D MANAGING THE WORKFORCE EXPENDITURE .....	196
4.5 HUMAN RESOURCED DEVELOPMENT UNIT .....	196
4.6 KEY PRIORITIES OF THE HRD UNIT .....	196
SKILLS PROGRAMMES & IN-HOUSE TRAINING .....	197
WORK STUDY .....	204
ORGANISATIONAL DEVELOPMENT PERFORMANCE .....	204
CHAPER 5 ORGANISATIONAL PERFORMANCE 2020/2021 .....	206
EXECUTIVE SUMMARY .....	206
<b>PERFORMANCE MANAGEMENT PROCESS.....</b>	<b>207</b>
<b>PERFORMANCE AND SUPPORTING INFORMATION .....</b>	<b>209</b>
<b>BACKGROUND TO THE TOP-LAYER SERVICE DELIVERY BUDGET</b>	
<b>IMPLEMENTATION PLAN .....</b>	<b>209</b>
<b>PERFORMANCE ANALYSIS .....</b>	<b>211</b>
<b>PERFORMANCE ANALYSIS OF THE TLSDBIP FOR 2020/2021 PER KPA .....</b>	<b>212</b>
<b>PERFORMANCE PER KEY PERFORMANCE AREA .....</b>	<b>214</b>
<b>DEPARTMENTAL PERFORMANCE ON THE TLSDBIP FOR 2020/2021 .....</b>	<b>215</b>
<b>PERFORMANCE ACHIEVEMENTS FOR 2020/2021 .....</b>	<b>216</b>
<b>CHALLENGES .....</b>	<b>217</b>
<b>MEASURES TO IMPROVE PERFORMANCE IN 2020/21 .....</b>	<b>217</b>
<b>DETAILED COMPARISION BETWEEN THE PERFORMANCE ACHIEVED FOR THE</b>	
<b>LAST 3 FINANCIAL YEARS (2018/19 – 2020/21) .....</b>	<b>1</b>
CHAPTER 6 FINANCIAL PERFORMANCE .....	234
CHAPTER 7 AUDITOR GENERAL'S REPORT .....	234
CHAPTER 8 2020/2021 DRAFT ANNUAL FINANCIAL STATEMENT FOR UTHUKELA WATER ...	234
CHAPTER 9 2020/2021 DRAFT ANNUAL REPORT FOR UTHUKELA WATER .....	234
<b>ABBREVIATIONS .....</b>	<b>237</b>



## 1. CHAPTER 1 MAYORS FOREWARD AND EXECUTIVE SUMMARY

### 1.1. COMPONENT A MAYORS FOREWARD

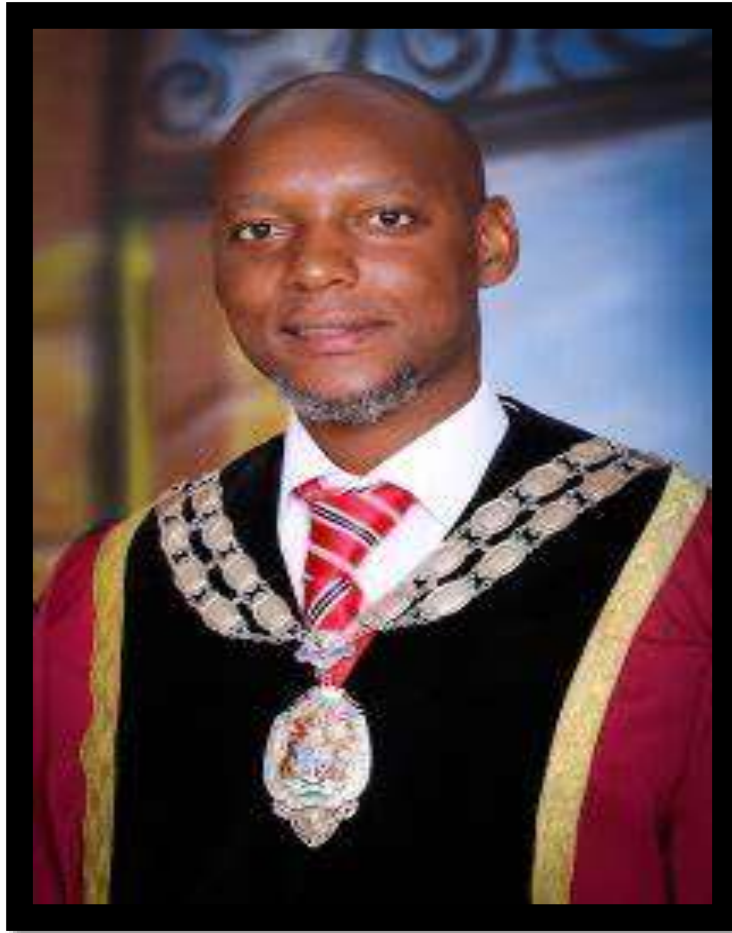


Figure 1 NEWCASTLE MAYOR - CLLR DR NNG MAHLABA

Fellow residents and stakeholders, I present to you the 2020/2021 Draft Annual Report for Newcastle Municipality. The purpose of the Annual Report is to provide the community with a credible, reliable, and accurate assessment of the municipality's progress towards achieving the municipality's vision that ***"BY 2035, NEWCASTLE WILL BE A RESILIENT AND ECONOMICALLY VIBRANT CITY, PROMOTING SERVICE EXCELLENCE TO ITS CITIZENS."***

Newcastle Municipality has developed a set of strategic objectives that are aligned to the national and provincial strategic focus areas and goals. This is intended to guide directorates within the municipality to develop departmental business plans with specific deliverables and targets to give effect to the strategic objectives of Council, which are:

- Sound Financial Management/Viability (incl. Debt collection and management).
- Improved access to basic service delivery (i.e., water, sanitation, electricity, housing, waste removal).
- Local Economic Development (eradication of poverty and unemployment).

- Improved quality of roads and storm-water infrastructure (including sidewalks).
- Environmental sustainability (environmental conservation/management).
- Accelerated Municipal Transformation and Corporate Development.
- Improved access to public facilities (including educational facilities – provincial mandate).
- Improved community safety.
- Improved access to basic health services (NB: provincial mandate); and
- Improved access to land (including Land Reform).

These strategic objectives are aligned to the Provincial Growth and Development Strategy, the National Development Plan, the National Spatial Development Perspective and the National Key Performance Areas. Newcastle Municipality's Integrated Development Plan (IDP) is designed to create a town that is inclusive, innovative and inspired.

Over the last financial year, we continued on our path of ensuring solid governance at Newcastle Municipality supported by a competent administration. Our governance structures function optimally, we have an independent audit committee and have institutionalised risk management at Newcastle Municipality. We have been decisive in fighting fraud and corruption at Newcastle Municipality and one of our key achievements was the opening of the fraud hotline that serves as a platform through which employees, suppliers, contractors and other third parties can report irregular activities, free from fear of victimization or repercussions.

The financial status of the municipality and the global Corona Virus pandemic continued to pose as a challenge to Newcastle Municipality, however the employees of Newcastle Municipality continued to work relentlessly in ensuring service delivery to the community. Through the management of the Acting Municipal Manager, the municipality established a task team to address all service delivery issues reported, thus ensuring that 100% of all potholes, water, sanitation, refuse removal, grass cutting, illegal refuse disposal and electricity complaints were addressed.

The municipality constructed 214 new houses with access to water, sanitation and refuse removal. In line with the Indigent Policy, 8287 households were provided with free basic water, electricity, sanitation and refuse removal. Access to water and sanitation is a basic human need as a municipality we were determined to provide basic water and sanitation facilities to our community and constructed 958 new VIP toilets in various wards in Newcastle East and installed 6 water standpipes in ward 12 and P46. We have been determined to ensure the provision and maintenance of safe roads and effective storm water infrastructure. Residents and stakeholders can visibly see that the municipality has resealed 3,42km of roads in various parts of Newcastle, re-graveled 1km of road at Mndozo Clinic, upgraded 0,78km of road from gravel to blacktop at MF55 and upgraded 0,801km of road from gravel to blacktop at MD35.

To stimulate economic growth in Newcastle and eradicate unemployment the municipality created 702 jobs through the Expanded Public Works Program and trained 60 small, medium and macro enterprises (SMME's). We believe that one income can change the lives and

opportunities for an entire household. As part of a stimulus to increase investment in Newcastle, the municipality is currently implementing major infrastructure projects that will unlock new property development and sustainable human settlements. The Medical Precinct and the Upgrade of the Human Resource Building for Unisa are projects that are implemented to achieve the same.

Newcastle Municipality values the inputs from the community and stakeholders in the decision making of the municipality. The community is consulted through the Integrated Development Planning Representative Forum (IDPRF), Budget/IDP/PMS roadshows, mayoral Imbizos, ward committees, special programmes, the municipal website and radio broadcasts.

National Government is currently coordinating the entirety of our country towards the implementation of the District Development Model (DDM). The DDM is a feasible Intergovernmental Relations (IGR) machinery to allow the government spheres to function collectively. This collective, will enable the government to work with stakeholders and communities in making sure that there is one plan and budgeting. Thus, increasing positive impact to the livelihoods of the people. Currently Newcastle Municipality is working with KZN Cooperative Governance and Traditional Affairs (COGTA) towards implementation of the DDM.

In terms of Section 56/57 of The Local Government Municipal Systems Act 32 of 2000, all Strategic Executive Directors (SED's) and the Acting Municipal Manager have signed performance agreements with Newcastle Municipality. The performance agreement includes an employment contract and a performance plan that is linked to the Top-Layer Service Delivery Budget Implementation Plan (TLSDBIP), budget and IDP. Consequence management and disciplinary action will be implemented for employees that cause the municipality to incur any irregular, fruitless and wasteful expenditure and fail to abide by the legislation and policies that are applicable to Newcastle Municipality.

The Annual Report is a method of providing accountability to the community and stakeholders regarding the work that has been done by municipality during the 2020/2021 financial year. Fellow residents and stakeholders, it gives me great pleasure to present the achievements noted in this report are all visible, verifiable and more importantly positively impacted lives of our people. We acknowledge that there were projects that were not completed but the municipality will develop a turnaround plan to ensure that those projects will be completed in the 2021/2022 financial year and that the municipality continue to work towards achieving the vision of 2030 that will be followed by the next term of Council.



**Cllr DR NNG MAHLABA**  
**MAYOR OF NEWCASTLE**

21-01-2022

**DATE:**

## 1.2. COMPONENT B EXECUTIVE SUMMARY

### 1.3 MUNICIPAL MANAGERS OVERVIEW



Figure 2 ACTING MUNICIPAL MANAGER – MR VISH GOVENDER

In terms Section 55 of The Local Government Municipal Systems Act 32 of 2000, the Accounting Officer, as the Head of Administration, must oversee the execution and implementation of all council policies, plans and applicable legislation to local government, furthermore in terms of Section 121 of The Local Government: Municipal Finance Management Act 56 of 2003, the municipality is required to compile an Annual Report. The Annual Report provides the community with a credible, reliable, and accurate assessment of the municipality's progress in achieving its goals as set out in the Integrated Development Plan (IDP).

The mandate of Newcastle Municipality is to implement the Objectives and Strategies of the IDP and monitoring the implementation of the same through the Top-Layer Service Delivery Budget Implementation Plan (TLSDBIP). The 2020/2021 IDP for Newcastle Municipality has been noted by KZN COGTA as one the top ten most improved IDP's in the province. Furthermore, KZN COGTA has also noted 100% alignment of the IDP and Top-layer Service Delivery Budget Implementation Plan (TLSBDIP).



Newcastle Municipality has made massive strides towards achieving the objectives as specified in the IDP and aligned to the TLSDBIP. As at the end of June 2021 the municipality achieved 73% of all planned targets on the TLSDBIP. The municipality has improved performance by 27% since the 2019/2020 financial year. This is a clear indication that Newcastle Municipality is dedicated towards service delivery. The following performance achievements were made by the municipality:

- Council approved the Delegations Policy on the 31<sup>st</sup> of March 2021. All Section 56/57 employees signed the Delegations of Authority as per the approved Policy. This policy was not reviewed for the last 3 years.
- Change management – The municipality has developed a disciplined approach in financial management and performance information.
- Tender process in progress for the appointment of a forensic investigator for the investigation of 2017/2018, 2018/2019 and 2019/2020 UIFW expenditure.
- Forensic reports tabled at Council on financial mismanagement of projects.
- Financial recovery plan in place to reduce the financial deficit.
- Implementation of an action plan to address Material Irregularities raised by the Auditor-General.
- Task Team was established to ensure that all reported service delivery issues are addressed (potholes, water, sewer, electricity, refuse removal)
- Communications strategy approved.
- Council approved the Anti-fraud and Corruption Policy. The Municipality uses the National hotline for reporting of fraud.
- Weekly on-site visits by the Acting Municipal Manager to all infrastructure projects.
- The municipal has kept up with the Eskom payment plan and the current Eskom account.
- The municipality has developed and implemented an AG action plan to respond to AG findings.
- All performance agreements for section 56/57 employees were signed and submitted to the MEC's office.
- Functional Council Committees. MPAC and audit committees are operational.
- In-house internal audit and risk units are operational.
- More transparent reporting to Council and Council Committees on financial and performance information to enable better decision making.
- 100% compliance with Back to Basic reporting.
- Improved support and working relationship from intergovernmental reporting structures.
- Implementation of the strategic turnaround plan for performance information.
- Cost containment policy implemented
- 214 new households with access to water, sanitation and refuse removal were constructed through the housing programme
- As a caring municipality we've given 8287 indigent households free basic water, electricity, sanitation and refuse removal. This is yet another clear indication that this municipality understands the daily struggles faced by many of our residents, in particular the unemployed and previously disadvantaged.
- 26 residential sites have been advertised for sale this will increase property development in Newcastle

- 702 EPWP jobs were created to eradicate unemployment
- The municipality has done training for 60 SMMEs with the intention of providing small business owners with skills to efficiently run their businesses
- 111 title deeds have been transferred through the EEDBS program. A majority of these beneficiaries are first time homeowners.
- 3,42 km's of roads have been resealed within the jurisdiction of Newcastle Municipality.
- 1 km of road was light graded / gravelled at Mndozo Clinic
- 100% implementation of the water and electricity maintenance plan was implemented with the intention of maintaining the existing infrastructure and preventing unplanned electricity outages and reducing burst pipes
- The municipality purchased 10 recycle bins
- Constructed 70 speedhumps to ensure community access to safe roads
- Upgraded 0,78km of road from gravel to blacktop for MF55
- Upgraded 0,801km of road from gravel to blacktop for MD35
- Completed 0,75 Km's of the sub-base layer for MF18 & MF19
- Completed 0,714 Km's of the sub-base layer for MF69, 7,10
- Completed 0,375 Km's of the sub-base layer for MC13
- Completed 0,52 Km's of the sub-base layer for OA27
- Purchased 16,3885 Hectors of land for development
- Constructed 2,6km of water pipeline for Soul City
- Installed 6 standpipes in ward 12 and P46 completed.
- Processed 100% of all plans received by the municipality within the statutory timeframes
- Processed 100% of all business permits/informal trade permits within the statutory timeframe

The financial position of the municipality is challenging due to the low collection rate that is a result of the covid-19 pandemic, high unemployment rate in Newcastle and outstanding debt by consumers, businesses and other government departments. A Debt Collector has been appointed and the municipality with the support of COGTA is engaging all government departments that owe the municipality to establish the reasons for non-payment and mechanisms to be put in place to address these issues. We have started a process of engaging the schools for non-payment of services and have implemented water restriction should we not have feedback within a specified period of time.

Water-losses unfortunately remains high and has not reduced despite the implementation of projects that were intended to reduce water losses. Ageing infrastructure has resulted in a higher number of burst pipes that contributes to water loss. It must also be noted that the greater part of Newcastle East is still not billed for water.

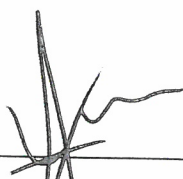
Newcastle Municipality has a functional Internal Audit Unit and Audit Committee. All financial, Risk and Performance Reports are submitted every quarter to the Audit Committee and Municipal Public Accounts Committee (MPAC). The Auditor General opinion for the 2020/2021



financial year was unqualified with findings. The municipality will develop an AG action plan and continue to work towards achieving a clean audit.

As the Acting Accounting Officer, I acknowledge that there are planned targets on the TLSDBIP that were not achieved, each target not achieved has a recommended corrective action and the same will be monitored by the Monitoring and Evaluation Unit.

If we serious about service delivery, we all need to firstly have one common goal of service delivery and hold each other accountable into daily tasks and hold each other accountable into daily tasks. Furthermore, consequence management and basic work etiquette should be of the highest authority. The vision of Newcastle Municipality is: ***"By 2035, Newcastle will be a resilient and economically vibrant city, promoting service excellence to its citizens,"*** this vision can only be achieved with appropriate planning, monitoring, implementation and evaluation.



MR V GOVENDER  
ACTING MUNICIPAL MANAGER  
NEWCASTLE MUNICIPALITY

DATE: 06-01-2022

## 1.4 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

Newcastle ranks 2<sup>nd</sup> largest the local municipality with the highest number of people when compared to other local municipalities, with the highest being the Msunduzi Local Municipality. The population of Newcastle is spread unevenly over 34 wards as per the outcomes of the ward delimitation process by the Demarcation Board, marking a 3 wards increase.

Newcastle Local Municipality is one of the three local municipalities that make up Amajuba District Municipality, with the others being Dannhauser and eMadlangeni Local Municipalities. It is located on the North-Western part of the KwaZulu-Natal Province and borders onto Free State and Mpumalanga Provinces to the West and North respectively. The local municipalities of eMadlangeni and Dannhauser are located along the Eastern and Southern boundaries of Newcastle. Spatially Newcastle covers an area of approximately 1 854km<sup>2</sup> in extent. A high majority of the people (80%) within Newcastle reside within the Newcastle East area, which is predominantly township and semi-rural areas characterised by a general lack of adequate infrastructure.



Figure 3 Location of Newcastle in the Amajuba District

Over the last few years, Newcastle Municipality has gone through a process of fundamental transformation as an organisation with the intention of developing sufficient organisational capacity for an effective performance with respect to municipal functions.

There are huge backlogs in the delivery of basic services (electricity, water, sanitation) within the Newcastle-East area (Johnstown, Blauwbosch and Cavan), Madadeni and Osizweni townships as well as the surrounding rural settlements located within the \*vicinity of the Ubuhlebomzinyathi area. There are also challenges with the maintenance and development of basic road and storm-water infrastructure particularly within the Newcastle-East area. In order to address the backlogs in service delivery the municipality has rolled out specific capital projects towards basic service delivery particularly within the Madadeni, Osizweni and the JBC area including the surrounding rural settlements. To ensure that the current and future infrastructure is maintained within the municipality's intends on developing a Comprehensive

Infrastructure Master Plan. To address to demand for water consumption in relation to the growing population the municipality's plans to Construction of a new raw water source in order to improve access to potable water. Newcastle Municipality is currently in the process of Upgrading the Wastewater Collection and Treatment Facility at Madadeni to increase the capacity for sanitation services.

As a Municipality, we are directing all our efforts towards achieving Newcastle Municipality's vision *that “BY 2035, NEWCASTLE WILL BE A RESILIENT AND ECONOMICALLY VIBRANT CITY, PROMOTING SERVICE EXCELLENCE TO ITS CITIZENS.”* Our Mandate as Newcastle Municipality is guided by The Integrated Development Plan (IDP) which is informed by engagements with the community and stakeholders. Our resolve is based on servicing our communities in all areas of Newcastle with access to water.

Council has made tremendous strides towards achieving its objective in all six Key Performance Areas (KPA's). The six Key Performance Areas (KPA's) as specified in the IDP is as follows:

- Basic Services
- Cross Cutting
- Local Economic Development
- Good Government
- Financial viability
- Municipal Transformation and Institutional Development

The mandate for Newcastle Municipality is guided by The Constitution of South Africa, Local Government Municipal Legislation, the National Development Plan (NDP), the Provincial Growth and Development Strategy (PGDS), the IDP for Newcastle Municipality, policies and by-laws that govern Local Government.

The official government figures reflected in the 2011 census data, overlaid onto the 2016 boundaries to align with the recent ward delimitation by the Demarcation Board, estimates the total population of the Newcastle Local Municipality to be 363 236 people. This marks a population increase of 0.87% per annum between 2001 and 2011. A further look into historical data shows that the growth rate has decreased slightly when compared to that of the period 1996 to 2001 whereby the population increased by 2.93% per annum. The decrease is highly attributed to the global recession experienced in the year 2008 which resulted in a decrease in direct foreign investments hence implications on job security.

**Table 1 Population Growth and Density**

2016					
District	Population Size	% Share of KZN Population	% Share of Amajuba Population	Area in Square km	Population Density (ppl/km <sup>2</sup> )
KwaZulu-Natal	11 065 240			93 378	118.5
Amajuba	531 327	4.8		6 921	76.8

<b>Newcastle</b>	<b>389 117</b>	<b>3.6</b>	<b>73.3</b>	<b>1 689</b>	<b>235.7</b>
Emadlangeni	36 869	0.3	6.9	3 714	9.9
Dannhauser	105 341	0.3	19.8	1 518	69.4

#### Community Survey 2016

This trend is a characteristic of the whole district with municipalities such as Dannhauser recording a negative growth rate between 2001 and 2011. However, even though there was a decrease in the growth rate within the period 2001 to 2011, the population growth rate in Newcastle remains higher than that of the district average which is 0.66%, hence making Newcastle the fastest growing municipality in the district in terms of population size. Newcastle accounts for 73% of the district population, 20% and 7% for Dannhauser and Emadlangeni Municipalities respectively.

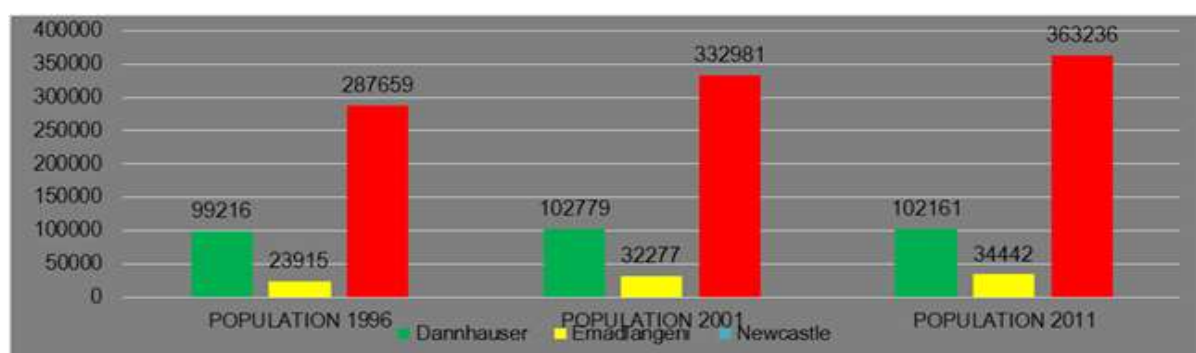


Figure 4 Population size

#### Household Size.

Similarly, Newcastle accounts for most of the households found within Amajuba District. This is consistent with the population distribution which suggests that most of the population within the district resides in the Newcastle Local Municipal area. The average household size is 4.3 people who suggest a slight decline in average household size from the one recorded in the year 2001.

Table 2 NUMBER OF HOUSEHOLDS IN NEWCASTLE

2016						
	Male	%	Female	%	Grand Total	% share of households in ADM
Amajuba	60 547	51.6	56 709	48.4	117 256	
<b>Newcastle</b>	<b>46 824</b>	<b>51.8</b>	<b>43 523</b>	<b>48.2</b>	<b>90 347</b>	<b>77.0</b>
Emadlangeni	3 648	54.7	3 019	45.3	6 667	5.5
Dannhauser	10 075	49.8	10 167	50.2	20 242	17.5

Source: 2016 Community Survey.

The number of households headed by women has increased from 45.1% in 2001 to 47.5% in 2011, and this is in line with the district average of 47.6%. This read together with the relative

decline in population growth rate suggests an increasing level of circular migration coupled with an increasing breakdown in extended and compounded households.

The location of the wards listed as being amongst the top 10 wards with the lowest concentration of the households is mainly within the Newcastle East Area.

### **Age Structure.**

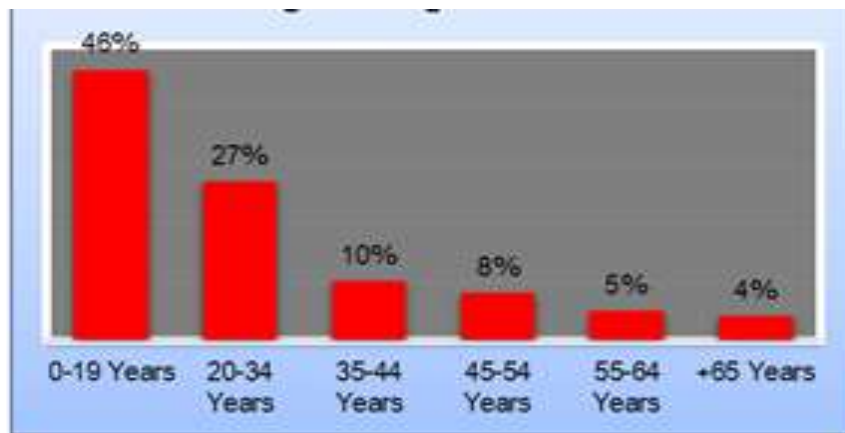
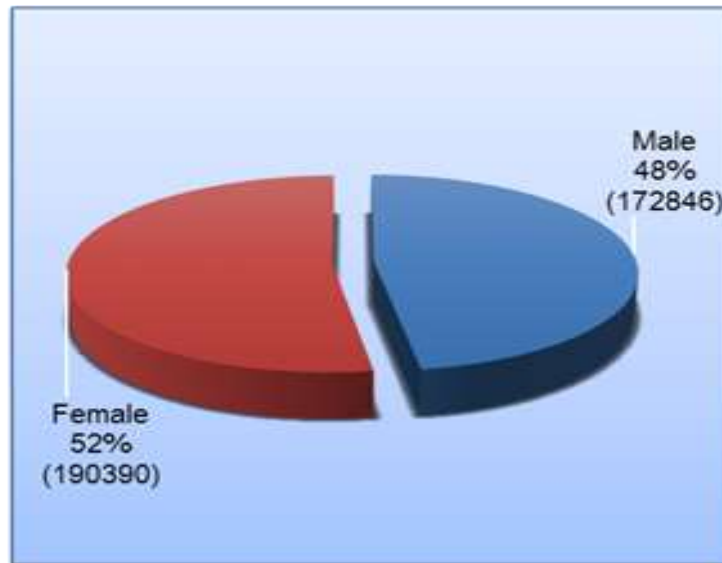


Figure 5 AGE STRUCTURE

Newcastle's population is relatively young with 46% of the total population being younger than 19 years of age, and the age group between 20- and 34-years accounting for 27% of the of the total population. Collectively the youth in Newcastle (0 – 34 years) makes up 71% of the total population, and this places immense pressure on the provision of educational facilities, social welfare, health services and the stimulation of the economy to provide job opportunities and economic development. Also implied by the young population is that there is still a relatively high dependency ratio. The emigration of the youth and economically active population implies an increasing need for both recreational and educational facilities (i.e., shopping malls and institutes of higher learning) locally, and places more pressure on the need for employment opportunities.

### **Gender Distribution.**



**Figure 6 GENDER DISTRIBUTION**

Regarding gender distribution within the Newcastle municipal area, 52% of the total population is female while males account for the remaining 48%. This observed trend in gender distribution conforms to the National norm. Due to such, there is a need for programmes specifically targeted towards gender equity. In response to this, Newcastle Municipality has prioritized gender issues as part of its Special Programmes. It is imperative that specific projects and programmes aligned to the National Program should be developed and rolled out in line with the municipal program of action.

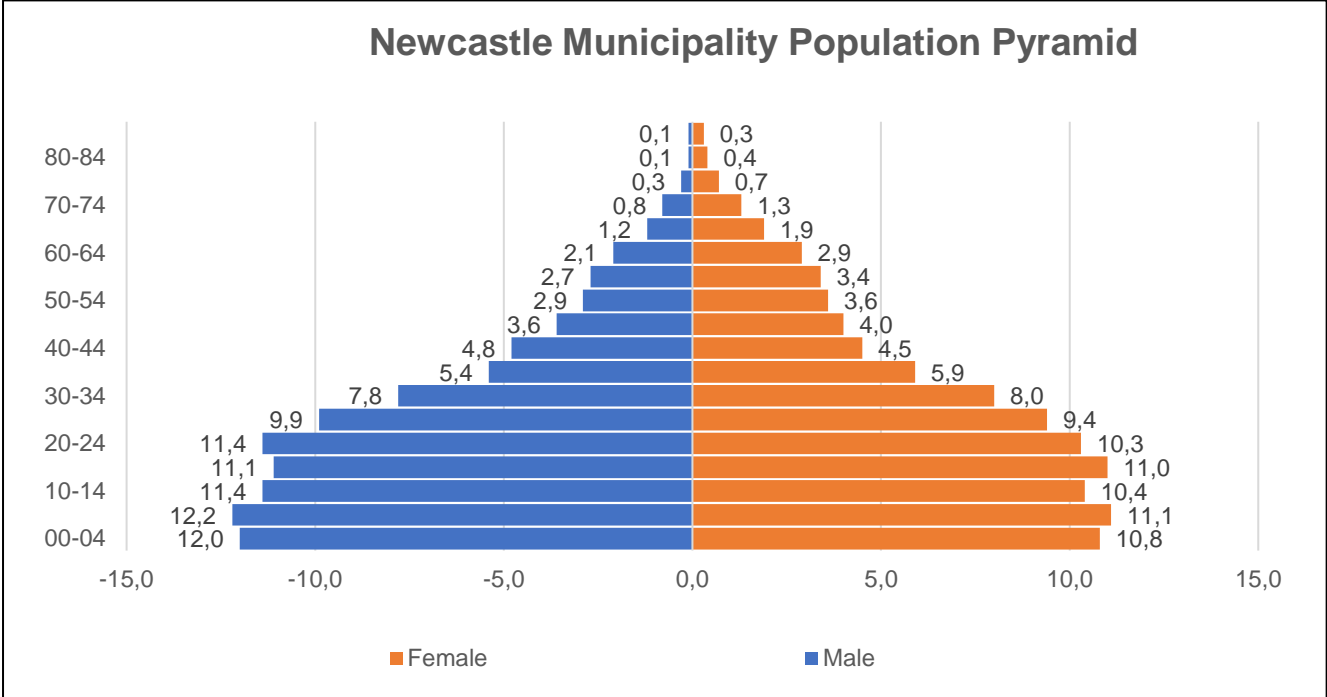
### **HIV/Aids**

The HIV and AIDS pandemic has had a profound impact on both the quality of life of communities and families and on the economy. Several initiatives have been implemented through the National Department of Health to combat the current epidemic; however major challenges remain. The number of AIDS related deaths is estimated to increase at an average annual growth rate of 8.7% per Annum. This highlights the severity of the current situation and the need for interventions that target and attempt to address these HIV/AIDS challenges.

Newcastle Municipality has established an HIV AIDS Forum in Osizweni, Madadeni, Blawbosch, Charlestown and the Inner-City zones. The chairperson of the Local HIV/Aids Council was the Mayor of Newcastle. The Forum has monthly meetings in all zones and annually hosts the Worlds Aids Campaign.



DEMOGRAPHICS AND SOCIO-ECONOMIC CHARACTERISTICS OF THE MUNICIPALITY



	Male	Female	Grand Total
00-04	22386	21889	44275
05-09	22776	22613	45389
10-14	21144	21056	42200
15-19	20748	22319	43067
20-24	21193	20818	42011
25-29	18498	19013	37511
30-34	14607	16298	30905
35-39	10130	12038	22168
40-44	8882	9205	18087
45-49	6795	8150	14944
50-54	5379	7384	12763
55-59	4945	6879	11824
60-64	3981	5796	9777
65-69	2277	3889	6166
70-74	1490	2720	4210
75-79	619	1519	2138
80-84	212	747	959
85+	184	538	722
Grand Total	186246	202871	389117

## 1.5 SERVICE DELIVERY OVERVIEW

Newcastle Municipality increased the number of households with access to water by 214 households during the 2020/2021 financial year. The total number of formal households with access to water is currently 50701. Newcastle Municipality installed 958 new VIP toilets for residents in Newcastle East and provided a further 214 new households with access to sanitation through Housing program. The total number of formal households with access to sanitation as at the end of June 2021 are 51659. There were no new households were connected to electricity for the 2020/2021 financial year. The energising of houses was not completed due to defects identified in the Normandien and Blauwbosch electrification projects. The municipality has already developed a rural electrification recovery plan to ensure that the planned households will be connected during the 2021/2022 financial year. The Municipality built a total of 214 new houses for the community and transferred 111 title-deeds to the community. Newcastle Municipality supplies residents with water by purchasing water from the municipal entity, Uthukela Water. Uthukela Water provided the municipality with a total of uninterrupted water supply for the 2020/2021 financial year. Newcastle Municipality provided free basic water, sanitation, refuse removal and electricity to 8287 households through the Indigent Policy.

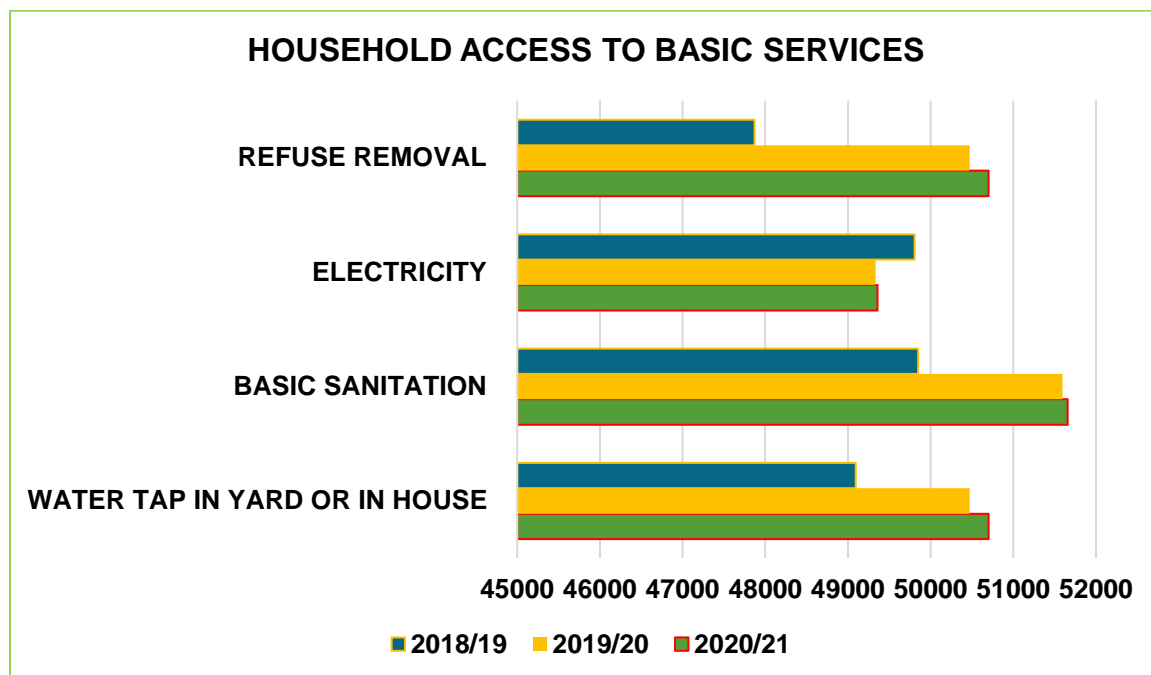


Figure 7 BASIC SERVICES TO FORMAL HOUSEHOLDS IN NEWCASTLE

**Table 3 CHALLENGES AND RECOMMENDATIONS FOR SERVICE DELIVERY**

DEVELOPMENT CHALLENGES	RECOMMENDATION
<p>There are huge backlogs in the delivery of basic services (electricity, water, sanitation) within the Newcastle-East area (Johnstown, Blauwbosch and Cavan), Madadeni and Osizweni townships as well as the surrounding rural settlements located within the *vicinity of the Ubuhlebomzinyathi area.</p>	<ul style="list-style-type: none"> <li>- Improved roll-out of projects towards basic service delivery particularly within the Madadeni, Osizweni and the JBC area including the surrounding rural settlements.</li> <li>- To develop a Comprehensive Infrastructure Master Plan.</li> <li>- Construction of a new raw water source in order to improve access to potable water.</li> <li>- Upgrade Wastewater Collection and Treatment Facilities.</li> </ul>
<p>Challenges with the maintenance and development of basic road and storm-water infrastructure particularly within the Newcastle-East area.</p>	<ul style="list-style-type: none"> <li>- Roads and Stormwater Master Plan.</li> <li>- Improved roll-out of capital program towards basic road infrastructure particular within the Newcastle-East area.</li> </ul>
<p>Poor condition of public facilities and a general lack of the required tools and equipment for effective delivery of the related services. i.e. schools, clinics, community halls, early childhood education centres, the library etc.</p>	<ul style="list-style-type: none"> <li>- Improve access to public facilities through refurbishment of the related infrastructure.</li> <li>- Introduction of new technology in order to improve access i.e. outdoor gym equipment, ICT systems within libraries etc.</li> </ul>
<p>A huge housing backlog due to a large number of people in Newcastle residing in informal settlements, backyard shacks and poorly developed traditional housing structures.</p>	<ul style="list-style-type: none"> <li>- Improved roll-out of the housing program in order to meet the housing demand.</li> <li>- Introduction of Community Residential Units (CRUs).</li> <li>- Provision of affordable housing opportunities for middle income to address the gap in the market.</li> <li>- Servicing of sites for people to build their own homes.</li> </ul>

## 1.6 FINANCIAL HEALTH OVERVIEW

DEVELOPMENT CHALLENGES	RECOMMENDATION
Inadequate revenue collection systems within the municipality.	<ul style="list-style-type: none"><li>- Introduction of new technology towards improving revenue collection .i.e. water smart meters, prepaid electricity.</li><li>- Strategic support and assistance to industry.</li></ul>
Low recovery of amounts owed for rendering of municipal services from consumer debtors.	<ul style="list-style-type: none"><li>- Outstanding accounts with no queries to be forwarded to the respective consumers for making the necessary payment arrangements.</li><li>- Indigent verification.</li><li>- Capacitation of staff and field workers.</li></ul>
Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts.	<ul style="list-style-type: none"><li>- Appointment of field workers.</li><li>- Investigate the possible use of a service provider for meter reading as compared to performing the function in-house.</li></ul>
Lack of advice to Council on revenue enhancement mechanisms.	<ul style="list-style-type: none"><li>- Updated financial plan.</li><li>- Capacity building towards revenue enhancement and the related mechanisms.</li></ul>

## 1.7 AUDITOR GENERAL REPORT FOR THE 2020'21 FINANCIAL YEAR

FINANCIAL YEAR	AUDITOR GENERAL OPINION
2020/2021	Unqualified with findings
2019/2020	Unqualified with findings
2018/2019	Unqualified with Findings
2017/2018	Unqualified with Findings

### STRATEGIES TO ADDRESS AUDIT ISSUES

- Budget funding plan – deficit eliminated by Financial Year 2023/2024
- Cost containment measures
- Strategy to curb unauthorized, irregular, wasteful and fruitless expenditure

- ▶ Debt collection - service provider appointed to collect old debts
- ▶ WCDM Plan – to reduce water losses
- ▶ Restructuring and additional reviews

## 1.8 STATUTORY ANNUAL REPORT PROCESS

The Statutory Annual Report process for 2020/21 is aligned to the National Treasury Municipal Finance Management Act 56, of 2003, Circular 32

**Table 4 STATUTORY ANNUAL REPORT PROCESS**

<b>PRESCRIBED DATES</b>	<b>ACTIONS</b>	<b>MFMA (MSA)</b>	<b>RESPONSIBILITY OF</b>
31 August	Submit municipality's AFS to Auditor-General	S126(1)(a)	Municipal Manager
31 August	Submit municipal entity AFS to parent municipality and to Auditor-General	S126(2)	Municipal Entity Accounting Officer
30 September	Submit consolidated AFS to Auditor-General (municipalities and entities)	S126(1)(b)	Municipal Manager
31 October and quarterly thereafter	Auditor-General submits to Parliament and the provincial legislature names of any municipalities, which have failed or continue to fail to submit AFS.	S133(2)	Auditor-General
Within three months of receiving AFS (30 November or 31 December)	Audit report returned to Municipal Manager	S126(3)	Auditor-General
On receipt of audit report	Municipality must address any issues raised by the Auditor-General and prepare action plans to address issues and include these in annual report.  Provide copy of report to Audit Committee.	S131(1)	Municipal Manager. Mayor must ensure compliance by municipality
31 December	Entity submits annual report to Municipal Manager	S127(1)	Municipal Entity Accounting Officer

<b>PRESCRIBED DATES</b>	<b>ACTIONS</b>	<b>MFMA (MSA)</b>	<b>RESPONSIBILITY OF</b>
31 January	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor
Immediately after annual report is tabled	Annual report made public and local community invited to submit representations	S127(5)(a) (MSA) - S21A and B	Municipal Manager
Immediately after annual report is tabled	Annual report submitted to Auditor-General, relevant provincial treasury and provincial department responsible for local government in the province.	S127(5)(b)	Municipal Manager
When meetings held to discuss the annual report	Attend meetings to respond to questions concerning the report	S129(2)(a)	Accounting Officer of municipality and entity
Following meetings to discuss the annual report	Submit copies of minutes of the meetings to the Auditor-General, provincial treasury and provincial department responsible for local government	S129(2)(b)	Accounting Officer of municipality and entity
Within two months of report being tabled (31 March)	Council to have considered the annual report and adopted an oversight report	S129(1)	Council
Within seven days of adoption of oversight report	Make public the oversight report	S129(3) S21A-MSA	Accounting Officer
Within seven days of adoption of oversight report	Submit to the provincial legislature, the annual report of municipality and entities and the oversight reports on those annual reports.	S132(1) & (2)	Accounting Officer
As necessary	Monitor compliance with submission of reports to provincial legislature	S132(3)	MEC for local government in the province



<b>PRESCRIBED DATES</b>	<b>ACTIONS</b>	<b>MFMA (MSA)</b>	<b>RESPONSIBILITY OF</b>
Within 60 days of receiving annual reports	Report to provincial legislature any omissions by municipalities in addressing issues raised by the Auditor-General.	S131(2)	MEC for local government in the province
Annually	Report to Parliament on actions taken by MEC's for local government to address issues raised by Auditor-General on municipal and entity AFS	S134	Cabinet member responsible for local government

## 2. CHAPTER 2 GOVERNANCE

### INTRODUCTION

Newcastle Municipality is a developmental local government structure that is committed to working with its citizens and organised interest groups to find sustainable ways to meet their social, economic and material needs in order to improve the quality of their lives. This assertion complements the right of communities to participate in the decisions that affect development in their respective areas, and a corresponding duty on the municipality to encourage community participation in matters of local governance. The Municipality achieves this goal mainly through Ward Committee structures and a variety of other measures designed to foster open, transparent and consultative municipal governance.

To a certain degree, the functionality and effectiveness of the ward committees remains a challenge. Some of these are not unique to Newcastle Municipality as they relate to the design of the ward committee system as well as the procedures for their operation, report back mechanism from the municipality, including the payment of out-of-pocket expenses. As such, they are systemic in nature and should be addressed as part of government programmes to deepen democracy. Synergistic relations should also be strengthened with the business community, farmers associations, organised labour and other stakeholders

### 2.1. COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The Constitution section 151 (3) states that the council of a municipality has the right to govern on its own initiative, the local government affairs of the local community. The Local Government Municipal Systems Act section 53 to 56 stipulates roles and responsibilities of political structures, political office bearers and the Municipal Manager, as well as the appointment of Municipal Manager and Managers accountable directly to Municipal Managers.

## 2.2. POLITICAL GOVERNANCE

### 2.3 POLITICAL GOVERNANCE

The Newcastle Municipality is a Category B Municipality as determined by the Demarcation Board in terms of Section 4 of the Municipal Structures Act, 1998.

The Local Government Municipal Finance Management Act 56 of 2000, Section 52 (a) states, the mayor must provide general political guidance over the fiscal and financial affairs of the municipality. The municipality functions under the Collective Executive system, consisting of 9 members. The mayor is elected from the Executive Committee. The Council has five Portfolio Standing Committees, with members of the Executive Committee serving as Chairpersons and Deputy Chairpersons.

There is an Audit Committee that provides opinions and recommendations on financial processes and performance and provides comments to the Oversight Committee on the Annual Report. There is also a Municipal Public Accounts Committee (MPAC) which is an Oversight Committee comprised of 12 non-executive councillors, with the specific purpose of providing the Council with comments and recommendations on the Annual Report.

---

#### THE STATUTORY FUNCTIONS OF THE EXECUTIVE COMMITTEE ARE AS FOLLOWS: -

- a) Reviews the performance of the municipality to improve:
  - i) The economy, efficiency, and effectiveness of the municipality.
  - ii) The efficiency of credit control and revenue and debt collection services; and
  - iii) The implementation of the municipalities by laws
- b) Monitors the management of the municipality's administration in accordance with the policy directions of the municipal council (output monitoring).
- c) oversees the provision of services to communities in the municipality in a sustainable manner.
- d) Reports on the involvement of communities and community organizations in the affairs of the municipality.
- e) Considers recommendations on the alignment of the IDP and the budget received from the relevant councillors.

f) Ensures that regard is given to public views and reports on the effect of consultation on the decisions of the council

g) Makes recommendations to council regarding:

i) The adoption of the estimates of revenue and expenditure, as well as capital budgets and other imposition of rates and other taxes, levies, and duties.

ii) The passing of by-laws; and policies

iii) The raising of loans

iv) Approval or amendment of IDP

v) Appointment and conditions of services of Municipal Manager and heads of departments

h) Deals with any other matters referred to it by council and submits recommendations thereon for consideration by council.

i) Attends to and deals with all matters delegated to it by council in terms of the Systems Act.

j) appoints a chairperson/s from the members of the Executive Committee, for any committee established by council in terms of section 80 of the Structures Act to assist the Executive Committee.

k) Delegates to any powers and duties of the Executive Committee to any Section 80 committee.

l) Varies or revokes any decisions taken by section 80 committee subject to vested rights.

m) Develop strategies, programmes, and services to address priority needs of the municipality through the IDP and estimates of revenue and expenditure, taking into account any applicable national and provincial plans and submits a report to, and recommendations thereon, to the council.

n) Subject to applicable legislation, recommends or determines the best methods, including partnerships and other approaches to deliver services, programmes, and projects to the maximum benefit of the community.

o) Identifies and develop criteria in terms of which progress in the implementation of services, programmes, and objectives to address the priority needs of the municipality can be evaluated, which includes key performance indicators which are specific to the municipality and common to local government in general.

p) Manages the development of the performance management system, assigns responsibilities in this regard to the Municipal Manger and submit the proposed performance management system to council for consideration.

q) Monitors progress against the said key performance indicators

r) Receives and considers reports from committees in accordance with the directives as stipulated by the executive Committee.

s) Elects a chairperson to preside at meetings if both the Mayor and Deputy Mayor are absent from a meeting in the event of there being a quorum present at such a meeting if the mayor failed to designate a member of executive Committee (EXCO) in writing to act as Mayor.

t) Considers appeals from a person whose rights are affected by decision of the municipal manager in terms of delegated powers, provided that the decision reached by this committee may not retract any rights that may have accrued because of the original decision.

u) Reports, in writing, to the municipal council on all decisions taken by EXCO at the next ordinary council meeting.

Portfolio committees are established in terms Section 80 of The Local Government Municipal Structures Act no 117 of 1998. The portfolio committees are aligned to the macro structure of the municipality as follows:

- Portfolio Standing Committee: Budget and Treasury Office
- Portfolio Standing Committee: Community Services
- Portfolio Standing Committee: Corporate Services
- Portfolio Standing Committee: Development Planning and Human Settlements
- Portfolio Standing Committee: Technical Services

#### **EXECUTIVE COMMITTEE FOR NEWCASTLE MUNICIPALITY**



Councillor Dr	N	N	G	Mahlaba
Councillor	E	J	C	Cronje





Councillor	R	M	Molelekoa
Councillor	S	E	Shabangu
Councillor	M		Shunmugam
Councillor	V	V	Bam
Councillor	S	B	Buthelezi
Councillor	R	N	Mdluli
Councillor	T	M	Nzuza

*\*Refer to the pictures below.*






## 2.4 COUNCILORS


The Council consists of 67 councillors of which 10 are full-time councillors. Of the 67 councillors, 34 are ward elected councillors with the remaining 33 elected as proportional representation councillors. Refer to table below with a full list of Councillors including committee allocations and attendance at council meetings. Refer to Appendix A which sets out committees and committee purposes.




Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
IFP  8/2016	PR	<b>Corporate Services</b>  <b>Deputy Chairperson</b>	E X C O	<b>BAM (MS)</b> 	Vuselwa Veronica
VFP  8/201	PR	<b>Finance</b>		<b>BOSMAN</b> 	Lourens Lemmer




Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
AZAPO  8/2016	PR	Finance		BUHALI  	Mduduzi Victor
EFF  3/2017	PR	Community Services		BUTHELEZI (MS)  	Sombu Bellinah
DA  8/2016	2	Community Services  Deputy Chairperson	E  X  C  O	CRONJE (Ms)  	Elizabeth Johanna  Cecelia
ANC  8/2016	31	Corporate Services		DANISA  	Thembinkosi Johan Christopher







Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC  8/2016	1	Corporate Services		DLADLA 	Xolani Nkosinathi Mike
ANC  8/2016	26	MPAC  Chairperson		DLAMINI 	Bongumusa Schriener
EFF  6/2019	PR	MPAC		DLAMINI 	Thembinkosi Nkosinathi
IFP  8/2016	PR	Technical Services		DUBE 	David Xolni
ANC	PR	Corporate Services		DUKASHE (Ms) 	Nokuthula Possia





Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
9/2019					
ANC  8/2016	32	Development and Planning		<b>GAMA (Ms)</b>  	Fikile Phamela
EFF  8/2016	PR	Corporate Services		<b>HADEBE (Ms)</b>  	Victoria Fikile
ANC  8/2016	28	Community Services		<b>KHOZA</b>  	Ally
ANC  8/2016	7	Technical Services		<b>KHUMALO (MS)</b>  	Bawinile Vierah




Political Party	WARD	Portfolio Standing Committee	EXCO	SURNAME	NAME
ANC  4/2019	PR	Finance		KHUMALO (MS)  	Phindile Joyce
ANC  8/2016	8	Technical Services		KUBEKA  	Vukile Derick
IFP  8/2016	PR	Development and Planning		LIU  	Chuan-Yi

Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
ANC	PR	<b>Finance</b> Chairperson	E X C O	MAHLABA  <b>MAYOR</b>  	Nkululeko Ntuthuko Godfrey
ANC	11	<b>Technical Services</b>		MAJOZI (MS)  	Nokuthula Kheslina
IFP	PR	<b>Corporate Services</b>		MALINGA (MS)  	Fikile Angel





Political Party	W A R D	Portfolio Standing Committee	E X C O	SURNAME	NAME
DA  8/2016	PR	<b>Technical Services</b>		<b>MBULI</b> 	Albert Mfana
ANC  8/2016	13	<b>Corporate Services</b>  <b>Chairperson</b>	E X C O	<b>MDLULI (MS)</b> 	Racheal Ncini
DA  8/2016	4	<b>MPAC</b>		<b>MEIRI</b> 	Albertus Pieter







ANC  8/2016	19	<b>MPAC</b>		<b>MIYA (MS)</b> 	Simphiwe Goodness
-------------------	----	-------------	--	--	-------------------



ANC	30	Finance		<b>MKHWANAZI (MS)</b> 	Happiness Nosiphiwo
8/2016					
ANC	34	Finance		<b>MKHWANAZI (MS)</b> 	Thabisile Princess
8/2016					
IFP	PR	MPAC		<b>MLANGENI</b> 	Mkhulu Samuel
8/2016					
ANC	22	Development and Planning		<b>MNGOMEZULU</b> 	Sizwe William
3/2019					

ANC	18	Technical Services		MNGUNI (MS)  CHIEF WHIP	Nomusa Grace
DA	PR	Development and Planning		MOKOENA 	Andrew Sizwe
ANC	21	Development and Planning		MOLEFE (MS) 	Mildred Vangile
ANC	12	Technical Services Chairperson	E X C O	MOLELEKOA DEPUTY MAYOR 	Reuben Moses
PRM	PR	Technical Services		MSEZANE (Ms)	Xoli Membry












ANC	29	<b>Development and Planning</b>		<b>MTHEMBU (MS)</b>  	Mirriam Vangile
8/2016					
Indep	23	<b>Corporate Services</b>		<b>MWALI</b>  	Prince Blessing
5/2017					
ANC	PR	<b>Development and Planning</b>		<b>MZIMA (MS)</b>  	Vuyiswa Persinia
8/2016					
ANC	15	<b>Community Services</b>		<b>NDABA</b>  	Thobani Mphumuzi
8/2016					


IFP 8/2016	PR	Community Services		NDIMA 	Reginald Bhekumndeni
ANC 8/2016	27	Development and Planning		NDLANGAMANDLA 	Stanley Sibusiso
DA 8/2016	PR	Finance		NDLOVU 	Muziweisizwa Stanley
EFF 8/2016	PR	Development and Planning		NDLOVU (MS) 	Pertunia Fundiswa
ANC 8/2016	25	Finance		NGCOBO 	Mqapheleni Epharaim
ANC	9	MPAC		NGEMA 	Bhekuyise Cyril






8/2016					
ANC	PR	Community Services		<b>NGEMA (MS)</b> 	Dudu Renete
8/2016					
ANC	16	MPAC		<b>NGWENYA</b> 	David
8/2016					

IFP	PR	Development and Planning		<b>NHLAPHO (Ms)</b> 	Christine Lahliwe
8/2016					
ANC	10	Technical Services		<b>NHLAPHO</b> 	S'khumbuzo Julius
8/2016					


DA  8/2016	PR	<b>Corporate Services</b>		<b>NKWANAZI</b> 	Jacob Bongani
IFP  8/2016	PR	<b>Finance</b>	E X C O	<b>NZUZA</b> 	Thamsanqa Maxwell
ANC  8/2016	24	<b>Community Services</b>  Chairperson	E X C O	<b>SHABANGU</b> 	Skhumbuzo Emmanuel
ANC  8/2016	3	<b>Development and Planning</b>  Chairperson	E X C O	<b>SHUNMUGAM</b> 	Matthew
ANC  8/2016	17	<b>MPAC</b>		<b>SIBILWANE (MS)</b> 	Deanah Maria

ANC	20	<b>MPAC</b>		<b>SIKHOSANE (MS)</b> 	Lamlile Truelove
8/2016					
ANC	PR	<b>Corporate Services</b>		<b>SITHOLE (MS)</b> 	Jabulile Sarah
9/2019					
ANC	33	<b>Community Services</b>		<b>THWALA</b> 	Greaterman Mbongiseni Bhekithemba
8/2016					
ANC	5	<b>MPAC</b>		<b>THWALA (MS)</b> 	Lindiwe Goodness
8/2016					

EEF  8/2016	PR	<b>Technical Services</b>  Deputy Chairperson	E X C O	THWALA  	Shedrack Musanwenkosi
IFP  8/2016	PR	<b>Finance</b>		VORSTER  	(Dr)  Jacobus Adriaan
ANC  8/2016	PR			YENDE (Ms)  <b>SPEAKER</b>  	Samukelisiwe Anette
ANC  8/2016	14	<b>Corporate Services</b>		ZIKHALI  	Mandla Flep
ANC  10/2018	PR	<b>MPAC</b>		ZONDO  	Vuyani Gift

IFP  8/2016	PR	Community Services		ZULU (Ms) 	Nanazi Saraphina
RLP  8/2016	PR	Community Services		ZULU 	Simbini Joseph
ANC  12/2016	6	Finance		ZULU 	Siphosakhe Zithulele
IFP  8/2016	PR	MPAC		ZULU 	Thengi Moses
ANC  8/2016	PR	Community Services		ZWANE 	Nkosinathi Aubrey
		Traditional Leader		KUBHEKA	Cosmos Sowela



		<b>Traditional Leader</b>		<b>RADEBE</b>	Balungile Salgracia
		<b>Traditional Leader</b>		<b>KHUMALO</b> 	Bantu David

## POLITICAL DECISION-MAKING

To maximise administrative and operational efficiency, all powers subject to section 32 of the Local Government: Municipal Structures Act 1998, not otherwise delegated, have been delegated to the Executive Committee excluding the following: -

- Approval of an Integrated Development Plan
- Passing of by-laws
- Approval of budgets
- Imposition of rates and other taxes, levies, and duties
- Raising of loans

Portfolio committees are established in terms of S80 of Structure Act. The portfolio committees are aligned to the macro structure of the municipality as follows:

- Portfolio Standing Committee: Budget and Treasury Office
- Portfolio Standing Committee: Community Services
- Portfolio Standing Committee: Corporate Services
- Portfolio Standing Committee: Development Planning and Human Settlements
- Portfolio Standing Committee: Technical Services

---

## 2.5 ADMINISTRATIVE GOVERNANCE

The Local Government Municipal Finance Management Act 56 of 2000, Section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance 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. Newcastle Municipality consists of six departments, each department is headed by a Strategic Executive Directors (SED) and each SED reports directly to the Acting Municipal Manager. Newcastle Municipality has an in-house Internal Audit Unit that is headed by the Chief Audit Executive, that reports to the Municipal Manager and the Audit Committee Chairperson, The Chief Audit Executive, and all Strategic Executive Directors (SED's) are Section 57 employees, and the Accounting Officer is a Section 56 Employee. The Accounting Officer of Newcastle Municipality reports to the Mayor of Newcastle. The Administrative Structure and Political Structure of Newcastle Municipality work together however the administrative structure is under the responsibility and control of the Municipal Manager, the two structures do not interfere with their respective functions.

The six departments at Newcastle Municipality are:

- Office of The Municipal Manager
- The Budget and Treasury Office
- Community Services Department
- Corporate Services Department
- Development Planning and Human Settlements
- Technical Services



All Section 57 Employees report directly to the Municipal Manager/Accounting Officer. In terms of Section 79 of The Local Government Municipal Finance Management Act 56 of 2003 the Municipal Manager delegates responsibilities to the Section 57 Employees to maximize administrative and operational efficiency and provide adequate checks and balances in the municipality's financial administration. The municipality has an Internal Audit Unit, Communications Unit and Executive Support Unit that is managed directly by the Municipal Manager

	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Council meetings	6	10	10	8	11
Special Council meetings	7	5	11	6	7
Executive Committee meetings	9	11	10	9	11
Special Exco meetings	21	23	22	22	22
N°. of reports considered by Exco	301	339	290	234	273
N°. of resolutions formulated	243	252	200	70	175
N°. of recommendations to Council	69	87	90	164	98

## ANALYSIS OF MEETINGS

### 2.6 COMPONENT B: INTERGOVERNMENTAL RELATIONS

#### 2.7 INTERGOVERNMENTAL RELATIONS

It is critical to note that ward committees are the members of the war room. There are three structures in Operation Sukuma Sakhe (OSS) namely:

- ✓ War room (Ward Councillor is the Champion, the chairperson is elected)
- ✓ Local Task Team (The Local Mayor is the Champion; the chairperson is elected)
- ✓ District Task Team (The District Mayor is the Champion; the chairperson is elected)

The DDM is a feasible Intergovernmental Relations (IGR) machinery to allow the government spheres to function collectively. This collective, will enable the government to work with stakeholders and communities in making sure that there is one plan and budgeting. Thus, increasing positive impact to the livelihoods of the people.

#### THE OBJECTIVES OF THE DISTRICT DEVELOPMENT MODEL:

- ✓ Implement a feasible intergovernmental relations machinery to collectively strategize, budget and execute. The motto is “One District, One Plan and One Budget”.
- ✓ Establish rapport between government and citizens through strengthened coordination at ward, local and district levels.
- ✓ Coordinate integrated service delivery response to tripartite challenges predominantly amongst target groups namely women, people with

disabilities, youth, children, senior citizens, people with HIV/AIDS and men.

- ✓ Reinforce monitoring and evaluation at all levels of government.
- ✓ Strengthen government capacity to strategically support municipalities.
- ✓ Ensure that there is equilibrium on interventions for rural and urban areas.
- ✓ Execute unbiased oversight over projects and budgets in an ethical manner.
- ✓ Ensure gender budget sensitivity, based on the ward need analysis.

Based on these objectives, it is clear that the DDM is crafted to improve Cooperative Governance to ensure a Developmental State. It embraces the shift from compliance to impact-oriented zone. This will enforce professional ethics as enshrined in Section 195 of the South African Constitution, Act 106 of 1996.

## **THE INSTITUTIONALISATION OF THE DISTRICT DEVELOPMENT MODEL**

The Political Hub is championed by the Mayor, whereas the Technical Hub is led by the Municipal Manager. There are four clusters namely Social, Governance, Justice and Economic.

Each municipality in the District is responsible for a different cluster as follows:

- ✓ Newcastle Municipality : Social Cluster
- ✓ Emalangen Local Municipality : Governance Cluster
- ✓ Dannhauser Local Municipality : Justice Cluster
- ✓ Amajuba District Municipality : Economic Cluster

## **COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION**

The Local Government Municipal Systems Act 32 of 2003, Section 17 (2): requires a municipality to establish and organise its administration to facilitate a culture of accountability amongst its staff. Section 16 (1): states that a municipality must develop a system of municipal governance that compliments formal representative governance with a system of participatory governance. Section 18 (a) - (d): requires a municipality to supply its community with information concerning municipal governance, management, and development.

Newcastle municipality has established a Municipal Public Accounts Committee (MPAC) to oversee the expenditure and accountability for public funds entrusted to the municipality. The 12 members of MPAC are as follows:

- |   |            |   |     |         |             |
|---|------------|---|-----|---------|-------------|
| 1 | Councillor | : | B S | Dlamini | Chairperson |
| 2 | Councillor | : | T N | Dlamini |             |
| 3 | Councillor | : | A P | Meiring |             |

4	Councillor	:	S	G	Miya
5	Councillor	:	M	S	Mlangeni
6	Councillor	:	B	C	Ngema
7	Councillor	:	D		Ngwenya
8	Councillor	:	D	M	Sibilwane
9	Councillor	:	L	T	Sikhosane
10	Councillor	:	L	G	Thwala
11	Councillor	:	V	G	Zondo
12	Councillor	:	T	M	Zulu

---

## 2.8 PUBLIC MEETING

Newcastle Municipality has established ward committees for each ward within the jurisdiction of Newcastle Municipality. The ward committee members and ward councillors represent the interests of the community and monthly ward committee meetings are convened to ensure that the needs and concerns of the community are communicated to the municipality and addressed timeously and efficiently. The ward committee structure is guided by 2 (two) policy documents, namely: Ward Committee Establishment and Operational Policy and the Ward Committee Operational Plan.

There are ten (10) ward members per ward with a ward Councillor as the 11th member and leader of the structure. Each ward committee selects a secretary to assist the committee with admin who also gets to sit on the Secretaries Forum monthly, for the purpose of receiving administrative support with public participation. Furthermore, the rest of the ward members are part of numerous Portfolio Committees namely, Infrastructure and Services, Local Economic Development and Social Development. This serves to assist the ward members with interacting with relevant departments on service delivery issues.

Chapter 5, Section 25 (1) of The Local Government Municipal Systems Act No. 32 of 2000 indicates that: *“Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, all-inclusive and strategic plan for the development of the municipality which: -*

- a) *Links integrates and coordinates plans and considers proposals for the development of the municipality.*

- b) *Aligns the resources and capacity of the municipality with the implementation of the plan.*
- c) *Complies with the provisions of this Chapter; and*
- d) *Is compatible with national and provincial development plans and planning requirements binding on the municipality in terms of legislation.”*

The IDP informs the budget and Service Delivery Budget Implementation Plans (SDBIP's). The IDP is informed by the community's needs and infrastructure demands and refurbishment. The Mayor Newcastle Municipality consults each ward for input and comments on the IDP, budget and Performance Management Reporting. In addition to the above the other functional public participation structures of the municipality are:

- IDP Representative Forum
- Planning Co-ordination committee
- AFLED and Sub-structure (Agriculture, Tourism, Industry)
- ICT Co-ordination Forum
- GIS Co-ordination Forum
- District wide Sector Plans
- Traditional Leaders
- Landowners – JBC Steering Committee
- Ward Committee Structures - 34 wards
- Transport Forum
- Civic Structures
- District Public Participation Forum

---

#### WARD COMMITTEES

The key purpose of Ward Committees is to be a formal communication channel between the community and the council, they serve as the communication for the entire ward and giving the community a channel to lodge their complaints. The major issues that the ward committee system has dealt with during the year assisting internal and external departments with services delivery during this pandemic period.



## WARD COMMITTEE MEETINGS FOR 2020/21

Table 5 PUBLIC MEETINGS

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
1	Cllr. X.N. Dladla	Public meeting	1	3	300	Water, electricity, Road, RDP house, toilets, infrastructure, service delivery.
2	Cllr. E.J. Cronje	Public meeting	1	1	20	Indigents, service delivery, rates
3	Cllr. M. Shunmugam	Public meeting	1	2	60	Indigents, service delivery, rates
4	Cllr. A.P. Meiring	Public meeting	1	1	16	Indigents, service delivery, rates
5	Cllr. L.G. Thwala	Public meeting	1	3	120	Water, electricity, Road, RDP house, toilets, service delivery, crime.

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
6	Cllr. S.Z. Zulu	Public meeting	1	3	300	Water, electricity, Road, RDP house, toilets, service delivery.
7	Cllr. B.V. Khumalo	Public meeting	1	3	180	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
8	Cllr. V.D. Kubheka	Public meeting	1	3	220	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
9	Cllr. B.C. Ngema	Public meeting	1	3	300	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
10	Cllr. S.J. Nhlapho	Public meeting	1	3	250	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
11	Cllr. N.K. Majozi	Public meeting	1	3	250	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
12	Cllr. R.M. Molelekoa	Public meeting	1	3	260	Water, electricity, Road, RDP house, toilets, service delivery, crime.
13	Cllr. R.N. Mdluli	Public meeting	1	3	180	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
14	Cllr. M.F. Zikhali	Public meeting	1	3	200	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
15	Cllr. T.M. Ndaba	Public meeting	1	3	230	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
16	Cllr. D. Ngwenya	Public meeting	1	3	160	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
17	Cllr. D.M. Sibiloane	Public meeting	1	3	190	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
18	Cllr. N.G. Mnguni	Public meeting	1	3	200	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
19	Cllr. S.G. Miya	Public meeting	1	3	200	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
20	Cllr. L.T. Sikhosane	Public meeting	1	3	300	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
21	Cllr. M.V. Molefe	Public meeting	1	3	200	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
22	Cllr. S.W. Mngomezulu	Public meeting	1	3	240	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
23	Cllr. P.B. Mwali	Public meeting	1	3	250	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
24	Cllr. S.E. Shabangu	Public meeting	1	3	280	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
25	Cllr. M.E. Ngcobo	Public meeting	1	3	120	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
26	Cllr. B.S. Dlamini	Public meeting	1	3	250	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
27	Cllr. S.S. Ndlangamandla	Public meeting	1	3	220	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
28	Cllr. A. Khoza	Public meeting	1	3	280	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
29	Cllr. M.V. Mthembu	Public meeting	1	3	260	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.



Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
30	Cllr. H.N. Mkhwanazi	Public meeting	1	3	300	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
31	Cllr. T.J.C. Danisa	Public meeting	1	3	260	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.
32	Cllr. F.P. Gama	Public meeting	1	3	280	Water, electricity, Road, RDP house, toilets, service delivery, crime.
33	Cllr. G.M.B. Thwala	Public meeting	1	3	220	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.

Ward No.	Ward Councilors	Nature and purpose of meeting	Number of Participating Municipal Councilors	Number of Participating Municipal Administrators	Number of Community members attending	Issue addressed (Yes/No)
34	Cllr. T.P. Mkhwanazi	Public meeting	1	3	260	Water, electricity, Road, RDP house, toilets, service delivery, crime, indigents.

## ADMINISTRATIVE SUPPORT TO THE FUNCTIONALITY OF WARD COMMITTEES

Table 6 WARD COMMITTEE SUPPORT

PROGRAMME	INTENDED OUTCOME	YEAR
<b>District Public Participation Forum (DPPF)</b>	It's part of Intergovernmental relation among the Local municipality district and COGTA aimed at discussing the Public Participation programs.	Quarterly
<b>Rapid Response meeting</b>	Is to ensure that the protest level is minimized as possible, also to address the issues that arises from the community which might lead to disruption of services.	31 August 2020 01 June 2021
<b>Provincial Public Participation Steering Committee (PPPSC)</b>	Is coordinated by CoGTA where all local municipalities throughout the KZN province meet to discuss the Public Participation matters.	23 November 2020
<b>Zonal Meetings</b>	It is a Public Participation program which aims at giving all municipality departments an opportunity to report back on their service delivery activities to 340 ward committee members.	19-22 October 2020 21-28 June 2021
<b>CoCGA verification process</b>	It is a tool that is aimed at ensuring that ward committee structure is functional and effective as per legislative requirement.	Quarterly

PROGRAMME	INTENDED OUTCOME	YEAR
<b>Ward Committee Policy Induction</b>	It's part of skills development aim at strengthening democracy as well as functionality of ward committees.	24-06 September 2020
<b>Public Participation Portfolio Committee</b>	Intended to give a specific ward committee member an opportunity to meet with the relative departments with the municipality with the aim of accelerating services delivery issues and attended to issues that has been raised by the community.	07-10 June 2021
<b>Constituency meetings</b>	Are coordinated by the office of the Speaker with the aim of consulting, involving, partnering, and informing the public on all municipality programs that relates to the service delivery.	09 June 2021
<b>Ward Committee meetings</b>	Meet on the monthly basis to discuss the ward governance matters.	Every month
<b>Secretaries Forum meetings</b>	It's a structure that meets on the monthly basis for submitting the sectoral reports as well as to obtain the relevant information and Public Participation programs.	02 October 2020 05 March 2021
<b>Annual meetings "Imbizo" Event</b>	340 ward committee members meet on an annual basis where the mayor deliver a Municipal Annual Report the ward committee structure.	26-27 November 2020

PROGRAMME	INTENDED OUTCOME	YEAR
Ward Councilors quarterly meetings	Coordinated by the Speaker with the intention to assist the ward councilors in addressing challenges that they encounter in their ward.	30 October 2020 09 April 2021

## 2.9 IDP PARTICIPATION AND ALIGNMENT

Table 7 IDP PARTICIPATION AND ALIGNMENT CRITERIA

IDP Participation and Alignment Criteria	Yes/No
Does the municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes

IDP Participation and Alignment Criteria	Yes/No
Were the four quarter aligned reports submitted within stipulated time frames?	Yes

## COMPONENT D: CORPORATE GOVERNANCE

### 2.10 RISK MANAGEMENT

Section 62 (1) (c) (i) of The Local Government Municipal Finance Management Act 56 of 2000 assigns an extensive responsibility to the Accounting Officer/Municipal Manager to take all reasonable steps to ensure that the Municipality has and maintains effective, efficient, and transparent systems of risk management and internal controls. Risk management policy of Newcastle Municipality as approved by the council further extends responsibility to all Municipal officials to implement effective systems of risk management within their areas of responsibility. Accordingly, the Risk Management Unit is established in the Office of the Municipal Manager.

In accordance with the requirements of The Local Government Municipal FMA, the annual risk assessment was conducted during the June 2020 through intensive door-to-door departmental sessions and risk assessment workshops. The annual risk assessment covered both strategic and operational risks of the Municipality, fraud and corruption risks were also identified in both strategic and operational levels.

A detailed risk register was developed comprised of both strategic and operational risks with the top 15 risks being prioritized by management. All identified risks were grouped into specific risk categories to get a more manageable risk register with greater possibility to overview risks, followed by the rating of the risks and controls. Intervention measures were incorporated into the Risk Register through actions plans with clear time frames and assigning of responsibilities to relevant process owners and risk owners.

#### **THE TOP FIVE RISKS IDENTIFIED FOR 2020/21 WERE:**

1. Lack of Financial Viability of the municipality due to increase in debtor collection days, high percentage of debt impairment and water losses.
2. Non adoption of funded budget (budget deficit) due to cash flow problems

3. Low collection rates due to faulty and unmetered stands and areas in which services are not billed.
4. High frequency of infrastructural failure.
5. Poor economic outlook due to lack of funding and closure of the industries.

## **PURPOSE OF RISK MANAGEMENT PLAN**

The purpose of this document is to outline the enterprise risk management implementation plan.

## **OBJECTIVE OF THE RISK MANAGEMENT PLAN**

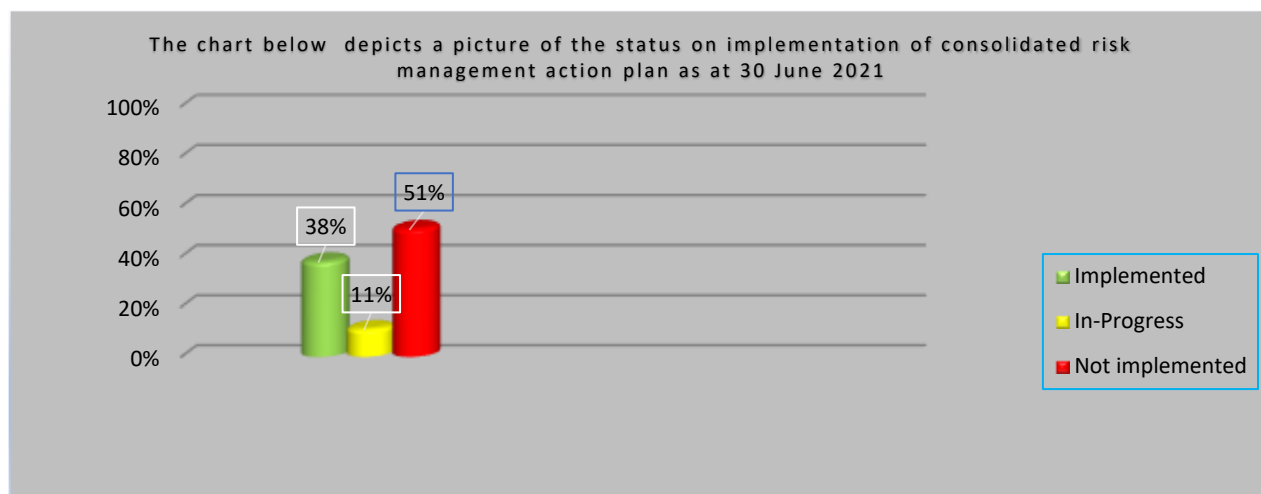
The objective of the enterprise risk management implementation plan for the Newcastle Municipality is to give effect towards the implementation of the risk management policy and strategy by setting out all risk management activities planned for the 2020/21 financial year.

## **APPROACH**

The development of the enterprise risk management implementation plan has taken into consideration:

- The enterprise risk management policy.
- The enterprise risk management strategy.
- Anti-Corruption strategy and Fraud Prevention Plan.
- Reports of the Auditor-General.
- Internal Audit reports.
- Compliance with applicable legislations.
- Available resources.
- Quick wins and sustainability.





**Figure 8 RISK MANAGEMENT PLAN**

A National State of Disaster was declared owing to the Coronavirus (COVID-19) pandemic by the President of the republic of South Africa on the 15<sup>th</sup> of March 2020 as cases of COVID-19 continued to escalate across all provinces in the country. Most of our operations and risk management plan were affected by National lockdown, particularly quarter three and four. Some activities will be done in the next financial year 2021/2022. The Internal Audit Activity was assigned by the Audit committee to provide assurance in the residual risk post implementation. Internal Audit has included the risk management in their annual plan for the following year 2021/2022.

## **2.11 FRAUD AND CORRUPTION**

### **STATEMENT OF ATTITUDE TO FRAUD**

Fraud represents a significant potential risk to the Municipality's assets and reputation. The Municipality is committed to protecting its funds and other assets. The Municipality will not tolerate corrupt or fraudulent activities whether internal or external to the organizations, and will vigorously pursue and prosecute any parties, by all legal means available that engage in such practices or attempt to do so.

### **NEWCASTLE MUNICIPALITY'S ANTI-FRAUD AND CORRUPTION STRATEGY**

The Anti-Corruption Strategy has been developed because of the expressed commitment of Government to fight corruption. The following are some of the Mechanisms in place to prevent, combat, detect and react to fraud and corruption: -

- Anti-corruption strategy and fraud prevention plan
- Fraud risk assessment,

- Fraud risk management plan,
- Supply chain Management policy
- Ethics policy

Newcastle Municipality has an established and functional Audit Committee that is independent and has added value to the organization since the appointment of the audit committee members. The Audit Committee for Newcastle Municipality has been fully functional in terms of The Local Government Municipal Systems Act 56 of 2000, Section 166 (2) 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, or the board of directors, the accounting officer, and the management staff of the municipal entity, on matters relating to—

- (i) Internal financial control and internal audits.
- (ii) Risk management.
- (iii) Accounting policies.
- (iv) The adequacy, reliability and accuracy of financial reporting and information.
- (v) Performance management.
- (vi) Effective governance.
- (vii) Compliance with this Act, the annual Division of Revenue Act, and any other applicable legislation.
- (viii) Performance evaluation; and
- (ix) Any other issues referred to it by the municipality or municipal entity.

---

## 2.12 SUPPLY CHAIN MANAGEMENT

All officials and other role players in the supply chain management system of the Newcastle Municipality must implement the Supply Chain Management Policy in a way that gives effect to – Section 217 of the Constitution of the Republic of South Africa; and Part 1 of Chapter 11 of the Local Government Municipal Finance Management Act 56 of 2003 and other applicable provisions of the Act; which require procurement to be implemented through the system which is fair, equitable, transparent, competitive and cost effective; complies with – the Regulations; and any minimum norms and standards that may be prescribed in terms of Section 168 of the Local Government Municipal Finance Management Act 56 of 2003; is consistent with other applicable legislation; does not undermine the objective for uniformity in Supply Chain Management Systems between organs of state in all spheres; and is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

The SCM Policy applies when the Newcastle Municipality procures goods or services; disposes goods no longer needed; selects contractors to aid in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or selects external mechanisms referred to in section 80 (1) (b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of Municipal Systems Act.

The Supply Chain Management Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Local Government Municipal Finance Management Act 56 of 2003, including – water from the Department of Water Affairs or a public entity, another municipality or a municipal entity, and electricity from Eskom or another public entity, another municipality, or a municipal entity.

### **AMENDMENT OF THE SUPPLY CHAIN MANAGEMENT POLICY**

The Accounting Officer must – at least annually review the implementation of the Supply Chain Management Policy; and when the accounting officer considers it necessary, submit proposals for the amendment of the Supply Chain Management Policy to the Newcastle Municipal Council.

If the accounting officer submits proposed amendments to the Newcastle Municipal Council that differs from the model policy issued by the National Treasury, the accounting officer must ensure that such proposed amendments comply with the Regulations; and report any deviation from the model policy to the National Treasury and the KwaZulu-Natal Provincial Treasury.

### **DELEGATION OF SUPPLY CHAIN MANAGEMENT POWERS AND DUTIES**

The Newcastle Municipal Council hereby delegates all powers and duties to the Accounting Officer which are necessary to enable the Accounting Officer – to discharge the Supply Chain Management responsibilities conferred on Accounting Officers in terms of – Chapter 8 or 10 of the Act; and this Policy designed; to maximize administrative and operational efficiency in the implementation of this Policy; to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism, unfair and irregular practices in the implementation of this Policy; and to comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.

Sections 79 and 106 of the Local Government Municipal Management Act apply to the sub-delegation of powers and duties delegated to an Accounting Officer in terms of subparagraph (a)

(i). The Accounting Officer may not sub-delegate any Supply Chain Management powers or duties to a person who is not an official of the Newcastle Municipality or to a committee which is not exclusively composed of officials of the Newcastle Municipality.

## **SUB-DELEGATIONS**

The Accounting Officer may in terms of section 79 or 106 of the Local Government Municipal Management Act sub-delegate any Supply Chain Management powers and duties, including those delegated to the Accounting Officer in terms of the Supply Chain Management Policy, but any such sub-delegation must be consistent with subparagraph (2) of this paragraph and paragraph 9 of the Supply Chain Management Policy. The power to make a final award: above R2 million (VAT included) may not be sub-delegated by the accounting officer; above R200 000 (VAT included), but not exceeding R2 million (VAT included), may be sub-delegated but only to a bid adjudication committee of which the Chief Financial Officer and Senior Management are members.

The Bid Adjudication Committee must within five (5) days of the end of each month submit to the Accounting Officer a written report containing particulars of each final award made by the bid adjudication committee during that month, including: the amount of the award; the name of the person to whom the award was made; and the reason why the award was made to that person.

## **RESPONSIBILITIES**

Role of the Accounting Officer ensures strict adherence to the guidelines provided in the Supply Chain Management Policy, Implementation of the Supply Chain Management Policy and submission of quarterly reports, Annual review of targets and the Supply Chain Management Policy, according to statutory requirements and appoints the members of the bid committees

## **ROLE OF DIRECTORS**

Each Director shall be responsible and accountable for: exercising the powers, performing the functions and discharging the duties conferred or assigned to him/her in terms of the Supply Chain Management Policy; implementing the Supply Chain Management Policy and any procedural and other prescripts issued in terms of the Supply Chain Management Policy within his/her area of responsibility; ensuring compliance with the Supply Chain Management Policy and any procedural and other prescripts issued in terms of the Supply Chain Management policy within his area of responsibility; developing, or causing to be developed, draft specifications for the procurements by

his directorate exceeding an amount of R 500 (VAT inclusive); properly planning for and, as far as possible, accurately estimating the costs of the provision of services, works or goods for which offers are to be solicited; selecting the appropriate preference point goals to be utilized in the evaluation of offers; achieving any objectives and targets set with regard to procurements and disposals.

## **THE ROLE OF THE CHIEF FINANCIAL OFFICER**

Is the custodian of the Supply Chain Management Policy and report on progress regarding its implementation. Has overall management of the quotation and competitive bidding process from solicitation to processing of invoice payments. Promotes corporate approach by encouraging standardization of items purchased within the Municipality to realize economies of scale. Ensures that procurements and disposals are affected through practices that demonstrate compliance to all relevant legislation(s). Is responsible for managing procurements and disposals to ensure that the Supply Chain Management System of the Municipality is adhered to. Ensures that the procurements and disposal process followed adheres to preference targets without compromising price, quality, service delivery and developmental objectives. Is responsible for ensuring that all employees involved in the supply chain management process receive the necessary training to support implementation of the Supply Chain Management Policy. Is responsible for establishing the amount to be paid by prospective service providers as a non-refundable deposit for enquiry documents issued by the Municipality.

The Chief Financial Officer shall submit regular reports to the Accounting Officer, who will in turn submit to the Finance Portfolio Committee; regarding progress and any matters of importance relating to the Supply Chain Management Policy.

## **THE ROLE OF ADVISORS**

The Accounting Officer may procure the services of advisors to assist in the execution of the Supply Chain Management function. These advisors must be obtained through a competitive bidding process. No advisor may however form part of the final decision-making process regarding the awarding of bids, as this will counter the principle of vesting accountability with the Accounting Officer. The Accounting Officer may not delegate decision-making authority to a person other than an official of the Municipality.

## OVERSIGHT ROLE OF COUNCIL

The Newcastle Municipal Council reserves its right to maintain oversight over the implementation of the Supply Chain Management Policy for the purposes of such oversight the Accounting Officer must: within 30 days of the end of each financial year, submit a report on the implementation of Supply Chain Management Policy and of any municipal entity under sole or shared control of the municipality to the council; and whenever there are serious and material problems in the implementation of the Supply Chain Management Policy, immediately submit a report to the Newcastle Municipal Council. The Accounting Officer must, within 10 days of the end of each quarter, submit a report on the implementation of the Supply Chain Management policy to the Mayor of the Newcastle Municipality. The reports must be made public in accordance with Section 21 (a) of The Local Government Municipal Systems Act 32 of 2000.

**Table 8 SUPPLY CHAIN IMPLEMENTATION CHECKLIST**

IMPLEMENTATION CHECKLIST		
<b>Supply Chain Management</b>		
<b>Municipality or Entity Details</b>		<b>Answers</b>
<b>Name of Municipality (select from drop down list)</b>		KZ252 Newcastle
	In the case of a <i>Municipal Entity</i> please type the name here:	
<b>Contact Person (name):</b>		M Mdlalose
	Email address:	<a href="mailto:mukelani.mdlalose@newcastle.gov.za">mukelani.mdlalose@newcastle.gov.za</a>
	Phone:	034 328 7821
<b>Name of the Head of the SCM Unit (if different to above):</b>		
<b>Question</b>		<b>Answer</b>
1	Has the Council/Board of Directors adopted a SCM policy in terms of SCM regulation 3?	Yes
2	How many staff are employed by the SCM Unit? (Show full time staff equivalent, a person shared with another function or working part-time on SCM is shown as a fraction)	37

## IMPLEMENTATION CHECKLIST

### Supply Chain Management

	2,1	How many positions are unfilled, i.e., waiting for an appointment? (Full time equivalent)	18
	2,2	Has a job description been developed for each position within the SCM Unit?	Yes
<b>3</b>		Has a detailed implementation plan for SCM been developed?	Yes
	3,1	If "YES", is progress regularly measured against the implementation plan?	Yes
<b>4</b>		Is a report on the implementation of the SCM Policy provided to the mayor (or the board of directors for an entity) within 10 days of the end of each quarter (reg 6(3))	Yes
<b>5</b>		<i>SCM Processes:</i>	
	5,1	Is the necessary needs assessment undertaken before each acquisition?	Yes
	5,2	Are preferential policy objectives identified to be met through each contract?	Yes
	5,3	Is the performance of vendors regularly monitored?	Yes
	5,4	Are SCM processes independently monitored to ensure the SCM policy is followed, and desired objectives achieved?	Yes
<b>6</b>		Are the threshold values contained in the SCM Policy aligned with the values stipulated in regulation 12?	Yes
	6,1	If "NO" are the values contained in the SCM Policy higher than that stipulated in regulation 12?	No
<b>7</b>		Do municipal bid documents comply with MFMA Circular No 25?	Yes
<b>8</b>		Do municipal bid documents include evaluation criteria for use by the bid evaluation and adjudication committees?	Yes

## IMPLEMENTATION CHECKLIST

### Supply Chain Management

<b>9</b>	<i>Regulation 46 requires the SCM Policy to establish a code of conduct.</i>		
	9,1	Is the Code of Conduct issued by NT in MFMA Circular No 22 utilised?	Yes
	9,2	Are measures in place to ensure all SCM practitioners are aware of the SCM code of conduct?	Yes
<b>10</b>	Are all delegations in terms of SCM roles and responsibilities in writing (other than delegations contained in the SCM Policy)?		Yes
<b>11</b>	Prior to making an award above R30 000 the municipality or municipal entity must check with SARS whether that person's tax matters are in order (reg 43 and MFMA Circular No 29). Is this being complied with?		Yes
<b>12</b>	<i>Please confirm if records are kept of the following:</i>		
	12,1	Petty cash purchases?	Yes
	12,2	Written or verbal quotations received, and awards made?	Yes
	12,3	Tenders and all other bids received, and awards made?	Yes
<b>13</b>	Are all invitations for bids above R30 000 advertised for at least 7 days on the website and official notice board? (Reg 18(a))		Yes
	13,1	In addition, are all invitations for competitive bids publicly advertised in newspapers commonly circulating locally? (Reg 22(1))	Yes
<b>14</b>	Is the "list of accredited prospective providers" required by regulation 14 updated at least quarterly?		N/A
<b>15</b>	Is there a database established to record redundant and obsolete store items?		N/A



## IMPLEMENTATION CHECKLIST

### Supply Chain Management

16	Are debriefing sessions held with unsuccessful bidders?	No
17	<i>Training SCM practitioners</i>	
17,1	Has a training strategy for SCM practitioners been developed?	Yes
17,2	What is the 2006/07 budget for the training of SCM practitioners?	N/A
17,3	Has the municipality or entity used an outsourced training provider for SCM, other than SAMDI?	No
17,4	If "yes" to 17.3 please list below the names of training provider(s) used to date ( <i>expand this box if necessary</i> )	N/A
	N/A	N/A
17,5	Indicate the number of officials who have attended the SCM training conducted by SAMDI?	28
17,6	Indicate the number of officials who have attended SCM training conducted by training providers other than SAMDI?	
18	Has as SCM procedure manual been developed to assist officials implement the SCM policy, consistent with the MFMA, regulations, circulars, and the Accounting Officers Guidelines?	Yes
19	<i>Bid Committee membership:</i>	
19,1	Does the Bid Specification Committee membership comply with regulation 27?	Yes
19,2	Does the Bid Evaluation Committee membership comply with regulation 28?	Yes
19,3	Does the Bid Adjudication Committee membership comply with regulation 29?	Yes
19,4	Has regulation 29(4), which stipulates that a member of a bid evaluation committee or an	Yes

IMPLEMENTATION CHECKLIST			
Supply Chain Management			
		advisor may not be a member of a bid adjudication committee, been breached?	
<b>20</b>	<i>Procurement of IT related goods and services:</i>		
	20,1	Are you aware that SITA can assist with the procurement of IT related goods and services (regulation 31)	Yes
	20,2	Have you utilised this facility before?	No
<b>21</b>	Does the SCM Policy provide for an effective system of risk management for the identification, consideration, and avoidance of potential risks in the SCM system? (Reg 41(1))		Yes

## 2.13 FINANCIAL BY-LAWS/ POLICIES INTRODUCED IN THE 2020/21 FINANCIAL YEAR

Table 9 REVISED/NEW POLICIES FOR 2020/21

REVISED	PUBLIC PARTICIPTION CONDUCTED PRIOR TO ADOPTION OF BY-LAW (YES/NO)	DATE OF PUBLICATION	BY-LAW GAZETTED (YES/NO)
1. Provision for double debt and debtors write-off policy.	Yes	June 2020	Yes
2. Tariff policy	Yes	June 2020	Yes
3. Rates policy	Yes	June 2020	Yes
4. Indigent policy	Yes	June 2020	Yes
5. Customer care, Credit control, and Debt collection policy	Yes Yes	June 2020	Yes Yes
6. Budget policy	Yes	June 2020	Yes
7. Virement policy	Yes	June 2020	Yes
8. Petty cash policy	Yes	June 2020	Yes
9. Short Term insurance	Yes	June 2020	Yes

<b>10. Fund &amp; Reserve policy</b>	Yes	June 2020	Yes
<b>11. Cash management and Investment policy</b>	Yes	June 2020	Yes
<b>12. Borrowing policy</b>	Yes	June 2020	Yes
<b>13. Loss control policy</b>	Yes	June 2020	Yes
<b>14. Asset management policy</b>	Yes	June 2020	Yes
<b>15. SCM Policy</b>	Yes	June 2020	Yes
<b>16. Cost containment policy</b>	Yes	June 2020	Yes

#### COMMENTS FROM THE PUBLIC ON THE FINANCIAL POLICIES AND BY-LAWS

The draft financial policies and by-laws for the 2020/2021 financial year was approved by council on the 27<sup>th</sup> of May 2020. Thereafter a public notice was published in the Local Newspaper on the 12<sup>th</sup> of June 2020 for the community to provide input on the draft policies and by-laws. The public comments period closed on the 17<sup>th</sup> of June 2020. Council thereafter approved the financial policies and by-laws on the 29<sup>th</sup> of June 2020.

#### 2.14 WEBSITES

In terms of the Local Government Municipal Finance Management Act 56 of 2000, Section 75 (1) The accounting officer of a municipality must place on the website referred to in section 21A of The Local Government Municipal Systems Act 32 of 2003 the following documents of the municipality:

- (a) The annual and adjustments budgets and all budget-related documents.
- (b) All budget-related policies.
- (c) The annual report.
- (d) All performance agreements required in terms of section 57(1) (b) of the Municipal Systems Act.
- (e) All service delivery agreements.
- (f) All long-term borrowing contracts.
- (g) All supply chain management contracts above a prescribed value.
- (h) An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14(2) or (4) during the previous quarter.
- (i) Contracts to which subsection (1) of section 33 apply, subject to subsection (3) of that section.
- (j) public-private partnership agreements referred to in section 120.

- (k) All quarterly reports tabled in the council in terms of section 52(d); and
- (l) Any other documents that must be placed on the website in terms of this Act or any other applicable legislation, or as may be prescribed.

(2) A document referred to in subsection (1) must be placed on the website not later than five days after its tabling in the council or on the date on which it must be made public, whichever occurs first.

**Table 10 DOCUMENTS REQUIRED TO BE ON THE MUNICIPAL WEBSITE AND UTHUKELA WATERS WEBSITE**

<b>Documents published on Newcastle Municipality and Uthukela Water's Website</b>	<b>Yes/No</b>	<b>DATE PUBLISHED ON WEBSITE</b>
Current annual adjustments budgets and all budget-related documents	Yes	28 February 2021
All current budget related policies	Yes	
The Previous annual report 2019/20	Yes	31 May 2021
The annual report 2020/21 to be published	Yes	31 January 2022
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act (2020/21) and resulting scorecards	Yes	31 July 2020
All service delivery agreements (2020/21)	Yes	31 July 2020
All quarterly reports tabled in the council in terms of section 52 (d) during (2020/21)	Yes	

## 2.15 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Newcastle Municipality did not conduct a community survey for the 2020/21 financial year. However, through the customer care call centre and the Department of Communications, customer service officer, the municipality has endeavoured to ensure that all queries for the following departments were addressed:

- Water
- Sanitation
- Electricity
- Waste management
- Grass cutting and
- Billing

Communications Unit compiled a Communications Strategy and the same was approved by council as at the end of June 2021.

## 2.16 SECTOR PLANS

Table 11 STATUS OF SECTOR PLANS FOR 2020/21

Ref	Name of Sector Plan	Date of last review	Date of next review	Comments
1.	Disaster Management Plan/Contingency Plan	03 August 2016	30 June 2021	Review of Disaster Management Plan
2.	Winter Contingency Plan	N/A	December 2021	Review of Winter Contingency Plan (In line with 2021/22 SDBIP targets)
3.	Summer Contingency Plan	N/A	June 2022	Review of Summer Contingency Plan (In line with 2021/22 SDBIP targets)
4.	Performance Management System (PMS)	June 2020	May 2021	-
5.	Skills Development Plan	30 April 2021	30 April 22	-
6.	Financial Management Plan	-	-	The municipality currently does not have a stand-alone financial management plan. The municipality treats the MTREF budget for each financial years as its financial plan. This covers a period of 3 years for each time of approval
7.	Capital Investment Framework (CIP)	June 2020	May 2021	-
8.	Environmental Management Framework	June 2015	2022/23	-
9.	Local Economic Development (LED)	Internal Amendment - 05/March/2021	2023	2018 to 2023 The LED Strategy is implemented. There can be amendments but not reviews in this period.
11.	Revenue Enhancement Strategy	01 July 2020	01 July 2021	This Strategy is revised on an annual basis.

Re f	Name of Sector Plan	Date of last review	Date of next review	Comments
12.	Housing Sector Plan	June 2020	2021/22	-
13.	Water Services Development Plan (WSDP)	-	-	-
15.	Waste Management Plan (IWMP)	05 May 2021	2021/2022	SENT to MEC for endorsement
16.	Roads and Storm water Master Plan	-	-	
17.	Integrated Traffic and Transport Plan	February 2016	2021/22	-
18.	Electrification Plan	-	-	
19.	Tourism Strategy	2020	2024	-
20.	Town Planning Scheme	October 2016	June 2021	
21.	Spatial Development Framework	June 2020	May 2021	-
22.	Gender Employment Equity Plan	01 September 2016	01 July 2021	-
23.	Communication Strategy			
24.	<b>IT Communications Policy</b>			
25.	<b>IT Policy</b>	05 March 2021	TBD	The IT Policy is only reviewed pending a need to do so.
26.	<b>IT Strategy</b>	31 March 2021	2023/2024	The IT Strategy is reviewed on a 3-year basis.
27.	<b>Asset Management Policy</b>	March 2021	March 2022	The policy is reviewed on an annual basis.
28.	Fraud and Corruption Prevention Strategy	27 January 2021	30 June 2021	-

Ref	Name of Sector Plan	Date of last review	Date of next review	Comments
29.	Cemetery Plan	-	-	The plan has not yet been established
30.	Ward Committee Policy	12 August 2020	2021/22	The next review will take place after the local elections
31.	Ward Committee Operational Plan	14 May 2021	2021/22	Document was sent to COGTA for approval on the 14 <sup>th</sup> of May 2021. The next review will take place after the local elections
32.	Public Participation Policy	July 2020	2021/22	The next review will take place after the local elections
33.	Public Participation Strategy	July 2020	2021/22	The next review will take place after the local elections
34.	Business Retention and Expansion Strategy	2020	2024	-
35.	Capital Expenditure Framework	March 2021	June 2022	-

### 3. CHAPTER 3 SERVICE DELIVERY PERFORMANCE

#### INTRODUCTION

---

Newcastle Municipality set out measurable, achievable, and realistic targets in the Service Delivery Budget Implementation Plan for 2020/21 that were informed by the Integrated Development Plan, Capital Investment Plan, and the Approved Budget for 2020/21. The performance of the municipality towards achieving its goals was monitored quarterly through the Service Delivery Budget Implementation Plan (SDBIP) for the 2020/21 financial year. It is important to note that Newcastle Municipality encountered various challenges during the 2020/21 financial year, from financial constraints to late payments of grant funding from funding agents to the global crisis of the Corona Virus. Despite the challenges encountered by the Municipality the dedicated staff of Newcastle Municipality worked together towards achieving the goals as set out in the IDP to ensure that as public servants we serve our community with improved access to basic services such as water, sanitation, housing, access to roads etc.



## COMPONENT A: BASIC SERVICES

### 3.1 WATER PROVISION

The Newcastle Local Municipality is currently structured into 34 wards. The region has counted approximately 90347 households served with overall metered water connections at approximately 39891 addresses, with the average household size remaining constant at 4.3 people per dwelling unit and consisting of 37371 metered Domestic units and 2520 metered non-domestic units. In areas without metered connections, the provision of water is ensured by means of Water tankers and standpipes, which is on average 602 662 kl/Month.

#### **Major water sources**

Pumps to package plant to tanks to network (combined yard connection, standpipes level of service)-  
Charlestown

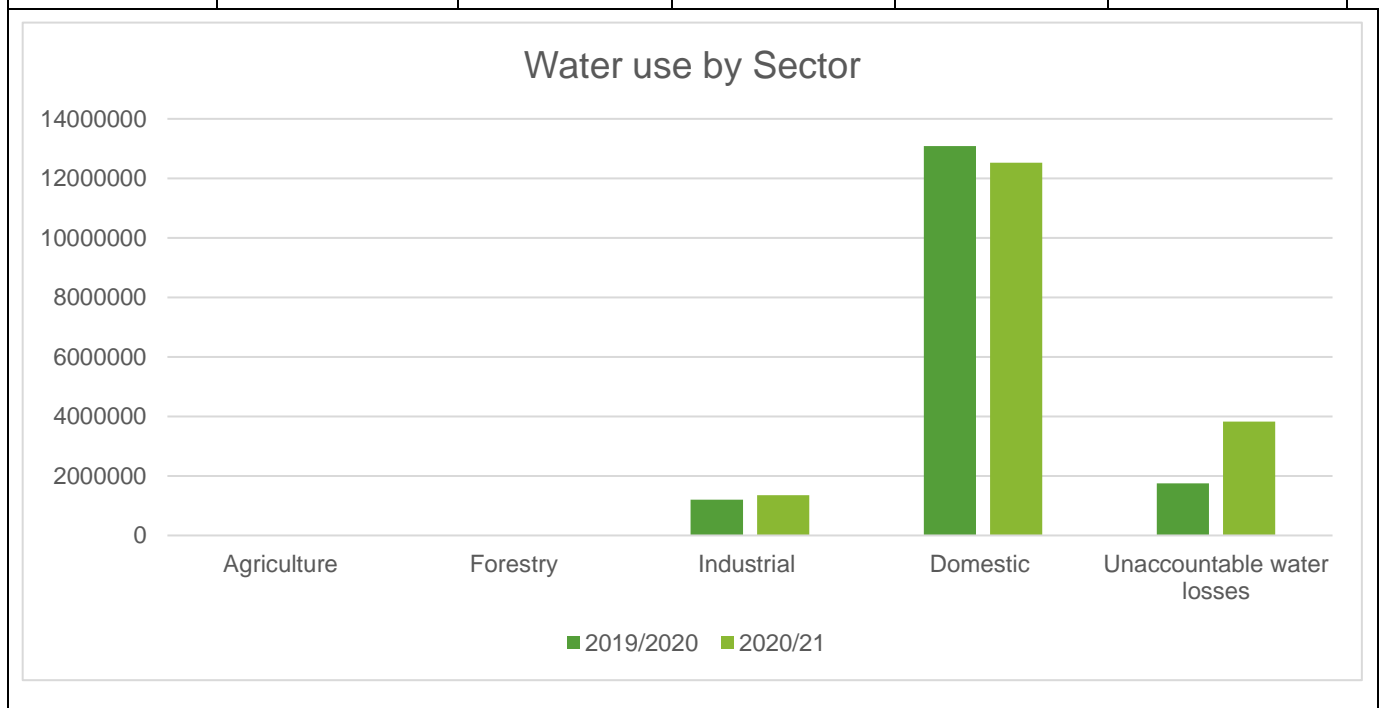
Raw Water for Ngagane Scheme is abstracted from:

- Ntshingwayo Dam (80 MI/day)
- Buffalo River (20 MI/day)
- Ngagane River (20 MI/day)

There are also various borehole and spring systems providing water to various areas of the 34 Wards of the Municipality. Within the Newcastle Municipality's Jurisdiction, there are approximately 49993 formal households with access to water. While the process of increasing this provision is ongoing, in the 2020/2021 financial year, a Water mains extension project was carried out in various wards of Newcastle east, allowing for the provision of water to be increased by approximately 300 more residents, and another water mains extension project scheduled for the 2021/2022 FY will increase the provision of water by a further 400 residents.

A huge focus on Water Conservation and Demand Management has been placed on the rare resource. In the 2020-2021 FY, there was a water loss of 34%, a significant decrease compared that of the previous financial year of 39,3%. WCDM projects have been carried out to minimize the loss of water in Rural and informal settlements. Through these on-going projects the Newcastle Municipality will thus be able to decrease the loss of water, increase the water provision and maintain Water Conservation efforts in the future.

Total use of Water by Sector (cubic meters)					
	Agriculture	Forestry	Industrial	Domestic	Unaccountable water losses
2019/20	0	0	1 203 616	13 080 996	1 746 079
2020/21	0	0	1 353 690	12 528 044	3 831 224



	Water Service Delivery Levels		
Description	2018-19	2019-20	2020-21

	Actual No.	Actual No.	Actual No.
<b>Water: (above minimum level)</b>			
Piped water inside dwelling	37377	37936	38300
Piped water inside yard (but not in dwelling)	47398	47194	47104
Using public tap (within 200m from dwelling)	4283	3904	3630
Other water supply (within 200m)	1289	1313	1313
Minimum Service Level and Above sub-total	90347	90347	90347
Minimum Service Level and Above Percentage	100%	100%	100%
<b>Water: (below minimum level)</b>			
Using public tap (more than 200m from dwelling)	0	0	0
Other water supply (more than 200m from dwelling)	0	0	0
No Water supply	0	0	0
Below minimum service level sub-total	0	0	0
Below minimum service level sub-total	0	0	0

Below minimum service level percentage	0	0	0
<b>Total number of households</b>	90347	90347	90347
<b>Description</b>	<b>2018/2019</b>	<b>2019/2020</b>	<b>2020/2021</b>
	<b>Actual No.</b>	<b>Actual No.</b>	<b>Actual No.</b>
<b>Formal Settlements</b>			
Total households	80473	80473	80473
Households below minimum service level	0	0	0
Percentage of households below minimum service level	0	0	0
<b>Informal Settlement</b>			
Total households	9874	9874	9874
Households below minimum service level	0	0	0
Percentage of households below minimum service level	0	0	0

According to the recent Community Survey (2016) conducted by Statistics SA, Newcastle Local Municipality (KZN252) remains the highest contributor in terms of population growth within Amajuba District Municipality. As of 2016, the population of Newcastle is recorded at 389 117 people, thus marking a 7,1 % increase (25 881 people) over a 5-year period from the year 2011 (363 236 people). This means that on average, Newcastle has experienced a 1,42% annual growth rate, which translates to 5 176 people per year.

Newcastle has also experienced a significant increase in the total youth proportion of the population. In terms of the wider KwaZulu-Natal Province, Newcastle ranks 2nd as the local municipality with the highest number of people when compared to other local municipalities, with the highest being the Msunduzi Local Municipality.

## Water Services Overview

The Newcastle Local Municipality is currently structured into 34 Wards. The region has counted approximately 90 347 households served with overall metered water connections at approximately 39 894 addresses, with the average household size remaining constant at 4.3 people per dwelling unit and consisting of 37 377 metered domestic connections

## Major water sources

Pumps to package plant to tanks to network (combined yard connection, standpipes level of service)-Charlestown

Raw Water for Ngagane Scheme is abstracted from:

- Ntshingwayo Dam (80 MI/day)
- Buffalo River (20 MI/day)
- Ngagane River (20 MI/day)

## PERFORMANCE HIGHLIGHTS 2020/21

Table 12 PERFORMANCE HIGHLIGHTS FOR SANITATION PROJECTS

PROJECT NAME	WARD	BENEFICIARIES	STATUS QUO	JOBS CREATED
Osizweni E and F Waterborne Sewerage Scheme Phase 4	9, 11	290 toilets.	In progress	29
Staffordhill waterborne sewerage refurbishment	14, 19, 27, 29 & 31	220 toilets.	Complete	26
Upgrade of Madadeni wastewater treatment	31	Capacity increase from 12ML/day to 36ML/day	In progress	6
Blaauwbosch bulk water	15, 16	Construction of DN450 continuous welded steel pipeline and refurbishment of the existing reservoir.	In progress	0

Viljoenpark bulk water & sanitation	25	The upgrade of the Hilldrop pipeline.	In progress	18
-------------------------------------	----	---------------------------------------	-------------	----



OSIZWENI E AND F WATERBORNE SEWAGE SCHEME PHASE 4



STAFFORDHILL WATERBORNE SEWAGE REFURBISHMENT





UPGRADE OF MADADENI WASTEWATER TREATMENT



VILJOENPARK BULK WATER & SANITATION

### 3.2 Water Services -WCDM, RW Management, Leak Programs and Pressure Management

To ensure that all areas of Newcastle have access to clean drinkable water, and that the quality of water meets the Department of Water and Sanitations criteria for blue drop quality of water it has been imperative that some critical treatment plants and pump-stations were refurbished.

The Newcastle Municipality has undertaken various projects targeted at certain aspects of water losses and demand management, as well as revenue enhancement and improved billing strategies.

### **Newcastle East Mains Extensions**

The Newcastle Municipality has acquired funding from WSIG to embark on Main's extensions projects in Newcastle East. These projects were undertaken in wards 6,12,14,15,21,23 and 33 and have benefitted approximately 1250 residents. Approximately 8 Km of mains was extended in Newcastle East wards 6,12,14,15,23 and 33, and in ward 21 there was an extension of 2,6 km of Mains.

### **Osizweni Pressure Management**

The main objective of this project was to improve the water supply pressure from the Reticulation networks. The Water Pressure for the affected wards was very low and all existing elevated storage tanks were no longer operational. The affected wards for this project were 6, 7, 8, 9, 10, 11, 13, 17 & 32.

### **Newcastle Meter Replacement Projects**

There were 2 Meter replacement Projects in the 2020/21 FY, which will be carried over to the 2021/22 FY.

#### **a) Newcastle West Meter replacement Project**

The implementation of advanced Smart Metering systems has been introduced as a pilot to check the Viability of its use to the municipality. This Project incorporates the installation of Smart water and Electrical Meters and has the benefits of improved revenue collection, improved and accurate billing system and allows for the accountability of Water and Electricity Usage. This project has been limited in its pilot phase to Signal hill.

#### **b) Newcastle Bulk Metering Project**

The Implementation of Advanced Bulk metering systems has been introduced to the NLM to ensure the accuracy of the quantities of water measured and billed from the Reservoirs to the Take-offs in the Newcastle Municipality. This Project will benefit all 34 wards in the municipality.

### **Madadeni WCDM NRW loss reduction Project**

The scope of this project was to conduct internal leak auditing and implementation of repairs through the Audit findings. This project ensures the leaks and loss of non-revenue water is prevented and minimized to ensure the conservation of water for the Municipality as well as to decrease the cost of



non-revenue water. This project Targets the 500 high consumption houses in Madadeni wards 8,9,10,11,30 and 32.

PROJECT NAME	WARD	BENEFICIARIES	STATUS QUO	JOBS CREATED
Osizweni Pressure Management	6, 7, 8, 9, 10, 11, 13, 17 & 32	5400	Completed	63
Newcastle West Meter Replacement	All 34 Wards	89 157	Implementation	20
Newcastle East Water Supply (Soul-City Long Connection)	21	700	Completed	20
Newcastle Bulk Meter replacement	All 34 wards	89 157	Implementation	0
Madadeni WCDM NRW Loss reduction	8,9,10,11,30 & 32	6 000	Implementation	38
Newcastle East Mains Extension	6; 12;14;15;23 and 33	550	Completed	47



Figure 9 OSIZWENI PRESSURE MANAGEMENT



Newcastle West Meter replacement



30/06/2021 Madadeni WCDM NRW loss reduction







03/06/2021 Newcastle East Mains Extension

Storm water infrastructure				Kilometers
Year	Total storm water measures	New storm water measures	Storm water measures upgraded	Storm water measures maintained
2019'20	625 km	8 km	0	250 km
2018'19	620 km	5 km	0	210 km

Newcastle Municipality also has been refurbishing the existing VIP toilets to Water Bourne Sewer toilets and fixing leaking toilets in the Newcastle East area, the purpose of doing this is reduce water losses and upgrade the level of basic sanitation services to the community, and ultimately cut down maintenance costs of desludging VIP toilets. The municipality has 5 wastewater treatment plants to ensure that the municipality complies with Green Drop Quality for water. The 5 Wastewater Treatment Plants are:

- Kilbarchen Wastewater Treatment Plant
- Newcastle Wastewater Treatment Plant
- Osizweni Wastewater Treatment Plant
- Madadeni Wastewater Treatment Plant and
- Roypoint Wastewater Treatment Plant

The Green Drop Water Compliance is 90%, however Newcastle Municipality has not complied for the 2019/20 financial year and only achieved 84, 25%. The reason for non-compliance is the malfunctioning

of the return activated sludge (RAS) pumps is resulting into poor nitrification process, negatively affecting the treatment works ammonia count compliance. A service provider has been appointed to into the matter (Madadeni WWTW). The treatment plant is still struggling with the nitrate count compliance due to the poor denitrification reaction of a biological filtration process technology, especially during cooler climatic conditions (Newcastle WWTW). The poor state of the maturation ponds is giving rise to the reduced compliance at this treatment works especially the ammonia count. Attention is being given for proper maintenance at these ponds (Osizweni WWTW). Breakdown on the sewer reticulation network has resulted in no flow of raw sewage reaching the treatment works. This affected the compliance negatively, especially ammonia and chemical oxygen demand counts. The breakdown has since been repaired by the maintenance team.

Three-year capital plan for addressing infrastructure backlogs in water and sanitation in terms of the Municipal Infrastructure Grant (MIG) framework

**Table 13 THREE MIG PLAN**

<b>Project Title (as per MIG 1 form)</b>	<b>Total Projected 2018/19</b>	<b>Total Projected 2019/20</b>	<b>Total Projected 2020/21</b>	<b>Total Projected 2021/22</b>
<b>MADADENI URBAN ACCESS ROADS PHASE II</b>	4,946,070.00	19,395,000.00	15,793,956.00	13,512,532.00
MF55	2,249,200.00	11,995,000.00	4,132,508.00	0
MD35	2,696,870.00	7,400,000.00	2,661,448.00	0
MF18 & MF19	-	-	3,000,000.00	3,895,470.00
CONSTRUCTION OF MF 69, 7,10	-	-	3,000,000.00	6,008,417.00
CONSTRUCTION OF MC13 ROADS	-	-	3,000,000.00	0
MA23, MA26, MA25	-	-	-	3,608,645.00
<b>OSIZWENI URBAN ACCESS ROADS PHASE IV</b>	1,438,398.00	11,500,000.00	15,239,039.00	13,899,328.00
OA103	1,438,398.00	11,500,000.00	2,739,039.00	0
CONSTRUCTION OF OB 1 LINK ROAD	-	-	4,000,000.00	5,145,670.00
CONSTRUCTION OF H39 BUS ROAD & STREETLIGHTS	-	-	6,000,000.00	5,153,658.00
CONSTRUCTION OA27	-	-	2,500,000.00	0
OC22 & OC44	-	-	-	3,600,000.00
<b><u>WATER PROJECTS</u></b>				
UPGRADE OF MADADENI WASTEWATER TREATMENT	92,129.00	-	16,000,000.00	

				26,000,000.00
BLAAUWBOSCH BULK WATER	-	10,000,000.00	9,000,000.00	18,000,000.00
PIPE REPLACEMENT AND UPGRADE PROJECT	6,780,218.00	6,480,000.00	10,000,000.00	10,000,000.00
VILIOENPARK BULK WATER & SANITATION	-	-	8,000,000.00	14,706,540.00
REPLACEMENT OF THE DN150 BULK OUTFALL SEWER CLAY PIPELINE IN	-	-	-	8,608,600.00
UPGRADE, REFURBISHMENT OF BULK SEWER PIPELINE FROM SIYAHLALA	-	-	-	1,500,000.00

#### Water Service Delivery Challenges and Interventions

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
Late payments	BTO had to prioritize the grant funded projects as this would have a negative effect on the completion of projects.
Cash-flow problems	Contractors were assisted through cession agreements.
Covid-19	Some projects had to be rolled over in the following financial year
In our Non-Revenue Project consumers have stolen galvanized pipes, which were installed in ward 30, and Ward 10 in the 2018 / 2019 Financial year.	Consumer / Community awareness and education
Council investing on logging and analysis of minimum night flows to assist water losses reduction in our entire water system input of Newcastle local municipality	<ul style="list-style-type: none"> <li>✓ Installing Data loggers through the entire water supply area.</li> <li>✓ Dedicating Teams for visual leak inspections.</li> <li>✓ Proper monitoring of our entire systems unusual high pressures</li> </ul>
The reluctance of consumers / residents staying in Newcastle East (Madadeni / Osizweni) to pay for water consumption and	<ul style="list-style-type: none"> <li>✓ Improved Revenue Enhancement strategies / collection system.</li> </ul>

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
sanitation services remains a serious problem	<ul style="list-style-type: none"> <li>✓ Consumer / Community awareness and education.</li> <li>✓ Political support to enforce payment and issue of non-payment by enforcing our water services by-laws for consumers and must ensure that the bylaws have supporting statements in the Municipality's bylaws to enforce legal restrictions.</li> <li>✓ Customer incentive for consumers who use water efficiently and effectively.</li> <li>✓ Water use charges can be used as a means of encouraging reduction in water wastages/losses and/or inefficient water use.</li> </ul>
Lack of Smart meters in our entire water supply area of entire Newcastle jurisdiction	Council has prioritized the Replacement / Installation of Smart metering in Newcastle jurisdiction
Inter Departmental Staff relationship	Improve management strategies i.e., Prioritizing the Wates losses Demand management
War on Leaks	A Decision was taken by our Council to start fixing leaks inside the customers yard since that is where most of our water is being wasted after the meter consumption in the Newcastle east areas.
<ul style="list-style-type: none"> <li>✓ The Water Services Managers / the technical managers who are responsible for the supply of water to all customers have little control over the billing of the water sold to the customers, or the use of the funds recovered to sustain the water supply system.</li> <li>✓ In Newcastle, there has been under-investment in many water-supply systems that even 2% of the replacement cost may not be sufficient to adequately maintain the water supply systems due to the backlog</li> </ul>	<ul style="list-style-type: none"> <li>✓ Prioritizing the water collected revenue for water &amp; sanitation related issues / infrastructure development.</li> <li>✓ 2% of the replacement cost of the water-supply system annually is required to maintain a 50-year replacement cycle.</li> </ul>

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
<ul style="list-style-type: none"> <li>✓ To improve the security of water supply by</li> <li>✓ creating +48 hours storage time at all supply systems</li> </ul>	<p>Ensuring that all projects identified within the Water Service Development Plan are implemented within a turn-around period of Five years i.e., 2025 Target Ongoing</p>
<p>To automate, monitor and control infrastructure as efficient as possible</p>	<p>Expanding on the existing automation, remote monitoring, and control systems in the water reticulation network i.e., Continue prioritizing the Water Infrastructure Grant Programme since it focuses on water supply initiative</p>
<p>Supply a secondary raw water source come 2035 water balance Targets</p>	<p>Implementing the Master Plan strategy</p>
<p>Eliminating unauthorised use or correcting under registration of consumer flow meters, per litre / kilolitre</p>	<p>Improved Data Checking strategies i.e., Running the IQMS system (Information Quality Measurement System)</p>
<p>The Municipality needs to build institutional capacity that would ensure successful implementation of aspects/components of WC/WDM.</p>	<ul style="list-style-type: none"> <li>✓ Filling of Critical Positions i.e., Water Services Director and WSA Manager permanently.</li> <li>✓ The priority is that the water services manager or water services director or whoever who has overall responsibility, understands the integrated concept and what he/she is trying to achieve by way of optimising water operations and efficiency.</li> <li>✓ The Water Services Manager and senior water and sanitation staff need to be suitably qualified as ensuring the following and conducts a proper assessment of the following: - <ul style="list-style-type: none"> <li>❖ understand the Water/Wastewater Infrastructure System.</li> <li>❖ Undertaking information and data checking.</li> <li>❖ Raw water sources and infrastructure.</li> <li>❖ Portable water treatment plants.</li> <li>❖ Bulk water imports/purchases.</li> <li>❖ Treated water storage facilities.</li> <li>❖ Treated water transmission mains.</li> <li>❖ Bulk system metering.</li> </ul> </li> </ul>



SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
	<ul style="list-style-type: none"> <li>❖ Water and sewerage networks.</li> <li>❖ Pumping stations. (Water and wastewater)</li> <li>✓ Municipality having specialist teams, with team leaders, e.g., a leakage reduction unit or a consumer use or Water Conservation Demand Management Unit</li> </ul>

### 3.3 ELECTRICITY PROVISION

#### VISION

Our vision is to provide electricity services for Newcastle residents and businesses, by delivering electricity services that are sustainable and can accommodate future commercial investment and property development in Newcastle whilst maintaining the existing infrastructure.

#### MISSION

Our mission is to provide the best possible electrical services to our consumers by ensuring that they are getting the best electrical services and to ensure that every community in Newcastle has access to electricity.

#### OVERVIEW OF FUNCTIONS

- To reduce electrification backlog
- Improve quality of lives in our communities.
- Create job opportunities.
- Boost skills development
- To provide visibility at night thus, helping in the reduction of crime and accidents.
- To improve efficiency in a most cost-effective and least polluting manner
- To limit the inconvenience that is caused by load shedding
- To provide constant and effective electricity supply to our customers

## **CORE FUNCTIONS**

The core functions of this department include the following: To provide power and light for domestic and industrial purposes. The electrical department is made up of the following sections:

- Safety Section
- Distribution Section
- Planning Section
- Public Lighting Section
- Test and Control Section

## **ANNUAL PERFORMANCE OF EACH SECTION FOR 2020/21**

### **SAFETY SECTION**

Horse farm Transformer enclosure was damaged by the horses, and it was replaced with a steel palisade enclosure to ensure public safety and to comply with Electrical machinery regulations.

### **REPAIRS TO NOORDOWN SUBSTATION**

There were a lot of break-ins into our Substations and the wooden doors were damaged during those break-ins and as a result wooden door were replaced with galvanized doors.



Figure 10 REPAIRS TO NORTHDOWN SUB-STATION

## DISTRIBUTION SECTION

Replacing burned T3 at Blesbok for distribution of electrical supply.



Figure 11 REPLACEMENT OF T3 AT BLESBOK FOR THE DISTRIBUTION OF ELECTRICITY

## PLANNING SECTION

Installing the Service connection in the Newcastle East



**Figure 12 SERVICE CONNECTION IN NEWCASTLE EAST**

## **Public Lighting Section**

Repairing and Maintaining 385 high mast lights in the Newcastle East and West.



Figure 13 INSTALLATION OF A HIGH MAST LIGHT

## SERVICE DELIVERY CHALLENGES AND INTERVENTIONS

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
Electrical Staff shortage	Interacting with the HR Department
Electrical Network Constrains	Upgrading and Refurbishing Network
Un-cooperative Customers	Liaise with Communication Department
Structured training for students and Interns	Liaise with HRD for appointment of Mentor
Stuff training	Interacting with the HR Department
Educating our customers about electricity	Liaise with the Communications Department
Communicating outages to our customers	Liaise with the Communication Department
In-availability of a Proper Maintenance Plan	Liaise with Budget and Treasury Department

### 3.4 HOUSING

Sustainable human settlements defines and conditions the relationship between where people live, play and work within the confines of the natural environment. Therefore, human settlements are not only about building houses but creating homes and an alternative way of living and in most cases a change of lifestyle.

Newcastle Municipality, as a housing accredited Municipality: Level 2; and as such has responsibility towards its inhabitants by providing adequate housing or provide other avenues for them to provide their own haven.

In 2012/2013 financial year, the Newcastle Municipality was accredited as an L2 Municipality our responsibilities are guided by **the Implantation Protocol**. This agreement is between the Municipality and KZN Human Settlements over a period of three years (3); this agreement has been successfully reviewed over the years. The currently review period is 1 April 2020 – 31 March 2023, which is due to be signed shortly by relevant stakeholders. During the 2020/2021 financial year the municipality built 214 new houses for the community.

#### **OBJECTIVES TO THE HUMAN SETTLEMENTS PLAN:**

- To facilitate the creation of sustainable human settlements and provide a range of housing products in safe, accessible, and affordable locations.
- To reduce housing backlog in line with the with the national and provincial norms and standards
- Meet National targets for housing.
- Promote a variety of housing typologies and densities in and around nodal points.
- Development of new residential stands
- To accelerate development and consolidate human settlement development in line with the national policy directives and the IDP of the Municipality.
- To contribute towards spatial transformation and creation of an efficient settlement and spatial pattern
- To facilitate rapid and cost-effective release of land for human settlement development purposes
- To build capacity for effective human settlement development



## **HUMAN SETTLEMENT ACHIEVEMENTS: AWARDS NEWCASTLE MUNICIPALITY: PROJECT ACHIEVEMENTS:**

In 2013, Newcastle Municipality won both Provincial and National Goven Mbeki Award for the BEST LEVEL 2 ACCREDITED MUNICIPALITY. In October 2017, Newcastle Municipality won both Provincial and National Goven Mbeki Award for BEST PERFORMING LEVEL 2 ACCREDITED MUNICIPALITY. In October 2018, Newcastle Municipality received first runner up at the Provincial Goven Mbeki Award

Siyahlala-la Housing Project awarded the informal settlement Upgrade Project at Provincial Level and National Level the first runner up.

### **SIYAPHLALA-LA HOUSING PROJECT: (PROJECT YIELD: 1205)**



Figure 14 SIYAPHLALA HOUSING PROJECT

Table 14 SIYAPHLALA HOUSING PROJECT EXPENDITURE

PROJECT NAME	WARD	NO OF UNITS	BUDGET 19/20
SIYAPHLALA HOUSING	25	170	R20,060 000.00

## **MAINTENANCE TO NEWCASTLE MUNICIPAL FLATS**

### **Suryaville and Fairleigh Municipal**

These two flats were built under the previous dispensation, these units house together 120 units. They are home to many pensioners, single parents, and grant recipients. The Fairleigh (48 units) Municipal Flat resident received their title deeds after some have lived in these flats for some 25 years and now can officially call their units home, after signing for their title deeds. Suryaville (72 units) 65 title deeds registered and 5 lodged during 2020/21 financial year, waiting for the process of establishment of the body corporate to be completed.



**Figure 15 FAIRLEIGH FLATS**





Figure 16 SURAYAVILLE FLATS

### **TITLE DEED RESTORATION PROGRAMME**

The Human Settlements, after much hard work have starting to transfer properties in the former R293 Townships known as Madadeni and Osizweni using the Enhanced Extended Discount Benefit Scheme (EEDBS) policy, where National Government passed a policy that allowed beneficiaries living in their houses to become homeowners/security of tenure. The Human Settlements embarked on various title deed drives to hand over title deeds in Madadeni and Osizweni at several events **total title deeds handed over is 230 during 2020/21 financial year.** This covers the following wards: 8,9,10,11,13,14,17,19,20,21,22,23,24,26,27,29,30,31,32.

### **ESTABLISHMENT OF A NATIONAL HOUSING NEEDS REGISTER:**

This vital tool is used to determine the housing demand and replaces the housing list, The Provincial Department of Human Settlements have assisted the municipality to transfer all the 34,000 names from

the old list to the National Housing Needs Register. The staff and councillors were trained on the basics: what is the National Housing Needs Register, who needs to apply. The staff were trained to capture all walk-in applicants, updating of existing information of the applicant and able to check on the application. The NHNR will ensure that the information about the housing demand in Newcastle.

The following were highlighted as key human settlements priorities in the human settlement development for the municipality:

**National and Catalytic and Spatial Transformative Projects** – In July 2014: Minister Sisulu announced a national shift from small-scale, infill to **mega housing projects**. The aim of this shift is to fast-track delivery in human settlements and to accelerate spatial transformation. Implementing of large-scale human settlements development program that ensures access to housing and related household level infrastructure, services and socio-economic opportunities within projects that achieve spatial and economic transformation and developmental objectives. A total of 101 catalytic projects have been identified throughout the country, of which 8 are in KZN and Newcastle JBC Mega Housing project is one of them.

**Release and Development of State and Publicly Owned Land for Human Settlements Development and Spatial Transformation.** The implementation of a once-off priority land release program to be prioritized. The priority land must be identified for release through HDA.

**Improving Access to Affordable Housing Finance through establishment of Human Settlements Development Bank.** To mobilize private sector financial institution and employers. Aimed at increasing access to gap housing at large scale and defeat asset poverty among low-income workers

**Upgrading of Informal Settlements:** As part of South Africa's contribution to New Urban Agenda, eradication of slum clearance remains a key priority in government. Informal settlement upgrading is the incremental, in-situ and community led process of securing basic services and improving settlement layouts. It creates an alternative to evictions, contributes to securing tenure and prepares a community for housing development. In Newcastle Municipality, slum clearance program is also a priority and most of our housing projects under construction stage are part of Informal Settlement Upgrading (ISU) program.

**Targeted Applications of the Housing Subsidies:** Aimed at meeting the needs of the most vulnerable households (orphans, the aged and disabled); to enable self-reliance through incremental self-build housing initiatives; and to increase the supply of affordable urban rental accommodation and support low-income earners to access housing finance.

**Employer Assisted Housing Schemes:** Implementation of measures to unleash the large-scale impact, relevance, and sustainability of employer-assisted housing schemes – including the government employees housing scheme.

**Military Veterans Housing:** It aims to assist all the Military Veterans with the provision of adequate houses. All applicants need to be approved by the National Department of Military Veterans before they are beneficiaries. The Newcastle Municipality has identified approximately 25 Military Veterans to National Department of Military Veterans for verification.

**Title Deed Restoration Program:** The title deed restoration program is national program aimed at promoting land and building tenure. The program focusses at the pre-1994 in the main and partly post-1994. Pre-1994 are houses that were built during apartheid period and current government seek to redress the past by providing beneficiaries with title deeds. The municipality has transferred a total of 111 title deeds.

**Affordable rental housing opportunities:** This is one of the housing instruments that the current government is providing to its citizens. This housing typology seek to assist to fill the gap between beneficiaries who earns above R3 501 but not above R7 500. Banking institutions are also part of the program where qualifying beneficiaries are being assisted with the part of funding.

**Social Housing and Community Residential Units (CRUs):** are also part of affordable rental housing opportunities. Provincial Human Settlements has approved and gazette three erven (restructuring zones), namely Arbor Park N11; Newcastle Central (Hospital Street) and Erf 14144 Fernwood.

**Table 25 SOCIAL HOUSING AND COMMUNITY RESIDENTIAL UNITS**

SETTLEMENT NAME	WARD NO.	PROPOSED UNITS
Roy Point / Vezukuhle Informal Settlement	21	900
Bosworth Informal Settlement	21	2500

Siyahlalala Informal Settlement (Fairleigh)	25/21	1205
Soul City Madadeni Section 3	20	100
Soul City: Madadeni Stafford Hill	31	3500
Dry Cut Informal Settlement	16	1000
Ingogo Informal Settlement	1	1500
JBC Informal Settlement	12/15/16/18	10 000
Normandien	25	300
Amajuba Forest	1	1000
Wyekom	1	200

Percentage of household with access to basic housing			
Year	Total household (including informal settlements)	Household in formal settlements	Percentage of HHs in formal settlements
Newcastle	84272	22205	26.3 %

## EMPLOYEES: HOUSING SERVICES

Table 15 EMPLOYEE HOUSING SERVICES

JOB LEVEL	EMPLOYEES NO	POSTS NO	EMPLOYEES NO	VACANCIES (FULL TIME)	VACANCIES (AS A % OF TOTAL POSTS)
0-3	0	0	0	0	0
4-6	1	15	1	14	14
7-9	11	22	11	11	100%
10-12	9	20	9	11	122%
13-15	2	9	2	7	350%

16-18	2	6	6	4	0.66%
-------	---	---	---	---	-------

## CAPTIAL EXPENDITURE

Capital Projects	Budget	Adjustment budget	Actual expenditure	Variance from original budget	Total project value
Furniture/Equipment	120,000	0	0	0	120,000
Furniture	133,911	0	110,878.15	23,032.85	
Purchase of Land	500,000	0	0	0	500,000
Lenville	1,500,000	0	1,301,967.00	198033.00	1301967.00

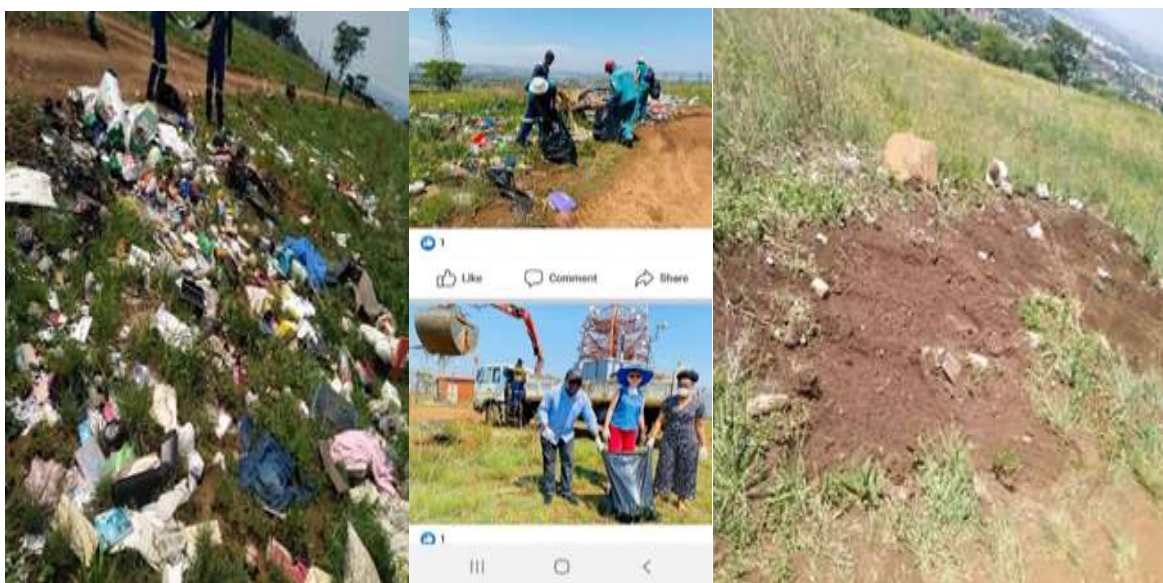
### 3.5 WASTE

The waste management section is currently rendering an in house once a week curb side collection servicing all our formalised areas including Newcastle Madadeni, Osizweni, Killbarchan, Ingagane and Kwamathukuza and Charlestown. A plan to service the informal areas such as JCB was included in the IDP utilising Community Based contractors, this would also allow for much needed job creation. However, the major challenge is financial, due to the severe financial constraints of the Municipality it was not possible to expand the operations in this year. Free basic refuse removal service is rendered to all residents who are on the indigent register. The municipality currently services 50700 formal households with refuse removal by the refuse been picked up from outside the residence. Rural areas and some areas in Newcastle East have access to Skips for Refuse Removal and the Skips are cleaned weekly.

The waste section has tried to visit one ward per month whenever possible. The schools have been out of reach for us; hence the communities were mainly participating in the clean-up campaigns. The few campaigns we held were a huge success and we hope to continue impacting different communities.

Signal Hill Tower Ward 02 Clean-up campaign held on 28/10/2020

- 300 refuse bags were used throughout the clean-up campaign
- 6 loads of 2 grab trucks (each grab truck loaded 3 loads of refuse)
- 1 ton full of recyclables by Chama-Cha recycling company





## **EDUCATION AND AWARENESS & #THUMA MINA GREEN GOOD DEEDS PROGRAMME**

Due to COVID 19 and lockdown we have resorted to cleaning campaigns only in the various wards with the Thuma Mina beneficiaries.

### **WARD 19 MADADENI SECTION 6 AT MUZIKAYISE OPEN SPACES ON 24/03/2021**

- The illegal dumping hotspot was cleared, and 200 refuse bags were used throughout the clean-up campaign
- 3 loads of Skips were filled up and we filled 3 loads of Grab truck

**BEFORE**



**AFTER**



### **WARD 9- OSIZWENI HIGH SCHOOL OPEN SPACE 10/03/2021**

The illegal dumping hotspot was cleared, and 300 refuse bags were used throughout the clean-up campaign:

- 4 loads of Skips were filled up
- 3 loads of Grab truck

**BEFORE**



**AFTER**



### **➤ NEWCASTLE TAXI & BUS RANK CLEAN-UP CAMPAIGN-06/10/2020**



### ➤ **CLEAN-UP CAMPAIGN AT KWAMATHUKUZA** **BEFORE**

### **DURING**



### **AFTER**



### **PRIZE GIVING CEREMONY ECO BRICKS COMPETITION AT OSIZWENI HALL ON 25/05/2021**

Having been on hold for more than a year, the event finally took place in May 2021. The seven schools which had participated were in attendance to show case their achievements.



Cebelihle got away with more than the other schools owing to their piece of work and presentation. The event was attended by the mayor's office, Deputy Mayor, Acting Municipal Manager/ Acting SED Community Services, Portfolio head, and many other dignitaries including the Director of Education for the Amajuba district.

Above all, the company that sponsored the event Moteko, was represented by its director Mr G. Mazibuko, who promised they will continue to sponsor this cause annually.



#### ➤ **SEPARATION OF WASTE AT SOURCE PROJECT SET TO BE A GAME CHANGER FOR NEWCASTLE**

The Newcastle Municipality together with the National Department of Environmental Affairs, Forestry and Fisheries and United Nations Environment Program, implemented a pilot initiative to introduce the separation of waste at source project in Newcastle. The main aim of this project is to contribute towards the Municipality's waste minimization plan, by diverting at least 93% of waste away from landfill sites, to create employment, to save natural resources and energy. The supreme anticipated result is to prolong the longevity and lifespan of landfill sites across Newcastle and surrounding areas



#### **RECYCLING CONTAINERS**

In a bid to encourage the Community of Newcastle to continue recycling and keeping the town clean, the waste management section has purchased and placed different colour bins at the mall, the farmers hall and at the landfill site



➤ **GMC GRANT FUNDING:** R150 000 was received from Greenest Municipality Competition and the department purchased 10 recycling bins to promote recycling in Newcastle.



Newcastle was placed 3rd in the Provincial Leg of the Greenest Municipality competition winning an amount of R 400 000. A Business plan was submitted to the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) and the funds will be used to purchase much needed bulk refuse containers which are income generating.

### **SERVICE DELIVERY CHALLENGES**

Long Turnaround for repairs to waste management vehicles and specialized plant which impact negatively on overtime budget and service delivery

A 142 staff were dismissed because of industrial action on 25 September 2019. Parks staff and EPWP staff were used as a stopgap measure to fill these positions. Of the 142 staff that were dismissed only 42 positions were filled in June 2021. EPWP are being used to augment the section

The existing landfill site is fast reaching the end of its life span

---

### 3.6 FREE BASIC SERVICE AND INDIGENT SUPPORT

Newcastle Municipality provides free basic electricity, water, sanitation and refuse removal to all households that qualify to be on indigent support. In terms of the Indigent Policy (see attached as Annexure), the monthly household earnings of an indigent application are limited to R3, 500 for old, aged pensioners and poor households. The onus lies with the applicant to come forward and register for indigent support in line with the Council approved indigent policy. The Free Basic Services is funded through the equitable share which is received from National Government.

Newcastle Municipality appointed a service provider in April 2019 to verify the indigent applications and indigent register. Since the appointment of the service provider the number of qualifying indigent applicants has reduced by 6, 72%. As at the end of June 2018 the municipality was providing free basic services to 19487 households and as at the end of June 2019 the number of households reduced to 7484. The number of indigent households had increased by the end of June 2020 to 8952 which is equivalent to 18. 14 % of the total valuation roll. The increase of indigent households from 2018/19 to 2019/20 is 2, 86%. The indigent audits are resulting in fewer indigent approvals, the online verification system is assisting to ensure that only valid indigents are approved, increase in residential properties, this figure is not constant, and it changes according to the number of properties that have been registered at that point in time therefore there was an increase in the number of properties registered at the deeds office. Furthermore, during the 2019/20 financial year the National Covid-19 Pandemic caused many retrenchments and workers being paid short-time therefore there were more applicants that qualified for the indigent support.

## COMPONENT B: ROAD TRANSPORT

---

### 3.7 ROADS

Newcastle Municipality has a backlog of roads in Newcastle East, and it is our mission as a municipality to ensure that every road and suburb in Newcastle East has tarred (Black-top) roads like that of Newcastle West. The municipality in 2012 submitted various business plans to Municipal Infrastructure Grant (MIG) for the funding of constructing new roads in Newcastle East to ensure that we as Newcastle Municipality create equality in the access of basic services throughout Newcastle. The MIG roads program is a multi-year project and for the 2020/21 financial year the municipality constructed 3 new roads in Newcastle East. The current performance achieved by the municipality for roads upgraded from gravel to blacktop is as follows:



PROJECT NAME	WARD	BENEFICIARIES (Km's)	STATUS QUO	JOBS CREATED
Upgrading of existing gravel roads MF55 Street in Madadeni Section F	19	0.78	Complete	11
Upgrade of existing roads to blacktop MD35 in Madadeni Ward 24	24	0.852	Complete	7
Upgrading of MF18 and MF19 to blacktop in Madadeni	29	0.757	In progress	12
Upgrade of MF7, MF10 and MF69 roads	27	0.714	In progress	11
Construction of road MC13	23	0.375	In progress	9
Upgrade of existing roads to blacktop in Osizweni Ward 30: OA103	30	0.902	Practically Complete	11
Construction of OB1 link road	12	1.149	In progress	9
Construction of road OA27	10, 11	0.52	In progress	11
Construction of H39 bus road and street lighting in Madadeni ward 19	19	1.2	In progress	11
Provision of infrastructure services to the medical precinct (Hastie Street extension)	25	0.819	In progress	8

**Table 16 GRAVEL ROADS UPGRADED TO BLACK-TOP (TAR)**



**UPGRADING OF EXISTING GRAVEL ROADS MF55 STREET IN MADADENI SECTION F**



UPGRADE OF EXISTING ROADS TO BLACKTOP MD35 IN MADADENI WARD 24



UPGRADING OF MF18 AND MF19 TO BLACKTOP IN MADADENI



UPGRADE OF MF7, MF10 AND MF69 ROADS



CONSTRUCTION OF ROAD MC13





UPGRADE OF EXISTING ROADS TO BLACKTOP IN OSIZWENI WARD 30: OA103



CONSTRUCTION OF OB1 LINK ROAD

---





CONSTRUCTION OF ROAD OA27



CONSTRUCTION OF H39 BUS ROAD AND STREET LIGHTING IN MADADENI WARD 19





### 3.8 RESEALING OF ROADS FOR 2020/21

Table 17 RESEALED ROADS IN NEWCASTLE

NAME OF ROAD	M
MAD 4	700
MAD	200
JR4	200
Panorama Drive	100
Drakensburg	900
Hendrieta	100
Memel Road	310
York Street	260
Voortrekker Street	180
Terminus Street	470
	<b>3420</b>

### SERVICE DELIVERY CHALLENGES EXPERIENCED AND INTERVENTIONS IMPLEMENTED TO RESOLVE THESE CHALLENGES

Table 18 SERVICE DELIVERY CHALLENGES AND INTERVENTIONS

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
<b>Cash-flow problems</b>	Contractors were assisted through cession agreements.
<b>Covid-19</b>	Some projects had to be rolled over in the following financial year

### 3.9 THREE YEAR CAPITAL PLAN FOR ADDRESSING INFRASTRUCTURE BACKLOGS IN TERMS OF THE MUNICIPAL INFRASTRUCTURE GRANT (MIG) FRAMEWORK

**Table 19 THREE CAPITAL BUDGET**

Over the next three years, the municipality is planning to spend R391 million towards the capital programme. During the 2020/21-2021/2022 financial year, the municipality will be spending the bulk of its capital programme towards basic infrastructure, with R40.9 million towards roads, R33.8 million towards water, R51.5 million towards sanitation and R3.1 million on the electricity infrastructure. A further R3.1 million will be spent on new plant, R1.3 million of furniture and other tools of trade. The following tables reflects a detailed listing of projects that are planned to be implemented by the municipality over the MTREF period:

PROJECT DESCRIPTION	NEW / ONGOING	FUNDING SOURCES	BUDGET 2020/2021	BUDGET 2021/2022	BUDGET 2020/2023
<b>COMMUNITY SERVICES</b>					
Installation of Aircon at Mobile Office	New	Museum Grant	15 000	-	-
Construction of Admin Office at Fort Amiel	New	Museum Grant	300 000	-	-
Art Purchases	New	Museum Grant	50 000	-	-
<b>Total Community Services</b>			<b>365 000</b>	-	-
<b>BTO</b>					
IT Equipment	New	Internal Funding	600 000	600 000	600 000
Furniture and Office Equipment	New	Internal Funding	300 000	300 000	300 000
Machinery Equipment	New	Internal Funding	100 000	100 000	100 000
<b>Total BTO</b>			<b>1 000 000</b>	<b>1 000 000</b>	<b>1 000 000</b>
<b>DPHS</b>					

PROJECT DESCRIPTION	NEW / ONGOING	FUNDING SOURCES	BUDGET 2020/2021	BUDGET 2021/2022	BUDGET 2020/2023
Medical Precinct – Roads	New	Internal Funding	6 834 667	-	-
Medical Precinct – Storm Water	New	Internal Funding	3 884 667	-	-
Medical Precinct – Street Lights	New	Internal Funding	600 000	-	-
Medical Precinct – Water	New	Internal Funding	805 000	-	-
Medical Precinct – Sewer	New	Internal Funding	910 000	-	-
Medical Precinct – Substation	New	Internal Funding	2 070 000	-	-
Professional fees	New	Internal Funding	2 895 666	-	-
<b>Total DPHS</b>			<b>18 000 000</b>		
<b>TECHNICAL SERVICES</b>					
Construction of MF 18 & MF 19 Roads	New	MIG	4 000 000	-	-
Construction of MF 69, 7, 10 Roads	New	MIG	4 400 000	-	-
Construction of MC 13 Roads	New	MIG	3 100 000	-	-
Construction of Madadeni Urban Access Roads Phase 3	New	MIG	-	15 000 000	20 000 000
Construction of OB 1 Link Road	New	MIG	6 073 000	-	-
Construction of OA 27 Road	New	MIG	3 000 000	-	-

PROJECT DESCRIPTION	NEW / ONGOING	FUNDING SOURCES	BUDGET 2020/2021	BUDGET 2021/2022	BUDGET 2020/2023
Construction of Osizweni Urban Access Roads Phase 4	New	MIG	-	15 000 000	20 000 000
Construction of H39 BUS Road and Streetlighting	New	MIG	10 000 000	8 000 000	
Upgrade of Madadeni Wastewater Treatment Plant	Ongoing	MIG	20 731 000	17 414 000	9 727 000
Viljoenpark Bulk Water and Sanitation	New	MIG	10 000 000	12 000 000	19 000 000
Blaauwbosch Bulk Water Supply	Ongoing	MIG	10 000 000	18 401 000	15 000 000
Pipe Replacement and Upgrade	Ongoing	MIG	10 000 000	12 000 000	8 000 000
Furniture and Equipment	New	MIG	200 000	200 000	700 000
Osizweni Water Pressure System Management	Ongoing	MWIG	10 000 000	8 000 000	9 000 000
Provision of Basic Water Supply (P46, Ward16, 12, 24)	Ongoing	MWIG	6 000 000	6 000 000	4 400 000
Resealing of Roads Newcastle Residential Area	Ongoing	Internal Funding	2 500 000	2 000 000	4 000 000
Resealing of Roads – Newcastle West	Ongoing	Internal Funding	3 500 000	3 000 000	6 000 000
Resealing of Roads Madadeni	Ongoing	Internal Funding	2 000 000	1 500 000	3 000 000
Resealing of Roads Osizweni	Ongoing	Internal Funding	2 000 000	1 500 000	3 000 000
Construction of Speedhumps	Ongoing	Internal Funding	2 000 000	-	-

PROJECT DESCRIPTION	NEW / ONGOING	FUNDING SOURCES	BUDGET 2020/2021	BUDGET 2021/2022	BUDGET 2020/2023
Purchase of Vehicles	New	Internal Funding	2 500 000	2 000 000	2 000 000
<b>Total Technical Services</b>			<b>112 004 000</b>	<b>122 015 000</b>	<b>123 827 000</b>
<b>TOTAL CAPITAL BUDGET</b>			<b>131 369 000</b>	<b>123 015 000</b>	<b>124 827 000</b>



### 3.10 SECURITY SERVICES

#### ➤ CCTV CAMERAS AND MONITORS

Proactive strategy to detect and deter crime within the Newcastle Municipal area in the main phase one within the Newcastle CBD. They serve as a tool to detect and investigate crime as and when it happens. They are also used as a proactive and reactive tool in the fight against crime and serves as a deterrent for crime and identification of criminals



#### ➤ TASK TEAM HUNTS DOWN STREETLIGHT THIEF

The Chief Security Officer, Mr. Pieter Marais was among those who gave chase on foot as the first definitive breakthrough in the streetlight saga was made. Three people were subsequently arrested and will be charged for their blatant Crimes.





## **SERVICE DELIVERY CHALLENGES**

We only acquired funds to deal with the first phase of the project in the amount of R1.4 mil yet the project tendered the value of R15.6mil. This mean that we cannot rollout the project to the residential areas in Madadeni and Osizweni to enable a full fleshed operational system. Renewal of old CCTV Cameras and internal CCTV system cannot be done and thereby impacting negatively on the reliability and functionality of the overall system. Faulty CCTV cameras cannot be replaced and capture footage of crime incidents as and when it occurs

## **INTERVENTIONS IMPLEMENTED**

Council to approve adequate funding to continue with the roll out and the finalization of upgrading the entire project

---

### **3.11 TRAFFIC SERVICES**

#### **COVID -19 LOCKDOWN ROADBLOCK ON 26 AUGUST 2020**

26 August 2020 / Covid -19 Lockdown Roadblock. With the Covid-19 Lockdown regulations, Traffic Officers conducted roadblocks to ensure that the public comply with the regulations, limit movement, thereby assisting with not spreading the virus.



TRUCK HANDOVER ON 02 SEPTEMBER 2020



SANTACO ROADSHOW ON 20 OCTOBER 2020





## EASTER ROADBLOCK ON 01 APRIL 2021

The Principals of Newcastle Council partnered with law enforcement agencies and emergency services to convey road safety messages to motorists and passengers ahead of the Easter Weekend.



## FILM SHOOT ON 18 APRIL 2021

An internationally recognised film company worked with Traffic Services in producing scenes of a series which included a gruesome accident. This partnership helped to market our beautiful Town



## INTERFAITH AND AARTO INTRODUCTION ON 30 APRIL 2021

NEWCASTLE, as a forerunner in KZN AARTO rollout processes, joined the Road Traffic Infringement agency with educating Interfaith cultural leaders and the community on AARTO matters.





Details	2019'20 Financial Year
Number of road traffic accidents during the year	503
Number of traffic officers in the field on an average day	22
Number of traffic officers on duty on an average day	16

### 3.12 CEMETERIES

Access to burial facilities is one of the key challenges facing the Newcastle Municipality. There are 27 cemeteries (8 formal or registered and 19 informal burial sites). Registered cemeteries include 3 cemeteries in Charlestown, Roy Point cemetery, Cavan, (Drycut), Newcastle cemetery, Osizweni and Madadeni cemeteries. One of the unregistered cemeteries is Ngagane cemetery to the south of the Newcastle town. However, only two formal cemeteries are in operation, namely RoyPoint and Drycut cemeteries.

Although Drycut Cemetery was properly planned and laid out, it appears that the plan has not been followed. As a result, some graves are in environmentally sensitive areas, and the facility remains poorly developed. This facility is currently the main cemetery that services the eastern parts of the NLM.

Similarly, the Roy Point Cemetery which serves as a regional facility for the whole of Newcastle and beyond is also fast approaching capacity clearly indicating a need for the identification and development of anew cemetery for the area. Cemeteries in Madadeni and Osizweni have been closed due to unfavourable geological conditions (high water table), as a

result the municipality has undertaken the extension of the Roy Point cemetery through the relevant processes.

In response to the above cemetery challenges, the Newcastle Municipality commissioned an investigation of identifying new suitable sites for cemeteries. The project was initially set to be completed by September 2012 and the planning exercise was to begin with the implementation of the Environmental Impact Assessment (EIA), and other processes.

#### **LIST OF CEMETERIES IN NEWCASTLE**

<b>CEMETERIES IN USE</b>		
<b>NAME OF CEMETERY</b>	<b>NUMBER OF GRAVES ISSUED (JULY 2020-JUNE 2021)</b>	<b>FREQUENCY OF GRASS CUTTING</b>
Dry cut (Madadeni & Osizweni)	Madadeni 99 Osizweni 710	Twice a month
Rooi-point	951	Twice a month
<b>NAME OF CEMETERY</b>	<b>NUMBER OF GRAVES ISSUED (JULY 2020-JUNE 2021)</b>	<b>FREQUENCY OF GRASS CUTTING</b>
Muslim	52	Twice a month
Charlestown	17	Twice a month
<b>CEMETERIES NOT IN USE</b>		
Madadeni	Closed cemeteries only open for re-burials and reserved burials.	Twice a month
Osizweni/ 42 cemetery	Closed cemeteries only open for re-burials and reserved burials.	Twice a month
Old cemetery (CBD)	Closed cemeteries only open for re-burials and reserved burials.	Twice a month

**Table 20 LIST OF CEMETERIES IN NEWCASTLE**

The municipality appointed a specialist service provider in 2020 to mitigate against the infestation of phorid flies at Dry-cut cemetery. The service was launched in August 2020, and it is anticipated that this initiative will go a long way in addressing issues that have been raised by the community over the years with regards to the infestation of phorid flies in Dry-cut cemetery.



## CHALLENGES AND INTERVENTIONS

CHALLENGES	INTERVENTIONS
The Roy Point and Dry-cut Cemetery is rapidly reaching its capacity for burial space.	We have submitted items to Council regarding the current status quo of cemeteries. We have also constantly engaged the Department of Town Planning & Human Settlement to speed up the process for cemetery identification and budget for cemetery infrastructure

Table 21 CHALLENGES AND INTERVENTIONS FOR CEMETERIES

## GRASS CUTTING



Parks recreation and Cemeteries purchased 20 grass cutting machinery and this has assisted the department to complete the grass cutting cycle without delays that are related to breakdown of machinery.



### **SERVICE DELIVERY CHALLENGES**

Inadequate budget for the maintenance of machinery & equipment which leads to poor service delivery in terms of grass cutting.

### **INTERVENTIONS IMPLEMENTED**

The department had procured the grass cutting equipment in 2020/2021, although it is still not sufficient.

## COMPONENT C: PLANNING AND DEVELOPMENT

### 3.13 PLANNING

#### MISSION:

To achieve a coherent spatial structure that facilitates consistent and sustainable growth and development.

#### OVERVIEW OF FUNCTIONS:

- **Spatial Planning:** The unit is responsible for maintaining and trendsetting forward planning of a town that is on a trajectory growth and aiming towards a smart city. It thrives on turning collective municipal dreams coming into fruition.
- **Urban Renewal:** The Urban renewal unit is focused on rejuvenating areas of urban decay and ensuring new appeal to development investors. They are responsible for replacing old infrastructure and laying out new infrastructure thus ensuring the integration of such areas to areas of ne interests.
- **Land Use Management:** This is the unit that is responsible for returning order and ambience to the municipality. It ensures that land is developed in a desirable and sustainable manner. It functions better when the municipality is focused on development markets and responds to development with certainty and confidence.
- **Geographic Information systems:** This unit is responsible for the management and maintenance of geo-spatial information and spatial information. This allows internal and external users to make informed decisions through the analysis provided by the system.
- **Building Inspectorate:** The building inspectorate ensures compliance with structural building requirements for all commercial, industrial, and human habitation structures build within the jurisdiction of the municipality. The unit also ensures uniformity to the visual aesthetics within the city.

#### PERFORMANCE HIGHLIGHTS 2020/21

##### EQUARAND MIXED USE NODE:

Equarand is in the Southern portion of Newcastle town along the main arterial road of the municipality with the direct link to the N11 south. It forms the area extending from the Blackrock

casino and Newcastle Mall and surrounded by the suburbs of Lennoxton with Siyahlala-la on the west and Arbor Park to the east and extending towards the CBD to the north.

The municipality formulated a strategic partnership with DBSA in the Equarand mixed use node formalization process with the establishment of the township register anticipated within the financial year 2020/21. The project is undertaking the following studies which will form the basis for the establishment of the township register:

- Traffic and Transportation Study.
- Market Valuation and release strategy.
- Engineering Services Report.
- Engineering designs.
- SPLUMA Application approved.
- SG Diagrams approved.

Ongoing Activities:

- Survey proposed properties.
- SPLUMA application to subdivide and zone properties.
- Property disposal



Figure 17 proposed Equarand Layout Plan

---

### ARTERIAL ROUTES LINKING TO THE PROPOSED REALIGNMENT OF N11:

The Municipality in its Endeavour to provide effective transportations networks between economic hubs and residential neighborhoods undertook the exercise to look at the positive spin offs as well as well the knock-on effects the proposed realignment of N11 is likely to bring to town.

---

### HASTIE STREET EXTENSION

Extensive planning is also underway within the Medical Precinct to prepare this study area for development to take off, having observed over time a concerted effort by various developers to access the vacant land next to the Medi-Clinic. At the end of 2018/19 financial year, the municipality had received the preliminary engineering designs for the construction of the road, this section of the road is to be considered as the extension of Hastie Street. Hastie Street has been developed from the vicinity of the motor dealership precinct and stops short in the vicinity of Bird Street. Its extension will now cover 747 m in length and will end at the intersection with Hospital Street between Medi-Clinic and the municipal offices. Across these offices, the municipality has recently approved the social housing development. The final design of the road is yet to be determined; however, the sense of place will resemble that of the medical suburbia. The image below depicts the single carriage way road described as Hastie Street extension.



---

Figure 18 HASTIE STREET EXTENSION





Hastie Street Site progress

---

## NEWCASTLE AMAJUBA PRIVATE HOSPITAL

It is envisioned that within the Newcastle Medical Precinct the Amajuba Private Hospital is set for establishment. The SPLUMA application process has unfolded and was approved by the Newcastle MPT and the building plans have been submitted to the municipality.

The site is located at the corner of link and the proposed extension of Albert Wessel's drive on a vacant portion of Equarand. The proposal is worth over a billion rand and will provide additional healthcare, employment opportunities and additional investment into the Town.



Figure 19 EQUARAND DEVELOPMENT

#### TABS PROJECT:

The municipality, in a strategic partnership with DBSA has engaged in a project, Transaction Advisory Services and the Integration of the Financial and Billing System with the GIS (TABS). The project aims at revenue enhancement for the municipality through:

- Integrated information systems analysis
- Effectively and efficient municipal billing
- Up to date financial policies
- Identification and quantification of municipal infrastructure project and business plans
- Sourcing funding

#### PERFORMANCE HIGHLIGHTS 2021/22

#### EQUARAND MIXED USE NODE:

Equarand is in the Southern portion of Newcastle town along the main arterial road of the municipality with the direct link to the N11 south. It forms the area extending from the Blackrock casino and Newcastle Mall and surrounded by the suburbs of Lennoxton with



Siyahlala-la on the west and Arbor Park to the east and extending towards the CBD to the north.

The municipality formulated a strategic partnership with DBSA in the Equarand mixed use node formalization process with the establishment of the township register anticipated within the financial year 2019/2020. The project is undertaking the following studies which will form the basis for the establishment of the township register:

- Traffic and Transportation Study.
- Market Valuation and release strategy.
- Engineering Services Report.
- Engineering designs.
- SPLUMA Application approved.
- SG Diagrams approved.

Ongoing Activities:

- Pegging sites.
- Servicing properties.
- Property disposal.



Figure 20 PROPOSED EQUARAND LAYOUT PLAN

#### ARTERIAL ROUTES LINKING TO THE PROPOSED REALIGNMENT OF N11:

The Municipality in its Endeavour to provide effective transportations networks between economic hubs and residential neighborhoods undertook the exercise to look at the positive spin offs as well as well the knock-on effects the proposed realignment of N11 is likely to bring to town.

#### HASTIE STREET EXTENSION

Extensive planning is also underway within the Medical Precinct to prepare this study area for development to take off, having observed over time a concerted effort by various developers to access the vacant land next to the Medi-Clinic. At the end of 2018/19 financial year, the municipality had received the preliminary engineering designs for the construction of the road, this section of the road is to be considered as the extension of Hastie Street. Hastie Street has been developed from the vicinity of the motor dealership precinct and stops short in the vicinity of Bird Street. Its extension will now cover 747 m in length and will end at the intersection with Hospital Street between Medi-Clinic and the municipal offices. Across these offices, the municipality has recently approved the social housing development. The final design of the road is yet to be determined; however, the

Site plan of the proposed Mvulo Water Treatment Works. The plan shows a large rectangular area divided into several rectangular plots. A central horizontal road or canal runs through the middle. To the left, there is a parking area with several cars and a building. To the right, there is a large rectangular area, possibly a reservoir or a large plot. The plan includes various labels for roads, plots, and infrastructure. A north arrow is located in the top left corner. A legend in the bottom right corner identifies the colors used for different areas: green for 'Grass' and brown for 'Soil'. A table in the bottom right corner provides details about the project, including the name 'Mvulo Water Treatment Works', the location 'Mvulo, KwaZulu-Natal', and the date '10/10/2018'. The table also lists the names of the project manager, engineer, and other staff.

A wide, unpaved dirt road stretches into the distance under a clear blue sky. The road is flanked by dry, yellowish-brown grass and scattered trees. In the background, there are red brick buildings, possibly a school or community center, and a tall utility pole. The scene is bright and sunny, with shadows cast on the road.



Hastie Street Site progress

---

#### NEWCASTLE AMAJUBA PRIVATE HOSPITAL

It is envisioned that within the Newcastle Medical Precinct the Amajuba Private Hospital is set for establishment. The SPLUMA application process has unfolded and was approved by the Newcastle MPT and the building plans have been submitted to the municipality.

The site is located at the corner of link and the proposed extension of Albert Wessel's drive on a vacant portion of Equarand. The proposal is worth over a billion rand and will provide additional healthcare, employment opportunities and additional investment into the Town.



Figure 22 EQUARAND DEVELOPMENT

#### TABS PROJECT:

The municipality, in a strategic partnership with DBSA has engaged in a project, Transaction Advisory Services and the Integration of the Financial and Billing System with the GIS (TABS). The project aims at revenue enhancement for the municipality through:

- Integrated information systems analysis
- Effectively and efficient municipal billing
- Up to date financial policies
- Identification and quantification of municipal infrastructure project and business plans
- Sourcing funding

The TABS project identified areas of concern in the integration of systems of the municipality whereby there were issues around:

- Properties in the municipal system that did not have proper property description and thus impacted on the revenue of the municipality
- Properties that had issues with property ownership and thus impacted on the municipal systems and revenue
- Properties that form part of the EEDBS programme and properties that have more than one household, and properties with RDP houses. This only entails properties that



are occupied but the property ownership at Deed office has not yet been assigned to the beneficiary.

The municipality is thus engaged in ensuring revenue enhancement through the implementation of the TABS report with the points above being resolved. This will allow the municipality to collect revenue where it was unable to collect since property description or ownership was not properly assigned.

#### BUILDING PLANS APPROVED FOR THE MONTH OF JULY 2020 TO JUNE 2021:

Building plans to the value of R427 060 800 approved for the financial year of 2020 to 2021. The figures below show the insufficient number of building plans approved in the Newcastle East.

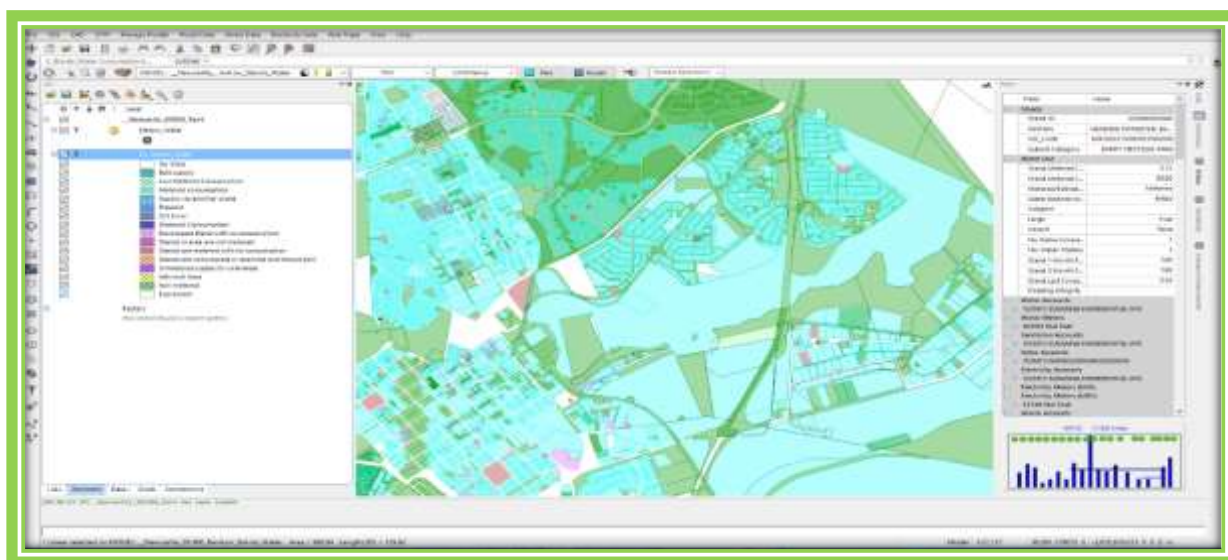


Figure 23 TABS PROJECT

#### PROPERTY DEVELOPMENT / BUILDING PLANS:

The municipality received submission for building plans to the value of: **R 767 416, 60** for the financial year 2020/21.

#### BREAKDOWN OF BUILDING PLANS

CATEGORY				
	Newcastle West	Madadeni	Osizweni/ Ingagane	Value
NEW DWELLINGS	36	10	3	125 445 000
TOWN HOUSES / FLATS	7	-	-	40 837 500



ADDITIONS AND ALTERATIONS TO DWELLINGS	147	26	4	122 058 300
NEW NON-RESIDENTIAL BUILDING	8	1	1	39 915 000
FACTORIES	1	-	-	14 932 500
WORKSHOP/WAREHOUSE	-	-	-	-
COMMERCIAL	1			555 000
RELIGIOUS/SCHOOL	-	-	1	1 042 500
ADDITIONS AND ALTERATIONS NON-RESIDENTIAL BUILDINGS	11	3	-	82 275 000
<b>SUB – TOTAL</b>	<b>211</b>	<b>40</b>	<b>9</b>	<b>427 060 800</b>
GOVERNMENT AND MUNICIPAL BUILDINGS:	-	-	-	-
<b>GRAND TOTAL</b>	<b>211</b>	<b>40</b>	<b>9</b>	<b>427 060 800</b>

### 3.14 URBAN RENEWAL AND SPECIAL PROJECTS

#### MISSION:

To uplift communities socially, economically, and environmentally through infrastructure development.

#### OVERVIEW OF FUNCTIONS:

This Unit mainly focuses on improving city areas through upgrading of old infrastructure or development of new infrastructure, these may include public buildings, parks, roadways, industrial areas, etc.; this is undertaken in accordance with existing municipal development plans.

#### PERFORMANCE HIGHLIGHTS 2020/21

During the 2020/21 Financial Year, this Unit dealt with the following projects:

##### A JBC Osizweni Secondary Road Link Phase 2

- Road construction is still under progress following the relocation of four families that were located within the road reserve; the old structures were demolished and the road construction on the remaining portion is underway.



Construction of Blaauwbosch Library

The building plans for the Blaauwbosch Library have been evaluated and the procurement process for the appointment of the main contractor has commenced.

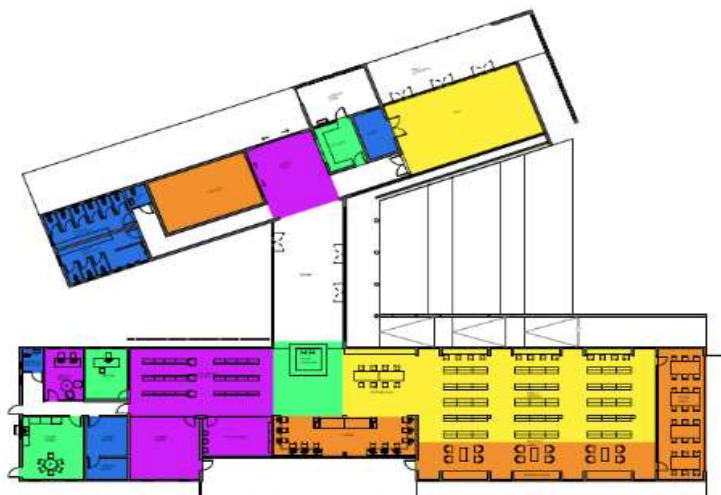


**BLAaubosch LIBRARY**  
Newcastle, KZN  
EXTERIOR RENDER 1

Project number : 0506  
Client : Newcastle Municipality  
Date : March 2020  
Revision : 02



Page 10



**BLAaubosch LIBRARY**  
Newcastle, KZN  
SPATIAL USE

Project number : 0506  
Client : Newcastle Municipality  
Date : March 2020  
Revision : 02



Page 11

## ADHOC DELIVERABLES NOT COVERED IN SDBIP

### Site Preparation

Relocation of four families that were located with the road servitude has been completed successfully.



#### INNOVATIVE SERVICE DELIVERY ACHIEVEMENTS TOWARDS MUNICIPAL EXCELLENCE

The designs of the proposed JBC Library have followed the green buildings concept for the operation and maintenance of the building to be cost effective as well as environmentally responsible.

#### SERVICE DELIVERY CHALLENGES EXPERIENCED AND INTERVENTIONS IMPLEMENTED TO RESOLVE THESE CHALLENGES

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
There has been delays experienced due to the National Lockdown and furthermore, there has been challenges when it related to consultation with affected families when it relates to the urban renewal projects.	Recovery Plans have been submitted on how the time that has been lost will be recovered and where necessary, there has been political intervention to address issues of concern from the affected families and such has yielded positive results.



### 3.15 LOCAL ECONOMIC DEVELOPMENT

The economic conditions in South Africa and in Newcastle have slightly changed since 2012. However, most of the recommendations presented in 2012 report were not fully implemented for a range of reasons, beyond the scope of this study. This strategy provides a framework for optimization of Local Economic Development (LED), and consequently requires multi-stakeholder support.

Among other objectives, the review examines the extent in which new developments took place within the municipal economy between 2012 and 2017. It was also part of the goals of this review to determine the extent in which activities, programs and projects proposed by the 2012 strategy were implemented. The review further looked at the budget or financial allocations that attempted to address socio-economic ills as there were outlined previously.

This report has no intentions of reinventing the wheel. It rather seeks to improve the approach and methodology of realizing broad based economic development goals for Newcastle municipality. The strategy would like to caution against the unguarded risk of adhering to compliance procedures without following through with implementation.

#### LOCAL JOB OPPORTUNITIES

Job opportunities has drastically declined due to the COVID-19 outbreak. It will take several months for our Economy to be stabilised. With the COVID-19 Pandemic, the economy has been in an unstable space due to the erratic. On the upside however some Industries have managed to stay afloat and not temporary lay off staff during this time.

Additionally, mass protest action took place in July 2021 and resulted in looting and damage to businesses throughout South Africa. The effect of the looting is evident on small and big businesses as well as the economy, **increasing unemployment and making it difficult for businesses to recover from their losses.**

Of great concern is the planned and ongoing retrenchments planned by Mittal SA, which has a direct impact on our Economies rates base.

#### THE NUMBER OF JOBS CREATED THROUGH MUNICIPALITY'S LOCAL ECONOMIC DEVELOPMENT INITIATIVES INCLUDING CAPITAL PROJECTS

THE NUMBER OF JOBS CREATED THROUGH MUNICIPALITY'S LOCAL ECONOMIC DEVELOPMENT INITIATIVES INCLUDING CAPITAL PROJECTS		
2020/2021	2019/2020	2018/2019
702	1070	1509

---

## TOTAL OF NEW BUSINESSES OPENED FROM 1 JULY 2020 – 30 JUNE 2021

Rocco Mamas has provided employment for {22 people}.

Sasol Garage [24 people) provided with employment)

Havel motors (20 staff employed)

Qualitas training (15 people employed)

Lanxess was taken over by BROCHEM (30 people employed)

Madadeni Spar (50 people employed)

Chinese and Taiwanese factories have indicated a 50% reduction in peak performance and staff retention. The sector which was severely affected during this COVID-19 was our Tourism sector which has come to a complete standstill. We were most fortunate that the Department of Health Amajuba District in partnership with Newcastle Municipality organised training for workers in the accommodation sector in Newcastle. The venue was also arranged by the Department of Health which took place on the 19th of June 2020. The training was well received and a total of 17 accommodation establishment staff members attended the workshop.

---

## BUSINESS RETENTION & EXPANSION

Statistics South Africa has conducted a survey from 30 March 2020 to April 2020. A total number of 2182 businesses responded to this survey.

THE BREAKDOWN IS AS FOLLOWS:

89.6% businesses reported that turnover was below the normal range.

47.9% indicated temporary closure or paused trading activity.

8.6% have permanently ceased trading.

36.4% reported laying off staff for a short period of times.

45.6% expected their workforce size to decrease in the following months.

32.9% indicated a decrease to access financial resources.

30% of businesses have applied for financial assistance using Government relief schemes.

29.7% indicated that they can survive less than a month without turnover whilst 55.3% can survive between 1 and 3 months.

50.4% of the workforce were unable to meet business demands.

56.3% indicated that their businesses would be operating during level 4 lockdown period.

This study was commissioned by a national consortium of thirty Social Science Researchers from five South African Universities. The information was gathered using fifty call centre agents and a sub sample of seven thousand respondents were surveyed.



During Wave 1 of the pandemic from February 2020 to April 2020 17 million people were employed in February 2020.

In April 2020, 14 million people were employed thus showing a 3 million loss in employment or 18% decline.

A further 1 in 3 income earners in February 2020 did not earn an income in April 2020.

Most affected are the manual workers and lower income earners. Although a larger share of informal economy earners worked during this time the working hours and customer base reduced by 50 %.

In the Clothing and textile sector in Newcastle reports received from the sector indicate that even after the opening of the sector there is a 50% reduction in the peak performance of this sector due to the Pandemic.

Mittal Steel currently in Section 189 retrenchment process. This will also affect our economy negatively.

Urgent intervention by means of an Economic Recovery Plan will have to be commissioned by Newcastle Municipality to be able to curb the effect of the pandemic.

Table 22 INDUSTRIES IN NEWCASTLE

INDUSTRY	NUMBER EMPLOYED	AVERAGE ANNUAL GROWTH (2000 – 2010)	PERCENTAGE CONTRIBUTION
Food, beverages, and tobacco	435	-6.0%	3.8%
Textiles, clothing, and leather goods	4878	-6.7%	42.6%
Wood, paper, publishing, and printing	346	-5.2%	3.0%
Petroleum products, chemicals, rubber, and plastic	840	-3.5%	7.3%
Other non-metal mineral products	416	-6.1%	3.6%

INDUSTRY	NUMBER EMPLOYED	AVERAGE ANNUAL GROWTH (2000 – 2010)	PERCENTAGE CONTRIBUTION
Metals, metal products, machinery, and equipment	3173	-3.0%	27.7%
Electrical machinery and apparatus	130	-4.9%	1.1%
Radio, TV, instruments, watches, and clocks	74	-4.9%	0.6%
Transport equipment	169	-6.9%	1.5%
Furniture and other manufacturing	992	-3.4%	8.7%
Total / average	11454	-5.1%	100%

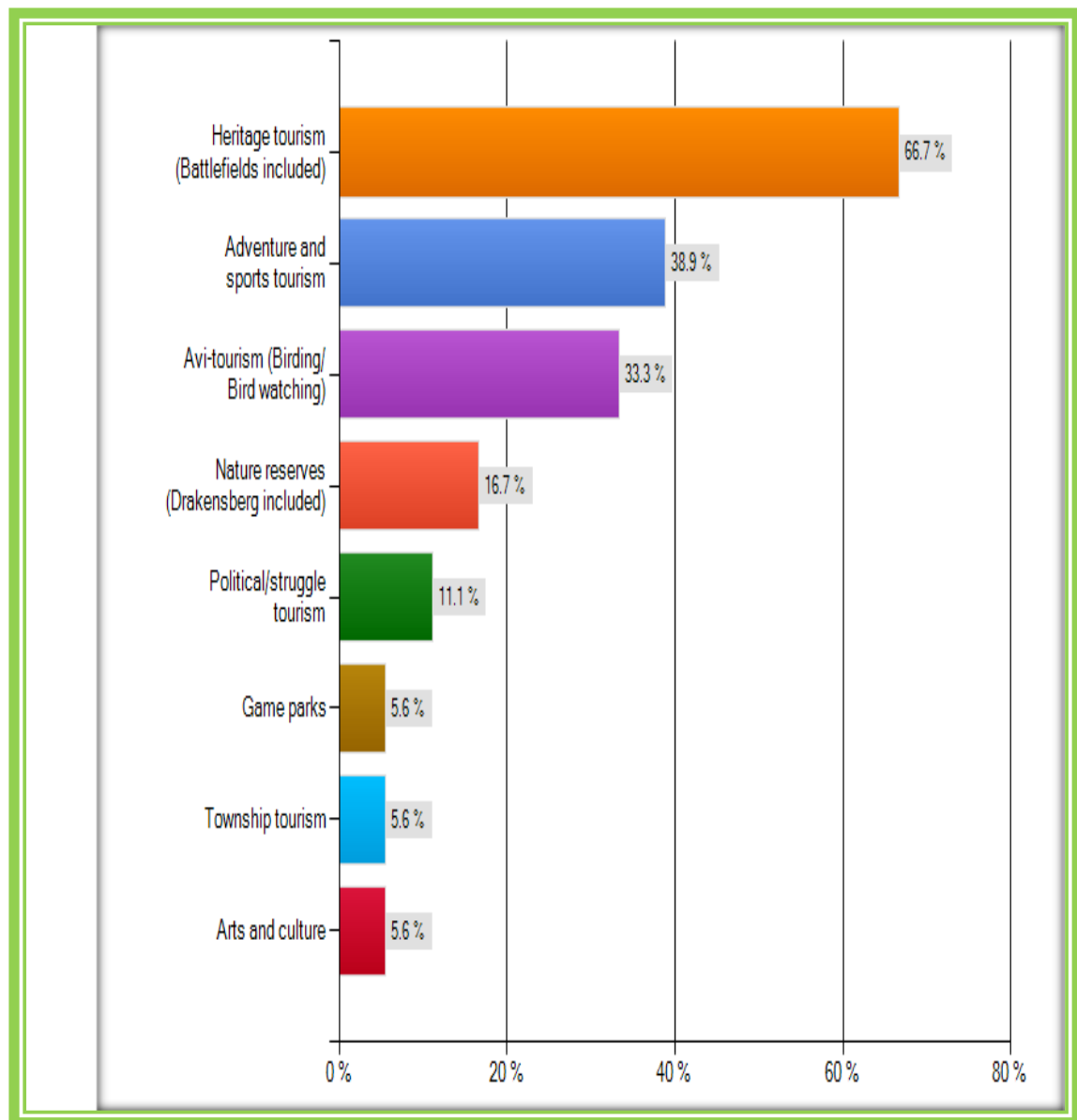


Figure 24 TOP TOURISM PRODUCTS AS PER THE SERVICE PROVIDERS

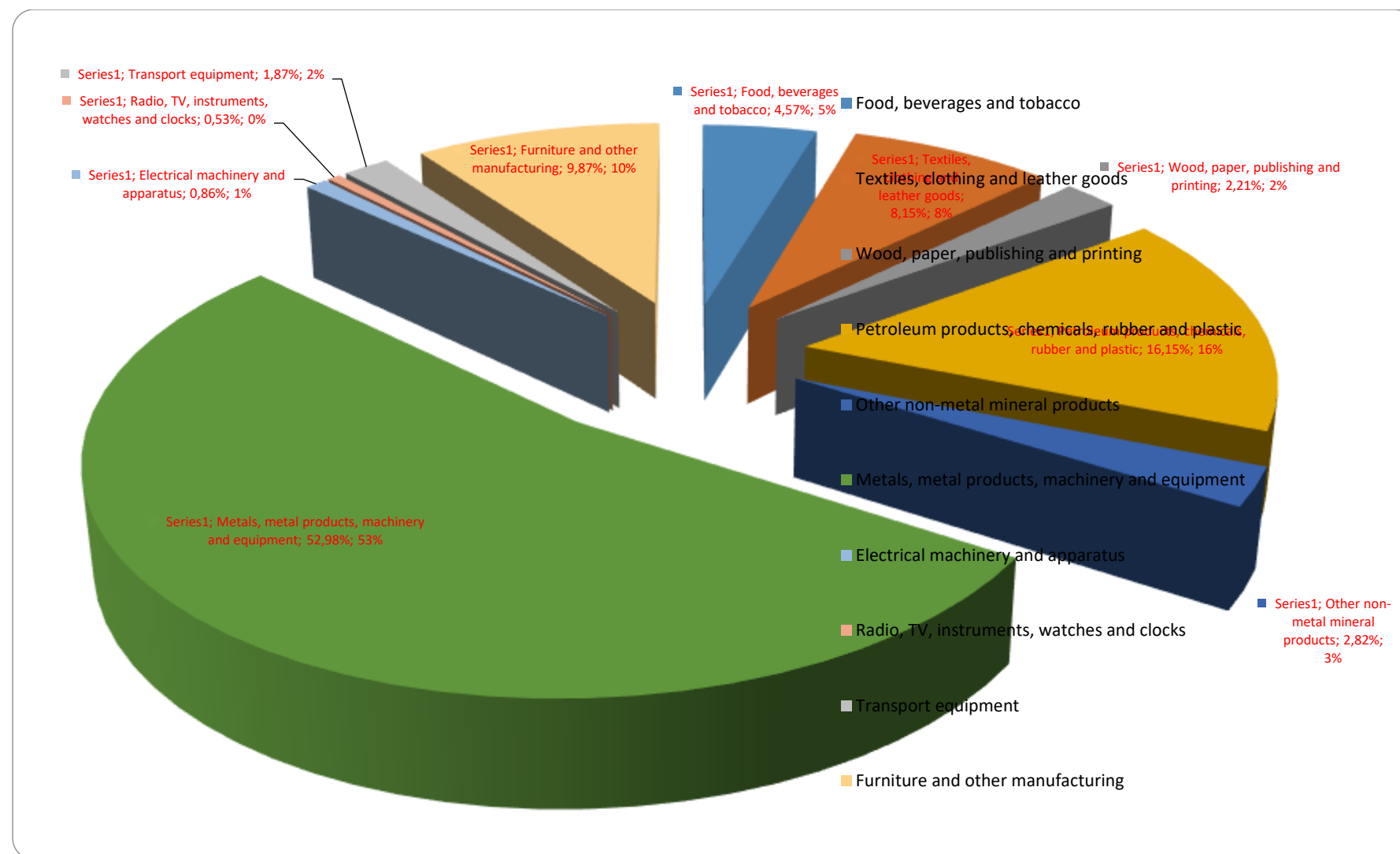


Figure 25 GRAPH OF MANUFACTURING GVA IN NEWCASTLE

---

## OTHER DELIVERABLES BY LED UNIT

New Business licencing unit formed supported by Law enforcement unit of Community services.

Business Retention and Expansion Strategy approved by council.

Tourism Strategy Approved by council.

Incentive scheme currently available to attract investment however council need to make the scheme a Policy going forward.

Municipal Investment Directory developed and approved by Council which showcases the investment opportunities in Newcastle.

The Investment Promotion Policy has been developed and approved by Council.

An advert developed by SALGA which promotes Newcastle as an investment destination.

The LED Forum has been established which host by-monthly meeting with various stakeholders, business owners and members of chamber to better understand the current status quo of businesses in Newcastle.

Informal Economic Trade Forum has been established with informal traders' associations.

---

## ESTABLISHMENT OF LOCAL ECONOMIC DEVELOPMENT FORUM (LED FORUM)

The LED Forum was established on the 16<sup>th</sup> of March 2021. The aim of the LED forum is to facilitate, co-ordinate, stimulate and activate the development of trade & industry across all sectors in accordance with the principles of sustainable development within Newcastle.

The establishment of the LED forum is aimed at encouraging partnerships and aligning trade and industry institutions and sectors.

The Forum has been divided into different sectors with nominated representation from relevant stakeholders. Participants of the Forum include the internal officials from various departments in the Newcastle Municipality, Economic Development, Tourism and Environmental Affairs (EDTEA), The Department of Labour, Home Affairs, SAPS, Chinese Chamber of Commerce, Sakerkamer, Taiwanese Chamber of Commerce, Trade, and Investment Kwa-Zulu Natal (TIKZN), KZN Growth Coalition, Newcastle Chamber of Commerce, various stakeholders from small businesses and industry within Newcastle.

The meeting takes place with various stakeholders on a by-monthly basis.

---

## COCA-COLA BIZNIZ IN A BOX PROJECT

Coca-Cola has partnered with the Newcastle Municipality to allocate the Bizniz in a box project which is aimed at giving the youth the opportunity of starting or expanding existing businesses, to ensure youth and women are upskilled and to present working opportunities for them. The project started in 2018, where the youth of Amajuba district was invited to pitch their

businesses ideas, applications received which totaled to +350 applicants thereafter eliminations were conducted. There was a final selection of 50 beneficiaries.

Coca-Cola awarded the beneficiaries with containers for business operation, equipment/furniture, groceries/stock, and funding in the form of start-up cash.

A total of 50 containers has been awarded. 30 containers have been rolled out for phase 1 beneficiaries in the Madadeni, Osizweni and Blaauwbosch areas. A total of 39 permanent jobs have been created from the project.



---

### SMME AND INFORMAL TRADERS

South Africa faces major developmental challenges which includes unemployment, rates of rural-urban migration and poverty. Informal trade has a pivotal role to play with addressing these challenges. Informal trade makes up a significant component of the economy and is the reason why national government has acknowledged that it is important that SMME and Informal Trade be given sufficient attention to allow growth and development of these businesses.

The SMME and Informal Traders unit actively participates with the informal trade and SMME business community to assist and improve business capacity to grow further. The following is a result of the efforts of the unit:

---

### SMME AND INFORMAL TRADE TRAINING AND DEVELOPMENT

The training of informal traders and SMME's are aimed for the growth, knowledge and overall development of business owners who seek assistance to improve business operations. Every three months (quarterly) training is scheduled to take place.

A total number of 45 attendees has been trained for the period of 2020/2021 on By-Laws and regulation and 15 attendees has been trained for the period of 2020/2021 on hygiene requirements of food handling under strict lockdown protocols to ensure business continuity and economic recovery. Training was conducted by local economic development together with internal environmental health practitioner. The awarding of certificates of attendance were issued to all attendees. The certificate of attendance will be beneficial to smmes when applying for certificate of acceptability, as it is one of the requirements.





HANDOVER OF EQUIPMENT TO INFORMAL TRADERS THE led partnered with Department of Small businesses to embark on an initiative to assist smmes and informal traders with their business challenges which included the lack of equipment that resulted in the failure of operation and possible plans for growth and expansion. The initiative took place in October 2020 whereby 50 beneficiaries were allocated new equipment in the form of JoJo tanks, gas cylinders, deep fryers, deep freezers, generators, grinders, cooking equipment's, stoves and other operative equipment required for businesses.



## ESTABLISHMENT OF THE INFORMAL ECONOMIC CHAMBER

The informal economic chamber was formulated on the 2nd of June 2021 to address challenges and potential avenues for growth of SMME's and Informal traders within Newcastle. Due to the high rate of informal traders that occupy space in Newcastle and contribute to the economy. It is pivotal that the chamber consists of representatives from the various informal traders' associations and committees to participate in quarterly meetings. The engagements allow representatives to have direct interaction with the local government to address challenges and possible ways for intervention.





#### LOCAL ECONOMIC DEVELOPMENT INVESTMENT PROMOTION AND SOURCE FUNDING

The LED department actively conducts exercising to keep abreast with the available grant funding and investment opportunities to bring into Newcastle for the beneficiation of the local economy. In the financial year of 2020/2021 the LED Department has sourced funding from province to the amount of three (3) million rand for the beneficiation of Informal Traders Hawker Shelters to the amount of R1 million and R2 million for the further beneficiation of the Newcastle Airport from the Department of Economic Development, Tourism and Environmental Affairs (EDTEA).

SALGA requested all municipalities to participate in formulating Municipal Investment Directories which showcased the chosen jurisdictional area for all the available opportunities for potential investors or visitors. The directory aims to improve the Newcastle area and bring growth to its town. The Directory has been approved by Council and has since been published on Trade Investment Kwa-Zulu Natal (TIKZN) platforms, SALGA and will shortly be published on Newcastle Website.

The departments host regular meetings with potentials investors to allow easy access to local municipal bodies which could aid in the ease of starting or expanding businesses within the town.

The department has engaged with approximately 12 potential investors who have shown interest in bringing their businesses to Newcastle and potential plans for expansions which vary from clothing and textile to heavy industrial.

The department has additionally met with approximately 20 SMME's that have developed business plans with the intention of starting or expanding business in Newcastle. The Department aims to facilitate relationships, improve business plans, and fast track the process of the start of operation for businesses.

---

## TOURISM REVIVAL INTIATITIVES

Unfortunately, the covid-19 pandemic has plunged the tourism sector into an unprecedented crisis. this has made any service delivery programs not being implemented as even the tourism relief funds were put on hold until further notice.

the KZN film commission visited the Newcastle municipality on the 10<sup>th</sup> of March 2021 to try reviving and promote our local attractions virtually/digitally.

the KZN battlefields route had a meeting that took place on the 14<sup>th</sup> of May 2021 in Talana museum Dundee. the battlefield association discussed the workshop being organised for tourism office staff, whereby ideas about new ways to market tourism in our areas to tourist will be shared, the meeting was supposed to be held on the 14<sup>th</sup> of July 2021, unfortunately was cancelled due to the countries level 4 lockdown.

A trade engagement session was also held on the 27<sup>th</sup> of May 2021 its aim was to share the following: -

- Tourism Kwa-Zulu Natal team requested all Tourism stakeholders to upload on the Tourism webpage all business price specials for the promotion of businesses. The Tourism sector businesses was awarded the opportunity to showcase their businesses on a larger platform for greater awareness and potential business recovery.

- ✓ The performance of the token marketing campaign 2020
- ✓ Brand KZN performance tracker study presentation
- ✓ Collaboration for the new campaigns
- ✓ ongoing specials and deals to be loaded on TKZN (Tourism Kwa-Zulu Natal) website
- ✓ Involvement in activations
- ✓ involvement in agents and media hosting's

---

## BUSINESS LICENSING

The Municipality has established a business licensing directorate, within local economic development. The Municipality's responsibilities will be to ensure connectivity with the system and provision of resources in the Business Licensing Unit. Hence it is imperative that the organogram for DP &HS be amended accordingly. The Business Licensing Unit is operating from Main Building of the Newcastle Municipality to allow easy access to the community which

was beneficial during the COVID-19 Regulatory lockdown where movement is very limited and social distancing is a norm.

The Department intended to launch the E-Licensing system on 06 September 2019, at the Newcastle Municipal Offices, However the launch has not taken place yet. The launch has not occurred; however, the system has successfully been implemented and fully operational within the Newcastle Municipality.

Since the introduction of the e-business licensing system by the Department of Economic Development, Tourism and Environmental Affairs (EDTEA); the business licensing unit of the Newcastle Municipality has implemented the system and all business and permit registrations are now uploaded on the system and to **date 746 business licenses and 1273 trading permits have been uploaded. The municipality has embraced the electronic system and is now ranked top of all municipalities in Amajuba District as well as in the KwaZulu Natal Province.**

The business licence unit was fully functional from day one of lockdown. We opened a satellite office to minimise contact with other employees within the main building. We were not able to issue any permits or licences via the portal, but we were able to issue temporary business licenses/ permits as per COVID rules. This also enabled our unit to identify illegal or non-registered businesses as well, which now must re-apply for these permits.

As for the LED department we were also fully functional during all adjusted levels of COVID-19, within this time we researched all possible avenues for businesses to apply for relief/ grant funding to sustain themselves in the pandemic and this is an ongoing exercise. A complete comprehensive document was compiled and circulated through media and various chambers to be shared with their members. Some businesses were fortunate and received funding and other are still awaiting relief as the various portals were flooded with applicants.

Sadly, the hardest hit industry was the Tourism Industry and many businesses had to cut down on staff or even retrenched staff. This was truly a very bad time for industry, but we are hopeful that things will improve as the economy makes a comeback.

Additionally, mass protest action took place in July 2021 and resulted in looting and damage to businesses throughout South Africa. The effect of the looting had a massive impact on the Clothing and Textile and small, medium, and large businesses. This resulted in business closure, job losses (permanent and temporary) and relocation of businesses.

The Business Licensing Unit has been fully operational during all levels of National Lockdown, assisting businesses and informal traders to comply with lockdown regulations. Joint Inspections were conducted in the Newcastle Municipality area of jurisdiction, with law enforcement unit.

Some of the challenges that were identified during the inspections with potential ways for assistance:

Unlicensed businesses particularly in the Newcastle East

New businesses that have opened in the Newcastle West without proper licenses were encouraged to visit the business licencing office to apply for permits and licence for compliance.

Shops and tuckshops owned by foreign nationals with no legal documentation

The sale of expired food stuff in tuckshops in the Newcastle East areas

Unhygienic conditions of tuck-shops. Additionally, was utilized as overnight accommodation.

Mushrooming of shacks and illegal structures in the CBD that are used by informal traders as business premises. Notices were issued for removal.

It had been noted that there is a current shortage of demarcated areas allocated for trading because of illegal traders occupying the space as informal traders without permission from local authorities' bodies.

Businesses who were allocated space in the CBD were found to occupy the open walkways for which is Municipal owned to improve business space and overall profit earned.

The National Lockdown has also impacted negatively on the renewal of foreign documents as the Department of Home Affairs has not issues new documents to people who had their passports and asylum seekers expiring during lockdown, as a result most foreign nationals are trading illegally without updated documentation.

Businesses have not been able to update information on the e-business licensing system in relation to accessibility and job losses due to the COVID pandemic and the department can only update this information upon renewal of the business license

**Table 23 INFORMAL TRADERS**

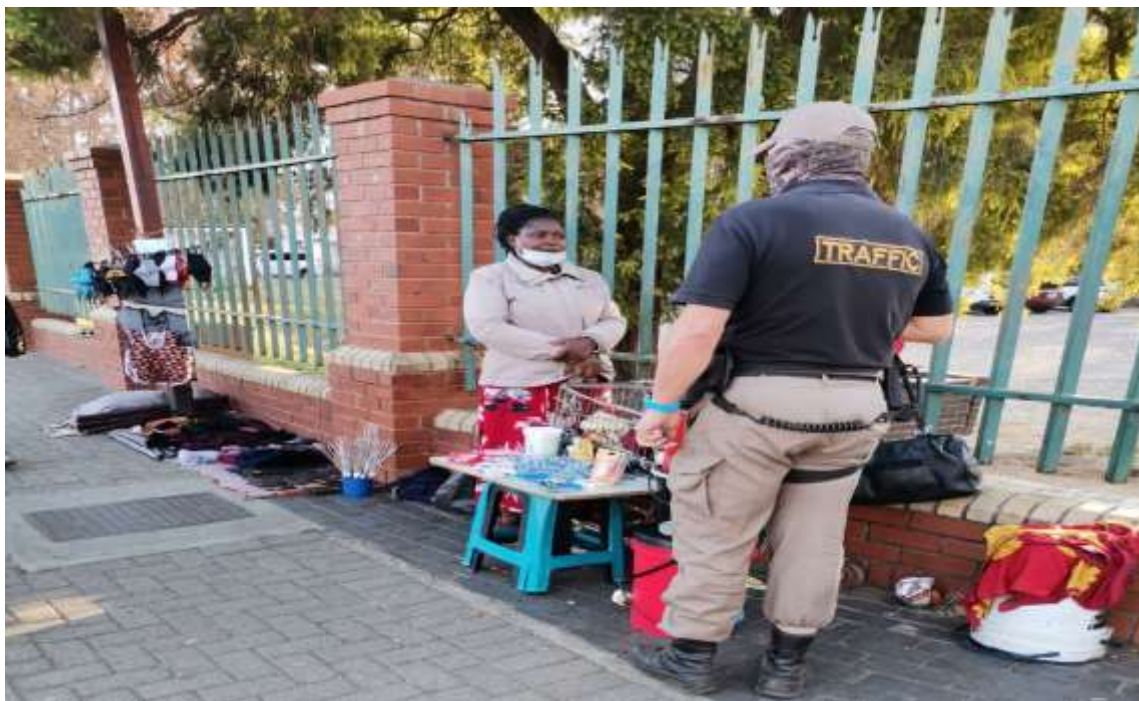






Figure 77 APPLICANTS FOR BUSINESS LICENSES



FIGURE 78 THEKU PLAZA

### 3.16 CULTURAL DEVELOPMENT

#### CULTURE PERFORMANCE HIGHLIGHTS

##### REED DANCE

Royal Reed is a cultural program that mainly focus on behavioral change and fighting social ills including teenage pregnancy and some diseases like HIV/AIDS and other STD's.



Figure 26 REED DANCING EVENT



### 3.17 LIBRARY PROGRAMMES

#### LIBRARIES PERFORMANCE HIGHLIGHT

##### ➤ CAPITAL PROJECTS - LIBRARIES Installation of new Alarms Systems – Libraries

New alarm systems were installed at the Madadeni, Osizweni, Modular, Fairleigh and Lennoxton Libraries, as the previous systems were outdated and not functioning effectively.

To improve security and safeguard Council assets the new systems, as well as the existing systems at the Newcastle, Charlestown and Ingagane Libraries were also linked to the Security Control Room for monitoring purposes.

The image shows a handheld medical device, likely a pulse oximeter or similar monitoring device, with a green LCD screen. The screen displays the text "Zone 20 Active". Below the screen is a numeric keypad (0-9) and several function buttons. A printed legend is visible below the keypad, detailing the functions of the buttons.

Main Functions		Zone 20 Active	
	Pulse		Oxygen
	Heart		SpO2
	Finger		Alarm
	Medical		Yes
			No

A Radio-frequency Identification (**RFID**) system, which consists of book security gates and a staff station was in-

The use of **RFID** reduces the amount of time required to perform circulation operations (Issuing and returning of library material), as information can be read from **RFID** tags much faster than form barcodes, thus providing a more efficient and effective service at the issue counter.

RFID tags include a built-in security feature which detects library material which have not been issued to patrons when passing through the security gates. Management and protection of the library collection is more effective, as loss of library material is decreased using this system. ***RFID gates – Modular Library***

## Installation of Bio-metric Access Control System at the Newcastle Library

A Bio-metric Access Control System was installed at the Newcastle Library to control access to the building and upgrade fire and security measures.

Benefits of the system include:

- ❖ Improved Health and Safety measures in case of emergencies and fire
- ❖ Automated emergency exit door release systems
- ❖ Effective access control and security precautions
- ❖ Effective staff control and monitoring of attendance





*Emergency exit door – Newcastle Library*



*Staff entrance door – Newcastle Library*

### **Installation of CCTV Cameras – Libraries**

CCTV cameras were installed at the Madadeni, Osizweni, Newcastle and Fairleigh Libraries. The cameras were all linked to the Security Control Room for monitoring purposes. Outcomes of this project include the following:

- ❖ Improved proactive and reactive security measures
- ❖ Safeguarding of Council facilities and assets
- ❖ Provision of safe facilities to the community



### **3.18 ART GALLERY**

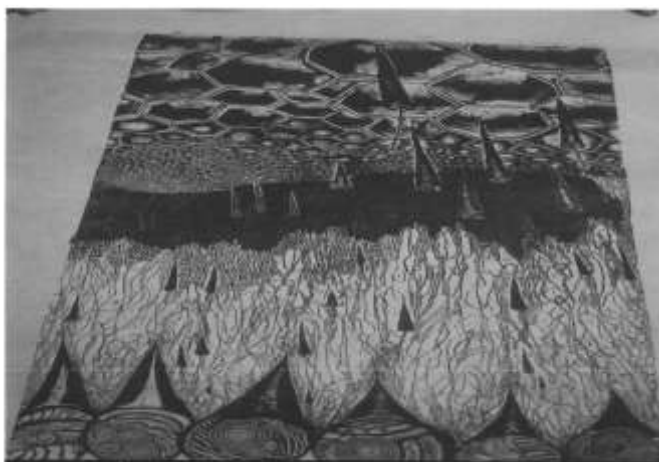
#### **➤ ART PURCHASES**

The Carnegie Art Gallery has inadequate print images and therefore purchased the following print images. These print images will enhance visitors at the Gallery.



This print image, which is a lantern, it makes one re-visit the past due to the load shedding that is currently being experienced in South Africa. This print image was done by the Artist, Tebogo Benjamin Hamnca.

The above three print images done by the Artist, Ben Nsusha and it is referred to as the KZN Dances. This print depicts the African Mask which is unique amongst the African cultures. In some cultures, it is worn in celebration of gods, e.g., gods of protection against evil and gods of harvest in celebration of good harvest.



This print image was done by the Artist, Lehlohonolo Mkhasebe and this print image depicts bees and honey. People from other countries came to South Africa looking for

this honey, only to find out that the honey was insufficient for the people in South African of which resulted in human conflict.

### 3.19 MUSEUMS

#### MUSEUMS PERFORMANCE HIGHLIGHTS

**Fort Amiel museum** is the cultural history Museum of the Newcastle Municipality who deals with the local culture and history of all communities, the surrounding battlefields, and monuments.

Through the museum's **Research** programs the history of the local communities are recorded through photographs, interviews, documents, cemeteries, and historic buildings. Through the answering of enquiries from the public, the museum provides information about local history. By publishing information on the internet and local newspapers more engagement with the community is stimulated. Poor communities, for instance Blaauwbosch, Ingogo and Charlestown are provided with information on their own history.



Figure 27 PHOTOGRAPHS AND MUSEUM ARTIFACTS ARE BEING DOCUMENTED AT THE MUSEUM



Figure 28 MR ANIL NAURIYA AN ATTORNEY OF THE HIGH COURT IN INDIA AND MEMBER OF THE GANDHI MUSEUM IN NEW DELHI VISITED THE MUSEUM TO CONSULT DOCUMENTS ON CHARLESTOWN



## LOCOMOTIVE STEAM TRAIN

The old **steam train** which was donated by Arcelor Mittal was sandblasted and provided with an anti-rust undercoat and painted by museum workers Sipho Myeni and Spho Madlala in green, red, and black colors. It is a popular attraction to both young and older visitors to the museum.



Figure 29 LOCOMOTIVE STEAM TRAIN

A promotional yellow frame signage board was put up at the museum by the KZN Provincial Department of Tourism in conjunction with the Amajuba District Municipality's Department of Economic Development and Tourism. It contains the name of the Town, the Museum, co-ordinates and the logos of the Province, Local Municipality, and the Battlefields Route.



Figure 30 PROMOTIONAL YELLOW FRAME SIGNAGE BY THE KZN PROVINCIAL DEPARTMENT OF TOURISM

The museum welcomed many educational school and tourism groups during the past year including Church conference groups, the Newcastle Herbal Society, the Memorable Order of the Tin Hats, the ambassador, and cultural contingent of the Russian Federation and further on a very successful local Tour group GREAT IDEAS consisting of 64 visitors visited the museum as well.

Besides formal educational activities many members of the public utilize the museum and the picnic area for recreational functions. During the past year 175 such activities were facilitated.



Figure 31 LEARNER PARTICIPATING IN RE-ANACTMENT AT THE MUSEUM



Figure 32 A LOCAL TOURIST GROUP VISITED THE MUSEUM





Figure 33 MEMBERS OF THE PUBLIC USES THE MUSEUMS OFTEN FOR RECREATIONAL PURPOSES

The museum participated in various **outreach projects** like the Battlefields Marathon by providing historical costumes, visiting Blaauwbosch with our new Director Thembi Mjilo. Discussions were also held with the Director of the Luthuli Museum regarding the Albert Luthuli Heritage Project in Blaauwbosch. The museum also facilitated with local cultural groups like choirs for historical venues of SABC productions. The curator also gave talks for instance at the St. Dominic's-Curro School on Human Rights Day.

The "In Conversation" museum exhibition at the Blaauwbosch School were visited. Left to right, Mr Gampu (Chairman of the local committee), Sanele Nkosi (Museum assistant), Mrs. Zwane (School Principal) and Thembi Mjilo (Director – Arts, Culture and Amenities & Community Safety).



Figure 34 BLAAUWBOSCH SCHOOL VISIT ON SAFETY



Figure 35 CHOIR FOR THE CHIEF ALBUTHULI WAS A LAY PREACHER



Figure 36 THE HISTORIC BLAaubosch METHODIST CHURCH

### 3.20 SPECIAL PROGRAMMES

Special Programs hosted Senior Citizens: International Day of Older Persons on 16 October 2020 at Charlestown Ward 1. This day is celebrated by raising awareness about issues affecting the elderly, such as senescence and elder abuse. It is also a day to appreciate the contribution that older people make to society.





Figure 37 WARD 1: International Day of Older Persons

The Municipality held Women's Celebration Event on Older Persons at Town Hall (Newcastle) Ward 2. Women's Day marks the anniversary of the great women's march of 1956, where women marched to the Union Buildings to protest the carrying of pass books.



Figure 38 WOMENS DAY CELEBRATION WARD 2

A Men's Care Clean up and GBV Campaign was held on 31 July 2020 at Madadeni Ward 23 and on 05 August 2020 at Osizweni Ward 11; the program aimed at educating men about equitable, non-violent fatherhood and care giving practices, to create long term changes in the lines of men, woman and children.



**Figure 71 Men's Care Clean up and GBV Campaign**

Substance Abuse Rehabilitation program was hosted on 18 June 2021 at Madadeni Ward 26 to improve the lives of substance abuse patients. to help to regain independence, through men-to-men dialogues, mental health counselling, treatment plan and other substance abuse programs.





Figure 72 Substance Abuse Rehabilitation programme

The International Day of Disabled Persons was held on the 3<sup>rd</sup> of November 2020 at Osizweni Ward 11 to provide an opportunity to mobilize action to achieve the goal of full and equal enjoyment of human rights and participation in society by persons with disabilities. It also seeks to increase awareness of gains to be derived from the integration of persons with disabilities in every aspect of political, social, economic, and cultural life.



Figure 72 International Day of Disabled Persons

International Albinism Awareness Day was held on the 21<sup>ST</sup> of June 2021 at Osizweni Ward 30, 22<sup>ND</sup> June 2021 at Osizweni Ward 33 and on the 23<sup>rd</sup> of June 2021 at Madadeni Ward 24, to show that people with albinism can defy all odds. Celebrate how people with albinism worldwide

meet and exceed expectations in all domains of life. It reflects the resilience, perseverance, and achievements of people with albinism in the face of pervasive misconceptions, discrimination, and violence. Despite these obstacles to well-being and security, the municipality and leaders of organizations representing persons with albinism continue to work hard to support the most vulnerable.



Figure 73 International Albinism and disability Awareness Ward 30



Figure 74 International Albinism Awareness Ward 24



Figure 74 International Albinism and disability Awareness Ward 33

Back To School was held on the following dates and venues to encourage education among children. We aim to break the cycle of violence against children through our specialized and focused programs. The Municipality has positioned itself as an advocate for children's right and equality, through working with strategic partners





26 February 2021 at Mlamleli Primary School Ward 28



26 February 2021 at Vukani Primary School Ward 20



1 March 2021 Inverness Primary School Ward 9



1 March 2021 Masihambisane High School Ward 32





07 June Morester children's home ward 34



2 March 2021 Mntimande Primary School Ward 16



07 June 2021 Lincoln Heights Secondary Ward 25



09 June 2021 St. Lewis Bertrand's High Ward 18



09 June 2021 Anthony's children's home Ward 18

---

### 3.21 FIRE AND DISASTER

#### **FIRE AND DISASTER MANAGEMENT SERVICES PERFORMANCE HIGHLIGHTS**

The Newcastle Fire and Disaster Management Services comprises of Fire Operations, i.e., those who responds to accidents, fires and hazardous material incidents; fire safety i.e., those who inspects premises for building safety compliance as well as providing public fire education; disaster risk management i.e., those who conducts disaster risk assessments, disaster risk reduction, response and recovery, disaster risk management in terms of policies relating to disaster management.

#### ➤ **THE DEPARTMENT OF FIRE AND RESCUE RECEIVED NEW JAWS OF LIFE**

The Newcastle Municipality's Department of Fire and Rescue have on the 26th of November, unveiled the state-of-the-art Jaws of Life equipment that will serve as a fast tool to save the lives of the people of Newcastle during this busy time of the year (Festive season).





These tools are standard equipment in the firefighter's arsenal of equipment, and they are used to assist vehicle extrication of crash victims, as well as other rescues from small spaces.

Attending this prestigious event was Municipal Manager Mr. M. J Mayisela, Acting Strategic Executive Director for Community Services Vish Govender together with Community Services Portfolio Councilors.

## RESPONSE ON THE DISASTERS REPORTED TO THE MUNICIPALITY

A storm destroyed the Asimthande Centre for the blind in Osizweni where the structure of their premises was destroyed by hail and 27 students were affected by the disaster which left them with no place to stay and sleep. Their premises was flooded with water from the storm and their beds got damaged. Students were taken to neighboring households for shelter.

Disaster management unit from Community Services provided relieve material for victims of the storm.



Provided relieve item in ward 07 to family whose home was destroyed by natural disaster



### 3.22 FIRE SERVICES

	Details	2019'20	2020'21
1.	Total fires attended to in the year	824	718
2.	Total of other incidents attended in the year	393	472
3.	Average turnout time- urban areas	5-7min	5-7min
4.	Average turnout time – rural areas	10	15 min
5.	Fire fighters in post at year end	26	26
6.	Total fire appliances at year end	16	16
7.	Average number of appliances off the road during the year	3	3

### NATIONAL DISASTER OF CORONA VIRUS IN NEWCASTLE

On the 29th of April 2020 the Minister of the Department of Employment and Labour issued out Ministerial directives which have all the regulations which need to be carried out as per the Occupational Health and Safety Act as we face this global pandemic.

In the directives it is stated that every employer has the responsibility to ensure that the spread of Coronavirus is minimal to none as the workplace is slowly starting to open up.



## **REQUIREMENTS FROM THE EMPLOYER TO EMPLOYEE:**

- The employer needs to ensure that there are adequate facilities for the washing of hands with soap and clean water.
- The employer needs to provide every employee with two cloth masks (free of charge) to wear at while at work.
- The employer needs to ensure that the employees are trained on the virus, its spread and their responsibility in ensuring safety at work.
- The employer needs to keep the workplace well ventilated by natural or mechanical means to reduce SARS-CoV-2 viral load
- The employer needs to ensure that every employee has necessary **PPE** while at work

Under each requirement are strict guidelines which have been followed and as a committee have tried to ensure that they are met. Please find attached Risk Assessment compiled by the committee which will assist the municipality in complying with the regulations. On the 4th of May 2020 the committee was trained by Department of Health who opened the scope of Coronavirus and explained the necessity of these Health requirements

1. **Social Distancing:** Markings have been made at the rates hall and parking lot which ensure a safe distance of 1.5meters between every individual. The phase in of employees to work will also assist with social distancing as currently offices are occupied by more than one employee and some open plans are crowded.
2. **Masks:** the procurement of surgical masks were done prior to the announcement of cloth masks. However 1000 cloth masks have been received which means a shortage of 1440 (there are 1220 employees in the municipality). Surgical masks can however be used while procurement is being processed.
3. **Screening tools:** screening tools have been allocated to departments to utilise on daily basis to ensure no employee enters the municipal premises with covid-19 symptoms. The use of thermometers is required to assist departments with temperature checks every start of shift. A temperature that is higher than 38 is regarded a sign of symptom and that employee should be isolated and testing be arranged. We therefore still awaiting distribution of thermometers as a matter of urgency
4. **Sanitizers:** sanitizers have been procured and departments who are currently working have been given for distribution to their staff.

5. **Cleaning:** cleaners have ensured that the municipal building is kept clean so to ensure that surfaces do not carry the virus. Cleaners from other departments have been requested to return on rotation to work so to keep a clean and hygienic environment
6. **Ventilation:** it has been requested that windows be open and air conditioning that has an out flow only be used so to minimize the spread of the virus within the building.
7. **Trainings:** internal trainings have been done to essential services as an educational tool, they were successful with some insight as the municipality is versatile and its departments are not the same. Departmental units trained:
  - Waste management,
  - Traffic officials,
  - Parks
  - Cleansing
  - Security
  - Traffic wardens
  - Fire Fighters
  - Cleaners
  - HRD
  - Waste Water
  - Water Services, Call centre
  - Electrical/Mechanical
  - Roads

---

#### OVERVIEW OF FUNCTIONS OF THE COVID-19 COMMITTEE

- Establishment of Covid-19 policy
- Establishment of Terms of Reference
- Conducting information Sessions
- Covid-19 committee meetings
- Procuring of Covid-19 PPE

---

#### NUMBER OF COVID-19 POSITIVE CASES REPORTED AT NEWCASTLE MUNICIPALITY

The following COVID-19 cases were reported between the 1<sup>st</sup> of July 2020 – 30 June 2020

Table 24 COVID CASES 1ST JULY 2020 - 30 JUNE 2021

COVID-19 CASES	
1. Reported positive cases	78
2. Deaths	4
3. Recoveries	71
4. Active cases	3

In the financial year 2020/2021, 78 people tested positive for Covid-19 virus. Out of the 78 people, 4 people died and 71 people recovered. As at the 30<sup>th</sup> of June 2021 there were 3 active covid-19 cases.

#### CHALLENGES AND INTERVENTIONS FOR COVID-19

- Lack of understanding of Covid-19
- Covid-19 was stigmatized
- Positive cases not reported
- Rotational shifts implemented but not effective
- Work environment not conducive to accommodate Covid-19 protocols
- Lack of cooperation and compliance
- Inconsistencies when dealing with positive Covid-19 cases

With the above mentioned it seems like our Municipality is well on its road to readiness for the return of employees to work. A large number of work still has to be placed in the Plants and Depos as they work on larger scales. However currently after assessment they have been provided with PPE and after some safety clarities Supervisors have been complying.

#### 3.23 SPORTS AND RECREATION

Newcastle municipality has a total of 4 sports complexes, namely Paradise Playgrounds, Phelandaba Playgrounds, Fairleigh, and Amajuba Sports Complex. In addition, there is the K.R. Rumelin Stadium, 18 sports fields and the Newcastle Swimming Pool. Newcastle East, particularly JBC and the surrounding settlements are poorly provided with sports facilities. Urban renewal programme in the JBC, and infrastructure upgrading in the MBO areas should prioritise the provision of adequate sports facilities. Parks and play lots should also be prioritised in these areas. The age structure of the population and the dominance of the youth support this assertion.

The municipality is in the process to revamp the Phelandaba sport field thereby providing a range of sporting codes including the soccer field, racetrack for athletics, volleyball, and netball. This project has begun with the development of a swimming pool which will cater for the residents of Madadeni and surrounding areas. The same project will be done in Osizweni in the future years. It is anticipated that these kinds of projects will assist in attracting the youth into the sport while building the healthy communities.

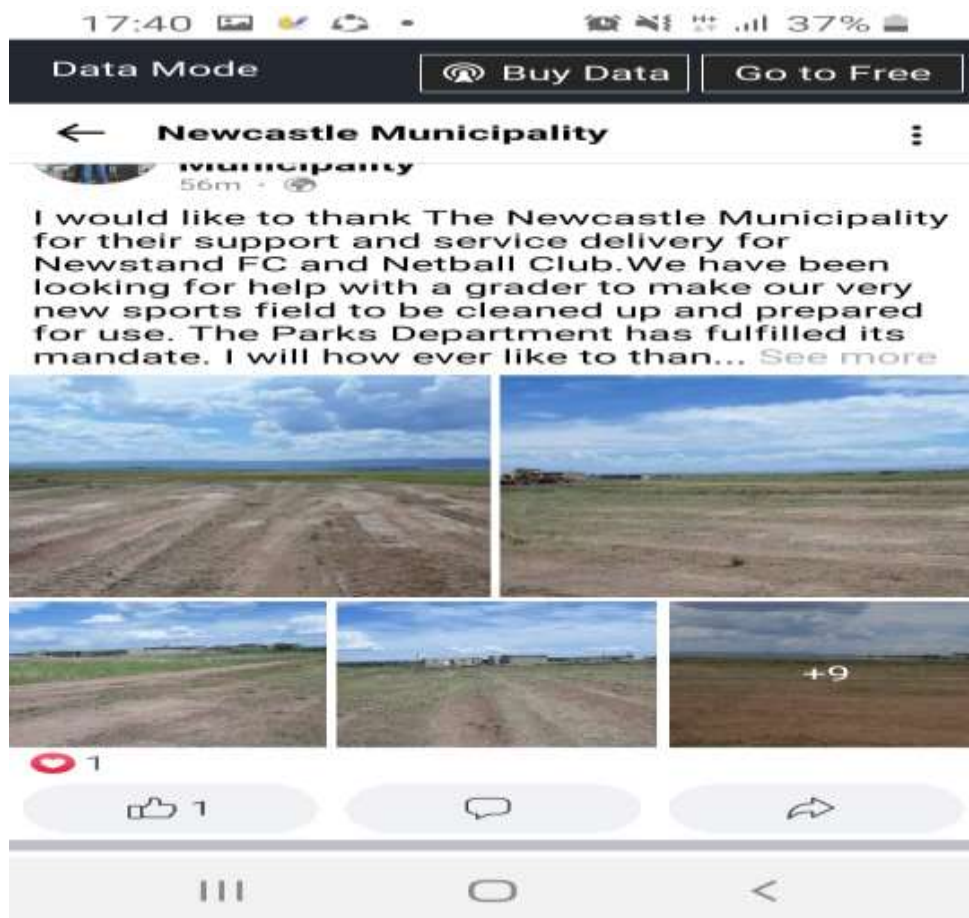
The Parks, Recreation and Cemeteries Section annually grades 2 grounds per ward. The grounds are usually inside or outside the school premises and in open spaces. The department has been able to render the service of grading informal grounds from 20<sup>th</sup> November 2020 to 20 June 2021 to 30 Wards, whereby 75 grounds were graded. Below are the few of the teams that uses the informal grounds for hosting tournaments.



➤ **GRADING OF INFORMAL GROUNDS**







#### LIST OF SPORTS FACILITIES IN NEWCASTLE

NAME OF AN AREA	NUMBER OF SPORTS FACILITIES	FREQUENCY FOR GRASS CUTTING
Osizweni	2	As and when required
Madadeni	1	As and when required
Ingagane	1	As and when required
Arbor Park	1	As and when required
Paradise	1	As and when required
Fernwood	1	As and when required

Table 25 LIST OF SPORTS FACILITIES IN NEWCASTLE

**LIST OF POOLS IN NEWCASTLE**

NAME OF THE POOL	MAINTENANCE	FREQUENCY OF GRASS CUTTING
Amcor Dam	<ul style="list-style-type: none"> <li>- Twice a month, if need arises, we also cut as required.</li> <li>- Ablution block and litter picking is cleaned daily.</li> <li>- Gardens cleaned three times a week.</li> <li>- Filtration</li> </ul>	As and when required
Newcastle Pool	<ul style="list-style-type: none"> <li>- Grass is cut weekly.</li> <li>- Ablution block and litter picking is cleaned daily.</li> <li>- Gardens cleaned three times a week.</li> <li>- Filtration</li> </ul>	As and when required
<b>Non-Operational POOLS</b>		
Arbor Pool		As and when required
Suryaville Pool		As and when required

Table 26 LIST OF POOLS IN NEWCASTLE

**LIST OF PLAYPARKS IN NEWCASTLE**

NAME OF AN AREA	NUMBER OF PLAY PARKS	FREQUENCY OF GRASS CUTTING
Arbor Park	4	Grass is cut as and when required
CBD	4	Grass is cut as and when required
Fairliegh	1	Grass is cut as and when required
Lennoxton	2	Grass is cut as and when required
Paradise	11	Grass is cut as and when required
Suryaville		Grass is cut as and when required
Amiel Park	1	Grass is cut as and when required
Height n heights		Grass is cut as and when required
Pioneer Park	2	Grass is cut as and when required
NAME OF AN AREA	NUMBER OF PLAY PARKS	FREQUENCY OF GRASS CUTTING
Sunny ridge	2	Grass is cut as and when required
Aviary Hills	5	Grass is cut as and when required
Schuinhooghte	2	Grass is cut as and when required
Amajuba Park	2	Grass is cut as and when required
Barry Hertzog Park	3	Grass is cut as and when required
Incandu	1	Grass is cut as and when required
Madadeni	2 (3 has been vandalised, not functional)	Grass is cut as and when required

Blaauwbosch	1	Grass is cut as and when required
Ingagane	1 (has been vandalised)	Grass is cut as and when required

**Table 27 LIST OF PLAYPARKS IN NEWCASTLE**

## CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

### COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

#### 4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCY

Table 28 EMPLOYEE TOTALS, TURNOVER AND VACANCY

Vacancy rate: (July - September 2020)

DEPARTMENTS	No. of Posts on Structure	Filled Posts	Vacant Posts	Percentage of Vacant Posts
MUNICIPAL MANAGER	126	77	49	38.88%
BUDGET AND TREASURY OFFICE	177	117	60	51.28%
CORPORATE SERVICES	160	97	63	39.37%
DEVELOPMENT AND PLANNING AND HUMAN SETTLEMENTS	169	54	115	68.04%
COMMUNITY SERVICES	1550	437	1113	71.80%
TECHNICAL SERVICES	1051	353	698	66.41%
TOTAL	3233	1135	2098	64.89%



**Vacancy Rate: October – December 2020**

<b>DEPARTMENTS</b>	<b>No. of Posts on Structure</b>	<b>Filled Posts</b>	<b>Vacant Posts</b>	<b>Percentage of Vacant Posts</b>
<b>MUNICIPAL MANAGER</b>	<b>126</b>	<b>77</b>	<b>48</b>	<b>38,88%</b>
<b>BUDGET AND TREASURY OFFICE</b>	<b>177</b>	<b>120</b>	<b>45</b>	<b>32,20%</b>
<b>CORPORATE SERVICES</b>	<b>160</b>	<b>97</b>	<b>42</b>	<b>39,37%</b>
<b>DEVELOPMENT PLANNING AND HUMAN SETTLEMENTS</b>	<b>169</b>	<b>58</b>	<b>103</b>	<b>65,68%</b>
<b>COMMUNITY SERVICES</b>	<b>1550</b>	<b>437</b>	<b>1097</b>	<b>71,80%</b>
<b>TECHNICAL SERVICES</b>	<b>1051</b>	<b>354</b>	<b>506</b>	<b>66,31%</b>
<b>TOTAL</b>	<b>3233</b>	<b>1143</b>	<b>1843</b>	<b>64,64%</b>

**Vacancy Rate: April 2021 – June 2021**

<b>DEPARTMENTS</b>	<b>No. of Posts on Structure</b>	<b>Filled Posts</b>	<b>Vacant Posts</b>	<b>Percentage of Vacant Posts</b>
<b>MUNICIPAL MANAGER</b>	<b>130</b>	<b>53</b>	<b>77</b>	<b>59,23%</b>
<b>BUDGET AND TREASURY OFFICE</b>	<b>181</b>	<b>122</b>	<b>59</b>	<b>32.60%</b>
<b>CORPORATE SERVICES</b>	<b>163</b>	<b>120</b>	<b>43</b>	<b>26,38%</b>
<b>DEVELOPMENT PLANNING AND HUMAN SETTLEMENTS</b>	<b>151</b>	<b>53</b>	<b>98</b>	<b>64,90%</b>
<b>COMMUNITY SERVICES</b>	<b>1832</b>	<b>452</b>	<b>1380</b>	<b>75,33%</b>
<b>TECHNICAL SERVICES</b>	<b>1031</b>	<b>368</b>	<b>663</b>	<b>64,31%</b>
<b>TOTAL</b>	<b>3488</b>	<b>1168</b>	<b>2320</b>	<b>66,51%</b>

Table 29 OCCUOATIONAL LEVELS

OCCUPATIONAL LEVEL	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
Top Management	3	0	1	0	1	0	1	0	6
Senior Management	27	0	3	3	13	0	3	4	53
Professionally qualified and experienced specialist and mid-management	91 4 Foreign	4	6	4	70 4 Nationals	1	8	10	202
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	114	4	15	10	58	5	10	11	227
Semi-skilled and discretionary decisions making	356	7	17	3	165	0	13	10	571
Unskilled and defined decision making	240	1	0	0	165	2	0	0	408

OCCUPATIONAL LEVEL	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
TOTAL PERMANENT	835	16	42	20	476	8	35	35	1467
Temporary Employees	54	1	5	1	45	1	2	5	114
GRAND TOTAL	889	17	47	21	521	9	37	40	1581

OCCUPATIONAL LEVEL	POST LEVEL	NO. OF EMPLOYEES
Top Management	Section 56	6
Senior Management	17 – 15	53
Professionally qualified and experience specialist and mid-management	14 – 12	202
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	11 – 9	227
Semi-skilled and discretionary decision making	8 – 7	571
Unskilled and defined decision making	6 – 5	408

OCCUPATIONAL LEVEL	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
<b>TOTAL PERMANENT</b>	-				1467				
<b>Temporary Employees</b>	-				114				
<b>GRAND TOTAL</b>	-				1581				

---

## NEW APPOINTMENTS: 1 JULY 2020 – 30 JUNE 2021

Table 30 NEW APPOINTMENT FOR 2020/2021

TASK GRADE	TOTAL EMPLOYEES APPOINTED
Task Grade 5	1
Task Grade 6	1
Task Grade 7	11
Task Grade 8	1
Task Grade 9	21
Task Grade 10	3
Task Grade 11	1
Task Grade 12	7
Task Grade 13	3
Task Grade 14	-
Task Grade 15	-
Task Grade 16	4
Task Grade 17	3
<b>TOTAL EMPLOYEES APPOINTED</b>	<b>56</b>



## NEWCASTLE MUNICIPALITY AS AT 30 JUNE 2021

[illegible]

## COMPONENT B MANAGING THE WORKFORCE

The Local Government Municipal Systems Act 32 of 2000, Section 67 requires municipalities to develop and adopt appropriate systems and procedures to ensure fair; efficient; effective; and transparent personnel administration in accordance with the Employment Equity Act 1998. Newcastle Municipality has adopted the following policies for implementation:

### 4.2 POLICIES

NAME OF POLICY	COMPLETED %	REVIEWED %	DATE ADOPTED BY COUNCIL OR COMMENT ON FAILURE TO ADOPT
Staff Movement and Leave policy	100	10	2020-10-28
Occupational Health and Safety Policy	100	10	2020-10-28
Post Retirement Policy	100	100	2020-10-28
Payroll policy	100	100	2020-10-28
IPMS policy	100	20	2020-10-28
EAP Policy	100	5	2020-10-28
Remuneration policy	100	100	2020-10-28

---

#### 4.3 INJURIES, SICKNESS AND SUSPENSIONS

##### INJURIES ON DUTY 2020/21

DEPARTMENT	NUMBER OF INJURIES
MM's Office	0
Technical Services	5
Community Services	21
Corporate Services	1
DPHS	3
BTO	1
Mayor's Office	0
<b>Total</b>	<b>31</b>

##### SUSPENDED EMPLOYEES for 2020/21

DEPARTMENT	MISCONDUCT	SUSPENSION DATE
MM's Office	-	-

DEPARTMENT	MISCONDUCT	SUSPENSION DATE
Technical Services	Under the influence of alcohol and Gross negligence	6 april 2021
Community Services	Fraud and theft	29 May 2019 – 19 October 2020
Corporate Services	Gross misconduct	1 August 2020
DP&HS	-	-
BTO	Fraud and corruption	29 July 2021
Mayor's Office	Fraud and corruption	15 June 2020 – resigned on 3 July 2020

#### SICK LEAVE PER DEPARTMENT

DEPARTMENT	JULY 2020	AUGUST 2020	SEPT 2020	OCT 2020	NOV 2020	DEC 2020	JAN 2021	FEB 2021	MARCH 2021	APRIL 2021	MAY 2021	JUNE 2021
Corporate Services	5	19	15	25	83	33	81	119	61	69	58	122
Budget & Treasury	0	0	7	32	74	34	51	72	71	78	91	127
DPHS	0	0	6	10	11	25	58	69	78	79	25	62
MM	0	5	3	12	21	9	2	25	5	41	46	58
Technical Services	10	1	19	146	120	99	268	237	319	290	297	367
Community Services	0	23	30	63	148	150	225	380	330	288	332	428
<b>TOTAL</b>	<b>15</b>	<b>48</b>	<b>80</b>	<b>288</b>	<b>457</b>	<b>350</b>	<b>685</b>	<b>902</b>	<b>864</b>	<b>845</b>	<b>849</b>	<b>1164</b>

## COMPONENT C SKILLS DEVELOPMENT

The Local Government Municipal Systems Act 32 of 2000 Section 68 (1) requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way. Newcastle Municipality has developed the skills of its employees across all levels based on the approved work skills budget for the 2020/21 financial year. The table below reflects the training conducted for 2020/21

### 4.4 SKILLS DEVELOPMENT

#### Occupational level

Occupational category	Female				Male				Total				Total
	A	C	I	W	A	C	I	W	A	C	I	W	
<b>Legislators</b>	26	0	0	1	15	0	0	2	41	0	0	3	44
<b>Managers</b>	9	0	5	4	4	0	1	0	13	0	6	4	23
<b>Professional s</b>	10	0	1	0	7	0	0	0	17	0	1	0	18
<b>Technicians and trade workers</b>	22	0	2	0	10	0	2	0	32	0	4	0	36
<b>Clerical and administrative workers</b>	29	0	1	3	44	0	0	0	73	0	1	3	77
<b>Service support workers</b>	31	0	6	0	9	0	0	0	40	0	6	0	46



<b>Machine operators and drives</b>	10	0	0	0	10	0	0	0	20	0	0	0	20
<b>Elementary workers</b>	42	0	7	0	60	0	0	0	102	0	7	0	109
<b>TOTAL</b>	179	0	22	8	159	0	3	2	338	0	25	10	373

## COMPONENT D MANAGING THE WORKFORCE EXPENDITURE

### 4.5 HUMAN RESOURCED DEVELOPMENT UNIT

#### VISION

Realising dreams through education, training and development.

#### Mission

We commit to empower employees and the community with first class education, training and development using available technology to achieve sustainable development, economic prosperity and tranquility.

### 4.6 KEY PRIORITIES OF THE HRD UNIT

The Human Resources Development unit is tasked to assist the Municipal Manager, SED: Corporate Services and the entire organization in the realization of key priority areas as founded on section 195 (1) (a) and (g) of the Constitution and section 67 and 68 of the Municipal Systems Act with the following responsibilities / functions: -

- Handle and account on all education, training, and development projects in the Newcastle Municipality.
- Monitoring and reporting on all education, training, and development matters.
- Identify human resources development needs and align with organisational objectives.

- Provide expert advice on education, training, and development.
- Promote and facilitate human resources development
- Deal with in-service training programmes
- Programming and scheduling of training
- Present training programmes and evaluate the state of training
- Implement the Skills Development Act No. 97 of 1998
- Give advice and assistance to supervisors on training functions
- Funding line function courses
- Advise management on training and development matters
- Render a succession planning and career pathing service
- Administer Adult Education and Training (AET)
- Administer learnership and Internship programmes
- Administer study assistance for employees
- Provide induction
- Administration of the bursary scheme

The Human Resources Development Unit draws its mandate from the Constitution, Municipal Systems Act, Skills Development Act, Skills Development Levies Act; National Skills Development Strategy and Integrated Development Plan (IDP) of the Municipality.

---

## **SKILLS PROGRAMMES & IN-HOUSE TRAINING**

### Skills Programmes

In line with the Skills Development Act and Skills Development Levies Act, HRD in the financial year 2020/21 rolled-out the following skills programmes as part of skills development and capacity building:

<b>Skills Programme</b>	<b>Number of Beneficiaries</b>
3 <sup>rd</sup> Annual Labour Law (Salga)	15

Conditions of Services (Salga)	8
IPMS	84
Peer Learning & Knowledge (Salga)	8
ICIP Phase 2 (Salga)	5
Reviewing financial statements for public sector	1
Combined assurance	2
Ethics at work and in the internal audit profession	1
Fraud investigations	1
Internal Audit guide to strategic thinking	1
King IV on ethics	1
Evaluating your ethical environment P3	1
Risk Management	1
Swimming Pool Supervisor	3
Performance Training	7

### **In-house training**

<b>Name of programme</b>	<b>Number of participants</b>	<b>Purpose of the programme</b>
Refresher programme for Admin Staff	62	<p>To refresh and reorientate staff on:</p> <ul style="list-style-type: none"> <li>• HR policies</li> <li>• Punctuality issues</li> <li>• Staff code of conduct</li> <li>• Disciplinary issues</li> <li>• Roles and responsibilities</li> </ul>

Refresher Programme for Library Staff	19	<p>To refresh and reorientate staff on:</p> <ul style="list-style-type: none"> <li>• HR policies</li> <li>• Punctuality issues</li> <li>• Staff code of conduct</li> <li>• Disciplinary issues</li> </ul> <p>Roles and responsibilities</p>
Refresher training for Drivers and operators	25	<p>To re-orientate and alert drivers about the following:</p> <ul style="list-style-type: none"> <li>• Rules of the road</li> <li>• Things to do when boarding the vehicle</li> <li>• How to take care of council fleet</li> <li>• Things to do when involved in an accident</li> <li>• Things to observe when the vehicle is in motion</li> </ul>
Induction	71	<p>To welcome, introduce and orientate new employees on the Newcastle Municipality. Covers the following policies:</p> <ul style="list-style-type: none"> <li>• HR policies</li> <li>• HRD policies</li> </ul>

		<ul style="list-style-type: none"> <li>• Finance policies and functions</li> <li>• IT policies</li> <li>• Security policy</li> </ul> <p>It further looks at functions and activities of different departments, units, and sections in the municipality.</p>
Batho Pele Workshop	54	To orientate council employees on Batho Pele principles to improve levels of professionalism, customer service and service delivery.
Induction for Safety Representatives	29	To induct Safety representatives on the Occupational Health and Safety Act and on their roles on matters relating to Health and Safety in the workplace.
Workshop on the functioning of LLF (Organized Labour Component)	6	<p>To capacitate Organised Labour component of the LLF on the functioning of the Local Labour Forum.</p> <p>To familiarize members of the Organized Labour component with the Organizational Rights Agreement.</p> <p>To enable members to partake at LLF from an informed position.</p>



**Study Assistance and Education**

Course	Institution	Participants
PhD in Public Management and Governance	University of Johannesburg	2
Bachelor of Law	UNISA	2
Bachelor of Public Administration	ManCosa	1
Bachelor of Information Science	UNISA	2
Bachelor of Arts	UNISA	1
B-Tech HR Management	Durban University of Technology	2
Postgraduate Diploma in Management	Regent Business School	2
	NWU	1
Master of Business Administration	Regent Business School	2
Postgraduate Diploma in Business Administration	University of KwaZulu Natal	2
B. Com Law	Boston College	1
Public Procurement Management	UNISA	1

BA Honours in Public Administration	Mancosa	1
Certified Fraud Examiner	Association of Certified Fraud Examiners	1
Postgraduate Diploma in Tax	UNISA	1
Diploma in Management (Disaster Management)	Southern Business School	1
Bachelor of Commerce in Public Procurement Management	UNISA	1
Higher Certificate in Operations	Lyceum College	1
B. Compt: Management Accounting	UNISA	1
Master's in commerce in Leadership Studies	University of KwaZulu Natal	1
B. Tech: Town & Regional Planning	University of Johannesburg	1
B. Compt in Financial Accounting	UNISA	1
BA: Environmental Management	UNISA	1

Postgraduate Diploma in Occupational Health	University of KwaZulu Natal	1
Master's in commerce in Leadership Studies	University of KwaZulu Natal	1
Diploma: Office Management and Technology	UNISA	1
Business Management (N4-N6)	Majuba FET College	1
Master's in Public Administration	UNISA	1
Trade Test: Electrician	Newcastle Training Centre	1
Business Studies: Public Management (N6)	Majuba FET College	1
Basic Traffic Officer Course	Limpopo Department of Transport	7
Management Assistant (N4-N6)	Majuba FET College	1
Bachelor of Business Administration	Southern Business School	1

## CHALLENGES

The following challenges are what restrain the Human Resources Development Unit to excel in its day-to-day operations:

1. Inadequate funds to finance the following projects

- Bursaries
  - Stipend for in-service learners
  - In-house funded learnership programmes
  - Artisan Development Programmes
2. Unavailability of training facilities following the relocation of HRD from the Old Civil Services Building
  3. Shortage of staff
  4. In the financial year 2020 - 21 HRD programmes were badly affected by COVID-19 and its regulations as physical training could not be conducted for the better part of the year to comply with COVID-19 regulation and to limit the spread of COVID-19.

---

## **WORK STUDY**

Organisational Development (OD) Unit is located at Corporate Services Department and is situated within the Directorate: Organisational Development and Training (ODT) as per the approved structure of the Newcastle Municipality.

Core-functions of Organizational Development (OD) Unit:

- to enhance productivity
- to improve efficiency and effectiveness for the entire municipality
- workforce planning
- Custodian of Job Descriptions for the entire organization
- Review of Organisational Structure
- Conducting investigations
- Organizational business processes
- Advising management in terms of transport allowances
- Advising personnel in terms of the structure, job descriptions and qualification requirements.

---

## **ORGANISATIONAL DEVELOPMENT PERFORMANCE**

### **CHALLENGES**

1. Non appointments of Work-Study professionals
2. Non-implementation of work-study investigation findings
3. Non-finalization of placement processes
4. Organized Labour opposing Organisational Development (OD) activities
5. Delay in responses by departments/ sections under investigation on information requested by Organisational Development unit.

## **Solutions**

1. Appointments of Work-Study professionals
2. Implementation of Work-Study findings (implementation plans)
3. Finalization of placement appeals
4. Continuous engagement with all stakeholders to understand the importance of Organisational Development (OD) Unit activities in the organization and its sustainability.

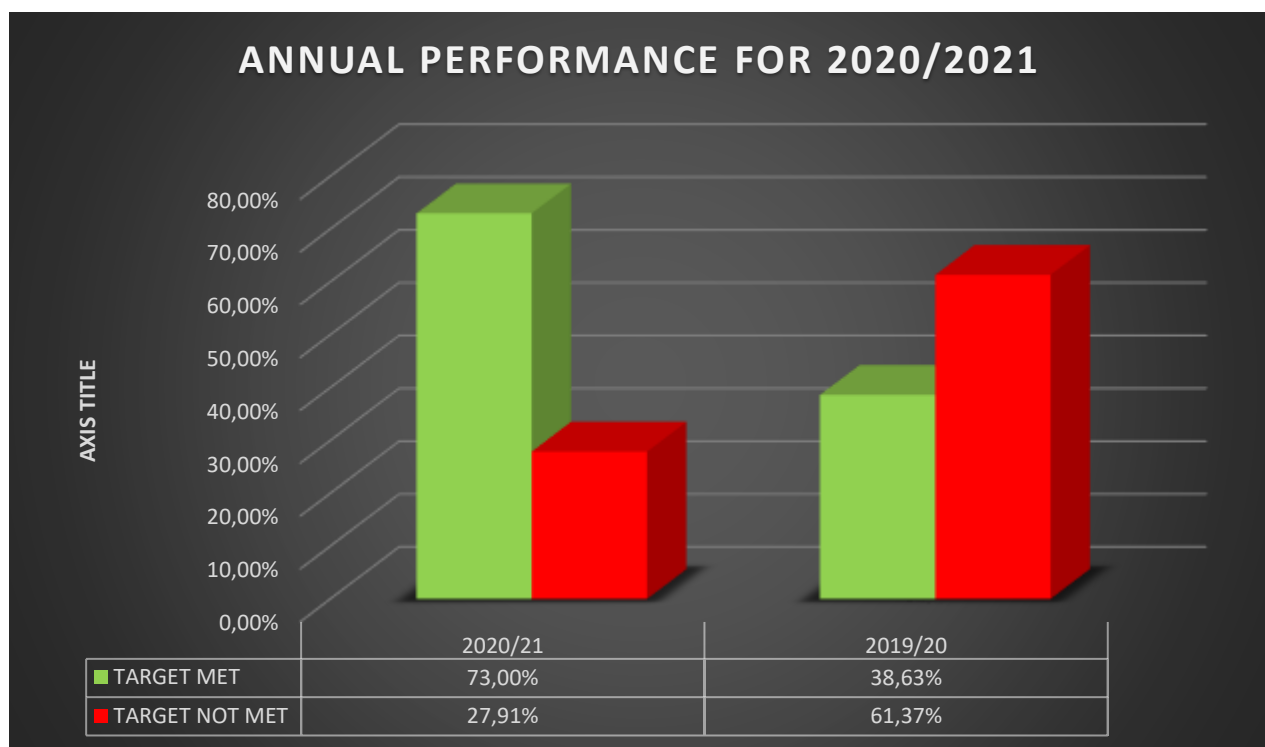


## CHAPTER 5 ORGANISATIONAL PERFORMANCE 2020/2021

### EXECUTIVE SUMMARY

The 2020/2021 Annual Performance Report represents the year-end performance results for the financial year under review. The Annual Performance Report is compiled by the Monitoring and Evaluation Unit after reviewing all Key Performance Indicators on the Top-Layer Service Delivery Budget Implementation Plan (TLSDBIP). The TLSDBIP comprises of the six National Key Performance Area's (NKPA's), these are: Basic Services, Cross Cutting, Good Governance, Financial Viability, Local Economic Development and Institutional Development. All NKPA's contain Key Performance Indicators (KPI's) and each KPI has a target that is measurable, specific, attainable, reliable and time bound. All Capital Projects have been linked to a KPI on the TLSDBIP. The TLSDBIP has been attached per each KPA as Annexures A - F. The Annual Performance Report is a summary of the performance achieved and not achieved for the municipality and provides a comparative of the performance information to prior years.

The Graph below represents a summary of the overall performance for 2020/2021 on the Top-Layer Service Delivery Budget Implementation Plan:



**Figure 3 OVERAL ORGANISATION PERFORMANCE OF THE TLSDBIP FOR 2020/2021**

The chart above demonstrates the overall organisational performance for the 2020/2021 financial year, based on the information above only 73 % of targets were achieved and 27 % of targets that

were set were not achieved. The Municipality has improved the overall performance of the municipality by 34%.

---

## PERFORMANCE MANAGEMENT PROCESS

The M & E Unit from the 1<sup>st</sup> working day till the 10<sup>th</sup> working day of every quarter conducts a 100% review of the performance information as submitted from departments in terms of relevance, sufficiency, accuracy and reliability. The TLSDBIP is reviewed against the approved targets and KPI's. The capital projects are monitored and evaluated every month from the 1<sup>st</sup> working day of the month to the 5<sup>th</sup> working day of the month by evaluating the actual financial and non-financial performance based on the approved cash-flow projections per month and the Project Implementation Plans (PIP's). The M & E Unit uses a Performance Management Checklist (Annexure C) to review the performance information submitted by departments. The Performance Management (PMS) Checklist is based on Relevance, Sufficiency and Accuracy of the portfolio of evidence submitted to the M & E unit by departments. If a target as specified in the Top-layer SDBIP has not been achieved, a reason for variance with supporting evidence must be submitted together with a recommended corrective action that must be implemented in the next quarter. The PMS Checklist has prompting questions based on relevance, sufficiency and accuracy, with a drop-down list with specific answers to ensure that each M & E official reviews the performance information systematically. The purpose of the PMS Checklist is to ensure that actuals are fully supported by the evidence submitted.

The following table provides a description on the criteria that is used to assess performance information

**Table 1 CRITERIOR TO ASSESS PERFORMANCE INFORMATION**

<b>Relevance</b>	Closely connected or appropriate to what is being measured/assessed
<b>Sufficiency</b>	Enough or adequate evidence to support the actual
<b>Reliable</b>	Evidence that is good in quality, credible and trustworthy.

The performance dashboard is used to score departments based on the actuals reported and the portfolio of evidence submitted to the M & E unit. Departments are required to submit sufficient

evidence to support the actual performance reported and if a reason for variance is reported, supporting evidence must be submitted.

The following table, based on the legislative framework for performance management and the PMS Framework provides a summary of the various performance reporting deadlines which apply to the Municipality:

**Table 2 PERFORMANCE REPORTING**

<b>Report Frequency Submitted for consideration and/or review to Remarks</b>	<b>Report Frequency Submitted for consideration and/or review to Remarks</b>	<b>Report Frequency Submitted for consideration and/or review to Remarks</b>	<b>Report Frequency Submitted for consideration and/or review to Remarks</b>
1. SDBIP's	Quarterly	Executive Committee	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with The Executive Committee)	See sections 71 and 54 of the MFMA
3. Implementation of the budget and financial state of affairs of the Municipality	Quarterly	Council	See section 52 of the MFMA
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with The Executive Committee)	See sections 72 and 54 of the MFMA
5. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report

The M & E Unit submits quarterly reports to the Chief Audit Executive of the Internal Audit Unit every quarter on the 15<sup>th</sup> working day of month after the quarter under review is completed. The

quarterly report that is submitted to the Internal Audit is a 100% reviewed report of the TLSDBIP and the capital status report by the M & E Unit. The reports submitted to Internal Audit include a signed off hard copy of all the Excel reports for the TLSDBIP and the departmental capital status reports. The signed off hardcopy will be signed off by the relevant M & E Unit Officers, M & E Manager and the SED: DPHS. After the Internal Audit reviews, the PMS Report the draft Internal Audit report is circulated to the PMS unit to respond and address findings that are only relevant to the PMS unit. The PMS unit will take 2 days to respond to the findings raised and adjust the PMS reports were applicable based on the findings raised by the Internal Audit unit

---

## **PERFORMANCE AND SUPPORTING INFORMATION**

Section 46 of The Local Government Municipal Systems Act 32 of 2000 requires municipalities to publish an annual performance report reflecting the performance of the Municipality and of each external service provider; a comparison of the performances with targets; and measures taken to improve performance.

---

## **BACKGROUND TO THE TOP-LAYER SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN**

The Top Layer Service Delivery Plan (SDBIP) has been adapted by Newcastle Municipality as the preferred performance management tool for measuring performance on key developmental areas that are relevant to municipal service delivery and the public sector. There are five KPA's that municipalities are required to align their strategic planning on, and these cut across every functional area of a municipality. The municipal Top-layer SDBIP measures a municipality's performance through these five perspective as listed below.:

- The Municipal Economic Development Perspective
- The Service Delivery Perspective
- The Institutional Development Perspective
- The Financial Management Perspective, and
- Governance Process Perspective

With recent developments through the adoption by the national cabinet of the 5-Year Local Government Strategic Agenda, that aligns local government with the national program of action, it

became imperative to review the above municipal Top-layer SDBIP model and to align it with the 5 Key Performance Areas (KPA's) for local government.

The Newcastle Municipality, having adopted the Top Layer SDBIP as the Performance management tool, will align this framework to the Top Layer SDBIP and its performance will be grouped accordingly. Furthermore, legislation required that the PMS also align to the IDP. The Newcastle Municipality IDP adopted 1 additional KPA's/ perspectives as follows:

- Cross-cutting (Special Programs, Municipal Planning, Community services etc.)

The perspectives that inform Newcastle Municipality's Top-Layer SDBIP are:

- The Local Economic Development Perspective
- The Basic Service Delivery Perspective
- The Municipal Transformation and Institutional Development Perspective
- The Financial Viability Perspective,
- Good Governance Perspective and
- Cross Cutting Perspective
- ***The Cross Cutting*** In this perspective the municipality will assess whether the desired development indicators around the performance area of municipal planning, disaster management and social development is achieved.
- ***The Basic Service Delivery Perspective*** This perspective will assess the municipality's performance in the overall delivery of basic and infrastructural services and products.
- ***The Financial Management Perspective*** This perspective will measure the municipality's performance with respect to the management of its finances.
- ***The Institutional Development Perspective*** This perspective relates to input indicators that measure the functioning of the municipality under areas such as human resources and all other indicators that seek to develop and manage the municipal institution.
- ***The Governance Process Perspective*** This perspective will measure the municipality's performance in relation to its engagement with its stakeholders in the process of governance, established and functioning governance structures, and good municipal governance processes, strategic planning and implementation and performance management.



- **Local Economic Development** This perspective will measure Newcastle Municipality's performance in developing the local economy, by ensuring that there is job creation, foreign investment opportunities within Newcastle, business retention, development of SMME's, marketing and tourism development in Newcastle.

Newcastle Municipality has linked each KPI on the TLSDBIP to the IDP Objectives and Strategies and each Capital Project is linked to a specific KPI on the TLSDBIP.

## PERFORMANCE ANALYSIS

A performance dashboard is used to score departments based on the actuals reported and the portfolio of evidence submitted to the PMS unit. Departments are required to submit sufficient evidence to support the actual performance reported and if a reason for variance is reported, supporting evidence must be submitted. The diagram below is an illustration of how the M & E unit scores departments:

Table 3 PERFORMANCE DASHBOARD

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
4	Target Overachieved	A KPI is scored as a Target Overachieved, if the actual reported exceeds target and the evidence submitted to support the actual is relevant, sufficient and reliable. The actual reported must be: <ul style="list-style-type: none"> <li>• Plausible</li> <li>• Factual</li> <li>• Results driven</li> </ul>	4
3	Target met	A KPI is scored as target met, if the target has been achieved and the evidence submitted supports the actual report and the evidence is relevant, sufficient and reliable.	3
1	Target not met and not supported	A KPI is scored as a target not met and not supported when the specified target has not been achieved or the department has not submitted <b>sufficient, reliable or relevant</b> evidence to support the actual or the reason for variance for why the target	1

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
		<p>was not achieved. A KPI is also scored as a target not met and not supported if there is non-submission of:</p> <ul style="list-style-type: none"> <li>• a reason for variance for a target not achieved, or</li> <li>• if there is non-submission of an actual or</li> <li>• non-submission of evidence or</li> <li>• non-submission of a reason for variance or</li> <li>• non-submission of a recommended corrective action</li> </ul>	

## 2020/2021 ANNUAL PERFORMANCE PER KPA

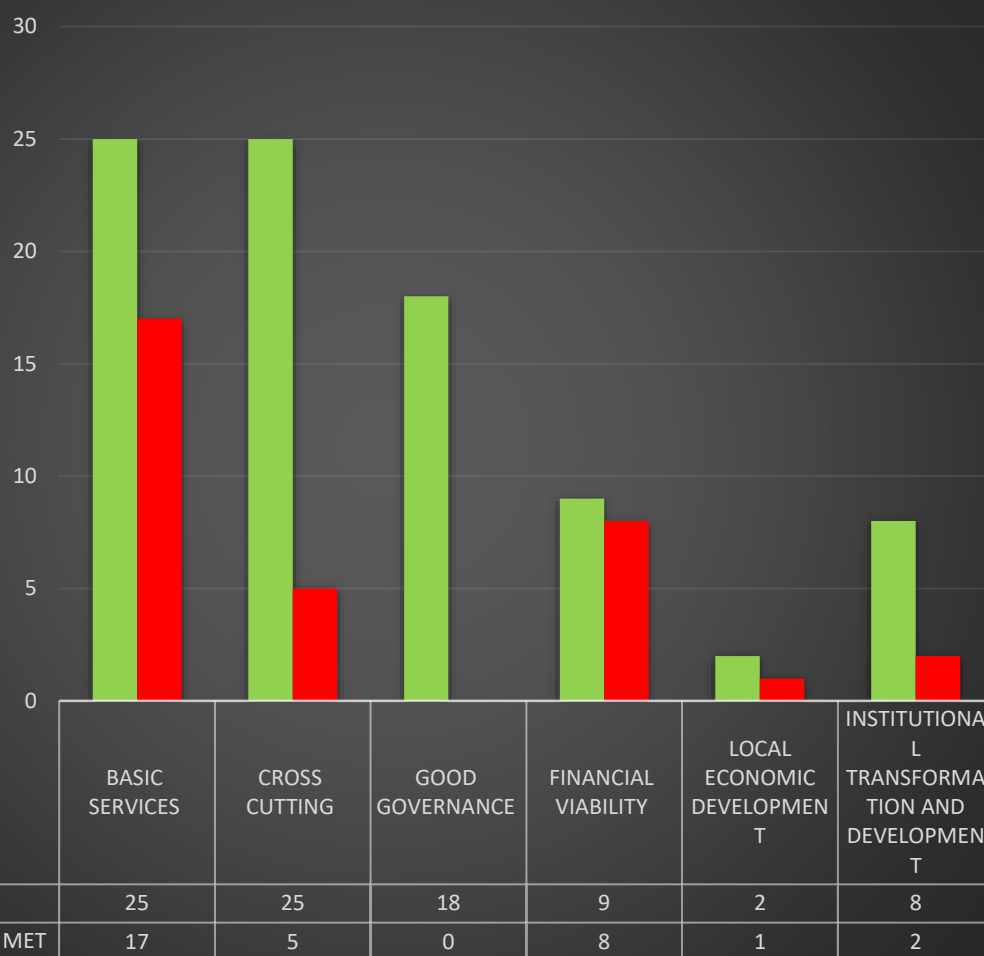


Figure 4 ANALYSIS OF THE TLSDBIP 2020/2021

## PERFORMANCE PER KEY PERFORMANCE AREA

Table 4 PERFORMANCE OF THE TLSDBIP FOR 2020/2021

KEY PERFORMANCE AREA	TARGET MET	TARGET NOT MET	TOTAL NUMBER OF APPLICABLE KPI'S	PERCENTAGE
Basic Services	25	17	42	60%
Cross Cutting	25	5	30	85%
Financial Viability	9	8	17	53%
Good Governance	18	0	18	100%
Institutional Transformation & Development	8	2	10	80%
Local Economic Development	2	1	3	67%
Total	87	33	120	73%

Figure 4 and table indicates that the Basic Service National Performance Area has achieved 60% of all the planned targets. The total number of new households built for the 2020/2021 financial year was 214. 958 VIP toilets were installed in various parts of Newcastle East. Newcastle Municipality has resealed a total of 3,6km's.

Figure 4 and table 4 illustrates that only 85% of planned the targets for the Cross Cutting NKPA were achieved. The Municipality has finalised and submitted the Environmental Impact Assessment (EIA) for establishment of the Cemetery site.

Based on figure 4 and Table 4, 100% of the KPI's related to Good Governance were achieved. The municipality has an approved Delegations Policy, established an ICT Committee, addressed all SCM objections within 60 days, and ensured that all governance reports for Risk Management and Performance Management were approved within the statutory reporting time frames.

The performance of the Financial Viability KPA is not yet where the municipality intends however there has been a significant improvement in performance. The Budget and Treasury Office has a financial recovery plan that is implemented. The municipality has also appointed a debt collector which will improve the payment factor in the 2021/2022 financial year.

Local Economic Development achieved 66,6% of the planned targets. There has been a decrease in the achievement of planned targets for the 2020/2021 financial year in comparison to the 2019/2020 financial year.

There has been considerable improvement in performance for the Institutional Transformation and Development Key Performance Area. 80% of the planned targets were achieved during the 2020/2021 financial year.

## DEPARTMENTAL PERFORMANCE ON THE TLSDBIP FOR 2020/2021

Table 5 DEPARTMENTAL ANNUAL PERFORMANCE ON THE TLSDBIP 2020/2021

DEPARTMENT	TARGET MET	TARGET NOT MET	TOTAL NUMBER OF APPLICABLE KPIS
OFFICE OF THE MUNICIPAL MANAGER	15	0	15
BUDGET AND TREASURY OFFICE	9	8	17
COMMUNITY SERVICES	24	6	30
CORPORATE SERVICES	8	2	18
DEVELOPMENT PLANNING AND HUMAN SETTLEMENTS	15	3	1

<b>TECHNICAL SERVICES</b>	16	13	29
<b>TOTAL</b>	87	33	120

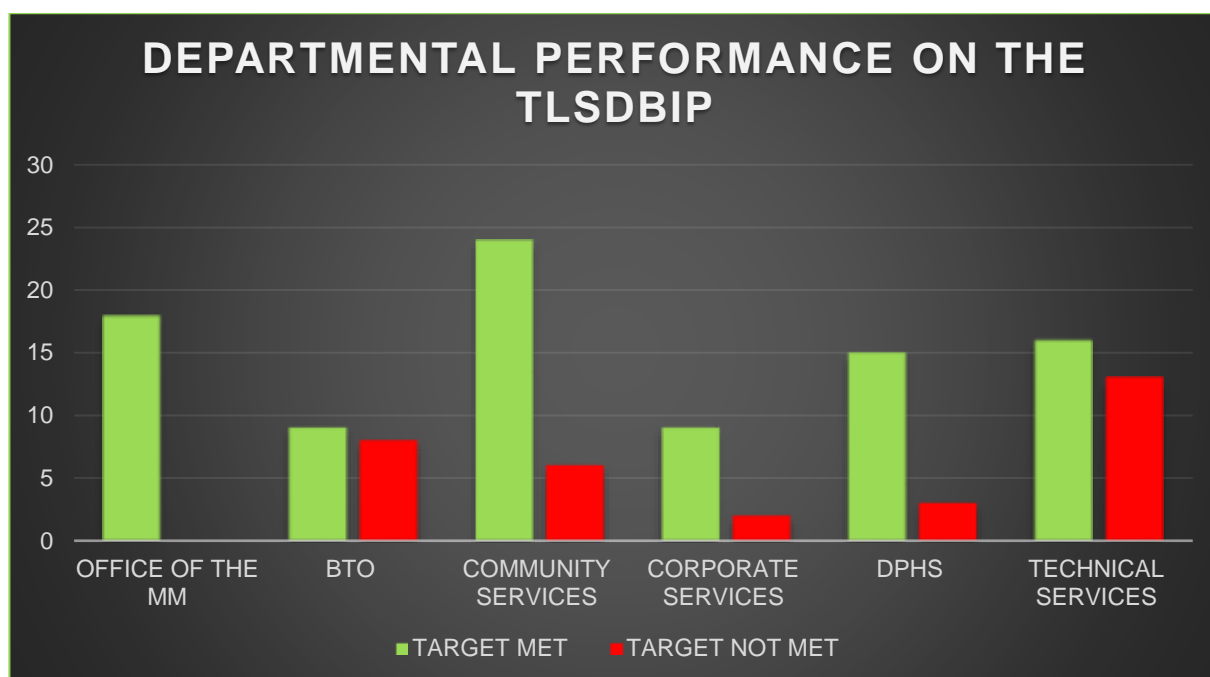


Figure 5 ANNUAL DEPARTMENTAL PERFORMANCE

## PERFORMANCE ACHIEVEMENTS FOR 2020/2021

- The municipality has constructed 214 new households with access to water, sanitation and refuse removal.
- As a caring municipality we've given 8287 indigent households free basic water, electricity, sanitation and refuse removal. This is yet another clear indication that this municipality understands the daily struggles faced by many of our residents, in particular the unemployed and previously disadvantaged.
- 26 residential sites have been advertised for sale.
- 702 EPWP jobs were created to tackle the high amount of unemployment within this municipality.
- The municipality has done training for 60 SMMEs.
- 111 title deeds have been transferred through the EEDBS program. A majority of these beneficiaries are first time homeowners.
- 3,42 km's of roads have been resealed within the jurisdiction of Newcastle Municipality.
- 1 km of road was light graded / gravelled at Mndozo Clinic



- 100% implementation of the water and electricity maintenance plan was implemented with the intention of maintaining the existing infrastructure.
- The municipality purchased 10 recycle bins
- Constructed 70 speedhumps
- Upgrade of 0,78km of road upgraded from gravel to blacktop for MF55
- Upgrade of 0,801km of road upgraded from gravel to blacktop for MD35
- Completed 0,75 Km's of the sub-base layer for MF18 & MF19
- Completed 0,714 Km's of the sub-base layer for MF69, 7,10
- Completed 0,375 Km's of the sub-base layer for MC13
- Completed 0,52 Km's of the sub-base layer for OA27
- Purchased 16,3885 Hectors of land for development
- Constructed 2,6km of water pipeline for Soul
- Installed 6 standpipes in ward 12 and P46 completed.
- Processed 100% of all plans received by the municipality within the statutory timeframes

---

## **CHALLENGES**

- The construction of new top-structures has been delayed due to social unrest at the H39 Housing Project and theft of building materials at the Charlestown Housing Project
- The rural electrification project has been delayed due to the number of defects identified on site, the contractor is currently rectifying the defects.
- The lease agreement and upgrades for Unisa was not finalised, due to Unisa changing the scope of work
- Water loss remains high due to ageing infrastructure and insufficient funding
- Vacant positions not yet filled
- Low payment factor
- The EPWP budget was reduced for the 2020/2021 financial year.

---

## **MEASURES TO IMPROVE PERFORMANCE IN 2020/21**

- Implementation of Consequence Management
- Monitoring of recommended corrective actions as specified in Annexures A1-F1
- An Annual Recovery Action Plan be developed and monitored during the 2021/2022 financial year
- Filling of all critical vacant positions

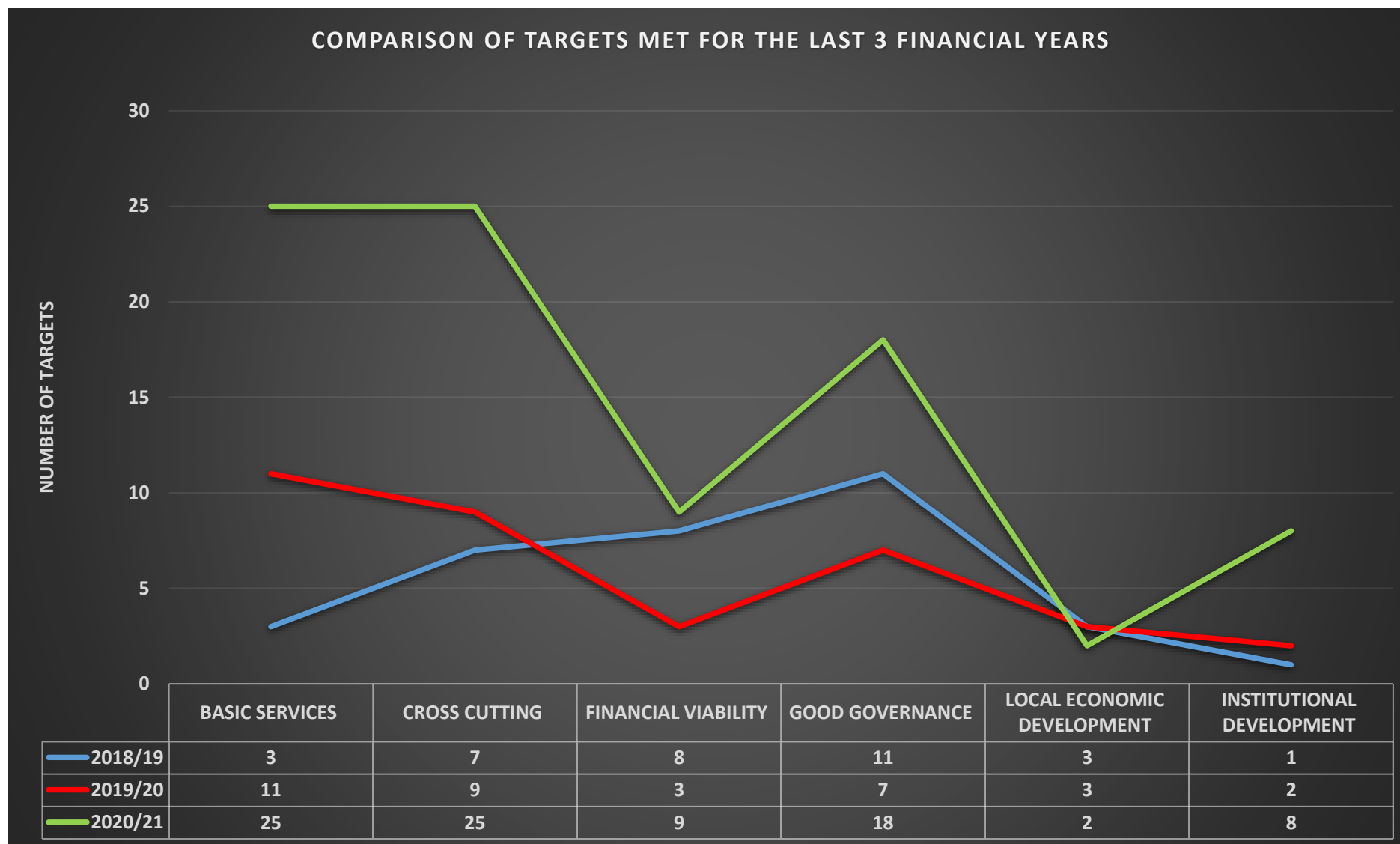


Figure 6 COMPARISON OF PERFORMANCE FOR THE LAST 3 FINANCIAL YEARS

The graph above illustrates that performance in Basic Services has improved since the 2018/19 and 2019/2020 financial years. The municipality has prioritised service delivery and access to basic services. In the last two financial years the municipality failed to implement 50% of planned targets however as at the end of June 2021 the municipality achieved 60% of all planned targets. Unfortunately, the municipality did not complete the energizing phase of the rural electrification program for the 2020/2021 financial year due to there being specific defects on site. The 2020/2021 rural electrification program has been prioritised for completion by September 2021.

The Municipality has declined in performance for Cross Cutting Issues that were executed by the Community Services Department. The department of Community Services failed to submit proper specifications and implement project implementation plans for the procurement of goods that would have improved service delivery for Newcastle. However, it must be noted that the municipality managed to achieve all targets related to development planning.

Financial Viability's performance deteriorated even further than the performance achieved in 2018/19, the payment factor has been reduced due to the National Disaster of the Covid Pandemic, the municipality has spent less of the capital budget than 2018/19, also as a result of the National Disaster of the Covid Pandemic, the Department of Budget and Treasury has also failed to report on the Revenue Enhancement Strategy and implementation of the Procurement Plan due non-commitment from other departments.

Good Governance Reporting has also regressed, the Legal Unit has had many resignations and no posts have been advertised, the turnaround time for the legal section has been compromised due to staff shortages. The ICT Steering Committee did not sit to address any issues however only the ICT Working Committee had convened meetings. The Risk reports were not presented to MANCO in quarter 1 and Quarter 2-3 the Risk Reports were submitted to Audit Committee and discussed in committee and referred back to the Risk Unit.

Local Economic Development has remained stable since 2018/19 to 2020/2021, EPWP has created 1070 temporary jobs, trained 50 more SMME's, established a Business Licensing and Business Permits unit to ensure that businesses within the jurisdiction of Newcastle comply with Legal requirements of the Business Licensing Act.

There has been a minimal improvement in Institutional Transformation, many targets under this NKA were not met due to the non-sitting of LLF meetings, the municipality attempted to establish Safety Committees and has this far been unsuccessful, therefore the department for the 2020/2021 financial year reported on all Injury on Duty Incidents. The Work Skills Plan budget was not fully spent due to the National Disaster of the Corona Virus.

Table 7 COMPARISON OF THE PAST YEAR PERFORMANCE TO 2020/2021 PERFORMANCE

	TARGET MET			TARGET NOT MET			TOTAL NUMBER OF APPLICABLE KPI'S		
	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
BASIC SERVICES	3	11	25	11	10	17	14	21	42
CROSS CUTTING	7	9	25	4	20	5	11	29	30
FINANCIAL VIABILITY	8	2	9	7	13	8	15	15	17
GOOD GOVERNANCE	11	7	18	12	7	0	23	14	18
INSTITUTIONAL TRANSFORMATION	1	2	8	10	4	2	11	6	10
LED	1	3	2	3	0	1	4	3	3
TOTAL	31	34	87	47	54	33	78	88	120

## DETAILED COMPARISON BETWEEN THE PERFORMANCE ACHIEVED FOR THE LAST 3 FINANCIAL YEARS (2018/19 – 2020/21)

Table 8 COMPARISON BETWEEN 2018/19 TO 2020/2021 SERVICE DELIVERY

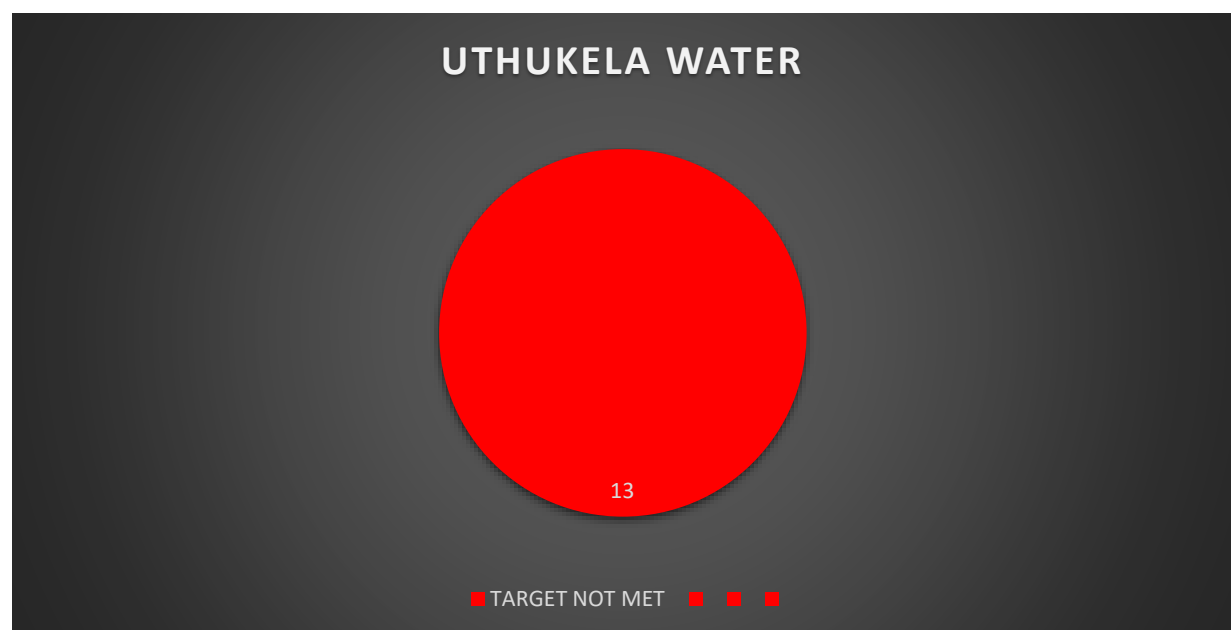
Performance Achievement	2020/2021	2019'2020	2018'1920
Number of houses built	214	376	133
Number of new households with access to water	214	376	133
Number of houses transferred through the enhanced Extended Discount Benefit	111	189	243
Number of households with Indigent Support	8287	8952	7484
Number of Properties release for sale to the public.	26	28	22
Number of households electrified	0	0	835
KMs of road re gravelled	1km	8,644km's	8,8km's
KMs of road resealed	3,42km	6,908km	14 306km's
Number of new households connected to sanitation	1172	1496	973
Number of new households connected to a minimum level of water.	214	376	120
Number of SMME's	60	74	86
The Number of jobs created through municipality's local economic development initiatives including capital projects	702	1 070	1 509

## ASSESSMENT OF EXTERNAL SERVICE PROVIDER

In terms of Section 46 of The Local Government Municipal Systems Act 32 of 2000, a municipality must prepare for each financial year a performance report reflecting-

- (a) The performance of the municipality and of each external service provider during that financial year.

Currently UThukela Water (Pty) Ltd is the only External Service Provider of the Newcastle Municipality, for which bulk water services is being rendered. UThukela Water (Pty) Ltd is an Entity of Newcastle Municipality. Unfortunately, UThukela Water did not meet any of planned targets set in the 2020/2021 SDBIP. The main reason for not achieving the targets is that the information submitted from UThukela Water that some KPI's were linked to addressing the resolutions from meetings such as board meetings, maintenance etc. Uthukela Water also did not implement maintenance resolutions as per the meetings convened. The following chart represents the Draft Assessment of UThukela Water's SDBIP for 2020/2021:





## CHAPTER 6 FINANCIAL PERFORMANCE

ATTACHED AS ANNEXURE A

## CHAPTER 7 AUDITOR GENERAL'S REPORT

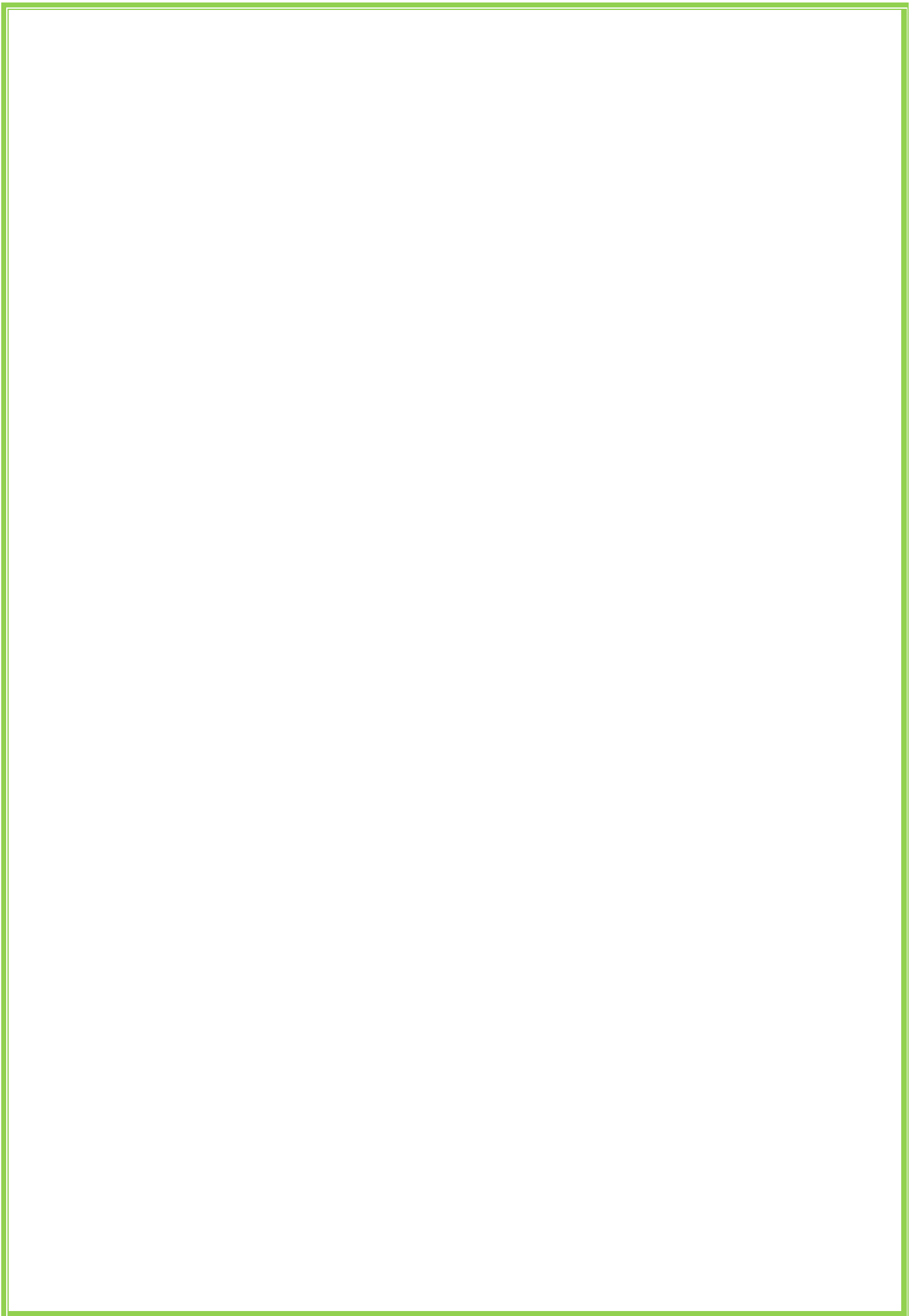
ATTACHED AS ANNEXURE C

## CHAPTER 8 2020/2021 DRAFT ANNUAL FINANCIAL STATEMENT FOR UTHUKELA WATER

ATTACHED AS ANNEXURE D

## CHAPTER 9 2020/2021 DRAFT ANNUAL REPORT FOR UTHUKELA WATER

ATTACHED AS ANNEXURE E



## ABBREVIATIONS

ABM	-	Area-Based Management
ABSA	-	Amalgamated Banks of South Africa
ADM	-	Amajuba District Municipality
AGSA		Auditor General of South Africa
AQMP	-	Air Quality Management Plan
ARVS	-	Anti-Retroviral Authorities
AWWG	-	Aquatic Weed Working Group
B&B	-	Bed and Breakfast
B-2-B	-	Business To Business
BBBEE	-	Broad-Based Black Economic Empowerment
BCM	-	Business Continuity Management
BEE	-	Black Economic Empowerment
BEPP	-	Built Environment Performance Plan
BNG	-	Breaking New Ground
BPM	-	Business Process Management
BPO	-	Business Process Outsourcing
BR&E	-	Business Retention and Expansion
BSP	-	Biodiversity Sector Plan
CBD	-	Central Business District
CBOS		Community-Based Organisations
CBP	-	Community Based Plan

CCTV		Closed Circuit Television
CDP	-	Cisco Discovery Protocol
CIDB		Construction Industry Development Board
CIS	-	Cluster Initiatives
CMP 11		11th Session of the Conference of the Parties
COGTA	-	Co-Operative Governance and Traditional Affairs
CPAS	-	Community Participation and Action Support
CPI	-	Consumer Price Index
CRM	-	Customer Relations Management
CRU	-	Community Residential Unit
CSIR	-	Council for Scientific and Industrial Research
CU	-	Consumer Unit
DAEA		Department Of Agriculture and Environmental Affairs
DAFF	-	Department Of Forestry and Fishery
DEA	-	Department of Environmental Affairs
DEAT	-	Department of Environmental Affairs and Tourism
DEPT	-	Department
DHA	-	Department Of Home Affairs
DM	-	Disaster Management
DOL	-	Department Of Labour
DOT	-	Department Of Transport
DPLG	-	Department Of Provincial and Local Government
DTI	-	Department Of Trade and Industry
DWS	-	Department Of Water and Sanitation

EDTEA	-	Economic Development, Tourism and Environmental Affairs
EDU	-	Economic Development Unit
EE	-	Employment Equity
EFA	-	Electricity For All
EIA	-	Environmental Impact Assessment
EPWP	-	Expanded Public Works Programme
EXCO	-	Executive Committee
FAP	-	Functional Area Plan
GDP	-	Gross Domestic Product
GIS	-	Geographic Information System
GVA	-	Gross Value Addition
HDA	-	Housing Development Agency
HHLD/HH	-	Household
HR	-	Human Resources
IAM	-	Infrastructure Asset Management
ICT	-	Information and Communication Technology
IDP	-	Integrated Development Plan
IEC	-	Independent Electoral Commission
IEP	-	Informal Economy Policy
IGR	-	International and Governance Relations
ILO	-	International Labour Organisation
IMESA	-	Institution of Municipal Engineering Of Southern Africa
IP	-	Internet Protocol
IRPTN	-	Integrated Rapid Public Transport Network

IT	-	Information Technology
IUDF	-	Integrated Urban Development Framework
JDMC	-	Joint Development Management Committee
KM	-	Knowledge Management
KPA	-	Key Performance Area
KPIS	-	Key Performance Indicators
KZN	-	KwaZulu-Natal
LAP	-	Local Area Plan
LBSCS	-	Local Business Service Centres
LED	-	Local Economic Development
LUMS	-	Land Use Management System
LUS	-	Land Use System
M	-	Million
MD	-	Managing Director
MDGS	-	Millennium Development Goals
MDP	-	Management Development Programme
MEC	-	Member of the Executive Council
MFMA	-	Municipal Finance Management Act 56 Of 2003
MICE	-	Meetings, Incentives, Conferences and Exhibitions
MIG	-	Municipal Infrastructure Grant
MM	-	Municipal Manager
MOA	-	Memorandum of Agreement
MOU	-	Memorandum of Understanding
MPRA	-	Municipal Property Rates Act 6 Of 2004



MSA, 1998	-	Municipal Structures Act, 1998 (Act No. 117 of 1998)
MSA, 2000	-	Municipal Systems Act, 2000 (Act No. 32 of 2000)
MSCOA	-	Municipal Standard Chart of Accounts
MSDF	-	Municipality's Spatial Development Framework
MTEF	-	Medium Term Expenditure Framework
NBR	-	National Building Regulations
NCOP	-	National Council of Provinces
NDP	-	Nodal/National Development Plan
NDPW	-	National Department of Public Works
NGO	-	Non-Government Organisation
NLM	-	Newcastle Local Municipality
NRTA	-	National Road Traffic Act
OSS	-	One Stop Shop
PDIS	-	Previously Disadvantaged Individuals
PGDS	-	Provincial Growth Development Strategy
PMS	-	Performance Management System
PMU	-	Project Management Unit
PPP	-	Public Private Partnership
PRC	-	Parks, Recreation and Culture
QLS	-	Quality Living Standards
QOL	-	Quality Of Life
RFP	-	Request For Proposals
RMS	-	Revenue Management System
ROD	-	Record Of Decision

SACN	-	South African Cities Network
SAICE	-	South African Institute of Civil Engineers
SALGA	-	South African Local Government Association
SANRAL	-	South African National Roads Agency Limited
SAPI	-	South African Planning Institute
SAPS	-	South African Police Service
SCI	-	Sustainable Cities Initiative
SCM	-	Supply Chain Management
SDBIP	-	Service Delivery and Budget Implementation Plan
SDF	-	Spatial Development Framework
SDG'S	-	Sustainable Development Goals
SDP	-	Spatial Development Plan
SEDA	-	Small Enterprise Development Agency
SETA	-	Sectorial Education Training Authority
SFA	-	Strategic Focus Area
SLA	-	Service Level Agreement
SMME	-	Small Medium Micro-Sized Enterprises
SMS	-	Stormwater Management System
SOP	-	Standard Operating Procedure
SPLUMA	-	Spatial Planning and Land Use Management Act
SPU	-	Special Projects Unit
STATS SA	-	Statistics South Africa
TIKZN	-	Trade and Investment Kwazulu-Natal
TKZN	-	Tourism KwaZulu-Natal

UD	-	Urine Diversion
UNS	-	Urban Network Strategy
VCI	-	Visual Conditions Index
VIP	-	Ventilated Improved Pit Laterines
WAN	-	Wireless Area Network
WHO	-	World Health Organisation
WSA	-	Water Services Authority
WSP	-	Workplace Skills Plan

NEWCASTLE MUNICIPALITY																																				
FRAMERS VARIABILITY															FRAMERS VARIABILITY																					
DEPARTMENTAL EXPENDITURE NUMBER	TLEBSP REF NUMBER	OUTCOME 3	NATIONAL IPA	BACK TO BASICS PILLAR	KP PRIORITY	GOAL/OBJECTIVES	STRATEGIES	KPIs LINKED TO SERVICE CENTER	KEY PERFORMANCE INDICATOR	KPI TYPE (INPUT, OUTPUT, OUTCOME, EFFECTIVE PROCESS)	UNIT OF MEASURE	BASELINE	TARGET QUARTER ENDING 30 JUNE 2021	ACTUAL QUARTER ENDING 30 JUNE 2021	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	QUARTER 4 CHALLENGE	TECHNICAL SCORE	ANNUAL PERFORMANCE ACCUMULATED / AVERAGE TARGET (1 JULY 2019-30 JUNE 2021)	ANNUAL ACTUAL	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	ANNUAL DASHBOARD	REVISED STANDARD ACCUMULATED TARGET (1 JULY 2019-30 JUNE 2021)	ACTUAL ANNUAL STANDARD ACCUMULATED TARGET (1 JULY 2019-30 JUNE 2021)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	ANNUAL DASHBOARD	TECHNICAL SCORE	RESPONSIBLE DEPARTMENT	FREQUENCY OF REPORTING	PRIMARY SOURCE OF EVIDENCE	MEDIA CONFIGURATION	VOTE DESCRIPTION	BUDGET AMOUNT	YTD ACTUAL AS AT 31 JUNE 2021
BT0001	TLEBSP-FV001	Output C Administrative and financial capability	Municipal Financial Viability and Management	Sound Financial Management and	Sound Financial Management Viability	To improve access to basic services	To ensure compliance with budget planning and management	FWK 3.1	The percentage of households receiving basic services (2020) as per the approved Newcastle budget (table)	Output	Percentage (%)	10% (1000/400K 100)	20% (1000/400K 100)	16.70% (667/400K 100)	The original audit was resulting in lower budget approvals. The audit indicated that the percentage of households receiving basic services was lower than the approved budget. The audit indicated that the percentage of households receiving basic services was lower than the approved budget. The audit indicated that the percentage of households receiving basic services was lower than the approved budget.	To ensure compliance with budget planning and management	TARGET 100T	3	20% (1000/400K 100)	16.70% (667/400K 100)	The original audit was resulting in lower budget approvals. The audit indicated that the percentage of households receiving basic services was lower than the approved budget. The audit indicated that the percentage of households receiving basic services was lower than the approved budget. The audit indicated that the percentage of households receiving basic services was lower than the approved budget.	To ensure compliance with budget planning and management	TARGET 100T	10% (1000/400K 100)	16.70% (667/400K 100)	The original audit was resulting in lower budget approvals. The audit indicated that the percentage of households receiving basic services was lower than the approved budget. The audit indicated that the percentage of households receiving basic services was lower than the approved budget. The audit indicated that the percentage of households receiving basic services was lower than the approved budget.	To ensure compliance with budget planning and management	TARGET 100T	3	Budget & Treasury Office	Quarterly	Quarter 1-4: Indigent register and of quarter together with the number of residential units as per the resolution of the collection fund	100000100	R40 340 975.00	R40 027 036.00	
BT0002	TLEBSP-FV002	Output C Administrative and financial capability	Municipal Financial Viability and Management	Sound Financial Management and	Sound Financial Management Viability	To ensure compliance with budget planning and management	To ensure compliance with budget planning and management	FWK 3.1	The percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP)	Output	Percentage (%)	70%	100%	70%	The original audit was resulting in lower budget approvals. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget.	To ensure compliance with budget planning and management	TARGET 100T	1	100%	70%	The original audit was resulting in lower budget approvals. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget.	To ensure compliance with budget planning and management	TARGET 100T	100%	64%	The original audit was resulting in lower budget approvals. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget. The audit indicated that the percentage of a municipality's capital budget, spent on capital projects, identified by a 2020/21 financial year in terms of the municipality's Integrated Development Plan (IDP) was lower than the approved budget.	To ensure compliance with budget planning and management	TARGET 100T	1	Budget & Treasury Office	Quarterly	Quarter 1-4: Year to date/Actuals and expenditure report from IDP	700001001 700001002 700001003 700001004 700001005 700001006 700001007 700001008 700001009 700001010 700001011 700001012 700001013 700001014 700001015 700001016 700001017 700001018 700001019 700001020 700001021 700001022 700001023 700001024 700001025 700001026 700001027 700001028 700001029 700001030 700001031 700001032 700001033 700001034 700001035 700001036 700001037 700001038 700001039 700001040 700001041 700001042 700001043 700001044 700001045 700001046 700001047 700001048 700001049 700001050 700001051 700001052 700001053 700001054 700001055 700001056 700001057 700001058 700001059 700001060 700001061 700001062 700001063 700001064 700001065 700001066 700001067 700001068 700001069 700001070 700001071 700001072 700001073 700001074 700001075 700001076 700001077 700001078 700001079 700001080 700001081 700001082 700001083 700001084 700001085 700001086 700001087 700001088 700001089 700001090 700001091 700001092 700001093 700001094 700001095 700001096 700001097 700001098 700001099 700001100 700001101 700001102 700001103 700001104 700001105 700001106 700001107 700001108 700001109 700001110 700001111 700001112 700001113 700001114 700001115 700001116 700001117 700001118 700001119 700001120 700001121 700001122 700001123 700001124 700001125 700001126 700001127 700001128 700001129 700001130 700001131 700001132 700001133 700001134 700001135 700001136 700001137 700001138 700001139 700001140 700001141 700001142 700001143 700001144 700001145 700001146 700001147 700001148 700001149 700001150 700001151 700001152 700001153 700001154 700001155 700001156 700001157 700001158 700001159 700001160 700001161 700001162 700001163 700001164 700001165 700001166 700001167 700001168 700001169 700001170 700001171 700001172 700001173 700001174 700001175 700001176 700001177 700001178 700001179 700001180 700001181 700001182 700001183 700001184 700001185 700001186 700001187 700001188 700001189 700001190 700001191 700001192 700001193 700001194 700001195 700001196 700001197 700001198 700001199 700001200 700001201 700001202 700001203 700001204 700001205 700001206 700001207 700001208 700001209 700001210 700001211 700001212 700001213 700001214 700001215 700001216 700001217 700001218 700001219 700001220 700001221 700001222 700001223 700001224 700001225 700001226 700001227 700001228 700001229 700001230 700001231 700001232 700001233 700001234 700001235 700001236 700001237 700001238 700001239 700001240 700001241 700001242 700001243 700001244 700001245 700001246 700001247 700001248 700001249 700001250 700001251 700001252 700001253 700001254 700001255 700001256 700001257 700001258 700001259 700001260 700001261 700001262 700001263 700001264 700001265 700001266 700001267 700001268 700001269 700001270 700001271 700001272 700001273 700001274 700001275 700001276 700001277 700001278 700001279 700001280 700001281 700001282 700001283 700001284 700001285 700001286 700001287 700001288 700001289 700001290 700001291 700001292 700001293 700001294 700001295 700001296 700001297 700001298 700001299 700001300 700001301 700001302 700001303 700001304 700001305 700001306 700001307 700001308 700001309 700001310 700001311 700001312 700001313 700001314 700001315 700001316 700001317 700001318 700001319 700001320 700001321 700001322 700001323 700001324 700001325 700001326 700001327 700001328 700001329 700001330 700001331 700001332 700001333 700001334 700001335 700001336 700001337 700001338 700001339 700001340 700001341 700001342 700001343 700001344 700001345 700001346 700001347 700001348 700001349 700001350 700001351 700001352 700001353 700001354 700001355 700001356 700001357 700001358 700001359 700001360 700001361 700001362 700001363 700001364 700001365 700001366 700001367 700001368 700001369 700001370 700001371 700001372 700001373 700001374 700001375 700001376 700001377 700001378 700001379 700001380 700001381 700001382 700001383 700001384 700001385 700001386 700001387 700001388 700001389 700001390 700001391 700001392 700001393 700001394 700001395 700001396 700001397 700001398 700001399 700001400 700001401 700001402 700001403 700001404 700001405 700001406 700001407 700001408 700001409 700001410 700001411 700001412 700001413 700001414 700001415 700001416 700001417 700001418 700001419 700001420 700001421 700001422 700001423 700001424 700001425 700001426 700001427 700001428 700001429 700001430 700001431 700001432 700001433 700001434 700001435 700001436 700001437 700001438 700001439 700001440 700001441 700001442 700001443 700001444 700001445 700001446 700001447 700001448 700001449 700001450 700001451 700001452 700001453 700001454 700001455 700001456 700001457 700001458 700001459 700001460 700001461 700001462 700001463 700001464 700001465 700001466 700001467 700001468 700001469 700001470 700001471 700001472 700001473 700001474 700001475 700001476 700001477 700001478 700001479 700001480 700001481 700001482 700001483 700001484 700001485 700001486 700001487 700001488 700001489 700001490 700001491 700001492 700001493 700001494 700001495 700001496 700001497 700001498 700001499 700001500 700001501 700001502 700001503 700001504 700001505 700001506 700001507 700001508 700001509 700001510 700001511 700001512 700001513 700001514 700001515 700001516 700001517 700001518 700001519 700001520 700001521 700001522 700001523 700001524 700001525 700001526 700001527 700001528 700001529 700001530 700001531 700001532 700001533 700001534 700001535 700001536 700001537 700001538 700001539 700001540 700001541 700001542 700001543 700001544 700001545 700001546 700001547 700001548 700001549 700001550 700001551 700001552 700001553 700001554 700001555 700001556 700001557 700001558 700001559 700001560 700001561 700001562 700001563 700001564 700001565 700001566 700001567 700001568 700001569 700001570 700001571 700001572 700001573 700001574 700001575 700001576 700001577 700001578 700001579 700001580 700001581 700001582 700001583 700001584 700001585 700001586 700001587 700001588 700001589 700001590 700001591 700001592 700001593 700001594 700001595 700001596 700001597 700001598 700001599 700001600 700001601 700001602 700001603 700001604 700001605 700001606 700001607 700001608 700001609 700001610 700001611 700001612 700001613 700001614 700001615 700001616 700001617 700001618 700001619 700001620 700001621 700001622 700001623 700001624 700001625 700001626 700001627 700001628 700001629 700001630 700001631 700001632 700001633 700001634 700001635 700001636 700001637 700001638 700001639 700001640 700001641 700001642 700001643 700001644 700001645 700001646 700001647 700001648 700001649 700001650 700001651 700001652 700001653 700001654 700001655 700001656 700001657 700001658 700001659 700001660 700001661 700001662 700001663 700001664 700001665 700001666 700001667 700001668 700001669 700001670 700001671 700001672 700001673 700001674 700001675 700001676 700001677 700001678 700001679 700001680 700001681 700001682 700001683 700001684 700001685 700001686 700001687 700001688 700001689 700001690 700001691 700001692 700001693 70			



Draft Annual Performance Report

uThukela Water (Pty) Ltd

FY2020/2021



# TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
Introduction	3
Service Delivery Performance Analysis	3-4
Performance Outcomes	5
Mid- Year Performance Scoresheet FY2020/2021	6



## Introduction

This report serves to table the annual performance of the company as at 30/06/2021 against its pre-determined objectives planned out in May 2020. (Measurement of performance against the SDBIP of FY2020/2021)

The financial performance of the entity will be reported on separately

## Service Delivery Performance Analysis

uThukela Water (Pty) Ltd uphold its mission statement by ensuring excellent and consistent performance across all areas of expertise within the entity.

In May 2020 a pre-determined strategic plan/SDBIP that converts into measurable criteria on how, where and when the strategic objectives and normal business processes of the entity will be achieved and implemented was tabled for the FY 2020/2021.

This plan has since been approved by both the Board of directors as well as the respective parent municipalities of the entity.

### **a) PERFORMANCE SETTING**

The SDBIP of uThukela Water (Pty) Ltd for the FY 2020/2021 comprised of 6 key strategic objectives. Which were filtered into key performance areas and key performance indicators. The key performance indicators were assigned annual targets and performance is measured against these targets quarterly.

## uThukela Water (Pty) Ltd Key Strategic Objectives



## **b) MONITORING PERFORMANCE**

The entity's performance is measured as per the performance management policy of uThukela Water (Pty) Ltd. The performance of the entity is measured at the end of every quarter and is carried out by the Chairperson of the Board of Directors Mr. P.S Naidoo

uThukela Water (Pty) Ltd make use of a 4 Point rating scale to measure performance, it is the same rating scale used to measure targets within the SDBIP of the entity.

Rating	Level	Description
1	Unacceptable Performance / Needs Development	Performance does not meet the standard expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against more than half of the performance criteria and indicators as specified in the Performance Agreement. The member has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.
2	Not Fully Effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against less than half of the key performance criteria and indicators as specified in the Performance Agreement.
3	Fully Effective	Performance fully meets the standard expected in all areas of the job. The review / assessment indicate that the member has achieved fully effective results against all the performance criteria and indicators as specified in the Performance Agreement.
4	Performance Above Expectations	Performance is significantly higher than the standard expected in the job or far exceeds the standard expected of a member at this level. The appraisal indicates that the member has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.

### c) PERFORMANCE OUTCOMES

The below chart (**Figure 1**) serves to represent the performance outcomes as at 30 June 2021 of uThukela Water (Pty) Ltd. A detailed scoresheet can be found at the end of this report.

The entity managed to meet all its agreed targets as per the SDBIP FY 2020/2021 in the key performance areas of the following strategic objectives:

- Manage stakeholder relationships
- Communicate Company Performance to Stakeholders and Public
- Increase financial sustainability

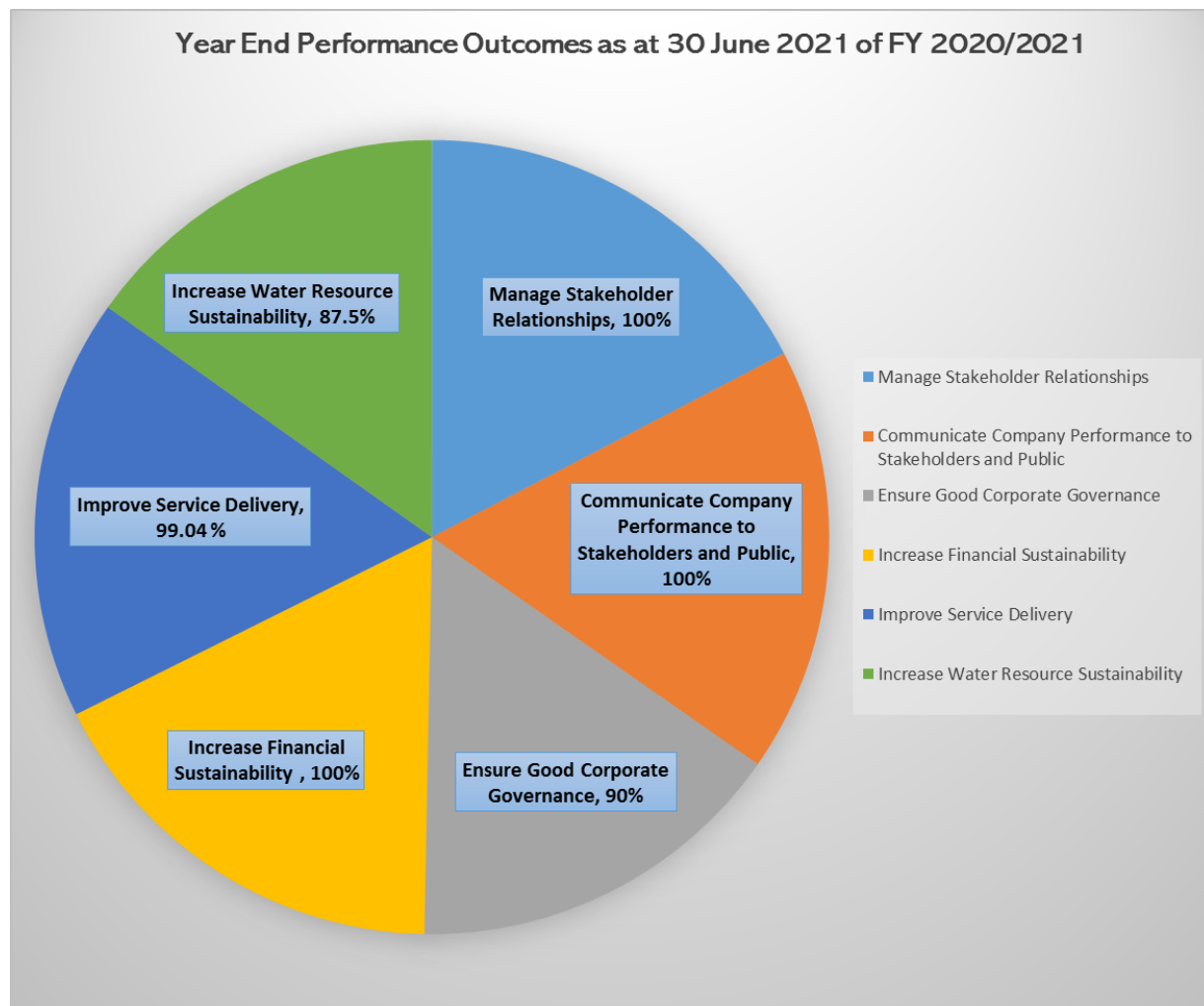


FIGURE 1



uThukela Water (Pty) Ltd.

## Annual Performance Scorecard – FY2020/2021

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Performance Score
Manage Stakeholder Relationships	Align Business Plans & Budgets with Municipal IDPs, Budgets & Plans, and National / Provincial Development Objectives	Submission of Business Plan, Budgets and Mid-Year Performance Assessments in terms of the provisions of the MFMA. One Meeting per annum with each Shareholder and Provincial Representative Committee to align budgets to Municipal IDPs, National and Provincial Plans	<ul style="list-style-type: none"> <li>• Submit an annual business plan to WSA's.</li> <li>• Submit a Mid-Year Performance Assessment Report and, a final annual performance report.</li> <li>• Schedule one meeting per WSA to align budgets and plans</li> </ul>	Managing Director	<ul style="list-style-type: none"> <li>• 1 Business plan submitted to all 3 WSA's</li> <li>• 1 Mid-Year Performance Report submitted to all WSA's</li> <li>• 1 Annual Performance Report submitted to all WSA's</li> <li>• 1 meeting per WSA scheduled in FY 2020/2021</li> </ul>	Target Met			3
	Schedule and attend regular Operational Admin and Financial meetings with Parent Municipalities	To schedule monthly meetings with all WSAs	<ul style="list-style-type: none"> <li>• 12 monthly meetings scheduled with all WSA's.</li> </ul>	Executive Director: Operations and Engineering	<ul style="list-style-type: none"> <li>• 12 monthly meetings scheduled.</li> </ul>	Target Met			3
	Board, Shareholder and Audit Committee Meetings	Quarterly meetings to be scheduled	<ul style="list-style-type: none"> <li>• 4 Board meetings scheduled</li> <li>• 1 Shareholders meeting scheduled</li> </ul>	Managing Director	<ul style="list-style-type: none"> <li>• 4 Board Meetings scheduled</li> <li>• 1 Shareholder Meeting scheduled</li> </ul>	Target Met			3

			• 4 Audit Committee meetings scheduled		• 4 Audit Committee Meetings scheduled				
--	--	--	--	--	--	--	--	--	--

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Performance Score
Communicate Company Performance to Stakeholders and Public	Submission of Monthly Section 71 Reports (Section 87(11))	Compile and submit Monthly Reports to Shareholders	12 Monthly Section 71 reports	• Managing Director	• 12 Monthly Section 71 Reports	Target Met			4
	Compile Annual Report with Input from Stakeholders	Compile and submit Final Annual Report to Stakeholders and Public by the 25 <sup>th</sup> of August each year	Compile and submit 1 annual report by the 25 <sup>th</sup> August each year	• Managing Director	• 1 Draft Annual Report Compiled and submitted by the 28/10/2020	Target Met	National Treasury issued an extension of submission of Annual Reports and Annual Financial Statements to the 31/10/2020		4



Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Ensure Good Corporate Governance	Compliance with Statutory Company and Local Government Legislation	To ensure compliance with Company, National, Provincial and Local Government legislative guidelines by updating and signing off control sheets on a quarterly basis	4 Quarterly Compliance Sheets	Managing Director	2 Signed Compliance Sheets	Target Not Met	Only 2 sheets were correctly completed and signed off for the year	Ensure that compliance sheets are properly completed and signed off and dated every quarter.	4
	Compliance with Statutory Company and Local Government Legislation	Number of material external audit findings in the Annual Audit Report to be less than 3 findings.	< 3 Material External Findings	Managing Director	1 Material External Finding	Target Met			3
	Manage and Reduce Risks	Carry out an annual institutional risk assessment and perform quarterly monitoring exercises thereof	<ul style="list-style-type: none"> <li>• 1 annual risk assessment</li> <li>• 4 quarterly risk monitoring reports</li> </ul>	Performance and Risk Officer	<ul style="list-style-type: none"> <li>• 1 annual risk assessment conducted</li> <li>• 4 quarterly risk monitoring reports</li> </ul>	Target Met			3

	Attract, Retain and increase organisational skills and capacity	Training and development of Staff in line with the institution's succession plan, career pathing, talent management, performance intervention, WSP	Capacitating staff and developing staff in line with the succession plan. With a total of 80% of all staff in training and development programmes been from the staff highlighted to be developed in terms of	Human Resource Manager	<ul style="list-style-type: none"> <li>• Annual training and development Report documenting more than 80% of employees selected for succession are currently being trained and developed</li> <li>• Updated succession plan</li> </ul>	Target Met			3
	Information Technology Systems	Functional modern-day and live IT systems that generate management and stakeholder information.	12 monthly IT reports	Chief Technology Officer	12 Monthly IT Reports completed	Target Met			4

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Improve Service Delivery	To supply agreed bulk water volumes to WSAs	To supply uninterrupted bulk water volumes in terms of WSP / WSA Agreements and budgeted volumes	<ul style="list-style-type: none"> <li>• Newcastle – 33215000 KL</li> <li>• uMzinyathi – 5600000KL</li> <li>• Amajuba – 5750000 KL</li> </ul>	Executive Director – Operations and Engineering	<ul style="list-style-type: none"> <li>• Newcastle - 32159684 KL</li> <li>• uMzinyathi - 5599740KL</li> <li>• Amajuba - 5297103 KL</li> </ul>	Target Not Met	Supply Volumes to Newcastle LM and Newcastle were less than the budgeted volume due to limited raw water supply. The use of the Ngagane river pump station is also restricted due to current payment challenges the entity is facing. The entity cannot afford to always run the pump station. Amajuba DM has no dedicated reservoir and supply volumes to the DM are	Raise issues of inconsistent payment with all 3 WSA's to ensure that the entity is able to efficiently operate without any financial restrictions. Continuously lobby for the roll out of the bulk water master plan to ensure that raw water shortages and shared reservoirs do not adversely affect service delivery in the future.	4

							dependent on the consumption volumes of Newcastle LM. The more Newcastle LM consume the less water available for Amajuba DM. Supply volumes to uMzinyathi DM are also restricted due to raw water shortages in the area.	
	To supply quality bulk water in terms of SANS 241:2015	95% compliance of; Acute health, chemical and microbiological, Aesthetic and operational, and Chronic health chemical standards.	95% Water Quality Across all determinants in terms of SANS 241:2015	Executive Director – Operations and Engineering	<ul style="list-style-type: none"> <li>• <b>Ngagane Water Treatment Works</b></li> <li>• Acute Health Chemical Compliance &gt;99.9%</li> <li>• Acute Health Microbiological Compliance &gt;99.9%</li> <li>• Aesthetic Compliance &gt;99.9%</li> <li>• Chronic Health Chemical Compliance</li> </ul>	Target Met and Exceeded		4

					99.4% Operational Compliance 99.1% <b>Biggarsberg Water Treatment Works</b> <ul style="list-style-type: none"> <li>• Acute Health Chemical Compliance &gt;99.9%</li> <li>• Acute Health Microbiological Compliance &gt;99.9%</li> <li>• Aesthetic Compliance &gt;99.9%</li> <li>• Chronic Health Chemical Compliance 99.4%</li> <li>• Operational Compliance &gt;99.9%</li> </ul>				
	Reliability of Bulk Water Supply	To minimise unavoidable or planned maintenance interruptions of bulk water supply to less than 24 hours in any one instance.	All planned and unplanned maintenance disruptions of bulk water should be less than 24 hours per disruption.	Executive Director – Operations and Engineering	58 planned and unplanned outages from July 2020-June 2021 all under 24 hours per disruption. >50% of these outages were due to Eskom interruptions.	Target Met			4
	Water Conservation Management	To restrict bulk water losses on raw and potable	To restrict water loss on total bulk	Executive Director: Operations and Engineering	<ul style="list-style-type: none"> <li>• Ngagane – 4.56%</li> </ul>	Target Met and Exceeded			4

		bulk pipelines to less than 15% per annum	water system raw and potable pipelines to an average of less than 15% per annum.		<ul style="list-style-type: none"> <li>• Biggarsberg – 5.21%</li> </ul> Total Loss 4.64%				
--	--	---	--	--	--	--	--	--	--



Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Increase Water Resource Sustainability	To coordinate the regional bulk water master plan	To coordinate quarterly meetings of the regional bulk water master plan	<ul style="list-style-type: none"> <li>Schedule 4 Meetings</li> <li>To include at least 2 bulk water master planning initiatives in the annual capital budgets</li> </ul>	Manager - Engineering	<ul style="list-style-type: none"> <li>4 meeting scheduled.</li> <li>2 bulk water master planning initiatives included in capital budget</li> </ul>	Target Met			3
	Increasing the resiliency of the institution	Business Continuity Planning	<ul style="list-style-type: none"> <li>4 Meetings to develop an Institutional Business Continuity Plan</li> </ul>	Managing Director	<ul style="list-style-type: none"> <li>1 Meeting Held with Provincial Treasury to discuss BC Planning</li> <li>1 Meeting held to conduct BCP Training carried out by Provincial Treasury</li> </ul>	Target Not Met	Only 2 meetings held due to a delay in carrying out training within the entity. Since training has taken place a BCP Policy has been drafted and submitted for Board Approval.	Prioritise meetings in new financial year and encourage departments to develop departmental Business Continuity plans.	3
	Regular asset conditional assessments	To annually assess the overall condition of all assets	1 Annual asset conditional assessment	Asset and Budget Manager	1 Annual Asset Conditional Assessment Compiled and submitted	Target Met			3
	Maintenance Planning	To update the Annual	1 updated Annual	Maintenance Manager	1 Maintenance Plan	Target Met			4

		Maintenance Plan.	Maintenance Plan		completed for January-December 2021				
--	--	-------------------	------------------	--	-------------------------------------	--	--	--	--

	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Increase Financial Sustainability	Bulk Water Tariff Modelling	A single cost driven bulk water tariff for all WSA's	<ul style="list-style-type: none"> <li>To submit a cost based bulk water tariff model for board approval.</li> <li>1 Board approved bulk water tariff.</li> </ul>	Managing Director	Cost based bulk water tariff submitted to Board for approval.  1 Board approved tariff of R3.81 per KL	Target Met			4
	Revenue Management	To invoice bulk debtors within 10 days of each new month for services rendered.	12 monthly invoices per WSA.	Chief Financial Officer	12 monthly invoices per WSA.	Target Met			4
	Financial Performance	To produce Annual Financial Statements by the 31 August each year	Annual Financial Statements by the 31st August	Chief Financial Officer	Annual Financial Statements submitted by the 28/10/2020	Target Met	<b>National Treasury issued an extension of submission of Annual Reports and Annual Financial Statements to the 31/10/2020</b>		4

In signing the below I hereby declare that all the content contained in this report is complete and accurate to the best of my knowledge, this is a true reflection of the performance of uThukela Water (Pty) Ltd. for the financial year ending 30 June 2021

Name and Surname:\_\_\_\_\_

Capacity:\_\_\_\_\_

Signature:\_\_\_\_\_

Date:\_\_\_\_\_







uThukela Water (Pty) Ltd.

Annual Report

2021





*It is life, I think to watch the water. A  
man can learn so many things.  
Nicholas Sparks*



# Contents:

## Contents

Organisational Profile .....	5
Chairpersons Report .....	14
Corporate Governance .....	37
Strategy, Performance & Sustainability.....	42
Financial Performance.....	72
Auditor General Report.....	87
Annual Financial Statements .....	94
Annual Performance Report.....	67
Annual Performance Scorecard – FY2020/2021.....	71



uthukela  
water

uThukela Water (Pty) Ltd uThukela Water.  
79 Harding Street  
Newcastle. South Africa. 2940  
Private Bag X6644. Newcastle.  
South Africa. 2940  
Office Tel +27 (34) 328 5000  
Office Fax +27 (34) 326 3388  
NN LM Call Centre 0860 144 144 (Share  
call)

<http://www.uthukelawater.co.za>  
E-mail: [info@uthukelawater.co.za](mailto:info@uthukelawater.co.za)

uThukela Water (Pty) Ltd • Reg.  
No. 2003/029916/07  
-----



# Organisational Profile



# Organisational Profile

## Introduction

uThukela Water (Pty) Ltd was initially the first Municipal entity which provided a full spectrum of bulk and reticulation water and sanitation services, and in this case, on a regional basis to its three fully owned shareholders, namely Amajuba District Municipality (DC25), uMzinyathi District Municipality (DC24), and Newcastle Municipality. Following a Section 78 assessment undertaken in 2011, the Entity has transferred The water reticulation services back to the municipalities, and now only operates as a bulk water services provider to the shareholders. uThukela Water has established itself to be an industry leader with emphasis on a high-quality water product, and prides itself on this achievement. The Company provides bulk water from its Ngagane and Biggarsberg water plants and services approximately 250 000 households. The company's head office and laboratory facilities are situated in Newcastle.

## Our Business Focus

uThukela Water (Pty) Ltd.'s business focus is on the provision of quality bulk water services to its shareholders for distribution by them directly to customers. The Entity also provides local laboratory services to the municipalities at affordable prices.

## Establishment

Between 1997 and 2000, all municipalities in the previous uMzinyathi and uThukela regions as well as other organs of civil-society-based organizations, non-government organisations, organised business, agriculture, industry and labour participated in the uThukela Water Board study. This was made possible with the assistance from DWS and the Australian government (AUSAID). The result of the study was a formation of A water utility called uThukela Water Partnership (TWP) in September 2001. The Entity was changed to a bulk water services provider as a result of a Provincial Cabinet decision dated 6 June 2013, which became effective from 1 July 2013.

## Company Identity

In November 2003 uThukela Water (PTY) Ltd was incorporated as a result of the conversion from uThukela Water Partnership to a company with limited liabilities. A 30-year strategic plan (SP2030) was designed to model various options to better the Company to effectively execute its mandate.

## uThukela Water Institutional Structures

- The Shareholders Committee
- Board of Directors
- Leadership Committee (LEADCO)
- Management Committee (MANCO)

## **uThukela Water Institutional Structure**

The Leadership Committee of uThukela Water (PTY) Ltd comprises of senior managers of the Company inclusive of the Managing Director.

### **Shareholders Representatives Committee**

The Shareholders Committee comprises of three Mayors and the Municipal Managers of the shareholding Water Services Authorities. The Shareholders Meetings represents the collective interests of the shareholding municipalities of uThukela Water (PTY) Ltd.

### **Management Committee (MANCO)**

The Management Committee comprises of senior managers. The primary function of the MANCO of uThukela Water is to ensure horizontal coordination of activities and functions within various functional centres. MANCO ensures that the Company's plans and policies are effectively implemented.

Our services provisioning and deliverables focus as provided in the Strategic Plan 2030 (SP2030) which was approved by the shareholders, are as follows:

- Safe bulk drinking water for all our shareholder municipalities to distribute to their customers and rural participants (farmers and remote industries)
- Raw bulk water to farmers and industries outside the developed areas
- Recognises affordable yet effective environmental and catchment management
- Creating and sustaining a pristine environment
- Being an important participant in the economy
- Being a world-class recognised utility for doing more with less
- Projecting a model example for capacity-building and empowerment
- Optimal deployment of appropriate and focused technologies, including information technology and systems
- Having a dynamic, pulsating, young professional workforce
- Facilitating unique sourcing deployment
- Facilitating resourcing at agreed risk
- Being a leader in digital workflow processes



# uThukela Water (PTY) LTD

Section 87 of the Municipal Systems Act.  
Multijurisdictional Water Services Provider  
(WSP)

Shareholder parent municipal % shareholding

Newcastle Municipality  
Water Services Authority (WSA)

34%

Amajuba District Municipality  
Water Services Authority (WSA)

33%

Umzinyathi District Municipality  
Water Services Authority

33%

## PRIMARY ACTIVITIES

Section 89 of Municipal Systems Act  
32/2000 and WSP agreement

## OPERATIONAL AND CUSTOMER SERVICES

Supply sustainable bulk water services  
to uThukela Water shareholders

## ENGINEERING AND SCIENTIFIC SERVICES

Provide specialist technical, scientific and engineering  
support to the organisation

## FINANCE

Support the organisation with financial plans  
and sustainable financial management

## CORPORATE AND HUMAN RESOURCES

Support with human resource information and  
communication technology and property services

## MANAGING DIRECTORS OFFICE AND COMPANY SECRETARIAT

Provide integrating function for strategy  
execution and performance, monitoring, governance,  
legal, risk and stake holder management



## **Mission**

The provisioning of quality bulk water services, and related laboratory and environmental services.

From raw water sources (boreholes, rivers and dams) emanating mainly from the Ntshingwayo/Chelmsford dam and the Buffalo and Ngagane rivers and purified at the Ngagane and Biggarsberg bulk water works.

## **Strategic Intent**

As a bulk water services provider, we will provide the services on behalf of, and in agreement with, the Water Services Authorities (municipalities) who distribute to the customer which includes community households, industries, businesses, agriculture, government institutions and other users.

We may also provide water and related services beyond the area of jurisdiction, on the condition that those services will create benefits for the uThukela Water stakeholders.

- Safe bulk drinking water for all customers and compliance with all relevant legislation
- Raw water to farmers and industries outside of the formal areas
- Implement continuous improvement processes in order to minimise tariff increases
- Important participant in the regional economy
- Recognised as a world class utility
- A model example for capacity-building and empowerment
- Cost-effective implementation of appropriate and focused technologies, including information technology and systems
- A motivated energetic, committed, creative and innovative professional team.
- Integrated effective information systems
- Adherence to the concepts of total cost of ownership, value of ownership and risk of ownership. (TCO, TVO, TRO)
- Performance management to be based on self-management concepts linked to organisational performance management

uThukela Water will adhere to sound business and corporate governance principles.

## **Vision**

“uThukela Water, your partner in growth” / “Amanzi o Thukela umngani wakho enthuthukweni”

## **Values**

Integrity Trust  
Transparency  
Accountability  
Teamwork

Professionalism  
Passion

# **Customer, Operation and Engineering Services Information**

## **Customer Services Information**

The customers of uThukela Water may be defined as the Shareholder Municipalities, who reticulate the water to that portion of the region's households, industries, businesses and the institution receiving water services (water and sanitation) from the Company via the reticulation infrastructure of the Municipalities.

The Municipalities control and run a customer care department which filters bulk water queries and reports directly to the Entity for attention. Customer care consumer queries are dealt with directly by the Municipalities.

The Customer care department comprises of three sections which deal with various customer-care-related issues:

### **Billing Section**

The Entity bills the Municipalities for bulk water only, and the municipalities in turn bill their water customers directly for water consumed.

### **Shareholder Rights**

- Accurate measurement of water produced and sold
- The right to quality, clean, good and safe drinking water
- Have the right to error-free billing
- Right to prompt and efficient service
- The right to a reliable, efficient and effective water service

### **Communications Section**

- Support Municipalities to conduct on-going market surveys, questionnaires and interviews to determine the ever-changing needs of customers and industry growth demands.
- Ensures that communication between the Entity, shareholders, customer care and customers Is always a bipolar process allowing for effective interaction and providing an opportunity for feedback.

### **Shareholder Responsibilities**

- Pay for bulk water services provided
- Be water-conservation-conscious and apply water demand management principles
- Monitor and control Entity's budget and operational activities
- Support and provide bulk water governmental grants and other grants to the Entity
- Adhere to acts, by-laws and water restriction notices

## **Operations Centre Information**

Operations within uThukela Water is centered in Newcastle from which the bulk water works at Ngagane (Outside Newcastle) and Biggarsberg (outside Dundee) are operated.

### **Water Purification**

Operations and maintenance of water purification plants (WPPs), produce approximately 150 mega-litres of potable water per day, with technology ranging from borehole abstraction points, raw water river extraction and dam water extraction, to formal process-based water purification plants.

### **Bulk Water**

Operations and maintenance of bulk water supply, including at pump stations, reservoirs, rising mains and in excess of 30 kilometres of gravity and pumped mains.

The Ngagane Water Works has a design capacity of 108 mega-litres per day, and is currently operating at 100 mega-litres per day.

Plans are in place to increase this capacity to 150 mega-litres per day in order to meet current and future demands.

This plant delivers bulk water for the areas of Newcastle, Madadeni, Osizweni, Brakfontein, Kilbarchan, Eskom Village, Ballengeich and the rural areas of the Amajuba District Municipality.

The Biggarsberg plant has a design capacity of 19, 3 mega-litres per day and is currently operating at 15, 84 mega-litres per day.

Plans are also afoot to increase this plant's capacity, but these are restricted by the availability of sufficient and sustainable raw water sources.

The Company's Master Plan does address this matter and makes recommendations to source water higher up in the Drakensberg catchment areas to augment the scarce water supplies in the uMzinyathi area.

The Biggarsberg plant supplies water to the areas of Dundee, Glencoe, Sithembile, Wasbank, Hattinghspruit and certain rural areas.

Both water plants achieved Blue Drop status determined in terms of national norms and standards and denote the high quality of water delivered to the municipalities from these plants.

## **Engineering Centre Information**

The functions of the Engineering Services Centre are defined in the draft Water Services Provider Agreement, and include the application of professional engineering discipline of water services – “river to tap” for optimal delivery in short, medium and long term horizons utilising the concept of minimum total cost of ownership and maximum use of resources.

Planning activities are carried out in partnership with the Operations Service Centre, the Water Services Authorities and national government departments.

The provision of water services to shareholders and the overall management, operations and maintenance of services are carried out in terms of the policies established by the Water Services Authorities.

These include prioritisation within funding constraints, and matching levels of service with affordability levels, as well as required income streams and tariff levels.

The Engineering Centre is moving towards optimisation through the application of technology, as far as the availability of finance permits, both in carrying out its own professional responsibilities and in the design, implementation and operations of service.

The GIS unit is the most obvious current face of the application of modern technology, which provides an efficient service to many of the departments of uThukela Water.



# Chairpersons Report





# Chairpersons Report

## Overview

It is with great pleasure that The Board presents this 17th annual report, which report covers the period from 1 July 2020 to the end of June 2021. It is part of the process that, The Board has implemented in order to ensure that uThukela Water remains fully compliant with all aspects of legislation, and that it becomes a leader in the water industry. The focus and drive are geared towards strategic planning for optimum use of scarce water resources, and thereby adding value to the government's development priority of achieving sustainable livelihoods in our country.

The annual report submitted herewith, encapsulates the performance of uThukela Water, in line with its key performance objectives and targets as are set out in the WSP/WSA business plans and agreements, limited annual budgets, and performance management plans, prepared by the partners to these agreements, which are closely aligned to key strategic plans and programmes of the government. These strategic plans and programmes include the National Development Plan, (NDP) the fourteen strategic outcomes of the government of the RSA, local initiative outputs cascaded to the Department of Water and Sanitation, the National Water Resource Strategy, (NWRS) and focus areas for Water Authorities in the medium term strategic framework (MTSF). The Board has all the necessary skills and structures in place to properly implement these programs.

## COVID-19 Pandemic

The COVID-19 world-wide pandemic continues to throw the spanner into the works and thus prevented the Board from effectively pursuing its objective to obtain capital grant funding to implement urgent and necessary bulk water infrastructure upgrades. Management continuously updates the entity's Covid-19 risk assessments to respond to the different alert levels announced by the President of the Republic. This has ensured the safety of staff to a point that the board is pleased to announce that up to the end of June 2021, the entity has not recorded a single death due to this pandemic. of the Republic. Bulk water services have not been disrupted as management put good plans into place to ensure continuity even when some staff members were affected by the virus. However, much more effort is needed from all concerned to safeguard the bulk water assets and ensure that they are regularly refurbished and upgraded to meet the current and future demands of the region.

The intermittent COVID-19 lockdowns continue to cause much panic and an economic slow-down of major proportions which in turn created payments problems for all economic sectors. For bulk water services by the municipalities were seriously affected by the lockdown and closures and this is a matter of great concern to the Board. The Board ensured that it complied with its bulk water deliverables to the WSA's throughout the period of isolation and it is imperative that they be paid for the costs of rendering these services failing which they will collapse.

## Institutional Change and Status

The institutional status of the Company is still waiting on events, and the Minister of Water Affairs and Sanitation, released a press communique in the Sunday Tribune of 15 July 2018, to the effect that, the intended and gazetted single water board for KZN Natal (GG 41237 dated 10 November 2017), has temporarily been shelved, until the rationalisation of the water sector has been reconsidered by the new National Cabinet.

This gap has created the time and opportunity for the Board, its parent municipalities and all stakeholders to urgently meet and re-strategize on the way forward concerning bulk water services.

# No Mhlathuze, Umgeni merger

GIVEN MAJOLA

DEPARTMENT of Water and Sanitation (DWS) Minister Gugile Nkwinti has resolved not to merge Mhlathuze and Umgeni Water.

Umgeni Water said the decision would end speculation about the future of the two KwaZulu-Natal-based water boards until rationalisation of the water sector was reconsidered after careful consideration of all relevant factors. Preparations for the change would be discontinued.

The bulk water provider to

the province's six municipalities, including eThekweni, said in the short- to medium-term it would intensify efforts to expand coverage through the provision of services to municipalities that faced service delivery challenges or when asked by the provincial government or DWS to intervene as implementing agent.

University of Zululand economics Professor Irshad Kaseeram said the rationalisation was intended to make it easier for the well-established Umgeni Water to participate in the bond market. This would benefit the area served by Mhlathuze Water

in the north where there had been water supply problems.

Kaseeram said with mergers, sometimes investors worried their investment would be threatened, or they might inherit new debt.

"The new minister might have thought of that and determined it would be better not to rationalise."

Nkwinti is reported to have applied his mind to the panel report on board appointments concluded in January and deemed it prudent that Umgeni Water start the process from scratch.

"In compliance with provisions

of the Water Services Act, the nomination process will start again with an advertisement calling for nominations and a closing date for the submission of names towards the end of this month.

"The advert will be published in various English and isiZulu-medium print media. A selection panel will be constituted to consider nominations and make its recommendations to the minister of Water and Sanitation, ideally before the end of September."

The new board is expected to be in place by November, adhering to corporate governance requirements.

## The Way Forward, Strategy and Bulk Water Master Planning.

It is a sad indictment, that although the bulk water master has been in place since 2012, very little or no capital investment has been invested into this program due to a lack of capital availability/allocation by the WSA's to the ailing and ageing infrastructure. The municipalities are struggling financially and do not have enough resources to invest into their bulk water infrastructure.

In October 2018, the Chairperson of The Board convened a special bulk water master planning session with all the WSA's and water stakeholders in this region, in a concerted effort to kick start and get going with this process. This region has not spent any significant capital on its ageing and failing infrastructure in the last ten (10) years, and this is significant cause for alarm.

Subsequent to this, the interest and commitment has not been acted upon by the role players, and it can be deduced that it is not due to a lack of interest, but purely for financial reasons. The warning signs are there, this region cannot indefinitely ignore the vital importance of its development planning responsibilities.

The Board has over the years reported in its annual reports the lack of capital development investment, and this has particularly over the past 10 years been limited to around R 10 million per year





The dis-favourable financial position of the municipalities in this region is hampering the implementation of the developmental planning responsibilities of all concerned. It leads to general apathy in the planning divisions, poor turnout and support at vitally important planning sessions and causes frustration and delay which takes away focus from the main objectives.

In 2012 when the Bulk Water Infrastructure Master Plan for the entity was conceived, , the envisaged development costs to bring this region into line with its development objectives was approximately R 7 Billion, today, due to these incessant delays, the cost can easily be estimated to have escalated to about R 12 -15 Billion for the entire region. This has a bearing on the future tariffs and the affordability thereof.

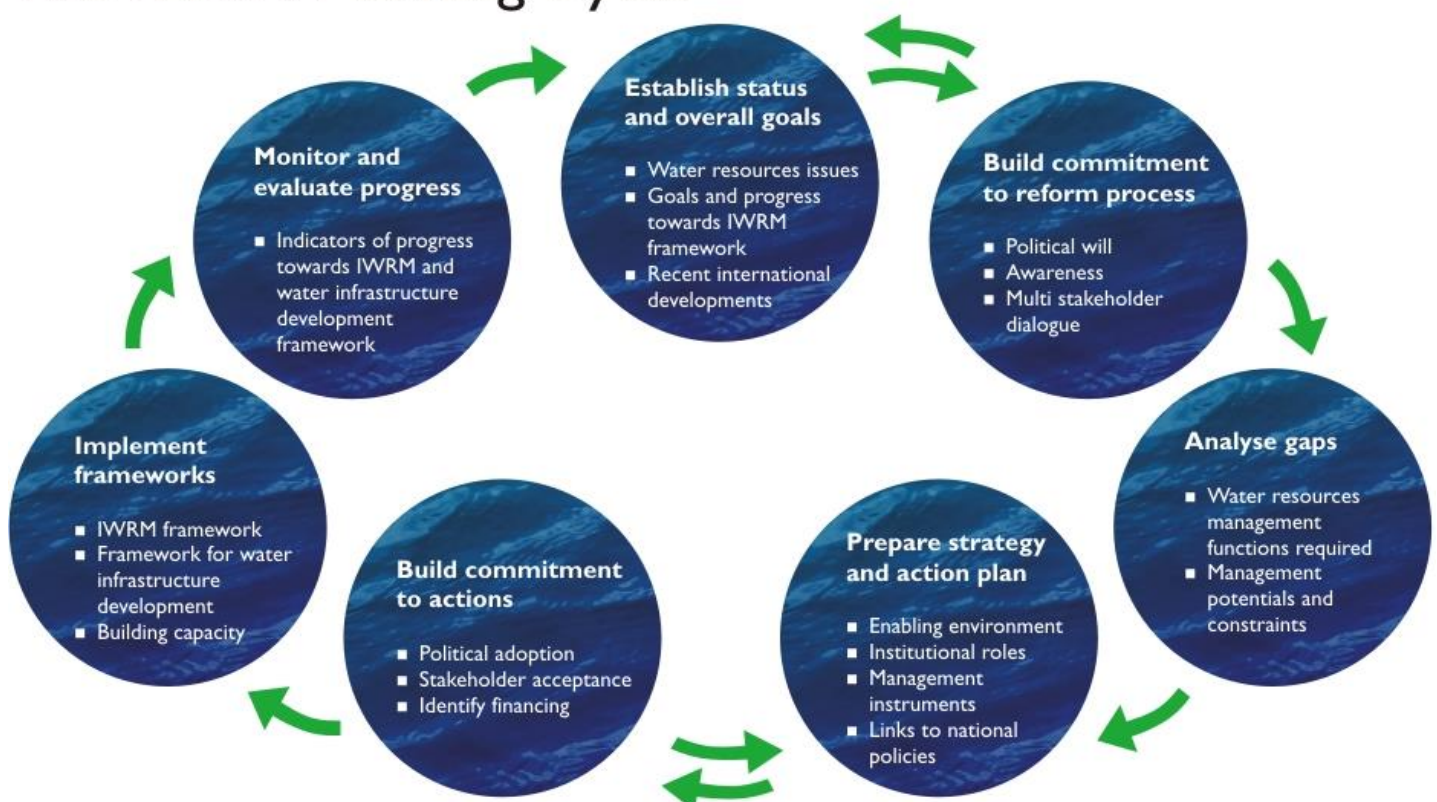
The Board has always proactively goaded the entity to push hard with the master plan initiatives and to make this a priority at all management and interactive stakeholder sessions and meetings. Unfortunately, the joint planning sessions are poorly attended, if attended at all by the municipalities.

There are some exciting financial options available that offer the chance to implement developmental plans without affecting current operations and current cash reserves. Innovative financial frameworks must be developed and discussed at the various stakeholder meetings and utilised with available capital grant inflows to give impetus to initiating the urgent developmental needs. One such vehicle would be to pursue the route of PPPs

A business plan to construct a new 100-150 mega litre water treatment plant at the Ntshingwayo dam was completed in the previous financial year. Again, the issue of funding has stalled implementation of this project. All the three shareholders need to agree on the implementation of this project so that it can be submitted for application for funding.

The second major project currently receiving attention is the siting of a new dam/s in the region. These two projects. The Department of Trade and Investment has taken a leading role in funding a dam construction project that will help to solve the medium-term requirements identified I the entity's infrastructure Master Plan. Again, all the three shareholders need to give the green light to this project so that the entity can start to implement it. These two projects alone will ensure the security of the regions water resources and the effective regional distribution of bulk water to all areas within the jurisdiction of the Board. They will also replace the need for the management of the smaller and more costly water treatment plants that currently exist and struggle on uncertain water resources.

## The IWRM Planning Cycle



## Prevailing drought conditions

The year under review witnessed the continuous easing of one of the worst droughts ever experienced in the region, and certainly in the last 120 years, and many lessons were learnt regarding the high risk of operating an aged and fragile water infrastructure and installations. The fragility and risk of these water infrastructure were severely exposed by the stresses of the drought and many ad-hoc emergency repair works had to be carried out to keep it functional and operational. This is a dangerous and unacceptable situation and the implementation of the bulk water services master plan can simply not be delayed any further.

The Ntshingwayo dam maintained healthy levels of between 65% to 87 % throughout the reporting period and the local uMzinyathi dams-maintained levels between 60 % and 100 % on average, during this period. Three good rains have prevented the imposition of any serious water restrictions, except for the uMzinyathi DM area, where some major capital projects are required to increase the bulk water flows to the Biggarsberg plant.

The uMzinyathi DM municipality has received grant funding to upgrade the Tayside high lift pumps, to increase the capacity of the flocculation settlement dams, and to upgrade the sand filters at the plant. The municipality chose to procure and appoint the contractors through their own SCM procedures and will hand the project supervisory roll over to the entity, to jointly implement. The project started late in the financial year and it will take some time to complete as the lead time for the supply of vital components such as pumps is very long. This unfortunately translates into continual water restrictions until such a time that the project is commissioned.

What must specifically be noted, is the state of the support dams in the uMzinyathi area, these dams do not have the capacity, or are not sufficiently stocked, to augment the Biggarsberg water demands from the Buffalo River. The Buffalo river system is very unstable and must, particularly in the winter months, be augmented from the Ntshingwayo and Zaaihoek dams, failing which it cannot function on normal rainfall, springs, tributaries and other flows.

A natural flow of around 250 mm, as measured at the Tayside weir, is required throughout the year to serve the agricultural and human needs in the region alone.

The El Niño effect has the undesirable characteristics of causing wetter conditions than usual in some parts of the world and warmer and drier conditions in other parts causing severe drought. Coupled with global warming and climate change, these phenomena have hazardous effects on weather patterns, and it is evident in the day to day weather reports across the globe.

The Board has consciously been prepared and continuously plans for these drought effects since 2014, and was instrumental in managing and ensuring that all dam and river levels were closely monitored in conjunction with all users and stakeholders, thereby ensuring that the water resources were effectively and efficiently utilised, and that there was minimal disruption to the water users and the local economy.

There has been no letting down of the guard, and the water balancing and control systems in place, have been continually maintained and operated throughout and are still in place, despite the lifting of the water restrictions. These monitoring controls will remain sensitive to the water management strategies imposed by the Board and Stakeholders, global warming announcements, and weather prediction warnings. The board would like to appeal to shareholders to heed the call from the entity whenever there is a need to impose restrictions to save the resource in times of need.

Having all of this in mind, and heeding the warnings and predictions, it is time for all stakeholders to come together and jointly prepare the necessary financial plans to launch the bulk water master planning initiatives. Reliance can no longer be placed on National Government Grants as the sole funding source for infrastructure development, this source is simply not sustainable and requires local funding support and initiatives.

It is also a known fact that National government is no longer building water storage dams and that it has prioritised the Western Cape region as the only dam building project on its current program. It is up to the Regional Water Service Authorities and stakeholders to pool their resources and financial capabilities and to secure their own water resources. The region does have the financial capabilities to do so if it aligns its water tariff structures to those of modern water service providers that base their tariffs on the real cost of providing the services.

The Region has the capacity and capability to develop a financial plan that takes account of all available water capital and grant funding, and together with its potentially powerful consumer base develop an affordable tariff structure that can fund its needs over the longer term.

The region currently charges an average domestic water tariff of around R11 to R 13 per kilo litre, which tariff purports to recover both bulk and reticulation water service costs. The paying customer base excludes a large portion of the water consumers, and a free basic water allocation of 6 Kilo litres is granted to all consumers irrespective of status. Industrial and Commercial customers are not charged a scientifically calculated and sensitive economic charge. Reticulation water losses exceed 50% of water purchased, there is a major problem with beyond the water meter losses, theft of water and unmetered consumers. The water tariffs are in urgent need of complete revision and they are not representative, fair and equitable, and do not cover the costs of providing the services, least provide for future capital development.

In modern Water Service Development areas, the water tariffs are equitably, economically and fairly structured, taking into cognisance the requirements of section 74 of the Municipal Systems Act 32/2000, in so far as it relates to; user pay principles, tariff must reflect costs of rendering the service, be financially sustainable, provide for surcharges on tariffs to accommodate capital and special developmental needs, promote the local economy through cross subsidization, and the economical effective and the efficient use of resources.

### **Water service delivery and water quality**

Despite the many challenges encountered with fluctuating river levels, flooding at times, and the consequent high algae and water turbidity levels, bulk water operational effectiveness, efficiency, and performance was maintained and achieved at all times, with little or no unplanned interruptions in bulk water supply.

Bulk water losses were effectively kept at an average of 9.93%, a decrease from last year. This was largely attributed to the planned maintenance, pipeline inspections which result in continuous monitoring and identifying leaks and the quick reaction of the maintenance staff to repair leaks as soon as they can. Maintaining flow meters also attributed to having continuously accurate meter readings enabling the calculation of water losses over the system. Water quality has always complied with the SANS 241(2015) standards, and the operational report depicts details of the results achieved.

To achieve results so consistently throughout the year, is a meritorious achievement, and it attests to the dedication and hard work applied by all levels of operation. The result is that the WSA's have the highest quality water in South Africa to supply to their paying customers.

### **The Budgets and bulk water service delivery**

The year followed last year's trend where we witnessed some political instability with consequent financial market instability, escalating fuel price increases, unfortunate price knock on effects, fluctuating interest rates and sure signs of a weakening economy. These factors have a direct impact on the costs of producing bulk water services, and with the Board already operating on a shoestring and partly funded budget, it just became more difficult to operate.

Although water is an essential basic human requirement, it has always been a hard sell and a difficult balancing act amidst the financial constraints experienced by the WSA's with their own basket of services to fund.

The Newcastle municipality entity bulk water services budget finally includes the cost of the Department of Water Affairs and Sanitations raw water charges, but the escalating non-payment by the municipality is again frustrating the entities efforts to pay these raw water charges over to the department.

The Amajuba and uMzinyathi District municipalities approved their 2021 bulk water service budgets based on their bulk water volume demands.

No annual capital budget to fund any capital projects let alone the master planning development needs was provided for by any of the municipalities. This is an unfortunate practice and is not sustainable and must be addressed immediately failing which the future water tariff may be severely compromised.

The Board's revenue is linked to a recoverable bulk water tariff of R 3, 81 c/per kilo litre, which tariff is well below the industry norm of around R 7, 50 c/per kilolitre. The tariff does not contain any depreciation cost recovery or any capital element to enable the Board to properly manage the maintenance refurbishment and replacement of exiting and required capital water infrastructure.

The bulk and reticulation water tariffs should be calculated at the real cost of providing and sustaining these services.

A bottle of commercially bottled water is scientifically calculated and marketed at the cost and profit of merchandising it, and we all know what a bottle of this water costs, approximately R 10 to R 15 for 300 millilitres, yet, people are reluctant to pay for the same or better quality of water at R 3, 52 cents per kilolitre. (1000 litres)

If the costs of a commercial bottle of water is extrapolated at R 10 per bottle and compared with the cost of municipal water, it equates to paying R 3 334 per kilolitre of water.

The depictions below highlight the inefficiencies of the current water pricing structures.

Sadly, the many challenges facing Local Government today in delivering a basket of services, is causing municipalities to base their water service budgets and allocations on other factors and not assigning water services the priority that it requires i.e.; their own particular financial circumstances and challenges, their budgeting for a fair and affordable allocation to bulk water services, and their individual WSA interpretation of their water service roles and responsibilities. The regional concept, pooling of capital and financial resources, sharing of costs and teaming of scarce technical expertise, to deliver on the massive challenge of infrastructures upgrade and maintenance, is financially and technically the right way to approach to effectively eradication water service backlogs, and to meet the current and future demands thereof.

### **Bulk water loss management**

Bulk water loss management is high on the agenda of the Board and forms a focal and strategic goal on the performance and risk charter.

Bulk water losses were managed around an average of 9.93% during the year, and this is a real value added and meritorious achievement considering the age of the plant and infrastructures.

The bulk water infrastructures urgently require capital refurbishment in order to prevent the water losses to escalate and the plants to fall into disrepair. The mechanical and electrical components at the plants are outdated and need replacing urgently.

The municipalities are cognisant of its own reticulation water losses and is planning to invest funding into this system over the next few years to bring the losses to some normality, and in so doing ease up on their bulk water demands, and better utilise their water allocations for where the need is most. I.e. savings in costs and future developments.

### **Performance and risk management**

The Board has no doubt that the fully interactive Performance Management System implemented by the Board some five years ago, was instrumental in the achievement of the Boards unqualified audit status. The system incorporates all staff at every level, and its focus is on a balanced scorecard with enhanced service delivery output.

The performance results of the 2021 year are included as part of this report and attest to the high standard of work carried out by all concerned. The staff operate under very difficult and restrained circumstances. With adequate operational and capital budget funding in place, I have no doubt that this Board will contribute immensely to the National and Provincial and Regional water development plans.

### **Risk Management**

The Board has a Risk Management Plan and Strategy in place that ensures that all risks are identified, categorised, mitigated and managed within a carefully designed matrix.

Risks are escalated to the right levels within the structure and then managed as best as possible within the financial and governance capabilities of the Board.

The significant and most important risks that it is currently dealing with areas, the non-payment, going concern issue, the lack of adequate budget provision, and no master plan developmental investment.

### **Good governance**

The Board's governance structures are currently operating effectively, and an oversight role in this regard is provided to the Board and Shareholders by Internal and External Audit and the Audit and Risk Committee.



The Board has achieved regular unqualified audit reports with the latest 2020 audit resulting in good audit outcomes.

The focal area for the Entity going forward, is to maintain this high standard it has set for itself, and to jointly with its WSA's push its master plan development initiatives to the project implementation stages.

### **Laboratory service**

The Board provides a laboratory service to its shareholders, local industry and government department it charges a minimal R 0, 02 cents per kilolitre levy for these services rendered to the municipalities, and fixed cost related tariff for the other commercial users.

Although the Laboratory is accredited by the Department of Water Affairs and Sanitation and all sample analyses carried out by the Lab is counter checked for quality and assurance by the NLA and SABS water quality proficiency testing procedures, it is The Boards intention that the laboratory be accredited with SANAS so that we will be able to test samples from other organisations and be able to generate some income.

### **Uninterrupted service delivery**

The Board is proud to say, that despite extremely stressful and difficult operational circumstances, the entity, did at all times, try and do its best to ensure that there were no or minimal water service disruptions, although on occasions, it came perilously close to this.

There were no instances of planned or un-planned bulk water service interruptions during the year that exceeded the predetermined maximum disruption objective of 24 hours.

This is a service standard that the Board will not compromise on and values very highly.

### **Investment into bulk water services**

The investment required to stabilise the current infrastructure, and to implement new infrastructure development projects in line with the bulk master plan, in order to meet the current and future demands of the serviced and un-serviced areas, remains a challenge, and it is not feasible, financially prudent, or defensively wise, to postpone it to a future time, as it will affect the affordability of the tariff in future years. The risks are well known and documented in the various Water Services Strategies, Master Plans, Risks Assessments and WSA Sector Plans developed by the parties.

These plans and infrastructure upgrades cannot and should not be delayed indefinitely and it is the Board's opinion that the business plans should proceed to be compiled and the most important projects must take precedence and be submitted for approval and funding as a matter of extreme urgency.

The total funding required to implement the bulk water master plan may be considered high at about R 20 to 30 Billion, (This figure includes waste water infrastructure resulting from the development of bulk water services) but this should not be a deterrent, as a properly structured, planned and financed approached over the next 20 to 50 years, could prove to be effective and affordable. There is no alternative, the bulk water systems need to be upgraded and developed if the water needs of the region are to be stabilised and be sustainable.

### **Bulk water metering and billing integrity**

Bulk water supply meters are regularly checked, and or replaced, in order to ensure accurate bulk water metering and the integrity of the bulk water billing system. Accurate readings also enhance water balancing and reconciliation and is forewarning in managing and minimizing bulk water losses. Improved and modern industry approved bulk water monitoring systems are continuously being considered as a management tool to control water leaks and tampering on the main lines.

### **Commitment to bulk water delivery**

The vital role played by the entity over the years has not always been properly appreciated, and the efficiency and effectiveness of the shared services initiative has on many occasions come under question, sometimes fairly, but often without the review of all information relative to how the water sector functions.

The board for the past 13 years, I have ensured that the Shareholders have received maximum benefit from access to;

- (a) Well managed and implemented administrative procedures, documentation and information dissemination, regular convening of Board and Shareholder meetings to oversee the functioning of the entity, the functioning of technical, financial and other committees to steer a co-ordinated water service delivery approach, the compliance by the entity with national and local government legislation, WSA and own policies and the WSP draft agreements in place. Good audit outcomes and high-level assurance to Board and Shareholders. Effective Performance and risk management systems in place.
- (b) Well managed, efficient and effective Finance department that accounts to all shareholders on a monthly basis providing live and up to date financial, budget and forecast information. Timorous rendering of financial information and grant funding accounts to facilitate service rendering and ensure application and implementation of budgets. Clean financial audit reports have been received from the Auditor General since the 2008 financial year. Implementation of the modern and interactive MSCOA financial system that aligns all expenditure categories with the municipalities.
- (c) Well managed and accountable Supply Chain Management system linked to the Central Data Base system of National Treasury, an interactive Payroll and Human Resources system, and an IT sections and control that augments the efficient and effective delivery of services.
- (d) Well managed and effective operations, engineering and scientific department, which delivers a good, consistent, conserved, high quality water service to the Shareholder municipalities, and has the capacity to innovatively improve and develop, minimise failure and reduce risk to the shareholders.

The Board has confidence that the entity is properly and adequately geared to deal with all the challenges of a modern-day water services delivery institution.

## State of the Business

The 2021 Annual Financial statements and Annual Report together with the predetermined objectives and completed scorecards were presented to the Office of the Auditor General as prescribed by section 121 of the MFMA 56/2003.

The Board prides itself in having achieved an unqualified audit status, and in so doing provide the Shareholders with the necessary assurances that it conducts its business activities within it legislate framework and that it operates within good governance structures.

Generally;

- Bulk water services are rendered consistently and uninterrupted,
- Bulk water quality is of an exceptionally high standard, complying with SANS241 (2015),
- water production costs and water losses are kept to the minimum, and are well within industry norms,
- budgets are well and carefully managed under very difficult constraints,
- debts are collected regularly, depending on WSA own cash flows,
- creditor payment cycles are maintained within 30 days,
- Risks are identified, regularly monitored and managed,
- Performance is measured and efficiencies rewarded, and,
- In the absence of an approved capital budget, infrastructures are maintained as best as possible within financial constraints, and ad-hoc funding is obtained from the municipalities for urgent projects.

Constraints and impediments that are preventing the smooth flow of business include;

- The lack of adequate capital investment in the bulk water infrastructures to ensure sustainable and affordable bulk water delivery in the short medium and long term.
- Operational budget is still not adequately and fully funded by a comprehensive and sustainable bulk water tariff.

- Non-payment issues around the bulk raw water tariff levied by the Department of Water Affairs and the longer-term financial risks associated therewith.
- Slow payment by some of the municipalities of their bulk water accounts and the withholding of grants and transfers leading to delays with the implementation of projects and water service delivery objectives.

These documented risks have unfortunately been a stumbling block since the establishment of the entity way back in 2004, and although much progress has been made recently with turning this situation around, it has had the effect of delaying the business of incremental bulk water infrastructure development and refurbishment. The effects of these adverse delays will be felt far into the future, and without any substantial government grant support, will pressure the future bulk water tariff to fund these un-avoidable and necessary episodic replacements, upgrades and developments.

## **Board Performance**

### **Board Business Cycle**

A Board business plan has been developed, continually upgraded with time, and has been implemented and aligned to the legislative mandate of uThukela Water, which both guides the Board on the business it has to discharge and ensures that the Board, as the accounting authority for its operations, complies with the highest legislative framework within which the organisation operates.

### **Strategy**

The organisation's strategy and business plans are clearly outlined and detailed and are aligned to the National, Provincial and WSA policies and objectives and best business practice within the sector.

### **Legislative compliance**

The Board is approaching its task of vigorously complying with all its requirements in terms of the Companies Act 71/2008, Water Services Act 108/1997, Municipal Finance Management Act 56/2003, Municipal Systems Act 32/2000 and Public Audit Act 25/2004 and, concurs with the principles of good governance as set out in the King 1V report.

The Board, with the assistance of its Audit Committee, is able to exercise its oversight duties in line with its delegation of authorities to senior and other management role players, and hence it as a consequence hereof, can retain effective control over and ensure the continuity of and minimum disruption of operational efficiency and uninterrupted service delivery by monitoring progress and outcomes.

Strategic, financial, organisational and legal compliance matters are at the centre of focus to the Board and it sees its role here as pivotal to enhancing the efficiency and effectiveness of the organisation. Progress with the implementation of organisational strategy is regularly monitored through strategic review sessions.

### **Evaluation**

Interim Board members performance evaluations are conducted through a combination of self-assessment and peer review. The performance of the Board and of all its Committee's, as a collective, are alternatively assessed and reviewed with a view to optimal efficiency. A proper and effective Institutional and Departmental Performance Management System that cascades right down to all levels of staff is in place, and is certainly contributing to enhanced performance, including the formulation of appropriate training and developmental plans.

## **Challenges Opportunities and Focus**

### **Rural Development**

Although 25 years into a new democracy, rural development is still an area that poses the biggest challenge to water institutions in our country, and it requires innovative thinking and pooling of all available scarce resources to make in-roads into and to eradicate huge historical backlogs in basic service delivery that exists. The government has invited state owned enterprises to become part of its initiatives to achieve a better quality of life for all by providing basic services including safe drinking water to rural areas. This has subsequently been translated into a priority area for concentration over the next 5 years.

uThukela Water and its Shareholder municipalities, having split bulk and reticulation services, are now in a better position to properly support this initiative and implement their bulk and reticulation water services master and strategic plans to identify, fast track and commission new projects that will specifically serve the special needs of the rural communities.

In meeting with the challenges of these national initiatives, uThukela Water and its Shareholder municipalities, will have to explore how they can further develop their roles in, contributing to rural development in line with this policy to upscale social and economic infrastructure in these areas.

To ignore the reality that there are still communities out there that do not have any access to basic services, is unthinkable, and this situation cannot under any circumstances be left in abeyance. The challenges must be met upfront and with conviction.

## **Institutional**

History, economic facts and best practices will reveal that the current model of providing services on a regional basis is the best means of efficient and effective use of scarce resources, and the most successful way of implementing a fair and justifiably equitable tariff policy. I have no doubt that the proposed new or reconstituted broadened water service institution that will follow, will strengthen and reinforce the National government's intention of creating a strong and economically viable water services institution. Ultimately the best benefit to the community should be the paramount objective.

In the interim, the current Board will continue to acclimatise and familiarise itself with its duty of providing services from carefully planned strategic perspectives. The Board will also further deliberate on the governments focus on rural development.

## **Acknowledgements**

- Further details relating to my report are contained in the Annual Report for the 2019/2020 Financial Year, a copy of which has been circulated to all parties and
- Interested persons.
- I acknowledge the following with a deep sense of appreciation:
- The Minister of DWS and her very capable and supportive department, especially the KZN Regional Office,
- The Premier of KZN, the MEC of COGTA KZN and her very capable and supportive department
- The Mayors and Officials of the parent municipalities of Newcastle, Amajuba and uMzinyathi DM's.
- Previous and current Board members for their commitment and support.
- The Acting MD, Executives and Employees of uThukela water who have worked tirelessly under difficult and challenging circumstances but remain resolute and steadfast in serving the communities of this region.





# Managing Director's Report





# Managing Directors Report

## The Year in Review

### The Year in Review

The activities under the year in review reflect the set of plans, strategic objectives, pre-determined objectives and targets that formed the shareholders compact agreement with uThukela Water in the 2021 financial year. The finer details of these plans and strategies are set out in the operational and capital budget submissions, institutional performance objectives and targets, the bulk water master plan, the Business Plan and the risk management plan.

The year was dominated by the effects of the COVID19 pandemic and the extension of the enforced government induced lockdown which resulted in disruption to the normal smooth operation of bulk water services that were so vital to combat the effects of the virus. Management continues to adapt to the stringent measures as directed by government to keep staff safe and ensure the continuity of bulk water services.

During the shift to alert level 3 lockdown and above, some activities were managed remotely with staff being provided with the necessary access to information and the tools to do their jobs. Funding was sourced from unutilised votes to pay for the purchases of COVID19 PPE, and this was widely distributed for the use of all staff. A total of thirteen (13) members of staff were exposed to the virus cumulative from the previous year. These were quickly identified and isolated to prevent the further spread of the virus. No deaths occurred.

Despite this serious interruption, the entity completed another year in which it successfully achieved its performance and good governance objectives, as measured against the shareholder compact agreements and in terms of legislation, but unfortunately, due to the negative financial situation that the shareholder municipalities currently find themselves in, essential and necessary bulk water service delivery payments were unduly withheld by the municipalities to fund their own diminishing cash shortages. This resulted in an unacceptable situation where the municipalities fell up to 10 months in arrear with their bulk water payments as at 30 June 2021. Bulk water service delivery in the region was consequently seriously threatened, and the Board and management was forced to take drastic action, to at least stabilize the situation, whilst obtaining payments from the municipalities, to ensure the continuation of the water services.

These are perilous circumstances to work under, particularly as the water budgets are already underfunded and under recovered, and, further exasperated by no capital replacement funding being provided by the WSA's since 2013 to meet the identified and acknowledged master plan prerequisites of a sustainable bulk water service. These circumstances have to change, and water service developmental requirements need to be methodically accorded the attention that it demands, failing which an "ESKOM" like bail out situation may be inevitable sometime in the near future, or alternatively, the drastic imposition of an impromptu and unpopular big hike in the water tariffs to remedy the situation.

Despite all these challenges, the Board has remained heedful, it has got on with the job at hand confirming its readiness to its shareholders throughout, by availing itself to regular performance monitoring, risk analyses and external oversight review, and accordingly creating a value chain/platform, and a comprehensible catalyst, to trigger the unfeigned planning and developmental needs of water services in the region. The opportunity is available; however, it is not being seized and steered in terms of the endorsed planning initiatives.

### Doing the basics right

The Board prides itself in doing the basics right, it is a good premise to work from, good business practices, controls, reporting and oversight provides the framework for a successful operation.

The Board and management are ever conscious of, and are focused on, delivering a good quality, uninterrupted, and economically viable cost effective bulk water service, that seeks to create an environment for inclusive cohesive participation, team work, proper planning and regular interaction at all levels within the water chain.

- Regular monitoring and assurance is provided to Board, Shareholders and Stakeholders through; Internal audit, Audit Committee, Shareholder performance evaluations and external audit reviews,
- Quarterly structuring and setting up of high level strategic and operational planning sessions with all stakeholders,
- Integrity of bulk metering and billing information and the timorous submission of accounts,
- Application of vigorous debt collection strategies under very difficult conditions and in the current circumstances where some of the WSA's are in financial crisis,
- Maintaining a good credit record and the payment of creditor accounts on a 30-day payment cycle,
- Statutory and regulatory submission of business plans, master planning documentation, operational and capital budgets and tariff models to decision makers for attention,
- There are good communication structures in place and regular Board, Shareholder, Stakeholder, administrative, financial and operational meetings are scheduled,
- There are proper administrative practices and financial controls in place that result in good governance, compliance with legislation, procedures and policies, and sound financial management practices,
- There is a system of judicious cash management of scarce resources in place,
- Uninterrupted bulk water service delivery is provided to customer Shareholders with minimum or no disruption to services,
- Water quality standards are measurable with the best in the Country, and on average result in 100% compliance with SANS241 Standards,
- Bulk water losses are carefully monitored, controlled and managed resulting in excellent results and an average water loss for the year of 9.93%. The loss decreased during the year and this can be attributed to quicker reaction times by the maintenance team once leaks are identified.
- The structuring of a multi-faceted bulk water tariff that provides for a capital recovery element to fund future infrastructural developmental requirements.
- Effective and a broad performance management evaluation of all levels of staff with reward incentives in place for excellence. The Entity scored approximately 90 % for its 2021 scorecard,
- Regular risk identification, assessment, monitoring and management preventing unplanned events. High level risks are escalated to risk owners and managed effectively.

## **Obtrusive challenges**

Affordability and the lack of adequate capital funding has once again been the single most damaging impediment to the bulk water operational and developmental objectives of this region.

The same old habitual repetitive cycles of; poor-payment for bulk water services, imposition of affordability based budgets, the lack of or no provision of capital funding to implement necessary upgrades and replacement projects, just keeps on replicating against a background of deteriorating financial circumstances in the municipalities.

The key progressive challenges highlighted in the Boards business plans, bulk water master plan, key performance objectives, budget plans, and, strategies and risk management plans, go largely ignored, and it appears that as long as there is a current service being delivered, these matters can be held in obedience. This is tantamount to a limited short-termism approach and will in the future impact on the tariff and cost of water services.

The significant challenges and impediments to effective and efficient bulk water service delivery are;

- The obligation and responsibility to pay for bulk services rendered timorously and in accordance with documented agreed terms of payment, i.e. 30 days from date of invoice.
- Aligning the entity and municipal bulk water operational and capital budgets based on the real cost of providing the water services, the developmental infrastructure needs, and tariff and equitable and fair tariff.
- The urgency and importance of pressing ahead with the bulk water services master plan and formulating a financial model that will be a catalyst to the implementation the plan.
- Clearly establishing the responsibility for bulk water infrastructure development on the bulk water installations, i.e. entity to manage and control all projects if municipality follows procedures and appoints

contractors, and the entity takes full responsibility for all procedures and appointments of contractors in cases where the entity is appointed as the implementing agent by the municipality.

These same critical issues have bedevilled the entity since inception in 2004 and have prevented it from effectively fulfilling its developmental objectives to the water service authorities and their communities in terms of the integrated development plans and the shareholder agreements in place.

## **Performance management**

In order to achieve its goals, the Board annually encapsulates its major outcomes for sustainable value creation within its pre-determined performance objectives and targets, and accordingly measures its results against these targets, in a determined effort to ensure its progression and the current sustainability of bulk water services. These areas include;

- **Manage stakeholder relationships**...engendering understanding and support for water service budgets, water service levels volumes and quality, bulk tariffs, capital investment, risk management and water resource master planning and adequacy and finally, the need to timorously pay and recover the costs of water services.
- **Communicate performance to all stakeholders**...regular reliable and interactive reporting and communication, enabling all stakeholders to make informed and responsive feedback to challenges in the region.
- **Institutional arrangements**...a professionally well managed dedicated institutional structure governed by a unitary Board with clear separate roles and responsibilities from the Managing Director and Senior Management, executing their statutory legal duties with integrity and enterprise, with established LEADCO, Audit and Risk Committee, Capital projects and Procurement Committees, HR and Remuneration Committee, to provide feedback and assurance to stakeholders.
- **Ensure good corporate governance**...compliance with statutory legislation, water services provider agreements, and maintenance of effective internal controls, procedures and policies, and the regular review thereof.
- **Sustainable financial management**...achieved by understanding the water business and its current and future life cycle costs, maintaining a balance between debt necessity, and or utilisation, and asset replenishment requirements for future sustainability of water services. Carefully managing operating expenditures and collecting revenue driven by an industry measured sustainable and affordable bulk water tariff.
- **Sustainable bulk water volumes and water quality assurance**...achieved by working together to ensure that water resources and abstractions are carefully managed, optimized, shared, planned and treated to the required SANS241 standards.
- **Asset management**...achieved by understanding and performing regular asset condition assessments and including them within an asset replacement and maintenance program, having regard to life cycle costs and acceptable risk levels, and submitting business plans and budgets to address the issues. Funding issues are a major concern, and all efforts are coordinated to minimise disruptions and other negative consequences, these are our best efforts under the circumstances and will **have corollary effects in the long term.**

The attached detailed performance management scorecard reflects the results of the entity's achievements against these and other predetermined objectives.

From the results, the entity under its restrictive conditions, currently operates at a very high standard, and that it is ready to accept the challenge of expanding its capacity to deliver on the greater bulk water needs of the region.

## **Financial status**

Working with very restricted and underfunded budgets, and with no capital funding, has been a real challenge for this entity. This has been further exasperated by slow payment of the bulk water service accounts by defaulting municipalities. This has forced the entity to, at times, put a hold on spending and budgets, purely to ensure an uninterrupted water supply.

The Statement of Financial Performance in the 2021 Annual Financial Statements of the entity reflects a small surplus,

(excluding non-cash items) a cash and investment holding of R 29 million, (2 months operational costs) and a serious increase in short term Water Service Authority debtors to R 142 million. The debt seriously challenges the entities ability to render services post 30 June 2021 and the Board had to take drastic action to recover some of the debt to carry on with operations.

The big creditor reflected in the balance sheet of R 405 million relates to the non-payment of the Department of Water Affairs and Sanitation's raw water charges. This matter is being dealt with directly with the Department with a view to finalising the unresolved tariff issues and the structuring of a payment plan with the relevant WSA's and the Department.

The entity is debt free and has leverage off a sound balance sheet with a net asset value of approximately R 550 million to raise capital for bulk water infrastructure development.

## **Bulk water production**

The design capacity of the Ngagane water purification plant in Newcastle is 115 Mega litres of purified water per day, and this plant is currently delivering approximately 100 mega litres of water per day. This plant supplies the areas of Newcastle, Osizweni, Madadeni, Braakfontein and Kilbarchan, the Eskom village and Ballengeich, and the Amajuba District areas of Emadlangeni, Buffalo flats Alcockspruit and Steildrift. There is in terms of the bulk water master plan, plans afoot to increase the design capacity of this plant to 153 Mega litres per day, and or, to build a new 150 mega litre water plant at the Ntshingwayo dam. The bulk water master plan also proposes to construct a new dam higher up in the northern catchment area to augment the existing supply to Newcastle and Amajuba.

The Biggarsberg plant at Dundee has a design capacity of 19, 3 Mega litres of purified water per day, and is currently delivering approximately 15, 84 Mega litres per day. This plant supplies the areas of Dundee, Glencoe, and Sibongile. In terms of the bulk water master plan, there are plans to supply this area from the proposed new water plant at the Ntshingwayo dam.

## **Bulk water losses**

Bulk water losses on the bulk water mains, plants and installations were restricted to about 9, 93 %, during the year and this compares very favourably with losses experienced by other water institutions ranging from 20 to 80%.

Maintaining losses at this low level is a very good achievement particularly under the difficult financial circumstances in which the entity operates, and the age and existing condition of the bulk water infrastructure, and the lack of funding to replace it.

## **Financial performance**

This year once again witnessed an improved and disciplined financial performance from uThukela Water. A break-even operational status was obtained, and this despite very tight financial and budgetary limitations that were imposed.

The payment for monthly Bulk water services billed to the municipality's, was again a matter of concern and frustration, and to make matters worse, the situation is persistently deteriorating. The Newcastle municipality continued to default on its payments and was ten (10) months in arrear at year end. The Amajuba District municipality also continued to default on its payments and was also eight (8) months in arrear as at year end. The uMzinyathi District municipality was five (5) months in arrear with its payments as at year end. The slow payment for services rendered has a direct effect on plans and programs and leads to delays and routine maintenance not being carried out.

It must be stated quite categorically and without fear of contradiction, that the management and Board of this entity, has done everything correctly and possible, to ensure that it collects its revenues. The reality is that the municipalities are, due to their financial predicaments, unable to timorously honour their commitments to the Board timorously.

The old, pre- December 2012, WSA (uMzinyathi and Amajuba DM) 'parked' water services debt of R 78 million, is still unresolved, and as previously reported, is inextricably tied up with the non- payment of the Department of Water Affairs and Sanitation raw water charges. There are negotiations taking place with all parties concerned to find a solution to this matter.

The Board has continued to strive towards its audit preparedness, in line with the governments drive to achieve "clean

audits”, by improving and developing its administrative, financial, operational, IT and other controls necessary to achieve this purpose in the shortest possible time. It has ensured that;

- It has updated to the Municipal Standard Chart of Accounts (mSCOA) in line with its WSA Shareholders and all other municipal users. The new financial system enables a standard set of reports, continuous, effective and timeous financial reporting to management and the Board in order to permit informed decisions.
- Upgraded its payroll and Human Resource accounting and information systems to be mSCOA compliant in order to timorously and effectively manage and deal with staff, payroll and third-party payment issues.
- Implemented an IT Strategy, master plan and Disaster Recovery Plan for the organisation ensuring alignment with modern day and best business practices.
- The Inventory and SCM modules have been upgraded and replaced with modern mSCOA software that enables proper stock control and acquisition and disposal processes as regulated by the MFMA 56/2003, and the SCM database is linked to the National Treasury database.
- The operations Department has implemented a modern Water management maintenance information system (WIMS) that allows the department to properly track and manage the Board’s water maintenance and capital replacement programmes.
- The Internal Audit functions have been outsourced to a goal orientated local Audit Company, and a revised Risk assessment and internal audit charter has recently been developed taking into cognisance the Company’s current operational and capital risks.
- Regular composition and quarterly sittings of the Audit Committee meetings to deal with matters as required by the MFMA 56/2003, and to give assurance to the Board and Stakeholders.
- Performance Management is implemented at Institutional level and is cascaded right from senior management down to the lowest level in the organisation in terms of the Local Government Systems Act 32/2000.
- All bulk water and sanitation costs and particularly those relating to ESKOM and DWA have been revisited and audited with a view to establishing their correctness and efficiencies. Major cost savings in this regard have been passed on to the shareholders.

A more in depth and detailed analyses of the financial results and ratios of the Board for the 2021 financial year are indicated in the Financial Review section of this report.

The entities total revenue accrued for the year amounted to R 166 million (2020: R 150 million), and included in this figure is an amount of R 165 million (2020: R 148 million) which relates to Bulk water sales raised for the year, an amount of R 1 million (2020: R1.4 million) in respect of external investment interest income received and accrued, an amount of R0 (2020: R 223K) in respect of capital grant income, and finally an amount of R326 K (2020: R 293 K) in respect of miscellaneous revenues accrued.

Total staff costs, as measured against total budgeted expenditure, equates to 33 %, well within the accepted norm of 35% for the industry. Depreciation provided on capital assets amounts to R 79 .2 million (2020: R 79.9, 9 million), and this charge is not recovered in the bulk water tariff from the municipalities, but is recovered against the capital grant contributions paid by the municipalities and reflected as their shareholding in the entity. Only depreciation provided on assets funded by external loan is charged to the Statement of Financial Performance. By accounting for the depreciation charges accordingly, it is ensured that the consumer is not “double taxed” by having to pay for a service twice.

The effects of the worldwide economic meltdown are no doubt being felt in the local economy and the impact hereof is reflected in the increased costs of production and service delivery, particularly those charges relating to Eskom, DWS raw water costs and the high prices of fuel, oil and chemicals. Some of the increased costs are well in excess of inflationary expectations, and the alarming fact is that, these increases are not being passed on but are being absorbed

by the water budgets. This is an unhealthy situation and will impact on service delivery in the short and medium term. Whilst it is understood that the shareholders have their own financial challenges and constraints to deal with, it should not be done at the expense of water services. The entity itself is severely curtailed in this regard, as it is solely reliant on its water recovery Bulk tariff and has no other sources of revenue.

The Board's cash flows were steady during the year and very carefully managed to ensure that there were no service disruptions. Despite the non-payment issues creditor payments were maintained within 30-day cycles and the only deviations from this policy related to late capital grants transfers regarding drought emergency funding projects.

The cash coverage is sufficient to carry the Entities operational expenses for a period of approximately two months. If all current bulk water debts are paid up and maintained, the Entity is able to fund 5 to 6 months of its operational expenses and be in a position to meet any unforeseen crisis that may occur.

It is very clear that the Board is dependent on regular and timorous payment of its bulk water accounts, and that water services are at high risk should these not be forthcoming.

The Board has always consciously dedicated itself to water service provision and its focus areas, challenges and benefits passed to all stakeholders can briefly be summarized as follows;

Main areas of focus;

1. Dealing with raw water resource constraints, including impact of climate change through proper planning for sustainable infrastructure. Bulk Infrastructure Master planning.
2. Introducing innovative solutions to respond to the high unit operating and maintenance costs of Bulk infrastructure caused by volatile price increases in economic driver costs such as chemicals, electricity and fuels and oils.
3. Ensuring improved training interventions to ensure adequate skills for our operations in the light of the country wide skills shortage (e.g. process controllers and artisans).
4. Improving monitoring of operations to ensure early detection of problems such as interruptions of Bulk raw and purified lines and supplies.
5. Improving cost recovery through correction of metering data and early detection systems (incl. illegal connections)
6. Continuous improvement drive to emulate best practice.
7. Improvements in corporate governance
8. Providing solutions to water supply challenges in "implementation ready" format awaiting funding.

Challenges;

1. Low unit expenditure compared to industry norm, no capital levy implementation or depreciation cost recovery from shareholders.
2. No capital budget implementation and Infrastructural regional planning, and pooling of scarce financial resources,
3. Increased raw water debt as a result of budget exclusion,
4. Repairs and maintenance less than 8 % of infrastructure value despite ageing infrastructure.
5. No funding for the replacement and upgrade of the infrastructure.
6. High water losses in some WSA areas, mostly beyond the meter.
7. Some costs (e.g. water treatment chemicals, electricity and fuel) are increasing at a rate much higher than guidelines given on acceptable budget increases.
8. Institutional restructure delayed filling of senior positions.
9. Slow payment or delays with of Bulk water invoices.
10. Signing of revised Bulk water agreements and finalization of bulk water entity for the region.
11. The effects to ageing and ailing infrastructure.



## Benefits to Shareholders, stake holders and customers

1. Pooling and sharing of scarce human resources.
2. Lower unit costs of well- run organ of state.
3. Water resource constraints require regional rather than local stand-alone solutions (planning, implementation and operations).
4. Good track record regarding refurbishment of bulk water infrastructure has set industry standard.
5. Control and sharing of a single bulk water tariff as opposed to a volatile locally driven economic based tariff that also depends on the cost of water locality and resourcing.

## Customer Satisfaction

The entity is a customer driven and focused organisation, and this mandate is clearly provided and chartered for, in the Bulk WSP agreement presented. The guiding principles encapsulated therein promote adhere to the “Batho Pele” principles of good governance and customer service. The principles embrace; the delivery and supply of value for money services, good quality and a reliable service, right up to the end user.

The SANS241 high water quality standards achieved by uThukela Water on behalf of its WSA Shareholders, attests to the superior and high-quality bulk water services delivered from both the bulk water plants at Ngagane and Biggarsberg.

These superb achievements were attained, and are being maintained, on shoestring budgets, and at very limited cost to the shareholders. Sheer dedication and hard work are the milestones by which these successes can be measured.

Regular communication and engagement with our municipalities ensures that we continue to remain responsive to our customer needs, and consequently we maintain compliance with our WSP principles.

## Product Quality

The Entity prides itself in the excellent drinking water quality provided to its Shareholder municipalities throughout the year. Laboratory water analyses and test results on average has always exceeded 99% of Department of Water Affairs SANS241 standards for all determinants.

These excellent results have been achieved against a background of poor investment into the maintenance and the ailing and aging water infrastructures. The Regional Bulk Water Services Master Plan identifies the short, medium and long term requirements to safeguard and secure the future of the water infrastructures, but unfortunately due to cash flow restraints of the Shareholder municipalities, and a lack of access to the capital markets to obtain the necessary funding, the care of and preservation of the assets for current and future generations is obviously being seriously neglected.

Although business plans in terms of the bulk water master plan have been submitted, no major infrastructure upgrades have been carried out in the last 10 years, due to a lack of capital grant funding, and or, the approval of other funding sources to the Board, to properly carry out its mandates and its National, Provincial and Regional strategic water service objectives.

uThukela Water continued to respond well to water service WSA demands despite the difficult financial constraints within which it has had to operate. Bulk water quality standards measured in terms of the SANS241 standards remained well above 99% for all determinants throughout the year.

A reliable and constant Bulk water supply was made available to the WSA's, 32 million mega litres to the Newcastle municipality, 5,3 million mega litres to the uMzinyathi DM and 5, 5 million mega litres to the Amajuba DM, who in turn supplied approximately 43 million mega litres to its paying customers.

The regular water monitoring and statistical analyses results is detailed in the scientific report and graphs contained in the operational and scientific report.

The Board also provides the Newcastle municipality with regular monitoring and measurement of its reticulated water standards. The uMzinyathi District municipalities utilise a private service provider for this purpose.

uThukela Water prides itself and strives for service excellence regarding the quality of its potable water supplied, and its laboratories are well equipped to ensure that there is no compromise in its service quality. The environment is also an important consideration in all matters of water planning and implementation.

## **Stakeholders Understanding and Support**

The entity is constantly striving to ensure strategic effectiveness by complying with all the requirements of its WSP objectives and principles, the relevant National, Provincial, local legislation and policies, and it is, with limited financial resources available to it, making every effort to ensure that the benefits of its effective and efficient operations, are received by the member municipalities and ultimately, the municipal customers.

It is the intention of the entity to further its community and stakeholder participation, by widely publicising the results indicated in these reports through the public media, and by assisting its Shareholders, wherever possible, in undertaking road shows into the various community areas.

## **Infrastructure Stability**

One of the major benefits of cost sharing is the regional approach to planning for water distribution, and the entity strives to ensure that its capital and maintenance programmes are aligned to those of its WSA's, the government and provincial strategic plans. Its water demand projections, are regularly updated, based on projections in the bulk water infrastructure master plan. Of concern though is the late involvement of the entity in the IDP process. If the entity could be involved in the initiation stages of the plans, then it could contribute more to service delivery in terms of water services.

One major challenge that directly affects the stability and sustainability of the region's water services infrastructure is the lack of adequate budget allocations based on the costs of production and channelled and available government grant funding to fully implement the Strategic Water Services Master Plan. The budgets and plans intend providing a long-term solution to water provision in the area, and the provision of a safe, and affordable water service with sustainable infrastructure, over the whole area comprising of some 26000 km<sup>2</sup>. The plan transcends over WSA boundaries, and eliminates the continued utilisation of expensive ancillary, ad hoc, and standalone water plants.

The existing ageing infrastructure has been successfully maintained to an extent, but the only viable option, is to give focus to the objectives of the master plan, and to implement this plan, with the single objective of sustainable water services for the whole region well into the future.

The status quo is simply not sustainable in the longer term, and if one looks at the capital investment injected into water infrastructure with the entity during the current year of some R 5 million, it is simply inadequate, and does not address the real infrastructure requirements of the region of some R 12 to 15 Billion. The Financial Report shows graphically the disinvestment in bulk water services over the past 10 years from approximately R 150 Million per year to nothing in the current year.

A unified approach and pooling of all water revenue and government grants is required in order for any inroads to be made into resolving the water backlogs and demands of the region in the future.

## **Water Resource Adequacy**

The region is blessed with good water resources, although the current drought has served to highlight the vulnerabilities in this regard, and in the Newcastle area raw water requirements are extracted from the Ntshingwayo/Chelmsford dam, Ngagane River and the Buffalo River. These water resources have adequately served the developed areas of Newcastle, Osizweni, Madadeni, Durnacol and Dannhauser for many years. They however are not enough to sustain the increase in demand beyond the short to medium term.

The uMzinyathi area is not blessed with good sustainable natural water resources, and relies on the Blood and Buffalo rivers for its main raw water requirements, and these water sources, although perennial, are not sufficient to ensure a constant supply of raw water to meet the demands of the area. The water services master plan addresses this problem and proposes solutions that will meet with the current and future water demands.

The ultimate goal of uThukela Water, and or, it's, successors, will obviously be to link up the many rural developments which are spread far and wide and throughout the jurisdiction of uThukela water, and to link them to a

major regional bulk water supply infrastructure, which infrastructure, will in turn be linked to a sustainable raw water supply source.

The unacceptably high, “beyond the meter” water losses, currently being experienced in some of the areas of supply, and particularly in the Newcastle east, West, Madadeni and Osizweni areas, needs to be checked as a matter of urgency, as it is causing severe water losses and community frustration through water rationing and restrictions in these areas. It is estimated that at least 15 Mega litres per day is being lost in these areas.

Water conservation and water demand management is an area that is prioritised by the Board and its parent municipalities, together with all upstream and downstream partners, and these need to be aligned with National and Provincial initiatives that will diversify the water mix, which should include water reuse and reclamation.

## **Community Sustainability**

We have, within our limited and scarce financial resources available, continued to diversify any available capital funding programmes, and to promote these towards ensuring that the bulk water expansions backlogs are addressed, especially in the areas mentioned above, where unreliable and unsustainable water resources are utilised as an interim measure.

With the transfer of reticulation and the smaller local bulk water plants back to the municipalities with effect from the 1<sup>st</sup> of July 2013, many of these responsibilities were to be returned to the WSA’s directly. However, the longer term vision should be to focus attention on the Bulk Water Master Plan, and to eradicate these smaller and un-economically viable and unsustainable water plants, and to link them to the major water producing plants and more sustainable water resources.

Our approach, as a water service provider, and our investment in water projects, utilising the local community, is to optimise employment opportunities and to provide development opportunities to emerging and BEE compliant contractors.

The Board has a long-standing commitment to conservation of natural resources and has in place key environmental sustainability indicators applicable to its water business and is aligned to best business practices. We regularly assess our indicators for eco-efficiency, including water, energy and material consumption. The increases noted in these indicators over the past few years are mainly attributable to, demand, extra chemical dosing to disinfect new schemes commissioned, poor raw water quality, and the above average inflation cost increases imposed by ESKOM, DWS and chemical suppliers due to high and fluctuating fuel and oil prices. We are always cognisant of environmental regulations and monitor all impending projects and our test results regularly to ensure compliance and high-quality standards.

## **Operational Optimisation and Resiliency**

The entity places great emphasis on effective and efficient governance and management structures to implement its strategy, and it has made great strides to ensure that in cases where there has been any deficiency in the past, that this is adequately addressed. Its key support systems have been and are always continually assessed with a view to ensuring operational competence. Key focus areas are operational systems, Infrastructure and asset management where we have a fully compliant GRAP asset register in place, Infrastructure planning and GIS systems, billing and metering systems, up to date financial and treasury systems, HR and Payroll systems, a central SCM system that supports all purchasing and acquisitions and other governance and control systems that will enhance risk management, corporate performance and strategy systems.

## **Employee and Leadership Development**

There is a sound human resource strategy in place that supports management to operate effectively in consultation with staff and Union statutory bodies. A moratorium on the appointment of new staff, and to the revision and restructuring of the fixed staff establishment, pending the composition of the new Bulk water institution, has certainly impeded advances in the HR strategy, but as the entity develops, innovative measures have been implemented to ensure that there is no disruption of activities.

A pool of Process Controllers has been trained and developed over the past year that will ensure that the entity can upgrade its process control staff at the water plants and have available at all times a fully trained and qualified pool of competent officials to carry out the functions at the water plants.

The Board has a study assistance policy and program in place that enables staff to study and better their qualifications. Currently there are several staff members who are at various levels of completion of their respective studies. This leads to a competent staff and the creation of a suitably qualified staff trained specifically in their field of expertise which in turn directly benefits the Board.

Communication and the sharing of information with the WSA parent municipalities, and management's ability to steer these initiatives, has also received much attention as part of improving the information systems.

Recruitment of suitably qualified and well skilled professionals in the water sector has always been a challenge in the un-urbanised areas, and the Board has a remuneration policy that is fair and a critical skills policy that seeks to attract skills to this region.

## **Future Financial Viability – going concern**

The Board has again achieved a good audit outcome from the Auditor General giving assurance on its ability to effectively and efficiently manage its own affairs in a proper and accountable manner.

The Board's financial results reflect its resolve and determination to deliver a high class and affordable product, albeit with limited available financial resources. Its bulk cost indicator is well within the industry norm and is a catalyst for increased investment.

The Balance sheet, post reticulation transfer, certainly highlights the reduced activities and value of the entity, but also indicates positively on the viability and exposure of the entity as a risk, and as a going concern. There can be no doubt that once the WSA outstanding debt matter is resolved, simultaneously with the DWS Creditor, the Balance sheet will appear very attractive to the incoming Bulk water services provider.

The Board's financial indicators are detailed in more depth in the financial performance report attached hereto, and clearly reflect good positive ratios. Improvements to budgeting techniques and cost allocations are continually being re-assessed and implemented and proper scientifically calculated models are being put into place for measuring and analysing performances related to all activities in water service delivery.

The formulation and development of short, medium and long term financial plans that are aligned to the budgets and IDP's of the Shareholders, and consequently the real needs of the communities, is receiving high priority on the planning front, and is necessary to ensure that all communities are serviced with their basic constitutional needs.

The current practice of annually allocating popular fixed inflationary increments to budgets and tariffs is counterproductive and falls far short of good service delivery objectives. The implementation of a Bulk water tariff cost recovery strategy is the way forward and the way in which to manage future water costs.

The Board's cash flow, has through strict control of budgets, cash and expenditures, been adequately maintained, and no disruptions to any services or creditor payment cycles has been experienced during the year.

The financial success of uThukela Water is encouraging for the parent municipalities, and its communities, and it should instil confidence that a sustainable and effective service delivery mechanism is in place.

## **Conclusion**

We will continue to strive for continued service excellence and quality, and work towards all targets and objectives set out in our joint strategic and business plans, and ensure that the WSA's and the new, or re-constituted bulk water services institution, inherits a well-run and organised business that contributes to continued sustained water service delivery.

The Board with its turnaround strategies has ensured that this Entity has gone from strength to strength and is making a meaningful contribution to the development of sustainable communities in the region, and now finds itself in the position to contribute to the future of sustained water services.

I am indeed grateful for the contributions and partnerships which made it all possible to achieve these commendable

results and would like to thank the following:

- All Board members, past and present, and particularly to the Chairperson, Mr Dan Naidoo, who has worked tirelessly without any reward to bring this entity back into focus and on track to serve the objectives of its parent bodies,
- LEADCO and the employees of the Board, who have worked tirelessly, sometimes under very difficult and negative circumstances to keep the ship afloat and steered in the right direction,
- Suppliers and service providers who have had to endure some difficult times with us,
- The WSA municipalities, their Councils and officials who also endured frustrating times of dealing with community complaints and concerns without themselves being in control of the situations, we thank them for their support and for the way in which they have continued to deliver the same excellent services to their communities themselves,
- The Premier's office for their continued support and for always holding the interests of all parties and communities at heart, and
- Finally, the Department of Water Affairs, for their guidance, assistance, and direction, particularly during the difficult drought situation.





# Corporate Governance



# Corporate Governance

## Overview

The Organization, despite experiencing many teething problems associated with a new business, continues to commit to the principles of good corporate governance as per the Municipal Systems Act 32/2000, the Municipal Finance Management Act 65/2003, the Water Services Act 108/1997, the Companies Act 61/1973 and the King 111 Report, and strives for a sound balance between performance, value creation and resource utilization. This balance is enabled through the organization's strategic objectives and balanced achievements as indicated in the scorecards.

Performances of the Organization's objectives were measured by comparing it to the key targets and indicators as set out in the Entity's annual Business and Budget Plans. Accountability in terms of the Municipal Systems Act is maintained by reporting on the activities and scorecards, thereby measuring the performance.

## Board Appointment and Composition

uThukela Water (Pty) Ltd is a multijurisdictional water utility that was established in terms of section 87 of the Municipal Systems Act 32/2000 and was wholly owned by the following parent municipalities (WSAs) with the indicated shareholding allocation:

<b>Newcastle municipality:</b>	<b>34%</b>
<b>uMzinyathi District municipality:</b>	<b>33%</b>
<b>Amajuba District municipality:</b>	<b>33%</b>

The shareholding of the municipalities in the Company was legally registered on 11 September 2007.

The current Interim Board was appointed by the MEC for Local Government, Housing and Traditional Affairs, on 6 June 2012. The members currently serving on the board are as follows:

Mr. P.S. Naidoo	Board Member (Independent Chairman of the Board)
Mr. M. Msiwa	Board Member (Independent)
Mr. A. Evetts	Board Member (Manager – Infrastructure of COGTA)
Mrs. A. Masefield	Board Advisor (Special Member – Acting Provincial Head of DWG)
Municipal Managers – Newcastle – Amajuba – uMzinyathi.	

**Mr. P.S. (Dan) Naidoo (Chairman of the Board)**

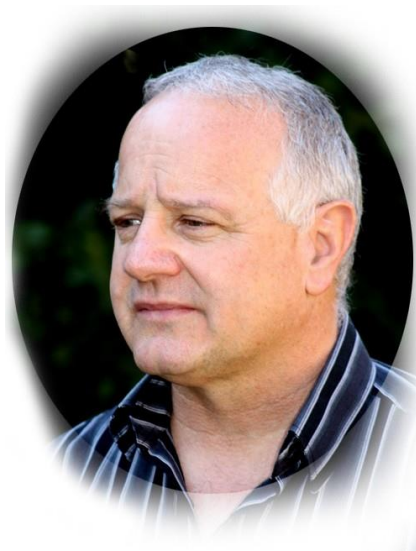
Mr. Naidoo, holds a Bachelor of Science Degree (Hons) in Water Utilization Engineering.

He is currently a Senior Executive of Umgeni Water within excess of 28 years of water operations management experience. Mr. Naidoo was seconded by Umgeni Water to assist the Provincial Government at the intervention at uThukela Water in 2008.



**Mr. L. L. Cunha (Acting Managing Director)**

Mr. Cunha has a specialist IAC (SA) Diploma in local government Finance and Administration and is an Associate member of CIGFARO (SA) and has in excess of 40 years hands on municipal experience in a senior capacity. He is also Local Government Recovery Specialist and has worked hand-in-hand with the Department of Co- operative Governance and Traditional Affairs and the Development Bank of Southern Africa in several turn- around projects, where he has successfully assisted several struggling municipalities to move from precarious financial situations to clean audit reports.



**Mr. C. Dhliwayo - Acting Engineering Manager**

Qualifications: BSc. Engineering Honours (1999)  
University of Zimbabwe  
MSc. Water Resources & Engineering Management  
(2006) (University of Zimbabwe) Post Grad Diploma  
Project Management (2015) (Management College of  
Southern Africa)  
Currently pursuing Master of Business Administration.

Mr. Dhliwayo Joined uThukela Water (Pty) Ltd as a planning and Design Engineer in February 2010 after serving the Government of Zimbabwe for 9 years as a Chief Provincial Engineer in the Ministry of Water and infrastructural Development. Appointed to the position of Acting Engineering Manager in July 2013. Currently the Acting Executive Director Operations and Engineering since February 2017.





## **Board Meetings**

An annual general meeting and quarterly general meetings of the Board and shareholders are held with attendance by the non-executive Board members, shareholder representatives and senior Executive Directors. The Entity's Strategy, Business Plan, monthly activity reports, Audit Reports, Annual Financial Statements, budgets and other reports are discussed and approved at the quarterly general meetings. Special Board and Ad-Hoc Committee meetings are called at the request of the Chairperson as required.

## **Audit Functions**

The Board's external audit is conducted under the auspices of the Office of the Auditor General utilizing local accounting expertise. The Board also reviews the accuracy, reliability and credibility of statutory financial reporting.

The external auditors independently audit and report on the financial statements to ensure that the statements comply with GRAP.

Internal audit is an independent outsourced assurance function, the purpose, authority and responsibility of which is formally defined in a charter approved by the Board in line with stipulations of the Institute of Internal Auditors, the MFMA and good governance.

The internal auditors provide assurance to management, the Audit Committee, the Board and external auditors on the appropriateness and effectiveness of internal controls.

## **Procurement Adjudication Committees**

This Committee is constituted in terms of the Board's Supply Chain Management Policy and comprising of five independent Senior Managers, assisting the Board in considering the recommendations of its separate Evaluation Committee, and in making procurement decisions to approve contracts and tenders within its delegated authority. The committee also makes recommendations concerning the amendment of the procurement policies and ensures that the Entity's SCM procedures are equitable, transparent, competitive and cost effective. Contracts which exceed the Committee's delegation of authority are referred to the Managing Director for a final decision.

## **Leadership Committee (LEADCO)**

LEADCO structure includes the Managing Director, Director Operations, the Chief Financial Officer, the Manager Human Resources, the Manager Customer Services and the Manager ERP Services.

The committee was established to assist the Managing Director in guiding the overall direction of the business and to exercise executive control. Meetings are held weekly and its task is to assist with the effective management of the day to day operations of the business.

## **Board Remuneration**

The current incumbent Interim Board Members are not remunerated by the Company.

The previous Board members were remunerated out of Company funds, and a dispute concerning the remuneration approved by them and paid to them, accordingly, is currently being investigated by the MEC's office.

### **Delegation of Authority**

A comprehensive delegation of authority framework governs the authority levels for the Board and management. These are exercised through the Board and LEADCO as well as Senior Management Individual Capacities. This framework assists the Board to discharge its duties with proper accountability and responsibility. The Board reviews the framework regularly.

### **Fraud Prevention**

The Board acknowledges its responsibility to ensure that the organisation conducts its business in a fair, transparent and ethical manner. A proper risk assessment was conducted, and a Fraud Prevention Plan was formulated during the year and will shortly serve before the Board for approval and implementation. The plan has been produced to prevent and respond to incidents of fraud, corruption or any other irregularities. The Province of KwaZulu-Natal has established a fraud hotline which is adequately advertised and is available to all and sundry.

### **Strategy, Performance and Annual Report**

Our annual report is viewed by the organization as an important element of our strategic execution system, and as a valuable instrument to view and showcase our performance over a specific period. It is a statutory requirement in terms of Section 126 of the MFMA 56/2003, which requires mandatory disclosure of annual performance against our Business Plan.

Simultaneously, the opportunity is used within the statutory reporting framework to align to best practice corporate performance / sustainable reporting.

This report therefore is the means by which we communicate to all our shareholders and their customers, regulatory bodies, investors, employees and civil society our annual performance and progress towards moving our policies, plans and processes, and our water and sanitation service products in a direction that supports sustainable development.

Scorecards for Financial and ERP Systems, Customer Services and Public Relations, Operational and Developmental and Human Resources are presented at the beginning of each chapter.

**Strategy, Performance & Sustainability**





## **STRATEGY, PERFORMANCE & SUSTAINABILITY**

### **SCIENTIFIC SERVICES**

The laboratory makes a crucial contribution in ensuring that uThukela Water meets the obligation of supplying good quality water to its customers. The laboratory does this by providing reliable and quality services to the organization and external customers. The laboratory offers sampling services and water quality testing services in the area of Chemistry and Microbiology.

Meaningful progress has been made in improving the laboratory quality management system. The targeted future goal is to fulfil all the requirements of ISO/IEC 17025:2017 and be a South African National Accreditation System (SANAS) accredited facility. The laboratory participates in two proficiency testing schemes, the South African Bureau of Standards (SABS) Water Check and the National Laboratory Association (NLA) Water Microbiology Proficiency Testing Schemes, where it continues to improve its performance. It is the mission of uThukela Water Laboratory to provide accurate, reliable, and professional laboratory services to its customers.

To support its operations a Laboratory Information Management System (LIMS) is currently being tested and refined. This system will enable the laboratory to improve traceability, data security and turn-around times. LIMS will also assist in sample tracking, data entry, sample scheduling, generating certificates of analysis and improving data integrity.

In addition to assuring the quality of bulk water produced, the laboratory provides services to municipalities, ensuring alignment in meeting their Blue Drop and Green Drop requirements. Water resource surveillance is also conducted to ensure wastewater discharges are not harmful to the environment and downstream users. uThukela Water Laboratory also monitors industrial effluent discharges into Municipal Wastewater Reticulation Network as a result pollution is minimized and controlled.

### **POTABLE WATER QUALITY PERFORMANCE**

In 2020/2021 financial year, uThukela Water continued to demonstrate its commitment to customers by providing safe, clean drinking water which conforms to SANS 241:2015 requirements. This South African National Standard for Drinking Water (SANS 241) promotes a structured, comprehensive and a preventative risk-based approach to the management of drinking water.

Potable water quality was evaluated against the following five risk categories of the SANS 241:2015:

1. Acute Health: Microbiological;
2. Acute Health: Chemical;
3. Chronic Health;
4. Operational; and
5. Aesthetic.

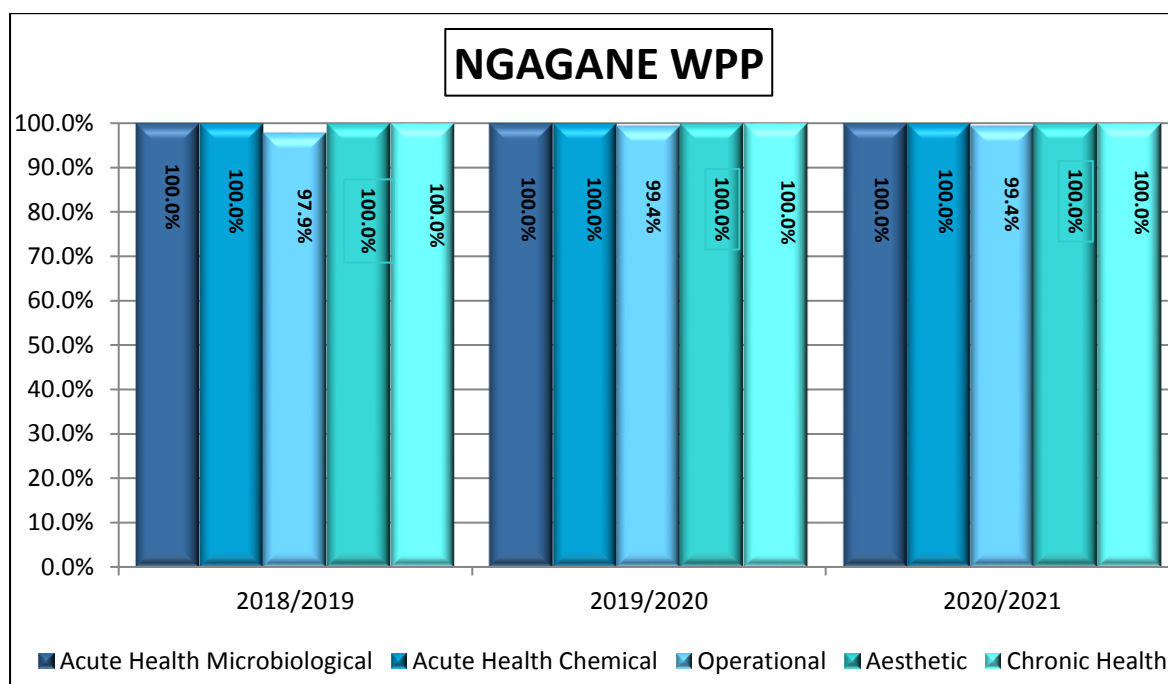
## **Ngagane Water Purification Plant**

The Ngagane Water Purification Plant was consistent in the provision of excellent drinking water quality during this financial year, maintaining the compliance of various risk categories above 99% as shown in graph 1. On occasion turbidity levels did not comply with the standard causing inconsistencies in the operational risk category as displayed in table 1.

**Table 1: Bulk Potable Water Quality Compliance per determinant based on SANS 241:2015: Ngagane Water Purification Plant 2020/2021.**

			Ngagane		
Determinand	Risk	Unit	No. of results	Required Compliance	Compliance
Microbiological determinands					
E.coli count	Acute health	Count per 100 mL	307	≥99%	100.00%
Cryptosporidium spp	Acute health	Count per 10 L	2	≥99%	100.00%
Giardia spp	Acute health	Count per 10 L	2	≥99%	100.00%
Total Coliforms	Operational	Count per 100 mL	308	≥95%	100.00%
Heterotrophic Plate Count	Operational	Count per mL	306	≥95%	100.00%
Somatic Coliphages	Operational	Count per 10 mL	2	≥95%	100.00%
Physical and aesthetic determinands					
Colour	Aesthetic	mg/L Pt-Co	114	≥95%	100.00%
Conductivity at 25°C	Aesthetic	mS/m	306	≥95%	100.00%
Total Dissolved Solids	Aesthetic	mg/L	307	≥95%	100.00%
Turbidity	Operational	NTU	418	≥95%	97.61%
Turbidity	Aesthetic	NTU	418	≥95%	100.00%
pH at 25°C	Operational	pH units	418	≥95%	100.00%
Chemical determinands - macro					
Free Chlorine	Chronic health	mg/L	418	≥97%	100.00%
Monochloramine	Chronic health	mg/L			
Nitrate	Acute health	mg/L	114	≥99%	100.00%
Nitrite	Acute health	mg/L	114	≥99%	100.00%
Combined nitrate plus nitrite	Acute health		114	≥99%	100.00%
Sulphate	Acute health	mg/L	114	≥99%	100.00%
Sulphate	Chronic health	mg/L	114	≥97%	100.00%
Flouride	Chronic health	mg/L	114	≥97%	100.00%
Ammonia	Aesthetic	mg/L	2	≥97%	100.00%
Chloride	Aesthetic	mg/L	2	≥97%	100.00%
Sodium	Aesthetic	mg/L	2	≥97%	100.00%
Zinc	Aesthetic	mg/L	2	≥97%	100.00%
Chemical determinands - micro					
Antimony	Chronic health	µg/L	2	≥97%	100.00%
Aluminium	Operational	µg/L	114	≥95%	100.00%
Arsenic	Chronic health	µg/L	2	≥97%	100.00%
Barium	Chronic health	µg/L	2	≥97%	100.00%
Boron	Chronic health	µg/L	2	≥97%	100.00%
Cadmium	Chronic health	µg/L	2	≥97%	100.00%
Total Chromium	Chronic health	µg/L	2	≥97%	100.00%
Copper	Chronic health	µg/L	2	≥97%	100.00%
Cyanide (recoverable)	Acute health	µg/L	2	≥99%	100.00%
Iron	Chronic health	µg/L	114	≥97%	100.00%
Iron	Aesthetic	µg/L	114	≥95%	100.00%
Lead	Chronic health	µg/L	2	≥97%	100.00%
Manganese	Chronic health	µg/L	114	≥97%	100.00%
Manganese	Aesthetic	µg/L	114	≥95%	100.00%
Mercury	Chronic health	µg/L	2	≥97%	100.00%
Nickel	Chronic health	µg/L	2	≥97%	100.00%
Selenium	Chronic health	µg/L	2	≥97%	100.00%
Uranium	Chronic health	µg/L	2	≥97%	100.00%
Chemical determinands - organic					
Total Organic Carbon	Chronic health	µg/L	2	≥97%	100.00%
Total Trihalomethanes (combined ratio)	Chronic health		2	≥97%	100.00%
Chloroform	Chronic health	µg/L	2	≥97%	100.00%
Bromoform	Chronic health	µg/L	2	≥97%	100.00%
Dibromochloromethane	Chronic health	µg/L	2	≥97%	100.00%
Bromodichloromethane	Chronic health	µg/L	2	≥97%	100.00%
Microcystin (Total)	Chronic health	µg/L	2	≥97%	100.00%
Phenols	Aesthetic	ue/L	2	≥95%	100.00%

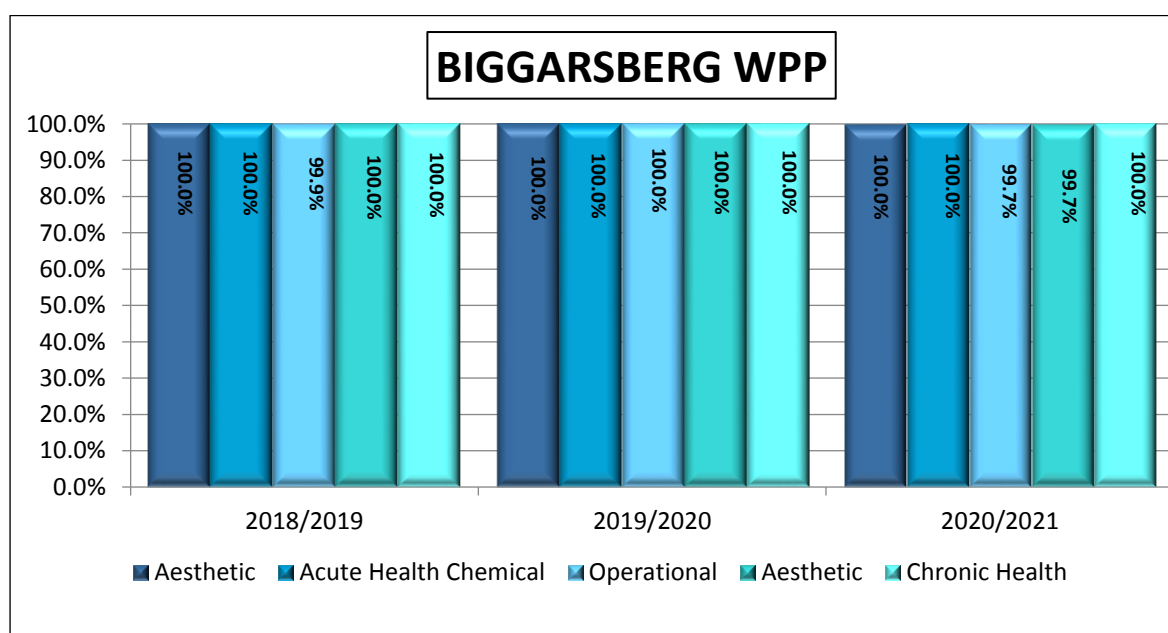
**Graph 1: Bulk Potable Water Quality Compliance per risk category for Ngagane Water Purification Plant**



**Biggarsberg Water Purification Plant**

During this financial year, Biggarsberg Water Purification Plant continued to supply good quality potable water, maintaining the compliance of various risk categories above 99% as shown in graph 2. The operational and aesthetic non-compliances were attributable to slightly increased turbidity levels and increased manganese levels respectively.

**Graph 2. Bulk Potable Water Quality Compliance per risk category for Biggarsberg Water Purification Plant**



**Table 2: Bulk Potable Water Quality Compliance per determinant based on SANS 241:2015: Biggarsberg Water Plant 2020/2021**

			Biggarsberg		
Determinand	Risk	Unit	No. of results	Required Compliance	Compliance
Microbiological determinands					
E.coli count	Acute health	Count per 100 mL	175	≥97%	100.00%
Cryptosporidium spp	Acute health	Count per 10 L	1	≥97%	100.00%
Giardia spp	Acute health	Count per 10 L	1	≥97%	100.00%
Total Coliforms	Operational	Count per 100 mL	175	≥93%	100.00%
Heterotrophic Plate Count	Operational	Count per mL	176	≥93%	100.00%
Somatic Coliphages	Operational	Count per 10 mL	1	≥93%	100.00%
Physical and aesthetic determinands					
Colour as mg/L	Aesthetic	mg/L Pt-Co	77	≥93%	100.00%
Conductivity at 25C in mS/m	Aesthetic	mS/m	175	≥93%	100.00%
Total Dissolved Solids as mg/L	Aesthetic	mg/L	175	≥93%	100.00%
Turbidity in NTU	Operational	NTU	311	≥93%	99.04%
Turbidity in NTU	Aesthetic	NTU	311	≥93%	100.00%
pH at 25C in pH units	Operational	pH units	314	≥93%	100.00%
Chemical determinands - macro					
Free Chlorine	Chronic health	mg/L	314	≥95%	100.00%
Monochloramine	Chronic health	mg/L			
Nitrate	Acute health	mg/L	77	≥97%	100.00%
Nitrite	Acute health	mg/L	77	≥97%	100.00%
Combined nitrate plus nitrite	Acute health		77	≥97%	100.00%
Sulphate	Acute health	mg/L	77	≥97%	100.00%
Sulphate	Chronic health	mg/L	77	≥95%	100.00%
Flouride	Chronic health	mg/L	77	≥95%	100.00%
Ammonia	Aesthetic	mg/L	1	≥93%	100.00%
Chloride	Aesthetic	mg/L	1	≥93%	100.00%
Sodium	Aesthetic	mg/L	1	≥93%	100.00%
Zinc	Aesthetic	mg/L	1	≥93%	100.00%
Chemical determinands - micro					
Antimony	Chronic health	µg/L	1	≥95%	100.00%
Aluminium	Operational	µg/L	77	≥93%	100.00%
Arsenic	Chronic health	µg/L	1	≥95%	100.00%
Barium	Chronic health	µg/L	1	≥95%	100.00%
Boron	Chronic health	µg/L	1	≥95%	100.00%
Cadmium	Chronic health	µg/L	1	≥95%	100.00%
Total Chromium	Chronic health	µg/L	1	≥95%	100.00%
Copper	Chronic health	µg/L	1	≥95%	100.00%
Cyanide (recoverable)	Acute health	µg/L	1	≥97%	100.00%
Iron	Chronic health	µg/L	77	≥95%	100.00%
Iron	Aesthetic	µg/L	77	≥93%	100.00%
Lead	Chronic health	µg/L	1	≥95%	100.00%
Manganese	Chronic health	µg/L	77	≥95%	100.00%
Manganese	Aesthetic	µg/L	77	≥93%	96.10%
Mercury	Chronic health	µg/L	1	≥95%	100.00%
Nickel	Chronic health	µg/L	1	≥95%	100.00%
Selenium	Chronic health	µg/L	1	≥95%	100.00%
Uranium	Chronic health	µg/L	1	≥95%	100.00%
Chemical determinands - organic					
Total Organic Carbon	Chronic health	µg/L	1	≥95%	100.00%
Total Trihalomethanes (combined)	Chronic health		1	≥95%	100.00%
Chloroform	Chronic health	µg/L	1	≥95%	100.00%
Bromoform	Chronic health	µg/L	1	≥95%	100.00%
Dibromochloromethane	Chronic health	µg/L	1	≥95%	100.00%
Bromodichloromethane	Chronic health	µg/L	1	≥95%	100.00%
Microcystin (Total)	Chronic health	µg/L	1	≥95%	100.00%
Phenols	Aesthetic	µg/L	1	≥93%	100.00%

## RAW WATER QUALITY

The raw water sources forms part of the Tugela catchment, of which the Buffalo River System is the biggest and is one of the most significantly polluted rivers in the Tugela catchment.

The areas discussed, and the quality concerns are based on water quality information on the points used for raw water abstraction for drinking water purposes.

### ***Buffalo River***

Acid mine drainage from numerous old coal mines and industrial pollution from the Newcastle area as well as the poor quality of the Ngagane River contributes to the poor water quality of the Buffalo river.

### ***Ncandu River***

Flows from the high-lying south-western parts of the area and meanders through an important drainage area before it enters Newcastle and joins the Ngagane River. The water flow in the river is impacted on by forestry and agricultural activities and where it enters Newcastle it is impacted on by urbanization and the water quality impacted on by industries and especially Wastewater Treatment Works effluent and sewage spillages.

Eutrophication is evident in the river due to sewage pollution and industrial activities. It causes increased sulphide etc. concentration downstream.

### ***Ingagane River***

This river rises in the high-lying southwestern parts and flows through highly transformed landscape before it meets the Ncandu river and flows into the Buffalo. Where the river meanders through the Bosworth and Ballengeich area the river is impacted upon by agriculture, industry, coal mining activities and waste dumps causing poor water quality. Where the river meets the Ncandu, an increased sulphite concentration is recorded.

### ***Ntshingwayo Dam***

The inflow into the dam originates from catchment areas higher in the mountains and mostly agriculture and forestry impacts on the inflow water quality of the dam. As graph 6 and 7 indicates, the Ntshingwayo Dam, the main raw water source's biological water quality is the best of all the raw water sources.

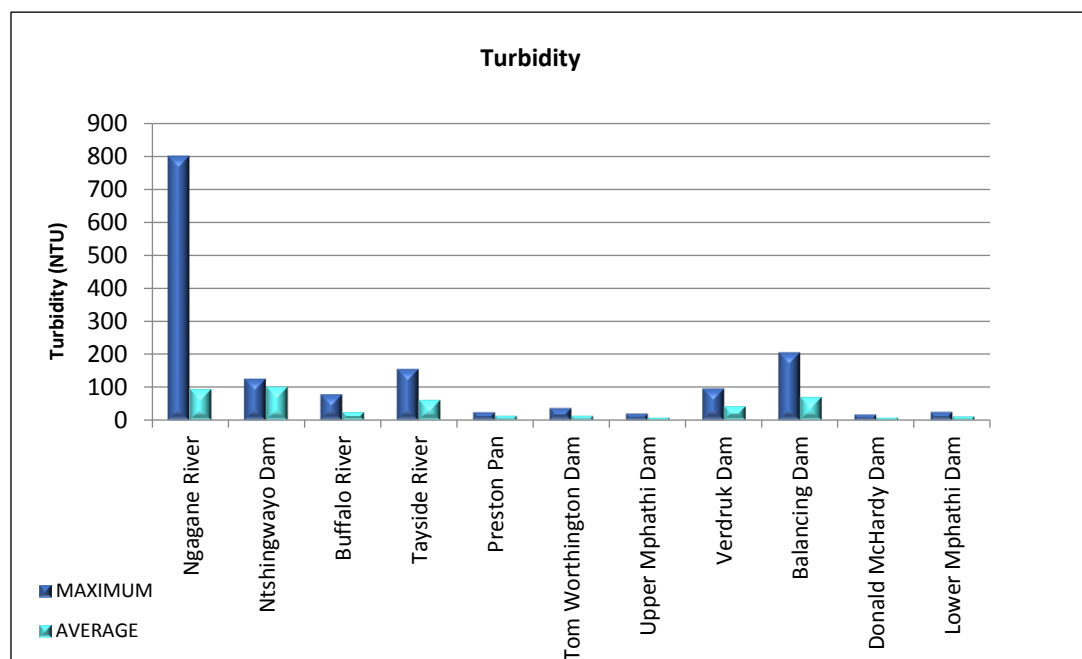
Turbidity levels average below a hundred Ntu's during the reported period (graph 3) and is classified as one of the best raw water sources in use.

There are several issues that impact source water quality, this includes not limited to; rapidly changing turbidity levels, faecal contamination and associated pathogens; and chemical constituents particularly iron and manganese as shown in graphs below. Changes in raw water quality can affect its treatability and may contribute to final water non-compliance to SANS 241 specifications.

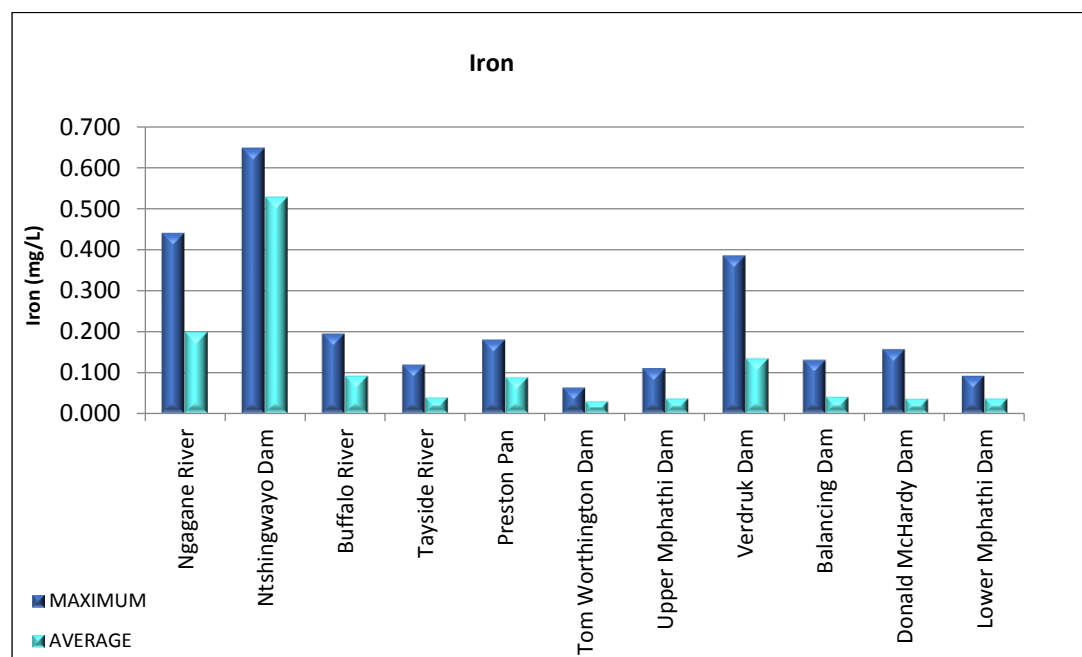
Graph 3 to 7 presents Turbidity, Iron, Manganese, *E. coli* and *Total coliform* levels in the raw water sources.



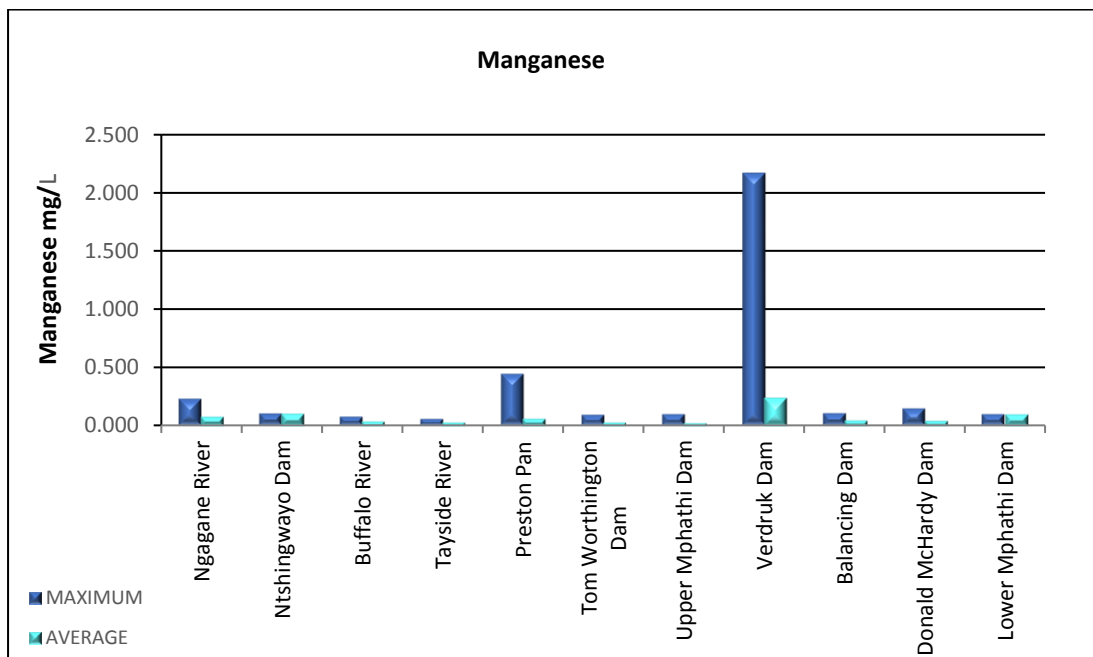
**Graph 3: Turbidity levels**



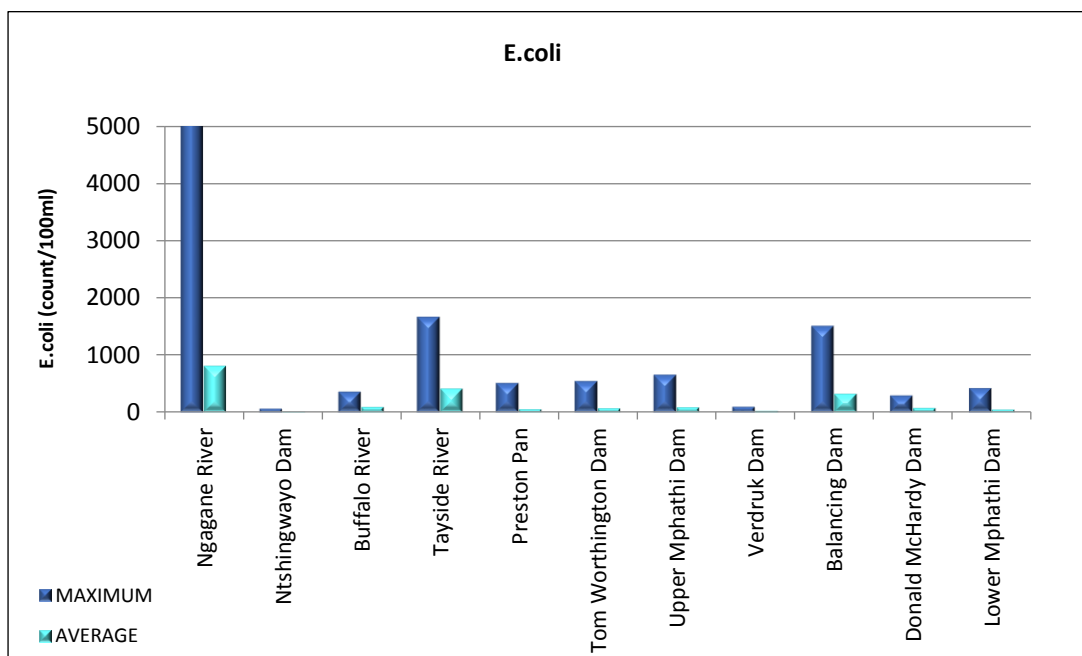
**Graph 4: Iron**



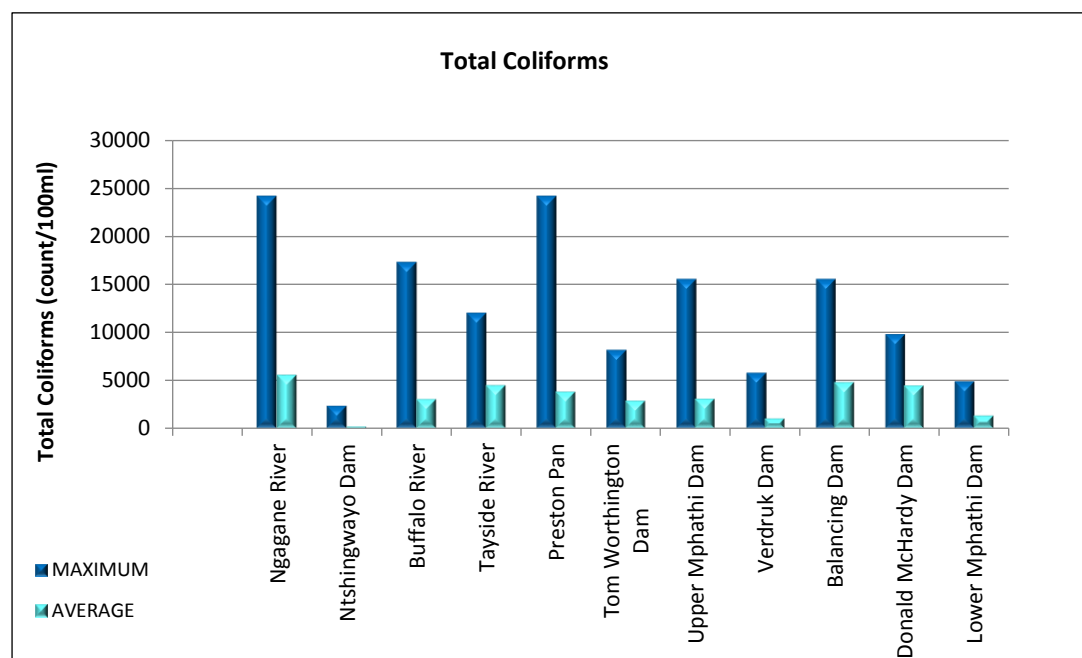
**Graph 5: Manganese**



**Graph 6: E. coli**



**Graph 7: Total coliforms**



To abate all these risks mentioned above all these water sources are continuously monitored and treatment process are proactively managed to produce potable water that comply with SANS 214:2015 requirements.

## OPERATIONS

### *Introduction*

The Operations function at uThukela Water is responsible for core business, from raw water abstraction of dam and river water, pumping and/or gravity feed of raw water to plant inlet, the purification of raw water and the supply of bulk water to demand reservoirs. The function includes the operations and maintenance of raw and final water pump stations, raw and potable bulk pipelines and water purification plants, reservoirs and associated infrastructure.

Water purification plants operated and maintained by uThukela Water includes the Ngagane Water Purification Plant in the Newcastle area (Amajuba WSA) and Biggarsberg Water Purification Plant in the Endumeni area (uMzinyathi WSA).

### RAW WATER ABSTRACTION SITES

The main sources of raw water supply for the area is the Ntshingwayo dam, Ngagane River and Buffalo River. The Buffalo River is one of the ten identified free flowing rivers in KZN, it flows undisturbed from its source to the confluence with the Blood river. It is not a very reliable source as it is seasonal dependant. The Ngagane River can also drop to very low levels during drought periods, but it is supplemented by Ntshingwayo Dam releases.

During dry periods, releases are made from Ntshingwayo Dam to augment water in the Ngagane and Buffalo rivers.

### ***Ntshingwayo Dam***

The main source of raw water supply to the Ngagane Water Purification Plant is the Ntshingwayo Dam, secondly the Buffalo River and the Ngagane River is used to supplement water to the Ngagane Plant.

Ngagane Water Purification Plant receives resource water from the Ntshingwayo Dam via two gravity pipelines. The Ngagane River is the 2<sup>nd</sup> resource, via the Ngagane River pump station and the 3<sup>rd</sup> resource is the Buffalo River, Schurwepoort weir, higher up in the Volksrust area. An average daily supply volume of 80 Mℓ /day are received from Ntshingwayo Dam. The Buffalo River's average supply volume is 25 Mℓ /day and the Ngagane River pump station supplies on average 20 Mℓ / day with one pump operational and 35 Mℓ /day with two pumps operational.

### ***Buffalo River***

The Buffalo River (Tayside weir and pump station) is the main raw water source for Biggarsberg Water Purification Plant and can deliver a daily supply volume of 15 Mℓ/day. The Buffalo River supplies 90% of the required raw water volumes to the plant. Six dams in close proximity to the plant augments the river supply. These dams are the Upper and Lower Mpathi Dam, Tom Worthington and Verdruck Dams, Donald McHardy Dam and Preston Pan.

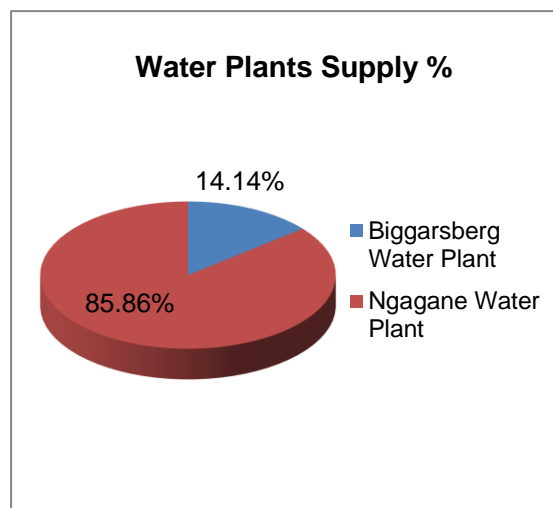
## **BULK WATER SUPPLY VOLUMES**

A total of 42 753 mega litres (Mℓ) of potable water were supplied to the three Water Services Authorities during the 2020/2021 financial year by the two Bulk Water Purification Plants. A 1.2% increase from the previous year's total supply volumes.

Amajuba consumption volumes decreased by 0.01% this financial year compared to the previous year. Newcastle consumption volumes increased by 0.93% and uMzinyathi increased by 5.15% compared to FY2019/2020 volumes.

Ngagane Water Purification plant is the major contributor to the total supply volumes, it contributes 85.86% and Biggarsberg Water Purification Plant contributed 14.14% of the total bulk water supply volumes.

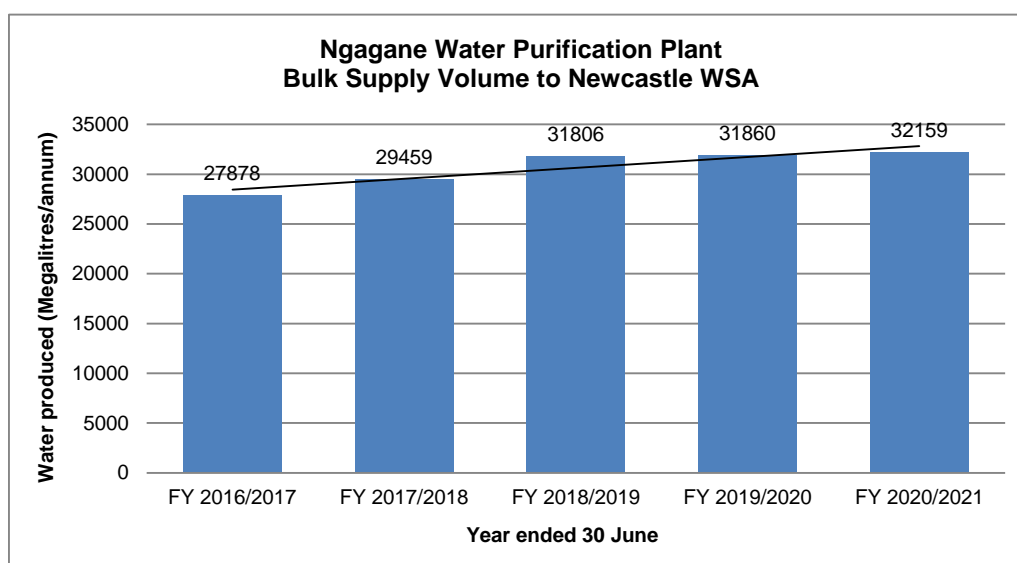
**Graph 7: Bulk Water Plants contribution percentage to the total supply volume**



#### *Ngagane Water Purification Plant*

Water produced at the Ngagane Water Plant amounted to 32159 Mℓ for the 2020/2021 financial year. The plant operated at an average daily supply volume of 88 Mℓ/day. The Ngagane Water Plant's past five years annual supply volume trend is illustrated in graph 8 below.

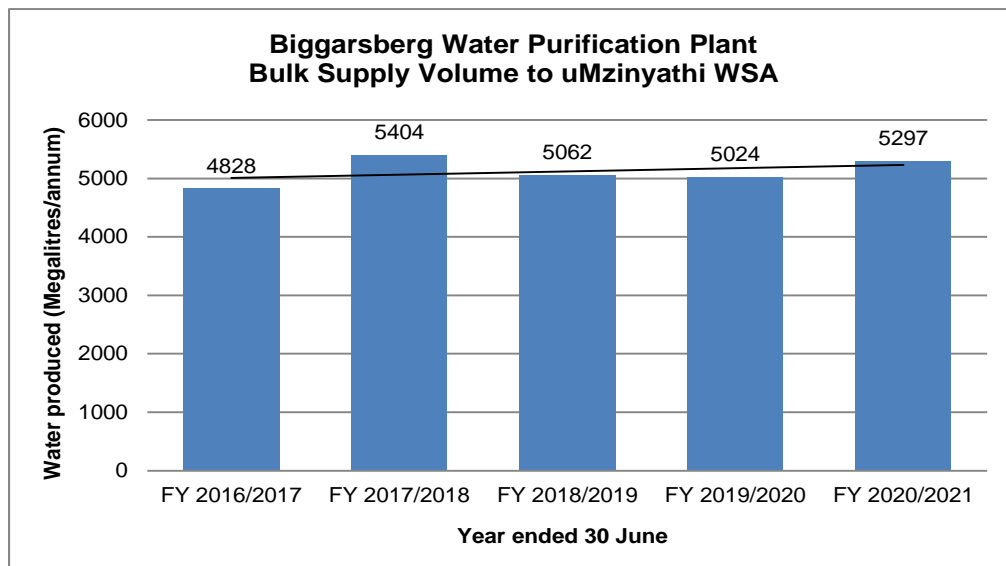
**Graph 8: Annual Ngagane Plant Production Trends in Megalitres (Mℓ)**



### ***Biggarsberg Water Purification Plant***

Water produced at the Biggarsberg Water Plant amounted to 5297 Mℓ for the 2020/2021 financial year. A daily average supply volume of 14.51 Mℓ/day was supplied for the year. The plant's past five-years supply volume trend is illustrated in graph 9 below.

**Graph 9: Annual Biggarsberg Plant Production Trends in Megalitres (Mℓ)**

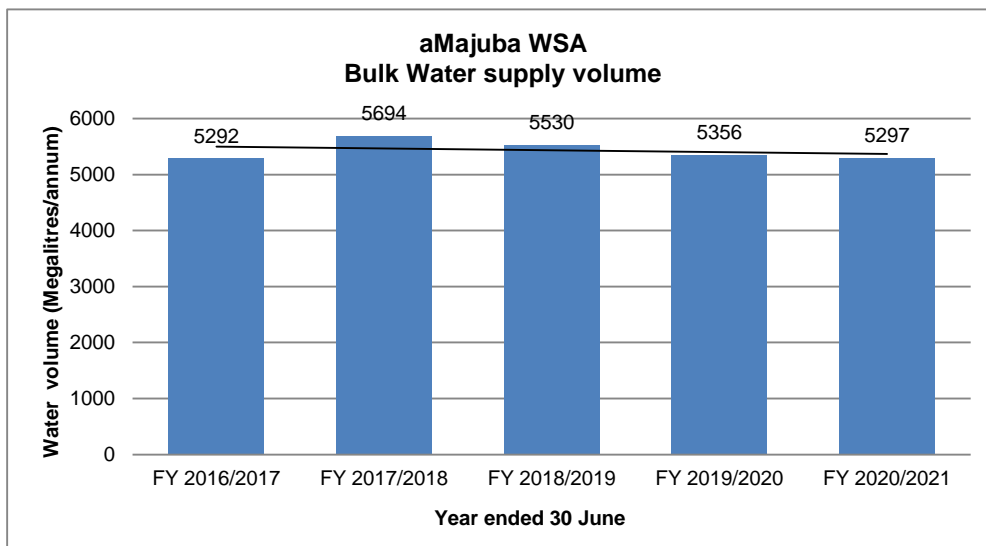


### ***Amajuba Water Supply Area***

Amajuba supply area receives bulk water from both Ngagane and Biggarsberg Plants. A total supply volume of 5297 Mℓ was received in the 2020/2021 financial year. This amounts to a daily average supply volume of 14.51 Mℓ/day. Graph 10 indicates the supply volumes over the past five years for the combined Amajuba supply area.

**Graph 10: Annual Amajuba WSA Consumption Trends in Megalitres (Mℓ)**





## WATER LOSS

uThukela Water prides itself in continues improvement of potable water supply, it therefore recognises the importance of efficient and effective water loss control in the bulk system. The main aim is to save a precious and valuable resource and increase the efficiency of the existing supply system.

The water loss control strategy can only be effective if it is a continues activity forming part of the utilities vision. The commitment and dedication at all levels within the utility determines the success of the strategy.

Water loss management is achieved with:

- Formulation of a water loss management plan.
- Continues flow monitoring which includes bulk meter accuracy assessment, meter readings and replacements plan.
- Data capturing and logging of flow and level readings as well as permanent remote data logging and recording on plant scada systems.
- Permanent system leak monitoring through actual inspections, flow readings and supply volume calculations.
- Water balance calculations and minimum night flow analysis.

The existing ultrasonic flow meter readings functions provides a Daily Flow Dashboard with Meter readings reports (excel format) and Graphed flow trends, Line pressure trends, Battery power, Antenna power trends and Events Logs of each meter. These functionalities are used by the Operations and Maintenance teams and used for billing purposes.

The current system needs to be rolled out further and the functionality of these mag flow meters used more effectively.

Proposals for the upgrading of the current plants scada systems and live real-time off-site data availability are being investigated.

Water loss is calculated over the entire system from raw water abstraction to potable supply points, demand reservoirs.

The total water loss percentage for the entire uThukela Water utility is 9.93% for the FY 2020/2021.

The water loss is calculated from the raw water abstraction points to the inlet to the Water Purification Plants, the purification plants process water losses, and to bulk metered supply points, bulk reservoir inlets, where the WSA's metered billing points are. The flow meters are monitored, and a maintenance program is out rolled to allow accurate and consistent flow meter readings for accurate water loss calculations over the entire water supply system.

## **MAINTENANCE MANAGEMENT**

The provision of sustainable bulk water services by uThukela Water is largely asset dependent. Well managed and maintained infrastructure will support good social and economic stability. The repairing or replacing of assets is costly therefore effective maintenance of assets involves making provision for on-going cost on a planned basis and trends to limit asset failure. The implementation of effective maintenance management strategies ensures that infrastructure and asset stability is maintained.

The implementation of Asset Maintenance Planning is aimed at ensuring that assets remain productive at the lowest possible long-term cost and involves:

- A detailed functional analysis of maintenance needs that meet the required service delivery outcomes
- The development of maintenance strategies
- The institution of procedures to ensure adequate control of the implementation of a maintenance plan.

During the past year new asset replacements, refurbishments and upgrades have resulted in and contributed to an increase in performance, reduced costs and life span extension of asset components. The drive to have assets perform at an optimum level was given high priority. This was achieved by the utilization of a Maintenance Plan which also incorporates an asset grading system.

### ***Asset Maintenance***

The implementation of the Asset Maintenance Strategy succeeded in directing asset maintenance thereby achieving optimal results. A maintenance plan is of key importance in the strategic management of assets over its useful lifespan.

The objective of this strategy is to develop maintenance and minor works plans for assets, which correlate and quantify the maintenance requirements for service delivery, asset performance standards and risk management for all assets as defined/segmented in the asset strategy

The following benefits were derived from the Maintenance Management System namely:

- The minimization of breakdown time
- Improvement in total availability of the system with optimum capacity
- Extended useful life of asset and equipment
- Safety of personnel and assets

An asset grading system in conjunction with the Maintenance Plan is based on asset assessment and was utilized in order to establish the nature of maintenance action required with regard to maintenance being conducted, refurbishments, the upgrading of assets and infrastructure.

Maintenance activities included:

- Reconditioning of pumps and motors
- Replacement of valves
- Performing condition monitoring at pump stations
- Cleaning and repairs of clarifiers
- Installation of safety signage.
- Repairs of burst pipes
- Repairs, calibration and replacement of flow meters and ultrasonic level indicators.
- Filter and filter equipment refurbishment and replacement.
- Vehicle repairs and services.
- Buildings and grounds refurbishment and repairs.

<b><u>Planned Maintenance</u></b>	<b><u>Corrective Maintenance</u></b>
The cleaning and the removal of sludge from the sludge dams located at the Ngagane Water Purification Plant.	The replacement of a soft starter for the vertical driven pump at the Ngagane River pump station.
Reconditioning of a Backwash pump at the Ngagane Water Purification Plant.	The repairing of Electronic flow meters on raw water and potable water pipelines.
Reconditioning of a horizontal split-casing pump at the main pump station located at the Ngagane Water Purification Plant.	The repairing and clearing of blockages on the Lime feeder system at the Ngagane Water Purification plant.
Electrical transformer oil analysis and purification thereof was carried out at relevant water purification plants and pump stations.	Repairs were carried out on the AC Pipeline to the Hilddrop reservoirs. This ensured that water losses were reduced.
The servicing of the electrical switchgear in the electrical sub-station located at the Ngagane Water Purification Plant.	Servicing and repairing of the electrical actuators at the plant filters at the Ngagane Water Purification plant.
Inspection and servicing of pumps, electrical motors and panels at Water Purification plants and pump stations.	Repairs to the Scada/telemetry system at Water Purification Plants and pump stations was carried thereby restoring communications.

The installation of new isolating and air-valves on the Buffalo river pipeline and on the Tayside raw water pipeline.	Repairing of the Cathodic protection TRU units and cabling on the Tayside raw water pipeline and the Ntshingwayo raw water pipeline.
The installation of a new septic tank at the Tayside High Lift pump station.	The installation of a reconditioned multi-stage pump at the Verdruk pump station.

Examples of maintenance activities performed in FY 2020/2021

### **Ngagane and Biggarsberg Water Purification Plants**



Installation of reconditioned Split - casing pump at the Ngagane Water Purification Plant



Inspection and servicing of Electrical motor at the Ngagane WPP



Cleaning a  
sludge dam at  
Ngagane WPP



Fabrication of  
a platform for  
the Clarifier at  
Tayside pump  
station





Installation of  
a strainer at  
backwash  
recovery  
Ngagane WPP



Installation of  
a non-return  
valve at the  
Glencoe pump  
station



Repairing of  
TRU unit on  
the Tayside  
raw water  
pipeline





Installation of  
a Multi-stage  
pump at the  
Verdruk pump  
station



Repairing a  
coupling on  
Kilbarchan  
pipeline to the  
reservoirs



Removal of the  
Electrical  
motor repair  
Tayside high  
lift pump no.2



Installation of  
an Electronic  
flow meter at  
the Ngagane  
WPP

## **ENGINEERING**

### **Foreword**

The Engineering Department is mandated to identify, initiate, coordinate, negotiate, plan and manage the strategic direction regarding the growth of the business of uThukela Water in terms of infrastructure and resources, and to assess and advise on the bulk water supply systems performance and raw water resource utilisation and availability.

The department is also responsible for developing, implementing and maintaining a Safety, Health, Environment and Quality Management System/ program for uThukela water to ensure continual improvement of the SHEQ system and compliance with SHEQ related statutory and regulatory requirements.

### **Projects**

#### **Newcastle**



The Condition assessment of Plant unit 1 at Ngagane Water Treatment Plant recommended that sludge concentrating cones be installed in all the 17 clarifiers in unit one. The purpose of these cones is to address the issue of excessive desludging which resulted in a lot of water losses. Surplus sludge should be withdrawn from the sludge blanket zone instead of from the bottom of the sedimentation tank. The sludge decanter cone is supposed to make this possible (withdrawing sludge from the sludge blanket).

A Pilot sludge cone was installed successfully on clarifier No. 7 and tests are underway to quantify the amount of water losses that have been minimised by this installation before it can be installed on the remaining clarifiers.



Mariswe was appointed to carry out the condition assessment of the Schwepoort pipeline. They released a conceptual design report which revealed the work that needs to be done to optimise the operation of the pipeline. A business plan is being prepared to seek funds to address the issues identified in the report. An estimated R8,000.000 is required to carry out this work.

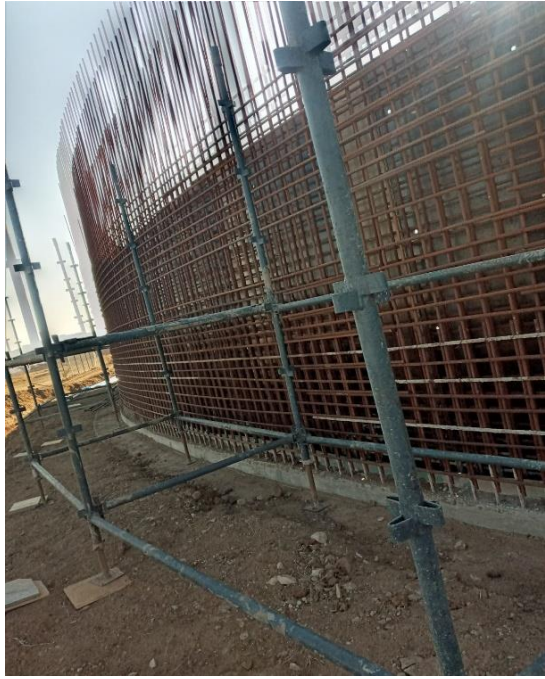
## **AMAJUBA**

### **Braakfontein Reservoir**

A new 20ML Concrete reservoir is being constructed at Braakfontein to feed the Buffalo Flats area of Amajuba. The WSA is implementing this project on their own.

RHDHV were appointed as the consultants for this project and Umzulu Trading JV Makhukhu Development were the appointed Contractors for the project.





Reinforcing steelwork for reservoir walls

### **UMZINYATHI**

Tayside phase 2 and 3 project are underway with Mariswe as the consultant and Makheleni Construction as the contractor. This phase entails the following scope of work.

TAYSIDE ABSTRACTION WORKS DROUGHT RELIEF REFURBISHMENT			
Phase 2-High Lift Pumping Station			
ITEM	QTY	UNIT PRICE	TOTAL
New high lift pumps	3	R 2 800 000.00	R 8 400 000.00
New soft-starters for high lift pumps	3	R 850 000.00	R 2 550 000.00
New 6.6kV 4 panel board including reprograming of PLC etc	1	R 750 000.00	R 750 000.00
Associated new pipework and refurbishment of existing pipework	3	R 250 000.00	R 750 000.00
Electrical actuators for valves	3	R 78 000.00	R 234 000.00
Application fee for upgraded supply from eskom ( from qoute Dun138017828)	1	R 800 000.00	R 800 000.00
insulation, patch concrete bun walls, bird proofing, drainage, airvents, roller shutter door etc	1	R 250 000.00	R 250 000.00
New Razor mesh boundary fencing	510	R 550.00	R 280 500.00
New Pedestrian access gates	1	R 6 300.00	R 6 300.00
<b>Subtotal A</b>			R 14 020 800.00
Add 15% for preliminary and general costs			R 2 103 120.00
<b>Subtotal B</b>			R 16 123 920.00
10 % Contingencies			R 1 612 392.00
<b>Subtotal C</b>			R 17 736 312.00
Add 15% VAT			R 2 660 446.80
<b>Total construction Costs</b>			<b>R 20 396 758.80</b>
<b>Professional Fees estimation based on 14% of the total construction cost( excluding dispersments)</b>			<b>R 2 855 546.23</b>
<b>Total Project cost excluding specialist services</b>			<b>R 23 252 305.03</b>

TAYSIDE ABSTRACTION WORKS DROUGHT RELIEF REFURBISHMENT			
Phase 3-Existing 450mm K9 Ductile iron pipeline			
ITEM	QTY	UNIT PRICE	TOTAL
Refurbish existing air and scour valve installations on rising main	35	R 35 000.00	R 1 225 000.00
Refurbish existing surge tank and associated valves	1	R 80 000.00	R 80 000.00
Refurbish inline isolation valve chambers complete	3	R 200 000.00	R 600 000.00
Refurbish/address corossion proctection on the rising main	1	R 2 500 000.00	R 2 500 000.00
Additional 16.75m diamter clarifier	1	R 400 000.00	R 400 000.00
Additional 500kl balancing reservoir	1	R 2 800 000.00	R 2 800 000.00
<b>Subtotal A</b>			R 7 605 000.00
Add 15% for preliminary and general costs			R 1 140 750.00
<b>Subtotal B</b>			R 8 745 750.00
10 % Contingencies			R 874 575.00
<b>Subtotal C</b>			R 9 620 325.00
Add 15% VAT			R 1 443 048.75
<b>TOTAL</b>			<b>R 11 063 373.75</b>
<b>professional Fees estimation based on 14% of the total construction cost( excluding dispersments)</b>			<b>R 1 548 872.33</b>
<b>Total Project cost excluding specialist services</b>			<b>R 12 612 246.08</b>



Additional 500Kl balancing reservoir



Additional 500Kl balancing reservoir

### Bulk Water Master Plan update/ Business Plans

The department is responsible for planning short, medium- and long-term solutions for water supply to the region. To carry out this mandate, quarterly meetings are scheduled to meet with the three WSAs and plan for bulk water supply to the region. These meetings are being scheduled but the non-attendance by officials from the WSAs has derailed the process. This is resulting in individual WSAs submitting bulk water business plans in silos and defeats the purpose of the existence of the bulk water entity as it is in a better position to look at the regional requirements holistically.

### **Covid-19 and the workplace**

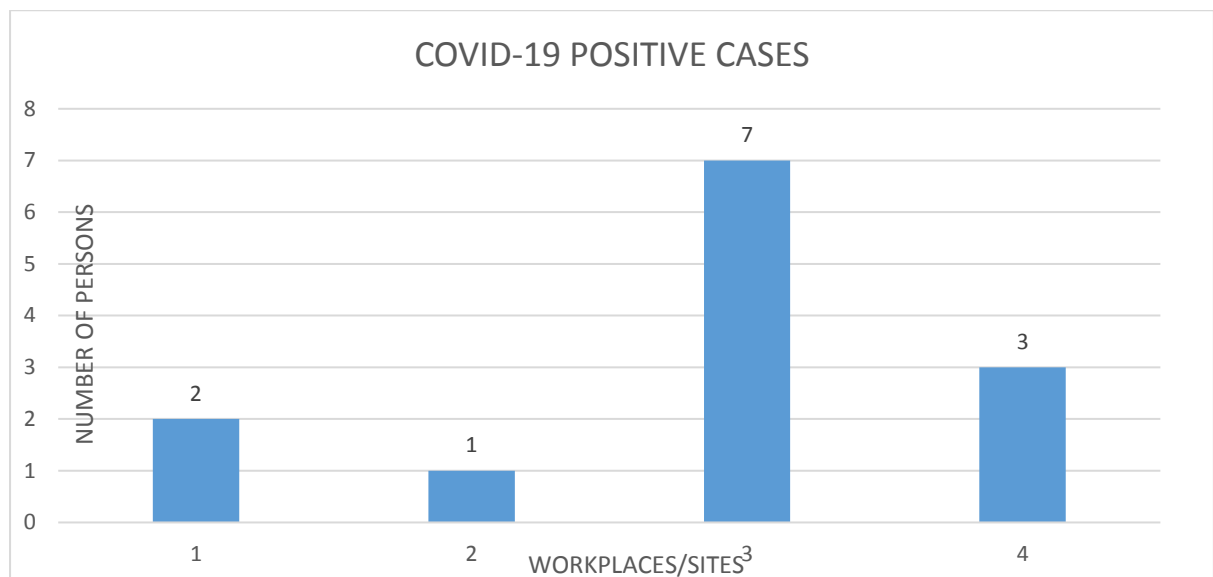
Frequent risk assessments are conducted whenever the situation demands so e.g. whenever the President announces a move to a lower or a higher alert level lockdown. A workplace plan is also in place to make employees work safely during this time of the pandemic. The company developed a Covid-19 Safety Policy, appointed a compliance Officer as well as Compliance employees/ These work hand in hand with a designated Covid-19 Communication champion who communicates all Covid-19 related communiques to all staff members.

All sites, Ngagane Water Treatment Plant, Biggarsberg Water Treatment Plant, The Laboratory and the Head office are frequently fumigated. The company acquired its own fogger and trained staff on how to use the fogger. A schedule was then developed for when each site will be fumigated routinely. Sites are also fumigated as and when there are cases identified.

As of the end of June 2021, the workplace statistics are as follows:

### **Covid-19 statistics at uThukela water (Pty) Ltd**

<b>HEAD OFFICE</b>	<b>LABORATORY</b>	<b>NGAGANE WTP</b>	<b>BIGGARSBERG WTP</b>	<b>TOTAL</b>	<b>RECOVERED</b>	<b>DEATHS</b>	<b>VACCINES ADMINISTERED</b>
2	1	7	3	13	13	0	5



1: HEAD  
OFFICE

2:  
LABORATORY 3: NGAGANE

4:  
BIGGARSBERG



# Financial Performance





# FINANCIAL PERFORMANCE

Five Year Financial Review					
	2021	2020	2019	2018	2017
<b>Capital Expenditure</b>	<b>1 258 341</b>	<b>1 648 854</b>	<b>18 661 411</b>	<b>3 927 556</b>	<b>6 911 637</b>
Total capital transfers recognised	-	222 372	13 598 135	-	2 553 079
Borrowing	-	-	-	-	-
Accumulated Funds	1 258 341	1 426 482	5 063 276	3 927 556	4 358 558
<b>Water services: bulk water sales</b>	<b>165 403 505</b>	<b>148 550 115</b>	<b>128 439 901</b>	<b>114 978 266</b>	<b>94 664 427</b>
<b>Average bulk water cost per Kl produced</b>	<b>3.81</b>	<b>3.46</b>	<b>3.03</b>	<b>3.15</b>	<b>2.90</b>
<b>Financial Position</b>					
Total current assets	194 713 303	151 757 865	111 934 609	99 292 996	61 593 909
Total non current assets	789 451 219	867 454 343	936 160 385	965 994 728	1 068 165 554
Total current liabilities	422 035 966	370 175 393	316 414 535	278 836 748	235 142 680
Total non current liabilities	11 963 630	9 821 457	10 192 126	10 492 040	10 257 209
Accumulated funds and share capital	<b>550 164 926</b>	<b>639 215 358</b>	<b>721 488 232</b>	<b>775 958 936</b>	<b>884 359 574</b>
<b>Cash Flows</b>					
Net cash from (used) operations	10 612 266	7 652 415	2 033 404	19 308 280	11 397 703
Net cash from (used) investing	- 1 258 341	- 1 648 854	-16 778 498	-3 927 556	-6 911 637
Net cash from (used) financing					
Net increase/ (decrease) in cash and cash equivalents	<b>9 353 925</b>	<b>6 003 561</b>	<b>-14 745 093</b>	<b>15 380 724</b>	<b>4 486 066</b>

Financial Indicators/Ratios					
	2021	2020	2019	2018	2017
Employee related costs to total expenditure ratio excl depreciation	33%	32%	32%	34%	27%
Employee related costs to total expenditure ratio incl depreciation	23%	22%	21%	18%	14%
Number of permanent employees at year end	87	87	91	94	86
Repairs and maintenance costs to total expenditure ratio excl depreciation	3%	2%	3%	3%	2%
Repairs and maintenance costs to total expenditure ratio incl depreciation	2%	1%	2%	2%	1%
Current ratio (current assets/current liabilities)	- 2.17	- 2.44	- 2.83	- 2.81	- 3.82

# FINANCIAL OVERVIEW IN GRAPHIC FORM

## INTRODUCTION

---

The review is an analysis of key areas of financial performance, operational results and financial position of the Company and must be read in conjunction with the annual financial statements presented with this report.

## HIGHLIGHTS OF FINANCIAL PERFORMANCE

---

### General

The Entity delivers on its mandate to provide bulk water services to its shareholder municipalities under severe financial constraints and trades under difficult circumstances with;

- Curtailed and restricted water budgets due to affordability factors which should in fact not impact on basic water delivery.
- The absence of a capital budget to implement business and bulk water master plans.
- Grant funding not paid directly to entity resulting in delays to water projects.
- Delays with payment for bulk services impacting on cash flows and the ability to operate unrestricted in terms of its goals and objectives.

### Solvency and cash flow

Cash flow increased over the last year from R 20 070 160 to R 29 424 084 despite persistent non-payment by some of the shareholders. On the contrary more funds were invested in short term call investments due to the deteriorating shareholder payments to provide a buffer in times of non-payment and this is barely sufficient to sustain the Entity for a period of two months. Should the municipalities update and pay their current bulk billing accounts up to date, it would bring the Entity into a favourable position enabling it to operate effectively and efficiently as it should be doing under normal circumstances.

### Budgets and planning

The alignment of the entities operational and capital budgets and IDP'S/Bulk Water Master Plan to that of the shareholder municipalities and moving towards a volume based bulk tariff driven business has still not been fully realised during the year.

For the water business and model to operate effectively, this is a priority, and must be a short-term goal to be achieved by all concerned.

### Bulk water tariff

Although the principle of a single Bulk water tariff was approved and applied during the year for Bulk water service cost recovery purposes, the municipalities are still not paying for their services regularly as they should be doing and this is placing undue stress on the entity to effectively deliver on its mandates to the shareholders.

The bulk water tariff of R 3, 81 cents per kilolitre, measures very favourably against the National norm of about R 8, 75 cents per kilolitre. The Shareholders have unfortunately not accepted the inclusion of a capital element within the bulk tariff structure. The Board has consequently got no capital accumulations to perform necessary and planned refurbishment and upgrades to its old and ailing water infrastructure. This anomaly has been identified and documented in the Boards Risk Management Plan. The municipalities also do not pay depreciation charges to the entity to perform capital replacements.

### **Creditor, Raw water charges, Department of Water and Sanitation**

It will be noted in the statement of financial position that there is a substantial amount owing to the Department of Water and Sanitation for unpaid raw water charges amounting to approximately R 405.5 million, and this is due to the municipalities not settling their old shortfall debt and current DWA raw water charges. The Minister of Water Affairs raised this matter in Parliament recently and it is imperative that this matter be finalised as a matter of priority.

The cost of raw water purchases levied by the Department is in terms of their National Water Pricing Policy and is an integral cost component of bulk water production.

This entity is currently engaged with the Department to finalise outstanding queries and to deal with certain issues pending the formulation of an agreement to settle the arrears.

### **Payment for bulk water services**

All three municipalities have approved their bulk water service operational budgets based on the costs of providing the service and at the cost recovery tariff of R 3, 81 c per kilolitre.

The challenge is that the municipalities are not paying their monthly billing as contracted.

### **Capital requirements for infrastructure**

A capital budget comprising of most urgent and immediate capital requirements of approximately R 227 million was submitted to the WSA's for approval, unfortunately no capital budget was approved by the shareholders.

Furthermore, full depreciation charges are not provided by the Shareholder municipalities. Currently the municipalities pay minimal depreciation charges to the Entity.

### **Restrictions to implementation of adequate maintenance programs**

It must be noted that the bulk water service infrastructures are not being maintained and upgraded in terms of best practices due to the lack of available resources to do so, and the inability due to affordability factors of WSA's to pass on funding to the entity for this purpose.

The industry norm for maintenance provision is 7, 5 % of infrastructure asset value.

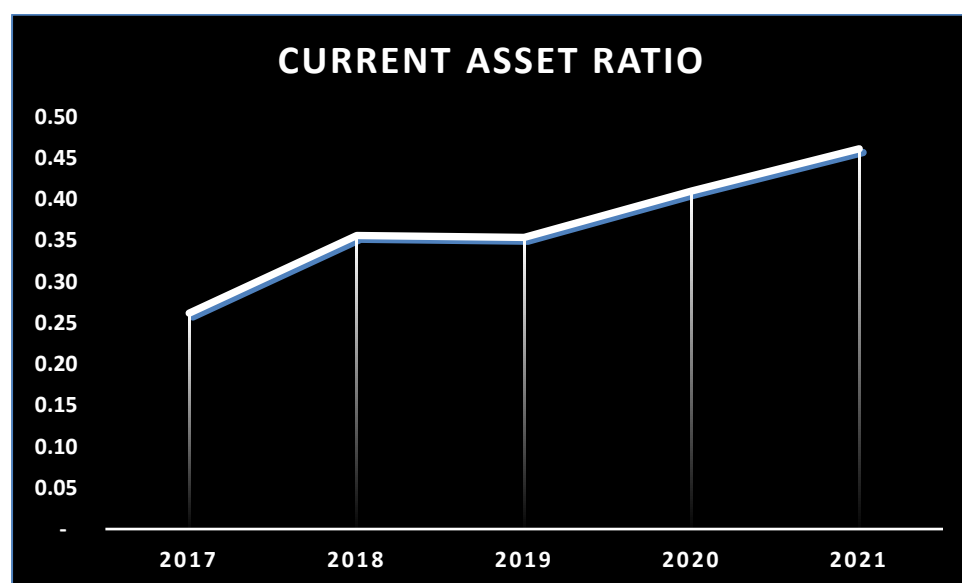
## Loans

The Entity's external debt was either fully redeemed or transferred back to the municipalities with the transfer of reticulation services back to the municipalities at the end of June 2013.

The Entity had the capacity to raise external loan debt off its balance sheet, but unfortunately due to the impending incorporation into a new water structure this avenue has not been pursued.

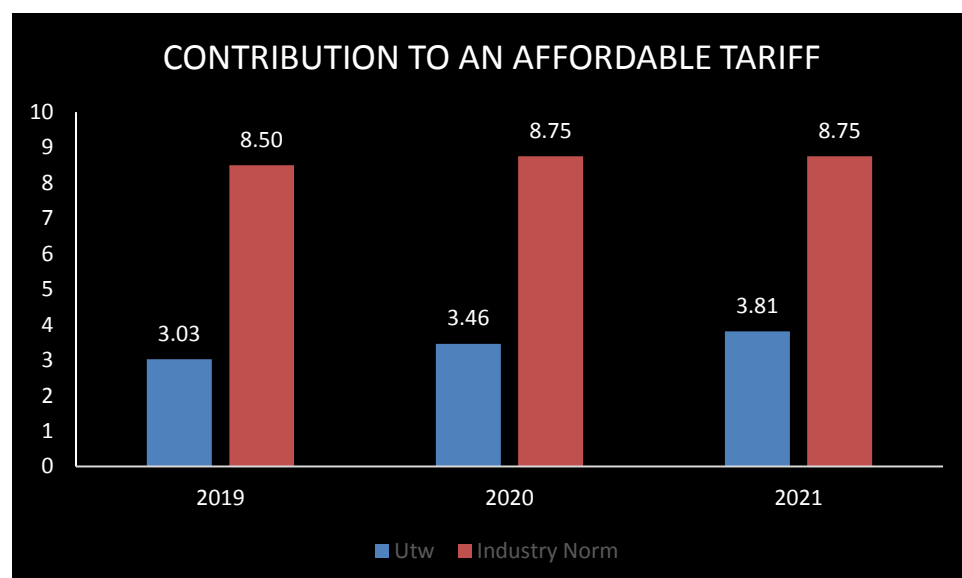
## Current Asset Ratio

The unfavourable current asset ratio throughout the five years is due to the non-payment of the DWA raw water charges by the entity, because of poor payment from the WSA's.



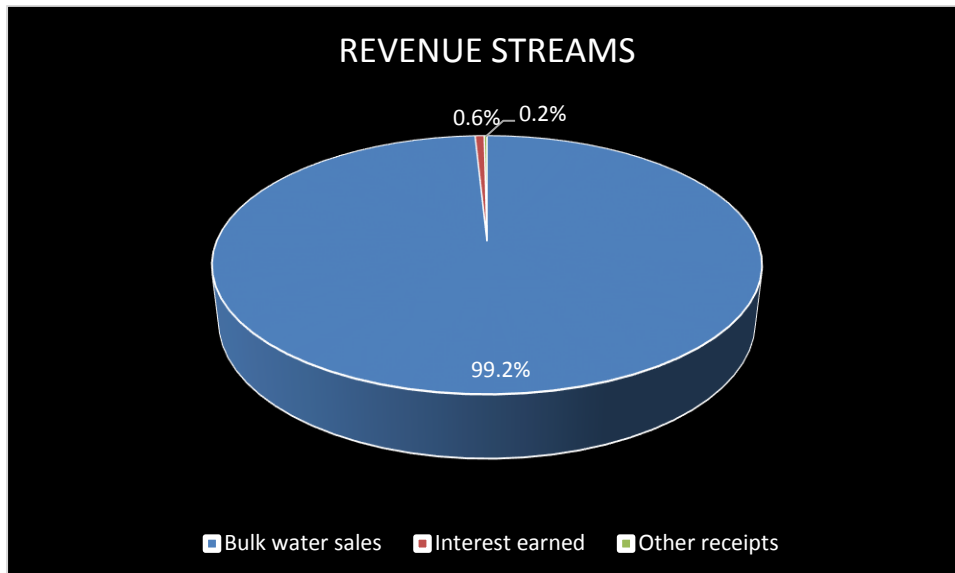
## CONTRIBUTION TO AN AFFORDABLE TARIFF

The Boards bulk tariff is well within the industry norm and unfortunately does not include a capital element or include depreciation charges.



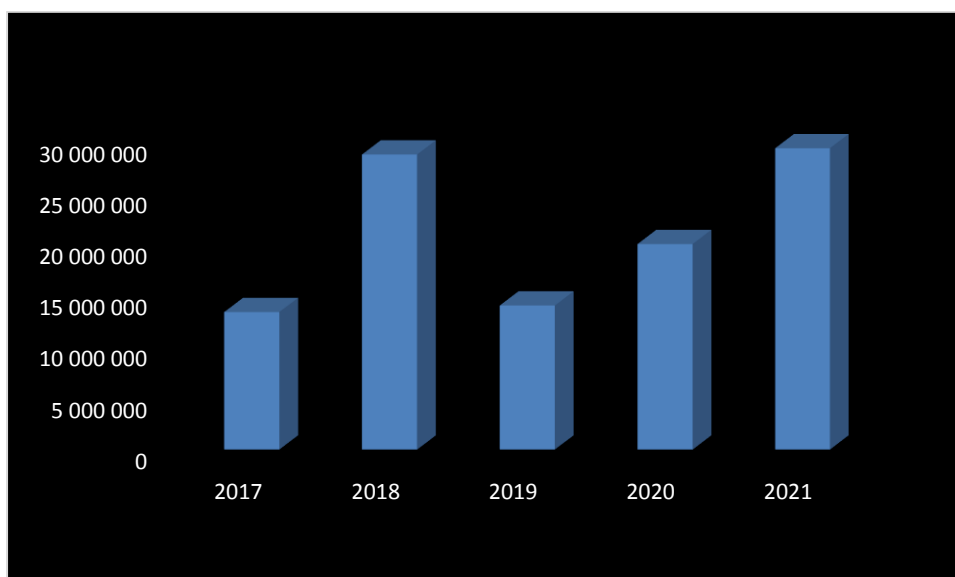
## Income categories

A depiction of the revenue streams of the Entity



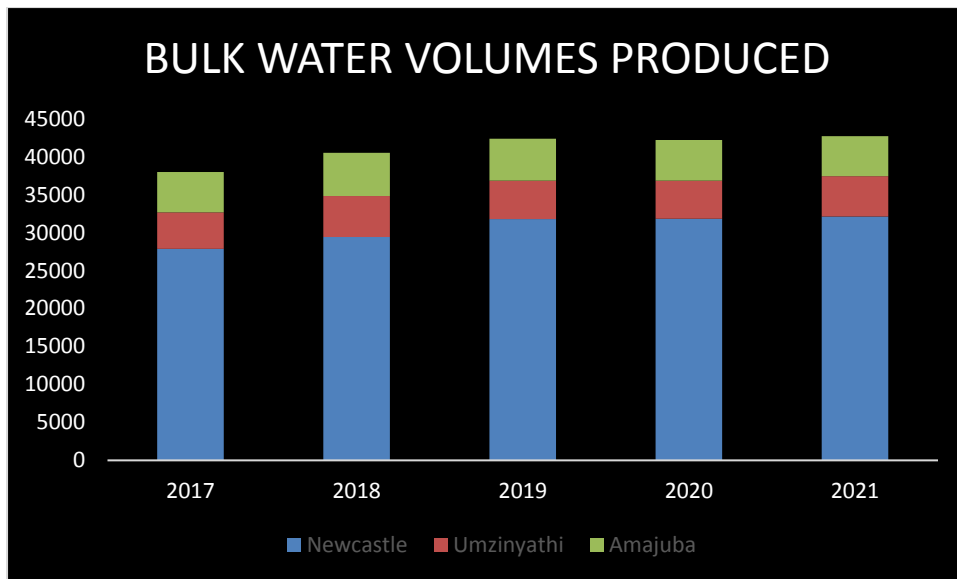
## Cash and Investment Holding

The Entity's cash and investment holding has been strained due to non-payment by the municipalities and currently provides cover for about 2 months of operations.

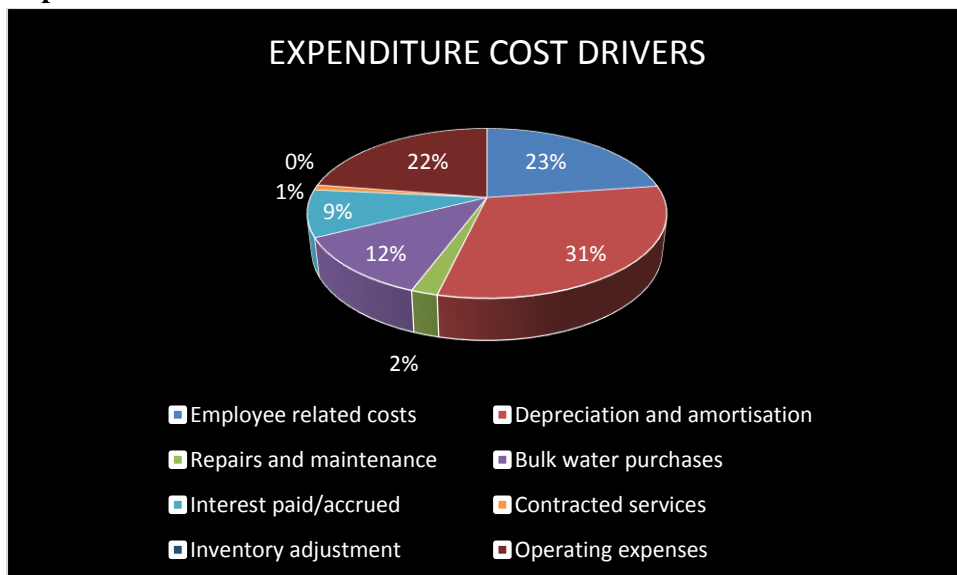


## Bulk Water Production Volumes

Bulk water production reflect lower volumes in 2017 and 2018 due to the drought experienced then and then a return to normal demands in 2019.

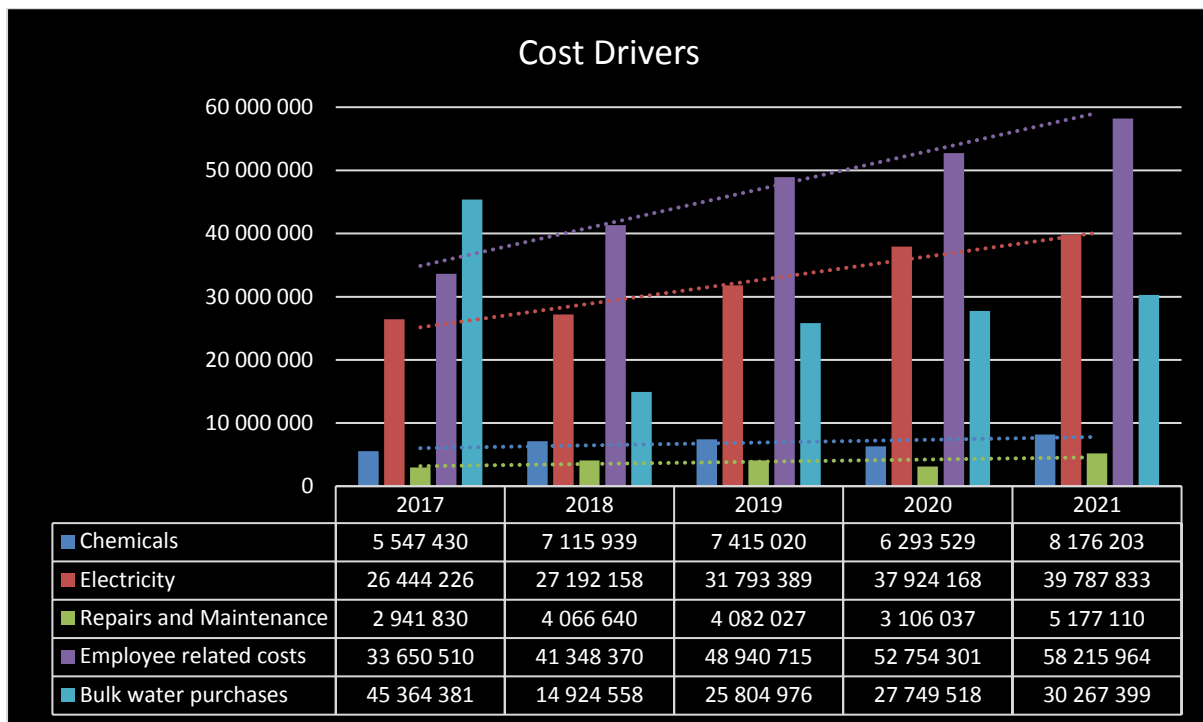


#### Expenditure Cost Drivers



An analyses of expenditure cost drivers.





## Chemical Costs

The chemical costs follow the same trend, except for 2020, as the bulk water volume and have increased by the inflationary rate.

## Electricity Costs

Energy costs show the same trend as the bulk water volumes and a steady increase in these costs.

## Repairs and Maintenance

The repairs and maintenance category show a general upward trend after following the bulk water volume production matrix.

The expenditure in this category should be substantially more considering the age and the condition of the water infrastructure.

At 7, 5% of total expenditure it should be more than triple the current expenditure and at 7, 5% of asset value it should be substantially higher per year. Expenditure has been curtailed due to poor payments from the WSA's.

## Employee Related Costs

Employee related costs have increased by annual increase and reflect the annual performance-based incentive scheme applicable to all levels of employees.

## Raw Water Purchases

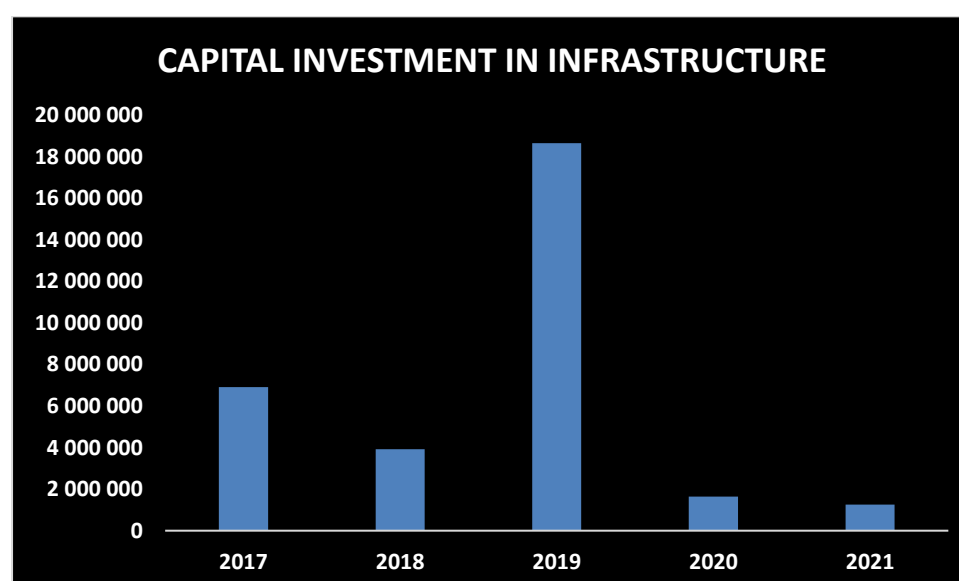
Raw water costs follow the general upward trend of the potable water volumes production

### **Investment in Capital Development Projects**

Investment into the ageing and outdated bulk water infrastructure has been abysmal considering the bulk water demands of the region.

Less than R 10 million a year, except for 2019 (R 18.6 million invested), has been invested by the Shareholder municipalities over the last eight years. The Bulk Water Master Plan envisages an investment well in excess of R 10 Billion over the next 10 years.

This is an area that requires urgent attention and will be the focus of the Board going forward.



### **CAPITAL PROJECTS**

---

Capital investment (with the entity) in water service infrastructure has decreased dramatically over the 5-year period depicted in this report. The reason for the disinvestment in infrastructure development is due to the retention of bulk water grants by the municipalities, non-payment by the municipalities, and the lack of a capital element within the bulk water tariff to fund the entities necessary capital refurbishments and upgrades.

The tariff capital element needs to be considered as a serious option to raise capital funding failing which the dependence on Government grant funding via MIG, MWIG, and the DWA will stifle infrastructure development and continue to be a high risk to the Board and Shareholders.

The Board has proposed several tariff models for consideration which indicate that a simple capital levy of R 1, 00 per kilolitre of water produced and sold will raise approximately R 45 Million per annum for capital upgrades and refurbishment.

The Board has targeted the next financial year to jointly with its shareholders re-strategize and prioritize water capital development requirements and to target key areas of the bulk water master plan for short medium- and long-term implementation.

The immediate needs are a new water resource and a new water treatment plant to augment the three WSA current water demands.

## FUNDING REQUIREMENTS

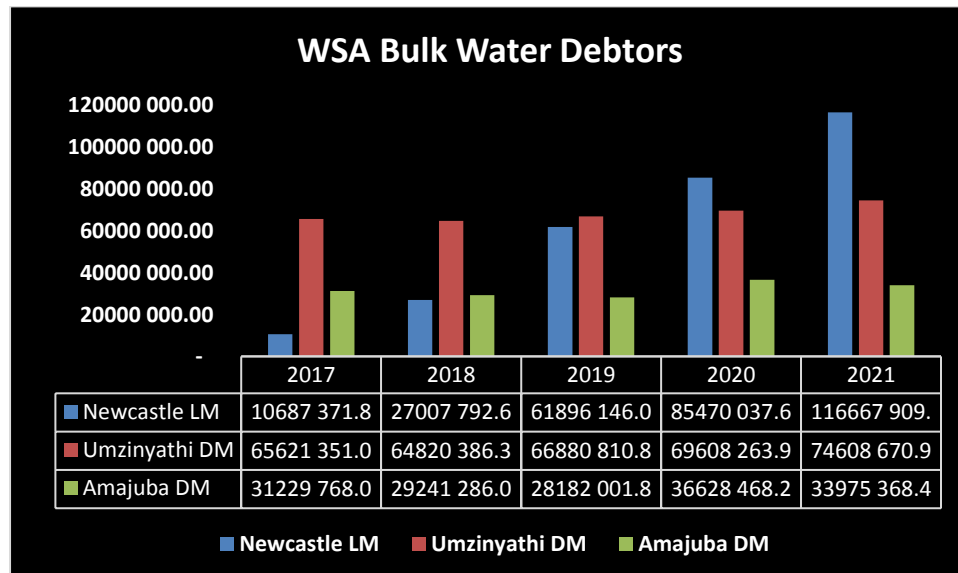
During the initial establishment of the Company in 2004, a 30-year strategic Plan (SP2030) was developed for the delivery of water bulk infrastructure services.

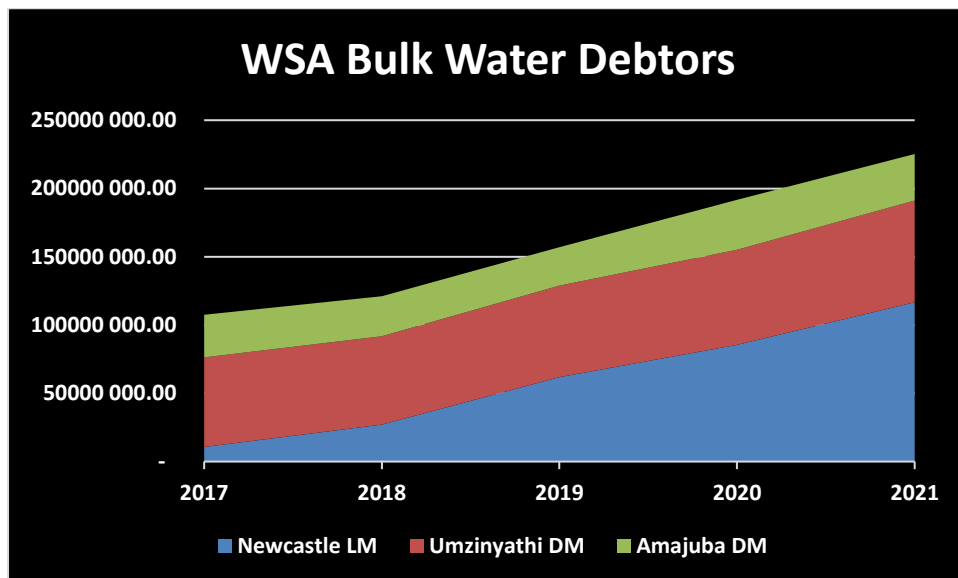
The purpose of these documents is to have a reference for the sustainable provisioning of safe, acceptable and affordable water and sanitation services. The estimated total cost of bulk infrastructure required to implement the SP 2030/master plan amounts to R 5, 5 Billion

The Water Services Master Plan is currently being considered for implementation as a matter of urgency as the water resources in the area have reached critical capacities and the drought in 2017 has served to further highlight the importance of planning for the future now.

The entity is very restricted in its limited institutional capacity to augment funding sources, as it is confined to the reliance on grant funding from the WSA's for its capital requirements.

## WSA BULK WATER DEBTORS





There has been a significant decline in the timeous payment by all three of the shareholders for the bulk water services rendered to them, and this places the entity in severe financial distress and is a matter of extreme concern. The lack of payment commitment and uncertainty of when and how much will be received makes it extremely difficult to plan and function effectively and could result in the total collapse of water services in the very near future.

#### RETIREMENT BENEFIT OBLIGATIONS

The scheme is currently unfunded, and the Board has recognised its full past service liability in the balance sheet at the actuarial valuation of about R 12 Million.

The provision for these costs is a GRAP accounting standard requirement and is a statutory obligation/disclosure.

#### FINANCIAL RISK

As is in most companies, the entity is faced with operational and financial risks that need to be effectively managed in order to ensure that any negative impact on the Boards operational and financial performance is identified, minimised, measured and effectively managed.

The Board has a risk management strategy and plan in place, and the plan is regularly updated, monitored and managed at LEADCO, Audit Committee and Board level. The plan rates the risks according to the level of risk it poses to the entity, and details the proposed actions to be taken at the various levels within the organisation, in order to mitigate the effects of and properly control and manage the risk profile.

The highest risks on the matrix are related to the non-payment for bulk water services, underfunded budgets, and the lack of capital investment into the replacement, refurbishment and development of bulk water needs for the region.

The inability of municipalities to from within their own varied basket of services and water revenue be able to afford and take seriously the vast water development needs is seriously impeding development and creating challenges for the Board.

A rethink on these important matters and the possibility of restructuring the water business and tariffs to meet the future demands is essential.

## **ACCOUNTING POLICIES**

---

The adoption of the new and revised accounting standards and interpretations issued by the International Accounting Standards Board and the International Reporting Interpretations Committee effective for the current year, as noted in the accounting policies, have not led to any changes in the Boards accounting policies.

The Boards accounts are fully GRAP compliant for the 2021 financial year.

The Board has implemented the Municipal Standard Chart of Accounts (mSCOA) with effect from the 2018 financial year and in line with its Shareholder municipalities and all other local government institutions country wide.

## **FUTURE DISPENSATION**

---

The Board currently, and since 1 July 2013, operates as an interim Bulk Water Services Provider to its Shareholders, and will do so until such time that the Minister of Water Affairs has made a final determination concerning the future institutional arrangements and the composition of a new Water structure that will deliver regional bulk water services in the area.

The current situation is that the Minister of Water and Sanitation Affairs has gazetted the formation of a single water board for the whole of the KZN-Natal province. However, this process has been discontinued and the Minister has referred the matter back to the Cabinet for further consideration and a decision in this regard.

The purpose of a single water board is to Regionalize Bulk water service delivery and thereby achieve, long term regional planning and match this to all available funding sources, assurance of supply, a sustainable bulk tariff for the region, maintain the current status of bulk water service provision, potential efficiency of shared services, sharing of scarce capacity in the region, reduction of overheads and the potential for direct access to regional bulk infrastructure grant funding.

## **STATEMENT OF DIRECTORS' RESPONSIBILITY**

---

The Directors acknowledge their responsibility for the preparation of the annual financial statements for the year ended 30 June 2021, which in their opinion, fairly presents the results and cash flows for the financial year and the state of affairs of uThukela Water (Pty) Ltd at the end of the financial year. The annual financial statements set out in this report have been prepared in accordance with International Reporting Standards, and in the manner required by the GRAP standards and the MFMA 56/2003.

The Directors are also responsible for the systems of internal control. These systems are reviewed on an ongoing basis and the Auditor General's preliminary "dashboard" report for the forthcoming year reflects very positively and is indicative of the enormous improvements made in this regard. "Green" happy faces appear in the report for these reforms. Internal control systems are designed to provide reasonable but not absolute, assurance as to the reliability of the annual financial statements, and to adequately safeguard, verify and maintain accountability of assets and recorded liabilities, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties.

The Board is serious about and supports the Government initiative of "operation clean audit" and mapped its structures accordingly and achieved this goal in the 2017 financial year, and unqualified reports for the 2018, 2019 and 2020 years.

The Directors are firm in their belief that based on the information and explanations given by management, the internal auditors and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the consolidated annual financial statements.

The external auditors are responsible for reporting on the fair presentation of these annual financial statements. The Auditor General has audited the annual financial statements after having been provided unrestricted access to all accounting and financial records and related data. The Directors believe that all representations made to the external auditors during their audit were valid, appropriate and complete.

The Directors have reviewed the Board's forecast financial performance for the year to 30 June 2021, as well as the longer term budget, and in the light of this review and the current financial position, they are satisfied that the Board has access to adequate resources, to under the current circumstances, continue as a going concern for the foreseeable future. This does not detract from the fact that the current tariff, debt poor payment, capital funding requirements and budget issues need to be resolved.

This positive sentiment is expressed on the condition that the participating municipalities attend to the pressing issues of proper economic tariff determination, timorous payment of accounts, full payment of raw water production costs and adequate capital infrastructure planning and funding.

## **APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS**

---

The annual financial statements of uThukela Water (Pty) Ltd for the year ended 30 June 2021, have been approved by the Board of Directors and signed on its behalf and presented accordingly to the office of the Auditor General for the statutory audit thereof.

---

*Chairperson of the Board*

---

**F Moola**  
*Act. Chief Financial Officer*



## **Audit Committee Report for the period ending 30 June 2021**

### **1. Background**

The UThukela Water has an Audit Committee as prescribed by Section (166) of the Municipal Finance Management Act 56 of 2003. The Audit Committee serves the purpose of being an independent advisory body that assist the UThukela Water Board and the Accounting Officer in their roles.

### **2. Membership of the Audit Committee**

The committee has three (3) members and they are:-

- Mr S Majola : Audit Committee Chairperson
- Mr. I. Simjee : Audit Committee Member
- Mr A. Jordan : Audit Committee Member

The Audit Committee consists of independent members who by virtue of the requirement of the Municipal Finance Management Act 56 of 2003 and in terms of its approved Terms of Reference are required to meet at least four times a year, which translates to one meeting per quarter. Member's attendance is as follows:

Name of Member Number of Meetings Attended Mr S Majola 4 Mr I Simjee 4 Mr A Jordan 4

### **3. Audit Committee Responsibility**

We report that we have performed our responsibilities for the third quarter in terms of the Municipal Finance Management Act No 56 of 2006, Section 166. We further report that we conducted our affairs in compliance with the Audit Committee Terms of Reference.

### **4. The Effectiveness of Internal Control**

The Municipal Finance Management Act (MFMA) requires that the entity's system of internal controls be designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital were effectively managed. In line with this act and the King IV reports on Corporate Governance requirements, Internal Audit reports provide the Audit Committee and Management with assurance that the system of internal controls of the Municipality were effective or not.

We also follow up on management's action plan to address the Auditor-General's report for the 2019/20 financial year. The Audit Committee monitored the implementation of both the internal auditor's and Auditor-General's recommendations by management to ensure that reasonable steps were taken by management to address internal control weaknesses identified. We can report that

management accepted the recommendations proposed, most of them have been implemented, and others are in progress.

## **5. Internal Audit**

The entity has an external service provider who carries out the internal audit services for the entity. Audit committee approved the internal audit plan for 2020/21 financial year. The Committee is happy with the progress made by the internal audit section in executing its audit plan for the current financial year.

As the Committee, we recommend that management continue to implement recommendations made by internal audit to improve internal controls.

## **6. Financial reporting and financial management**

### **Financial Reporting**

We reviewed the monthly financial reports and we have raised our concerns about the reports submitted to us. Our main concerns here were:

- Increasing debtors book relating to debt owed by WSP's
- Both the Adjustment Budget and the Annual Budget were never approved by Newcastle Municipality.
- Non-payment of the Department of Water due to lack of funds

We recommend the Board to take this matter up with the Member of the Executive for the Department of COGTA.

### **Financial management**

As the Committee, we are concerned about non-payment by Newcastle Municipality as well as Amajuba District Municipality. This results in huge financial burden being borne by the entity.

We recommend that WSP's should consider ring fencing the water revenue so that this can be easily identified and paid directly to the entity at the end of each month.

## **7. Performance Management System (PMS)**

Performance reports were submitted to the committee for review and recommendations were given to management to implement. Performance assessments that have been carried out during the current financial year and for the previous financial year.

We recommend that an annual performance assessment should take place to assess the performance of section 56/7 managers.

## **8. Risk Management and Compliance**

The entity has a Risk Management Committee (RMC) that deals with matters of risk management.

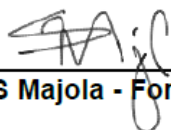
We commend management for the establishment of this committee. A risk register has been compiled and is continually updated by the RMC on a quarterly basis.

## **9. Corporate governance**

We have noted the improvements in governance within the entity. We are however concerned with change in management within the entity as this can lead to breakdown in controls.

## **10. Conclusion**

The Committee would like to commend management team led by the acting Accounting officer and UThukela Water Board for the support given to the committee and we would like to reassure UThukela Water Board that we are committed to work with the Board to improve its internal controls to achieve its objectives.

  
\_\_\_\_\_  
**Mr S Majola - For the Audit Committee**

# Auditor General Report



Auditor-General of South Africa

uThukela Water (Pty) Ltd  
Auditor report for the year ended  
30 June 2021

# Report of the auditor-general to the KwaZulu- Natal Provincial Legislature and the council on uThukela Water (Pty) Ltd

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the uThukela Water (Pty) Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2021, the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as 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 uThukela Water (Pty) Ltd as at 30 June 2021 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 Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act).

### 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 municipal entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other 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 matter

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

### Bulk water losses

7. As disclosed in note 41 to the financial statements, material water losses of R3,03 million (2019-20: R3,24 million) were incurred which represents 10,02% (2019-20: 10,76 %) of total water purified. This is due to ageing infrastructure as there is lack of funding by the shareholders.



## **Other matter**

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

## **Unaudited disclosure notes**

9. In terms of section 125(2)(e) of the MFMA, the municipal entity 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 on it.

## **Responsibilities of the accounting authority for the financial statements**

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Companies Act, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
11. In preparing the financial statements, the accounting authority is responsible for assessing the municipal entity'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 municipal entity or to cease operations, or has no realistic alternative but to do so.

## **Auditor-general's responsibilities for the audit of the financial statements**

12. 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.
13. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

### Introduction and scope

14. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for the selected objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the municipal entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the municipal entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.
16. 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 objective 5: improve service delivery as presented in the municipal entity's annual performance report for the year ended 30 June 2021.
17. 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.
18. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected objective.

### Other matter

19. I draw attention to the matter below.

### Achievement of planned targets

20. Refer to the annual performance report on pages xx to xx for information on the achievement of planned targets for the year and management explanations provided for the under/over achievement of targets.

## Report on the audit of compliance with legislation

### Introduction and scope

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the municipal entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
22. The material findings on compliance with specific matters in key legislation are as follows:

### Consequence management

23. Some of the irregular as well as fruitless and wasteful expenditure incurred by the municipal entity were not investigated to determine if any person was liable for the expenditure, as required by section 32(2)(b) of the MFMA and municipal budget and reporting regulations 75(1).

### Expenditure management

24. Reasonable steps were not taken to prevent irregular expenditure amounting to R4,18 million as disclosed in note 30.3 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was as a result of a competitive bidding process not being followed.

## Other information

25. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act. 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.
26. 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 on it.
27. 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.

28. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

#### Internal control deficiencies

29. 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 findings on compliance with legislation included in this report.
30. The accounting authority did not investigate some of the prior year irregular, fruitless and wasteful expenditure and did not put into place processes to ensure that the entity does not re-incur irregular expenditure.

#### Other report

31. I draw attention to the following engagement conducted which had, or could have, an impact on the matters reported in the municipal entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. This report did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
32. The KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs has conducted an investigation into various allegations levelled against the officials of the municipal entity. As at the date of this report, the recommendations of the investigation were communicated to shareholders of the municipal entity.

*Auditor - General*

Pietermaritzburg

30 November 2021



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



**uThukela Water (Pty) Ltd**

**Annual Financial Statements**

**Year Ended 30 June 2021**

I am responsible for the preparation of these annual financial statements which are set out on pages 3 to 65, in terms of section 126 (2) of the Municipal Finance Management Act, 56 of 2003 and the Companies Act, 71 of 2008 and which I have signed on behalf of the company.

\_\_\_\_\_  
\_\_\_\_\_

Managing Director

Date

\_\_\_\_\_  
\_\_\_\_\_

Chief Financial Officer

Date

\_\_\_\_\_  
\_\_\_\_\_

Chairman

Date



# UTHUKELA WATER (PTY) LTD

## ANNUAL FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2021

#### Contents

<a href="#"><u>General Information</u></a> .....	1
<a href="#"><u>Directors Report</u></a> .....	3
<a href="#"><u>Accounting Policies</u></a> .....	8
<a href="#"><u>Financial Risk Management</u></a> .....	37
<a href="#"><u>Report Of The Auditor General</u></a> .....	38
<a href="#"><u>Statement Of Financial Position At 30 June 2021</u></a> .....	39
<a href="#"><u>Statement Of Financial Performance For The Year Ended 30 June 2021</u></a> .....	40
<a href="#"><u>Statement Of Changes In Net Assets For The Year Ended 30 June 2021</u></a> .....	41
<a href="#"><u>Cash Flow Statement For The Year Ended 30 June 2021</u></a> .....	42
<a href="#"><u>Notes To The Annual Financial Statements For The Year Ended 30 June 2021</u></a> .....	43
<a href="#"><u>Appendix A: Analysis Of Property, Plant And Equipment And Intangible Assets For The Year Ended 30 June 2021</u></a> .....	61
<a href="#"><u>Appendix B: Segmental Analysis Of Property, Plant And Equipment And Intangible Assets For The Year Ended 30 June 2021</u></a> .....	62
<a href="#"><u>Appendix C: Segmental Analysis Of Financial Performance For The Year Ended 30 June 2020</u></a> .....	63
<a href="#"><u>Appendix D: Actual Versus Budget (Revenue And Expenditure) For The Year Ended 30 June 2020</u></a> .....	64





# **uThukela Water (Pty) Ltd**

## **Annual Financial Statements for the year ending 30 June 2021**

### **GENERAL INFORMATION**

Province: Kwazulu-Natal

AFS rounding: SA Rand only, no cents.

#### **Contact Information**

Acting Managing Director: Luiz Lionel Cunha

Acting Chief Financial Officer: Farida Moola

Telephone Number: 034 328 5000

Email Address: [luiz.cunha@uthukelawater.co.za](mailto:luiz.cunha@uthukelawater.co.za)

Chairman of the Board: Poovalingum Subramoney Naidoo

Telephone Number: 031 719 7454

Email Address: [dan.naidoo@umgeniwater.co.za](mailto:dan.naidoo@umgeniwater.co.za)

Auditor General Contact: Amos Zungu

Telephone: 033 264 7400

Email Address: [AmosZ@agsa.co.za](mailto:AmosZ@agsa.co.za)

### **General Information**

#### **Legal form of business**

uThukela Water (Pty) Ltd is an interim Water Service Provider operating under Provincial Council authority dated 6 June 2012, and via a water services provider agreement signed with the Shareholder municipalities of; Newcastle, uMzinyathi and Amajuba Districts, in accordance with the provisions of section 78 of the Municipal Systems Act 32/2000, for the purposes of providing Bulk water services to these municipalities.

The National Minister of Water Affairs and Sanitation via government gazette number 39491 dated 15 December 2015 determined that the Entity will be incorporated into a new single Water Board proposed for the whole of KwaZulu Natal.

The entity operates as a Bulk water services provider to its controlling Shareholders and performs no other functions outside the scope of the draft agreement between the parties.

The entity is governed by the provisions of the Companies Act 71/2008, Municipal Finance Management Act 56/2003, Municipal Systems Act 32/2000, Water services Act 108/1997 and the Public Audit Service Act 25/2004.

### **Members of the Board**

Mr. PS Naidoo (Chairman of the Board) (Resigned, July 2021)

Mr. A Evetts (COGTA representative)

Mr. M Msiwa (Independent non-executive Director)

Mrs. A Masefield (Department of Water and Sanitation representative)

The three Municipal Managers of the Shareholder municipalities.

Auditors: Auditor General

Bankers: Standard Bank of South Africa

Registered Office: 79 Harding Street, Newcastle

Physical Address: 79 Harding Street, Newcastle

Postal Address: P O Box 729, Newcastle 2940

Telephone Number: 034 3285000

Fax Number: 034 3263388

Email Address: [luiz.cunha@uthukelawater.co.za](mailto:luiz.cunha@uthukelawater.co.za)

# DIRECTORS REPORT

In terms of the Companies Act, 71/2008, as amended, and read with the Municipal Systems Act 32/2000, as amended, the Board of uThukela Water (Pty) Ltd, is the accounting authority and the bulk water services provider to the municipalities of Newcastle, Amajuba and uMzinyathi District, and the Directors have pleasure in presenting their report for the year ended 30 June 2021.

## Nature of business

uThukela Water (Pty) Ltd, is an interim multijurisdictional water entity, originally established in 2003 to provide the whole spectrum of water and sanitation services, and then subsequently with effect from the 1 July 2013, was re-constituted to supply only potable bulk water to its parent municipalities. The activities of uThukela Water are in line with the provisions of the Water Act, Act 108/1997.

The primary activities in terms of section 29 of the Act are:

- (a) To treat raw water and to distribute the treated water via its infrastructure to its Shareholder municipalities.
- (b) To provide Bulk water quality assurance to its Shareholders via its laboratory analyses and measurement in terms of National Water Standards.

In terms of section 30 of the Act, uThukela Water (Pty) Ltd also engages in other services that complement bulk water services such as laboratory services, water quality monitoring and environmental management within the water reticulation systems of the Shareholders, and also acts as an implementing agent for any sphere of government for projects related to water service delivery.

The services are provided on behalf of the following parent municipalities who are also the Water Service Authorities for their respective jurisdictions:

Amajuba District Municipality  
Newcastle Municipality  
uMzinyathi District Municipality

## Compliance with legislation

The annual financial statements are prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such accounts issued by the Accounting Practices Board, with the effective standards of Generally Recognized Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP statements as indicated in the accounting policies of the Board. The requirements of the following relevant statutes were also considered when preparing the annual financial statements:

- (a) Water Services Act 108/1997,

- (b) Municipal Finance Management Act 56/2003,
- (c) Municipal Systems Act 32/2000,
- (d) Companies Act 71/2008 and
- (e) Public Audit Service Act 25/2004.

These acts require preparation of the financial information to be in compliance with the Companies Act 71/2008, as amended.

### **Corporate governance and risk management**

The Board supports the principles of the code of Corporate Practices and Conduct as set out in the King IV report. The organizations policies, procedures and processes are continuously reviewed to align with King IV and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organization in as far as compliance with King IV is concerned.

The Board is responsible for monitoring the risk management process.

### **Share capital and Director's interests**

The share capital of the Company has been issued in one hundred (100) ordinary shares, and is valued at R100.

The authorized number of ordinary shares is 10 000, with a par value of R 1 per share.

The parent municipalities (Water Service Authorities) are the sole Shareholders of the company, and their individual shareholding is as follows;

Amajuba District Municipality; 33%

Newcastle Municipality; 34%

uMzinyathi District Municipality; 33%

The details of the shares, and share certificates, are recorded in the Register of Shareholders of the Company, in terms of the provisions of the Companies Act 71/2008, as amended.

The MEC responsible for Co-operative Governance and Traditional Affairs, The Honorable N. Dube, on the 18 June 2012, released a decision of the Provincial Executive Committee taken at a Cabinet meeting held on the 25 April 2012, wherein it was resolved that;

- (a) The section 139 (1) (b) of the Constitution of the RSA, Act 108/1996, intervention institute by the Provincial Executive was terminated with immediate effect, and that the Water Service Authorities would immediately resume and be accountable for water service functions previously assumed by the Provincial Executive of the Province of KZN together with the rights and obligations pertaining to uThukela Water (Pty) Ltd.

(b) The Directive also governed that in relation to the delivery of water services operated by uThukela Water (Pty) Ltd, that in terms of section 139 (1) (a) of the Constitution, the following orders, amongst other things to be done, would be implemented;

- All retail/reticulation water service functions would be de-centralized and returned to the respective municipalities.
- Bulk water services would be regionalized.
- uThukela Water (Pty) Ltd would continue to provide water services as the Bulk water service provider until such time that the National Minister for Water Affairs makes a decision concerning the future composition of the new or reconstituted Regional Bulk water service authority.
- That uThukela Water (Pty) Ltd would be de-registered in terms of the Companies Act once the Minister of Water Affairs had made a decision regarding the new or reconstituted water service authority.
- That uThukela Water (Pty) Ltd, in the interim, be served by a Transitional Board constituted of the following members;

**Mr. D. Naidoo**, Executive, Umgeni Water Board, and, who shall remain as the independent Chairperson of the Board.

**Mr. B. Ndlovu**, the CFO of COGTA.

**Mr. M. Msiwa**, an independent Board member,

**Mr. A. Evetts**, Manager: Municipal Infrastructure of COGTA, as a Board member.

**Mrs. A. Masefield**, Acting Provincial Head of the Department of Water Affairs, appointed as an observer.

**The Municipal Managers** of the three Shareholder municipalities of Newcastle, and the Amajuba and uMzinyathi District municipalities, serving as Board members.

During the financial year, no contracts were entered into in which Directors or Officers of the Company had an interest and which significantly affected the business of the Company.

No special resolutions, the nature of which might be significant to the Shareholder in their appreciation of the state of affairs of the Company, were made by the Company during the period covered by this report.

### **The future dispensation of the Company**

The Minister of Water Affairs and Sanitation has by Government Gazette number 39491 dated the 10 December 2015, declared that in terms of the provisions of the Water Services Act 108/1997, that the extension of the water services will be incorporated into a single water functionary. The mechanism and new functionary have not yet been finalized and determined by the Minister.



## **Financial performance**

The Company balance sheet reflects a net asset worth of R 550 164 926 (2020: R 639 215 358) and is made up as follows;

Share Capital	R	100
Accumulated deficit	R	17 780 314
Asset revaluation Reserve	R	567 945 140

The total net shareholder contributions paid to uThukela Water to date is reflected at R 156 162 652 (2020: R 165 735 184) and is made up of capital contributions to water infrastructure development projects and excludes bulk water billing payments which are appropriated to accumulated surpluses. The details hereof are reflected in note 13 to the annual financial statements.

There was a net increase in cash and cash equivalents to R 29 424 084 from R 20 070 160 in 2020. Cash receipts and accumulated funds assisted the Company to invest R 1 258 341 (2020: R 1 648 854) into property, plant, infrastructure and equipment during the year. The total net capital investment in bulk water service infrastructure, and in respect of property plant and equipment is R 789 451 219 (2020: R 867 454 343)

## **Statement of Financial Performance, June 2021.**

The Statement of Financial Performance for the year under review reflects a trading deficit of R 89 050 432 for the year (2020: R 91 828 627). However, it should be noted that the deficit is mainly attributable to the raising of depreciation charges amounting to R 79 261 466, which amount is written back via the accumulated surplus account as a result of the municipalities not providing for or paying for these depreciation charges. The Water Service Authorities only provide and pay for cash items in their operational budgets and do not contribute towards any of the non-cash items accounted for.

## **Statement of Financial Position, June 2021.**

The Statement of Financial Position reflects positively and generally indicates that the Board is trading in solvent circumstances, except for the negative asset ratio test, which is directly as a result of the non-payment of the raw water charges billed by the Department of Water Affairs and consequently raised by the Entity, but not paid to the Department, as a result of non-payment by the shareholder municipalities.

The recovery and/or write off these raw water charges is receiving attention at the highest level.

There were no external borrowings in the year under review.

## **Capital expenditure and commitments**

Capital expenditure for the year including amounts disbursed directly by the shareholders and utilized from accumulated funds and brought into account in the water services balance sheet amounting to R 1 258 341 (2020: R 1 648 854) for property, plant and equipment.

The Companies contractual capital commitments are disclosed in note 32 of the financial statements.

### **Materiality framework**

Management for the purposes of materiality works within the framework of acceptable levels of materiality and significance set and established by the Office of the Auditor General.

### **Fruitless and wasteful expenditure**

There was R 22 945 197 of fruitless and wasteful expenditure comprising mainly of interest raised by the Department of Water and Sanitation on outstanding accounts during the year. See note 30.

### **Irregular expenditure**

Irregular expenditure was reported during the year under review resulting from non-compliance with the supply chain management policy. These instances will be investigated and reported to the Board. See note 30.

### **Fraud and financial misconduct**

There were no instances of fraud and financial misconduct in the current financial year. Internal controls are reviewed and improved on continuously.

### **Performance against financial targets**

The performance of uThukela Water against key financial indicators as agreed in the Shareholders compact is illustrated in the performance management scorecards which are reported in the annual report.

The Company scorecard reflects that the Company has performed within targets and objectives as set out in the Business plans and budgets, albeit it under difficult and restrained circumstances.

### **Events after the reporting period**

Subsequent to year end, the Chairperson of the Board, Mr. PS Naidoo and the Acting MD, Mr. LL Cunha resigned.

### **Going concern**

The going concern basis has been adopted in preparing the financial statements. The Directors considered the following factors in reaching this opinion:

- The assumption that the shareholders will pay their monthly bulk water service invoices in accordance with their signed agreements and as directed by the Provincial Council in its instruction dated 7 June 2012.
- The entity continues to deliver on its mandates to its shareholders in all respects and in full compliance with all legislation as evidenced by good audit outcomes.
- Stable key executive management incumbents have been, and are in place, albeit in some cases in Acting capacities, providing; expertise, stability, industry know how and guidance in all aspects of effective and efficient water service management to the Board and its shareholders.
- Annually approved MTREF business plans, operational and capital budgets, tariff model, performance management and risk assessment plans are in place and monitored and reported on regularly to the Board and its shareholders.

D NAIDOO  
CHAIRMAN – UTHUKELA WATER (PTY) LTD

## **ACCOUNTING POLICIES**

### **1.Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board and The Companies Act, 2008 (Act 71 of 2008) and the MFMA.

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

Unless otherwise stated, all figures have been rounded to the nearest rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below. These accounting policies are consistent with the previous period.

### **Municipal Standard Chart of Accounts**

The Entity operates its accounts on the Municipal Standard Chart of Accounts as required by National Treasury, and in line with the shareholder municipalities.

#### **1.1 Significant judgments and sources of estimation uncertainty**

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

##### **Trade receivables**

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

#### **1.1 Significant judgments and sources of estimation uncertainty (continued)**

##### **Impairment testing**

The recoverable amounts of cash-generating, non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.

These calculations require the use of estimates and assumptions. It is reasonably possible that the useful life and market value assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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

### **Provisions**

Provisions were raised and management determined an estimate based on the information available.

### **Post-retirement benefits**

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 11 – Service-related employee benefit obligations.

### **Effective interest rate**

The entity used the prime interest rate to discount future cash flows adjusted for risks specific to the related item.

## **1.1 Significant judgments and sources of estimation uncertainty (continued)**

### **Allowance for doubtful debts**

On receivables an impairment loss is recognized in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivables carrying amount and

the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

## **1.2 Property, plant and equipment**

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

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

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

Property, plant and equipment are initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value. Depreciation begins when the assets are available for use and ceases

## **1.2 Property, plant and equipment (continued)**

at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognized.



After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

<b>Item</b>	<b>Useful life</b>
Buildings	50 years
Water infrastructure	5 to 50 years
IT equipment	3 to 10 years
<b>Leasehold property</b>	
Leasehold improvements	5 years over the period of lease
<b>Plant and machinery</b>	
Grass-cutting Equipment	7 to 10 years
Minor plant	5 to 50 years
Mobile plant	7 to 10 years
<b>Office equipment</b>	
Furniture & fittings	7 to 10 years
Other office equipment	3 to 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognized in surplus or deficit unless it is included in the carrying amount of another asset.

## **1.2 Property, plant and equipment (continued)**

Items of property, plant and equipment are derecognized 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 derecognized. 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.

Assets which the entity 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. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognized as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

### **1.3 Intangible assets**

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the company or from other rights and obligations.

An intangible asset is recognized when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognized at cost.

When an intangible asset is acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

An intangible asset shall be derecognized on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in surplus or deficit when the asset is derecognized.

Intangible assets are carried at cost less any accumulated amortization and any impairment losses.

### **1.3 Intangible assets (continued)**

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortization is not provided for these intangible assets, but they are tested for impairment

annually and whenever there is an indication that the asset may be impaired. For all other intangible asset's amortization is provided on a straight-line basis over their useful lives.

The amortization period and the amortization method for intangible assets are reviewed at each reporting date. Amortization begins when the assets are available for use and ceases at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognized.

The amortization charge for each period shall be recognized in surplus or deficit unless it is permitted or required to be included in the carrying amount of another asset.

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

<b>Item</b>	<b>Useful life</b>
Computer software	3 to 5 years

## **1.4 Financial instruments**

### **Classification**

The entity classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortized cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Financial assets classified as at fair value through surplus or deficit which are no longer held for the purposes of selling or repurchasing in the near term may be reclassified out of that category:

- If the asset met the definition of loans and receivables and the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

No other reclassifications may be made into or out of the fair value through surplus or deficit category.

## **1.4 Financial instruments (continued)**

A financial asset classified as available-for-sale that would have met the definition of loans and receivables may be reclassified to loans and receivables if the entity has the intention and ability to hold the asset for the foreseeable future or until maturity.

### **Initial recognition and measurement**

Financial instruments are recognized initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognized in surplus or deficit. Regular way purchases of financial assets are accounted for at trade date.

### **Subsequent measurement**

Loans and receivables are subsequently measured at amortized cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortized cost are subsequently measured at amortized cost, using the effective interest method.

### **Fair value determination**

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

### **Impairment of financial assets**

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

## **1.4 Financial instruments (continued)**

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

**Impairment losses are recognized in surplus or deficit.**

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognized.

Reversals of impairment losses are recognized in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because the fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognized in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

### **Loans to/from economic entities**

These include loans to and from controlling entities, fellow controlled entities, joint ventures and associates and are recognized initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortized cost.

### **Trade and other receivables**

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognized in surplus or deficit within operating expenses.

## **1.4 Financial instruments (continued)**

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value and are subsequently measured at amortized cost, using the effective interest rate method.

### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

### **Financial liabilities and equity instruments**

Financial liabilities are classified according to the substance of contractual agreements entered. Trade and other payables are stated at their nominal value. Equity instruments are recorded at the amount received, net of direct issue costs.

### **Gains and losses**

A gain or loss arising from a change in a financial asset or financial liability is recognized as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognized in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognized directly in net assets, through the statement of changes in net assets, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in net assets is recognized in surplus or deficit; and
- For financial assets and financial liabilities carried at amortized cost, a gain or loss is recognized in surplus or deficit when the financial asset or financial liability is derecognized or impaired, and through the amortization process.

## **1.4 Financial instruments (continued)**

### **Derecognition**

#### **Financial assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;



- the entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the entity has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or
- has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Financial assets are derecognized using trade settlement date accounting.

Where the entity has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the entity's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the entity could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the entity's continuing involvement is the amount of the transferred asset that the entity may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### **Financial liabilities**

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

## **1.4 Financial instruments (continued)**

### **1.5 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.

#### **Finance leases - lessee**

Finance leases are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The

corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

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

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

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

### **Operating leases - lessee**

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

## **1.6 Inventories**

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

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

Current replacement cost is the cost the entity will incur to acquire the asset on the reporting date.

### **1.6 Inventories (continued)**

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognized as an expense in the period in which the related revenue is recognized. If there is no related revenue, the expenses are recognized

when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized 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 realizable value, are recognized as a reduction in the number of inventories recognized as an expense in the period in which the reversal occurs.

## **1.7 Impairment of cash-generating assets**

Cash-generating assets are those assets held by the company 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/amortization.

Carrying amount is the amount at which an asset is recognized 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.

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

Depreciation/amortization is the systematic allocation of the depreciable amount of an asset over its useful life.

## **1.7 Impairment of cash-generating assets (continued)**

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.

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

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

### **Value in use**

Value in use of 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 entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

### **Basis for estimates of future cash flows**

In measuring value in use, the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and

## **1.7 Impairment of cash-generating assets (continued)**

- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

### **Discount rate**

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

### **Recognition and measurement (individual asset)**

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

**An impairment loss is recognized immediately in surplus or deficit.**

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

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

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

**Cash-generating units**

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and

**1.7 Impairment of cash-generating assets (continued)**

- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

- zero.

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

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

### **Reversal of impairment loss**

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

An impairment loss recognized 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 recognized. 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 amortization) had no impairment loss been recognized for the asset in prior periods

## **1.7 Impairment of cash-generating assets (continued)**

A reversal of an impairment loss for a cash-generating asset is recognized immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognized, the depreciation/amortization 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 amortization or depreciation) had no impairment loss been recognized 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.



## **1.8 Impairment of non-cash-generating assets**

Cash-generating assets are those assets held by the entity 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/amortization.

Carrying amount is the amount at which an asset is recognized 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.

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

## **1.8 Impairment of non-cash-generating assets (continued)**

Depreciation/amortization is the systematic allocation of the depreciable amount of an asset over its useful life.

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.

### **Identification**

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

The entity 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 entity estimates the recoverable service amount of the asset.

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

## **Value in use**

Value in use of an asset is the present value of the asset's remaining service potential.

The present value of the remaining service potential of an asset 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.

## **1.8 Impairment of non-cash-generating assets (continued)**

The replacement cost and reproduction cost of an asset is determined on an "optimized" basis. The rationale is that the entity 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 optimized 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 recognized immediately in surplus or deficit.

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

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

After the recognition of an impairment loss, the depreciation/amortization 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.

### **Reversal of an impairment loss**

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

An impairment loss recognized 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 recognized. 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 amortization) had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognized immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

### **1.8 Impairment of non-cash-generating assets (continued)**

After a reversal of an impairment loss is recognized, the depreciation/amortization 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.

### **1.9 Shareholder's loan on incorporation**

A residual interest is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Shareholder's loan on incorporation is treated as residual interest.

### **1.10 Employee benefits**

#### **Short-term employee benefits**

The cost of short term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognized in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognized as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognized as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

#### **Defined contribution plans**

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 company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

## **Defined benefit plans**

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognized immediately to the extent that the benefits are already vested and are otherwise amortized on a straight-line basis over the average period until the amended benefits become vested.

### **1.10 Employee benefits (continued)**

To the extent that, at the beginning of the financial period, any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognized in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognized.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the company is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognized 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 recognized for a reimbursement.

The amount recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs and reduced by the fair value of plan assets.

Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

## **Other post retirement obligations**

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

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

## **1.11 Provisions and contingencies**

Provisions are recognized when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognized. Provisions are not recognized for future operating deficits.

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

A constructive obligation to restructure arises only when the entity:

- has a detailed formal plan for the restructuring, identifying at least:
- the activity/operating unit or part of an activity/operating unit concerned;
- the principal locations affected;

## **1.11 Provisions and contingencies (continued)**

- the expenditures that will be undertaken; and when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity

No obligation arises because of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognized in business combinations that are recognized separately are subsequently measured at the higher of:

- the amount that would be recognized as a provision; and
- the amount initially recognized less cumulative amortization.

A contingent liability is a present obligation that arises from past events but is not recognized because it is not probable that an outflow of economic benefits or service potential will be required to settle the obligation or the amount of the obligation cannot be measured with certainty.

Contingent assets and contingent liabilities are not recognized, but disclosed.

## **1.12 Revenue from exchange transactions**

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

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

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

Revenue is recognized when it is probable that future economic benefits or service potential will flow to the entity and these benefits can be measured reliably.

## **1.12 Revenue from exchange transactions (continued)**

### **Measurement**



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

### **Rendering of services**

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

### **Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognized when:

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

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

Royalties are recognized as they are earned in accordance with the substance of the relevant agreements.

### **1.12 Revenue from exchange transactions (continued)**

Dividends or their equivalents are recognized, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognized as revenue over the period during which the service is performed.

### **1.13 Revenue from non-exchange transactions**

Water Service Authority shortfall contributions are recognized when all conditions associated with the contribution has been met in terms of the WSP agreement and is transferred directly to the Statement of Financial Performance.

Capital grant reimbursements are claimed from the Shareholders who hold all Government grant receipts, and these receipts, are only recognized for payment purposes when received by the entity and are accounted for in the Statement of Financial Performance.

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

### **1.13 Revenue from non-exchange transactions (continued)**

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

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

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

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

The Entity is exempt from the payment of Income Tax

### **Recognition**

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

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

### **Measurement**

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

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

### **1.14 Cost of sales**

When inventories are sold, exchanged or distributed the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. If there is related revenue, the expense is recognized when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realizable value or current replacement cost and all deficits of inventories are recognized as an expense in the period the write-down or loss

### **1.14 Cost of sales (continued)**

occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value or current replacement cost, is recognized as a reduction in the number of inventories recognized as an expense in the period in which the reversal occurs.

The related cost of providing services recognized as revenue in the current period is included in cost of sales.

### **1.15 Investment income**

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

### **1.16 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realizable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.7 and 1.8. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalization is suspended during extended periods in which active development is interrupted.

Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the entity ceases capitalizing borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

### **1.16 Borrowing costs (continued)**

All other borrowing costs are recognized as an expense in the period in which they are incurred.

### **1.17 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.18 Unauthorized expenditure**

Unauthorized expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorized expenditure is recognized 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.

### **1.19 Fruitless and wasteful expenditure**

Fruitless 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 recognized 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.

### **1.20 Irregular expenditure**

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

### **1.21 Offsetting**

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

### **1.22 Gratuities**

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognized in the statement of financial performance when the gratuity is paid.

### **1.23 Conditional grants and receipts**

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the entity 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 recognized.

### **Partners contributions (Grants)**

Water Service Authority contributions (Grants) utilized to fund assets is accounted for in the Statement of Financial Performance and transferred to the Accumulated Funds.

Water Service Authority contributions (Grants/shortfall contributions) utilized to fund operational expenditures and are accounted for in the Statement of Financial Performance.

## **1.24 Budget information**

The entity is typically subject to budgetary limits in the form of appropriations or budget authorizations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements as an annexure.

## **1.25 Related parties**

A related party is a person or entity that is related to the entity.

(a) A person or a close member of that person's family is related to the entity if that person:

(i) has control or joint control over the entity;

(ii) has significant influence over the entity; or

(iii) is a member of the key management personnel of the entity or of a parent of the entity.

(b) An entity is related to the entity if any of the following conditions applies:

(i) the entity and the company are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

## **1.25 Related parties (continued)**

(iii) both entities are joint ventures of a third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) the entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the entity. If the entity is itself such a plan, the sponsoring employers are also related to the entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

Transactions with related parties are entered into and disclosed at arm's length.



Related party relationships where control exists are disclosed irrespective of whether there have been transactions between the related parties.

In respect of transactions between related parties other than transactions that would occur within normal supplier or client/recipient relationship on terms and conditions no more or less favorable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at an arm's length in the same circumstances, the entity discloses (a) the nature of the related party relationship, (b) the type of transaction that have occurred and (c) the elements of the transactions necessary to clarify the significance of these transactions to its operations and sufficient to enable the financial statements to provide relevant and reliable information for decision making and accountability purposes.

## **1.26 Foreign exchange gains and losses**

### **Initial measurement**

All transactions that are undertaken in a foreign currency are translated into South African Rands. A foreign currency transaction is recorded on initial recognition in rands by applying to the foreign currency amount the spot exchange rate between the rands and the foreign currency at the date of the transaction. The date of transaction is the date on which the transaction first qualifies for recognition.

### **Subsequent measurement**

#### **Subsequent Treatment of Monetary Items:**

Monetary items held in a foreign currency shall be translated into the functional currency in the Statement of Financial Position at the closing rate. In instances where a monetary asset or liability has a rate of exchange that is fixed under the terms of the relevant contract, it cannot be used to translate the monetary assets and liabilities as this is a form of hedge accounting.

## **1.26 Foreign exchange gains and losses (continued)**

#### **Subsequent Treatment of Non-Monetary Items:**

Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rate at the date when the fair value was determined.

### **Recognition of Foreign Exchange Differences**

Foreign exchange gains and losses arising from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Statement of Financial Performance.

When a gain or loss on a non-monetary item is recognized directly in equity, any exchange rate component of that gain or loss shall be recognized directly in equity. Conversely, when a gain or loss on a non-monetary item is recognized in the Statement of Financial Performance, any exchange rate component of that gain or loss shall also be recognized in the Statement of Financial Performance.

## **2. FINANCIAL RISK MANAGEMENT**

### **2.1 Credit risk**

Potential credit risk mainly consists of short-term investments, cash and cash equivalents and accounts receivable. The risk from short-term investments and other cash items is restricted by transacting only with financial institutions with high credit ratings assigned by international credit-rating agencies. Credit risk with respect to trade receivables is limited to the Shareholders and their municipality's ability to meet their capital grant and trade Bulk water purchase annual Budget commitments to the entity.

### **2.2 Liquidity risk**

uThukela Water (Pty) Ltd manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows.

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **3.1 Impairment of consumer and other debtors**

Impairment of receivables is established if there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Accordingly, management's assessment of the recoverability is reflected through the creation of a provision for doubtful debts as reflected in the notes to the financial statements.

## **4. SEGMENTAL INFORMATION**

Segmental information in respect of property, plant and equipment is disclosed in Appendix B to the annual financial statements attached.

# **UTHUKELA WATER (PTY) LTD**

## **Report of the Auditor General**

**UTHUKELA WATER (PTY) LTD**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021**

	Note	2021	2020
		R	R
<b>ASSETS</b>			
<b>Current assets</b>		194 713 303	151 757 865
Cash and cash equivalents	1	29 424 084	20 070 160
WSA debtors	2	183 138	-
Trade and other receivables from exchange transactions	3	142 656 356	109 099 435
Other receivables from non-exchange transactions	4	2 653 050	2 564 772
VAT receivable	5	19 610 261	19 847 670
Inventory	6	186 415	175 829
<b>Non-current assets</b>		789 451 219	867 454 343
Property, plant and equipment	7	788 721 338	866 281 998
Intangible assets	8	729 881	1 172 345
<b>Total assets</b>		<u>984 164 522</u>	<u>1 019 212 208</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		422 035 966	370 175 393
Trade and other payables	9	414 599 566	363 162 868
Unspent conditional grants and receipts	10	460 961	460 961
Current portion of service related employee benefit obligations	11	6 975 438	6 551 564
<b>Non-current liabilities</b>		11 963 630	9 821 457
obligations	11	11 963 630	9 821 457
<b>Total liabilities</b>		<u>433 999 596</u>	<u>379 996 850</u>
<b>Net assets</b>		<u>550 164 926</u>	<u>639 215 358</u>
Share capital	12	100	100
Accumulated funds	13	550 164 826	639 215 258
<b>Net assets</b>		<u>550 164 926</u>	<u>639 215 358</u>

**UTHUKELA WATER (PTY) LTD.**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021**

			<b>Budget</b>		<b>Actual</b>		<b>Budget</b>		<b>Actual</b>
	<b>Note</b>		<b>2021</b>		<b>2021</b>		<b>2020</b>		<b>2020</b>
			<b>R</b>		<b>R</b>		<b>R</b>		<b>R</b>
<b>REVENUE</b>									
<b>Revenue from exchange transactions</b>									
Service charges	14		170 263 232		165 403 505		155 395 451		148 550 115
<b>Revenue from non-exchange transactions</b>									
Interest earned - external investments	15		107 000		1 067 037		100 000		1 488 275
Shareholder project contributions	16		-		-		-		222 372
Other receipts	17		779 300		326 923		-		293 479
<b>Total revenue</b>			<b>171 149 532</b>		<b>166 797 465</b>		<b>155 495 451</b>		<b>150 554 241</b>
<b>EXPENDITURE</b>									
Employee related costs	18		(59 541 583)		(58 215 964)		(50 605 435)		(52 754 301)
Depreciation and amortisation	19		(1 787 026)		(79 261 466)		(1 670 117)		(79 910 549)
Repairs and maintenance	20		(16 110 527)		(5 177 110)		(13 669 753)		(3 106 037)
Bulk water purchases	21		(29 419 149)		(30 267 399)		(27 494 532)		(27 749 518)
Interest paid/accrued	22		-		(22 945 197)		-		(22 022 422)
Contracted services	23		(2 704 180)		(2 535 657)		(4 246 335)		(3 894 144)
Inventory adjustment	6		-		10 586		-		53 841
Operating expenses	24		(60 272 768)		(57 570 388)		(56 529 979)		(52 999 739)
<b>Total expenditure</b>			<b>(169 835 232)</b>		<b>(255 962 593)</b>		<b>(154 216 151)</b>		<b>(242 382 869)</b>
Gain / (loss) on disposal of assets	25		-		114 697		-		-
<b>Surplus / (deficit) before taxation</b>			<b>1 314 300</b>		<b>(89 050 432)</b>		<b>1 279 300</b>		<b>(91 828 627)</b>
<b>Taxation</b>	26		<b>-</b>		<b>-</b>		<b>-</b>		<b>-</b>
<b>Surplus / (Deficit) for the year</b>			<b>1 314 300</b>		<b>(89 050 432)</b>		<b>1 279 300</b>		<b>(91 828 627)</b>

**UTHUKELA WATER (PTY) LTD.**
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021**

<u>Description, Nature and Purpose of Reserve</u>	<u>Note</u>	<u>Share capital invested in Entity by Shareholders in terms of Company Memorandum of Association</u>	<u>Partner capital grant/own funds transferred to Entity for projects implemented by the Entity</u>			<u>Asset Revaluation Reserve, reflects assets at fair value, measured reliably, and carried at revalued amounts</u>	<u>Accumulated Surplus/(Deficit) reflects accumulated surplus or deficit of the Entity</u>	<u>Total Net Assets reflects net income retained, no dividends are paid</u>
			<u>Umzinyathl</u>	<u>Amajuba</u>	<u>Newcastle</u>		<u>Excl Partners Contributions</u>	
		<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
<b>Balance at 30 June 2019</b>		100	92 496 969	8 814 902	89 062 121	699 709 328	(168 596 001)	721 487 418
Operating (surplus)deficit - including shareholders contributions		-	-	-	-	-	(91 828 627)	(91 828 627)
Acquired assets through partners contribution		-	-	-	9 555 653	-		9 555 653
Off- setting depreciation	13	-	(3 722 395)	(1 093 649)	(3 608 294)	(66 248 321)	74 672 660	-
<b>Balance at 30 June 2020</b>		100	88 774 573	7 721 253	95 009 479	633 461 008	(185 751 969)	639 214 444
Operating (surplus)deficit - including shareholders contributions		-	-	-	-	-	(89 050 432)	(89 050 432)
Off- setting depreciation	13	-	(3 523 133)	(1 093 649)	(4 955 750)	(65 515 868)	75 088 399	-
<b>Balance at 30 June 2021</b>		100	85 251 440	6 627 604	90 053 729	567 945 140	(199 714 001)	550 164 012



**UTHUKELA WATER (PTY) LTD.**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021	2020
		R	R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>		133 361 729	116 271 826
Sales of goods and services		131 882 549	113 706 848
Interest received		1 069 299	1 571 610
Other receipts		409 881	993 368
<b>Payments</b>		(122 749 462)	(108 619 411)
Employee costs		(57 953 083)	(51 388 126)
Suppliers		(64 692 725)	(57 117 499)
Other payments		(103 654)	(113 786)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	27	10 612 266	7 652 415
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	(1 258 341)	(1 648 854)
<b>NET CASH FROM INVESTING ACTIVITIES</b>		(1 258 341)	(1 648 854)
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		9 353 925	6 003 561
Cash and cash equivalents at the beginning of the year		20 070 160	14 066 598
Cash and cash equivalents at the end of the year	1&28	29 424 084	20 070 160
		(9 353 925)	(6 003 561)

# UTHUKELA WATER (PTY) LTD.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2021

2020

R

R

### A PREAMBLE - CHANGE OF FUNCTIONS, GOING CONCERN AND DEVELOPMENTAL OBJECTIVES

**Bulk water service functions** - The entity, consequent to a Provincially instituted section 78 (MSA32/2000) water services assessment conducted for the region, and in terms of a COGTA Provincial Directive dated 7 June 2012, operates as an interim bulk water services provider to the municipalities of Newcastle, Amajuba and Umzinyathi Districts, pending a final decision by the Minister of Water Affairs regarding the future dispensation of water services in the region. The matter has been referred to the National Cabinet for review and a final decision in this regard.

**Going concern** - The Board provides bulk water services to the municipalities on the assumption that it will be paid for the services rendered in accordance with the WSP/WSA signed water services agreements in place, and also as instructed by the Provincial Council in its directive dated 7 June 2012. The agreements regulate the bulk water business operations, functions, obligations and objectives to be carried out by the Board on behalf of the shareholder municipalities. Annual business plans, operational and capital budgets, tariff model, Performance Management objectives/Targets and risk assessment plans are formulated jointly by all parties and agreed to upfront. The entity reports regularly (monthly and quarterly) to the municipalities and they in turn monitor, evaluate and manage the entities progress accordingly.

**Developmental objectives** - The Board annually submits its capital and developmental requirements to the municipalities and it is of great concern that the municipalities do not approve a funded capital budget for the Board to implement. The bulk water infrastructures are very old and outdated and require regular and constant refurbishment and replacement. This lapse in adequate funding is a high risk to the sustainability and future of bulk water services in the region. The Board has provided the municipalities with possible funding models to give emphases to its funding options, but unfortunately, these have not been approved. The municipalities also do not pay the annual capital infrastructure depreciation charges to the entity.

### 1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	13 754	8 713
Cash at bank	1 069 054	2 111 315
Cash on call and short notice deposits	28 341 276	17 950 132
	<u>29 424 084</u>	<u>20 070 160</u>

uThukela Water (pty) Ltd has the following bank accounts:

Account Number - Bank -Account Description	Cash Book Balance 30 06 2021	Bank Statement Balance 30 06 2021	Cash Book Balance 30 06 2020	Bank Statement Balance 30 06 2020
<b>Cash at bank</b>				
4059636838 - Absa	145 247	145 247	213 895	213 895
4060280600 - Absa - Customer Care	-	-	20 572	20 572
061938939 - Standard Bank - Primary Current Account	923 807	923 807	1 876 847	1 876 847
	<u>1 069 054</u>	<u>1 069 054</u>	<u>2 111 315</u>	<u>2 111 315</u>
<b>Cash on call and short notice deposits</b>				
268586055-015 - Standard Notice Deposit	17 271 106	17 271 106	10 246 984	10 246 984
268586055-002 - Standard Notice call Account	10 533 309	10 533 309	6 012 591	6 012 591
92 5753 8348 - Absa - Deposit	536 862	536 862	1 690 557	1 690 557
	<u>28 341 276</u>	<u>28 341 276</u>	<u>17 950 132</u>	<u>17 950 132</u>
Petty cash	13 754		8 713	
Total Cash and cash equivalents	<u>29 424 084</u>	<u>29 410 330</u>	<u>20 070 160</u>	<u>20 061 447</u>

For the purposes of the cash flow statement, the cash and cash equivalents comprise the total cash and cash equivalents as disclosed above.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2	<b>WSA DEBTORS</b>						
	<b>Assets Funding</b>						
	Umzinyathi District Municipality	499 813				316 676	
	<b>Revenue Funding</b>	82 763 673				82 763 673	
	Umzinyathi District Municipality	64 191 401				64 191 401	
	Amajuba District Municipality	18 572 273				18 572 273	
	<b>Total WSA Debtors</b>	<b>83 263 487</b>				<b>83 080 349</b>	
	There is a Provincial Executive Committee directive that the WSA's in arrears with their shortfall payments must make these good. See also note under						
	Less: Provision for bad debts						
	Balance at beginning of the year	83 080 349				83 080 349	
	Balance at end of year	83 080 349				83 080 349	
		<b>183 138</b>				<b>-</b>	
	Output Vat of R 23 887,50 is included in the debtor balances - also see note 5 below.						
3	<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>						
		<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>	<b>Net Balance</b>		<b>Gross Balances</b>	<b>Provision for Doubtful Debts</b>
3.1	<b>Trade receivables</b>	<b>R</b>	<b>R</b>	<b>R</b>		<b>R</b>	<b>R</b>
	<b>as at 30 June 2021</b>						
	Service debtors						
	Water	222 909	(50 025)	172 884		242 145	(81 003)
	<b>Total</b>	<b>222 909</b>	<b>(50 025)</b>	<b>172 884</b>		<b>242 145</b>	<b>(81 003)</b>
	<b>as at 30 June 2020</b>						
	Service debtors						
	Water	242 145	(81 003)	161 142		140 218	(80 753)
	<b>Total</b>	<b>242 145</b>	<b>(81 003)</b>	<b>161 142</b>		<b>140 218</b>	<b>(80 753)</b>
	<b>Water : Ageing</b>						
	Current (0 – 30 days)	66 494				150 718	
	31 - 60 Days	98 122				-41	
	61 - 90 Days	2 769				6 228	
	+ 91 Days	55 524				85 241	
	<b>Total</b>	<b>222 909</b>				<b>242 145</b>	

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<u>Summary of Debtors by Customer Classification</u>	Consumers	Industrial / Commercial	National and Provincial Government		
	R	R	R		
<b>as at 30 June 2021</b>					
Current (0 – 30 days)	66 494	-	-		
31 - 60 Days	98 122	-	-		
61 - 90 Days	2 769	-	-		
91 and over	55 524	-	-		
Sub-total	<b>222 909</b>	-	-		
Less: Provision for doubtful debts	(50 025)	-	-		
<b>Total debtors by customer classification</b>	<b>172 884</b>	-	-		
Output Vat of R 22 550,05 is included in the debtor balances - also see note 5 below					
<b>as at 30 June 2020</b>					
Current (0 – 30 days)	150 718	-	-		
31 - 60 Days	-41	-	-		
61 - 90 Days	6 228	-	-		
91 and over	85 241	-	-		
Sub-total	<b>242 145</b>	-	-		
Less: Provision for doubtful debts	(81 003)	-	-		
<b>Total debtors by customer classification</b>	<b>161 142</b>	-	-		
<b>Reconciliation of the doubtful debt provision</b>					
Balance at beginning of the year	81 003			80 753	
Provision/( Reversal)	(30 978)			250	
<b>Balance at end of year</b>	<b>50 025</b>			<b>81 003</b>	
<b>3.2 Trade receivables - Bulk Supplies</b>					
Umzinyathi District Municipality	10 417 270			5 416 863	
Newcastle Municipality	116 667 909			85 470 038	
Amajuba District Municipality	15 403 096			18 056 196	
Sub-total	142 488 275			108 943 096	
<b>Total</b>	<b>142 488 275</b>			<b>108 943 096</b>	
<b>Reconciliation of the doubtful debt provision</b>					
Balance at beginning of the year	4 803			4 803	
<b>Balance at end of year</b>	<b>4 803</b>			<b>4 803</b>	
<b>Total Trade Receivables - Bulk Supplies</b>	<b>142 656 356</b>			<b>109 099 435</b>	
Output Vat of R 18 584 800,59 is included in the debtor balances - also see note 5 below					
<b>4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>					
Other debtors	1 069 990			1 087 680	
Deposits with suppliers	2 641 805			2 538 151	
<b>Total other debtors</b>	<b>3 711 795</b>			<b>3 625 831</b>	
Less: Provision for bad debts					
Balance at beginning of the year	1 061 060			1 075 836	
Contributions to provision	-2 315			-14 776	
<b>Balance at end of year</b>	<b>1 058 745</b>			<b>1 061 060</b>	
	<b>2 653 050</b>			<b>2 564 772</b>	
Outout Vat of R 281,37 is included in the debtor balances - also see note 5 below					

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

4	<b>OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>					
	Other debtors	1,069,990			1,087,680	
	Deposits with suppliers	2,641,805			2,538,151	
	Total other debtors	<b>3,711,795</b>			<b>3,625,831</b>	
	Less: Provision for bad debts					
	Balance at beginning of the year	1,061,060			1,075,836	
	Contributions to provision	-2,315			-14,776	
	Balance at end of year	1,058,745			1,061,060	
		<b>2,653,050</b>			<b>2,564,772</b>	
	Output Vat of R 281.37 is included in the debtor balances - also see note 5 below					
5	<b>VAT</b>	<b>2021</b>			<b>2020</b>	
	Debtors Vat Raised - Not Yet Due	(18,631,520)			(14,230,543)	
	Creditors Invoices Vat Raised - Not Yet Claimed	37,621,689			33,739,502	
	VAT receivable/(payable)	620,091			338,712	
	Total VAT receivable/(payable)	<b>19,610,261</b>			<b>19,847,670</b>	
	VAT is currently paid and claimed on the receipts and payments basis. Only once payment is received from debtors or made to creditors is VAT paid/claimed to/from SARS - See also notes 2, 3, 4 & 9.					
	As the impairment provision for unpaid debtors includes VAT, the amount provided for debtors - vat raised not yet due - excludes the impaired debtors in the provision above.					
6	<b>INVENTORIES</b>					
	Water	<b>186,415</b>			<b>175,829</b>	
	Inventories are measured at the cost of production and subsequent net realisable value utilizing the cost of production, and represents the fair value of the inventory at 30 June 2021.					
	The total carrying amount of inventory in classification appropriate to the Entity is: Potable; 46,3 Ml at R3,81 per Kl and Raw water; 16,45 Ml at R0,6021 and 5.88 Ml at R0.0312 per kl	186,415			175,829	
	The total carry amount of inventory at fair Value					
	Less cost to sell : Already accounted for					
	The amount of inventory recognized as an expense during the period ended 30 June 2021	-10,586			-53,841	
	No inventory or carrying amounts of inventory were pledged as security					

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

5	<b><u>VAT</u></b>	<b><u>2021</u></b>			<b><u>2020</u></b>	
	Debtors Vat Raised - Not Yet Due	(18 631 520)			(14 230 543)	
	Creditors Invoices Vat Raised - Not Yet Claimed	37 621 689			33 739 502	
	VAT receivable/(payable)	620 091			338 712	
	Total VAT receivable/(payable)	19 610 261			19 847 670	
	VAT is currently paid and claimed on the receipts and payments basis. Only once payment is received from debtors or made to creditors is VAT paid/claimed to/from SARS - See also notes 2, 3, 4 & 9.					
	As the impairment provision for unpaid debtors includes VAT, the amount provided for debtors - vat raised not yet due - excludes the impaired debtors in the provision above.					
6	<b><u>INVENTORIES</u></b>					
	Water	186 415			175 829	
	Inventories are measured at the cost of production and subsequent net realisable value utilizing the cost of production, and represents the fair value of the inventory at 30 June 2021.					
	The total carrying amount of inventory in classification appropriate to the Entity is: Potable; 46,3 Ml at R3,81 per Kl and Raw water; 16,45 Ml at R0,6021 and 5.88 Ml at R0.0312 per kl	186 415			175 829	
	The total carry amount of inventory at fair Value <u>Less</u> cost to sell : Already accounted for					
	The amount of inventory recognized as an expense during the period ended 30 June 2021	-10 586			-53 841	
	No inventory or carrying amounts of inventory were pledged as security					
7	<b><u>PROPERTY, PLANT &amp; EQUIPMENT</u></b>					
	<b><u>Assets at 30 June 2021</u></b>	<b>Balance at</b>	<b>Additions</b>	<b>Transfers</b>	<b>Re-Valuations</b>	<b>Balance at</b>
		<b>30-Jun-21</b>				<b>30-Jun-20</b>
	Water Infrastructure	1 361 490 952	-	-	-	1 361 490 952
	Vehicles	5 489 827	-	-	-	5 489 827
	Plant & Equipment	68 911 655	817 994	-	-	68 093 661
	Furniture, Equipment and Fittings	3 925 509	440 347	-	-	3 485 162
	<b>Totals</b>	<b>1 439 817 944</b>	<b>1 258 341</b>	<b>-</b>	<b>-</b>	<b>1 438 559 602</b>
	<b><u>Accumulated Depreciation</u></b>	<b>Balance at</b>	<b>Additions</b>	<b>Transfers</b>	<b>Re-Valuations</b>	<b>Balance at</b>
		<b>30-Jun-21</b>				<b>30-Jun-20</b>
	Water Infrastructure	603 982 817	72 505 833	-	-	531 476 984
	Vehicles	3 895 967	540 660	-	-	3 355 307
	Plant & Equipment	40 378 053	5 401 177	-	-	34 976 876
	Furniture, Equipment and Fittings	2 839 769	371 331	-	-	2 468 438
	<b>Totals</b>	<b>651 096 606</b>	<b>78 819 001</b>	<b>-</b>	<b>-</b>	<b>572 277 604</b>
	<b><u>Carrying Values at Year End</u></b>	<b>Balance at</b>	<b>Movement</b>	<b>Transfers</b>	<b>Re-Valuations</b>	<b>Balance at</b>
		<b>30-Jun-21</b>				<b>30-Jun-20</b>
	Water Infrastructure	757 508 135	(72 505 833)	-	-	830 013 968
	Vehicles	1 593 860	(540 660)	-	-	2 134 520
	Plant & Equipment	28 533 603	(4 583 183)	-	-	33 116 786
	Furniture, Equipment and Fittings	1 085 740	69 016	-	-	1 016 724
	<b>Totals</b>	<b>788 721 338</b>	<b>(77 560 660)</b>	<b>-</b>	<b>-</b>	<b>866 281 998</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	<b><u>Assets at 30 June 2020</u></b>	<b>Balance at 30-Jun-20</b>	<b>Additions</b>	<b>Transfers</b>	<b>Re-Valuations</b>	<b>Balance at 30-Jun-19</b>
	Water Infrastructure	1 361 490 952	283 582	3 964 501	-	1 357 242 869
	Vehicles	5 489 827	-	-	-	5 489 827
	Plant & Equipment	68 093 661	1 198 861	5 591 152	-	61 303 649
	Furniture, Equipment and Fittings	3 485 162	166 411	-	-	3 318 751
	<b>Totals</b>	<b>1 438 559 602</b>	<b>1 648 854</b>	<b>9 555 653</b>	<b>-</b>	<b>1 427 355 095</b>
	<b><u>Accumulated Depreciation</u></b>	<b>Balance at 30-Jun-20</b>	<b>Additions</b>	<b>Transfers</b>	<b>Re-Valuations</b>	<b>Balance at 30-Jun-19</b>
	Water Infrastructure	531 476 984	72 289 379		-	459 187 605
	Vehicles	3 355 307	676 660		-	2 678 647
	Plant & Equipment	34 976 876	6 239 222		-	28 737 654
	Furniture, Equipment and Fittings	2 468 438	275 902		-	2 192 536
	<b>Totals</b>	<b>572 277 604</b>	<b>79 481 163</b>		<b>-</b>	<b>492 796 442</b>
	<b><u>Carrying Values at Year End</u></b>	<b>Balance at 30-Jun-20</b>	<b>Additions</b>	<b>Transfers</b>	<b>Re-Valuations</b>	<b>Balance at 30-Jun-19</b>
	Water Infrastructure	830 013 968	(72 005 797)		-	898 055 263
	Vehicles	2 134 520	(676 660)		-	2 811 180
	Plant & Equipment	33 116 786	(5 040 361)		-	32 565 995
	Furniture, Equipment and Fittings	1 016 724	(109 490)		-	1 126 214
	<b>Totals</b>	<b>866 281 998</b>	<b>(77 832 308)</b>		<b>-</b>	<b>934 558 653</b>
8	<b><u>INTANGIBLE ASSETS</u></b>					
	<b><u>Assets at 30 June 2021</u></b>	<b>Balance at 30-Jun-21</b>	<b>Movement</b>	<b>Disposals</b>	<b>Balance at 30-Jun-20</b>	
	Software	5 014 600	-	-	5 014 600	
	<b>Totals</b>	<b>5 014 600</b>	<b>-</b>	<b>-</b>	<b>5 014 600</b>	
	<b><u>Accumulated Amortization</u></b>					
	Software	4 284 719	442 464	-	3 842 255	
	<b>Totals</b>	<b>4 284 719</b>	<b>442 464</b>	<b>-</b>	<b>3 842 255</b>	
	<b><u>Carrying Values at Year End</u></b>					
	Software	729 881	(442 464)	-	1 172 345	
	<b>Totals</b>	<b>729 881</b>	<b>(442 464)</b>	<b>-</b>	<b>1 172 345</b>	
	<b><u>Assets at 30 June 2020</u></b>	<b>Balance at 30-Jun-20</b>	<b>Movement</b>	<b>Disposals</b>	<b>Balance at 30-Jun-19</b>	
	Software	5 014 600	-	-	5 014 600	
	<b>Totals</b>	<b>5 014 600</b>	<b>-</b>	<b>-</b>	<b>5 014 600</b>	
	<b><u>Accumulated Amortization</u></b>					
	Software	3 842 255	429 387	-	3 412 868	
	<b>Totals</b>	<b>3 842 255</b>	<b>429 387</b>	<b>-</b>	<b>3 412 868</b>	



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	<b><u>Carrying Values at Year End</u></b>					
	Software	1 172 345	(429 387)	-	1 601 732	
	<b>Totals</b>	<b>1 172 345</b>	<b>(429 387)</b>	<b>-</b>	<b>1 601 732</b>	
	Intangible assets comprise of computer software programmes					
9	<b><u>TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS</u></b>					
	Trade creditors	411 242 675			355 321 004	
	Consumer Debtors - Payments in advance	13 411			13 780	
	Other creditors	230 760			4 720 721	
	Unallocated Receipts	3 112 719			3 107 364	
	<b>Total Creditors</b>	<b>414 599 566</b>			<b>363 162 868</b>	
	<b><u>Total Creditors 2021 - Ageing</u></b>	<b><u>Current Period</u></b>	<b><u>31 - 60 Days</u></b>	<b><u>61 - 90 Days</u></b>	<b><u>91 - 120 Days</u></b>	<b><u>121 and Over</u></b>
		33 237 073	2 509 470	2 906 273	2 317 191	373 629 559
	Include in the above trade creditors figure is an amount of R 405 522 356.66 raised in respect of bulk raw water charges owed to the Department of Water and Sanitation. This amount is subject to the payment by the Water Service Authorities of their bulk water accounts and raw water budgeted costs. Negotiations are currently taking place between uThukela Water, the WSA's the Department to resolve this matter.					
	Input Vat of R 37 621 393.25 is included in the Trade Creditor balances - also see note 5 above					
	The fair value of trade and other payables approximates their carrying amounts.					
10	<b><u>UNSPENT CONDITIONAL GRANTS AND RECEIPTS</u></b>					
	Newcastle	388 455			388 455	
	Umzinyathi	72 506			72 506	
		<b>460 961</b>			<b>460 961</b>	
	The WSA's are the recipients of all government grants paid in terms of the Division of Revenue Act, and in cases where the Entity is appointed by the municipality to implement any of its capital grant projects, these are done on an implementation basis only, and the relevant municipality reflects the grants and its conditions and reports back to National or Provincial Treasury directly in relation to the requirements of the grants.					
	In cases where the municipality transfers its own capital funding to the Entity to implement capital projects, these are also carried out as implementing agent only, and these transfers are not conditional grants, except to say that they are for a specific purpose or project as directed by the municipality.					
11	<b><u>SERVICE RELATED EMPLOYEE BENEFIT OBLIGATIONS</u></b>					
	<b><u>Non Current</u></b>					
	Long service Awards	2 545 380			2 028 359	
	Post-employment medical benefits	9 418 250			7 793 098	
		<b>11 963 630</b>			<b>9 821 457</b>	
	<b><u>Current</u></b>					
	Leave pay accrual	6 408 146			6 096 815	
	Long service Awards	296 950			177 104	
	Post-employment medical benefits	270 342			277 645	
		<b>6 975 438</b>			<b>6 551 564</b>	
	<b>Total Provisions</b>	<b>18 939 068</b>			<b>16 373 021</b>	
	The movement in Leave provisions is reconciled as follows: -					
	Balance B/fwd	5 405 953			4 779 091	
	Increase in provision	1 217 943			1 785 349	
	Expenditure incurred	(467 624)			(1 158 487)	
	<b>as at 30 June</b>	<b>6 156 272</b>			<b>5 405 953</b>	

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<b>Leave pay accrual</b>						
Leave pay accrual is based on the number of hours accruing to the employee at balance sheet date multiplied by the employee's hourly rate of pay. The accrual includes the liability in respect of accumulated leave due to employees previously in the employ of the WSA's prior to transfer to the company which has not yet been paid over to the company.						
<b>Long Service Awards</b>						
uThukela offers employees LSA for every five years of service completed, starting from five years of service calculated as follows:						
	Long Service Awards for levels of past service					
	Completed Service (in years)	Long Service Bonuses(% of Annual Salary)	Description			
	5	2.0%	5/ 249 x annual salary			
	10	4.0%	10/ 249 x annual salary			
	15	8.0%	20/ 249 x annual salary			
	Every five years thereafter	12.0%	30/ 249 x annual salary			
In the month that each "Completed Service" milestone is reached, the employee is granted a LSA.						
Working days awarded are valued at 1/249 th of annual salary per day						
An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following results						
	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30			
Opening Accrued Liability	2 574 007	2 205 463	2 842 330			
Current-service Cost	223 878	190 067	233 711			
Interest Cost	167 481	147 337	216 047			
Benefit payments	49 225	476 567	-			
Total Annual Expense	440 584	813 971	449 758			
Past Service Cost	-809 128	-177 104	-296 950			
Closing Accrued Liability	2 205 463	2 842 330	2 995 138			
<b>Key Financial Assumptions</b>	2021/06/30		2020/06/30			
	Males	Females	Males	Females		
Discount rate	8.02%		6.96%			
General salary inflation	5.53%		3.33%			
Net effective discount rate	2.36%		3.51%			
Average retirement age	63	58	63	58		
Mortality during employment	SA85-90		SA85-90			
<b>In service members withdrawing before retirement</b>	Males	Females				
Age 20	16%	24%				
Age 30	12%	18%				
Age 40	8%	10%				
Age 50	4%	4%				
Age 55	2%	2%				
<b>Post-employment medical benefits</b>						
<b>Medical Scheme Arrangements</b>						
The Employer offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.						
<b>Membership Eligibility</b>						
Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.						
<b>Contribution Rate Structure</b>						
Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.						
<b>Subsidy Policy</b>						
In-service members will receive a post-employment subsidy of 60% of the contribution payable. All continuation members receive a 60% subsidy. Widow(er)s and orphans of eligible in-service members are entitled to receive this same subsidy on and after the death in-service of an employee.						
Upon a member's death-in-service or death-in-retirement, the surviving dependants will continue to receive the same 60% subsidy.						
An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following results						

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30		
Opening Accrued Liability	8 673 753	8 070 742	9 688 592		
Current-service Cost	349 858	327 067	421 242		
Interest Cost	914 049	1 024 804	1 078 581		
Benefit payments	(246 507)	(277 645)	(270 342)		
Total Annual Expense	1 017 400	1 074 226	1 229 481		
Actuarial Loss / (Gain)	(1 620 411)	543 623	-		
Closing Accrued Liability	8 070 742	9 688 591	10 918 073		
<b>Key Financial Assumptions</b>	2021/06/30		2020/06/30		
	Males	Females	Males	Females	
Discount rate	11.29%		12.92%		
Health care cost inflation rate	7.81%		8.70%		
Net effective discount rate	3.23%		3.88%		
Average retirement age	63	58	63	58	
Proportion continuing membership at retirement	100.00%		100.00%		
Proportion of retiring members who are married	100.00%		90.00%		
Proportion of eligible current non-member employees joining the scheme by retirement	10.00%		10.00%		
Mortality during employment	SA85-90		SA85-90		
Mortality post retirement	PA(90)-1		PA(90)-1		
<b>In service members withdrawing before retirement</b>	Males	Females			
Age 20	12%	24%			
Age 30	5%	15%			
Age 40	3%	6%			
Age 50	1%	2%			
Age 55	1%	1%			
<b>12 SHARE CAPITAL</b>					
Issued ordinary shares	100		100		
The authorised number of ordinary shares is 10 000 with a par value of R 1 per share. The company has issued 100 ordinary shares.					

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

13	<b>ACCUMULATED FUNDS</b>				
	<b><u>Accumulated Funds Surplus(Deficit)</u></b>				
	Balance Beginning Year - Surplus(Deficit)	5 754 250			21 778 904
	Surplus/(Deficit) for year	(89 050 432)			(91 828 627)
	Off Setting Depreciation /Partners Cont/Reval Reserve	65 515 868			75 803 974
	Balance Year End	<u>-17 780 314</u>			<u>5 754 250</u>
	<b><u>Asset Revaluation Reserve</u></b>	633 461 008			699 709 328
	Less: Off Setting Depreciation	(65 515 868)			(66 248 321)
	Balance Year End	<u>567 945 140</u>			<u>633 461 008</u>
	<b><u>Total Accumulated Funds</u></b>	<b><u>550 164 826</u></b>			<b><u>639 215 258</u></b>
	<b><u>Shareholder Contributions</u></b>				
	Shareholder Contributions - Beginning Year	165 735 184			174 159 523
	Less: Off Setting Depreciation	(9 572 531)			(8 424 339)
	Balance Year End	<u>156 162 652</u>			<u>165 735 184</u>
	<b><u>Accumulated Funds Surplus/(Deficit)</u></b>	<u>-17 780 314</u>			<u>5 754 250</u>
	<b><u>Shareholder Contributions - Projects</u></b>	166 613 419			176 185 951
	Umzinyathi District Municipality	78 720 255			82 243 388
	Amajuba District Municipality	6 627 604			7 721 253
	Newcastle Municipality	81 265 561			86 221 310
	<b><u>Accumulated Funds Surplus(Deficit) -Excluding Shareholder Contributions - Projects</u></b>	<u>(184 393 733)</u>			<u>(170 431 700)</u>
14	<b><u>SERVICE CHARGES</u></b>				
	Sale of water	165 403 505			148 550 115
	Total Service Charges	<u>165 403 505</u>			<u>148 550 115</u>
15	<b><u>INTEREST EARNED - EXTERNAL INVESTMENTS</u></b>				
	Banks	963 382			1 374 489
	Deposits Made with Suppliers	103 654			113 786
	<b>Total Interest</b>	<u>1 067 037</u>			<u>1 488 275</u>
16	<b><u>GRANTS AND SUBSIDIES</u></b>				
16.1	<b><u>Project funding</u></b>				
	Umzinyathi District Municipality	-			222 372
		<u>-</u>			<u>222 372</u>
	Refer to Note 10				

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

17	<b>OTHER RECEIPTS</b>				
	Rental of land and buildings	211 893			209 479
	Laboratory services	43 493			63 178
	eSeta	37 463			-
	Tender document sales	783			-
	Connection fees	-			6 296
	Reduction in provision for bad debt	33 293			14 526
		<u>326 923</u>			<u>293 479</u>
18	<b>EMPLOYEE RELATED COSTS</b>				
	Salaries and Wages	37 052 866			33 918 062
	Medical, Pension and Provident Fund	9 454 293			6 504 375
	Leave pay	1 217 943			1 785 349
	Bonuses	3 452 628			2 899 273
	Housing benefits and allowances	2 112 578			2 141 090
	Overtime payments	4 191 818			4 666 341
	Other	733 837			839 812
	Long Service and Medical Aid Commitments	-			-
		<u>58 215 964</u>			<u>52 754 301</u>
	<b>Included in the employee related costs are the following:</b>				
	<u>Managing Director</u>				
	Annual Remuneration	-			-
	Travel, motor car, accommodation, subsistence and other allowances	-			-
	Contributions to UIF, Medical and Pension Funds	-			-
	Accumulated Leave	-			-
	<b>Total</b>	<u>-</u>			<u>-</u>
	<u>Chief Financial Officer</u>				
	Annual Remuneration	1 365 136			1 146 899
	Travel, motor car, accommodation, subsistence and other allowances	54 000			63 168
	Contributions to UIF, Medical and Pension Funds	183 449			134 780
	Accumulated Leave	300 178			187 883
	<b>Total</b>	<u>1 902 763</u>			<u>1 532 730</u>
	<u>Heads of Departments</u>				
	<u>Operations/Engineering</u>				
	Annual Remuneration	1 679 464			1 375 968
	Travel, motor car, accommodation, subsistence and other allowances	146 260			114 220
	Contributions to UIF, Medical and Pension Funds	262 484			184 694
	Accumulated Leave	356 141			300 526
	<b>Total</b>	<u>2 444 349</u>			<u>1 975 408</u>
	<u>Human Resources Manager</u>				
	Annual Remuneration	1 602 138			1 357 347
	Travel, motor car, accommodation, subsistence and other allowances	152 351			157 764
	Contributions to UIF, Medical and Pension Funds	279 107			262 477
	Accumulated Leave	281 012			207 297
	<b>Total</b>	<u>2 314 608</u>			<u>1 984 885</u>
	<b>Remuneration of directors</b>				
	Chairman	-			-
	Deputy Chairman	-			-
	Other board members	-			-
	<b>Total Director's Remuneration</b>	<u>-</u>			<u>-</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

### 19 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	78 819 001	79 481 162
Intangible assets	442 464	429 387
Total Depreciation and Amortisation	<u>79 261 466</u>	<u>79 910 549</u>

### 20 REPAIRS AND MAINTENANCE ON PROPERTY, PLANT AND EQUIPMENT

Expended	5 177 110	3 106 037
----------	-----------	-----------

The amounts reflected for the respective financial years indicate the amounts spent by the entity to repair and maintain PPE, and include costs of maintenance, preservation, monitoring, repair, refurbishment, renovation, materials, service provider and if applicable direct employee costs.

21	<u>BULK PURCHASES</u>				
	Water	25 047 706			23 302 590
	Water services and management levy	5 219 693			4 446 928
		<u>30 267 399</u>			<u>27 749 518</u>
22	<u>INTEREST PAID/ACCRUED</u>				
	Overdue accounts	22 945 197			22 022 422
	Refer to Note 30.2	<u>22 945 197</u>			<u>22 022 422</u>
23	<u>CONTRACTED SERVICES</u>				
	Professional fees and consultant costs	2 394 852			3 865 644
	Legal expenses	140 805			28 500
		<u>2 535 657</u>			<u>3 894 144</u>
24	<u>OPERATING EXPENSES</u>				
	Included in operating expenses are the following:-				
	Advertising	124 836			10 000
	Bank charges	74 987			80 290
	Board meeting and Chairman's discretionary	13 183			38 874
	Chemicals	8 176 203			6 293 529
	Communications costs	1 070 278			837 839
	Conferences and seminars	21 454			36 241
	Consumables and stores	138 764			98 489
	Covid-19 expenses	317 253			193 862
	Electricity	39 787 833			37 924 168
	Fuel and Oil	668 285			779 217
	Insurance	834 323			817 683
	Licensing of Motor Vehicles & Trailers	191 241			205 836
	Membership fees	37 079			34 491
	Municipal services	207 362			202 729
	Postage and courier services	18 248			12 373
	Printing and stationery	125 565			72 213
	Protective clothing	166 799			170 086
	Rental	1 434 893			1 325 968
	Safety and security	786 252			754 240
	Scada and telemetric costs	150 462			-
	Servitudes and Land Surveys	12 250			-
	Software Licenses	726 526			625 162
	Staff and other meeting costs	400			1 258
	Staff Emergency Rations	5 169			7 088
	Staff recruitment and relocation costs	2 720			11 589
	Subsistence and travel	142 878			236 356
	Tools and equipment	4 322			7 152
	Training	642 158			165 707
	Water analysis	1 688 666			2 057 300
		<u>57 570 388</u>			<u>52 999 739</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

25	<b><u>GAIN / (LOSS) ON SALE OF ASSETS</u></b>					
	Property, plant and equipment	114 697			-	
	Total Gain / (Loss) on Sale of Assets	<u>114 697</u>			<u>-</u>	
26	<b><u>TAXATION</u></b>					
	The Company is exempt from the payment of income tax and duties in terms of section 10 (1) (t) (ix) of the Income Tax Act 58/1962					
27	<b><u>CASH GENERATED BY OPERATIONS</u></b>					
	Surplus/(Deficit) for the year	(89 050 432)			(91 828 627)	
	Adjustment for: -					
	Depreciation	79 261 466			79 910 549	
	Contribution to bad debt provision	(33 293)			(14 526)	
	Contribution to staff benefits provision	2 566 047			346 169	
	Operating surplus before working capital Amendments	<b>(7 256 211)</b>			<b>(11 586 436)</b>	
	(Increase)/Decrease in Inventories	(10 586)			(53 841)	
	Decrease/(Increase) in consumer and other debtors	(33 795 044)			(33 458 276)	
	(Decrease)/Increase in creditors	51 436 698			53 266 392	
	(Decrease)/Increase in VAT	237 410			(293 052)	
	(Decrease)/Increase in Unspent Capital Grants	-			(222 372)	
	Cash generated by operations	<u>10 612 266</u>			<u>7 652 415</u>	
28	<b><u>CASH AND CASH EQUIVALENTS</u></b>					
	Cash and cash equivalents included in the cash flow					
	Bank balances and cash	1 082 808			2 120 028	
	Cash on call and short notice deposits	28 341 276			17 950 132	
	Net cash and cash equivalents (net of bank overdrafts)	<u>29 424 084</u>			<u>20 070 160</u>	
29	<b><u>CHANGE IN ACCOUNTING POLICY</u></b>					
	No change in accounting policies during the year					
30	<b><u>UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED</u></b>					
30.1	<b><u>Unauthorised expenditure</u></b>					
	Reconciliation of unauthorised expenditure					
	Opening balance	-			-	
	Unauthorised expenditure current year	-			-	
	Unauthorised expenditure awaiting authorisation	-			-	
30.2	<b><u>Fruitless and wasteful expenditure</u></b>					
	Reconciliation of fruitless and wasteful expenditure					
	Opening balance as previously reported	<b>87 761 518</b>			<b>65 739 096</b>	
	Add: Fruitless and wasteful - current	22 945 197			22 022 422	
	Less: Amount recoverable	-			-	
	Less: Amounts written-off	-			-	
	<b>Closing balance</b>	<b><u>110 706 715</u></b>			<b><u>87 761 518</u></b>	
	R 110 674 594 comprises of interest raised by the Department of Water and Sanitation on outstanding accounts. Negotiations are currently taking place between uThukela Water, the WSA's and the Department to resolve this matter.					



## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

30.3	<b><u>Irregular expenditure</u></b>					
	Opening balance as previously reported	62 807 570				57 402 597
	Add: Irregular expenditure - current	4 175 990				5 404 973
	Less: Amount recoverable	-				-
	Less: Amounts written-off	-				-
	<b>Closing balance</b>	<b>66 983 560</b>				<b>62 807 570</b>
	Irregular expenditure consists of:					
	Expenditure of R 4 175 990 incurred by the Board relating to the consulting services of LL Cunha and Associates was considered to be irregular by the Auditor General, citing that the Board had not followed a SCM process in this regard.					
31	<b><u>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL SECTION 27 FINANCE MANAGEMENT ACT</u></b>					
31.1	<b><u>Contributions to organised local government</u></b>					
	Opening balance					
	Council subscriptions	-				-
	Amount paid - current	-				-
	Amount paid - previous years	-				-
	<b>Balance unpaid (included in payables)</b>	<b>-</b>				<b>-</b>
31.2	<b><u>Audit fees</u></b>					
	Audit fees paid during the year	1 705 851				2 097 645
31.3	<b><u>VAT</u></b>					
	VAT input - receivables and VAT output - payables are shown in note 5. During the year all VAT returns were submitted by the due date.					
31.4	<b><u>PAYE</u></b>					
	Opening Balance	-				-
	Current year payroll deductions	10 226 668				9 639 745
	Amount paid - current year	(10 226 668)				(9 639 745)
	Balance unpaid at year end included in creditors	-				-
31.5	<b><u>UIF</u></b>					
	Opening Balance	-				-
	Current year payroll deductions	312 787				303 096
	Amount paid - current year	(312 787)				(303 096)
	Balance unpaid at year end included in creditors	-				-
31.6	<b><u>Medical aid</u></b>					
	Opening Balance	-				-
	Current year payroll deductions	3 349 388				3 061 560
	Amount paid - current year	(3 349 388)				(3 061 560)
	Balance unpaid at year end included in creditors	-				-
31.7	<b><u>Pension and provident fund contributions</u></b>					
	Opening Balance	-				-
	Current year payroll deductions	8 501 008				7 666 302
	Amount paid - current year	(8 501 008)				(7 666 302)
	Balance unpaid at year end included in creditors	-				-
32	<b><u>CAPITAL COMMITMENTS</u></b>					
	<b>Commitments in respect of capital expenditure</b>					
	<b>- Approved and contracted for</b>					
	Infrastructure	-				-
	<b>- Approved but not yet contracted for</b>					
	Infrastructure	-				-
	<b>Total</b>	<b>-</b>				<b>-</b>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

33	<b>OPERATING LEASES</b>						
	At the reporting date the entity has outstanding						
	<b>Operating leases - lessee</b>						
	Within one year	(1 520 696)				(1 499 469)	
	In the second to fifth year inclusive	(1 760 276)				(45 091)	
	After five years	-				-	
	<b>Total</b>	<b>(3 280 972)</b>				<b>(1 544 560)</b>	
	Operating Leases consists of the following:						
	Operating lease payments represent rentals payable by the municipality for its head office property at Lot 600 Newcastle. The current lease expires on 31 July 2023. As well as payments payable to ITEC for rental of printers the contract of which expires on the 31/08/2022 and 09/03/2024						
34	<b>RETIREMENT PLANS</b>						
34.1	<b>Defined contribution plans</b>						
	During the year contributions were made to the following defined contribution plans: Natal Joint Municipal Pension Fund - Provident Funds SALA pension fund. These contributions have been expensed.						
34.2	<b>Defined benefit plan</b>						
	The following are defined benefit plans: Natal Joint Municipal Pension Funds - Superannuation and Retirement funds and Government Employees Pension Fund. These are not treated as defined benefit plans as defined by IAS19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par. 30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans.						
	In respect of Natal Joint Municipal Pension Funds - Superannuation and Retirement funds regular actuarial assessments are carried out in terms of the fund rules and any actuarial deficit is recovered by a surcharge on all employer members						
34.3	<b>Employees retirement funding</b>						
	An amount of R5 747 938 (2020 : R5 193 081) was contributed by Council in respect of Employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.						
35	<b>IN-KIND DONATIONS AND ASSISTANCE</b>						
	The Entity received no in-kind donations and assistance						
36	<b>RELATED PARTIES</b>						
	The nature of the relationship between the company and its shareholders, namely: the Water Service Authorities (uMzinyathi District Municipality, Amajuba District Municipality and Newcastle Municipality) is such that any transactions between the parties are related party transactions. Specific categories of such						
	<b>Revenue Received</b>						
	<b>Project Contributions</b>	-				-	
	Umzinyathi District Municipality	-				-	
	Newcastle Municipality	-				-	
	Less: Bad Debt	-				-	
		<b>134 959 579</b>				<b>117 227 781</b>	
	<b>Bulk Water Services</b>						
	Umzinyathi District Municipality	16 986 829				15 011 708	
	Amajuba District Municipality	22 594 948				11 294 920	
	Newcastle Municipality	95 377 802				90 921 153	
	Less: Bad Debt	-				-	
		<b>134 959 579</b>				<b>117 227 781</b>	
	<b>Year End Balances</b>						

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<b>Assets Funding</b>	499 813			316 676
Umzinyathi District Municipality	499 813			316 676
Newcastle Municipality	-			-
Less: Provision for Doubtful Debt	-316 676			-316 676
	183 138			-
<b>Bulk Water Services</b>	142 488 275			108 943 096
Umzinyathi District Municipality	10 417 270			5 416 863
Amajuba District Municipality	15 403 096			18 056 196
Newcastle Municipality	116 667 909			85 470 038
Less: Provision for Doubtful Debt	-4 803			-4 803
	142 483 472			108 938 293
<b>Revenue Funding</b>	82 763 673			82 763 673
Umzinyathi District Municipality	64 191 401			64 191 401
Amajuba District Municipality	18 572 273			18 572 273
Less: Provision for Doubtful Debt	-82 763 673			-82 763 673
	-			-
<b>Sundry [mSCOA System]</b>	875 503			875 503
Umzinyathi District Municipality	191 303			191 303
Amajuba District Municipality	684 200			684 200
Newcastle Municipality	-			-
Less: Provision for Doubtful Debt	-875 503			-875 503
	-			-
<b>Key Management Personnel</b>				
The nature of the related party relationship entered into by the Board and the consultancy service; LL Cunha and Associates, is detailed hereunder, and herewith this note also sets out the terms and conditions of the written agreement and subsequent written amendments, all transactions relating thereto, any commitments and outstanding balances, if any, entered between the parties.				
The Consultancy service was initially introduced to the Board by Provincial Treasury in terms of a section 139 of the Constitution of SA intervention, and the objectives thereof were to provide urgently needed financial support services to the entity, including the performance by Mr LL Cunha of the Acting Chief Financial Officer duties. At the time of the engagement of the consultant, PWC SA, had issued a compilation report regarding the collapse of the financial affairs of the Board, and had proposed an urgent and immediate intervention. Financial statements had not been issued and audits had not been conducted for a period of 6 years, and the Shareholder municipalities were very concerned with the status of the entity, as it impacted quite severely on their own financial affairs. Subsequent to the recovery of the entity to unqualified audit status, and pending the establishment of a new water institution envisaged by Provincial Cabinet resolution dated 7 June 2012, the shareholder municipalities took a resolution and placed a moratorium on the appointment of any new senior management positions by the entity during the transitional phase. In October 2014 the Managing Director of the entity resigned and terminated his services with the Board, and the Board, as an interim arrangement to ensure the continuity of its operational requirements, directed the Acting CFO Mr LL Cunha, to carry the Managing Director responsibilities in addition to those of the CFO position, until otherwise directed, or pending the imminent formation of the new water institution.				
Consequent to the delays with the implementation of the Provincial Cabinet decision, and the subsequent Government Gazette Notice published on the 15 December 2015 issued by the National Minister of Water Affairs and Sanitation regarding the formation of the new water institution for KZN- Natal, the Board took a decision to secure, on a relatively short term basis, the interim arrangements concerning the Acting Manager Director responsibilities, were secured by contract terminating on the 31 March 2020. This contract was further extended, initially by 3 months to the end of June 2020, then by 6 months to the 31 December 2020, and thereafter two 3 months contracts to 30 June 2021 and a six months contract to 31 December 2021, due to the effects and prohibitions on movements imposed by the National COVID19 regulations. The leave and Performance incentives were not continued beyond the 30 June 2020 by mutual agreement due to the short term nature of the contract extensions.				
No guarantees are given or provided for in the agreements except for the performance objectives required by the Board.				
There are no expenses or provision created for bad or doubtful debts.				
Detailed hereunder are the transactions resulting from these arrangements and contractual obligations for the period reported in the annual financial statements for the year ending 30 June 2021.				

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

		4 175 990			4 769 398
	Payments made for contracted services	3 230 589			3 204 538
	Performance bonus	-			192 186
	Payments for Ad Hoc services to LL Cunha and Associates	869 501			1 296 773
	Payments for rental accommodation	75 900			75 900
37	<b><u>EVENTS AFTER THE REPORTING DATE</u></b>				
	Subsequent to year end, the Chairperson of the Board, Mr PS Naidoo and the Acting MD, Mr LL Cunha resigned				
	<b><u>Change of Functions</u></b>				
	The future of the bulk water services in the region is still being finalised by National Minister of Water Affairs				
38	<b><u>DEVIATIONS FROM SCM REGULATIONS ( SCM Regulation Number 36)</u></b>				
	Emergency procurement	178 315			737 405
	Deviation less than R200 000.00	6 241 506			4 159 853
	Supply chain deviations from SCM policy listed above were, in terms of section 36 of the municipal SCM regulations, approved by the accounting officer or officials in terms of delegated powers, and noted by the board .				
	The reasons for the deviations include the following: Acquisition from sole suppliers, non-responsive suppliers, supplies where mechanical units required a strip and quote, acquisitions direct from manufacturers or agents and, where in terms of Board policy, equipment was standardised.				
	Emergency procurement and circumstances where it is impractical or not possible to follow the official procedure, are assessed in terms of the stipulated criteria by the SCM Bid Adjudication Committee.				
39	<b><u>RISK MANAGEMENT</u></b>				
39.1	<b><u>Maximum credit risk exposure</u></b>				
	Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit Management evaluates credit risk relating to consumer debtors and provides for impairment. See notes				
39.2	<b><u>Liquidity risk</u></b>				
	The company's risk to liquidity is related to the timeous payment of bulk water accounts by its shareholding municipalities				
	Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.				
39.3	<b><u>Interest rate risk</u></b>				
	As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.				
40	<b><u>COMPARISON WITH THE BUDGET</u></b>				
	The comparison of the Municipality's actual financial performance with that budgeted is set out in Appendix D				
41	<b><u>BULK WATER LOSSES</u></b>				
	<b><u>Water stock</u></b>	<b><u>2020</u></b>			<b><u>2019</u></b>
		<b><u>ML</u></b>			<b><u>ML</u></b>
	Opening balance treated water	48			18
	Opening balance raw water	22			22
	Raw water purchases	50 613			50 069
	Treated water sales	43 056			42 241
	Process water in system	2 531			2 455
	Technical water loss	5 027			5 343
	Closing water stock	<u>69</u>			<u>70</u>

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

<b>Water losses</b>	<b>ML</b>	<b>R</b>			<b>ML</b>	<b>R</b>
Opening Stock Raw	22	13 246			22	13 222
Opening stock Treated	48	166 080			18	10 818
Units purchased - Newcastle and Amajuba	44 855	27 007 196			44 593	26 800 393
Units purchased - Umzinyathi	5 758	179 650			5 476	163 185
<b>Total units purchased</b>	<b>50 661</b>	<b>27 352 925</b>			<b>50 087</b>	<b>26 974 396</b>
Units sold	43 056	164 043 360			42 241	146 153 860
Unsold process water in system	2 531	9 643 110			2 455	8 494 300
<b>Total loss</b>	<b>5 074</b>	<b>3 049 474</b>			<b>5 391</b>	<b>3 239 991</b>
<b>Comprising of</b>						
Technical losses	5 027	3 026 757			5 391	3 239 991
<b>Total</b>	<b>5 074</b>	<b>3 026 757</b>			<b>5 391</b>	<b>3 239 991</b>
<b>Percentage loss</b>	<b>%</b>				<b>%</b>	
Technical losses	10.02%				10.76%	
<b>Total</b>	<b>10.02%</b>				<b>10.76%</b>	
Bulk water losses are very carefully managed and form part of the Boards performance management monitoring program. The technical water losses of 10.02 % represents the real water losses on the bulk water supply lines from extraction to final treatment, storage and distribution. Considering the condition, age and and the lack of capital infrastructure investment into these assets, the loss is considered acceptable, and within the industry norm of around 15%.						

# UTHUKELA WATER (PTY) LTD.

## APPENDIX A: ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Balance at 30-Jun-19	Additions	Work in Progress	Water Service assets transferred to WSA's	Disposals	Revaluation	Balance at 30-Jun-20	Additions	Water Service assets transferred from WSA's	Disposals	Revaluation	Transfers	Balance at 30-Jun-21	Balance at 30-Jun-19	Additions	Water Service assets transferred to WSA's	Disposals	Balance at 30-Jun-20	Additions	Disposals	Correction Journals	Balance at 30-Jun-21	Carrying Value 30-Jun-19	Carrying Value 30-Jun-20	Carrying Value 30-Jun-21
Laboratory Equipment																									
	R	R	R	R	R	R	R	R	R	R			R	R	R	R	R	R	R	R	R	R	R	R	R
<b>WATER INFRASTRUCTURE</b>																									
Water Purification Plant	363 774 020	222 372		3 964 501	-	-	367 960 893	-	-	-	-	-	367 960 893	71 697 306	14 960 005	-	-	86 657 311	15 174 419	-	-	101 831 730	292 076 714	281 303 581	266 129 163
Pump Stations	46 752 575	61 211		-	-	-	46 813 785	-	-	-	-	-	46 813 785	11 993 059	2 572 509	-	-	14 565 568	2 574 549	-	-	17 140 116	34 759 516	32 248 218	29 673 669
Dams	141 173 465	-		-	-	-	141 173 465	-	-	-	-	-	141 173 465	14 236 635	2 853 292	-	-	17 089 927	2 853 292	-	-	19 943 219	126 936 830	124 083 538	121 230 246
Reservoirs	54 299 532	-		-	-	-	54 299 532	-	-	-	-	-	54 299 532	12 532 368	3 037 643	-	-	15 570 011	3 037 643	-	-	18 607 653	41 767 164	38 729 521	35 691 878
Chambers & Components on Bulk lines	14 729 240	-		-	-	-	14 729 240	-	-	-	-	-	14 729 240	7 129 886	1 391 621	-	-	8 521 507	1 391 621	-	-	9 913 127	7 599 354	6 207 733	4 816 113
Reticulation	736 514 037	-		-	-	-	736 514 037	-	-	-	-	-	736 514 037	341 598 351	47 474 310	-	-	389 072 661	47 474 310	-	-	436 546 971	394 915 686	347 441 376	299 967 066
	1 357 242 869	283 582	-	3 964 501	-	-	1 361 490 952	-	-	-	-	-	1 361 490 952	459 187 605	72 289 379	-	-	531 476 984	72 505 833	-	-	603 982 817	898 055 263	830 013 968	757 508 135
<b>VEHICLES</b>																									
Water	5 339 928	-		-	-	-	5 339 928	-	-	-	-	-	5 339 928	2 592 748	660 660	-	-	3 253 408	524 660	-	-	3 778 068	2 747 180	2 086 520	1 561 860
Administration	149 899	-		-	-	-	149 899	-	-	-	-	-	149 899	85 899	16 000	-	-	101 899	16 000	-	-	117 899	64 000	48 000	32 000
	5 489 827	-	-	-	-	-	5 489 827	-	-	-	-	-	5 489 827	2 678 647	676 660	-	-	3 355 307	540 660	-	-	3 895 967	2 811 180	2 134 520	1 593 860
<b>PLANT &amp; EQUIPMENT</b>																									
Tractors/Trailers/Machinery	3 092 822	-		-	-	-	3 092 822	-	-	-	-	-	3 092 822	1 512 157	287 638	-	-	1 799 795	287 638	-	(799)	2 086 634	1 580 665	1 293 027	1 006 189
Bulk Water Meters	2 761 417	90 390		-	-	-	2 851 807	-	-	-	-	-	2 851 807	627 707	241 581	-	-	869 288	245 206	-	-	1 114 494	2 133 710	1 982 519	1 737 312
Laboratory Equipment	4 231 087	103 761		-	-	-	4 334 848	10 050	-	-	-	-	4 344 898	2 590 855	501 162	-	-	3 092 017	408 315	-	(13 485)	3 486 847	1 640 232	1 242 831	858 051
Small Plant And Equipment	2 287 934	3 972		-	-	-	2 291 906	-	-	-	-	-	2 291 906	1 778 929	119 283	-	-	1 898 211	120 011	-	(334)	2 017 888	509 005	393 695	274 018
Water Plant	48 930 389	1 000 738		5 591 152	-	-	55 522 278	807 944	-	-	-	-	56 330 222	22 228 006	5 089 558	-	-	27 317 564	4 355 063	-	(438)	31 672 189	26 702 362	28 204 714	24 658 033
	61 303 649	1 198 861	-	5 591 152	-	-	68 093 661	817 994	-	-	-	-	68 911 655	28 737 654	6 239 222	-	-	34 976 876	5 416 232	-	(15 056)	40 378 053	32 565 995	33 116 786	28 533 603
<b>FURNITURE, EQUIPMENT AND FITTINGS</b>																									
Technology	1 723 253	159 657		-	-	-	1 882 910	424 849	-	-	-	-	2 307 759	1 251 230	120 608	-	-	1 371 838	217 270	-	(2 892)	1 586 216	472 023	511 072	721 543
Finance	205 888	-		-	-	-	205 888	-	-	-	-	-	205 888	116 315	21 844	-	-	138 159	21 844	-	-	160 003	89 574	67 729	45 885
Engineering	786 621	3 825		-	-	-	790 446	15 498	-	-	-	-	805 945	468 839	74 602	-	-	543 441	76 938	-	(80)	620 298	317 782	247 006	185 647
Administration	468 181	2 929		-	-	-	471 110	-	-	-	-	-	471 110	275 932	45 195	-	-	321 127	45 388	-	(766)	365 749	192 249	149 983	105 361
Human Resources	134 807	-		-	-	-	134 807	-	-	-	-	-	134 807	80 220	13 652	-	-	93 872	13 652	-	(23)	107 502	54 587	40 934	27 305
	3 318 751	166 411	-	-	-	-	3 485 162	440 347	-	-	-	-	3 925 509	2 192 536	275 902	-	-	2 468 438	375 092	-	(3 760)	2 839 769	1 126 214	1 016 724	1 085 740
<b>INTANGIBLE</b>																									
Technology	5 014 600	-		-	-	-	5 014 600	-	-	-	-	-	5 014 600	3 412 868	429 387	-	-	3 842 255	429 337	-	-	4 284 719	1 601 732	1 172 345	729 881
	5 014 600	-	-	-	-	-	5 014 600	-	-	-	-	-	5 014 600	3 412 868	429 387	-	-	3 842 255	429 337	-	-	4 284 719	1 601 732	1 172 345	729 881
<b>TOTAL</b>	1 432 369 695	1 648 854	-	9 555 653	-	-	1 443 574 202	1 258 341	-	-	-	-	1 444 832 544	496 209 310	79 910 549	-	-	576 119 859	79 267 154	-	(5 689)	655 381 325	936 160 385	867 454 343	789 451 219

# UTHUKELA WATER (PTY) LTD.

## APPENDIX B: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated Depreciation																					Carrying Value			
	Balance at 30-Jun-19	Additions	Disposals	Revaluation	Balance at 30-Jun-20	Additions	Water Service assets transferred from WSA's	Disposals	Revaluation	Transfers	Balance at 30-Jun-21	Balance at 30-Jun-19	Additions	Water Service assets transferred to WSA's	Disposals	Value Adjustments	Balance at 30-Jun-20	Additions	Water Service assets transferred to WSA's	Disposals	Correction Journals	Balance at 30-Jun-21	30-Jun-19	30-Jun-20	30-Jun-21
	R	R	R	R	R	R	R	R			R	R	R	R	R	R	R	R	R	R	R		R	R	R
SUMMARY																									
Water	1 423 886 447	1 482 443	-	-	1 434 924 543	817 994	-	-	-	-	1 435 742 537	490 502 951	79 189 261	-	-	-	569 692 212	78 446 726	-	-	-	648 138 938	933 383 495	865 232 330	787 603 599
Technology	6 737 853	159 657	-	-	6 897 510	424 849	-	-	-	-	7 322 359	4 679 974	549 995	-	-	-	5 229 969	646 608	-	-	-	5 876 576	2 057 880	1 667 542	1 445 783
Administration	618 080	2 929	-	-	621 009	-	-	-	-	-	621 009	361 115	61 195	-	-	-	422 310	61 388	-	-	-	483 698	256 965	198 699	137 311
Finance	205 888	-	-	-	205 888	-	-	-	-	-	205 888	116 315	21 844	-	-	-	138 159	21 844	-	-	-	160 003	89 574	67 729	45 885
Human Resources	134 807	-	-	-	134 807	-	-	-	-	-	134 807	80 198	13 652	-	-	-	93 850	13 652	-	-	-	107 502	54 609	40 957	27 305
Engineering	786 621	3 825	-	-	790 446	15 498	-	-	-	-	805 945	468 759	74 602	-	-	-	543 361	76 938	-	-	(5 689)	614 609	317 862	247 086	191 336
	1 432 369 696	1 648 854	-	-	1 443 574 203	1 258 341	-	-	-	-	1 444 832 545	496 209 311	79 910 549	-	-	-	576 119 860	79 267 156	-	-	(5 689)	655 381 327	936 160 385	867 454 343	789 451 218



UTHUKELA WATER (PTY) LTD.

APPENDIX C: SEGMENTAL ANALYSIS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

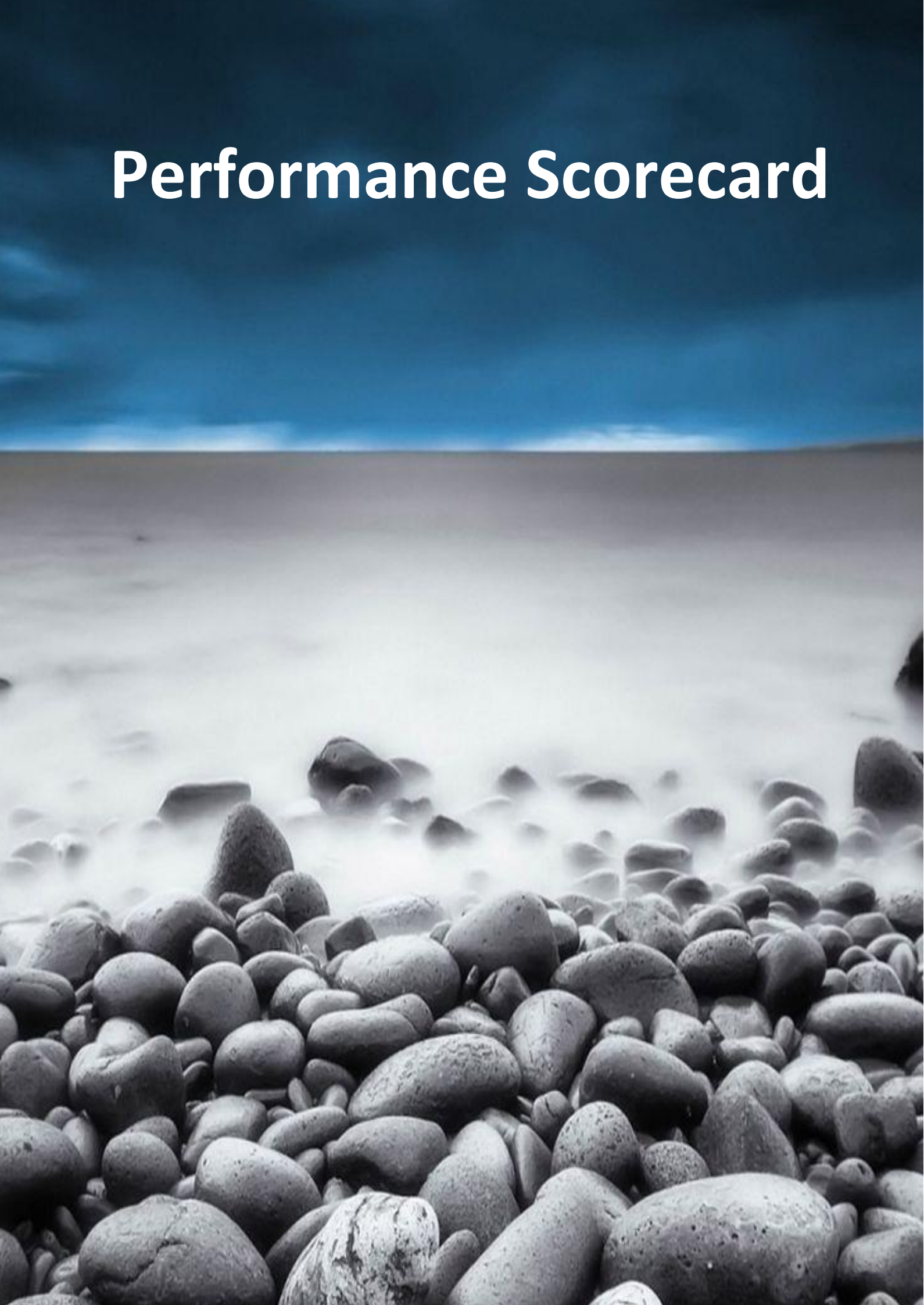
2021	2021	2021			2020	2020	2020
Actual	Actual	Surplus/			Actual	Actual	Surplus/
Revenue	Expenditure	(Deficit)			Revenue	Expenditure	(Deficit)
R	R	R			R	R	R
-	(6 500 515)	(6 500 515)	Strategy and Leadership		-	(8 492 933)	(8 492 933)
-	(1 997 342)	(1 997 342)	Company Secretary		-	(2 277 703)	(2 277 703)
-	(6 996 756)	(6 996 756)	Human Resources		-	(2 825 820)	(2 825 820)
1 393 960	(33 597 884)	(32 203 924)	Finance		2 004 126	(32 091 168)	(30 087 042)
-	(5 736 378)	(5 736 378)	Technology		-	(5 063 176)	(5 063 176)
-	(5 757 210)	(5 757 210)	Environmental Management		-	(5 895 242)	(5 895 242)
-	(3 177 059)	(3 177 059)	Engineering		-	(3 037 742)	(3 037 742)
-	(4 930 496)	(4 930 496)	Administration Operations		-	(4 929 033)	(4 929 033)
165 403 505	(187 268 956)	(21 865 451)	Water		148 550 115	(177 770 052)	(29 219 936)
166 797 465	(255 962 593)	(89 165 128)	<b>Total</b>		150 554 241	(242 382 869)	(91 828 627)
114 697	-	114 697	Gain / (loss) on sale of assets		-	-	-
166 912 162	(255 962 593)	(89 050 432)			150 554 241	(242 382 869)	(91 828 627)

**UTHUKELA WATER (PTY) LTD.**

**APPENDIX D: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2020**

		Budget Adjustments (i.t.o. s28 & s31 Of The MFMA)	Virement (i.t.o. Council Approved By- law)	2021 Final Budget	2021 Actual	Unauthorised Expenditure	2021 Variance	2021 % Variance to Final Budget	2021 % Variance to Original Budget	Explanation for Significant Variances of more than 10% from Budget
	Original Budget	2	3	4	5	6	7	8	9	
	1									
<b>Financial Performance</b>										
Service charges	170 263 232	-	-	170 263 232	165 403 505	-	(4 859 727)	-3%	-3%	
Interest received	107 000	-	-	107 000	1 067 037	-	960 037	897%	897%	Conservative budget provided for Interest income due to uncertainty of payments from WSA's
Other receipts	779 300	-	-	779 300	326 923	-	(452 377)	-58%	-58%	Other receipts are irregular receipts dependant partially on laboratory services requested by customer's
<b>Total Revenue (Excluding Capital Transfers &amp; Contributions)</b>	<b>171 149 532</b>	<b>-</b>	<b>-</b>	<b>171 149 532</b>	<b>166 797 465</b>	<b>-</b>	<b>(4 352 067)</b>	<b>-3%</b>	<b>-3%</b>	
<b>Expenditure</b>										
Employee related costs	(59 541 583)	-	-	(59 541 583)	(58 215 964)		1 325 619	-2%	-2%	
Depreciation	(1 787 026)	-	-	(1 787 026)	(79 261 466)		(77 474 440)	4335%	4335%	Full effect of depreciation on assets not provided for on budget - Capital grant and revaluation depreciation off-set any not budgeted for.
Repairs and maintenance	(16 110 527)	-	-	(16 110 527)	(5 177 110)		10 933 417	-68%	-68%	Due to non payment from two WSA's, expenditure has been curtailed
Bulk water purchases	(29 419 149)	-	-	(29 419 149)	(30 267 399)		(848 250)	3%	3%	
Interest paid/accrued	-	-	-	-	(22 945 197)	-	(22 945 197)			Department of Water and Sanitation. Non payment of charges by WSA's and dispute with the department
Contracted services	(2 704 180)	-	-	(2 704 180)	(2 535 657)	-	168 523	-6%	-6%	
Inventory	-	-	-	-	10 586	-	10 586			Annual adjustment not budgeted for
Other expenditures	(60 272 768)	-	-	(60 272 768)	(57 570 388)	-	2 702 381	-4%	-4%	
<b>Total Expenditure</b>	<b>(169 835 232)</b>	<b>-</b>	<b>-</b>	<b>(169 835 232)</b>	<b>(255 962 593)</b>	<b>-</b>	<b>(86 127 361)</b>	<b>(51)</b>	<b>(51)</b>	
<b>Surplus/(Deficit)</b>	<b>1 314 300</b>	<b>-</b>	<b>-</b>	<b>1 314 300</b>	<b>(89 165 128)</b>		<b>(90 479 428)</b>			
Partners Project Contributions							-			
<b>Surplus/(Deficit) After Capital Transfers &amp; Contributions</b>	<b>1 314 300</b>			<b>1 314 300</b>	<b>(89 165 128)</b>		<b>(90 479 428)</b>			
<b>Capital Expenditure &amp; Funds Sources</b>										
Capital Expenditure	-	-	-	-	(1 258 341)		(1 258 341)	100	100	No Approved capital budget
Internally Generated Funds	-	-	-	-	1 258 341	-	1 258 341			
<b>Total Sources Of Capital Funds</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 258 341</b>	<b>-</b>	<b>1 258 341</b>			
<b>Cash flows</b>										
Net Cash From (Used) Operating	1 314 300	-	-	1 314 300	10 612 266					
Net Cash From (Used) Investing	-	-	-	-	(1 258 341)					
Net Cash From (Used) Financing	-	-	-	-	-					
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>1 314 300</b>	<b>-</b>	<b>-</b>	<b>1 314 300</b>	<b>9 353 925</b>					

# Performance Scorecard



k

Annual Performance Report  
uThukela Water (Pty) Ltd  
FY2020/2021





# TABLE OF CONTENTS

## ANNUAL PERFORMANCE REPORT

UTHUKELA WATER (PTY) LTD

FY2020/2021

### PAGE NUMBER

Introduction	3
Service Delivery Performance Analysis	3-4
Performance Outcomes	5
Annual Performance Scoresheet FY2020/2021	6

## Introduction

This report serves to table the annual performance of the company as at 30/06/2021 against its pre-determined objectives planned out in May 2020. (Measurement of performance against the SDBIP of FY2020/2021)

The financial performance of the entity will be reported on separately

## Service Delivery Performance Analysis

uThukela Water (Pty) Ltd uphold its mission statement by ensuring excellent and consistent performance across all areas of expertise within the entity.

In May 2020 a pre-determined strategic plan/SDBIP that converts into measurable criteria on how, where and when the strategic objectives and normal business processes of the entity will be achieved and implemented was tabled for the FY 2020/2021.

This plan has since been approved by both the Board of directors as well as the respective parent municipalities of the entity.

### **a) PERFORMANCE SETTING**

The SDBIP of uThukela Water (Pty) Ltd for the FY 2020/2021 comprised of 6 key strategic objectives. Which were filtered into key performance areas and key performance indicators. The key performance indicators were assigned annual targets and performance is measured against these targets quarterly.

## uThukela Water (Pty) Ltd Key Strategic Objectives



## **b) MONITORING PERFORMANCE**

The entity's performance is measured as per the performance management policy of uThukela Water (Pty) Ltd. The performance of the entity is measured at the end of every quarter and is carried out by the Chairperson of the Board of Directors Mr. P.S Naidoo

uThukela Water (Pty) Ltd make use of a 4 Point rating scale to measure performance, it is the same rating scale used to measure targets within the SDBIP of the entity.

Rating	Level	Description
1	Unacceptable Performance / Needs Development	Performance does not meet the standard expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against more than half of the performance criteria and indicators as specified in the Performance Agreement. The member has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to encourage improvement.
2	Not Fully Effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review / assessment indicates that the employee has achieved below fully effective results against less than half of the key performance criteria and indicators as specified in the Performance Agreement.
3	Fully Effective	Performance fully meets the standard expected in all areas of the job. The review / assessment indicate that the member has achieved fully effective results against all the performance criteria and indicators as specified in the Performance Agreement.
4	Performance Above Expectations	Performance is significantly higher than the standard expected in the job or far exceeds the standard expected of a member at this level. The appraisal indicates that the member has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.



### c) PERFORMANCE OUTCOMES

The below chart (**Figure 1**) serves to represent the performance outcomes as at 30 June 2021 of uThukela Water (Pty) Ltd. A detailed scoresheet can be found at the end of this report.

The entity managed to meet all its agreed targets as per the SDBIP FY 2020/2021 in the key performance areas of the following strategic objectives:

- Manage stakeholder relationships
- Communicate Company Performance to Stakeholders and Public
- Increase financial sustainability

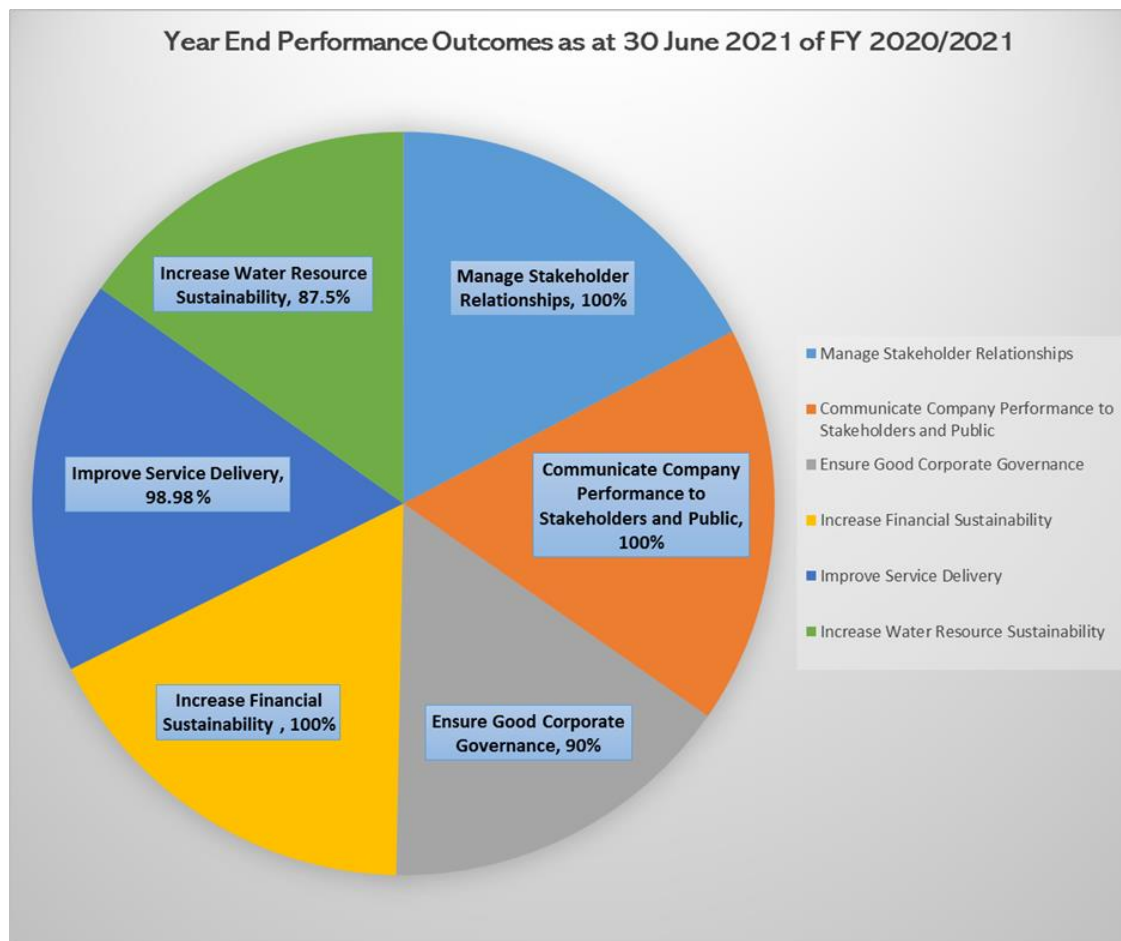


Figure 1- Performance Outcomes of uThukela Water (Pty) Ltd for the Year Ended 30/06/2021



uThukela Water (Pty) Ltd.

Annual Performance Scorecard – FY2020/2021

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Performance Score
Manage Stakeholder Relationships	Align Business Plans & Budgets with Municipal IDPs, Budgets & Plans, and National / Provincial Development Objectives	Submission of Business Plan, Budgets and Mid-Year Performance Assessments in terms of the provisions of the MFMA. One Meeting per annum with each Shareholder and Provincial Representative Committee to align budgets to Municipal IDPs, National and Provincial Plans	<ul style="list-style-type: none"> <li>• Submit an annual business plan to WSA's.</li> <li>• Submit a Mid-Year Performance Assessment Report and, a final annual performance report.</li> <li>• Schedule one meeting per WSA to align budgets and plans</li> </ul>	Managing Director	<ul style="list-style-type: none"> <li>• 1 Business plan submitted to all 3 WSA's</li> <li>• 1 Mid-Year Performance Report submitted to all WSA's</li> <li>• 1 Annual Performance Report submitted to all WSA's</li> <li>• 1 meeting per WSA scheduled in FY 2020/2021</li> </ul>	Target Met			3
	Schedule and attend regular Operational Admin and Financial meetings with Parent Municipalities	To schedule monthly meetings with all WSAs	<ul style="list-style-type: none"> <li>• 12 monthly meetings scheduled with all WSA's.</li> </ul>	Executive Director: Operations and Engineering	<ul style="list-style-type: none"> <li>• 12 monthly meetings scheduled.</li> </ul>	Target Met			3
	Board, Shareholder and Audit Committee Meetings	Quarterly meetings to be scheduled	<ul style="list-style-type: none"> <li>• 4 Board meetings scheduled</li> <li>• 1 Shareholders meeting scheduled</li> </ul>	Managing Director	<ul style="list-style-type: none"> <li>• 4 Board Meetings scheduled</li> <li>• 1 Shareholder Meeting scheduled</li> </ul>	Target Met			3

			<ul style="list-style-type: none"> <li>• 4 Audit Committee meetings scheduled</li> </ul>		<ul style="list-style-type: none"> <li>• 4 Audit Committee Meetings scheduled</li> </ul>				
--	--	--	--	--	--	--	--	--	--

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Performance Score
Communicate Company Performance to Stakeholders and Public	Submission of Monthly Section 71 Reports (Section 87(11))	Compile and submit Monthly Reports to Shareholders	12 Monthly Section 71 reports	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>	<ul style="list-style-type: none"> <li>• 12 Monthly Section 71 Reports</li> </ul>	Target Met			4
	Compile Annual Report with Input from Stakeholders	Compile and submit Final Annual Report to Stakeholders and Public by the 25th of August each year	Compile and submit 1 annual report by the 25 <sup>th</sup> August each year	<ul style="list-style-type: none"> <li>• Managing Director</li> </ul>	<ul style="list-style-type: none"> <li>• 1 Draft Annual Report Compiled and submitted by the 28/10/2020</li> </ul>	Target Met	National Treasury issued an extension of submission of Annual Reports and Annual Financial Statements to the 31/10/2020		4

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Ensure Good Corporate Governance	Compliance with Statutory Company and Local Government Legislation	To ensure compliance with Company, National, Provincial and Local Government legislative guidelines by updating and signing off control sheets on a quarterly basis	4 Quarterly Compliance Sheets	Managing Director	2 Signed Compliance Sheets	Target Not Met	Only 2 sheets were correctly completed and signed off for the year	Ensure that compliance sheets are properly completed and signed off and dated every quarter.	4
	Compliance with Statutory Company and Local Government Legislation	Number of material external audit findings in the Annual Audit Report to be less than 3 findings.	< 3 Material External Findings	Managing Director	1 Material External Finding	Target Met			3
	Manage and Reduce Risks	Carry out an annual institutional risk assessment and perform quarterly monitoring exercises thereof	<ul style="list-style-type: none"> <li>• 1 annual risk assessment</li> <li>• 4 quarterly risk monitoring reports</li> </ul>	Performance and Risk Officer	<ul style="list-style-type: none"> <li>• 1 annual risk assessment conducted</li> <li>• 4 quarterly risk monitoring reports</li> </ul>	Target Met			3

	Attract, Retain and increase organisational skills and capacity	Training and development of Staff in line with the institution's succession plan, career pathing, talent management, performance intervention, WSP	Capacitating staff and developing staff in line with the succession plan. With a total of 80% of all staff in training and development programmes been from the staff highlighted to be developed in terms of	Human Resource Manager	<ul style="list-style-type: none"> <li>• Annual training and development Report documenting more than 80% of employees selected for succession are currently being trained and developed</li> <li>• Updated succession plan</li> </ul>	Target Met			3
	Information Technology Systems	Functional modern-day and live IT systems that generate management and stakeholder information.	12 monthly IT reports	Chief Technology Officer	12 Monthly IT Reports completed	Target Met			4

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Improve Service Delivery	To supply agreed bulk water volumes to WSAs	To supply uninterrupted bulk water volumes in terms of WSP / WSA Agreements and budgeted volumes	<ul style="list-style-type: none"> <li>Newcastle – 33215000 KL</li> <li>uMzinyathi – 5600000KL</li> <li>Amajuba – 5750000 KL</li> </ul>	Executive Director – Operations and Engineering	<ul style="list-style-type: none"> <li>Newcastle - 31796331 KL</li> <li>uMzinyathi - 5599740KL</li> <li>Amajuba - 5297103 KL</li> </ul>	Target Not Met	Supply Volumes to Newcastle LM and Newcastle were less than the budgeted volume due to limited raw water supply. The use of the Ngagane river pump station is also restricted due to current payment challenges the entity is facing. The entity cannot afford to always run the pump station. Amajuba DM has no dedicated reservoir and supply volumes to the DM are	Raise issues of inconsistent payment with all 3 WSA's to ensure that the entity can efficiently operate without any financial restrictions. Continuously lobby for the roll out of the bulk water master plan to ensure that raw water shortages and shared reservoirs do not adversely affect service delivery in the future.	4



							dependent on the consumption volumes of Newcastle LM. The more Newcastle LM consume the less water available for Amajuba DM. Supply volumes to uMzinyathi DM are also restricted due to raw water shortages in the area.		
	To supply quality bulk water in terms of SANS 241:2015	95% compliance of; Acute health, chemical and microbiological, Aesthetic and operational, and Chronic health chemical standards.	95% Water Quality Across all determinants in terms of SANS 241:2015	Executive Director – Operations and Engineering	<ul style="list-style-type: none"> <li>• <b>Ngagane Water Treatment Works</b></li> <li>• Acute Health Chemical Compliance &gt;99.9%</li> <li>• Acute Health Microbiological Compliance &gt;99.9%</li> <li>• Aesthetic Compliance &gt;99.9%</li> </ul>	Target Met and Exceeded			4

					<ul style="list-style-type: none"> <li>• Chronic Health Chemical Compliance 99.4%</li> <li>Operational Compliance 99.1%</li> <li><b>Biggarsberg Water Treatment Works</b></li> <li>• Acute Health Chemical Compliance &gt;99.9%</li> <li>• Acute Health Microbiological Compliance &gt;99.9%</li> <li>• Aesthetic Compliance &gt;99.9%</li> <li>• Chronic Health Chemical Compliance 99.4%</li> <li>• Operational Compliance &gt;99.9%</li> </ul>				
	Reliability of Bulk Water Supply	To minimise unavoidable or planned maintenance interruptions of bulk water supply to less than 24 hours in any one instance.	All planned and unplanned maintenance disruptions of bulk water should be less than 24 hours per disruption.	Executive Director – Operations and Engineering	58 planned and unplanned outages from July 2020-June 2021 all under 24 hours per disruption. >50% of these outages were due to Eskom interruptions.	Target Met			4

	Water Conservation Management	To restrict bulk water losses on raw and potable bulk pipelines to less than 15% per annum	To restrict water loss on total bulk water system raw and potable pipelines to an average of less than 15% per annum.	Executive Director: Operations and Engineering	<ul style="list-style-type: none"> <li>• Ngagane – 4.56%</li> <li>• Biggarsberg – 5.21%</li> </ul> <p>Total Loss 4.64%</p>	Target Met and Exceeded			4
--	-------------------------------	--	---	--	--	-------------------------	--	--	---

Strategic Objective	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Increase Water Resource Sustainability	To coordinate the regional bulk water master plan	To coordinate quarterly meetings of the regional bulk water master plan	<ul style="list-style-type: none"> <li>• Schedule 4 Meetings</li> <li>• To include at least 2 bulk water master planning initiatives in the annual capital budgets</li> </ul>	Manager - Engineering	<ul style="list-style-type: none"> <li>• 4 meeting scheduled.</li> <li>• 2 bulk water master planning initiatives included in capital budget</li> </ul>	Target Met			3
	Increasing the resiliency of the institution	Business Continuity Planning	<ul style="list-style-type: none"> <li>• 4 Meetings to develop an Institutional Business Continuity Plan</li> </ul>	Managing Director	<ul style="list-style-type: none"> <li>• 1 Meeting Held with Provincial Treasury to discuss BC Planning</li> <li>• 1 Meeting held to conduct BCP Training carried out by Provincial Treasury</li> </ul>	Target Not Met	<b>Only 2 meetings held due to a delay in carrying out training within the entity. Since training has taken place a BCP Policy has been drafted and submitted for Board Approval.</b>	<b>Prioritise meetings in new financial year and encourage departments to develop departmental Business Continuity plans.</b>	3
	Regular asset conditional assessments	To annually assess the overall condition of all assets	1 Annual asset conditional assessment	Asset and Budget Manager	1 Annual Asset Conditional Assessment Compiled and submitted	Target Met			3

	Maintenance Planning	To update the Annual Maintenance Plan.	1 updated Annual Maintenance Plan	Maintenance Manager	1 Maintenance Plan completed for January-December 2021	Target Met			4
--	----------------------	--	-----------------------------------	---------------------	--	------------	--	--	---

	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Actual at 30 June 2021	Target Met/Target Not Met	Reason for Variance	Recommended Corrective Action	Perf Score
Increase Financial Sustainability	Bulk Water Tariff Modelling	A single cost driven bulk water tariff for all WSA's	<ul style="list-style-type: none"> <li>To submit a cost based bulk water tariff model for board approval.</li> <li>1 Board approved bulk water tariff.</li> </ul>	Managing Director	Cost based bulk water tariff submitted to Board for approval.  1 Board approved tariff of R3.81 per KL	Target Met			4
	Revenue Management	To invoice bulk debtors within 10 days of each new month for services rendered.	12 monthly invoices per WSA.	Chief Financial Officer	12 monthly invoices per WSA.	Target Met			4
	Financial Performance	To produce Annual Financial	Annual Financial Statements	Chief Financial Officer	Annual Financial Statements	Target Met	National Treasury issued an		4

		Statements by the 31 August each year	by the 31st August		submitted by the 28/10/2020		<b>extension of submission of Annual Reports and Annual Financial Statements to the 31/10/2020</b>		
--	--	--	-----------------------	--	-----------------------------------	--	--	--	--

In signing the below I hereby declare that all the content contained in this report is complete and accurate to the best of my knowledge, this is a true reflection of the performance of uThukela Water (Pty) Ltd. for the financial year ending 30 June 2021

Name and Surname: NONTIBENI KHAMBULE

Capacity: \_\_\_\_\_

Signature:  \_\_\_\_\_

Date: \_\_\_\_\_





uthukela  
water

**uThukela Water (Pty) Ltd**

**79 Harding Street**

**Newcastle**

**South- Africa**

**Private Bag X644**

**2940**

**Office Tel: (034) 3285000**

**Office Fax: (034) 3263388**

**<http://www.uthukelawater.co.za>**

email: [info@uthukelawater.co.za](mailto:info@uthukelawater.co.za)

**uThukela Water (Pty) Ltd**

**Reg. No. 2003/029916/07**

		NEWCASTLE MUNICIPALITY																												
		TOP LAYER SOBP 2020/21																												
		LOCAL ECONOMIC DEVELOPMENT 2020/21																												
TLSDBP REF NUMBER	SOBP REFERENCE NUMBER	OUTCOME 9	NATIONAL KPA	BACK TO BASICS PILLAR	IDP PRIORITY	GOAL / OBJECTIVE	STRATEGY	KPI No. LINKED TO IDP	KEY PERFORMANCE INDICATOR	REVISED KEY PERFORMANCE INDICATOR	KPI TYPE (INPUT, OUTPUT, OUTCOME, PROCESS)	UNIT OF MEASURE	BASLINE	REVISED ANNUAL STANDARD/ACCUMULATIVE AVERAGE TARGETS(1 JULY 2020-JUNE 2021)	ANNUAL ACTUAL	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	ANNUAL DASHBOARD	REVISED ANNUAL STANDARD/ACCUMULATIVE AVERAGE TARGETS(1 JULY 2019-JUNE 2020)	ACTUAL FOR ANNUAL STANDARD/ACCUMULATIVE AVERAGE TARGETS(1 JULY 2019-JUNE 2020)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	ANNUAL DASHBOARD	FREQUENCY OF REPORTING	PRIMARY SOURCE OF EVIDENCE	RESPONSIBLE DEPARTMENT	MSCOA CONFIGURATION	VOTE DESCRIPTION	ADJUSTMENT BUDGET	ACTUAL SPENT AS AT THE END OF JUNE 2021
TLSDBP-LED001	LED2	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Local Economic Development	Putting people first.	Local Economic Development (Eradication of poverty and unemployment)	To facilitate economic development that will result in sustainable job creation and growth of the Town	Facilitation and Promotion of SMME development and Entrepreneurship	ED1.1.1	Percentage compliance with the business licensing act	KPI not revised	Output	Percentage	New KPI	100%	100%			TARGET MET	N/A	N/A	N/A	N/A	N/A	Quarterly	Quarter 1-4: Barcoded business license integrated system	DPHS	10121010105	SALARIES	R2 108 499,00	R2 259 582,74
TLSDBP-LED002	LED4	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Local Economic Development	Putting people first.	Local Economic Development (Eradication of poverty and unemployment)	To facilitate economic development that will result in sustainable job creation and growth of the Town	Facilitation and Promotion of SMME development and Entrepreneurship	ED1.1.2	Number of SMME's Trained	KPI not revised	Output	Number (No.)	60	60	60			TARGET MET	60	74	More SMME's attended the training than planned.		TARGET MET	Quarterly	Quarter 1-4: Training registers / Attendance registers	DPHS	10121010373	SMME DEVT. PROGRAMME	R34 000,00	R0,00
TLSDBP-LED003	TS17	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Local Economic Development	Putting people first.	Local Economic Development (Eradication of poverty and unemployment)	Local Economic Development (eradication of poverty and unemployment)	To promote economic development that will result in sustainable job creation	ED2.1.1	The Number of jobs created through municipality's local economic development initiatives including capital projects	KPI not revised	Output	Number (No.)	932	942	762	The actual is based on active EPWP Contracts and the approved available EPWP budget.	Target to be set in accordance with existing active EPWP Contracts and the approved budget.	TARGET NOT MET	932	1070	The department did not align the target to the EPWP budget from the development of Public Works	To ensure that the 2020/21 target is aligned to the EPWP budget	TARGET MET	Quarterly	Quarter 1-4: Epwp register per project, Appointment letter and contracts	TECHNICAL SERVICES	20160000087	GRANTS: GOVERNMENT	R2 448 000,00	R2 448 000,00

## CHAPTER 9 – AUDIT AND RISK COMMITTEE ANNUAL REPORT FOR THE 2020/2021 FINANCIAL YEAR

### AUDIT AND RISK COMMITTEE LEGISLATIVE ROLES AND RESPONSIBILITIES

The Audit and Risk Committee (AC) of Newcastle Municipality was established by Municipal Council in accordance with section 166 (1) of the Municipal Finance Management Act (MFMA).

The Audit and Risk Committee operates as an independent advisory body to the Council, Political Office bearers, Accounting Officer, Management and staff, thereby assisting Council in its oversight role. The role, functions, and authority of the Audit and Risk Committee are prescribed in terms of section 166 (2) of the Act and section 94 (7)(f) of the Companies Act read with MFMA Circular 65, Treasury regulations, National Treasury Internal Audit Framework, National Treasury Public Sector Risk Management Framework, Kwa-Zulu Natal Provincial Treasury Risk Management Framework for Municipalities and Municipal Entities and all applicable legislation and treasury regulations.

Section 166(2) prescribes that an Audit and Risk Committee is an independent advisory body which must advise the municipal council, political office bearers, the accounting officer and the management staff of the municipality or board of directors, the accounting officer and the management staff of the municipal entity on the matters relating to: -

- Internal financial control and internal audits.
- Risk management.
- Accounting policies.
- The adequacy, reliability and accuracy of financial reporting, records and information.
- Performance management.
- Effective governance.
- Compliance with Municipal Finance Management Act, the annual Division of Revenue Act and any other applicable legislation.
- Performance evaluation.
- Review the annual financial statements to provide council of the municipality or in the case of the municipal entity, the council of the parent municipality and the board of directors of the entity, with the authoritative and credible view of the financial position of the municipality or the municipal entity, its efficiency and effectiveness and its overall level of compliance with the Municipal Finance Management Act, the annual Division of Revenue Act and any other applicable legislation.
- Respond to the council on any other issues raised by the Auditor-General in the audit report.

- Carry out such investigations into the financial affairs of the municipality or municipal entity as the council of the municipality or in the case of a municipal entity, the council of the parent municipality or the board of directors of the entity, may require.
- Perform such other functions as may be prescribed.
- Liaise with internal audit unit of the municipality.
- Liaise with the person designated by the Auditor-General to audit the financial statements of the municipality of municipal entity; and
- Make submissions to the Council, Executive Committee (EXCO) and Municipal Public Accounts Committee (MPAC), on any matters which in the opinion of the Committee needed to be brought to the attention of the oversight structures, emanating from its quarterly meetings.

#### AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Audit and Risk Committee has reviewed its formal terms of reference, *herein after referred to as the Charter*, which was presented, deliberated upon and recommended for final approval by Municipal Council. The Audit and Risk Committee has executed its functions in accordance with its 2020/21 annual plan and Charter.

The Audit and Risk Committee Charter is the base of the Audit and Risk Committee three years and annual work plans together with legislative compliance universe crafted from local government legislative framework.

#### AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The Audit and Risk Committee also serves as a Risk Committee and Performance Committee in addition to its duties as the Audit and Risk Committee. This ensures integrated risk oversight and Council capacity to see a single point of entry on risk issues, improve risk mitigation responses, effectiveness of governance processes, compliance and internal controls.

The Audit and Risk Committee held nine (9) meetings (divided into Finance and Risk & Performance) during the 2020/21 financial year to review interim annual financial statements, annual financial statements, effectiveness of internal controls, risk oversight and good governance. The Acting Accounting Officer, Chief Financial Officer and SEDs together with Senior Management attended Committee meetings as standing invitees. The Risk Management Unit and External and Internal Auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee consisted of the members listed hereunder.

Table 1 AUDIT AND RISK COMMITTEE MEMBERS

Members	Appointed	End of Term	Meetings Attended	
			Audit and Risk Committee	
			Scheduled	Attended
Mr. Themba Radebe (Chairperson)	28/02/2018	31/03/2021 (Appointment extended until 31/03/2024)	9	9
Mr. Rabelani Tshimomola	28/02/2018	31/03/2021 (Appointment extended until 31/03/2024)	9	9
Mr. Yaasir Haffejee (Appointed Chairperson as from 01 April 2021)	28/02/2018	31/03/2021 (Appointment extended until 31/03/2024)	9	8
Ms. Zanele Nkosi	28/02/2018	28/02/2021 (Appointment extended until 31/03/2024)	9	9
Mr C. Nciki	August 2019	July 2022	9	9

#### STATUTORY RESPONSIBILITIES

- Made submissions to Council on matters which the Audit and Risk Committee is of the opinion that, they required to be brought to the attention of the oversight structures from its quarterly meetings.
- Appraised management reports submitted by the Municipality at quarterly Audit and Risk Committee meetings.
- Reviewed the quality, adequacy, accuracy and reliability of financial information.
- Reviewed factors impacting on the financial sustainability of the Municipality and uThukela Water.

- Reviewed the annual external audit plan and the budgeted fee to be paid to the AGSA.
- Responded to any issues raised by Internal Audit and AGSA during the year.

## RISK MANAGEMENT AND GOVERNANCE

The Audit and Risk Committee reviewed the quarterly management risk reports which incorporated the followings:

- Progress on implementation of mitigations for strategic risks.
- Occurred and emerging risks identified by management.
- Development and progress on implementation of Business Continuity Strategy and plan.
- Establishment, training and implementation of Fraud Prevention Strategy; and
- Development and implement organisational wide combined assurance model.

The Audit and Risk Committee noted that, the municipal risks maturity level is still at an infancy stage resulting in risk management not being fully embedded within everyday processes of the municipality. Management has been urged to gradually improve the risk maturity level via a functional Risk Management Committee and active Risk Owners.

Assurance was obtained by the Audit and Risk Committee from Risk Management, Internal Audit, Treasury / BTO and AGSA regarding adequacy of systems and controls within the municipality. However, the Audit and Risk Committee still believes that, more improvements are required by AGSA regarding their reliance on the work of the Internal Audit towards ensuring combined assurance and eliminating duplication of efforts.

## EFFECTIVENESS OF INTERNAL CONTROLS AND COMPLIANCE

The Audit and Risk Committee has reviewed the following during its meeting:

- The adequacy and effectiveness of the municipality's systems of internal control over annual financial reporting, including information technology security and controls.
- The adequacy and effectiveness of the systems that have been designed to ensure and monitor compliance with laws, regulations, policies and procedures of Newcastle Municipality.



- Reviewed residual risks arising from Enterprise Risk Management risk registers and controls implemented to mitigate risk.
- Significant issues raised by the Internal and External Auditors.
- The results of management's investigation and follow-up including disciplinary action of any instances of non-compliance with laws, regulations, policies, procedures and municipal directives and circulars.
- Reviewed the Municipality's approach on its exposure to the business and financial risks and whether processes are in place to safeguard the assets.
- Any legal matters, contingencies and reports from the Corporate Legal Services including those that may have a material impact on the financial statements.
- The steps taken by management to encourage lawful and ethical behavior, financial discipline and accountability for use of public resources.
- Defalcation reports from any litigation, investigations, insurance loss and to evaluate corrective action implemented.

Based on the review of processes and the assurance obtained, the Audit and Risk Committee has noted continuous improvements on internal controls and compliance with applicable prescripts in certain areas but still inadequate, in some instances inefficient and ineffective with the following material areas of concerns raised by Audit and Risk Committee, internal and external auditors:

- Appropriate budgeting and improved expenditure management towards ensuring a funded budget and reduced going concern risk.
- High non-revenue water loss and unmetered properties.
- Re-occurring financial statements misstatements due to control weakness over regular financial reporting and monitoring.
- Leave and overtime systems and processes require improvements towards ensuring existence, completeness accuracy and justification.
- Controls around prevention and detection of non-compliance with SCM prescripts towards ensuring completeness and accuracy of Irregular, Fruitless and Wasteful expenditure.
- Ineffective demand management and contract management resulting to lack of timely renewal of contracts or awarding of new bids which in turn result to low capital expenditure.
- Information technology internal controls and processes including security require urgent attention.
- Municipality has commenced with the development of Compliance Framework to improve compliance; and

- Long outstanding unresolved and re-occurring audit findings.

The Audit and Risk Committee urged management to implement consequence management to ensure effective accountability for non-compliance with SCM prescripts.

#### PREDETERMINED OBJECTIVES, PERFORMANCE MANAGEMENT AND EVALUATION

The Audit and Risk Committee has reviewed quarterly performance reports as reported by the municipality at its meetings. Assurance was also provided by the Internal Audit through its review of quarterly performance information reports.

The Audit and Risk Committee was pleased with the quality; completeness and credibility of performance information as it has shown material improvement during the financial period.

#### EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee reviewed the interim financial statements as presented by management but noted that certain disclosure notes were not incorporated which were very crucial to towards ensuring prior financial year audit findings were addressed.

The Audit and Risk Committee emphasized the importance of ensuring effective financial systems and controls that produces accurate and complete financial information with reviews and monitoring done by delegated official on regular intervals.

#### INTERNAL AUDIT FUNCTION

The Audit and Risk Committee has:

- Reviewed and approved the Internal Audit Charter.
- Reviewed and approved the Internal Audit Plan
- Exercised its statutory duty of oversight over the internal audit function.
- Evaluated the independence, effectiveness and performance of the Internal Audit Unit in the fulfilment of its mandate; and
- Encouraged co-operation between External and Internal Audit work.

A summary of the salient findings of all internal audits carried out by the unit during the year was reported quarterly. The responses from the Management of the Municipality to the internal audit findings were reviewed and where necessary corrective action was recommended, and implementation monitored. Internal Audit provided the Audit and Risk Committee with assurance on progressive implementation of internal and external audit recommendation as per internal audit and Auditor-General management and audit report.

The Audit and Risk Committee is very pleased with the audit plan, scope, coverage, quality and reports of the Internal Audit. However, the Audit and Risk Committee remains concerned about vacancies and limited budget within the Internal Audit Function and has requested management to consider Internal Audit unit request for filling of post and allocation of budget.

#### AUDITOR-GENERAL OF SOUTH AFRICA

The Audit and Risk Committee has reviewed the scope of the External Audit to ensure the critical areas within the Municipality are covered for value adds and AGSA's report on issues arising out of the external audit.

The Audit and Risk Committee have met with the Auditor-General to ensure that there are no unresolved issues and that all issues that have come to our attention including subsequent events have been adequately communicated for further control and management towards rectification.

Based on processes followed and assurances received from the Auditor-General, nothing has come to the attention of the Audit and Risk Committee with regard to any matter impacting on the independence of the External Auditors.

#### CONCLUSION

The Audit and Risk Committee would like to thank the Municipal Council, Acting Accounting Officer, Chief Financial Officers, Chief Audit Executive, Chief Risk Officer, SEDs and Auditor-General as well as all management and staff for co-operation and support during the year under.

**MR Y Haffejee**  
**CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE**

