



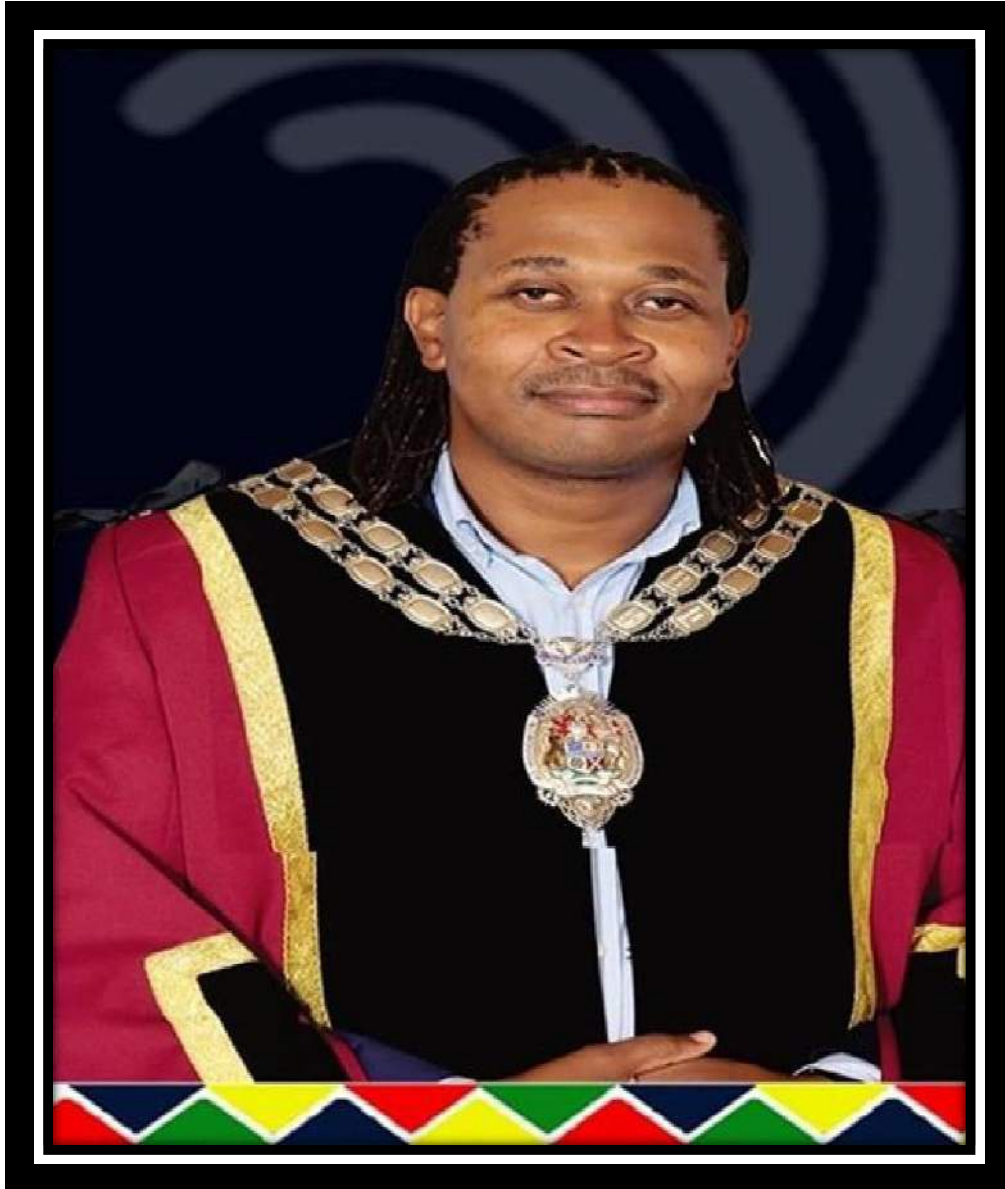
***NEWCASTLE MUNICIPALITY
DRAFT ANNUAL REPORT
2022/2023***

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CHAPTER 1 MAYORS FOREWARD AND EXECUTIVE SUMMARY

1.1 MAYORS FOREWARD



It gives me great satisfaction to present the Draft 2022/23 Annual Report for Newcastle Municipality. It is important to know that this Draft Annual Report is presented at a time when Newcastle Municipality has been operating with a limited budget. As the Mayor of 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 purpose of the 2022/2023 Annual Report is to provide the community with a credible, reliable, and accurate assessment of the municipality's progress towards achieving its goals as set out in the 2022/2023 Integrated Development Plan (IDP) and 2022/2023 Top-layer Service Delivery Budget Implementation Plan (TLSDBIP) that has

been aligned to the approved 2022/2023 approved budget.

By 2035, Newcastle will be a resilient and economically vibrant city is the long term vision for Newcastle Municipality. The vision of Newcastle Municipality was developed within the context of the national and provincial vision statements as outlined Integrated Development Plan (IDP) that is aligned to the National Development Plan (NDP) and the Provincial Growth and Development Strategy (PGDS).

**Mayor of Newcastle
Councillor David Xolani Dube**

Date:

COMPONENT B EXECUTIVE SUMMARY
1.2 MUNICIPAL MANAGERS OVERVIEW



Figure 1 MUNICIPAL MANAGER - NEWCASTLE MUNICIPALITY - MR ZW MCINEKA

The environment in which municipalities have had to continue to function has indeed been difficult for a number of years now and the 2022/23 financial year was no less challenging than the previous years. In terms of Section 55 of The Municipal Systems Act 32 of 2000, the Accounting Officer, as the head of administration must oversee the execution and implementation of all council policies, municipal legislation, plans and programs applicable to local government. Furthermore, the municipality must comply with Section 121 of the Municipal Finance Management Act 56 of 2003 that states that a municipality must compile an Annual Report for year financial year.

The purpose of the 2022/23 Annual Report is to provide the community and all relevant stakeholders with a precise report of the municipality's progress in implementing the strategic objectives as outlined in the Integrated Development Plan (IDP) in terms of the approved 2022/23 budget and service delivery

budget implementation plan.

The prerogative as a municipality is provide our residents with access to basic water, sanitation, refuse removal, electricity, access to land, disaster and fire management, roads, cemeteries, planning and development, traffic control and recreational facilities.

MUNICIPAL MANAGER
MR ZW MCINEKA
NEWCASTLE MUNICIPALITY

DATE :

VISION AND MISSION

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.

CHAPTER 2 DEMOGRAPHICS AND SOCIO-ECONOMIC CHARACTERISTICS

DEMOGRAPHIC PROFILE.

POPULATION SIZE AND GROWTH PATTERNS (STATS SA: 2022 CENSUS).

1. INTRODUCTION

1.1 Overview

Censuses are the principal means of collecting basic population and housing statistics required for planning, decision-making and monitoring of policies in all sectors of the economy in a country. Population and housing censuses provide detailed statistics on population composition, characteristics, and spatial distribution to the lowest geographical area. South Africa has conducted four censuses (1996, 2001, 2011 and 2022). Census 2022 was the first digital census

to be conducted in the post-1994 democratic dispensation, driven by the fundamental benefits of a technology-driven census, including real-time data collection, processing and timely, quality data. Census 2022's strategic approach was thus to ensure that most processes such as the geography frame, data collection instruments/tools, and data processing were largely technology driven. A multi-mode data collection approach was also adopted in census 2022, namely the use of face-to-face interviews (Computer-assisted Personal Interview [CAPI]), telephonic interviews (Computer-assisted Telephone Interview [CATI]), and self-enumeration through the internet (Computer-assisted Web Interview.[CAWI]). The multi-mode data collection approach became an advantage in conducting a census in the COVID-19 pandemic environment that affected key census phases, including geography frame finalization and data collection. South Africa conducts a de facto census – individuals are counted based on where they were on the census reference night. Census 2022 reference night was the night of 2 February 2022. Based on this approach, four sub-populations were counted: household-based population; population in special dwelling institutions (SDIs); transient population; and homeless population. Counting each sub-population requires different enumeration procedures and data-collection instruments/tools developed for each sub-population. The homeless and transient populations were enumerated on census night while household and SDI enumeration started on 3 February 2022. Census 2022 was affected by unprecedented challenges including the COVID-19 pandemic and climate change issues such as flooding in some parts of the country, and these affected the Census 2022 data collection and other enumeration related activities conducted between February and May 2022, with provinces completing enumeration at different times over this period. For a detailed information on how the count was done, refer to Report No. 03-01-45.

2. DEMOGRAPHIC CHARACTERISTICS

2.1 Introduction

This section presents key findings from the demographic characteristics. It covers the total population by province, population composition, which includes age and sex structure, population group and median ages. Recorded marital status, language most spoken in the household and religious affiliation are also profiled.

2.2 Population size

The section on population size provides the results of the population recorded in Census 2022 and changes by province since Census 1996.

Figure 2.1: Total population by census year, Census 1996–2022

GRAPH

Figure 2.1 shows the total population by census years, 1996–2022. Overall, the results indicate that the population size of the country has been increasing. The population increased from 40 583 573 in 1996 to 62 027 503 in 2022, representing a growth rate of 4,1%. The biggest growth rates were observed between 2011 and 2022 at 1,8%, while the rates between 2001 and 2011 was 1,4%.

Table 1: Population Growth and Density in ADM in 2011.

2011					
District	Population Size	% Share of KZN Population	% Share of Amajuba Population	Area in Square km	Population Density (ppl/km ²)
KwaZulu-Natal	10 267 299			93 378	109.9
Amajuba	499 839	4.9		6 921	72.2
Newcastle	363 236	3.5	72.7	1 689	215
Emadlangeni	34 440	0.3	6.9	3 714	9.27

2011					
District	Population Size	% Share of KZN Population	% Share of Amajuba Population	Area in Square km	Population Density (ppl/km2)
Dannhauser	102 162	1.0	20.4	1 518	67.3

Source: Stats SA 2011 Census Data.

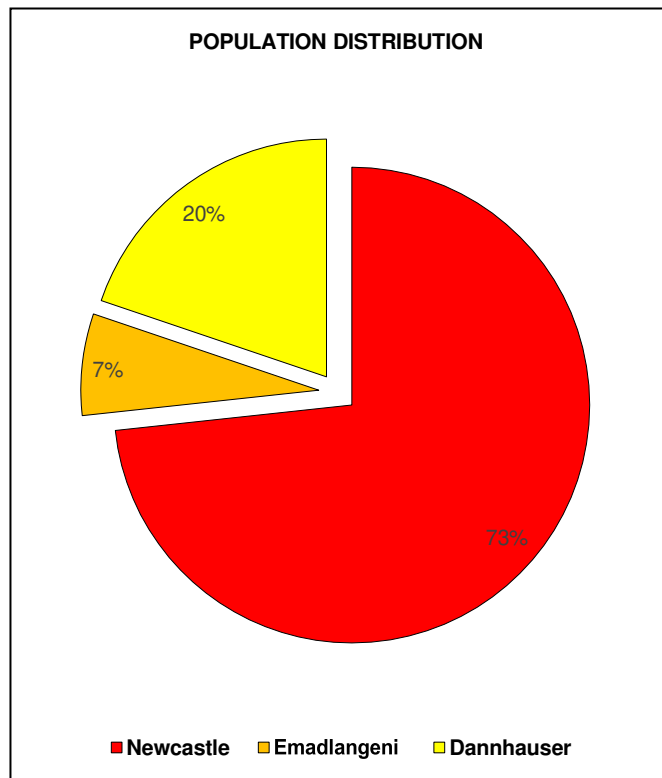
This trend is a characteristic of the whole district with municipalities such as Dannhauser recording a negative growth rate between 2001 and 2011. However, even though there was a decrease in the growth rate within the period 2001 to 2011, the population growth rate in Newcastle still remains higher than that of the district average which is 0.63% per annum over a period of 10 years, hence making Newcastle Local Municipality the fastest growing municipality in the district in terms of population size. According to the 2011 Census Data, Newcastle accounted for 73% of the total district population in 2011, and the figure is 20% and 7% for Dannhauser and Emadlangeni Municipalities respectively.

POPULATION SIZE AND GROWTH PATTERNS (STATS SA: 2016 COMMUNITY SURVEY).

Table 2: Population Growth and Density.

2016					
District	Population Size	% Share of KZN Population	% Share of Amajuba Population	Area in Square km	Population Density (ppl/km2)
KwaZulu-Natal	11 065 240			93 378	118.5
Amajuba	531 327	4.8		6 921	76.8
Newcastle	389 117	3.6	73.3	1 689	235.7
Emadlangeni	36 869	0.3	6.9	3 714	9.9
Dannhauser	105 341	0.9	19.8	1 518	69.4

An analysis of the population figures released under the 2016 Community Survey reveals that Newcastle has further experienced population growth, with the total population being 389 117 people. This marks a population increase of 25 881 people over a period of 5 years, which is an average of 1.34% per annum (5 176 people). This is higher than the growth rate which was experienced during the period 2001 to 2011 even though it's much lower than that of the period 1996 to 2001. This also shows that there has been a general increase in the population within the Amajuba District, with Newcastle Local Municipality still accommodating a much higher percentage of the population relative to Dannhauser and Emadlangeni. An increase in population size without a significant increase in the geographical area results in an increase in the population density per square kilometer.



Source: Stats SA 2011 Census Data.

One of the challenges that ensues due to such entails increased pressures on infrastructure as it operates either at maximum, or beyond carrying capacity.

Newcastle Local Municipality has a vision of becoming a city by the year 2035, and one of the prerequisites to becoming a city is premised on the number of people residing within the jurisdictional area of the Newcastle Local Municipality. In light of the above, the projected population in Newcastle for the year 2039 will be 501 821 people, of course that's based on an assumption that everything remains constant (*ceteris paribus*). Some of the factors to be considered which affect population growth within Newcastle are as follows:-

- Availability of job opportunities;
- Availability of quality education facilities;
- Access to quality infrastructure;
- Access to quality healthcare facilities;
- Improved safety and security;
- Accessibility to places of leisure and tourism;
- Agglomeration of economies; and
- Accessibility to intermodal options of transportation that promote efficiency in logistics.

Table 3 GENDER DISTRIBUTION

Year	Newcastle			eMadlangeni			Dannhauser			Amajuba		
	M	F	Total	M	F	Total	M	F	Total	M	F	Total
2019	194	213	408	23	21	44	49	55	104	266	290	556
	688	630	318	060	316	376	168	109	277	916	56	972
2020	197	216	413	23	21	45	49	55	104	270	293	563
	405	441	846	637	885	522	0	203	443	282	529	811
2021	200	219	419	24	22	46	49	55	104	273	296	570
	054	234	287	408	458	666	282	269	551	543	961	504
2022	202	221	424	24	23	47	49	55	104	276	299	576
	488	747	235	755	008	764	239	236	475	482	991	473
2023	204	224	428	25	23	48	49	55	104	279	302	582
	783	142	925	292	553	845	153	147	300	227	843	070
2024	207	226	433	25	24	49	49	55	104	281	305	587
	015	466	481	824	096	920	026	009	035	866	571	588
												588

POPULATION BY WARD (2011 CENSUS).

The population growth rate in Newcastle is in an upward trajectory with the majority of the growth occurring mainly in the Eastern Areas, which mainly entails the Madadeni and Osizweni Townships. These are largely underdeveloped areas relative to the Western Areas, and they are occupied mainly by a majority low-income households. The current population movement patterns in the region suggests that the urbanization phenomenon persists, characterized by the natural growth rate, an observed breakdown in extended families, and the immigration of people from surrounding towns. Immigration arises mainly from perceived urban opportunities and prospects for a better life, poor access to services and a general lack of employment opportunities in the rural hinterland, and a general decline in employment opportunities in the agricultural sector. The growth rate is further fueled by the educational institute that is geographically located in the Newcastle East Area (Amajuba TVET College), hence attracting students from all over the Northern KwaZulu-Natal region.

Over the last ten years, Newcastle's agricultural region has registered a net decline in both production and employment opportunities, hence the migration of people from Newcastle to areas that offer employment opportunities. A closer look into the population figures down at ward level shows that the average population size per ward is 10 683 people. Also deduced from the figures is that about 50% of the wards are below the average population size of Newcastle, whilst the other 50% is above.

Table 4: Population Distribution by Wards (Source: Stats SA 2011 - Census Data).

POPULATION WITHIN THE WARDS				
Ward No.	Male	Female	Grand Total	%
Ward 1	5281	5488	10769	3%
Ward 2	4443	4990	9432	3%
Ward 3	4134	4047	8182	2%
Ward 4	3250	3384	6634	2%
Ward 5	4789	5169	9958	3%
Ward 6	5504	6312	11816	3%
Ward 7	5449	6188	11636	3%
Ward 8	4378	4746	9124	3%

POPULATION WITHIN THE WARDS				
Ward No.	Male	Female	Grand Total	%
Ward 9	5479	6348	11827	3%
Ward 10	4094	4847	8942	2%
Ward 11	4211	4910	9121	3%
Ward 12	4355	5065	9420	3%
Ward 13	4099	4442	8542	2%
Ward 14	7685	9121	16805	5%
Ward 15	5464	6111	11575	3%
Ward 16	6831	7625	14456	4%
Ward 17	6136	6698	12834	4%
Ward 18	4154	4603	8756	2%
Ward 19	4544	5474	10018	3%
Ward 20	4667	5028	9696	3%
Ward 21	5957	5334	11291	3%
Ward 22	4110	4666	8777	2%
Ward 23	5057	5559	10616	3%
Ward 24	5552	6265	11817	3%
Ward 25	4375	4226	8601	2%
Ward 26	6555	6822	13378	4%
Ward 27	5246	5785	11031	3%
Ward 28	4199	4729	8928	2%
Ward 29	5173	5891	11065	3%
Ward 30	4330	4855	9185	3%
Ward 31	5504	5875	11379	3%
Ward 32	5651	6268	11920	3%
Ward 33	5665	6704	12369	3%
Ward 34	6522	6814	13336	4%
Grand Total	172846	190390	363236	100%

There is a higher population density within the Newcastle East Area relative to the Newcastle West Area, and there is a higher growth rate within this area thus necessitating the improvement of service delivery to cater for a growing population. The wards with the lowest concentration of the population are within both the Newcastle East and the Newcastle West Areas. However they manifest differently in the sense that within the Newcastle West Area they are the fabric of poor apartheid planning that was characterized with an unequal distribution of land parcels based on race, and in the Newcastle East Area they are prevalent due to the low density uncontrolled urban sprawl that places jeopardy on valuable agricultural land towards the periphery.

The ward delimitation process which was conducted by the Municipal Demarcation Board, in line with the requirements of the Local Government: Municipal Demarcation Act of 1998 and Regulations (Act No. 27 of 1998), saw an increase in the number of wards within Newcastle with an additional 3 wards, namely ward 32, ward 33, and ward 34. The location of the new wards is within the following areas, however not covering the whole, rather only parts thereof, in spatial terms:-

- Ward 32: Osizweni A, Osizweni E, Osizweni F;
- Ward 33: Manzana.
- Ward 34: Newcastle Central, Newcastle CBD, Riverside Industrial, Newcastle Industrial, KwaMathukuza and Arbor Park.

The increase in the number of wards necessitates an increase in the number of Councilors to a number which is determined by the MEC. The increase also necessitated an increase in the number of Ward Committees from 310 to 340. An increase in the number of Councilors and Ward Committees necessitates an increase in the allocation of funds towards remuneration thereof. The ward delimitation process did not affect the population of Newcastle, however it affected the population within the affected wards in that it has either increased or decreased head counts within certain wards. Furthermore, the ward delimitation process has also affected the size of the wards in spatial terms, either expanding or contracting certain wards.

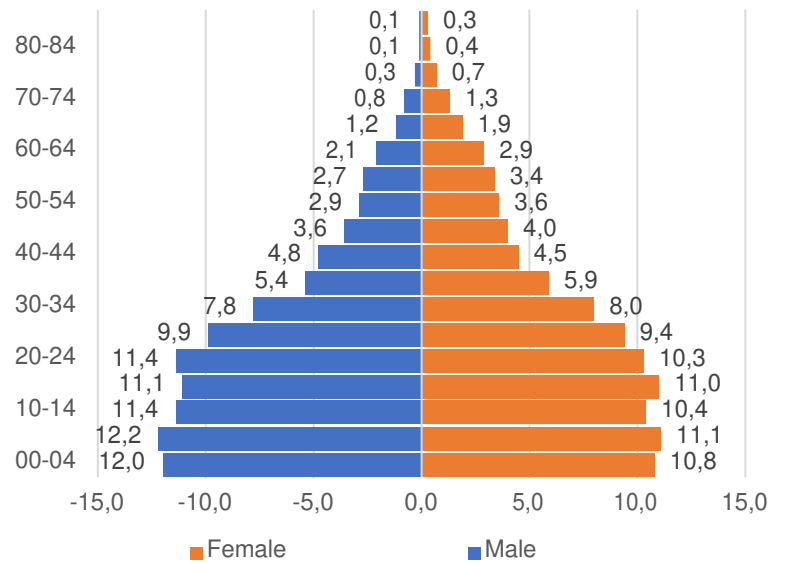
The increase in the number of wards within Newcastle Municipality is a sign of positive growth towards a city status. The challenges encountered during the process are merely issues around the projected power struggles for political administration from a public perspective. From a municipal perspective, the ward delimitation process will not affect the delivery of municipal services within the different wards. However, the process played a significant role in terms of deepening local democracy and also improving local governance.

AGE STRUCTURE (2016 COMMUNITY SURVEY).

According to the statistical figures of Stats SA's 2016 Community Survey, Newcastle's population is relatively young with 44.9% of the total population being younger than 19 years of age, and the age group between 20 and 34 years accounting for 28% of the of the total population. Collectively the youth in Newcastle (0 – 34 years) makes up 72.9% 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 due to a very high majority being below the working age. The high rate of youth population is also an indication that there is a high fertility rate within Newcastle, thus a need for birth control measures.

It has been observed that there is a high rate of emigration of youth from Newcastle to cities like Johannesburg and Durban, and it has been deduced that the main contributing factor relates to the unavailability of institutes of higher learning in Newcastle. 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.

Newcastle Municipality Population Pyramid



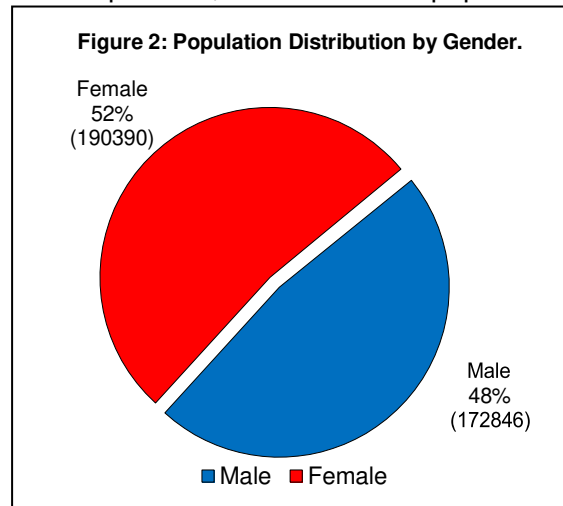
	Male	Female	Grand Total
00-04	22386	21889	44275
05-09	22776	22613	45389
10-14	21144	21056	42200
15-19	20748	22319	43067
20-24	21193	20818	42011
25-29	18498	19013	37511
30-34	14607	16298	30905
35-39	10130	12038	22168
40-44	8882	9205	18087
45-49	6795	8150	14944
50-54	5379	7384	12763
55-59	4945	6879	11824
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

Source: 2016 Stats SA Community Survey.

Source: 2016 Stats SA Community Survey.

GENDER DISTRIBUTION (2016 COMMUNITY SURVEY).

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 programs specifically targeted towards gender equality. In response to this, Newcastle Municipality has prioritized gender issues as part of its Special Programs under Operation Sukuma Sakhe. It is imperative that specific projects and programs aligned to the National Program should be developed and rolled out in line with the municipal program of action.



Source: Stats SA, 2011 Census Data.

SOCIO-ECONOMIC PROFILE.

The Consolidated SDF Map depicts the

geographic concentration of the population within Newcastle. The current settlement pattern is a spatial response to urbanization which has seen the population movement from the Newcastle East Area to the Newcastle West Area, closer to CBD. The motive relates to the proximity of this area to economic opportunities in the form of the surrounding Industrial Area and the Commercial Area in the form of the Newcastle CBD. This places pressure on Council to provide a variety of housing typologies such as Social Housing Units, Community Residential Units, and Rental Housing Stock around the Newcastle CBD in order to accommodate the rising demand for affordable housing (inclusionary housing). With the general population closer to places of employment opportunity, it will decrease reliance on public transportation hence introducing new modes of mobility such as walking and cycling, thus ultimately resulting in a decrease in the levels of greenhouse gas emissions.

INCOME PROFILE.

Figure 3: Annual Household Income.

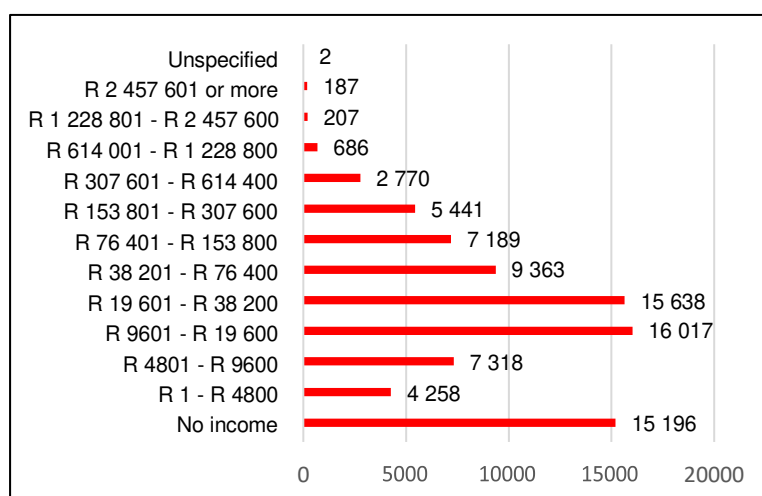


Figure 4: Source - Stars SA (2011 Census Data).

According to the 2011 Census Data, Newcastle Municipality has a generally low income population with a large number of people living in abject income poverty as they do not have a reliable source of income. In 2011 the majority of the households income was between R9 601 – R19 600 per annum (16 017 households) closely followed by households who earn between R19 601 – 38 200 per annum (15 638 households). The majority of

the households are headed by men as opposed to women (52% and 42% respectively).

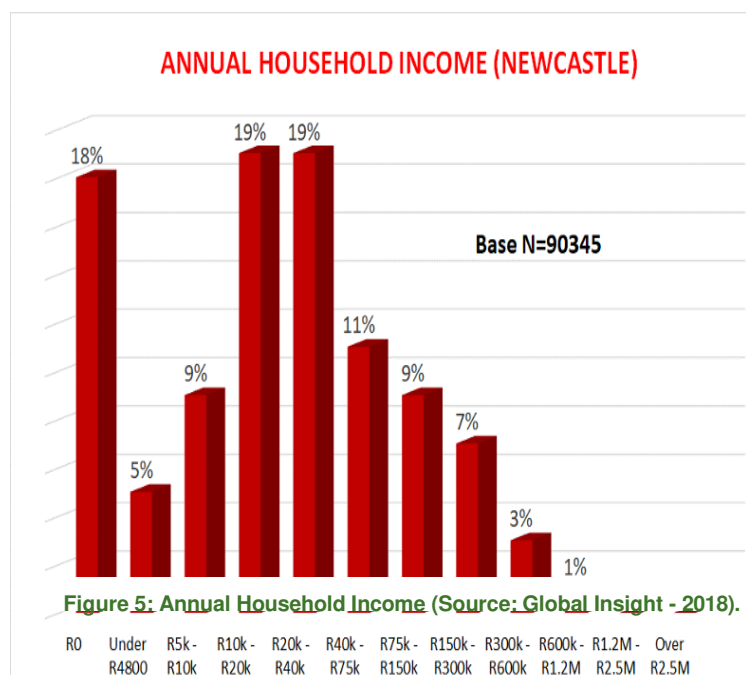
In terms of the most recent stats from Global Insight (2018), a very high majority of the households in Newcastle (68%) earn a combined income of less than R40,000 per annum, which translates to an average of R3 300 per month. This is significantly below the national average of household income, which is R103 204 per year, or R8,600 per month. This has implications on the Indigent Support provided by the municipality to the community of Newcastle as there is a growing number of households that earn a combined annual income of a maximum of R40,000. In 2011 the total number of households earning less than R40,000 was 68%, which is 58 427 households out of 86 024 households, and it has since remained unchanged in 2018 at 70%, which is 61 436 households out of a total number of 90 347 households.

The following is a method used by Standard Bank to rate households in terms of their income:-

Annual income	Monthly income	Classification
R0 – R19,000	R0 – R1,583	Lowest
R19,001 – R86,000	R1,584 – R7,167	Second lowest
R86,001 – R197,000	R7,168 – R16,417	Low emerging middle
R197,001 – R400,000	R16,418 – R33,333	Emerging middle
R400,001 – R688,000	R33,334 – R57,333	Lower middle
R688,001 – R1,481,000	R57,334 – R123,417	Upper middle
R1,481,001 -R2,360,000	R123,418 – R196,667	Upper income/Emerging affluent
R2,360,001+	R196,668+	Affluent

With respect to the above classification, half of the households in Newcastle fall under the lowest income classification, while three quarters of households fall within or below the second lowest threshold. A negligible percentage of households fall under the low emerging middle or the emerging middle category.

In terms of Annual Income individually, close to three quarters (72%) of the population earns less than R150 000 per annum, which is equivalent to R12 500 a month.



EMPLOYMENT AND UNEMPLOYMENT RATE
(STATS SA CENSUS DATA – 2001 & 2011).

In terms of the unemployment rate within Newcastle, based on the figures presented on the table below (Stats SA 2001 Census Data), in the year 2001 the economically active population (a section of the population which is either employed or actively seeking employment) constituted 43.51% (144 885 people) of the total population. From the total economically active population, only a mere 39.52% (57 266) were employed and the rest of the 60.48% (87 619 people) were unemployed. The unemployed people within Newcastle were ranging from the seasonal workers who were presently unemployed during the compilation of the stats, and also individuals who could not find work.

Regarding the unemployment rate within Newcastle for the year 2011, the economically active population constituted 27.71% (100 654 people) of the total population. From the total number of economically active people, only 62.56% (62 968 people) were employed, and the rest of the 37.44% (37 686 people) were unemployed. In terms of gender, in 2001 the highest concentration of the unemployed was amongst the female population (42 750 people) as compared to the male population (36 985 people), and in 2011 it still remains highest amongst the female population (20 129 people) as compared to the male population (17 557 people). In general, the decrease in the unemployment rate means progress has been made within Newcastle towards curbing the unemployment rate from 60.48% in 2001 to 37.44% in 2011.

Table 5: Employment status by Gender in Newcastle.

	2001			2011		
	Male	Female	Grand Total	Male	Female	Grand Total
Employed	28 384	28 882	57 266	32 504	30 464	62 968
Unemployed	31 340	36 168	67 508	17 557	20 129	37 686
Scholar or student	22 455	20 622	43 077	-	-	-
Discouraged work-seeker	-	-	-	7 617	9 405	17 021
Home-maker or housewife	276	7 884	8 160	-	-	-
Pensioner or retired person/too old to work	3 845	6 155	9 639	-	-	-
Unable to work due to illness or disability	3 025	2 801	5 826	-	-	-

	2001			2011		
	Male	Female	Grand Total	Male	Female	Grand Total
Seasonal worker not working presently	586	523	1 109	-	-	-
Does not choose to work	1 922	2 756	4 678	-	-	-
Could not find work	5 059	6 059	11 118	-	-	-
Other not economically active	-	-	-	50 405	61 820	112 225
Age less than 15 years	-	-	-	-	-	-
Not applicable	-	-	-	64 763	68 573	133 335
Grand Total	96 533	111 850	208 383	172 846	190 390	363 236

Source: Stats SA, 2001 – 2011 Census Data.

EMPLOYMENT AND UNEMPLOYMENT RATE WITHIN THE WARDS (STATS SA CENSUS DATA – 2001 & 2011).

An analysis of the unemployment rate using the official expanded definition of unemployment reveals a slightly different picture. The average rate of unemployment in Newcastle Municipality is low compared to that of the whole of Amajuba District, but higher than the provincial average of 21.7% and 22.4% among the females and males respectively. Zooming in at ward level, a much clearer picture is painted on the geographical concentration of the unemployed, which is mostly within the Newcastle Ease Area. There's also a direct correlation between unemployment and the levels of literacy within this area.

	Employed	Unemploy ed ed	Discourag e ed work-	Other not economica l ly active	Not applicable	Grand Total
Ward 1	1724	938	900	2920	4287	10769
Ward 2	4173	281	68	1967	2943	9432
Ward 3	2925	359	149	2547	2201	8182
Ward 4	2979	145	26	1523	1962	6634
Ward 5	3085	539	131	3371	2832	9958
Ward 6	1177	901	746	3923	5069	11816
Ward 7	1264	1353	869	3256	4894	11636
Ward 8	1054	1876	518	2172	3505	9124
Ward 9	1956	1525	494	3297	4554	11827

	Employed	Unemploy ed ed	Discourag e ed work-	Other not economica l ly active	Not applicable	Grand Total
Ward 10	1170	867	509	3023	3371	8942
Ward 11	1425	699	438	3150	3410	9121
Ward 12	808	1581	397	2787	3846	9420
Ward 13	997	1340	430	2448	3327	8542
Ward 14	2773	2244	548	5039	6201	16805
Ward 15	1074	1080	1725	2798	4898	11575
Ward 16	1728	1773	979	3935	6041	14456
Ward 17	1452	1948	785	3816	4833	12834
Ward 18	889	1140	659	2532	3536	8756
Ward 19	1742	1098	268	3403	3507	10018
Ward 20	1392	915	189	3652	3548	9696
Ward 21	2879	750	375	3584	3702	11291
Ward 22	1435	702	289	3410	2940	8777
Ward 23	1549	837	270	4006	3954	10616
Ward 24	2110	1077	380	4444	3806	11817
Ward 25	2649	852	133	2482	2485	8601
Ward 26	2495	1544	675	3956	4708	13378
Ward 27	2067	1122	270	3708	3863	11031
Ward 28	1108	945	570	3244	3061	8928
Ward 29	2094	979	309	3876	3806	11065
Ward 30	937	710	752	3144	3643	9185
Ward 31	1481	1564	300	3522	4511	11379
Ward 32	1640	1269	571	3803	4636	11920
Ward 33	1008	1537	753	3683	5388	12369
Ward 34	3726	1194	546	3803	4067	13336

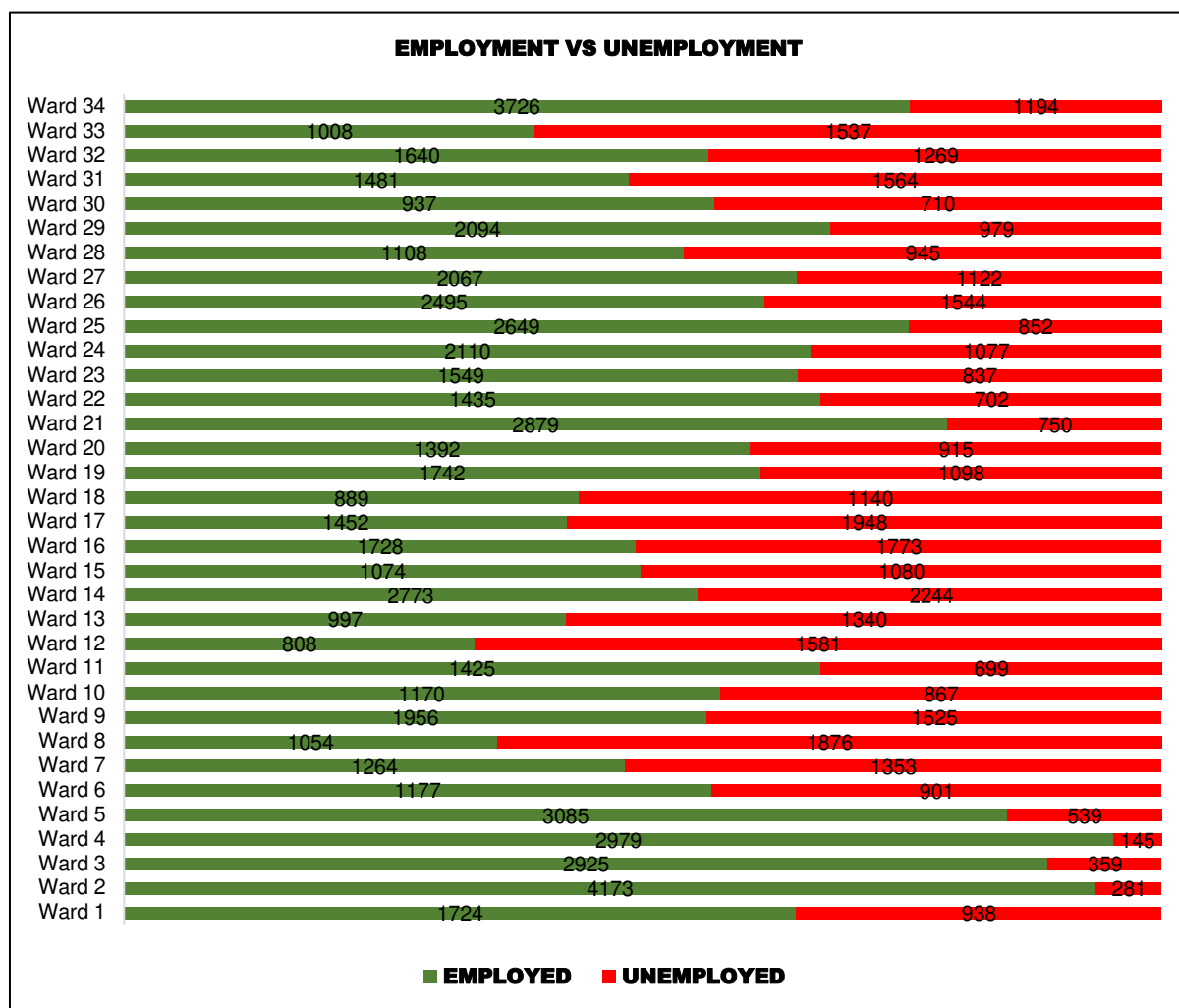
	Employed	Unemploy ed ed	Discourag e ed work-	Other not economica l ly active	Not applicable	Grand Total
Gran d Total	62968	37686	17021	112225	133335	363236

All the wards with the highest concentration of the unemployed are found within the Newcastle East Area in the townships of Madadeni, Osizweni, Blaauw Bosch and Cavan. This has implications on the need for coordinated efforts between government and the private sector towards the creation of meaningful job opportunities. Furthermore, it is of crucial importance that the Newcastle Local Municipality creates favorable conditions that will attract potential business into these previously disadvantaged areas, and also assist in the development of youth entrepreneurs through initiatives on SMME development.

According to the 2011 Statistics SA Census Data presented above, the percentage of unemployment within Newcastle was 37.44%, which thus marks 37 686 people unemployed out of a total labor force of 100 654 people. The average unemployment rate within the wards is 2.94%, which simply means an average 1108 people are unemployed per ward. A further analysis of the numbers at ward level reveals that about 44.4% of the total wards have an unemployment rate that is higher than average, and these includes the following words:-

	Ward	Number of people Unemployed	Geographical Areas
1.	Ward 14	2 244	
2.	Ward 17	1 948	
3.	Ward 8	1 876	
4.	Ward 16	1 773	
5.	Ward 12	1 581	
6.	Ward 31	1 564	
7.	Ward 26	1 544	
8.	Ward 33	1 537	
9.	Ward 9	1 525	
10.	Ward 7	1 353	

Collectively, the total number of unemployed people within the above listed wards constitutes 16 945 people, which is essentially 44.96% of the total unemployed population throughout the jurisdictional area of Newcastle.



HUMAN DEVELOPMENT INDEX.

The Human Development Index (HDI) is a statistic composite index of life expectancy, education, and per capita income indicators, which are used to rank human development into 3 tiers, namely:-

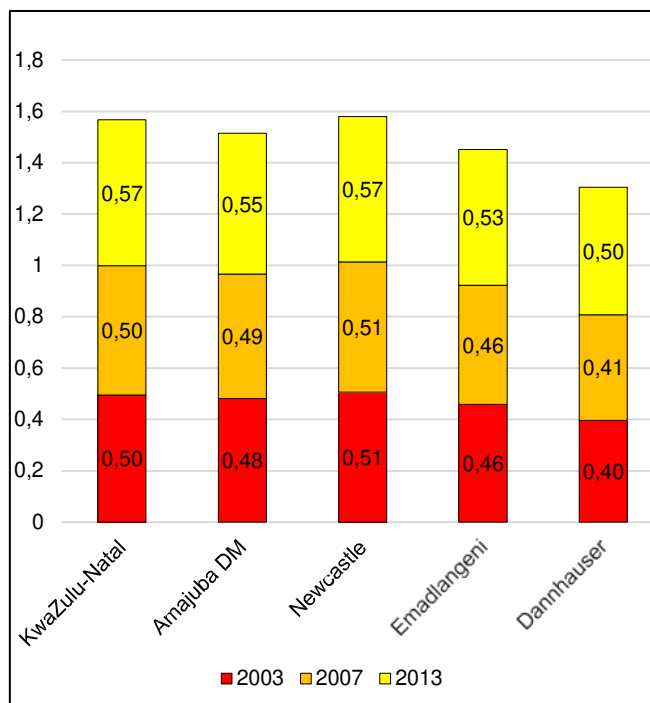
- Life Expectancy Index;
- Education Index; and
- The Gross National Income Index.

A country will score a higher HDI when the lifespan is higher, the education level is higher, and the Gross National Income (GNI) per capita is higher. According to a Human Development Report (2020) by the United Nations Development Programme, the following is applicable for South Africa:-

Human Development Index	0.705
Rank	113

Life Expectancy at Birth	63.9 years
Education Index	0.721
Gross National Income per capita	11,756
Inequality Adjusted Human Development Index (IHDI)	0.463
Gender Development Index	0.984

The Human Development Index (HDI) for Newcastle has improved significantly since 1996. This is symbolized by the net decrease in representation of people living in poverty from 45% in 1996 and 2001 down to 39% in 2007. This is, however, below the provincial average of 33% in urban areas. Most of the poverty-stricken households of Newcastle are located in the East as well as within the areas that fall under the Traditional Authority. The urbanized population is generally better off than the rural communities with regards to the affordability levels. The rural communities' level of access to basic services is significantly low, thus resulting in major challenges. The provision of sustainable basic and



essential services to these communities has proven to be one of the greatest challenges faced by the Newcastle Municipality, and innovative service delivery options are encouraged. Even though the HDI for Newcastle has shown some improvements, it is still lower than the countries HDI provided above from the United Nations Report on Human Development which records the HDI of South Africa as 0.705.

POVERTY LEVELS.

The table below compares the number of people living in abject poverty within Newcastle against that of KwaZulu-Natal, Amajuba District and other local municipalities within the district. Newcastle Local Municipality has the least percentage of people living in poverty in the Amajuba District family of municipalities, and this is 44%. The percentage of people living under poverty in the district is 50.9%, which is basically more than half of the district population. With regards to the province, the number is sitting at 45.7%, of which the Newcastle Municipality falls below at 44%.

Table 6: People Living in Poverty.

Districts	2002		2006		2012	
	People living in poverty	Percentage of people living in	People living in poverty	Percentage of people living in	People living in poverty	Percentage of people living in poverty
KwaZulu-Natal	5 586 644	58.1%	5 224 176	52.8%	4 729 241	45.7%

	2002		2006		2012	
Districts	People living in poverty	Percentage of people living in poverty	People living in poverty	Percentage of people living in poverty	People living in poverty	Percentage of people living in poverty
Amajuba	301 878	64.4%	287 427	59.4%	256 987	50.9%
Newcastle	170 620	56.0%	162 113	51.0%	148 150	44.4%
Emadlangeni	43 787	69.1%	43 273	64.6%	34 941	51.3%
Dannhauser	87 471	86.8%	82 041	82.6%	73 896	72.1%

Source: Global Insight.

Stats SA has recently published the National Poverty Lines in order to give a true reflection of the prevalence of poverty, and how different people experience poverty. The primary purpose of the national poverty lines is to provide a tool for the statistical measurement of money-metric poverty. The lines contain food and non-food components of household consumption expenditure, and Stats SA distinguishes between three (3) poverty lines which are indicated in the following table.

POVERTY LINE	DEFINITION	% OF THE POPULATION
Food Poverty Line (also known as the Extreme Poverty Line.)	The food poverty line is now R624 per person per month , which is up from the R585 previously (+6.7%). This refers to the amount of money that an individual needs to afford the minimum required daily energy intake. This is also commonly referred to as the “extreme” poverty line.	13.8 million people in South Africa live below the old Food Poverty Line of R624 per person per month. This is essentially 30% of the population.
Lower-Bound Food Poverty Line	The lower-bound poverty line is now R890 per person per month , up from R840 previously (+6.0%). This refers to the food poverty line plus the average amount derived from non-food items of households whose total expenditure is equal to the food poverty line.	An analysis of the minimum wage against the average household size for black people, and the Lower-Bound Poverty Line reveals that we also have a high percentage of black households that fall below the Lower-Bound Poverty Line of R890 per person per month.
Upper-Bound Food Poverty Line	The upper-bound poverty line is now R1,335 per person per month , up from R1,268 previously (+5.3%). This refers to the poverty line plus the average amount derived from non-food items of households whose food expenditure is equal to the food poverty line.	30.4 million people in South Africa live below the old Upper-Bound Poverty Line of R1,268 per person per month. This is essentially 50.54% of the population.

A recent report on the Household Affordability Index (2021) by the Pietermaritzburg Economic Justice & Dignity Group (PMBEJD), reveals that approximately 30.4 million people in South

Africa live below the old upper-bound poverty line of R1,268 per person per month, this constitutes about 50.54% of the total population. The group further estimates that 13.8 million people live below the food poverty line, which is essentially 30% of the total population.

The main contributor to an increase in the number of people ravaged by poverty relates to a myriad of factors which includes, yet not limited to, COVID-19, geopolitical phenomenon such as the recent U.S. – China Trade War, corruptions and maladministration, and an increase in food prices which has seen food going up by 10% between September 2020 and August 2021, far outpacing inflation. The household food basket, which has been used to gauge inflation in low-income households recorded a slight increase in September 2021, which is higher than the levels recorded in September 2020. According to the Household Affordability Index (September 2021), the current national average household food basket is R4,219.48. This is higher than the household food basket recorded in September 2020 which was R3,856.34.

The Household Affordability Index (September 2021) also gives an indication of the National Minimum Wage which is R3,643.92 as of April 2021. An implication of these figures with respect to the inhabitants of South Africa, especially those residing in historically disadvantaged townships, is that a household earning a maximum national minimum wage of R3,643.92 still cannot afford the household food basket as per the Household Food Index of R4,219.48 (September 2021). The household food basket comprises 44 core food items most frequently purchased by lower-income households, who make up the majority of the households in the country.

A further analysis of the national minimum wage (R3,643.92), the average household size for black households (4.3 people per household), and the food poverty lines shows that the majority of households in South Africa fall below the new Lower-Bound Food Poverty Line, which is R890 per person per month. This is established through dividing the national minimum wage with the number of people per household, which thus gives us R847.42 per person per month.

Statistical figures from Global Insight (2018) on Household Income, indicates that 70% of the households in Newcastle earn a combined income of less than R40,000.00 per annum, which translates to R3,300.00 per month. The implication is that, out of the 90 347 households in Newcastle (2016 Community Survey), 61 436 households cannot afford the household food basket of R4,219.48.

This has implications on the Indigent Support provided by the municipality to the community of Newcastle as there is a growing number of households that earn a combined annual income of a maximum of R40,000. In 2011 the total number of households earning less than R40,000 was 68%, which is 58 427 households out of 86 024 households, and it has since remained unchanged in 2018 at 70%, which is 61 436 households out of a total number of 90 347 households.

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. A number of initiatives have been implemented through the National Department of Health to combat the current epidemic, however major challenges still remain. Within Newcastle, the number of HIV positive persons has increased at an average annual growth rate of 2.9% during the period 2000 - 2010, bringing the percentage of the population with HIV to almost 17% of the total population. The number of AIDS related deaths has increased at an average annual growth rate of 8.7% during the period 2000 – 2010, with AIDS deaths accounting for about 62% of total deaths in the municipality. This highlights the severity of the current situation and the need for interventions that target and attempt to address these HIV/AIDS challenges.

HOUSEHOLD SIZE (2011 CENSUS DATA AND 2016 COMMUNITY SURVEY).

A household is either a group of people living together and provide themselves jointly with food and/or other essentials for living, or it is a single person on his/her own. An individual is considered part of a household if he/she spends at least four nights a week within the household. The 2011 Census Data from Stats SA shows that, during the release of the figures, Newcastle was found to account for the majority of the households found within Amajuba District. This is consistent with the population distribution during the same period which suggests that the majority of the population within the district resides in the Newcastle Local Municipal area. The recorded average household size was 4.3 people which suggests a slight decline in average household size from the one which was recorded in the year 2001 which is 4.6.

Figure 6: Number of Households within ADM during comparing 2001 and 2011.

LOCAL MUNICIPALITIES	NUMBER OF HOUSEHOLDS		AVERAGE HOUSEHOLD SIZE		FEMALE HEADED HOUSEHOLDS %	
	2001	2011	2001	2011	2001	2011
Newcastle	71 164	86 024	4.6	4.3	45.1	47.5
Emadlangeni	6 187	6 252	4.8	5.5	32.2	38.8
Dannhauser	19 320	20 439	5.3	5.0	48.6	50.7
Amajuba	96 670	110 963	4.8	4.5	44.9	47.6

Source: Stats SA 2011 Census Data.

The statistical figures released under the Community Survey (2016) reveal a further increase to the households within the Amajuba District, with Newcastle Local Municipality still taking the lead in terms of occupying a higher percentage of the households as compared to Emadlangeni and Dannhauser. As of 2016, Newcastle accommodates 77% (90 347 households) of the total number of households within the Amajuba District, which thus has implications on spatial growth and urbanisation. A comparison of the number of households between the figures released in 2011 and those released in 2016 shows that the growth rate thereof is 0.96% which is about 846 household per year over a period of 5 years.

Table 7: Number of households in ADM in 2016.

2016						
	Male	%	Female	%	Grand Total	% share of households in ADM
Amajuba	60 547	51.6	56 709	48.4	117 256	
Newcastle	46 824	51.8	43 523	48.2	90 347	77.0
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 Stats SA Community Survey.

A look at the figures for 2001 and those for 2011 shows that there has been an increase in the number of households headed by women from 45.1% in 2001 to 47.5% in 2011, and this is in line with the district average of 47.6%. A further look at the 2016 figures shows that the number of female-headed households has grown higher to 48.2%. This read together with the relative decline in the population growth rate suggests an increasing level of circular migration due to the emigration of males in search of better job opportunities elsewhere, and an increasing breakdown in extended and compounded households. Furthermore, the growth in the number of female-headed households has implications on the mortality rate of the females when compared with the males, and this is consistent with the population distribution when comparing males to females. Female headed households are largely associated with deprivation and poverty, and there is a general consensus that such households face limits in accessing productive assets, credit, health care and agricultural services.

According to the 2011 Census Data, the average number of households within all the wards in Newcastle was estimated at 2 503 households per ward, and about 47% of the wards had a concentration of households that is above the average, while the rest of the 57% were below the average. The majority of such wards with the highest concentration of the households are found within the Newcastle East Area (historically disadvantaged township), which has implications thereof on the density and the growth trajectory of Newcastle, including the development pattern in spatial terms. Furthermore, it was noticed that such growth is taking place within the urban realm which thus has implications on urbanisation characterised by the development of settlements (formal and informal) closer to places of economic opportunity.

HOUSEHOLDS EXPENDITURE

The total household income in 2010 was approximately R7.8 billion in Newcastle, of which 69.2% was remuneration h(R5.4 billion) and 30.8% is unearned income (R2.4 billion). Of the total household income, 93.7% is household expenditure (7.3 billion), which consists of the purchase of goods and services. Savings were negative in 2010 suggesting that an additional R250 million worth of credit is being utilised in addition to total expenditure. The graph below displays the breakdown of expenditure into the major purchase categories.

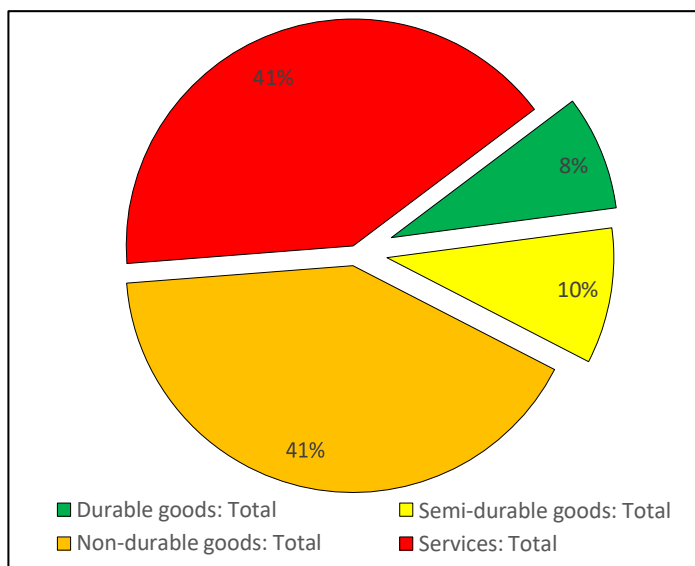
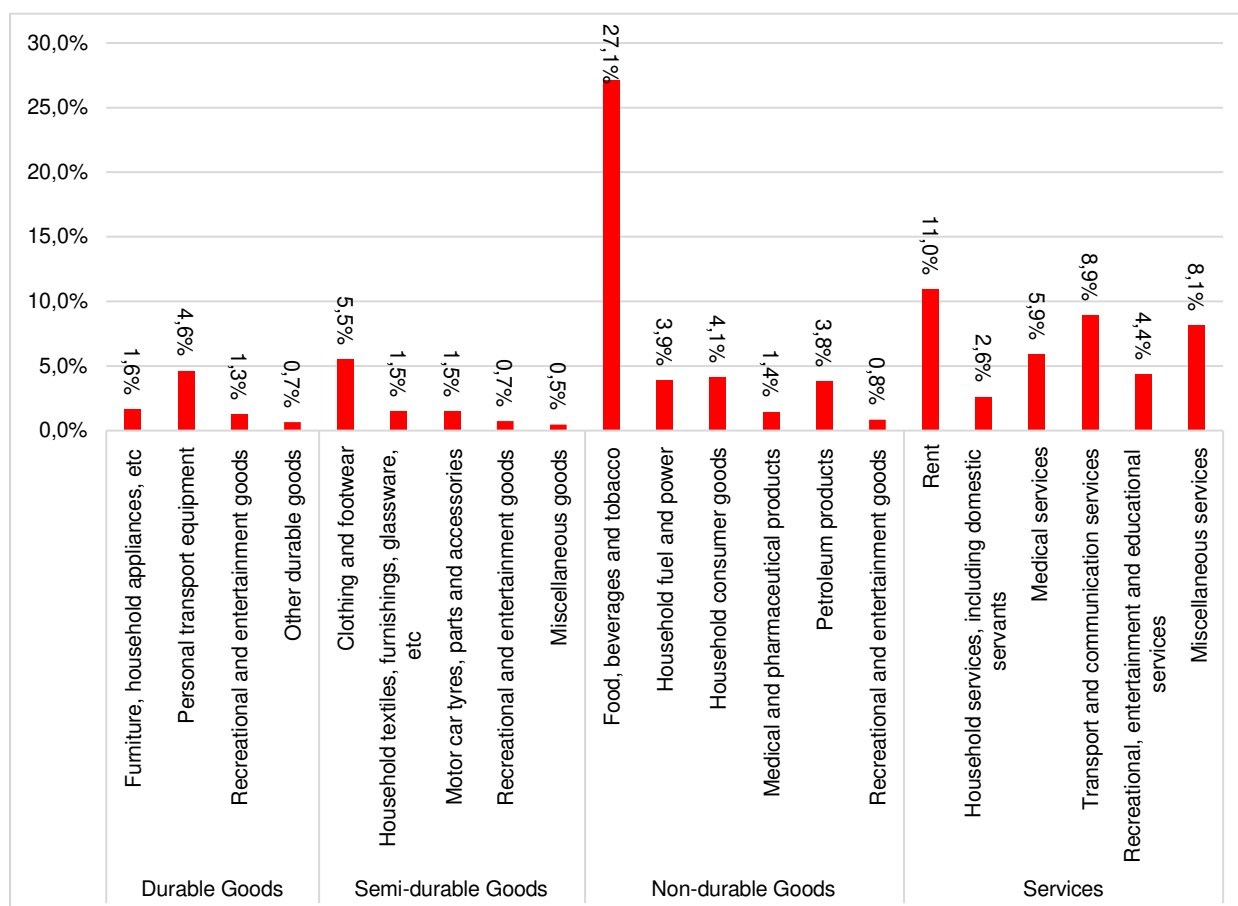


Figure 7: Household Expenditure (Urban-Econ calculation on Quantec Data 2012).

The largest sub-category of expenditure is food, beverages and

tobacco which collectively contributes just over 27% to the total expenditure within Newcastle. This is followed by rental (11%), transport and communication (8.9%), miscellaneous goods (8.1%), medical services (5.9%), and clothing and footwear (5.5%). This indicates that a large portion of expenditure is being used for basic necessity items such a food and clothing, as well as rent, transport and communication, with little left over for items such as household furnishing, transport equipment, recreation and entertainment, as well as luxury items.

Figure 8: Sub-category Contribution to Total Expenditure (2010).



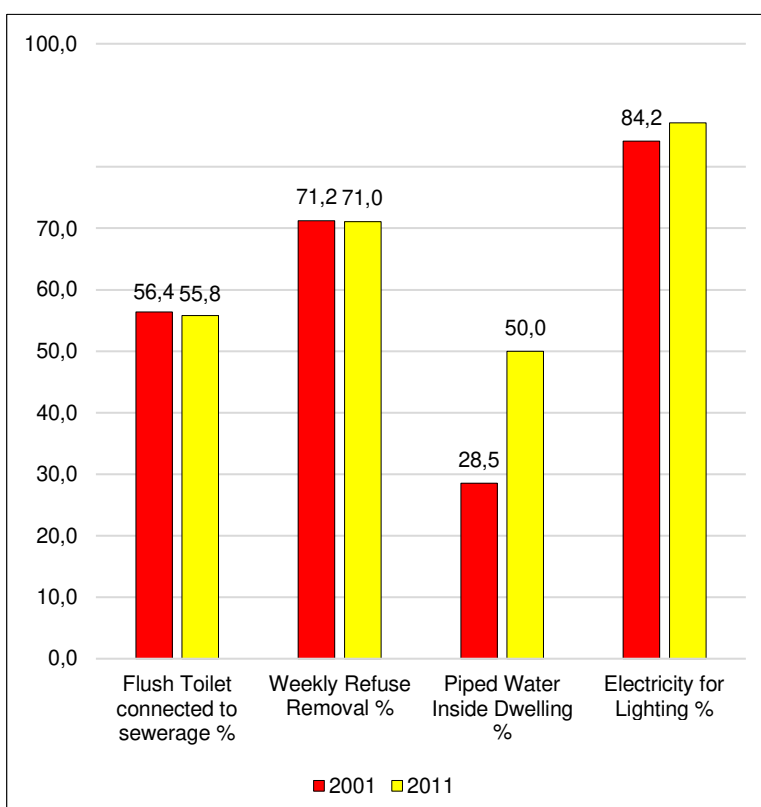
Source: Urban Econ Calculation based on Quantec Data (2012)

HOUSEHOLD ACCESS TO BASIC SERVICES.

The Newcastle Local Municipality has improved

democracy specifically in

meaningful basic services to its citizens. More people have access to piped water, electricity, and access to housing that is delivered through the municipal programme of building sustainable human settlements. The situation with regards to sewer connection and refuse removal remains largely unchanged reflecting the impact of population growth that's characterised with an increasing demand. However, the standard and level of



service differs significantly among geographical areas reflecting the impact of the past poor apartheid policies. The JBC area and the surrounding settlements are characterised by severe service backlogs and underdevelopment.

According to the Stats SA Community Survey (2016), the number of households in Newcastle have increased from 86 024 in 2011, to 90 347 in the year 2016. The highest concentration of households is found within the Newcastle East Area, and this phenomenon manifests in the form of high-density urban areas that are predominantly used for residential purposes. As mentioned, the Newcastle East Area is a historically disadvantaged area that accommodates the majority of Newcastle's black population.

HOUSEHOLD ACCESS TO POTABLE WATER.

According to the statistical figures from the Community Survey (2016), there's been a notable improvement in the provision of potable water to the residents of Newcastle Local Municipality. Out of the total number of households, 43% have access to potable water within their dwelling units, 49% of the households have access to potable water within the yard, and less than 1% of the total number of households have access to potable water from a community street tap which is located at a radius of less than 200 meters from the dwellings. Collectively, about 94% of the total number of households have adequate access to potable water, and this constitutes about 84 909 households. The other 6% of the households receives their water through a range of options such as the following:-

- Boreholes (within or outside the yard);
- Rain-water tank in the yard;
- Neighbours tap;
- Public/communal tap beyond 200 meters from the dwellings;
- Water carriers from the municipality; and
- From the stream, river, well, and/or a spring.

Simply put, according to the Community Survey (2016), the total number of households in Newcastle with an inadequate access to potable water is 5 436 households. This may be viewed as the backlog which represents 6% of the total number of households within the jurisdictional area of the Newcastle Local Municipality.

ACCESS TO POTABLE WATER SERVICES	NO. OF HH	%
Piped (tap) water inside the dwelling/house	39 225	43.42%
Piped (tap) water inside yard	44 839	49.63%
Piped water on community stand	845	0.94%
Borehole in the yard	118	0.13%
Rain-water tank in yard	78	0.09%
Neighbours tap	2 380	2.63%
Public/communal tap	1 768	1.96%
Water-carrier/tanker	330	0.37%
Borehole outside the yard	133	0.15%
Flowing water/stream/river	321	0.36%
Well	-	-
Spring	16	0.02
Other	292	0.32%
TOTAL	90 345	100%

At ward level, the statistical information from the 2011 Census Data, overlaid onto the 2016 boundaries from the ward delimitation process, gives more details with regards to the status quo on the provision of potable water services to the citizens of Newcastle. The National Norms and Standards for Domestic Water and Sanitation Services (2017), specifies the prescribed levels of water and sanitation services to be provided to communities. Regarding the provision of adequate water services, the Norms and Standards are detailed in the table below:-

LEVEL OF SERVICE	DESCRIPTION OF SERVICE	PRESCRIBED DISTANCE
Bulk Level of Service	This relates to meeting the people's needs for potable water through external and internal municipal services such as bulk infrastructure. This ensures that the adequate capacity is efficiently delivered to consumers.	NA
Minimum Level of Service	This is aimed at meeting people's survival and basic needs for potable water, which is a human right, in an integrated manner where it is practical, affordable, financially viable and sustainable, while making the most efficient use of water resources.	The access/delivery point shall be, at a minimum, a communal standpipe, or a storage facility in the yard of at least a volume of 1 500 litres. The prescribed distance for the communal standpipe is a reasonable walking distance of no more than 100 meters from the farthest household.
Middle Level of Service	This is aimed at meeting people's need for potable water, which is a human right, in an integrated manner where it is practical, affordable, financially viable and sustainable while making the most efficient use of water resources.	People access potable water from an improved source which is at or within the boundary of the yard, (yard connection).
Full Level of Service	This is the highest level of water supply service and it is aimed at meeting people's demand for water for all uses (domestic, business, agricultural, industrial, mining etc.) in an integrated manner where it is practical, affordable, financially viable and sustainable while making the most efficient use of water resources.	According to the National Norms and Standards on Water and Sanitation (2017), people access potable water from an improved source which is at or within the boundary of the yard. However, based on observations of the best practice, access to water inside the dwelling is most appropriate for the Full Level of Service.
Interim Level of Service	This is a temporary water supply service which may be an interim measure which provides for a reasonable walking distance, and gives access to quality water from a health point of view.	The prescribed distance is a reasonable walking distance which is no more than 100 metres from the furthest household.
No Level of Service	These entails people who do not have access to safe water from an improved source. They normally have access to unsafe and poor quality water from	Though not prescribed, but it has been observed that such sources of water are usually far from the dwelling, and do not use water treatment or

LEVEL OF SERVICE	DESCRIPTION OF SERVICE	PRESCRIBED DISTANCE
	rivers, springs and/or small catchment dams/ponds.	purification methods to render the water safe for drinking.
Emergency Level of Service	This is aimed at meeting the displaced people's need for potable water for drinking and hygiene within 24 hours of the onset of a sudden, or declared emergency or disaster situation, and for as long as the situation persists. The Minister reserves the rights to declare a slow on-set event as an emergency for which emergency water supply should be provided.	People access water from a communal point which is not more than 50 meters from the temporary dwelling.

According to the National Norms and Standards for Domestic Water and Sanitation Services (2017), the prescribed walking distance from the furthest household is 100 meters. A look at the range of water services as described above, against the statistical figures from Stats SA Community Survey (2016) reveals that the majority of households (94%) in Newcastle are receiving an adequate water service from the municipality which ranges from the provision of access to water inside the dwelling unit, provision of access to water inside the yard, and provision of access to water at a communal stand that is no more than 100 meters from the furthest household.

Below are the household statistical figures that give a reflection on household access to potable water at ward level. Kindly note that the following figures are based on the 2011 Census Data overlaid onto the 2016 boundary, and thus are a reflection of 2011. The intension is to give a picture of the status quo at ward level since the Community Survey (2016) released by Stats SA doesn't provide for such. An analysis of the 2011 Census Data shows that the Newcastle Municipality has maintained consistency in the provision of potable water to the citizens of Newcastle, and according to the stats, in 2011 the level of provision of adequate access to potable water was sitting at 94%, which is essentially 81 024 households.

Access to Potable Water										
	Piped (tap) water inside the dwelling	Piped (tap) water inside the yard	Piped (tap) water on community stand: distance less than 200m from dwelling	Piped (tap) water to community stand: distance less than 200m and 500m from dwelling	Piped (tap) water to community stand: distance less than 500m and 1000m from dwelling	Piped (tap) water on community stand: distance greater than 1000m (1 km) from dwelling	No access to piped (tap) water	Unspecified	Grand Total	% of the Backlog
Ward 1	342	710	83	120	89	14	797	22	2177	42%

Access to Potable Water										
	Piped (tap) water inside the dwelling	Piped (tap) water inside the yard	Piped (tap) water on community stand: distance less than 200m from dwelling	Piped (tap) water to community stand: distance less than 200m and 500m from dwelling	Piped (tap) water to community stand: distance less than 500m and 1000m from dwelling	Piped (tap) water on community stand: distance greater than 1000m (1 km) from dwelling	No access to piped (tap) water	Unspecified	Grand Total	% of the Backlog
Ward 2	3067	28	1	1	1	-	10	50	3159	2%
Ward 3	2337	37	2	-	2	1	19	12	2411	2%
Ward 4	2272	27	1	-	1	-	3	35	2339	2%
Ward 5	2858	138	1	1	-	-	8	59	3065	2%
Ward 6	437	1395	512	143	3	-	93	19	2603	4%
Ward 7	627	1349	201	64	141	10	195	26	2613	14%
Ward 8	788	1036	8	6	2	7	19	8	1874	2%
Ward 9	1212	1463	174	23	7	-	75	11	2965	3%
Ward 10	1210	594	1	2	2	-	27	17	1854	2%
Ward 11	1098	982	3	5	2	-	13	7	2110	1%
Ward 12	290	585	470	361	46	6	79	20	1857	8%
Ward 13	861	765	52	8	1	-	4	17	1707	1%
Ward 14	539	3089	312	20	7	1	190	14	4172	5%
Ward 15	159	1044	986	191	20	1	81	16	2497	5%
Ward 16	171	1657	826	53	48	68	25	16	2864	5%
Ward 17	1292	1266	50	101	3	4	17	20	2752	2%
Ward 18	335	841	426	33	2	-	72	21	1731	5%
Ward 19	1102	1136	12	19	1	-	241	5	2516	10%

Access to Potable Water										
	Piped (tap) water inside the dwelling	Piped (tap) water inside the yard	Piped (tap) water on community stand: distance less than 200m from dwelling	Piped (tap) water to community stand: distance less than 200m and 500m from dwelling	Piped (tap) water to community stand: distance less than 500m and 1000m from dwelling	Piped (tap) water on community stand: distance greater than 1000m (1 km) from dwelling	No access to piped (tap) water	Unspecified	Grand Total	% of the Backlog
Ward 20	1669	384	6	1	-	-	208	13	2280	10%
Ward 21	858	316	464	185	69	36	568	21	2515	28%
Ward 22	1819	145	-	-	-	-	3	8	1975	1%
Ward 23	1769	368	4	1	-	-	5	18	2166	1%
Ward 24	1950	866	2	-	1	1	5	40	2866	2%
Ward 25	1652	55	580	388	14	299	6	-	2993	11%
Ward 26	2401	605	-	-	1	-	14	15	3036	1%
Ward 27	1512	952	4	4	3	2	11	17	2506	1%
Ward 28	1411	509	-	-	-	-	3	24	1948	1%
Ward 29	1441	1089	5	-	1	-	3	13	2552	1%
Ward 30	960	817	187	52	6	-	60	4	2087	3%
Ward 31	458	1206	429	322	66	41	105	5	2634	8%
Ward 32	735	1961	45	9	7	-	34	12	2803	2%
Ward 33	376	1619	301	34	14	1	321	13	2678	13%
Ward 34	3049	592	43	4	-	-	16	15	3719	1%
Grand Total	43060	29625	6188	2151	563	493	3329	614	86024	
									Average backlog	6%

Access to Potable Water										
	Piped (tap) water inside the dwelling	Piped (tap) water inside the yard	Piped (tap) water on community stand: distance less than 200m from dwelling	Piped (tap) water to community stand: distance less than 200m and 500m from dwelling	Piped (tap) water to community stand: distance less than 500m and 1000m from dwelling	Piped (tap) water on community stand: distance greater than 1000m (1 km) from dwelling	No access to piped (tap) water	Unspecified	Grand Total	% of the Backlog
									across the wards	

An analysis of the statistical figures at ward level shows that on average, 6% of the households out of the total households in each and every ward may be regarded as having inadequate access to potable water. Out of the 34 wards, it was further deduced that 25 wards have a backlog that is lower than 6%, whereas 9 wards have a backlog that is either moderately high and/or extremely higher than the average backlog. This means that 26% of the households in Newcastle have a backlog (inadequate access to potable water) that is higher than the average backlog of 6%. The wards that have a high backlog in terms of the provision of access to potable water are detailed in the table below:-

Wards with the Highest Backlog on Access to Potable Water Services				
	Geographical Areas	Total No. of Households	Total No. of Households with inadequate access to potable water	% of the Backlog
Ward 1	<ul style="list-style-type: none"> Botha's Pass. Binkshoop. Charlsetown. Ingogo Majuba Forest. Normandian. Wykom. 	2 177	1 042	42%
Ward 7	<ul style="list-style-type: none"> Osizweni Section C. Osizweni Section D. Mndozo. Kwwamlimi. Emadanyeni. 	2 613	372	14%

Wards with the Highest Backlog on Access to Potable Water Services				
	Geographical Areas	Total No. of Households	Total No. of Households with inadequate access to potable water	% of the Backlog
Ward 12	<ul style="list-style-type: none"> Lister Farm; Johnstoner Farm. Jakkalaspan. 	1 857	151	8%
Ward 19	<ul style="list-style-type: none"> Madadeni H39. Madadeni Section 6. Madadeni Section 7(L&M). 	2 516	247	10%
Ward 20	<ul style="list-style-type: none"> Madadeni Section 1. Madadeni Section 3. Canaan (Hofina). 	2 280	221	10%
Ward 21	<ul style="list-style-type: none"> Vezubuhle. Ingagane. Bosworth. Kilbarchen. Normandian. Hope Farm. Exmoor Farm. Hake Farm. 	2 515	694	28%
Ward 25	<ul style="list-style-type: none"> Siyahlala-la. Fairview. Paradise. 	2 993	319	11%
Ward 31	<ul style="list-style-type: none"> Madadeni Section 7. Maaskraal. Soul-City. 	2 634	217	8%
Ward 33	<ul style="list-style-type: none"> Dicks Village. Manzana. Mndoza. 	2 678	349	13%
	Grand Total	22 263	3 612	

Ward 1 has the highest number of households with backlogs regarding access to potable water as 42% (almost half)] of the households were indicated to have inadequate access to water. Ward 21 is the second highest with 28% of the households regarded as having inadequate access to potable water. The 3rd highest is Ward 7 with 14%, Ward 33 with 13%, and Ward 25 with 11%.

CATEGORIZATION OF ACCESS TO WATER.

Water supply infrastructure in the Newcastle Local Municipality varies between areas reflecting the impact of fragmented spatial development, and areas reflecting the urban bias of the past planning and development practices. The Newcastle CBD Area is generally well provided with water, while a few households in Madadeni and Osizweni Townships are experiencing shortages in this regard.

RAW WATER SOURCES.

The supply of raw water within the NLM is as follows:-

The Buffalo River Abstraction works through a 32km long 800mm diameter steel pipe to the Ngagane Water Purification Works, and the average supply is 10 MI/day;

The Ngagane River Abstraction works through a 1.5km long 600mm concrete lined steel pipe, which supplies an average of 20 MI/day; and

The Ntshingwayo Dam Abstraction works through two pipes that entail an 800 mm concrete pipe which is 18km long, and a 700mm diameter steel pipe which is 13km long, both of which supply a combined total of 92 MI/day.

Ntshingwayo Dam, which is situated along the Ngagane River, has a storage capacity of 194 million m³. The dam was raised during 1982 and cannot be augmented further to increase the system yield. An excess firm yield of 21 million m³/a (57MI/d) is available at Ntshingwayo Dam for further allocation to Newcastle which should be sufficient until 2017 at the present demand without any water conservation and water demand management initiatives being implemented. If these initiatives are implemented, this horizon could extend to 2023.

However, the current available yield from the Ntshingwayo Dam is not sufficient to support a major irrigation-based agricultural system. As such, water augmentation in the upper Buffalo system would be required in the time horizon 2015 – 2025 without any agricultural development because of the growth in the domestic and industrial demand within Newcastle. Therefore, the proposed Ncandu River Dam is not just the only viable option for increasing the system yield in order to support agricultural development, but it is also the only viable option to ensure continued economic growth for the Newcastle industrial and commercial sector beyond 2015 – 2030.

The table below indicates the expected peak demand for the next 25 years with the expected shortfalls.

Table 8: Demand Forecast

Year	Peak demand (MI/day)	Supply			Total	Surplus (shortage) (MI/day)
		Ntshingwayo Dam	Ngagane river	Buffalo river		
2011	104	70	18	15	103	1MI/day
2014	128	70	18	15	103	(25MI/day)
2020	153	70	18	15	103	(50MI/day)
2025	167	70	18	15	103	(64MI/day)
2030	190	70	18	15	103	(87MI/day)
2035	213	70	18	15	103	(110MI/day)

From the table above it is evident that the bulk raw water supply is creating a bottleneck resulting in the plant not being able to meet the demand. Noting that, the installation of a new supply line will take at least 3 years at which time the expected shortfall will be in the order of 25MI/day, which thus means there is a dire need for an intervention. New bulk infrastructure is being provided to supply water to a planned development called Viljoen Park. The Stafford Hill Area, comprising of about 8 000 households, is also to be provided with water borne

sanitation, of which plans are being finalised to commence a 3 Phased High-Density Development for JBC.

POTABLE WATER TREATMENT FACILITIES.

During February 2013, Newcastle was awarded with a BLUE DROP water status (quality) accolade. The town of Newcastle has three WTWs with two plants having recently been decommissioned. The Ngagane WTW is the only plant that is currently operational, and which is supplying treated water to the area. The Ngagane Water Treatment Works is located next to the Ngagane River on the south-eastern side of Newcastle, and is operated by uThukela Water (Pty) Ltd on behalf of Newcastle Municipality. The total peak hydraulic design capacity of the Ngagane WTW is 105 Ml/d. The average annual flow rate of the WTW is estimated to be 103.3 Ml/d. The average annual capacity of the water treatment works is not sufficient to meet the future water requirements (from 2012). An overall score of 95% is required to achieve a blue drop status, of which, during 2010, UThukela Water achieved a score of 97%.

Water Supply and Reticulation.

Six pumping mains supply purified water to two bulk storage reservoirs known as the Braakfontein and Hilldrop reservoirs. A combination of a 600mm diameter steel pipe, 375mm diameter asbestos cement pipe and 600mm diameter GRP pipe supply the 78Ml Braakfontein reservoirs. The 29Ml Hilldrop Reservoirs are supplied through a 700mm steel pipe and 375mm asbestos cement pipe. Water from the Braakfontein reservoirs then feeds the following:-

Stafford Hill and Madadeni through a combination of various pipe sizes ranging from 800mm diameter to 200mm diameter;

6Ml Blaauwbosch reservoir that in turn feeds Blaauwbosch;

The Waterval Reservoir and Ngagane; and

Osizweni Township through a 3.85km long 450mm diameter AC pipe which splits into two lines, one serving the 6Ml reservoir at Blaauwbosch and the other serving the 2Ml tower at Osizweni.

The Hilldrop reservoirs feed the Newcastle CBD, the suburbs and industrial areas. The JBO Node is fed from the Braakfontein reservoirs, and the average consumption for the whole of Newcastle is estimated at 75Ml/day. The consumption figures from the Braakfontein reservoirs are about 46Ml/day. The Braakfontein reservoirs therefore have adequate capacity for future expansion. The total un-accounted for water is very high, and averages about 36%. Once this is addressed, additional capacity can be realized.

The increase in demand for the townships of Madadeni, Osizweni, Stafford Hill and Blaauwbosch including the Newcastle West Area necessitates the need for an additional 20Ml reservoir at the Hill Drop reservoir site, including an additional 45Ml reservoir for the Braakfontein reservoir site

THE CONDITION OF WATER INFRASTRUCTURE.

The water infrastructure in the Newcastle East Area is in a good condition, which is more than what can be said about the condition of water infrastructure in the Newcastle West Area, which is mainly the CBD and surrounding suburbs. The area has aging asbestos networks which are resulting in high maintenance costs. The estimated capital investment required for this is in the order of R500 million, and investigations also need to be carried out in order to establish how to improve the pressure management in the Arbour Park and Lennoxton Areas where low pressures are being experienced.

A new pumping main from the Ngagane Plant to Braakfontein Reservoirs is needed. The existing two lines do have sufficient capacity for the medium term, but require maintenance. The decommissioning of one line to carry out repairs will result in inadequate supply owing to the insufficient storage capacity at Braakfontein Reservoirs.

WATER LOSSES.

A preliminary assessment of the level of water use efficiency and the level of Non-Revenue Water (NRW) in the Newcastle Water Supply Scheme Area indicated that the total system losses are high. It was estimated that the total Non-Revenue Water (NRW) in the supply area is at a staggering 65%. The main areas of concern are Madadeni and Osizweni where water losses, mainly from onsite leaks, are resulting in losses of at least 26Ml/day. The average consumption per household in Madadeni is 44.6kl per month, and this area is characterised with an almost zero payment factor, and no credit control interventions. There is also somewhat of a similar situation with respect to Osizweni.

An amount of R24 million has been approved by MIG to reduce the non-revenue water in Madadeni, although R150 million will be required to complete the programme. The programme will include the repair of private leaks and install flow regulators to each household in Madadeni and Osizweni thereby creating an additional 26Ml per day. This will allow a window period for the construction of the raw water supply line from Ntshingwayo dam to the Ngagane WTW, and simultaneously increase the capacity of the Ngagane WTW's. Without these interventions there will be insufficient water to supply for any new developments.

THE NEED FOR A NEW WATER SOURCE.

UThukela Water developed a Raw Water Bulk Master Plan that has several options for water supply from 2019 and beyond 2030. Private enterprises are proposing the construction of the Ncandu Dam which will cater for future water needs through the provision of additional raw water capacity. The current spatial development of NLM will determine its current demand for water supply as the growth and development increases the demand for water supply in the future. Amongst other things, the factors that will contribute to the growth in demand are as follows:-

- Population growth;
- Economic growth;
- Spatial development;
- Increased level of service

WATER DEMAND ZONES

According to the table below, Newcastle is divided into 5 Water Demand Zones and these are essential for greater clarity and insight as well as modelling accuracy. The demand zones are specifically identified through a combination of parameters such as:-

- Topography;
- Sewage and storm water drainage areas;
- Existing water and sewer infrastructure;
- Current spatial development profile; and
- Development potential.



Based on the table below, Newcastle Central has the highest residential demand for water at 64 489 (57.88%), followed by Newcastle East at 23 951 (21.49%) and Town at 18 948 (17.00%). In terms of the non-residential buildings, Town has the highest concentration of water demand at 1 272 (74.03%).

Table 9: NLM Water Demand Zones.

ZONE NUMBER	DEMAND ZONE NAME	RESIDENTIAL DWELLING	NON-RESIDENTIAL BUILDINGS
1	Town	18 948	1 272
2	Central	64 489	291
3	East	23 951	17
4	North	1 747	113
5	South	2 269	25
TOTAL:		111 402	1 718

Source: Ncandu Dam Affordability Study (2014).

RELIABILITY OF EXISTING RAW WATER SOURCES.

In terms of the existing water sources, it is important to note the following:-

The yield of Ntshingwayo Dam has probably declined to the point where all allocated water rights cannot be exercised. This is due to silting-up of the dam, which thus continue to reduce the yield of the dam. Furthermore, the sluices of the dam are also reducing the dam's ability to reach maximum fill capacity of 90% hence further reducing the yield of the dam. In short, Ntshingwayo Dam has been operating in a stressed state for some time, despite average rainfalls within the catchment.

Both the Ngagane and Buffalo Rivers have run dry on a regular basis in the past decade. This has hampered upon NLM's ability to abstract its full allocation of water from these sources, which has exacerbated the existing water supply shortages.

HOUSEHOLD ACCESS TO SANITATION.

An analysis of the statistical figures from the Community Survey (2016), shows that Newcastle Local Municipality has made significant progress towards enhancing citizens access to adequate sanitation services. Out of the total number of households, 62.71% have access to a flush toilet connected to a public sewerage system, 2.67% have access to a flush toilet connected to a public sewerage system, 7.55% have access to a pit latrine with ventilation, and 5.20% have access to a chemical toilet. Collectively, about 78.13% of the total households have access to adequate sanitation services, and 0.35% have access to an ecological toilet. This means a total of 70 923 households have access to adequate sanitation services. According to the statistical figures, the remainder of the 19 423 households are using either one of the following measures in order to fulfil their sanitation requirements:-

Pit latrine/toilet without ventilation pipe;

Bucket toilet (collected by the municipality); and

Bucket toilet (emptied by the household).

It is also worth mentioning that, even though the Community Survey (2016) is stating that that there are households utilising the bucket system, there is no record and/or evidence what-so-ever of any use of such a sanitation system across all the 34 wards found within the jurisdictional area of the Newcastle Local Municipality. The Community Survey (2016) indicates that 1 034 households are utilising the bucket system, which is about 1.14% of the total number of households.

ACCESS TO SANITATION SERVICES	NO. OF HH	%
Flush toilet connected to a public sewerage system	56 657	62,71%
Flush toilet connected to a septic tank or conservancy tank	2 411	2,67%
Chemical toilet	4 695	5,20%
Pit latrine/toilet with ventilation pipe	6 825	7,55%
Pit latrine/toilet without ventilation pipe	14 754	16,33%
Ecological toilet (e.g. urine diversion; enviroloo; etc.)	335	0,37%
Bucket toilet (collected by municipality)	13	0,01%
Bucket toilet (emptied by household)	1 021	1,13%
Other	1 648	1,82%
None	1 987	2,20%
TOTAL	90 346	100%

At ward level, the statistical information from the 2011 Census Data, overlaid onto the 2016 boundaries from the ward delimitation process, gives more details with regards to the status quo on the provision of adequate sanitation services to the citizens of Newcastle. The National Norms and Standards for Domestic Water and Sanitation Services (2017), specifies the prescribed levels of water and sanitation services to be provided to communities. Amongst other things, it indicates Norms and Standards for the provision of adequate sanitation services which are detailed in the following table:-

LEVEL OF SERVICE	DESCRIPTION OF SERVICE	PRESCRIBED DISTANCE
Interim Sanitation Services	This is an interim measure to provide privacy to the user, be readily accessible and in close walking distance. It should provide for the safe disposal of human waste, including hygiene and end-user education.	Interim sanitation services must provide at least communal and shared facilities with the following parameters:- 1 seat per 50 users for the communal toilet; 1 seat per 20 users for the shared toilet.
Basic Sanitation Services	This entails an improved facility that depends on the preferences and cultural habits of the intended users, the capacity of the services provider (financial and skills), the soil formation (for groundwater and surface protection) and the capacity of the applicable wastewater treatment methods.	Basic sanitation services must be accessed within the yard, and the following requirements are applicable:- 1 seat per 20 users for the shared toilet.
Full Sanitation Services	This relates to on-site sanitation services that entail the treatment and disposal of human waste generated on the property through a process that is connected to a reticulated system. The treatment of wastewater occurs at a localised treatment facility close to the	Sanitation services are contained within the plot/stand, which may have one, or a number of dwellings.

LEVEL OF SERVICE	DESCRIPTION OF SERVICE	PRESCRIBED DISTANCE
	source of waste generation, and may include septic tanks, packaged treatment plants, VIP toilets and urine diversion (UD) toilets.	
Emergency Sanitation Services	This is a sanitation service specifically for a situation declared as such in terms of law, and which is likely to cause injury or loss of life (DWS, 2016). The 2016 National Sanitation Policy states that emergency sanitation services may vary from area to area due to varying geographical and other conditions, and that provision must be made for privacy to user, safety, ready accessibility and proximity, safe disposal of human waste, hygiene and end-user education.	The 2016 National Sanitation Policy states that emergency sanitation services may vary from area to area due to varying geographical and other conditions, and that provision must be made for privacy to the user, safety, ready accessibility and proximity, safe disposal of human waste, hygiene and end-user education. The Minister will determine acceptable timeframe for short-term, temporary interventions during emergencies and disasters. The following requirements relate to the provision of emergency sanitation services:- 1 seat per 20 users for the communal toilet. 1 seat per 50 users for the shared toilet mostly used during working hours. 1 seat per 100 users for shared toilets mostly used at night.

According to the National Norms and Standards for Domestic Water and Sanitation Services (2017), the best form of sanitation services is the full sanitation service which is described as “on-site sanitation services that entail the treatment and disposal of human waste generated on the property through a process that is connected to a reticulation system.” The treatment of wastewater occurs at a localised treatment facility close to the source of waste generation, and may include septic tanks, packaged treatment plans, VIP toilets and urine diversion (UD) toilets. It is further stipulated that full sanitation services should be contained within the plot/stand, which may have one, or a number of dwellings.

Below are the household statistical figures that give a reflection on household access to adequate sanitation services at ward level. Kindly note that the following figures are based on the 2011 Census Data overlaid onto the 2016 boundary, and thus are a reflection of 2011. The intension is to give a picture of the status quo at ward level since the Community Survey (2016) released by Stats SA doesn't provide for such. An analysis of the 2011 Census Data shows that the Newcastle Municipality has improved in the provision of adequate sanitation services to the citizens of Newcastle, and according to the stats, in 2011 the level of provision of adequate access to potable water was sitting at 74,47%, which is essentially 64 058 households.

Access to Adequate Sanitation Services											
	None	Flush toilet (connected to sewerage system)	Flush toilet (with septic tank)	Chemical toilet	Pit latrine with ventilation (VIP)	Pit latrine without ventilation	Bucket latrine	Other	Unspecified	Grand Total	% of the Backlog
Ward 1	90	221	173	15	126	1459	22	49	22	2177	72%
Ward 2	3	3082	16	-	1	1	1	5	50	3159	0%
Ward 3	19	2355	2	-	10	6	1	6	12	2411	1%
Ward 4	1	2290	6	-	3	2	1	-	35	2339	0%
Ward 5	2	2989	3	-	3	2	-	7	59	3065	0%
Ward 6	150	23	11	520	398	1335	16	131	19	2603	58%
Ward 7	259	797	30	16	850	463	167	4	26	2613	34%
Ward 8	21	1677	99	4	54	2	4	7	8	1874	1%
Ward 9	346	1491	26	239	311	508	4	27	11	2965	29%
Ward 10	56	1774	3	-	-	1	1	1	17	1854	3%
Ward 11	50	1528	29	155	1	118	7	215	7	2110	8%
Ward 12	42	17	12	21	21	1584	2	138	20	1857	88%
Ward 13	7	1506	1	6	5	148	10	7	17	1707	10%
Ward 14	16	78	20	516	1311	2155	43	19	14	4172	53%
Ward 15	122	8	5	14	69	2098	3	162	16	2497	89%
Ward 16	119	18	12	48	66	2433	22	131	16	2864	90%
Ward 17	58	2171	21	6	7	403	28	37	20	2752	18%
Ward 18	20	327	38	61	7	1125	17	114	21	1731	67%
Ward 19	31	1010	20	560	253	618	3	17	5	2516	26%

Access to Adequate Sanitation Services											
	None	Flush toilet (connected to sewerage system)	Flush toilet (with septic tank)	Chemical toilet	Pit latrine with ventilation (VIP)	Pit latrine without ventilation	Bucket latrine	Other	Unspecified	Grand Total	% of the Backlog
Ward 20	47	1764	196	17	7	19	166	51	13	2280	10%
Ward 21	95	835	257	196	91	906	19	95	21	2515	41%
Ward 22	2	1884	53	2	-	-	22	3	8	1975	1%
Ward 23	1	1815	270	2	1	12	6	39	18	2166	1%
Ward 24	18	2530	181	8	31	41	1	17	40	2866	2%
Ward 25	125	1680	8	4	26	1063	4	82	-	2993	40%
Ward 26	15	2973	4	-	-	2	3	23	15	3036	1%
Ward 27	6	1654	19	144	481	6	6	173	17	2506	1%
Ward 28	8	1906	4	-	1	-	-	5	24	1948	0%
Ward 29	36	1329	71	186	675	230	3	8	13	2552	11%
Ward 30	44	1139	5	118	327	383	13	53	4	2087	21%
Ward 31	115	54	18	897	817	708	3	16	5	2634	31%
Ward 32	36	1484	72	171	524	330	7	167	12	2803	13%
Ward 33	324	10	17	64	1359	799	79	14	13	2678	45%
Ward 34	26	3646	15	-	3	2	4	8	15	3719	1%
Grand Total	2311	48063	1719	3991	7840	18964	690	1831	614	86024	
										Average backlog across	25%

Access to Adequate Sanitation Services										
None	Flush toilet (connected to sewerage system)	Flush toilet (with septic tank)	Chemical toilet	Pit latrine with ventilation (VIP)	Pit latrine without ventilation	Bucket latrine	Other	Unspecified	Grand Total	% of the Backlog
									the wards	

An analysis of the statistical figures at ward level shows that on average, 25% of the households out of the total households in each and every ward may be regarded as having inadequate access to potable water. Out of the 34 wards, it was further discovered that 20 wards have a backlog that is lower than 25%, whereas 14 wards have a backlog that is higher than the average backlog. This means that 41% of the households in Newcastle have a backlog (inadequate access to sanitation services) that is higher than the average backlog of 25%. The wards that have a high backlog in terms of having access to adequate sanitation services are detailed in the table below:-

Wards with the highest backlog on Access to Adequate Sanitation Services				
	Geographical Areas	Total No. of Households	Total No. of Households with inadequate sanitation services	% of the Backlog
Ward 16	Blaauwbosch.	2 864	2 574	90%
Ward 15	Cavan. Mahalbhomeni. Blaauwbosch. Dry-Cut.	2 497	2 223	89%
Ward 12	Lister Farm. Johnstone Farm. Jakkalasan.	1 857	1 628	88%
Ward 1	Botha's Pass. Binkshoop. Charlsetown. Ingogo Majuba Forest. Normandian. Wykom.	2 177	1 571	72%
Ward 18	Magadlela. Ema 17. Empompini.	1 731	1 162	67%

Wards with the highest backlog on Access to Adequate Sanitation Services				
	Geographical Areas	Total No. of Households	Total No. of Households with inadequate sanitation services	% of the Backlog
	Mazitapele. Emhlangeni. Ezinsimbini. Theku Plaza. Kwa-Mlangeni.			
Ward 6	Masondeza. Syathuthuka. Sizanani. Jobstown. Leister Farm.	2 603	1 501	58%
Ward 14	Madadeni Section 7 (M), (N) and (P).	4 172	2 214	53%
Ward 33	Dicks Village. Manzana. Mndozi.	2 678	373	45%
Ward 21	Vezubuhle. Ingagane. Bosworth. Kilbarchen. Normandian. Hope Farm. Exmoor Farm. Hake Farm.	2 515	1 020	41%
Ward 25	Siyahlala-la. Fairview. Paradise.	2 993	1 192	40%
Ward 7	Osizweni Section C. Osizweni Section D. Mndozi. Kwwamlimi. Emadanyeni.	2 613	889	34%
Ward 31	Madadeni Section 7. Maaskraal. Soul-City.	2 634	826	31%
Ward 9	Osizweni Section E. Osizweni Section D. Mhlaba. Fairview. Inverness.	2 965	858	29%

Wards with the highest backlog on Access to Adequate Sanitation Services				
	Geographical Areas	Total No. of Households	Total No. of Households with inadequate sanitation services	% of the Backlog
Ward 19	Madadeni H39. Madadeni Section 6. Madadeni Section 7(L&M).	2 516	652	26%
	Grand Total	36 815	18 683	

According to the table above, Ward 16 is faced with the highest backlog, and this is attributed to 90% of the households indicating that they have access to pit latrines without ventilation, and households who said they are using the bucket system. Ward 15 is the second highest with 89%, Ward 12 the third highest with 88%, and Ward 1 the 4th highest with 72%.

The peri-urban and rural areas such as the JBC and rural settlements in the Khathide and AmaHlubi communities are characterised by high sanitation backlogs. The JBC node has no sewerage reticulation in place, and the residents are heavily reliant on ventilated improved pit (VIP) latrines. Plans are underway to formalize Blaauwbosch, and this will lead to a considerable amount of sewage generated, hence a need for a waterborne sewage system.

HOUSEHOLD ACCESS TO ELECTRICITY.

According to the statistical information from the Community Survey (2016), Newcastle Local Municipality, in partnership with ESKOM, have made significant progress in ensuring that the citizens of Newcastle have access to energy for cooking, heating, and lighting. The statistical figures indicate that only a mere 4,82% of the total households indicated that they do not have access to adequate energy/electricity. This means that a total of 4 356 households have no access to adequate energy, and thus a need for enhanced electricity reticulation. The national energy crisis has seen a move towards supporting ulterior means of energy such as gas and solar in what is deemed as the promotion of an energy mix. This will, in turn, decrease the reliance on the burning of fossil fuel in order to access energy. This is also consistent with the objectives of the Just Transition which is supported by the C40 Cities that is intended towards achieving Net Zero Carbon Buildings by 2030.

ACCESS TO ELECTRICITY	NO. OF HH	%
In-house conventional meter	14 014	15,51%
In-house prepaid meter	70 813	78,38%
Connected to other source which household pays for (e.g. con	533	0,59%
Connected to other source which household is not paying for	278	0,31%
Generator	42	0,05%
Solar home system	43	0,05%
Battery	-	-
Other	268	0,30%

ACCESS TO ELECTRICITY	NO. OF HH	%
No access to electricity	4 356	4,82%
	90 347	100%

The statistical figures from the Census Data (2011) overlaid onto the boundaries from the 2016 Ward Delimitation Process saw the separation of access to energy into three categories, namely:-

Access to energy for lighting;

Access to energy for cooking; and

Access to energy for heating.

The total number of households is the same for each of the statistical information set, however the backlogs manifest differently. The differences observed are an indication that the majority of households are employing an energy mix in order to fulfil their energy requirements. Some households refrain from using electricity for cooking and heating, and rather use it for lighting. Some are using electricity for cooking only, and rely on other means for lighting and heating. But the majority of the households are still heavily reliant on the use of energy for lighting. Furthermore, by energy we do not necessarily restrict the term to imply electricity, but rather the various forms of safe energy that are utilised by the communities of Newcastle. The forms of energy entail electricity, gas, paraffin, candles and solar.

Access to Energy for Lighting									
	Electricity	Gas	Paraffin	Candles	Solar	None	Unspecified	Grand Total	% of the Backlog
Ward 1	515	33	40	1520	8	40	22	2177	2%
Ward 2	3095	2	-	4	3	4	50	3159	0%
Ward 3	2369	2	8	11	1	9	12	2411	0%
Ward 4	2292	6	-	4	2	-	35	2339	0%
Ward 5	2978	5	3	5	12	3	59	3065	0%
Ward 6	1607	4	70	880	3	20	19	2603	1%
Ward 7	1742	3	39	795	1	6	26	2613	0%
Ward 8	1785	28	4	39	-	9	8	1874	0%
Ward 9	2763	2	20	158	-	11	11	2965	0%
Ward 10	1792	2	8	25	3	7	17	1854	0%
Ward 11	2053	9	-	21	4	17	7	2110	1%

Access to Energy for Lighting									
	Electricity	Gas	Paraffin	Candles	Solar	None	Unspecified	Grand Total	% of the Backlog
Ward 12	1617	4	37	160	9	10	20	1857	1%
Ward 13	1650	-	5	28	2	5	17	1707	0%
Ward 14	4074	1	7	67	4	6	14	4172	0%
Ward 15	1730	7	53	678	4	9	16	2497	0%
Ward 16	2504	2	21	308	4	8	16	2864	0%
Ward 17	2625	5	9	82	3	9	20	2752	0%
Ward 18	1602	1	2	100	1	4	21	1731	0%
Ward 19	2216	4	76	206	6	3	5	2516	0%
Ward 20	2139	2	2	107	6	11	13	2280	0%
Ward 21	1078	2	50	1343	5	16	21	2515	1%
Ward 22	1947	2	1	4	9	5	8	1975	0%
Ward 23	2131	1	3	5	5	3	18	2166	0%
Ward 24	2798	6	2	13	2	4	40	2866	0%
Ward 25	1666	6	50	1233	5	32	-	2993	1%
Ward 26	2985	1	1	27	5	2	15	3036	0%
Ward 27	2457	2	2	16	5	5	17	2506	0%
Ward 28	1908	2	3	3	4	4	24	1948	0%
Ward 29	2520	-	1	12	4	1	13	2552	0%
Ward 30	1773	3	17	273	3	13	4	2087	1%
Ward 31	2302	7	22	282	9	6	5	2634	0%
Ward 32	2466	228	5	72	8	10	12	2803	0%
Ward 33	1686	12	69	888	6	6	13	2678	0%

Access to Energy for Lighting									
	Electricity	Gas	Paraffin	Candles	Solar	None	Unspecified	Grand Total	% of the Backlog
Ward 34	3650	7	2	35	2	6	15	3719	0%
Grand Total	74514	403	631	9407	149	306	614	86024	
								Average backlog across the wards	0.24%

The backlogs on access to energy for lighting is very low, and this is evident from the observed low percentage on the average backlog across the wards which is 0,24%. The wards with the highest backlog in this regard have as little as 2% of the total number of households not having any form of access to energy for lighting, with the highest ward having 40 households with no access to energy for lighting.

Access to Energy for Cooking												
	Electricity	Gas	Paraffin	Wood	Coal	Animal dung	Solar	Other	None	Unspecified	Grand Total	% of the Backlog
Ward 1	403	94	67	1506	50	26	-	1	9	22	2177	1%
Ward 2	2992	96	1	2	2	-	8	4	3	50	3159	2%
Ward 3	2324	42	8	8	-	-	6	7	4	12	2411	0%
Ward 4	2209	68	2	2	-	1	8	13	1	35	2339	1%
Ward 5	2966	23	3	3	1	-	4	4	2	59	3065	2%
Ward 6	1421	125	756	48	158	53	3	3	17	19	2603	1%
Ward 7	1613	95	593	43	185	50	2	-	6	26	2613	1%
Ward 8	1662	39	75	10	65	-	1	-	13	8	1874	0%
Ward 9	2643	28	197	13	42	3	2	-	26	11	2965	0%
Ward 10	1725	25	52	3	20	-	2	-	9	17	1854	1%
Ward 11	1965	30	41	5	46	1	3	1	9	7	2110	0%

Access to Energy for Cooking												
	Electr icity	Gas	Paraff in	Wood	Coal	Anim al dung	Solar	Other	None	Unsp ecifie d	Gran d Total	% of the Backl og
Ward 12	1463	22	202	21	112	2	4	2	8	20	1857	1%
Ward 13	1574	19	37	7	43	-	5	-	5	17	1707	1%
Ward 14	3984	37	94	7	14	-	5	7	11	14	4172	0%
Ward 15	1304	118	612	63	326	36	2	-	20	16	2497	1%
Ward 16	2238	48	325	28	186	4	5	-	15	16	2864	1%
Ward 17	2227	51	161	16	256	2	2	-	18	20	2752	1%
Ward 18	1348	13	123	22	193	-	5	-	5	21	1731	1%
Ward 19	2145	63	257	14	26	1	3	-	2	5	2516	0%
Ward 20	2056	22	106	15	44	18	3	1	2	13	2280	1%
Ward 21	1006	187	232	710	343	9	2	-	4	21	2515	1%
Ward 22	1937	7	11	2	3	-	4	-	4	8	1975	0%
Ward 23	2064	16	17	8	37	-	4	-	2	18	2166	1%
Ward 24	2729	13	27	12	39	3	1	-	3	40	2866	1%
Ward 25	1610	130	864	187	185	4	1	7	5	-	2993	0%
Ward 26	2921	43	41	4	10	-	1	-	1	15	3036	0%
Ward 27	2408	20	32	6	12	-	3	5	3	17	2506	1%
Ward 28	1876	21	12	3	5	-	5	-	1	24	1948	1%
Ward 29	2438	42	35	4	12	3	3	-	-	13	2552	1%
Ward 30	1667	35	300	23	51	-	1	-	5	4	2087	0%
Ward 31	2183	51	277	36	59	8	7	-	7	5	2634	0%
Ward 32	2621	30	88	12	27	2	1	-	9	12	2803	0%

Access to Energy for Cooking												
	Electr icity	Gas	Paraff in	Wood	Coal	Anim al dung	Solar	Other	None	Unsp ecifie d	Gran d Total	% of the Backl og
Ward 33	1549	187	743	30	128	20	4	1	3	13	2678	0%
Ward 34	3549	81	43	14	4	-	3	4	6	15	3719	0%
Grand Total	7082 3	1919	6435	2888	2685	248	116	60	238	614	8602 4	
											Avera ge backl og acros s the wards	0,62 %

The same is the case with regards to the backlogs on access to energy for cooking where it is very low, based on the observed low percentage on the average backlog across the wards which is 0,62%. The wards with the highest backlog in this regard have as little as 2% of the total number of households not having any form of access to energy for cooking, with the highest ward having 29 households with no access to energy for cooking.

Access to Energy for Heating												
	Electr icity	Gas	Paraff in	Wood	Coal	Anim al dung	Solar	Other	None	Unsp ecifie d	Gran d Total	% of the Backl og
Ward 1	331	63	42	1530	84	33	4	-	68	22	2177	3%
Ward 2	2728	183	11	35	23	1	8	-	119	50	3159	4%
Ward 3	2287	32	8	13	6	1	11	-	41	12	2411	2%
Ward 4	2061	132	9	20	10	-	11	-	62	35	2339	3%
Ward 5	2658	108	10	9	4	-	10	-	207	59	3065	7%
Ward 6	762	29	276	155	685	103	1	4	568	19	2603	22%
Ward 7	1122	21	221	161	579	46	2	-	434	26	2613	17%
Ward 8	993	49	70	34	319	1	1	-	400	8	1874	21%

Access to Energy for Heating												
	Electr icity	Gas	Paraff in	Wood	Coal	Anim al dung	Solar	Other	None	Unsp ecifie d	Gran d Total	% of the Backl og
Ward 9	1969	34	106	57	144	15	5	-	623	11	2965	21%
Ward 10	1427	11	47	7	142	2	1	-	199	17	1854	11%
Ward 11	1653	25	42	15	136	1	4	-	226	7	2110	11%
Ward 12	1131	22	112	77	284	7	6	-	197	20	1857	11%
Ward 13	1259	18	27	10	159	-	1	-	217	17	1707	13%
Ward 14	3123	54	159	40	116	3	-	-	664	14	4172	16%
Ward 15	824	15	105	214	738	66	1	4	514	16	2497	21%
Ward 16	1558	15	108	103	542	8	3	-	512	16	2864	18%
Ward 17	1630	42	152	26	610	7	3	-	261	20	2752	9%
Ward 18	1044	14	85	48	405	4	4	-	106	21	1731	6%
Ward 19	1848	19	120	51	62	7	2	-	400	5	2516	16%
Ward 20	1928	14	54	17	64	21	4	-	165	13	2280	7%
Ward 21	778	98	71	851	412	5	2	-	277	21	2515	11%
Ward 22	1830	11	14	3	36	1	5	-	68	8	1975	3%
Ward 23	1959	6	17	2	76	4	2	-	81	18	2166	4%
Ward 24	2359	28	52	18	128	6	3	-	232	40	2866	8%
Ward 25	1606	61	101	551	336	6	4	-	329	-	2993	11%
Ward 26	2652	49	53	8	38	1	1	-	220	15	3036	7%
Ward 27	1904	33	50	19	80	5	3	1	394	17	2506	16%
Ward 28	1745	17	23	2	20	-	5	-	112	24	1948	6%
Ward 29	2007	36	72	13	45	1	3	1	359	13	2552	14%

Access to Energy for Heating												
	Electricity	Gas	Paraffin	Wood	Coal	Animal dung	Solar	Other	None	Unspecified	Grand Total	% of the Backlog
Ward 30	1452	17	81	72	258	3	8	-	191	4	2087	9%
Ward 31	1814	34	130	73	223	19	-	-	335	5	2634	13%
Ward 32	1958	237	54	32	124	3	7	-	376	12	2803	13%
Ward 33	1212	40	157	201	480	34	4	2	535	13	2678	20%
Ward 34	3215	77	29	35	42	4	1	-	300	15	3719	8%
Grand Total	58829	1642	2670	4504	7409	420	132	13	9791	614	86024	
											Average backlog across the wards	11,23%

A rather high rate of backlogs has been recorded with regards to the provision of access to energy for heating. This implies that there are households that do not utilise any form of energy for heating, which may be attributed to changes in climatic conditions that result in global warming. Based on an analysis of the statistical figures presented above, it has been observed that the average backlog on access to energy for heating across all the wards is 11,23%. It has also been observed that a 41% of the total wards has a backlog which is higher than the average backlog indicated on the table above.

Below is a table containing a list of the wards with backlogs on access to energy for heating that are higher than the average backlog of 11,23%:-

Wards with the highest backlog on Access to Energy for Heating				
	Geographical Areas	Total No. of Households	Total No. of Households with no access to Energy for Heating	% of the Backlog
Ward 6	Masondeza. Syathuthuka. Sizanana. Jobstown.	2 603	568	22%

Wards with the highest backlog on Access to Energy for Heating				
	Geographical Areas	Total No. of Households	Total No, of Households with no access to Energy for Heating	% of the Backlog
	Lister Farm.			
Ward 8	Mlazi. Portion of Manzana. Ematshaketsheni	1 874	400	21%
Ward 9	Osizweni Section E. Osizweni Section D. Mhlaba. Fairview. Inverness.	2 965	623	21%
Ward 15	Cavan. Mahalbhomeni. Blaauwbosch. Dry-Cut.	2 497	514	21%
Ward 33	Dicks Village. Manzana. Mndozi.	2 678	535	20%
Ward 16	Blaauwbosch.	2 864	512	18%
Ward 7	Osizweni Section C. Osizweni Section D. Mndozi. Kwwamlimi. Emadanyeni.	2 613	434	17%
Ward 14	Madadeni Section 7 (M), (N) and (P).	4 172	664	16%
Ward 19	Madadeni H39. Madadeni Section 6. Madadeni Section 7(L&M).	2 516	400	16%
Ward 27	Madadeni Section 4. Madadeni Section 6. Madadeni Section 7.	2 506	394	16%
Ward 29	Madadeni Section 6 (M). Madadeni Section 7 (L), (M), (R), and (N).	2 552	359	14%
Ward 31	Madadeni Section 7. Maaskraal. Soul-City.	2 634	335	13%
Ward 32	Vulindlela.	2 803	376	13%
Ward 13	Vezunyawo. Ema4.	1 707	217	13%

Wards with the highest backlog on Access to Energy for Heating			
Geographical Areas	Total No. of Households	Total No. of Households with no access to Energy for Heating	% of the Backlog
Temereza			
Grand Total	36 978	6 331	

HOUSEHOLD ACCESS TO WASTE REMOVAL SERVICES.

An observation of the statistical figures from the Community Survey (2016) with regards to household access to waste removal services indicates that the majority of households in Newcastle are being serviced by the Newcastle Local Municipality. Regarding the percentage, 69,94% from the total number of households are receiving waste removal services from the municipality, and 26,35% are making use of the own means to dispose of waste. Only a mere 2,58% of the total number of households indicated that they have no access to refuse removal services, and thus are dumping waste anywhere, thus resulting in environmental pollution.

In terms of numbers, the waste removal needs of 63 183 households are being serviced by the municipality, 23 805 households make means to dispose their waste in an environmentally sound manner, and only a mere 2 334 households indicated that they do not have access to waste removal services what-so-ever. Below is a table that gives an indication of the level of access to waste removal services throughout the jurisdictional area of the Newcastle Local Municipality.

ACCESS TO WASTE REMOVAL SERVICES	NO. OF HH	%
Removed by local authority/private company/community members at least once a week	59 199	65,52%
Removed by local authority/private company/community members less often than once a week	2 066	2,29%
Communal refuse dump	1 451	1,61%
Communal container/central collection point	467	0,52%
Own refuse dump	23 805	26,35%
Dump or leave rubbish anywhere (no rubbish disposal)	2 334	2,58%
Other	1 024	1,13%
TOTAL	90 346	100,00%

A deeper look at statistical information at ward level, making reference to the Census Data (2011), as overlaid on the Ward Delimitation boundaries of 2016, gives a vivid picture with regards to the status quo. According to the table below, the average backlog with regards to access to refuse removal is 4%, of which less than 36% of the wards falls above. The ward with the highest backlog in this regard is Ward 6 which has a total of 605 households that indicated they have no access to refuse removal services what-so-ever.

Access to Refuse Removal Services									
	Remove d by local authority at least once a week	Remove d by local authority less often	Communal refuse dump	Own refuse du	No rubbish disposal	Other	Unspecif ied	Grand Total	% of the Backlog
Ward 1	592	16	4	1276	228	39	22	2177	10%
Ward 2	2993	102	5	6	3	-	50	3159	0%
Ward 3	2359	6	8	11	10	6	12	2411	0%
Ward 4	2270	15	9	4	1	4	35	2339	0%
Ward 5	2990	12	1	3	-	1	59	3065	0%
Ward 6	17	3	12	1851	605	96	19	2603	23%
Ward 7	866	4	-	1686	24	7	26	2613	1%
Ward 8	1839	5	1	15	6	-	8	1874	0%
Ward 9	2329	5	10	381	228	-	11	2965	8%
Ward 10	1820	3	1	9	2	2	17	1854	0%
Ward 11	2095	4	-	1	1	1	7	2110	0%
Ward 12	49	8	11	1485	271	14	20	1857	15%
Ward 13	1527	4	-	36	124	-	17	1707	7%
Ward 14	4133	3	13	5	4	1	14	4172	0%
Ward 15	26	6	4	2184	261	-	16	2497	10%
Ward 16	54	16	4	2468	164	142	16	2864	6%
Ward 17	2403	1	7	174	147	-	20	2752	5%
Ward 18	354	7	16	1237	85	12	21	1731	5%
Ward 19	2246	11	17	203	25	8	5	2516	1%

Access to Refuse Removal Services									
	Remove d by local authority at least once a week	Remove d by local authority less often	Communal refuse dump	Own refuse dump	No rubbish disposal	Other	Unspecif ied	Grand Total	% of the Backlog
Ward 20	2167	1	-	6	94	-	13	2280	4%
Ward 21	704	36	24	1264	428	38	21	2515	17%
Ward 22	1956	2	6	3	-	-	8	1975	0%
Ward 23	2135	1	3	4	1	3	18	2166	0%
Ward 24	2807	8	2	5	3	1	40	2866	0%
Ward 25	1692	14	450	739	91	6	-	2993	3%
Ward 26	3017	-	-	1	4	-	15	3036	0%
Ward 27	2485	2	-	2	-	-	17	2506	0%
Ward 28	1921	-	1	-	1	-	24	1948	0%
Ward 29	2538	-	-	-	-	1	13	2552	0%
Ward 30	1138	15	161	609	160	-	4	2087	8%
Ward 31	861	4	12	1403	287	62	5	2634	11%
Ward 32	2703	80	-	7	-	-	12	2803	0%
Ward 33	52	5	6	2556	44	2	13	2678	2%
Ward 34	3588	88	-	10	7	11	15	3719	0%
Grand Total	60726	488	788	19644	3309	456	614	86024	
								Average backlog across the wards	4%

As stated above, the implication with regards to households that do not have any form of refuse removal services is that they end up disposing the waste generated in a manner that is not environmentally sound, thus resulting in the pollution of the environment. The table below depicts the households with the refuse removal backlogs that are higher than the average backlog of 4%. with respect to waste removal services with ward 6 has the highest backlog that all the other wards, followed by Ward 21, then Ward 12.

Wards with the highest backlog on Access to Refuse Removal Services				
	Geographical Areas	Total No. of Households	Total No, of Households with no access to Refuse Removal Services	% of the Backlog
Ward 6	Masondeza. Syathuthuka. Sizanani. Jobstown. Lister Farm.	2 603	605	23%
Ward 21	Vezubuhle. Ingagane. Bosworth. Kilbarchem. Normandian. Hope Farm. Exmoor Farm. Hake Farm	2 515	428	17%
Ward 12	Lister Farm. Johnstone Farm. Jakkalaspan.	1 857	271	15%
Ward 31	Madadeni Section 7. Maaskraal. Soul-City	2 634	287	11%
Ward 15	Cavan. Mahalbhomeni. Blaauwbosch. Dry-Cut.	2 497	261	10%
Ward 1	Botha's Pass. Binkshoop. Charlsetown. Ingogo. Majuba Forest. Normandian. Wykom.	2 177	228	10%
Ward 9	Osizweni Section E. Osizweni Section D.	2 965	228	8%

Wards with the highest backlog on Access to Refuse Removal Services				
	Geographical Areas	Total No. of Households	Total No. of Households with no access to Refuse Removal Services	% of the Backlog
	Mhlaba. Fairview. Inverness.			
Ward 30	Osizweni Section A & B. Manzana (Manzana 1 & 2). Amasimu. Jakkalas. Osizweni Depot area.	2 087	160	8%
Ward 13	Vezunyawo. Ema4. Temereza.	1 707	124	7%
Ward 16	Blaauwbosch.	2 864	164	6%
Ward 17	Osizweni Section F. Blaauwbosch. Osizweni – Ndabanhle Primary School area. Osizweni – Stolo esibomvu area. Osizweni – Makhasane area. Osizweni – Sesiwabonga Primary School area.	2 752	147	5%
Ward 18	Magadlela. Ema 17. Empompini. Mazitapele. Emhlangeni. Ezinsimbini. Theku Plaza area. Kwa-Mlangeni.	1 731	85	5%
	Grand Total	28 389	2 760	

ACCESS TO FORMAL HOUSING TYPOLOGIES.

An analysis of the statistical figures from Stats SA's Census Data (2011) overlaid onto the 2016 Ward Delimitation boundaries further gives an indication of the various formal and informal housing typologies within the ward. An analysis of such figures gives an indication of the level of access to housing as provided for by the democratic government post the democratic dispensation. The figures depicted also have implications on the housing backlog,

which is highly attributed to the observed prevalence of informal and/or traditional structures, and informal shacks.

The table below indicates the various housing typologies at ward level, and indicates the percentage of inadequate and/or informal housing relative to formal housing typologies.

Type of Main Dwelling Across the Wards																
	Hou se or bric k/ con cret e bloc k stru ctur e on a sep arat e stand or yard	Tra ditio nal dwe lling / hut/ stru ctur e mad e of tradi tional mat erial s	Flat or apa rtm ent in a bloc k of flats	Clu ster hou se in com plex	Tow n hou se (se mi- deta ched hou se in com plex)	Se mi- deta ched hou se	Hou se/ flat/ roo m in bac k yard	Info rma l dwe lling / sha ck in bac k yard	Info rma l dwe lling / sha ck NO T in bac k yard ; e.g. in an infor mal/ squ atte r settl eme nt or on far m	Room/ flat on a prop erty or a larg er dwe lling / ser vant s'qu arte r ran ny flat	Car ava n or tent	Oth er	Uns peci fied	Not appl icab le	Gra nd Tot al	% of the Bac klog
Ward 1	759	1041	29	3	5	4	72	138	57	4	7	21	22	14	2177	57%
Ward 2	2394	6	69	117	90	1	40	5	1	33	5	6	50	341	3159	1%
Ward 3	1979	6	280	4	78	1	9	9	1	3	3	11	12	16	2411	1%
Ward 4	1759	9	209	17	142	1	15	1	6	8	1	6	35	130	2339	1%
Ward 5	2433	86	91	-	213	-	43	12	11	8	-	10	59	101	3065	3%
Ward 6	1921	121	147	6	4	23	38	162	128	5	-	25	19	3	2603	16%

Type of Main Dwelling Across the Wards																
	Hou se or bric k/ con cret e bloc k stru ctur e on a sep arat e stand or yard	Tra ditio nal dwe lling / hut/ stru ctur e mad e of tradi tional mat erial s	Flat or apart ment in a bloc k of flats	Clu ster hou se in com plex	Tow n hou se (se mi-deta ched hou se in com plex)	Se mi-deta ched hou se	Hou se/ flat/ room in back yard	Info rma l dwe lling / sha ck in back yard	Info rma l dwe lling / sha ck NO T in back yard ; e.g. in an inform al/ squ atter sett leme nt or on farm	Room/ flatlet on a prop erty or a larg er dwe lling / serv ant's quar ters/ granny flat	Car ava n or tent	Oth er	Uns peci fied	Not appl icab le	Grand Total	% of the Bac klog
Ward 7	2272	52	29	1	-	-	13	90	122	1	-	3	26	3	2613	10%
Ward 8	1689	7	11	1	-	-	132	9	3	-	1	7	8	6	1874	1%
Ward 9	2330	86	18	-	2	1	95	157	258	-	-	4	11	2	2965	17%
Ward 10	1760	7	14	2	1	-	8	32	7	-	2	3	17	-	1854	3%
Ward 11	1878	22	54	30	12	8	20	21	6	2	-	7	7	42	2110	2%
Ward 12	1705	22	18	-	-	2	2	33	44	-	2	4	20	6	1857	5%
Ward 13	1637	3	3	4	-	-	12	17	2	-	-	11	17	1	1707	1%
Ward 14	3798	26	236	21	9	6	9	33	5	-	3	9	14	4	4172	2%
Ward 15	1931	150	53	1	5	1	143	61	119	-	-	16	16	3	2497	13%

Type of Main Dwelling Across the Wards																
	Hou se or bric k/ con cret e bloc k stru ctur e on a sep arat e stand or yard	Tra ditio nal dwe lling / hut/ stru ctur e mad e of tradi tional mat erial s	Flat or apa rtm ent in a bloc k of flats	Clu ster hou se in com plex	Tow n hou se (se mi- deta ched hou se in com plex)	Se mi- deta ched hou se	Hou se/ flat/ roo m in bac k yard	Info rma l dwe lling / sha ck in bac k yard	Info rma l dwe lling / sha ck NO T in bac k yard ; e.g. in an infor mal/ squ atte r settl eme nt or on far m	Room/ flatlet on a prop erty or a larg er dwe lling / serv ant's quar ters/ granny flat	Car ava n or tent	Oth er	Uns peci fied	Not appl icab le	Gra nd Tot al	% of the Bac klog
Ward 16	2499	49	14	1	2	13	2	82	174	-	-	11	16	3	2864	11%
Ward 17	2656	12	12	9	-	-	25	7	9	-	-	2	20	-	2752	1%
Ward 18	1602	19	8	1	-	1	9	38	27	2	-	2	21	-	1731	5%
Ward 19	1968	50	5	35	1	1	196	35	205	2	1	5	5	6	2516	12%
Ward 20	2121	-	16	-	-	15	23	11	59	3	1	4	13	14	2280	3%
Ward 21	1574	525	20	8	4	5	31	40	82	36	23	39	21	108	2515	27%
Ward 22	1827	2	1	-	1	3	109	3	1	4	-	11	8	6	1975	0%
Ward 23	1698	11	1	2	-	2	360	34	7	21	3	3	18	4	2166	3%
Ward 24	2592	5	11	7	26	5	112	22	3	3	-	14	40	27	2866	1%

Type of Main Dwelling Across the Wards																
	Hou se or bric k/ con cret e bloc k stru ctur e on a sep arat e stand or yard	Tra ditio nal dwe lling / hut/ stru ctur e mad e of tradi tional mat erial s	Flat or apa rtm ent in a bloc k of flats	Clu ster hou se in com plex	Tow n hou se (se mi-deta ched hou se in com plex)	Se mi-deta ched hou se	Hou se/ flat/ room in back yard	Info rma l dwe lling / sha ck in back yard	Info rma l dwe lling / sha ck NO T in back yard ; e.g. in an infor mal/ squ atte r settl eme nt or on far m	Room/ flatlet on a prop erty or a larg er dwe lling / serv ant's quar ters/ granny flat	Car ava n or tent	Oth er	Uns peci fied	Not appl icab le	Grand Total	% of the Bac klog
Ward 25	1401	65	391	13	24	6	33	295	695	2	-	10	-	59	2993	35%
Ward 26	2834	9	78	-	-	1	67	27	2	1	-	2	15	1	3036	1%
Ward 27	2175	14	81	16	-	7	154	18	8	3	-	7	17	7	2506	2%
Ward 28	1848	2	1	-	5	-	41	12	2	1	1	4	24	6	1948	1%
Ward 29	2368	10	25	6	-	10	70	38	4	2	-	1	13	4	2552	2%
Ward 30	1935	19	8	-	-	2	29	51	35	1	-	2	4	-	2087	5%
Ward 31	1821	50	35	11	1	62	120	246	252	1	-	29	5	1	2634	21%
Ward 32	2575	22	21	-	-	9	5	53	79	2	1	20	12	5	2803	6%
Ward 33	2226	112	48	1	1	3	29	86	149	2	-	8	13	1	2678	13%

Type of Main Dwelling Across the Wards																
	Hou se or bric k/ con cret e bloc k stru ctur e on a sep arat e stan d or yard	Tra ditio nal dwe lling / hut/ stru ctur e mad e of tradi tional mat erial s	Flat or apa rtm ent in a bloc k of flats	Clu ster hou se in com plex	Tow n hou se (se mi- deta ched hou se in com plex)	Se mi- deta ched hou se	Hou se/ flat/ roo m in bac k yard	Info rma l dwe lling / sha ck in bac k yard	Info rma l dwe lling / sha ck NO T in bac k yard ; e.g. in an infor mal/ squ atte r settl eme nt or on far m	Room/fl atlet on a pro pert y or a larg er dwe lling / ser vant s'qu arte rs/ gran ny flat	Car ava n or tent	Oth er	Uns peci fied	Not appl icab le	Gra nd Tot al	% of the Bac klog
Ward 34	316 9	23	129	44	38	14	34	16	4	7	-	9	15	216	371 9	1%
Grand Total	711 32	264 2	216 7	361	666	209	209 8	189 2	256 7	158	56	323	614	114 0	860 24	
															Ave rag e bac klog acro ss the war ds	8%

According to the table below, Ward 1 has the highest concentration of households with inadequate housing typologies. The majority of the households within the area are constructed using traditional building materials, and due to such they are of a poor quality.

Such building structures are prone to damages during the rainy season, and they further exacerbate the need for energy due to poor passive design consideration.

Wards with the highest number of households with Access to Inadequate Housing				
	Geographical Areas	Total No. of Households	Total No, of Households with access to Inadequate Housing	% of the Backlog
Ward 1	Botha's Pass. Binkshoop. Charlsetown. Ingogo. Majuba Forest. Normandian. Wykom.	2 177	1 243	57%
Ward 25	Siyahlala-la. Fairview. Paradise.	2 993	1 055	35%
Ward 21	Vezubuhle. Ingagane. Bosworth. Kilbarchem. Normandian. Hope Farm. Exmoor Farm. Hake Farm.	2 515	670	27%
Ward 31	Madadeni Section 7. Maaskraal. Soul-City.	2 634	548	21%
Ward 9	Osizweni Section E. Osizweni Section D. Mhlaba. Fairview. Inverness.	2 965	501	17%
Ward 6	Masondeza. Syathuthuka. Sizanani. Jobstown. Lister Farm.	2 603	411	16%
Ward 33	Dickshalt. Manzana. Mndoza.	2 678	347	13%
Ward 15	Cavan. Mahalbhomeni. Blaauwbosch.	2 497	330	13%

Wards with the highest number of households with Access to Inadequate Housing				
	Geographical Areas	Total No. of Households	Total No, of Households with access to Inadequate Housing	% of the Backlog
	Dry-Cut.			
Ward 19	Madadeni H39. Madadeni Section 6. Madadeni Section 7(L&M).	2 516	291	12%
Ward 16	Blaauwbosch.	2 864	305	11%
Ward 7	Osizweni Section C. Osizweni Section D. Mndozo. Kwwamlimi. Emadanyeni.	2 613	264	10%
	Grand Total	29 055	5 965	

SERVICE DELIVERY OVERVIEW

Newcastle Municipality increased the number of households with access to water, refuse removal and sanitation by 187 households during the 2021/2022 financial year. The total number of formal households with access to water, sanitation and refuse removal is currently 51185. Newcastle Municipality did not install any new VIP toilets for residents in Newcastle East. There were no new households that were connected to electricity for the 2021/2022 financial year. The energising of houses was not completed due to defects identified in the Normandien and Blauwbosch electrification projects in the 2020/2021 financial year. The Municipality built a total of 232 houses to the roof level and those households will be connected to water, sanitation and refuse removal as per approved budget from the Provincial Department of Human Settlements in the 2022/2023 financial year. There was total of 137 title-deeds transferred to the community. Newcastle Municipality supplies residents with water by purchasing water from the municipal entity, Uthukela Water.

Newcastle Municipality provided 8387 households with free basic water, sanitation, refuse removal and electricity as per the approved 2021/2022 Indigent Policy

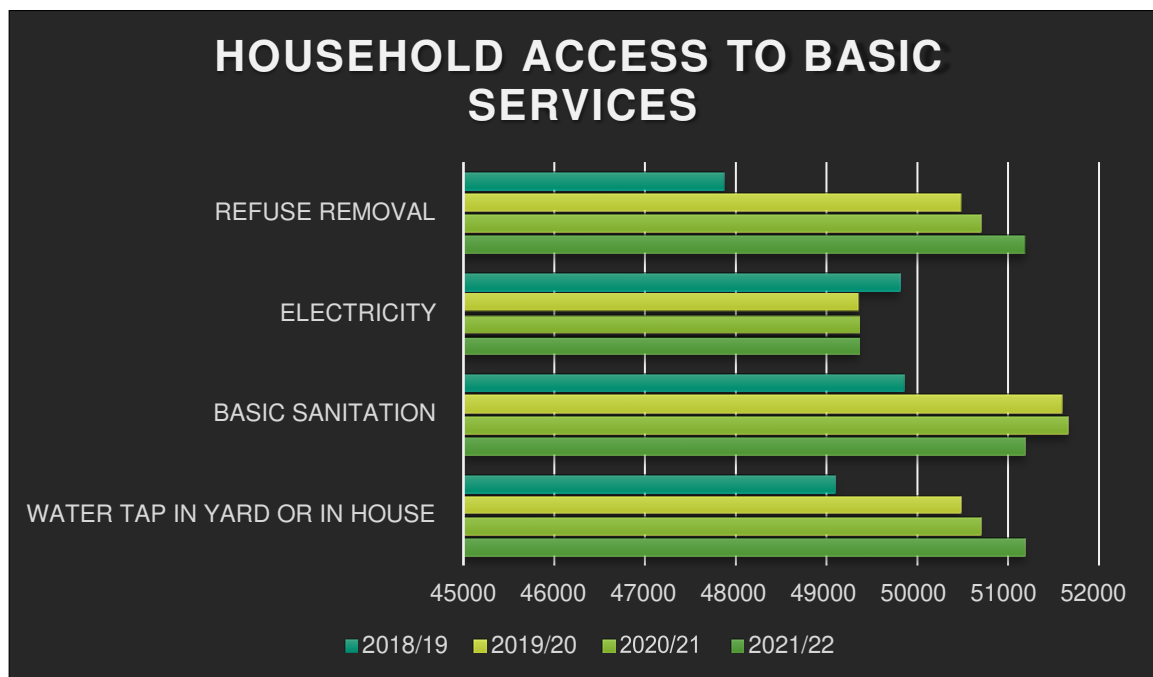


Figure 9 BASIC SERVICES TO FORMAL HOUSEHOLDS IN NEWCASTLE

	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
BASIC SERVICE DELIVERY	Poor performance by service providers	Review of contracts for all service providers that have not performed as planned in terms of the bill of quantities and general conditions of contract
	High water losses due to burst pipes	A 3 year water reduction plan be developed and implemented in line with the available budget
	Vacant positions not filled	Review of the organogram
	Housing projects were not completed as planned	A recovery plan be developed for the all the housing projects that were not completed at the end of the 2021/2022 financial year and recommended corrective actions be monitored
	Landfill site has not been identified	Assistance from COGTA to identify a suitable landfill site
	Ageing infrastructure	Development of master plans for infrastructure

FINANCIAL HEALTH OVERVIEW

Newcastle Municipality initiated an awareness campaign aimed to increase the payment factor for Newcastle Municipality. The municipality is also rolling out a number of incentive schemes with the aim of encouraging consumers to start paying their current accounts. Partnerships are also be forged with CoGTA and Treasury to improvement the collection of government debt and to improve collection rate, especially in the Eastern Region. However, these initiatives have not yet yielded the intended results since the payment factor decreased by 3% from 82% to 79% between 2022 and 2023 financial years. The decrease in the payment factor is attributable to the municipality not having effective leverage to implement credit control and debt management in the Eastern Regin of the town.

The municipality is currently having cash-flow challenges and its operating with an unfunded budget. A number of strategies and plans are currently being implemented with a view of improving the situation. It is anticipated that this situation will still engulf the municipality for at least the next two financial year. While the equity position looks favourable, however the bulk of the assets consist of the consumer debtors and property plant and equipment, which are not convertible into liquid cash. As at 30th June 2023, the municipality recorded an unfavourable current ratio of 0.72, which means that current liabilities exceeded the current assets. This means that cash and other liquid assets will not be adequate to pay the current liabilities in the next 12 months, resulting in a going concern issue. Property, plant and equipment assets recorded decrease of 4% due to the depreciation and impairment of assets.

The overall expenditure of the municipality has increased by 10% mainly due to the unavoidable annual increases on items like employee costs bulk purchases and debt impairment. Capital expenditure recorded an increase of about 17% when compared with the 2022 financial year, mainly due to the increase in the grants received by the municipality. Financial policies were reviewed and implemented by the municipality to ensure compliance with various legislation and better financial viability. Furthermore, the municipality recorded an increase in the unauthorised expenditure, mainly due to the fact that the municipality is operating with an unfunded budget, which is not able to made adequate provision for the non-cash items.

EXPENDITURE

As of the 30th of June 2023, the municipal recorded unspent conditional grants of R134 073 786 as at the end of 2023 financial year. This is an improvement when compared with 2022, where the municipality recorded R203 298 387 worth of unspent conditional grants. Amongst the challenges on

the expenditure of the conditional grants was the delays in the implementation of projects due to delays in procurement processes as well as the cash flow situation currently faced by the municipality. It should further be noted that, with cash and cash equivalents balance of R12 227 078, the conditional grants were not fully cash backed. The municipality however did submit the applications to National and Provincial Treasuries for the roll-over of unspent grants, where R9.6 million was not approved by National Treasury. The table below is the summary of the budget and actual performance for the year under review.

Table 1 FINANCIAL OVER YEAR 2022/23

The table below shows a summarised performance of budget and operating revenue:

DETAILS	ORIGINAL BUDGET	ADJUSTMENT BUDGET	ACTUAL
Grants	1 112 706 986	626 423 786	538 936 596
Taxes, Levies and tariffs	1 540 255 347	1 587 865 583	1 497 118 339
Other	40 300 281	34 112 776	65 964 949
Sub-total	2 693 262 614	2 248 402 145	2 102 019 884
Less: Expenditure	(2 819 843 973)	(2 257 454 733)	(2 489 542 243)
Note: surplus/deficit	(126 581 359)	(9 052 588)	(387 522 359)

The municipality generated R90.7 million less revenue on rates and services when compared with the budget of R1.587 billion. Other revenue recorded R30.8 more than the adjusted budget of R34.1 million. Grants were recorded at R87.4 million less than the adjusted budget of R626.4 million due to the housing grants being accounted for in terms of GRAP109. Overall, the municipality recorded total revenue of R146.3 million less than the adjusted budget R2.248 billion due to the reasons indicated above. Furthermore, the municipality recorded expenditure of R232.1 million more than the adjusted budget of R2.257 billion. This resulted in the municipality recording the operating deficit of R387.5 million, instead of R9.0 million as planned in the adjustments budget.

OPERATING RATIOS

The table below shows the results of the financial ratios as at 30 June 2023

DESCRIPTION	2020/21	2021/22	2022/23
Collection	85%	82%	79%
Employee cost	26%	30%	27%
Net debtors days	238 days	135 days	105 days
Net creditors days	172 days	129 days	156 days
Cash coverage	0,07	0,5	0,07
Current ration	0,85	0,92	0,76

The recorded a collection of 79% as at the end of June 2023. This is a regression when compared with 2022 and 2021 where the municipality recorded 82% and 85% respectively. Employee costs was recorded at 27% in 2023, which is an improvement from 30% that was recorded in 2022. It must further be mentioned that this ratio is far below the National Treasury ceiling of 40%. Net debtors days recorded a 105 days, which is an improvement when compared with 135 days and 238 days recorded in 2022 and 2021 respectively. This means that, while that municipality has challenges in collecting debtors, however that has been some improvement.

Net creditors days was recorded at 156 days. This a regression when compared with 129 days recorded in 2022. Without a doubt, the cash-flow challenges is the attributing factor to this unfavourable ratio. Both the net creditors and the net debtors are above the National Treasury norma of 30 days, which is not good for the municipality. Cash coverage was recorded at 0.07 in 2023, which is a regression when compared to 0.5 recorded in 2022. This is due to the fact that unspent conditional grants were spent during the year, resulting in low cash balance at the end of 2023. Again, this is below the National Treasury norm of 1-3 months, indicative of the cash flow challenges faced by the municipality. Current ratio was recorded at 0.76, which is a regression when compared with the 0.92 recorded in 2022. Again this is below the National Treasury norm of 1.5. This ratio indicates that the current assets will not be adequate to pay for the current liabilities of the municipality.

EXPENDITURE

The results of the capital expenditure for the past three years is as follows:

TOTAL CAPITAL EXPENDITURE YEAR 2018/19 – 2021/22			
DETAIL	YEAR 2020/21	YEAR 2021/22	YEAR 2022/23
Original Budget	R 125 547 994	R 145 393 000	R 209 033 032

Adjustment Budget	R 150 390 330	R 185 393 179	R 214 299 166
Actual	R123 786 165	R 148 409 424	R 173 567 690
% Actual	82%	80%	81%

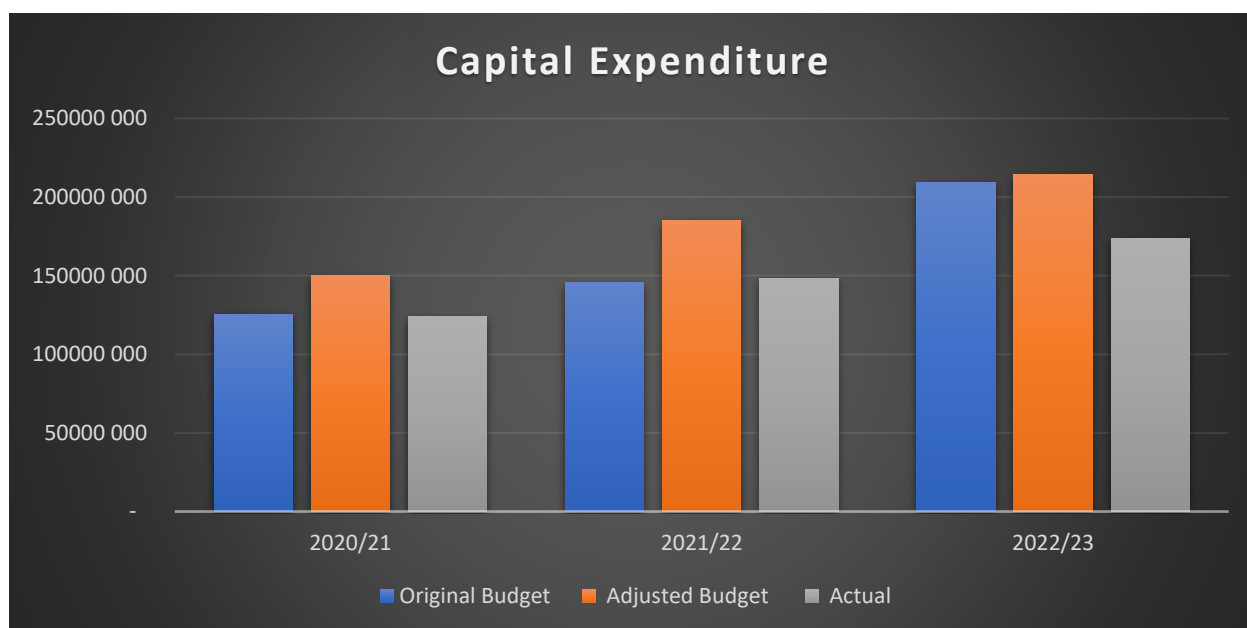


Figure 1 TOTAL CAPITAL EXPENDITURE

There has been an increase in the 2022/23 capital expenditure of 17% when compared to the 2021/22 financial year. This was attributed to the additional allocation of grant monies earmarked to fund the capital projects.

CHALLENGES AND RECOMMENDATIONS FOR FINANCIAL HEALTH OF THE ORGANIZATION

DEVELOPMENT CHALLENGES	RECOMMENDATION
Inadequate revenue collection systems within the municipality.	<ul style="list-style-type: none"> - Introduction of new technology towards improving revenue collection .i.e. water smart meters, prepaid electricity. - Strategic support and assistance to industry. - Indigent verification - Incentive schemes - Collaboration with other government departments to improve debt collection strategies

DEVELOPMENT CHALLENGES	RECOMMENDATION
Unfunded budget	<ul style="list-style-type: none"> - Implement the Budget Funding Plan - Timeous payment of bulk accounts and 3rd parties - Implement cost containment and revenue enhancement strategies - Cash-backing of conditional grants and other provisions
High unauthorised, irregular, fruitless and wasteful (UIFW) expenditure.	<ul style="list-style-type: none"> - Implement the UIFW strategy - Terminate and re-advertise irregular contracts - Ensure timeous payment of invoice to avoid fruitless and wasteful expenditure - Implement cost containment measure to avoid over-spending on the approved budget. -
Unspent conditional grants not cash backed	<ul style="list-style-type: none"> - Invest all grant funding received in a separate account - Perform a reconciliation between the unspent grants and the investment account - Use grants funding only for its intended purpose - Fast-track procurement processes of grant related projects - Allocate funding towards old unspent conditional grants in order to reduce the balance.

AUDITOR GENERAL REPORT FOR THE 2022/2023 FINANCIAL YEAR

FINANCIAL YEAR	AUDITOR GENERAL OPINION
2022/2023	Unqualified with findings
2021/2022	Unqualified with Findings
2020/2021	Unqualified with Findings
2019/2020	Unqualified with Findings

STRATEGIES TO ADDRESS AUDIT ISSUES

NEWCASTLE LOCAL MUNICIPALITY

Type of Opinion : Unqualified

Type of Opinion Previous Year : Unqualified

Nature Of Audit Query	Audit Query	Audit Response
1. Consumer debtors – Impairment calculation / Net present value	<p>In terms of GRAP 104 Financial assets are measured at amortised cost</p> <p>“61. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or with an allowance account. The amount of the loss shall be recognised in surplus or deficit.”</p> <p>In terms of GRAP 108 (Statutory receivables) - paragraph.22 states the following: If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, an entity shall measure the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.</p> <p>PART A During the audit of the impairment of consumer debtors from exchange and non-exchange transactions, it was noted that the municipality utilised the services of a consultant/ expert for the impairment calculation. In terms of the impairment methodology used by the expert, the following is noted:</p> <p>“a) The assessment of debt impairment for receivables, either individually assessed or</p>	<p>The debt impairment calculation will be done in accordance with the relevant Grap Standards and assumptions and exceptions will be clearly outlined in the policies and procedures. This calculation is done only at year end</p>

assessed as a group, shall be done taking into account the assumptions and according to the methodology as outlined below:

First step:

In determining the impairment provision, the receivables shall firstly be categorized and information relating to the following observable factors or events shall be accumulated, considered and evaluated in order to assess collectability of a receivable or groups of receivables:

- (i) Significant financial difficulty of the debtors.
- (ii) A breach of agreement, such as default on delinquency in interest or principal payments.
- (iii) The municipality, for economic or legal reasons relating to the debtor's financial difficulty, granting the debtor a concession that the municipality would not consider
- (iv) It is possible that the debtor will enter sequestration or other financial reorganisations.
- (v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of receivables since the initial recognition of those receivable(s); although the decrease cannot yet be identified with the individual receivable in the group, including: a. Adverse changes in the payment status of the debtor in the group (e.g., an increased number of delayed payments) or. b. National or local economic conditions that correlated with defaults on the receivables in the group (e.g., adverse changes in market conditions that affect the debtors in a group).
- (vi) In some cases, the above observable data or events required to estimate the amount of impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances, e.g., when a debtor is in financial difficulties and there is limited, available historical data relating to similar debtors. In such cases, the municipality shall use its experience judgment to estimate the amount of any impairment loss. Similarly, the municipality shall use its experienced judgement to adjust observable data for a group of receivables to reflect the current circumstances.

Second step:

Based on the observable factors above, the municipality shall calculate the provision for impairment or collectability of a debt by considering the cash shortfalls it would incur in various default scenarios for prescribed

	<p>future periods using the following formula: $A \times B = C$ Where:</p> <p>A = Default rate (expressed in a percentage form) B = Gross Carrying Amount of Receivable(s) C = Impairment Provision.</p> <p>Any previously recognised impairment provision must be revised when the expected timing or similar amount of the cash flow to be collected changes.</p> <p>Third step: Determine the estimated future cash flows of receivable(s) using the following formula: $A - B = C$ Where: A = Gross Carrying Amount of Receivable(s) B = Impairment provision, and C = Estimated future cash flows of Receivable(s)</p> <p>REPORTING OF DEBTORS SEGMENTATION</p> <p>Debt quadrants depict the behaviour of Debtors in terms of the payment of services. Such behaviour is monitored and analysed over a twelve (12) month period. These quadrants as well as their brief description is outlined below as follows: In terms of GRAP 104 Financial assets are measured at amortised cost “61. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or with an allowance account. The amount of the loss shall be recognised in surplus or deficit.”</p> <p>In terms of GRAP 108 (Statutory receivables) - paragraph.22 states the following: If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, an entity shall measure the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher</p>	
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than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.

PART A

During the audit of the impairment of consumer debtors from exchange and non-exchange transactions, it was noted that the municipality utilised the services of a consultant/ expert for the impairment calculation.

In terms of the impairment methodology used by the expert, the following is noted:

“a) The assessment of debt impairment for receivables, either individually assessed or assessed as a group, shall be done taking into account the assumptions and according to the methodology as outlined below:

First step:

In determining the impairment provision, the receivables shall firstly be categorized and information relating to the following observable factors or events shall be accumulated, considered and evaluated in order to assess collectability of a receivable or groups of receivables:

(i) Significant financial difficulty of the debtors.

(ii) A breach of agreement, such as default on delinquency in interest or principal payments.

(iii) The municipality, for economic or legal reasons relating to the debtor's financial difficulty, granting the debtor a concession that the municipality would not consider

(iv) It is possible that the debtor will enter sequestration or other financial reorganisations.

(v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of receivables since the initial recognition of those receivable(s); although the decrease cannot yet be identified with the individual receivable in the group, including: a. Adverse changes in the payment status of the debtor in the group (e.g., an increased number of delayed payments) or. b. National or local economic conditions that correlated with defaults on the receivables in the group (e.g., adverse changes in market conditions that affect the debtors in a group).

(vi) In some cases, the above observable data

or events required to estimate the amount of impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances, e.g., when a debtor is in financial difficulties and there is limited, available historical data relating to similar debtors. In such cases, the municipality shall use its experience judgment to estimate the amount of any impairment loss. Similarly, the municipality shall use its experienced judgement to adjust observable data for a group of receivables to reflect the current circumstances.

Second step:

Based on the observable factors above, the municipality shall calculate the provision for impairment or collectability of a debt by considering the cash shortfalls it would incur in various default scenarios for prescribed future periods using the following formula: $A \times B = C$ Where:

A = Default rate (expressed in a percentage form)

B = Gross Carrying Amount of Receivable(s)

C = Impairment Provision.

Any previously recognised impairment provision must be revised when the expected timing or similar amount of the cash flow to be collected changes.

Third step:

Determine the estimated future cash flows of receivable(s) using the following formula: $A - B = C$ Where:

A = Gross Carrying Amount of Receivable(s)

B = Impairment provision, and

C = Estimated future cash flows of Receivable(s)

REPORTING OF DEBTORS SEGMENTATION

Debt quadrants depict the behaviour of Debtors in terms of the payment of services. Such behaviour is monitored and analysed over a twelve (12) month period. These quadrants as well as their brief description is outlined below as follows:

1. Star Payers: Customers that pay their rates account on time and in full. (High collectability)
2. Grudge Payers: Customers that pay their rates account on time but not in full. (Medium collectability)

	<p>3. Infrequent Payers: Customers that do not always pay their bills on time and/or regularly (i.e., such customers may skip a few months at a time without paying for services). (Low Collectability)</p> <p>4. Non-Payers: Customers that do not pay their account. (Very Low Collectability)</p> <p>From an inspection of note 11 (AFS) consumer debtors from exchange and non-exchange transactions, the following concerns were noted during the audit of the impairment amount of R1,119,379,186:</p> <ul style="list-style-type: none"> • The debt impairment was calculated using a default rate of 100%. • And therefore, the municipality did not consider estimating future cash flows for receivable amounts when calculating the allowance for debt impairment. The municipality included 100% of both medium collectability and low collectability debtors in this calculation, therefore assuming that debtors with medium or low collectability will default entirely. • The management did not consider the possibility that the municipality may receive some cash flow. This is because the methodology defines these categories as "Customers that pay their rates account on time but not in full and Customers that do not always pay their bills on time and/or regularly (i.e., such customers may skip a few months at a time without paying for services)." 	
2. Payments not made within 30 days	<p>In terms of section 65(2) (e) of the MFMA: "The accounting officer must for subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure."</p> <p>During the audit of General Expenses disclosed at an amount of R171,784,638 in note 41 to the financial statements, it was noted from a sample of 60 expenditure items that the following eight invoices were not paid within 30 days as required by section 65(2)(e) of the MFMA.</p>	<p>COGTA selected the municipality to participated in a debt collection project. The municipality has introduced several incentive schemes which are aimed at collecting the old debt. Interim Finance Committee (IFC) has been established to costs. All these aimed to improve revenue collection and implement cost containment measures in an effort to improve finances of the municipality. Old debt will be prioritized when approving payments in the Interim Finance Committee meetings to avoid interest.curtail</p>
3.Cash Flow statement inaccuracies (COMAF07-09th October)	<p>In terms of GRAP 2 Cash flow statements: Paragraph 02 - An entity that prepares and presents financial statements under the accrual basis of accounting shall prepare a cash flow statement in accordance with the</p>	<p>Adjustments will be made to the cashflow statement and make improvements to the reconciliation assets note which is also used for inputs to the cashflow statement</p>

	<p>requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.</p>	<p>especially additions. AFS task team will be established to monitor progress of the AFS preparation which will allow finalization timeously and also allowing enough time for review before submission of AFS to the AG.</p>
<p>4.Risk management disclosures (COMAF 13-23 October).</p>	<p>In terms of GRAP 104 – Financial instruments: Paragraph 131: an entity shall disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities and a description of how it manages the liquidity risk inherent in the financial liabilities.</p> <p>During the audit of Note 47 Risk Management to the financial statements, it was noted that the municipality had omitted certain disclosures. The annual financial statements disclosed a description of liquidity risk but omitted a maturity analysis of the non-derivative financial liabilities, such as trade payables and other financial liabilities</p> <p>Paragraph 131: an entity shall disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities and a description of how it manages the liquidity risk inherent in the financial liabilities.</p> <p>During the audit of Note 47 Risk Management to the financial statements, it was noted that the municipality had omitted certain disclosures. The annual financial statements disclosed a description of liquidity risk but omitted a maturity analysis of the non-derivative financial liabilities, such as trade payables and other financial liabilities</p>	<p>1. Process will be put in place to ensure that the disclosure of risk management includes the discounted maturity analysis of borrowings, consumer debtors and other non-derivatives as reported in the statement of financial position. 2. The AFS and the working paper file (rates and figures in the AFS) shall be reviewed by the Director: Budget and Financial Reporting before the disclosure is populated into the AFS. AFS task team will be established to monitor progress of the AFS Preparation which will allow finalization timeously and also allowing enough time for review before submission of AFS to the AG.</p>
<p>5.Fruitless and wasteful expenditure completeness / not prevented</p>	<p>In terms of section 62(1)(d) of the Municipal Finance Management Act (MFMA), The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;</p>	<p>Management shall strengthen controls to ensure that all fruitless and wasteful expenditure is identified and disclosed correctly in future. It must be noted that the on-going discussions between the municipality and uThukela Water led to the omission in disclosing this expenditure as it was part of the payment plan discussion that the interest will be written-off on conclusion of the agreement. Interim Finance Committee (IFC) has been established</p>

	<p>As per section 125(2)(d)(i) of the MFMA, the notes to the annual financial statements of a municipality and municipal entity must include, amongst others, particulars of any material losses and any material irregular, fruitless and wasteful expenditure.</p> <p>Furthermore, as per GRAP 1 Presentation of financial statements: Paragraph 17 - financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses</p>	<p>to curtail costs and in an attempt improve cash flow and meet our financial obligations.</p>
Emphasis of the Matter		
6. Material water / electricity losses	<p>As disclosed in note 38 to the financial statements, the municipality incurred material technical water losses of R58 890 000 (2021-2022 R51,44 million) which represents 37% (2021-22..39%) of total water purchased. The losses were due to real and apparent losses, which are based on the system input volume and the authorized consumption.</p>	<p>Newcastle municipality has aimed to reduce the water losses in the context of physical/real losses and commercial/apparent losses. Reducing commercial losses directly generates revenue and reducing physical losses, also reduces the cost of producing the water (less water needed, less chemical and energy use), Improves customer service (more pressure, less supply interruptions and less contamination). Furthermore, improving the billing-collection efficiency will also improve the water utilities' revenue</p> <p>At the end of 2021/22 financial year non-revenue water was at 60.2 % and Physical water losses at 38.7%.</p> <p>ACTION PLAN PROGRESS OF INTERVENTION PROGRAM A Service Provider has been appointed for the implementation of a self-funded model for reducing water and energy inefficiencies through Shared Water Saving Contracts (SWSC) and Revenue Enhancement Contracts (REC) to assist the Newcastle Local Municipality's Water Conservation/ Water Demand Management (WC/WDM) and Non-Revenue Water (NRW) Strategies having the main objective of reducing the current losses attributed to leaks, theft, overflows, and</p>

		<p>meter reading inaccuracies, while simultaneously improving billed volumes to consumers and allowing the private sector to partner with the Municipality and share in the savings achieved from the intervention on a 80/20 basis for a 3-year term.</p> <p>APPROACH AND METHODOLOGY The project is divided into 5 phases to address the intervention:</p> <p>Phase 1: Data collection and analysis Phase 2: Water audit and baseline establishment Phase 3a: Water efficiency saving method & Phase 3b: Water increased revenue measures Phase 4: Organisational and results analysis Phase 5: Measurements and verification of outputs. Contractual dates: Project start date: 1 November 2022 Project completion date: 31 October 2025</p>
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STATUTORY ANNUAL REPORT PROCESS

The Statutory Annual Report process for 2022/2023 is aligned to the National Treasury Municipal Finance Management Act 56, of 2003, Circular 32.

PREScribed DATES	ACTIONS	MFMA (MSA)	RESPONSIBILITY
31 August	Submit municipality's AFS to Auditor – General	S126 (1) (a)	Municipal Manager
31 August	Submit municipality's 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 raised by the Auditor-General and prepare action plans to address issues and include these in annual report	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
31 January	Annual Reports of municipality and entities tabled in Council	S127(2)	Mayor
Immediately after annual report is tabled	Annual report 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	S129 (2) (b)	Accounting Officer of municipality and Entity

	treasury and provincial department responsible for local government		
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) S21 A – 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
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

CHAPTER 3 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

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.

COMPONENT A: 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 six 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 13 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
- Portfolio Standing Committee: Governance and Support Services






EXECUTIVE COMMITTEE FOR NEWCASTLE MUNICIPALITY











- Cllr. D.X. Dube: MAYOR
- Cllr. S.M. Thwala: DEPUTY MAYOR
- Cllr. M.E. Hlatshwayo
- Cllr. C.B. Kubheka
- Cllr. A.P. Meiring
- Cllr. R.M. Molelekoa
- Cllr. L.C. Sithebe
- Cllr. S.A. Yende
- Cllr. V.G. Zondo










**Refer to the pictures below.*










COUNCILORS










The Council consists of 67 councillors of which 11 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	33	MPAC		BUTHELEZI 	Mbongiseni Enock
EFF	PR	Finance		BUTHELEZI (Ms) 	Sombu Bellinah
ACTION SA 11/2021	PR	DP&HS; Comm. Services; Finance & Governance		CASSIM 	Faizel
DA	2	MPAC Chairperson		CRONJE (Ms) 	Elizabeth Johanna Cecelia
ANC 11/2021	11	Corporate Services		DLADLA 	Mqondisi Jeffrey











EFF	PR	MPAC		DLAMINI		Thembinkosi Nkosinathi
11/2021						
IFP	18	Finance Chairperson	E X C O	DUBE Mayor		David Xolani
11/2021 DA	PR	Community Services & Governance		DUBE (Ms)		Nonhlanhla Cynthia Whip
11/2021 NFP	PR	Community Services		DUMA HADEBE (Ms)		Fana Lloyd Whip
11/2021 TSSA	PR	Community Services				Victoria Fikile Whip
11/2021						
DA	3	Corporate Services & Finance		HARIRAM (Ms)		Premawathie
11/2021 ANC	17	Community Services		HLATSHWAYO		Maqili Mhlanubanzi Ellias
11/2021 IFP	6	Community Services Chairperson	E X C O	HLATSHWAYO		Mbongeni Edward
11/2021 ANC	5	MPAC				Hedwick Nontethelelo
11/2021						
IFP	PR	Technical Services		KHUMALO (Ms)		Lungile Makhosazane
11/2021						

IFP	PR	Governance Chairperson	E X C O	KUBHEKA (Ms)		Cordelia Bonisiwe
11/2021						
ANC	19	Technical Services		KUNENE (Ms)		Nikiwe Zamile Brigid
11/2021						
ANC	10	MPAC		LETHEA		Michael Thabiso
11/2021						
IFP	PR	Development and Planning		LIU		Chuan-Yi
ANC	8	Development and Planning		MADI		Bheki Gift
11/2021						Whip
IFP	PR	Community Services		MADI		Zamani Eric
11/2021						
ANC	21	Finance		MAKHOB (Ms)		Marjorie Tandi Dorothea
11/2021						
ANC	29	MPAC		MAKHUBO		Xolani Simon
11/2021						
IFP	PR	Corporate Services		MALINGA (Ms)		Fikile Angel
11/2021						

TSSA 11/2021	PR	MPAC		MASEKO (Ms)		Nqobile Prudence
TSSA 02/2023	31	Development Planning and Human Settlements		MASHAZI (Ms)		Sindiswe Brenda
TSSA 11/2021	PR	Governance		MASONDO (Ms)		Nondumiso
IFP 11/2021	PR	Technical Services		MASUKU		Sindiswe Fortunate
EFF 11/2021	PR	MPAC		MATHE		Siphwe Percervence
ANC 11/2021	20	Development Planning and Human		MATHUNJWA		Lehlokonono Innocent
IFP 11/2021	9	MPAC		MAZIBUKO (Ms)		Bongani Derrick
ACTION SA 11/2021	PR	MPAC		MBATHA		Linden Princess
DA 11/2021	4	Development and Planning Chairperson	E X C O	MEIRING		Mzwakhe Velem
EFF 11/2021	PR	Developme nt and Planning		MKHWANAZI (Ms)		Whip
						Albertus Pieter
						Ayanda Evelyn

ANC 11/2021	23	Community Services		MKHWANAZI (Ms) 	Mbali Penelope
ANC 11/2021	22	Governance		MNGOMEZULU 	Sizwe William
ANC 11/2021	15	Finance		MNISI 	Philemon Fani
PA 03/2022	PR	Technical Services		MOLEFE 	Mildred Vangile
ANC 11/2021	12	Technical Services Deputy Chairperson	E X C O	MOLELEKOA 	Reuben Moses
EFF 11/2021	PR	Development Planning and Human Settlements		MTHABELA (Ms) 	Nelisiwe Patricia
IFP 11/2021	PR	Development Planning and Human Settlements		MTHEMBU 	Thembelihle Elvis
ANC 11/2021	7	Corporate Services		NDEBELE 	Lucky Prince
ANC 11/2021	13	Governance		NDLOVU 	Malusi Oscar

TSSA	PR	Corporate Services		NGCOBO		Cyprian Sizwe
11/2021						
DA	34	Technical Services		NGCOBO		Richard Nkosinathi
11/2021						
TSSA	PR	Finance		NKOSI		Andile Thando
11/2021						
EFF	PR	Community Services		NKOSI (Ms)		Sonto Elizabeth
11/2021				Whip		
ANC	26	Development and Planning		NKOSI (Ms)		Welile Primrose
11/2021						
IFP	16	MPAC		NTSELE		Sabelo
11/2021						
EFF	PR	Technical Services		NTSHANGASE		Menziwa Jetros
11/2021						
VFP	PR	Corporate Services		RUSSELL		Robert Brian Squire
11/2021						Whip
ANC	1	Corporate Services		SHABALALA (Ms)		Ntombicane Pauline
11/2021						
ANC	24	MPAC		SHABANGU		Skhumbuzo Emmanuel
11/2021						

IFP	32	MPAC		SIBEKO		Vusumuzi Nicholas
11/2021 ACTIONS A	25	Corporate Services & Technical		SINGH		Shailendra
11/2021 EFF	PR	Services Corporate Services Chairperso n	E X C O	SITHEBE		Lucky Christopher
11/2021 IFP	PR	Finance		SITHOLE		Frederick Nkosinathi
11/2021 ATM	PR	Governance		THUSI		Bongani Raymond
11/2021 TSSA	28	Technical Services Chairperso n	E X C O	THWALA Deputy Mayor		Shedrack Musanwenkosi
11/2021 IFP	PR	Governance		VORSTER		(Dr) Jacobus Adriaan
03/2011 ANC	14	Governance		XIMBA		Lindani Prince
11/2021 ANC	PR	Finance Deputy Chairperso n	E X C O	YENDE (Ms)		Samukelisiwe Anette
11/2021 ANC	27	Communit y Services Deputy Chairperso	E X C O	ZONDO		Vuyani Gift
11/2021						

IFP	PR	Corporate Services		ZULU	Misizwe Ndabuko
12/2022					
IFP	PR	Community Services Speaker		ZULU (Ms)	Nanazi Saraphina
11/2021					
IFP	PR			ZULU	Thengi Moses
11/2021					
ANC	30	Technical Services		ZWANE	Whip Zakheni Erick
11/2021					

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

- Portfolio Standing Committee: Governance and Support Services

COMPONENT B: 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 Director: Internal Audit, that reports to the Municipal Manager administratively and the Audit Committee Chairperson in terms of the audit plan. The municipality has Strategic Executive Directors (SED's) that are Section 57 employees, and the Accounting Officer as 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.

TOP ADMINISTRATIVE STRUCTURE

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
- Governance and Support 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

ANALYSIS OF MEETINGS

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Council meetings	10	8	11	10	9
Special Council meetings	11	6	7	9	13
Executive Committee meetings	10	9	11	11	10
Special Exco meetings	22	22	22	25	36
Number of reports considered by Exco	290	234	273	304	473
Number of resolutions formulated	200	70	175	103	113
Number of recommendations of Council	90	164	98	118	103

CHAPTER 4 POWERS AND FUNCTIONS

POWERS AND FUNCTIONS

The following Local Government Powers and Functions, as bestowed upon Newcastle Municipality, were separated into core and non-core functions. Further allocation of powers and functions is elaborated on under the institutional arrangements section.

Core/Primary		Capacity to	Proposed intervention
Schedule 4 Part B	Building Regulations	Yes	None
	Electricity and Gas Reticulation	Yes	None
	Fire Fighting Services	Yes	None
	Municipal Planning	Yes	None
	Storm water Management systems in Built up areas	Yes	None
	Water and Sanitation Services	Yes	Await recommendations from MEC on intervention

Core/Primary		Capacity to	Proposed intervention
Schedule 5 Part B	Cemeteries	Yes	None
	Cleansing	Yes	None
	Municipal Roads	Yes	None
	Refuse Removal, refuse dumps and solid waste disposal	Yes	None
	Street lighting	Yes	None
	Traffic and parking	Yes	None

Figure 11 CORE FUNCTIONS

	Non-core /Secondary Functions		
Schedule 4 Part B	COMMENT FROM MDB(District Wide)	Schedule 5 Part B	COMMENT FROM MDB(District
Air Pollution	None	Beaches and Amusement Facilities	Not or being poorly performed
Child Care facilities	Not or being poorly performed	Billboards and the display of advertisements in public places	None
Municipal Airports	Not or being poorly performed	Control of undertakings that sell liquor to the public	Not or being poorly performed
Municipal Health Services	None	Facilities for the accommodation, care and burial of animals	Not or being poorly performed

		Non-core /Secondary Functions	
Schedule 4 Part B	COMMENT FROM	Schedule 5 Part B	COMMENT FROM
	MDB(District Wide)		MDB(District
Municipal Transport	Public Not or being poorly performed None	Fencing and fences	None
Municipal Works	Public None	Licensing of dogs	Not or being poorly performed
Pontoons, ferries, jetties etc	Not or being poorly performed	Licensing and control of undertakings that sell food to the public	Not or being poorly performed
Trading Regulations	Not or being poorly performed	Markets	Not or being poorly performed
Local Tourism	Being poorly performed	Municipal Abattoirs	Not or being poorly performed
		Noise Pollution	Not or being poorly performed
		Pounds	Not or being poorly performed
		Public Places	None
		Street Trading	None
		Control of public nuisances	None
		Local Sports facilities	None
		Municipal parks and recreation	None
		Funeral parlours and crematoria	None

Figure 12 NON-CORE FUNCTIONS

Newcastle Municipality has developed sufficient in-house capacity to perform all the core functions. None core functions are performed with the assistance of various government departments and other service delivery agencies e.g. Eskom. There is a need to initiate the process of clarifying roles and responsibilities of all internal and external stakeholders in respect of Powers and Functions at all levels. This has accordingly been prioritized in the NNTAS.

In order to maximize 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; and
- Raising of loans

In respect of the water and sanitation service – this service is rendered through a Water services provider (uThukela Water Pty Ltd) with the Municipality serving as the Water Services Authority. The Amajuba District function being performed by the municipality is the Environmental Health Function and arrangements regarding the transfer of the function to the District are in progress.

AMAJUBA DISTRICT GROWTH AND DEVELOPMENT PLAN

The development vision of the Amajuba District is further detailed within the recently developed Amajuba District Growth and Development Plan which is essentially an attempt to cascade the development vision of the KZN PGDP into implementable actions. The main objectives of the plan are as follows:-

- To establish and outline a long term vision and direction for the development in the district (vision 2030);
- To provide a coordinated framework for planning and development initiatives within each of the local municipalities and across municipal boundaries;
- To provide a spatial context and justification for priority interventions;
- To guide resource allocations of various spheres of government, service delivery agencies and private sector working within the district;
- To develop the institutional arrangement for an effective implementation of the Amajuba DGDP and the KZN PGDS;
- To align and integrate departmental strategic plans at a district level;
- To facilitate commitment of resources (human, financial, etc.) towards the implementation of strategic objectives, catalytic initiatives and other district priorities.

The Amajuba DGDP will achieve its objectives through 7 Strategic Goals directly aligned to the KZN PGDP. The ADM 7 Strategic Goals are as follows:-

	GOALS	INTERVENTION
1.	Job Creation	Expanded provincial economic output and employment.

2.	Human Resource Development	The human resource capacity of the province is adequate, relevant and responsive to growth and development needs.
3.	Human and Community Development	Poverty and inequality in Amajuba is reduced.
4.	Strategic Infrastructure	Strategic infrastructure provides for the social and economic growth and development needs in Amajuba District.
5.	Environmental Sustainability	Reduced global greenhouse gas emissions and create social ecological capacity to climate change.
6.	Governance and Policy	The population of Amajuba is satisfied with the levels of government service delivery.
7.	Spatial Equity	Increased spatial access to goods and services in Amajuba

As per the KZN PDGP, the Amajuba DGDP's Strategic Goals and the 24 Strategic Objectives are aimed towards the attainment of the 2030 development vision. The goals and objectives of the Amajuba DGDP are relevant and applicable to the Newcastle Local Municipality. However, some do not fall within the ambit and functions of NLM. Nonetheless NLM fully commits itself to the execution and coordination of the Amajuba DGDP Strategic Goals and Objectives thereof, particularly those falling within its functions.

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

INTERGOVERNMENTAL RELATIONS

The Intergovernmental; Relations and Social Development Programmes (IGR and SD) Unit is a one-stop coordination point for all national, provincial, local and other programmes. The benefits of this approach is that it generates efficiency and effectiveness that wouldn't have been available had these programmes been driven individually. However, it is critical to note that it is mainly about psychological empowerment of the so called target groups (men and women, children, people with disabilities and senior citizens) through Operation Sukuma Sakhe.

Social development is about improving the well-being of every individual in society so they can reach their full potential. Social development means investing in people. It requires the removal of barriers so that all citizens can journey towards their dreams with confidence and dignity. It is about refusing to accept that people who live in poverty will always be poor. It is about helping people so they can move forward on their path to self-sufficiency.

A specific community development approach is needed to reduce poverty a social development and this is feasible through organised forums. By investing in people poverty can be reduced. As a municipality we must go beyond looking at government to find ways to develop our most valuable resources, the vulnerable groups. A shared responsibility with community organizations, businesses, and other civil society organizations is needed in a task of improving the well-being of all our Forums and preventing and reducing poverty.

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.

COMPONENT C PUBLIC ACCOUNTABILITY AND PARTICIPATION

MUNICIPAL PUBLIC ACCOUNTS COMMITTEE

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:

NEWCASTLE MUNICIPAL PUBLIC ACCOUNTS COMMITTEE MEMBERS

Cllr	E	J	C	Cronje	DA
Cllr	M	E		Buthelezi	IFP
Cllr	H	N		Khumalo	ANC
Cllr	M	T		Lethea	ANC
Cllr	X	S		Makhubo	ANC
Cllr	N	P		Maseko	TSSA
Cllr	L	I		Mathe	EFF
Cllr	L	P		Mazibuko	IFP

Cllr	M	V		Mbatha		Action SA
Cllr	N	P		Mthabela		EFF
Cllr	S			Ntsele		IFP
Cllr	V	N		Sibeko		IFP
Cllr	S	E		Shabangu		ANC

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.

Effectiveness of Public Meetings

Public meetings are one of the most common mechanisms of public participation used by Newcastle Local Municipality. Such platforms are utilized to discuss and decide on matters affecting communities. Section 152 (I) of the Constitution (Act 108 of 1996) provides for public involvement in the sphere of local government by compelling it to offer a democratic and accountable government for local communities and promote the involvement of communities and community organizations in affairs of local government.

The main objective for Newcastle Local Municipality in conducting public meetings on municipal matters is to improve service delivery approaches, thus strengthening municipal services. As stipulated in both the Municipal Systems Act, of 2000 and the Municipal Structures Act, of 1998, community participation is of paramount importance in many aspects of municipal service delivery.

Chapter 4 of the Municipal Systems Act 2000 states that local government must create a philosophy of government that complements formal representative government with a system of participatory governance. Furthermore, The White Paper on Local Government, of 1998 stipulates that municipalities should develop mechanisms to interact with community groups to identify service needs and priorities, as well as community resources that can be unlocked and directed for developmental ends.

The public meetings were effective due to the following reasons:

- Afford the communities to platform to raise their concerns regarding service delivery.
- It affords the municipality to respond to several concerns and clarify any matters relating to service delivery.
- It ensures that the most pressing needs of communities are met and those affected by proposed policies can express their views and try to influence them.
- it provides a clear direction for communities and ensures clarity and focus on community issues.
- Service delivery will be citizen-focused and

- Public participation brings about a better understanding of projects and their objectives.

In conclusion, Newcastle Local Municipality continues to use public meetings and other mechanisms for public participation to enhance service delivery.

Ward No.	Ward Councilors	Nature Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
1	NP Shabalala	Public meeting – to register concerns and inputs of the community and give feedback on service delivery issues	1	3-4	174	Water, electricity, road, RDP house, toilets, infrastructure, service delivery.
2	EJ Cronje	Public meeting – to register concerns and inputs of the community and give feedback on service delivery issues	1	3-4	102	Indigents, service delivery, rates
3	P Hariram	Public meeting – to register concerns and inputs of the community and give feedback on service delivery issues	1	3-4	115	Indigents, service delivery, rates

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
4	AP Meiring	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	37	Indigents, service delivery, rates.
5	HN Khumalo	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	2-3	124	Service delivery, rates and water
6	ME Hlatshwayo	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	152	Service delivery and unemployment
7	LP Ndebele	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	234	Service delivery and unemployment

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
8	BG Madi	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	120	Service Delivery
9	LP Mazibuko	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	236	Service Delivery
10	MT Letha	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	225	Service Delivery
11	MJ Dladla	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	38	Service Delivery

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
12	RN Molelekoe	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	39	Service Delivery
13	MO Ndlovu	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	141	Service Delivery
14	LP Ximba	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	78	Service Delivery
15	PF Mnisi	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	147	Service Delivery

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
16	S Ntsele	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	169	Service Delivery
17	MME Hlatshwayo	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	177	Service Delivery
18	DX Dube	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	216	Service Delivery
19	NZB Kunene	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	105	Service Delivery

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
20	BD Mathunjwa	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	126	Service Delivery
21	MTD Makhoba	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	179	Service Delivery
22	SW Mngomezulu	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	156	Service Delivery
23	MP Mkhwanazi	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	152	Service Delivery

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
24	SE Shabalala	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	160	Service Delivery
25	S Singh	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	131	Service Delivery
26	WP Nkosi	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	66	Service Delivery
27	VG Zondo	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	195	Service Delivery

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
28	SM Thwala	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	133	Service Delivery
29	XS Makhubo	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	105	Service Delivery
30	ZE Zwane	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	194	Service Delivery
31	S Mashazi	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	179	Service Delivery

Ward No.	Ward Councilors	Nature and Purpose of meeting	Number of Participation Municipal Councilors	Number of Participating Municipal Administration	Number of Community members attended	Issue addressed (Yes/No)
32	VN Sibeko	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	194	Service Delivery
33	ME Buthelezi	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	214	Service Delivery
34	RN Ngcobo	Public meetings- to register the concerns and inputs of the community and give feedback on service delivery issues	1	3-4	206	Service Delivery

ADMINISTRATIVE SUPPORT TO THE FUNCTIONALITY OF WARD COMMITTEES

Table 11 WARD COMMITTEE SUPPORT

PROGRAMME	INTENDED OUTCOME	YEAR
District Public Participation Forum (DPPF)	It is part of the Intergovernmental relation between the local municipality district and COGTA aimed at discussing the Public Participation programs.	Quarterly
Ward and PR Councillors Forum	Councilors are afforded an opportunity to engage both internal and external departments on current and upcoming projects and service delivery matters. It is a platform to exchange information regarding service delivery.	7 October 2022
Rapid Response meeting	This is to prevent and manage public protests. The main aim is to ensure that the protest levels are minimized as possible and to address the issues that arise from the community which might lead to disruption of services.	Quarterly
Provincial Public Participation Steering Committee (PPPSC)	Is coordinated by CoGTA where all local municipalities throughout the KZN province meet to discuss Public Participation matters.	22 June 2023
Zonal Meetings	To ensure that ward committee members have	11-13 October 2022

PROGRAMME	INTENDED OUTCOME	YEAR
	a better understanding of Public Participation functions, policies, and interpersonal relations which consequently improves ward functionality.	
CoGTA verification process	It is a tool that is aimed at ensuring that the ward committee structure is functional and effective as per legislative requirements.	Quarterly
Ward Committee by-elections	To ensure geographical representation is achieved.	May and June 2023 Wards: 4, 10,13,16, 22, 23,26, 29, 31 & 32
Public Participation Portfolio Committee	Intended to give a specific ward committee member an opportunity to meet with the relative departments of the municipality with the aim of accelerating services delivery issues and attending to issues that have been raised by the community.	Monthly
Ward Committee meetings	Meet monthly to discuss ward governance matters.	Every month
Secretaries Forum meetings	It's a structure that meets on a monthly basis for submitting the sectoral reports	Was held every month

PROGRAMME	INTENDED OUTCOME	YEAR
	as well as to obtain the relevant information and Public Participation programs.	
Ward Committee Training	All ward committee members received training that aimed to capacitate them to be able to perform their duties and responsibilities.	December 2023

IDP PARTICIPATION AND ALIGNMENT

Table 12 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

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

CHAPTER 5 CORPORATE GOVERNANCE

RISK MANAGEMENT

The Municipal Finance Management Act 56 of 2003 (MFMA) prescribes in section 62(1)(c)(i) that the Accounting Officer of a municipality is responsible for managing the financial administration of the municipality and must for this purpose take all reasonable steps to ensure that the municipality has and maintains an effective, efficient, and transparent system of financial and risk management and internal control.

Section 78(1)(a) of the MFMA states that each senior manager of a municipality and each official of a municipality exercising financial management responsibilities must take all reasonable steps within their respective areas of responsibility to ensure that the system of financial management and internal control established for the municipality is carried out diligently.

The Local Government Risk Management Framework in Chapter 2 paragraph 4(4) states that risk management is a valuable management tool which increases an Institution's prospects of success through minimising negative outcomes and optimising opportunities.

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 Risk Management Framework, the annual risk assessment was conducted from March 2022 to June 2022 through door-to-door departmental sessions and risk assessment workshops. The annual risk assessment covered strategic, operational and fraud risks of the Municipality.

Risk registers were developed for 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 Risk registers were approved by the Audit, Risk and Performance Committee on the 15 June 2022 and by Council on the 8 August 2022.

THE TOP FIVE RISKS IDENTIFIED FOR 2022/23 WERE:

1. Lack of Financial Viability and the adoption of an unfunded budget
2. Inability to collect debt / revenue from consumers
3. High frequency of infrastructural failure
4. Inability to provide water to households
5. Ineffective records management system

PURPOSE OF MONITORING IMPLEMENTATION RISK MANAGEMENT ACTION PLANS

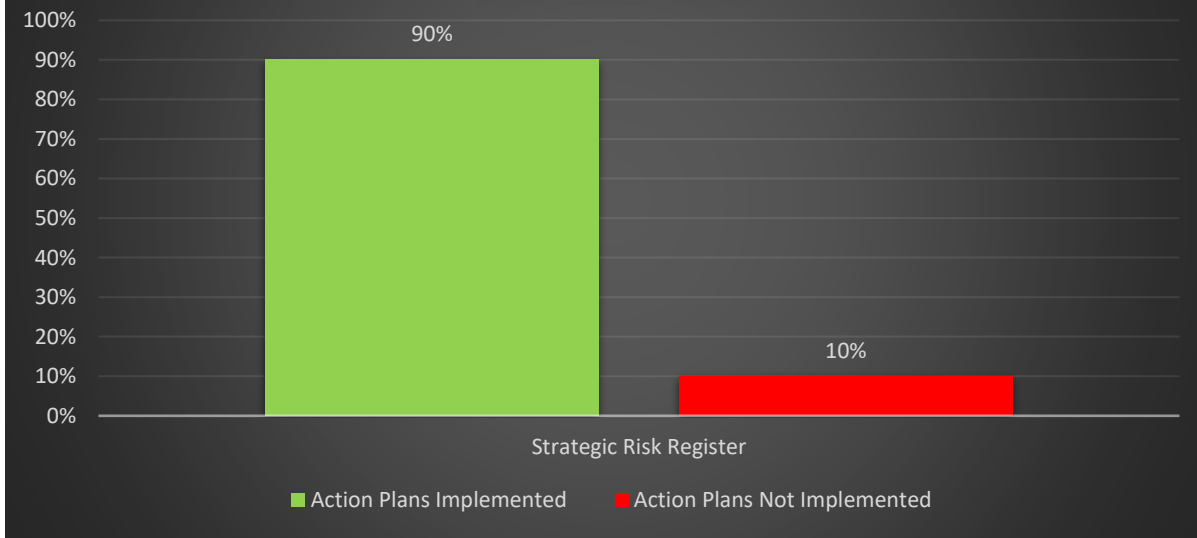
The purpose of monitoring the risk management implementation action plans for the Newcastle Municipality is to give effect towards the implementation of the risk management policy and strategy by setting out all risk management mitigation planned for the 2022/23 financial year.

The development of the risk management action plans 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.

Progress on implementation of risk management action plans: Strategic Risk Register FY2022/2023

Progress on Risk Action Plans: SRR FY2022/23



2.7 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 organization, 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-fraud and 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: -

1. Whistle blowing Policy,
2. Fraud risk assessment,
3. Fraud risk controls and management action plans,
4. Supply chain Management policy,
5. Ethics policy,
6. Financial Disciplinary Board is in the process of being reconstituted,
7. Internal audit conducts audits in terms of the approved annual plan,

8. Audit Committee is independent and excludes politicians and officials as voting members.

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 were 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.

SUPPLY CHAIN IMPLEMENTATION CHECKLIST

IMPLEMENTATION CHECKLIST	
Supply Chain Management	
Municipality or Entity Details	Answers
Name of Municipality (select from drop down list)	KZ252 Newcastle

IMPLEMENTATION CHECKLIST		
Supply Chain Management		
	In the case of a <i>Municipal Entity</i> please type the name here:	
Contact Person (name):		B. Mdladla
	Email address:	<u>Bheki.mdladla@newcastle.gov.za</u>
	Phone:	034 328 7821
Name of the Head of the SCM Unit (if different to above):		
Question		Answer
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)	
	32	
	2,1	How many positions are unfilled, i.e., waiting for an appointment? (Full time equivalent)
		16
	2,2	Has a job description been developed for each position within the SCM Unit?
		Yes
3	Has a detailed implementation plan for SCM been developed?	
	Yes	
	3,1	If "YES", is progress regularly measured against the implementation plan?
		Yes
4	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	
5	SCM Processes:	
	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

IMPLEMENTATION CHECKLIST

Supply Chain Management

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
6	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?	
7	Do municipal bid documents comply with MFMA Circular No 25?	Yes
8	Do municipal bid documents include evaluation criteria for use by the bid evaluation and adjudication committees?	Yes
9	<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
10	Are all delegations in terms of SCM roles and responsibilities in writing (other than delegations contained in the SCM Policy)?	Yes
11	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

IMPLEMENTATION CHECKLIST		
Supply Chain Management		
12	<i>Please confirm if records are kept of the following:</i>	Yes
12,1	Petty cash purchases?	
12,2	Written or verbal quotations received, and awards made?	Yes
12,3	Tenders and all other bids received, and awards made?	Yes
13	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
14	Is the "list of accredited prospective providers" required by regulation 14 updated at least quarterly?	N/A
15	Is there a database established to record redundant and obsolete store items?	N/A
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	

IMPLEMENTATION CHECKLIST

Supply Chain Management

17,5 Indicate the number of officials who have attended the SCM training conducted by SAMDI?	N/A
17,6 Indicate the number of officials who have attended SCM training conducted by training providers other than SAMDI?	32
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 advisor may not be a member of a bid adjudication committee, been breached?	Yes
20 <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
21 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

IMPLEMENTATION CHECKLIST

Supply Chain Management

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FINANCIAL BY-LAWS/ POLICIES INTRODUCED IN THE 2022/23 FINANCIAL YEAR

Table 13 REVISED/NEW POLICIES FOR 2022/23

REVISED	PUBLIC PARTICIPTION CONDUCTED PRIOR TO ADOPTION OF BY-LAW (YES/NO)	DATE OF APPROVAL BY COUNCIL	BY-LAW GAZETTED (YES/NO)
The Budget policy	Yes	30 May 2022	Yes
The Tarriff policy	Yes	30 May 2022	Yes
The Rates policy	Yes	30 May 2022	Yes
The Indigent policy	Yes	30 May 2022	Yes
The Customer Care, Credit Control, and Debt Collection policy	Yes	30 May 2022	Yes
The Provision for Doubtful Debt and Debtors Write- Off policy	Yes	30 May 2022	Yes
The Supply Chain Management policy	Yes	30 May 2022	Yes
The Cash and Investment Management policy	Yes	30 May 2022	Yes
The Asset Management policy	Yes	30 May 2022	Yes
The Petty Cash policy	Yes	30 May 2022	Yes
The Virement policy	Yes	30 May 2022	Yes
The Funding and Reserves policy	Yes	30 May 2022	Yes
The Borrowing policy	Yes	30 May 2022	Yes
The Loss Control policy	Yes	30 May 2022	Yes
The short – Term Insurance	Yes	30 May 2022	Yes

REVISED	PUBLIC PARTICIPTION CONDUCTED PRIOR TO ADOPTION OF BY-LAW (YES/NO)	DATE OF APPROVAL BY COUNCIL	BY-LAW GAZETTED (YES/NO)
The Cost Containment policy	Yes	30 May 2022	Yes
The Property Rates By-Laws	Yes	30 May 2022	Yes
The Tariff By-Laws	Yes	30 May 2022	Yes

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

The final financial policies and by-laws for the 2022/2023 financial year was approved by council on the 30th of May 2022. Thereafter a public notice was published in the Local Newspaper(Newcastle Exprss) on the 14th of June 2022.

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.

Documents Published	Date Published on Website
Draft Annual Report 2021/2022	30/01/2022
Performance Agreements 2022/2023	22/08/2022
Performance Management System	03/04/2023
2021/2022 Annual Report & Oversight Report	03/04/2023
Approved PMS 2023/2024	09/06/2023
Performance Agreements 2023/2024	21/08/2023
Bid No.AO24-202324 Framework contract for reference checks ,Vetting & competent assessments for candidates for period of 36 Months.	26/10/2023
Bid No. Ao16-2022/23 Panel of service providers for supply and delivery of it related equipment on as and when required basis for a period of 36 Months .	26/10/2023
Bid No: BO11-2023/24 Community services-Parks ,recreation and cemeteries . Submission Date : 10 November 2023	03/11/2023
Implementation of Budget funding plan 2023/24: 31 August 2023 7/1/1-2023/2024 Budget & Treasury	15/11/2023
Implementation of Budget funding plan 2023/24: 31 July 2023 7/1/1-2023/2024 Budget & Treasury Office	15/11/2023
Section 71 : Monthly Budget statement : National reporting standard: Month one : 31 July 2023 File number 7/1/1(2023/24)	15/11/2023
Annual Notification of operating a business in terms of the business act , act No 71 of 1991 (Regulation 15 (2)	22/11/2023

INFORMATION COMMUNICATION & TECHNOLOGY

The municipality sees Information Communication & Technology as a strategic enabler of its business and over the years, ICT has continued to provide efficient and reliable ICT services support and infrastructure that connects 17 municipality sites at high performance rates.

As a service unit ICT has been seen as an organisational factor that every department in the municipality must adopt in order to improve productivity and deliver best services efficiently.

The municipality's vision for ICT is that "By 2035, the city will have built resilience in municipal operations by applying information and communication technology capabilities, to improve productivity, business efficiency and ensure service excellence".

To achieve this, the following ICT services and functions are provided:

- ICT Governance, Strategy and Systems services
 - Enterprise Architecture
 - ICT Governance
 - ICT Strategy Development
 - ICT Policy Development
 - Business Analysis
 - Systems Analysis, Design and Development
 - ICT Project Management
 - Database Administration
 - ICT Facilities, Inventory and Contract Management
- ICT Technical Services

- ICT Access Management and Systems Security
- ICT Continuity, Backup and Retention
- ICT Change and Release Management
- ICT Customer Support
- ICT Network Services

ICT Priorities

The ICT unit prioritised some operations to maintain efficient service offering and maximise opportunities for growth. The table below contains the list of priorities.

No	Priority Item	Description
1	Review and approval of policies: - ICT Continuity Policy - Disaster Recovery Policy - Internal Controls Policy - ICT strategic Plan	Governance documents are periodically reviewed to maintain relevance and applicability and they must be workshopped in council, get approved before implementation.
2	Increase of the Network (Internet) Bandwidth	Provision of improved network speed for all t Municipal sites to ensure that information, data and knowledge are easily accessible to all the end users across all sites.
3	Conducting the compulsory Quarterly meetings	The ICT steering committee meetings must sit quarterly to discuss strategic and ICT governance issues. There are other two committees: ICT Operations and ICT Working Committees which also needed to sit look into operational matters.
4	Build and strengthen corporate data protection	Corporate Data protection is vital in the fast growing technology edge. The unit need to build capacity in this area to keep up with the growth of technology.

Performance Improvement and Major Efficiencies

The ICT team continued to provide support services to the Municipal officials and council in an improved way after the successful implementation of the projects listed in the next section of this report. The internal ICT controls and service maintenance were greatly improved by addressing audit findings that

do not need funding to correct them. The stakeholders engagements on issues relating to systems administration assisted the unit to devise ways to mitigate the risks while improving service and interaction.

List of Project Statistics

The ICT unit executed a couple of projects in the financial year 2022/2023. These projects were aimed at improving the IT services and ensure the business is functional at an optimal level. The projects and their description are outlined in the table below.

No	Project	Description
1	Multiprotocol Label Switching (MPLS)	The network mechanism to connect all municipal sites (19 sites in total) where there are officials who need connectivity to execute their duties. Of the 19 sites, 16 sites were completed and only 3 remained. The connection was provided for both Internet and desk telephone.
2	Office Automation (i.e., Photocopier Machines)	The provision of medium size and production printing and copier machines to enable officials to perform their duties.
3	Web Portal	An Internet system or application to allow customers of the municipality to access their billing statements.
4	Hardware Server	The procurement of a computer hardware server to replace the old servers that host critical Municipal systems and applications.

ICT Challenges

ICT-based Challenges	Business Solutions	Benefits Realized
Contracts Management	Stakeholders engagement to ascertain a proper way to manage rendered services.	Better understand technical issues around ICT systems.
Dysfunctional Uninterrupted Power Supply (UPS) and air-	Electrical Services installed dedicated power supply to keep servers running even during the	Uninterrupted ICT services provision during loadshedding. Prevention

conditioning system in the Server Room	loadshedding. Service provider was appointed to fix the air conditioning units. The BTO was requested to provide budget for procurement of UPS units.	of potential damage to servers.
Failure to Implement Action Plan to address AG audit findings such as replacement of old computers and systems limitations for IT administration and monitoring.	End user computers that have reached their end of life were identified and the list was submitted to BTO and advice given to procure new computers. Service providers were engaged to address the issue of systems limitations	A number of old computers connected on the network was reduced. Although there is still more that needs to be replaced.
Slow Network Speed	A tender was advertised for provision of Internet connection that has an increased capacity to cater for the business needs.	No benefit as yet. The tender process is not finalised yet.
Systems Integration	Service provider engagements were held to initiate plans to integrate systems	Understanding of what is possible and not possible to make an informed decision about existing systems.

PUBLIC SATISFACTION ON MUNICIPAL SERVICES 2022/2023

Newcastle Municipality did not conduct a community survey for the 2022/23 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:

- Burst Pipes: 969
- Water Leak: 3180

Sanitation:

- Sewer Blockages: 5523

SECTOR PLANS

Table 14 STATUS OF SECTOR PLANS FOR 2022/2023

Ref	Name of Sector Plan	Date of last review	Date of next review	Comments
1	Housing Sector Plan	June 2022	June 2023	The Policy will be reviewed again next financial year
2	Summer contingency Plan	December 2022	December 2023	
3	Winter Contingency Plan	June 2022	June 2023	
4	Performance Management	March 2022	March 2023	
5	Skills Development Plan	April 2022	April 2023	
6	Revenue Enhancement	01 July 2022	01 July 2023	This Strategy is revised on an annual basis
7	Waste Management Plan	30 June 2022	30 June 2023	
8	Tourism Strategy	2019	2024	
9	Town Planning Scheme	October 2016	-	
10	IT Strategy	31 March 2021	March 2024	The IT Strategy is reviewed on a 3-year basis
11	Asset Management Policy	March 2022	March 2023	The policy is reviewed on annual basis

12	Spatial development Framework	3 June 2021	-	
13	LED Strategy	2022	2023	
14	Human Settlement Plan	May 2022	2026-2027	
15	Asset Management Policy	2022	2023	
16	Budget Policy	2022	2023	
17	Petty Cash Policy	2022	2023	
18	Supply Management Policy	2022	2023	
19	Business Retention Expansion Strategy	2021	2026	
20	Capital Expenditure Framework	June 2022	-	

CHAPTER 6 SERVICE DELIVERY PERFORMANCE

INTRODUCTION

Newcastle Municipality set out measurable, achievable, and realistic targets in the Top -Layer Service Delivery Budget Implementation Plan for 2021/22 financial year that were informed by the Integrated Development Plan and the Approved Budget. The performance of the municipality towards achieving its goals were monitored quarterly through the top-layer Service Delivery Budget Implementation Plan (TLSDBIP) for the 2021/2022 financial year. It is important to note that during the 2021/2022 financial year the local government elections were held and there was change of political leadership, the dedicated staff of Newcastle Municipality worked together with new leadership towards achieving the goals as set out in the IDP in providing the community with access to basic water, sanitation, refuse removal, electricity and burial services.

COMPONENT A: BASIC SERVICES

WATER PROVISION

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. According to the Newcastle Municipality's 2022/23 Integrated Development plan (IDP), there has been a steady rate of increase in the population of Newcastle and in the 2022/23 financial year the population of Newcastle has increased to 420 172 people from the 389 117 recorded in the 2016 Community Survey, thus marking an increase of more than 7,5% (31 055 people) over a 5-year period from the year 2016 (389 117 people). This means that on average, Newcastle has experienced a 1,34% annual growth rate in population.

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.

The Newcastle Local Municipality is currently structured into 34 wards. The region has counted approximately 97 714 households served with overall average metered water connections at approximately 42 651 addresses, with the average household size remaining constant at 4.3 people per dwelling unit and consisting of 40 078 metered Domestic units and 2573 metered Non-domestic units. In areas without metered connections, the provision of water is ensured by means of Water tankers and stand pipes, which is on average 686 303,5 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)

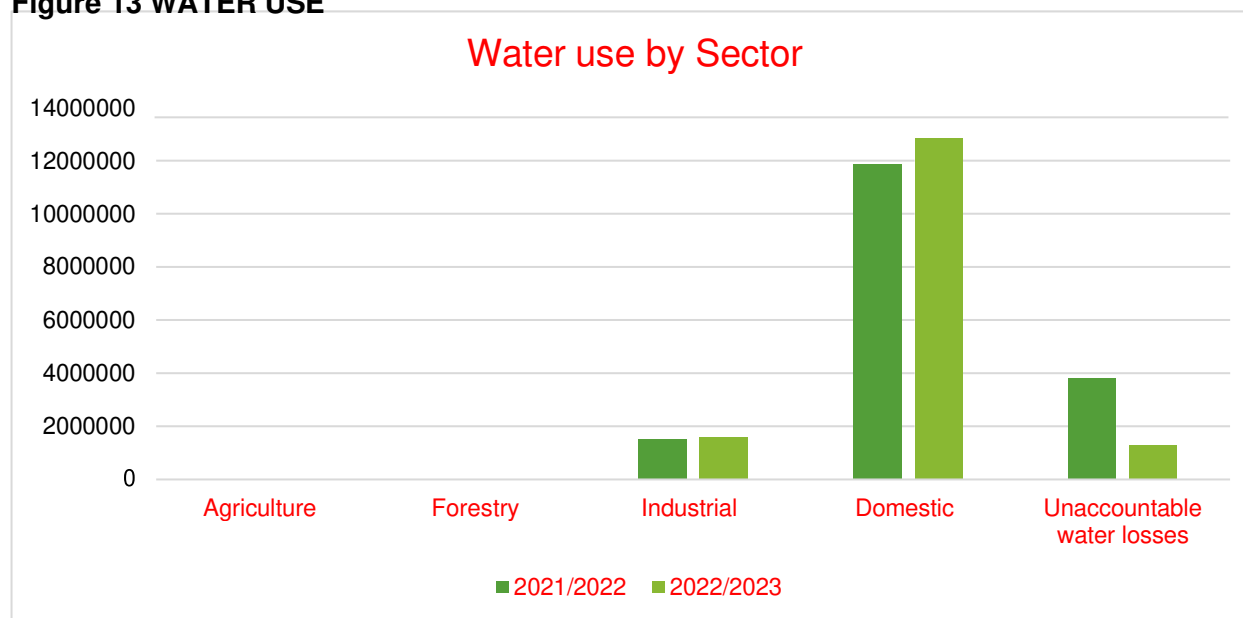
There are also borehole and spring systems providing water to various areas of the 34 Wards of the Municipality.

Within the Newcastle Municipality's Jurisdiction, there are approximately 40 078 formal households with access to water (Household metered connections). While the process of increasing this provision is ongoing, in the 2022/2023 FY, a Water mains extension project was carried out in various areas of Newcastle east, allowing for the provision of water to be increased by approximately 2171 more residents in terms of metered yard connections, and another water mains extension project scheduled for the 2023/24 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 36,5%, a significant decrease compared that of the 21/22 FY of 38,7%. 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
2021/22	0	0	1 504 509	11 890 347	3 832 161
2022/23	0	0	1 603 460	12 861 761	1 287 849

Figure 13 WATER USE



	Water Service Delivery Levels		
Description	2020/2021	2021/2022	2022/2023
	Actual No	Actual No	Actual No
Water: (above minimum level)			
Piped water inside dwelling	38300	37794	43349
Piped water inside yard (but not in dwelling)	47104	16576	18747
Using public tap (within 200m from dwelling)	3630	25915	35025
Other water supply (within 200m)	1313	7567	593
Minimum Service Level and Above sub-total	90347	90347	97714
Minimum Service Level and Above Percentage	100%	100%	100%
Water: (below minimum level)			
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
Total number of households	90347	90347	97714
Formal Settlements			
Total households	80473	37794	43347
Households below minimum service level	0	0	0
Percentage of households below minimum service level	0	0	0
Informal Settlement			
Total households	9874	50 058	54365
Households below minimum service level	0	0	0
Percentage of households below minimum service level	0	0	0

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 2022/23

DISTRIBUTION SECTION

	Tasks Completed for the each Month-2022/2023 [Distribution]												
	July-2022	2022-August	2022-September	2022-October	2022-November	2022-December	2023-January	2023-February	2023-March	2023-April	2023-May	2023-June	Total Completed for 2022/23
1 Treasury Disconnections/Reconnect	4	7	1	3	8	0	8	4	2	2	3	16	58
2 General Complaints to the Public	66	88	74	86	78	37	50	16	43	65	44	41	688
3 Internal Complaints	25	28	27	22	30	9	8	1	17	24	19	13	223
4 Street-Lights & H/Mast Complaints a	42	55	41	6	48	24	34	39	32	49	38	22	430
5 LV & Service cables repaired	8	9	7	9	10	6	10	14	12	6	4	6	101
7 MV Cables Repaired	6	7	13	8	5	2	11	2	9	4	4	8	79
8 Inspections completed (M-Kiosks)	1		1	7	3	2	2	3	2	2	3	8	34
9 M-Kiosks Repaired	0	3	0	1	2	0	0	0	0	3	2	3	14
10 M-Kiosk Replaced	2	1	1	5	0	1	0	0	0	0	0	0	10
11 General Inspections	3	1	5	9	0	3	0	0	3	6	8	18	56
12 LV-Cables Replaced	3	0	0	0	0	0	0	0	0	1	0	0	4
13 E-Meters Replaced	1442	0	0	1	0	0	0	0	0	2	0	0	1445
14 MV-Switch-gear Maintenance	3	0	3	4	0	0	0	0	4	5	1	0	20
15 132KV Equipment Maintenance	2	0	0	1	3	4	3	6	2	0	0	0	21
16													

Low Voltage

High/ Medium Voltage

PLANNING SECTION

Service Connections

- 25 Domestic service connection
- 6 Industrial service connection



➤ Rezoning

- 10 Rezoning comments

➤ Wayleave

- 5 wayleave applications

➤ Small Scale Embedded generation

5 SSEG Applications

➤ Tampering

10 Tampering



Public Lighting Section

Test and Control Section

- Revenue enhancement: for bulk metering at Amajuba Mall.
- Trip testing at Townlands A & B 132 Kv s/s, Lennoxton 132 Kv s/s and albert Wessel s/s 14
- Installed and upgrades robots' controllers at H 39, intersection, Albert Wessel & Marconi drive Intersection.
- **Revenue enhancement:**
 - 23 conversion meters were installation.
- **Project of Bulk metering**
 - Amajuba Mall and new metering unit were installed include current transformer and voltage transformer.
- **110v and 32v Batteries and charger were changed:**
 - Glen s/s
 - Memel s/s
 - Spar s/s
 - Boschoek 11Kv s/s
 - Albert wessel 11Kv s/s14
 - Schuinshoogter 11Kvs/s
 - Schonland s/s 11Kv
- **Trip testing**
 - Townlands 132Kv substation

- Lennoxton 132 Kv substation
 - Albert Wessel 11Kv substation
- **Revenue enhancement:**
- 23 conversation meters were installation.
- **Project of Bulk metering**
- Amajuba Mall and new metering unit were installed include current transformer and voltage transformer.
- **110v and 32v Batteries and charger were changed:**
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 - Albert wessel 11Kv s/s14
 - Schuinshoogter 11Kvs/s
 - Schonland s/s 11Kv
- **Trip testing**
- Townlands 132Kv substation
 - Lennoxton 132 Kv substation
 - Albert Wessel 11Kv substation

SERVICE DELIVERY CHALLENGES AND INTERVENTIONS

SERVICE DELIVERY CHALLENGES	INTERVENTIONS TO BE IMPLEMENTED
Electrical Staff shortage	Interacting with the HR Department
Electrical Network Constrains	Upgrading and Refurbishing Network
Un-cooperative Customers	Liaise with Communication 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

CHALLENGES RELATING TO PUBLIC LIGHTING

SERVICE DELIVERY CHALLENGES	INTERVENTIONS TO BE IMPLEMENTED
➤ Wiring on the S/Light poles being stolen by members of the community	➤ Alert the public of the disadvantages and associated dangers of vandalised lighting facility
➤ High Mast light poles needing re-alignment and re-erection	➤ Procurement of skilled personnel to complete the tasks.

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 Water mains extensions projects in Newcastle East. These projects were undertaken in Claremont (Ward 33); KwaMlimi (Ward 7) and Mndozo (Ward 7) and have benefitted approximately 2171 residents. Approximately 57,2 Km of water mains was extended in Newcastle East with approximately 2171 metered yard connections installed within these areas.

AC Pipe replacement project

The Newcastle Municipality has acquired funding from MIG to embark on a multi-phase AC Pipe replacement project within various hotspot areas of Newcastle west. These projects were undertaken in Aviary Hill, Ncandu park and Arbor park. Overall this project will benefit all residents of these areas as it alleviates water interruptions by renewing the water reticulation infrastructure.

The current progress of these projects are tabled below:

PERFORMANCE HIGHLIGHTS 2022/2023

Table 15 PERFORMANCE HIGHLIGHTS FOR WATER SERVICES PROJECTS

PROJECT NAME	WARD	BENEFICIARIES	STATUS QUO	JOBS CREATED
Newcastle East Water Mains Extension	7;33	17,5km of Water Mains extension and 31 metered stand pipes	100% complete	114
Newcastle AC Pipe replacement and associated works	2;5;4	Replacement of AC pipes with uPVC pipes in hotspot areas within Aviary Hill, Ncandu parka nd Arbor park	37,3%, in progress at the end of June 23 (Current phase)	40

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

THREE YEAR MUNICIPAL INFRASTRUCTURE GRANT (MIG) PLAN

Project Title (as per MIG 1 form)	Total Projected 2019/20	Total Projected 2020/21	Total Projected 2021/22	Total Projected 2022/23
MADADENI URBAN ACCESS ROADS PHASE II				0
MF55	19,395,000.00	15,793,956.00	13,512,532.00	0
MD35	11,995,000.00	4,132,508.00	0	0
MF18 & MF19	7,400,000.00	2,661,448.00	0	0
CONSRUCTION OF MF 69, 7,10	-	3,000,000.00	3,895,470.00	0
CONSTRUCTION OF MC13 ROADS	-	3,000,000.00	6,008,417.00	
CONSTRUCTION OF ME26 & ME27 ROADS	-	3,000,000.00	0	
MA23, MA26, MA25	-	-	-	13 269 331,00
	-	-	3,608,645.00	6 614 565,00

Project Title (as per MIG 1 form)	Total Projected 2019/20	Total Projected 2020/21	Total Projected 2021/22	Total Projected 2022/23
OSIZWENI URBAN ACCESS ROADS PHASE IV	11,500,000.00	15,239,039.00	13,899,328.00	0
OA103	11,500,000.00	2,739,039.00	0	0
CONSTRUCTION OF OB 1 LINK ROAD	-	4,000,000.00	5,145,670.00	0
CONSTRUCTION OF OB1 LINK STORMWATER				1 720 609,00
CONSTRUCTION OF H39 BUS ROAD & STREETLIGHTS	-	6,000,000.00	5,153,658.00	980 452,00
CONSTRUCTION OA27	-	2,500,000.00	0	0
OC	11-	-	3,600,000.00	7 437 826,00
CONSTRUCTION OF SPORTS FACILITY - MIG 22 & OC4				11 680 000
<u>WATER PROJECTS</u>				
UPGRADE OF MADADENI WASTEWATER TREATMENT	-	16,000,000.00	26,000,000.00	20 000 000,00
BLAAUWBOSCH BULK WATER	10,000,000.00	9,000,000.00	18,000,000.00	14 000 000,00
PIPE REPLACEMENT AND UPGRADE PROJECT	6,480,000.00	10,000,000.00	10,000,000.00	20 647 532,00
VILIOENPARK BULK WATER & SANITATION	-	8,000,000.00	14,706,540.00	5 200 000,00
REPLACEMENT OF THE DN150 BULK OUTFALL SEWER CLAY PIPELINE IN	-	-	8,608,600.00	0
UPGRADE, REFURBISHMENT OF BULK SEWER PIPELINE FROM SIYAPHLALA	-	-	1,500,000.00	1 245 675,00
NEWCASTLE EXTENSION AND UPGRADE OF WATER PIPELINES				48 000 000

HOUSING

INTRODUCTION

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.

Newcastle Municipality is accredited as an Level 2 Municipality and the responsibilities of Level 2 are guided by the Implantation Protocol. The agreement is between the Newcastle Municipality and KZN Human Settlements over a period of three years (3); this agreement has been successfully reviewed over the years and the currently agreement will expire in March 2023.

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

Newcastle Municipality was able during the financial year 2021/22 to commence with the construction of the Community Residential Unit next to N11 in Arbor Park and Social Housing in Central at the corner of Hospital Street and Boundary Road. The establishment of Community Residential Units which cater for families earning an income of R3500 and less. This leaves a

gap in housing provision for income groups earning between R3501 and R7500 which will be covered by the Social Housing project which seeks to close this gap and will accommodate people earning between R1800 to R22 000 per month.

Table 14 SOCIAL HOUSING AND COMMUNITY RESIDENTIAL UNITS

SETTLEMENT NAME	WARD NO.	PROPOSED UNITS
N11 Community Residential Units	25	555
Hospital Street Social Housing	34	1056

N11 COMMUNITY RESIDENTIAL UNITS: (PROJECT YIELD: 555)



Overall progress: STARTING DATE: 13 SEPTEMBER 2019

52 of 53 Concrete slabs have been completed 0%

1 Platform is ready for excavation

Ground floor brickwork is completed on 174 units

First floor brickwork is completed on 170 units

Second floor brickwork is completed on 82 units

Ground floor external plaster is completed on 170 units

First floor external plaster is completed on 144 units

Internal plaster is completed on 282 units

First floor pre-cast slab is installed on 170 units

Second floor pre-cast slab is installed on 88 units

Ring beam for roof is completed on 9 blocks

Roof is in progress in 8 units

Plumbing first fix is completed on 450 units

Plumbing final fix is completed on 66 units

Totally practically completed units 32 units

Sewer is 95% complete

Water is 95% complete

HOSPITAL STREET SOCIAL HOUSING: (PROJECT YEILD: 1052)



Overall progress

Site establishment 100%

Boundary wall 98%

Guard houses 98%

Refuse building 98%

Office 98%

Reduction level 100%

All 54 platforms are filled with G5 100%

42 out of 53 concrete slabs have been completed

Filling and Compaction imported material (G5) of roads 98.2%

Sewer reticulation 100%

Water 98%

Storm water reticulation 100%

CHARLESTOWN HOUSING PROJECT (PROJECT YIELD 1200)



Charlestown settlement near the border between KwaZulu-Natal and Mpumalanga Province was launched during the 2017/2018 Financial year. The appointed implementing agency Dovecall Properties was introduced to the community during the meeting. This project has resolved both the issue of service delivery and unemployment. This project is now at construction stage.

Overall progress

Completions: 296

Roofs: 442

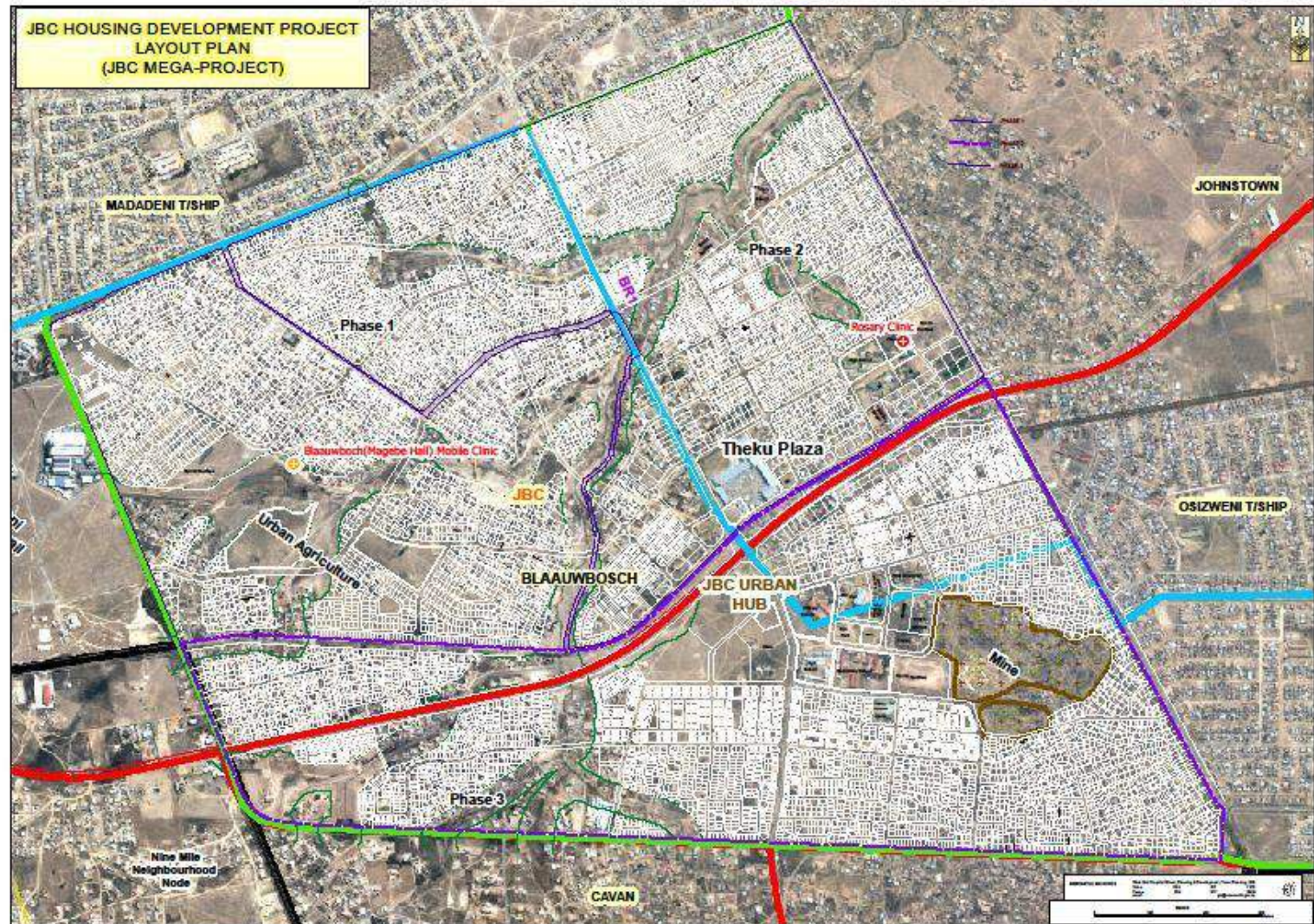
Beneficiary administration: 919

Title deeds registered: 264

JBC MEGA HOUSING PROJECT: (PROJECT YIELD: 12029)

The JBC housing project was declared a Mega/Catalytic project by the President for the creation of a sustainable human settlement and an area of major economic investment. It entails the establishment of a new CBD, with a range of housing typologies and to address the upgrading of informal settlements. The aim is also to improve access to basic services and public facilities, create an attractive environment to live and/or work in, provide adequate shelter and uplift the standard of living in the area. The planned yield of the housing component is estimated at 9,511 mixed housing opportunities to be implemented in 3 phases. Phase 1 consisting of 2518 units has been approved by KZN DHS and the installation of internal services on this stage is complete. The Phases 2 and 3 are currently also on stage 2 which is the installation of services prefeasibility stage.

LAYOUT OF AN AREA WITH COMPLETED SERVICES – PHASE I





EMAWOZENI GREENFIELD: (100 UNITS)

PROGRESS:

- Foundations 55

- Wall plates 55
- Roof and Electrical 55
- Practical Completions 28
- 71 beneficiaries approved.
- Anticipation date is 10 March 2023
- Title Deeds to date 28
- Transfers with conveyancers 3
- 13 personal affidavits for transfers waiting for signature from beneficiaries.

TITLE DEED RESTORATION PROGRAMME

The Human Settlements Directorate, is continuing 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 and obtain security of tenure. The Human Settlements Directorate has embarked on various title deed drives to hand over title deeds in Madadeni and Osizweni at several events total title deeds handed over is 132 during 2022/23 financial year.



Newcastle Municipality initially had a total number of **4104** properties that needed to be transferred through EEDBS within its jurisdiction. The Municipality has successfully transferred **2575** properties between March 2010 – to date. On the average the municipality transfers 20 title deeds monthly to the bona-fide beneficiaries and with a remaining backlog of **1529** in total. The properties within Newcastle Municipality that need to be transferred through Extended Enhanced Benefit Scheme (EEDBS) comprises of areas of Osizweni, Madadeni, Fairleigh and Suryaville flats.

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. During year 2022/23, the municipality manage to capture 11922 people on the NHNR database system.

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 programme 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 programme 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 programme is also a priority and most of our housing projects under construction stage are part of Informal Settlement Upgrading (ISU) programme.

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 considered to be beneficiaries. The Newcastle Municipality has identified approximately 25 Military Veterans to National Department of Military Veterans for verification.

Title Deed Restoration Programme: The title deed restoration programme is national programme aimed at promoting land and building tenure. The programme focus 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 Provincial Department of Human Settlement and Municipality has embarked on robust programme of Title Restoration Programme to assist residents with security of tenure. The municipality has also strengthened its efforts towards fast tracking this programme.

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 programme 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.

PROJECTS ON CONTRUCTION STAGE: TOTAL TOP STRUCTURES FOR 2022/2023 FY

Table 26 PROJECTS ON CONSTRUCTION STAGE

NO .	PROJECT NAME	TYPE OF PROJEC T	WARD	NUM BER OF UNIT S	OVERALL PROGRESS 2022/23	BUDGETED AMOUNT 2022/23
1.	Osizweni Section E Phase 3 Housing Project	ISU	Ward 9/32	634		R 52 145 088.00
2.	Kathide Housing Project	Rural	Ward 6 and Ward 12	2000		R 157 092 300.00
3.	Siyahlala-la Housing Project	ISU	Ward 25	1205		R 138 075 310.00
4.	Madadeni H 39 Housing Project	ISU	Ward 19	923		R56 600 575.00
5.	Charlestown Housing Project	IRDP	Ward 1	1200	Slabs-Slabs - 152 Wall Plates - 153 Roof -143 Completions- 128	R 56 600 575.00
6.	Emawozeni Housing Project (Greenfield)	IRDP	Ward 30	100	Slabs-Slabs - 7 Wall Plates -3 Roof -27	R 11 476 638.00
7.	Osizweni Sinking Houses	Rectificati on Project (RP)	Ward 11/13	21		R 3 835 556.60

NO	PROJECT NAME	TYPE OF PROJECT	WARD	NUMBER OF UNITS	OVERALL PROGRESS 2022/23	BUDGETED AMOUNT 2022/23
8.	Madadeni Sinking Houses	Rectification Project (RP)	Ward 20/22	33		R 6 027 731.80
9.	Osizweni Replacement of Asbestos Roofs	Rectification Project (RP)	Ward 13,11,30, 32,8,	44		R 6 662 587.56
10.	Khathide Rural Housing Project Phase 220 units	Rural Housing Project	Ward 6,12	220	Slabs 89 Wall plates 88	R 21 655 134.60
TOTAL UNITS						

Percentage of household with access to basic housing			
Year	Total household (including informal settlements)	Household in formal settlements	Percentage of HHs in formal settlements
2022/23	84272	22205	26.3 %

EMPLOYEES: 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%

Table 15 EMPLOYEE HOUSING SERVICES

CAPITAL EXPENDITURE

Capital Projects	Budget	Adjustment budget	Actual expenditure	Variance from original budget	Total project value
Furnisher Equipment	310,000.00	0	308,000.00		308,000.00

WASTE

INTRODUCTION

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. According to stats SA community survey we service 59 199 households. We also service business utilising various sizes of bulk refuse containers.

The Integrated Waste Management Plan IWMP contains a plan to address the un-serviced areas however financial constraints are preventing the implementation of this plan.

Free basic refuse removal service is rendered to all residents who are on the indigent register.

All waste is transported to our Waste disposal site on the P483 opposite the airport, this is a licensed site authorized to accept general waste.

Key Activities Include:

Residential Refuse Collection

Business Refuse Collection

Communal Skip Service

Street Sweeping

Clearing of Illegal Dumping

Community Awareness

Management of the Waste Disposal Site

SERVICE DELIVERY CHALLENGES

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
The section is still plagued with an ageing fleet and spares are often hard to come by. The mechanical workshop is also under capacitated and under resourced. This results in service delivery delays and increased overtime.	The mechanical workshop must be capacitated, however the existing fleet is regularly serviced and maintained
The Newcastle Landfill site is reaching the end of its design life and a new site must be identified	To extend the life span of the existing site we are diverting waste from the working face. This is done by recycling and low grade composting. Development Planning and Human settlements are in the process of identifying a new site.
The waste management licence for the existing landfill site was revised and is far more stringent, an amount of R 42 000 000 is required to address the issues in the new licence	A report was compiled by consultants detailing the required changes that must take place however it will require funding to the tune of R 42 000 000

Service delivery projects

There was no capital allocation for waste in this financial year

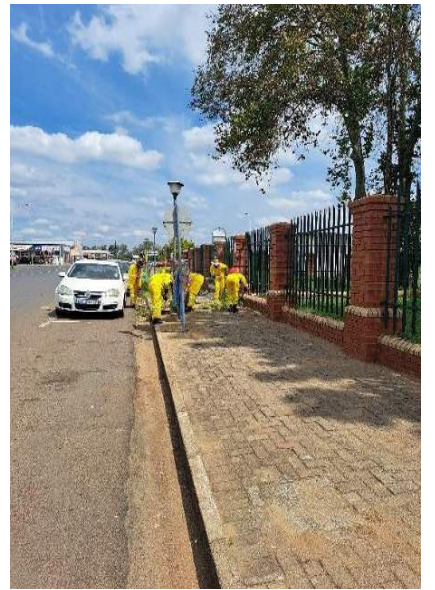
Landfill Site

One of the challenges is to extend the lifespan of the landfill site and in this regard two waste diversion programs were initiated. One was a separation out of source spear headed by Mpilenhle recycling. They have waste pickers who cherry pick recyclables for refuse bags on collection day. The other program was separation at sources spearheaded by Cha-ma-cha recyclers where they expanded their project to other suburbs. Thus diverting waste from the landfill site and saving valuable air space



EPWP RECEIVED FROM DEPARTMENT FORESTRY FISHERIES AND ENVIRONMENTAL AFFAIRS

In a partnership with Department Forestry Fisheries and Environmental Affairs (DFFE) we received 28 EPWP staff to assist with cleaning and greening . One of the first tasks allocated to the EPWP staff was cleaning the overgrown pavement and curb in the Newcastle CBD



FREE BASIC SERVICE AND INDIGENT SUPPORT

INTRODUCTION

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. The municipality has drastically reduced the number of indigent households since 2019, as the end of June 2022 there were 8387 households connected to free basic services.

ROADS

INTRODUCTION

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 2021/22 financial year the municipality constructed 4 new roads in Newcastle East. Four of the planned roads were not completed as per the planned schedule due to various reasons. The Municipality is continuing to maintain the existing infrastructure for roads by means of re-sealing the most damaged roads and tar-patching for other areas that are damaged on the existing roads.

PERFORMANCE HIGHLIGHTS 2022/2023

REGRAVELLED ROADS

PROJECT NAME	WARD	BENEFICIARIES (Km's)	STATUS QUO	JOBS CREATED
MC3	23	0.5 Km's	Complete	2
Mathukuza Road	34	0.5 Km's	Complete	2
Rd 21 Kilbarchan	21	0.5 Km's	Complete	2
Ballengiech bus route	21	0.5 Km's	Complete	2
Wooly Street	1	0.5 Km's	Complete	2
Nek Road	1	0.5 Km's	Complete	2
OA12	11	0.5 Km's	Complete	2
Mndozo bus route	7	0.5 Km's	Complete	2
Jakalas Road	12	0.5 Km's	Complete	2
OB30	13	0.5 Km's	Complete	2

WARD 23 –MC3

BEFORE



AFTER



WARD 34 MATHUKUZA ROAD
BEFORE



AFTER



WARD 21 KILBARCHAN
BEFORE



AFTER



WARD 21 BALLENGIECH BUS ROUTE
BEFORE



AFTER



WARD 1 WOOLY
BEFORE



AFTER



WARD1 NEK
BEFORE



AFTER



WARD 11 OA12 OSIZWENI
BEFORE



AFTER



**WARD7 MENDOZA BUS ROUTE
BEFORE**



AFTER



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

Table 16 THREE CAPITAL BUDGET

PROJECT DESCRIPTION	NEW /ONGOING	FUNDING SOURCES	BUDGET 2021/2022	BUDGET 2022/2023	BUDGET 2023/2024
MADADENI URBAN ACCESS ROAD PHASEII		MIG	R13,512,532.00	0	0
MF18 & MF19	ONGOING	MIG	R3,895,470.00	0	R1,726,836.00
Construction of MF69,7,10		MIG	R6,008,417.00	0	0
Upgrade of ME Gravel Roads to blacktop Tar in Madadeni	NEW	MIG	0	0	R11,500.000
Construction of ME26 &ME 27 Roads	ONGOING	MIG	-	R13,269,331.00	R4,000.000
MA23, MA26,MA25		MIG	R3,608,645.00	R6,614,565.00	0
Osizweni Urban Access Roads Phase IV		MIG	R13,899,328.00	0	0
Rehabilitation of JR2 Roads	NEW	MIG	0	0	R10,326.000
Construction of OB1 Link Roads		MIG	R5,145670.00	0	0
Construction of OB1 Link Stormwater		MIG	-	R1,720609.00	0
Construction of H39 Bus Road and Street Lights		MIG	R5,153,658.00	R980,452.00	0
OC22 and OC4		MIG	R3,600 000.00	R7,437,826.00	0
Construction of sport facility MIG	ONGOING	MIG	0	R11,680.000	R14,000.000
Upgrade of Masihambisane sport facility MIG	NEW	MIG	0	0	R8,000.000
Construction of sport facility old casino	ONGOING	DSR	0	0	R11,938.000
WATER PROJECTS					
Upgrade of Madadeni waste water treatment	ONGOING	MIG	R26,000,000.00	R20,000,000.00	R8,796,787.00
Blaauwbosch Bulk water	ONGOING	MIG	R18,000,000.00	R14,000,000.00	R23,636,969.00
Pipe replacement and upgrade project	ONGOING	MIG	R10, 000,000.00	R20,647,532.00	R32,770,399.00
Viljoenpark bulk water and sanitation	ONGOING	MIG	R14,706,540.00	R5,200,000.00	R10,000,000.00
Replacement of DN150 Bulk outfall sewer clay pipeline	ONGOING	MIG	R8,608,600.00	0	0
Upgrade, Refurbishment of bulk sewer pipeline from Siyahlala	ONGOING	MIG	R1,500,000.00	R1,245,675.00	R7,000,000.00
Newcastle extension and upgrade of water pipeline	NEW	WSIG	0	R48,000,000.00	R50,000,000.00

TRAFFIC SERVICES

INTRODUCTION

Traffic Services offers the following functions across community of Newcastle

- Traffic Control and Regulation
- Accident and incident Management
- Escort duties and special events,
- Enforcement of By-laws
- DP&HS comments and processing of related applications
- Crime Prevention
- Traffic Administration and court attendance
- Road Traffic Signs: Erection and Maintenance
- Scholar Patrol (37 Schools – Various Wards) and Education
- Public Transport: Monitoring and Evaluation
- Parking Management

HEAVY MOTOR VEHICLE LAW ENFORCEMENT

A huge influx of heavy motor vehicles are observed in the KZN 252 area. Newcastle is a thorough fare for the various Provinces to access the coastal Ports, Hence Traffic law Enforcement is actively involved in monitoring same. Protests in this area where trucks are used to blockade roads are also mitigated immediately. This contributes to the efficiency of our Economy



HIGHLIGHTS

Traffic Services launched the October Transport Month Campaign as well as the Easter Campaign and roadblock, focusing on motorists education to abide by the traffic laws in order to create a safer road environment.

The leadership and emergency services engaged with the public on 27 October 2022. They encouraged road users to comply with road rules and encouraged road safety.



2023 Easter Campaign and Roadblock.

On 4 April 2023 Traffic Officers in an integrated fashion with all other emergency services including the RTI and SAPS conducted a roadblock and campaign on Allen Street near the N11. The objective was to control driver and vehicle fitness prior to the Easter Holiday Season.



NO.	CHALLENGES	INTERVENTION
1.	Budget Constraints	To acquire additional funding
2.	Shortage of Staff	To fill vacant positions

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CEMETERIES

INTRODUCTION

The Parks, Recreation and Cemeteries section is the greening, conservation and cemetery management section for the Newcastle municipality. Service delivery to all members of the community is a top priority and it is for this reason that all complaints, matters and requests are dealt with promptly, efficiently and professionally.

Mandate

The Parks, Recreation and Cemeteries section's mandate is to provide and manage the parks, cemeteries, recreational facilities (pool and sport grounds) and conservation services for and on behalf of the Newcastle municipality.

CHALLENGES AND INTERVENTIONS

Challenges	Interventions
Illegal burials	Educational awareness on the importance and proper procedure for booking of burial plot. Continuous exercise working with Public Participation unit.
Vandalism of palisade fencing in all cemeteries	Budget allocation for fencing of cemeteries
Dry-cut Road inside the cemetery	Road was graded and levelled with quarry.
Shortage of burial site at Dry Cut Cemetery	Development Planning & Human Settlement Department in a process of identifying a new burial site. Extension of Roy Point Cemetery to accommodate East side: Technical Services Department to commence with groundwork
Refurbishment of excess road for Roy point cemetery	Budget allocation is required
Stealing of tombstones	Security check register in and out of vehicles entering the cemeteries

LIST OF CEMETERIES IN NEWCASTLE

CEMETERIES IN USE		
NAME OF CEMETERY	NUMBER OF GRAVES ISSUED (JULY 2022-JUNE 2023)	FREQUENCY OF GRASS CUTTING
Dry Cut Divided into two sections: Madadeni Destitute Burials	816 Adults:86 Babies:46 Total Number of burials: 948	As and when required (1-2 times a month)
Osizweni Destitute Burials	402 Adults:57 Babies: 13 Total Number of burials: 472	
Roy Point	835	As and when required
NAME OF CEMETERY	NUMBER OF GRAVES ISSUED (JULY 2022-JUNE 2023)	FREQUENCY OF GRASS CUTTING
Muslim	19	As and when required
Charlestown	21	As and when required
CLOSED CEMETERIES:		
Madadeni Cemetery		
42 Cemetery		
Old Cemetery (Newcastle)		

GRASS CUTTING

Grass cutting schedule is in place for the maintenance of all areas within the boundaries of Newcastle Municipality and it is subdivided as follows:

Zone 1

CBD, Arbor Park, Industrial area, Ncandu Park, Ingagane & Kilbarchan.

Zone 2

Hutten Heights, Amiel Park, Paradise, Suryaville, Lennoxton, Fernwood, Sunset View / Ghandi Park and Fairleigh/Lennville.

Zone 3

Aviary Hill, Schuinshoogte, Pioneer Park, Signal Hill, Sunnyridge, Barryhertzog Park, Amajuba Park

HIGH PRIORITY AREAS

Newcastle main roads, Cemeteries, Play parks, Sport fields, Open spaces, Municipal buildings.

KWAMATHUKUZA, MADADENI, H39 & OSIZWENI

Main roads, Play parks and sport grounds.

TREE CUTTING & PRUNING

CHALLENGES AND INTERVENTIONS

CHALLENGES	INTERVENTIONS
Insufficient grass cutting equipments	Budget allocation for purchase of new equipment
Tree team to be capacitated, currently we have one team. Appointment of Tree team supervisors x2	Budget allocation till fill vacant post
Procurement of cherry picker truck	Budget allocation for procurement of Cherry Picker

PROGRESS REPORT: ARBOR DAY 2022: COMMUNITY SERVICES: PARKS, RECREATION AND

REPORT

On the 21st October 2022, The Parks, Recreation and Cemeteries Section embarked on an Arbor Day campaign to raise the importance of tree planting, conserving and eradication of alien invasive species at Iziko Primary School (Osizweni), Sizakancane Primary School (Blaaubosch) & Qaphelani Primary School (Madadeni).

The Parks, Recreation and Cemeteries Section planted three indigenous *Dias cotinifolia* (**Pompom tree**) which is a national tree of the year 2022 on each of the schools mentioned above.



The incentives Newcastle Local Municipality that gave to the schools, watering cans, water bottles, caps and educational charts.



Community Services Portfolio Chairperson: Cllr ME Hlatshwayo giving Word of Encouragement at Iziko primary School.



Ward Cllr S Ntsele and Sizakancane Primary School Principal Planting Trees at the School



Ward Cllr WP Nkosi giving away incentives to the children answering correctly questions asked by the Newcastle Local municipality officials at Qaphelani Primary School.



Grading of Informal Grounds

Ward 18 Ekwarin Ground

Zibambeleni Ground



ENVIRONMENTAL HEALTH SERVICES

INTRODUCTION

Municipal Health Services as defined in the National Health Act 61 of 2003 : Food control, water quality control, health surveillance of premises, health care risk waste , vector control , disposal of the dead , surveillance and prevention communicable diseases excluding immunisations and chemical safety .

Municipal Public Toilets: Operating, maintenance and repairs of ten municipal public toilets

Animal Control: Control and impounding of stray dogs and cats as per the provisions of municipal by laws relating to the keeping of animals.

Pound Keeper Services: Provision of pound keeper services in terms of the KZN Pounds Act 3 of 2006.

CHALLENGES AND INTERVENTIONS

Challenges experienced in 2022/23 and recommended solutions

CHALLENGES	RECOMMENDED SOLUTIONS
Shortage of staff (Environmental Health Practitioners)	Allocate budget for the appointment of EHP'S and fill in identified critical vacancies
Insufficient Budget for Food and Water Quality Control	Provide and increase budget allocation
Poor technical support for the maintenance of municipal public toilets	Provision of budget and appointment of departmental artisan plumbers

PERFORMANCE HIGHLIGHTS

Water Sampling

Municipal Health Services derive their mandate from the National Health Act 61 of 2003. Water quality control is one of the components of Municipal Health Service. Environmental Health Practitioners are responsible for sampling of drinking water for microbiological analysis. Drinking water must comply with SANS 241 for drinking water standards. The Chief Environmental Health Officer is taking a water sample from a borehole for the purpose of analysing it for microbiological standards.



Awareness session on Pauper and Destitute Burials

The Chief Environmental Health Officer was addressing the Madadeni Community regarding Pauper and Destitute burials. The Community is advised on the mandate and responsibility of a category B Municipality and processes to be followed when requesting for the burial of a destitute and paupers as provided by the regulation of the National Health Act 61 of 2003



CHAPTER 7: PLANNING AND DEVELOPMENT

MISSION:

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

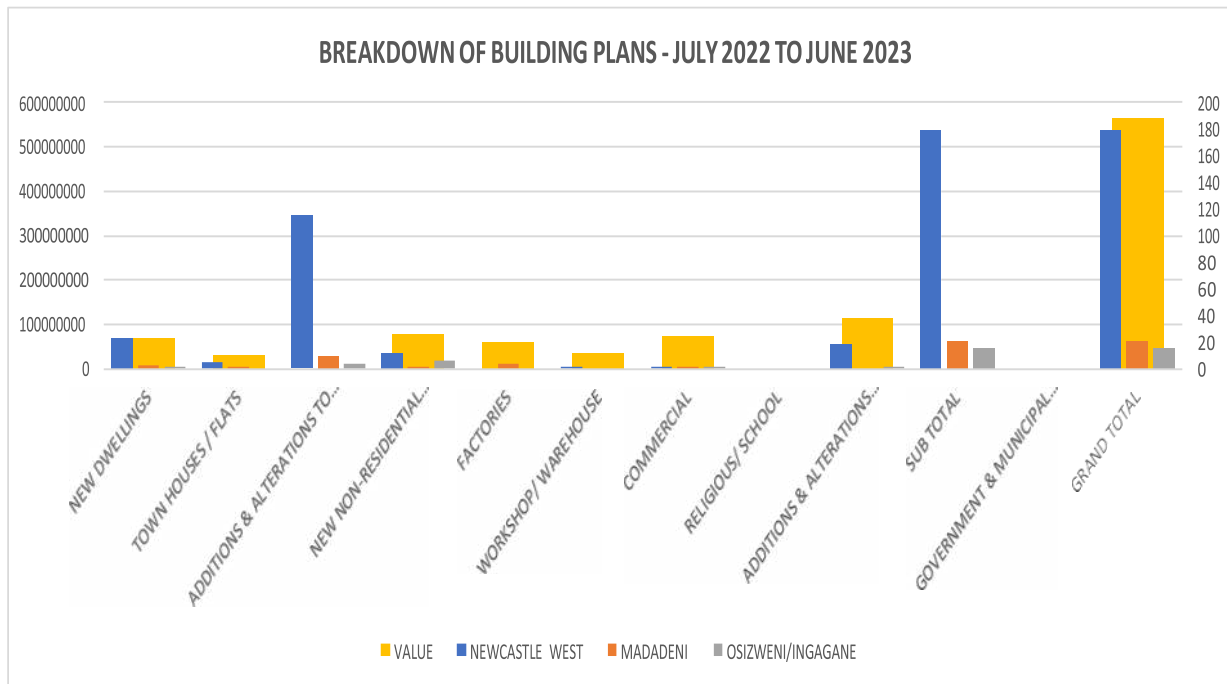
OVERVIEW OF FUNCTIONS:

- **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 2022/2023

BUILDING PLANS APPROVED FROM JULY 2022 TO JUNE 2023:

CATEGORY	Newcastle West	Madadeni	Osizweni/Ingagane	Value (R)
NEW DWELLINGS	24	3	1	70 404 000.00
TOWN HOUSES / FLATS	5	1	-	33 023 000.00
ADDITIONS AND ALTERATIONS TO DWELLINGS	115	10	4	98 526 937.50
NEW NON-RESIDENTIAL BUILDING	12	1	6	78 291 750.00
FACTORIES	-	4	-	59 017 500.00
WORKSHOP/WAREHOUSE	2	-	-	37 518 000.00
COMMERCIAL	2	1	1	72 895 125.00
RELIGIOUS/SCHOOL	-	-	-	-
ADDITIONS AND ALTERATIONS NON-RESIDENTIAL BUILDINGS	19	-	1	115 123 800.00
SUB – TOTAL	179	21	15	565 270 362.50
GOVERNMENT AND MUNICIPAL BUILDINGS:	-	-	1	456 000.00
GRAND TOTAL	179	21	16	565 735 362.00



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 due to the fact that property description or ownership was not properly assigned.

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 2 HASTIE STREET EXTENSION



NCANDU EXTENSION PROPOSED HOUSING PROJECT

Erf R/1/D Newcastle has been identified as an area that requires urgent intervention in terms of redevelopment. The subject property falls within the Newcastle jurisdiction and is located adjacent to Ncandu Park (Ward 5) a built up residential suburb of Newcastle West. The subject property is located towards the boundary and forms the boundary periphery on the eastern area of Newcastle. It is located approximately 6km north east of Newcastle CBD. It is currently under-utilised and as the results, has become a hot spot for various unauthorized activities and illegal dumping.

It is important for Newcastle Municipality to plan for development to ensure optimum land utilization and ensure that the development is undertaken in a coordinated and structured manner. The Municipality is faced with great need to make land available for middle-income residential purposes.

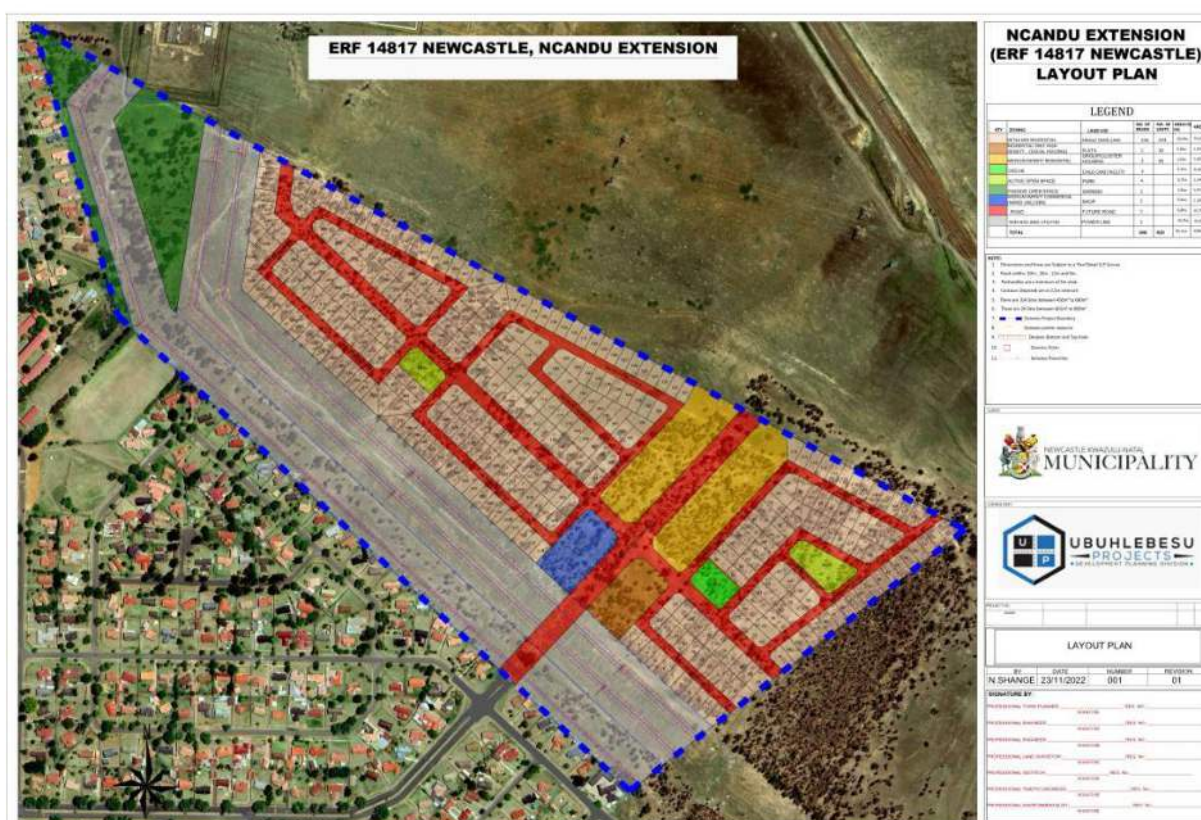


Figure 14 NCANDU EXTENSION LAYOUT PLAN

PROPOSED HOUSING PROJECT ON ERF 15048

Over the past few years there has been a growing need for residential properties within the Newcastle Municipal area. To address the growing need for residential

stock within the Municipal area the Town Planning Directorate identified properties with potential for residential development. Erf 15048 was identified as one of the properties with potential for a residential development.

The property in question is located in ward 1 and is accessed from the D96 road that connects the property to the R34 road (Memel road) and Allen Street. The property is largely vacant and is surrounded by residential suburbs of Amiel Park, Paradise and Lennoxton and the Newcastle CBD. The property measures 146 in extent and does not contain bulk services.

The Municipality intends to prepare a layout plan for the property for a residential development towards middle to higher income housing market and will also cater for ancillary land uses such as education, commercial, public open space, etc.

It is important for Newcastle Municipality to plan for development to ensure optimum land utilization and ensure that the development is undertaken in a coordinated and structured manner. The Municipality is faced with great need to make land available for middle-higher income residential purposes.



Figure 15 ERF 15048 LAYOUT PLAN

VISION 2035 STUDIO SESSION

The Department of Development Planning and Human Settlements held a studio session on the 15th-16th September 2022 for the Vision 2035 Growth and Development Strategy.

The purpose of the Vision 2035 Growth and Development Strategy is to express the Newcastle Municipalities Growth Path from a spatial planning perspective. In addition, it was also crafted to stimulate partnerships with the various stakeholders and sectors who can support the various catalytic programs the municipality has identified, which will eventually guide Newcastle towards becoming a metropolitan city.

Since the Vision 2035 Growth and Development Strategy requires the participation and partnership of various stakeholders such as funders, approval bodies and advisors (technical, environmental, planning and economic), the Development Planning and Human Settlements Department decided to host the various stakeholders in a studio session and site inspections for the purpose of brainstorming strategies for research and development, funding models, institutional arrangements and marketing and promotions. Various Stakeholders from, National, Provincial, District and Local Spheres of Government together with the private investors such as the banking sector was invited to the studio session.

URBAN RENEWAL AND SPECIAL PROJECTS

MISSION:

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

OVERVIEW OF FUNCTIONS:

The Urban Renewal Programme and Special Projects Unit aims at focusing resources of government in an integrated manner towards breaking the cycle of underdevelopment by improving the quality of life of residents and socio-economic development. This is achieved by supporting and facilitating planning and implementation of development programmes and projects that provide strategic infrastructure to leverage for public and private sector investment and general township renewal.

PERFORMANCE HIGHLIGHTS 2022/23

INNOVATIVE SERVICE DELIVERY ACHIEVEMENTS TOWARDS MUNICIPAL EXCELLENCE

- a) Construction of the JB3 Road which runs parallel to the P483 Road (Class 2 - Provincial Road) to improve the road network in the area. This new road will provide relief to the P483 Road which is currently handling large traffic volumes. The P483 Road will mainly

perform its function of connecting Newcastle to Emadlangeni as a Class 2 Road whilst the JB3 Road will accommodate the local traffic.



SERVICE DELIVERY CHALLENGES EXPERIENCED AND INTERVENTIONS IMPLEMENTED TO RESOLVE THESE CHALLENGES

SERVICE DELIVERY CHALLENGES	INTERVENTIONS IMPLEMENTED
Delays on the project mainly due to inclement weather.	The Contractor prepared and submitted a Recovery Plan on how they will speed up work on site to recover time that has been lost.
Slow progress on the implementation of the project.	Constant engagements between the Consulting Engineers, Contractor and the Municipality and close monitoring.

LOCAL ECONOMIC DEVELOPMENT

INTRODUCTION

The economic conditions in South Africa and in Newcastle in particular 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

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LOCAL JOB OPPORTUNITIES

The aftermath of Pandemic and the Mass unrest in Kwa-Zulu Natal has resulted in job opportunities drastically declining. The effect of the looting and the Pandemic 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.**

In addition, within the financial year of 2022/23, Newcastle suffered climate crisis caused by severe floodings which resulted in critical infrastructure damage throughout the area. The main areas that were impacted was the Central Business District (CBD), The taxi rank area and the residential areas of Madadeni, Osizweni and Lennoxton. The floods greatly impacted various businesses in Newcastle resulting in temporary closure of businesses.

Although the economic climate has not been favourable due to unforeseen events, the economy of Newcastle is on the path of recovery with local businesses reopening their operations, retaining their businesses, and expanding to larger businesses. The Municipality has also embarked on various grant funded projects to assist local businesses with non-financial support to assist in the recovery plan for businesses in Newcastle.

TOTAL OF NEW BUSINESSES OPENED FROM 1 JULY 2022 – 30 JUNE 2023

- Boxer supermarket on Allen Street;
- BroChem Expansion (CO2 plant) in Airport Industrial;
- Woolworths Amajuba Mall;
- Cherry Dealership on Kirkland Street;
- NTT Expansion on Hardwick Steet;

Newcastle has seen a positive growth in new businesses opened in the financial year of 2022/23. The BroChem chemical manufacturing plant has been a key investor in Newcastle for the past 5+ years, with promoting growth and development withing the chemical industry sector that exports to all parts of the world. In addition, the NTT expansion shows promising growth withing the automotive industry in Newcastle with venturing into new service offerings through their multi-franchise approach within the expansion.

Ithala Estates has confirmed their commitment to the Taiwanese and Chinese foreign investors in Newcastle by committing to rebuild all Clothing and Textile factories that were vandalised and damaged during the 2021 Unrest that took place. This improves the business retention landscape within the economy of Newcastle.

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 of 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.

- a) During Wave 1 of the pandemic from February 2020 to April 2020 17 million people were employed in February 2020.
- b) In April 2020, 14 million people were employed thus showing a 3 million loss in employment or 18% decline.
- c) A further 1 in 3 income earners in February 2020 did not earn an income in April 2020.
- d) 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 %.
- e) 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.
- f) Mittal Steel currently in Section 189 retrenchment process. This will also affect our economy negatively.
- g) 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.

INDUTRIES 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%
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%

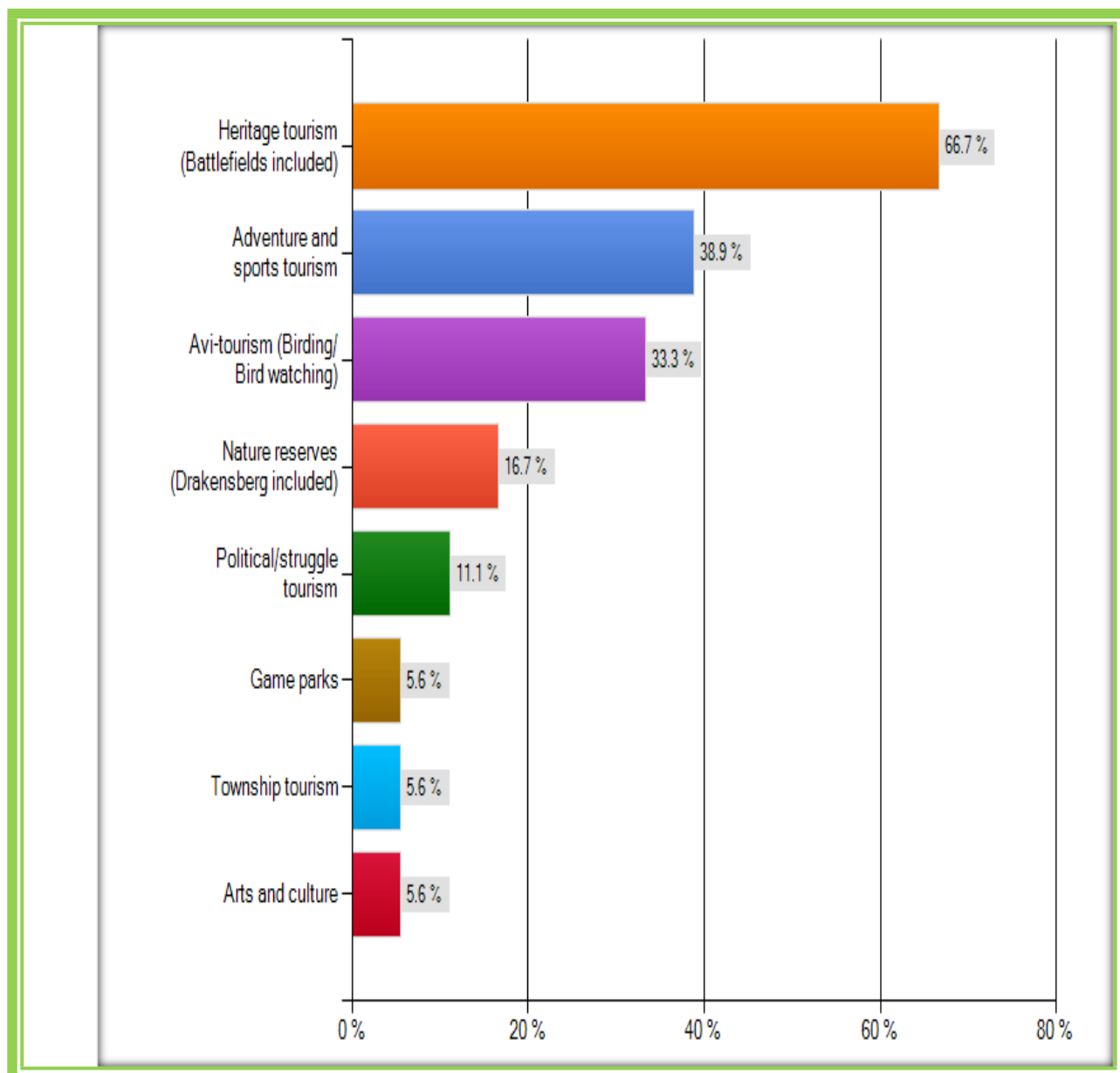


Figure 16 TOP TOURISM PRODUCTS AS PER THE SERVICE PROVIDERS

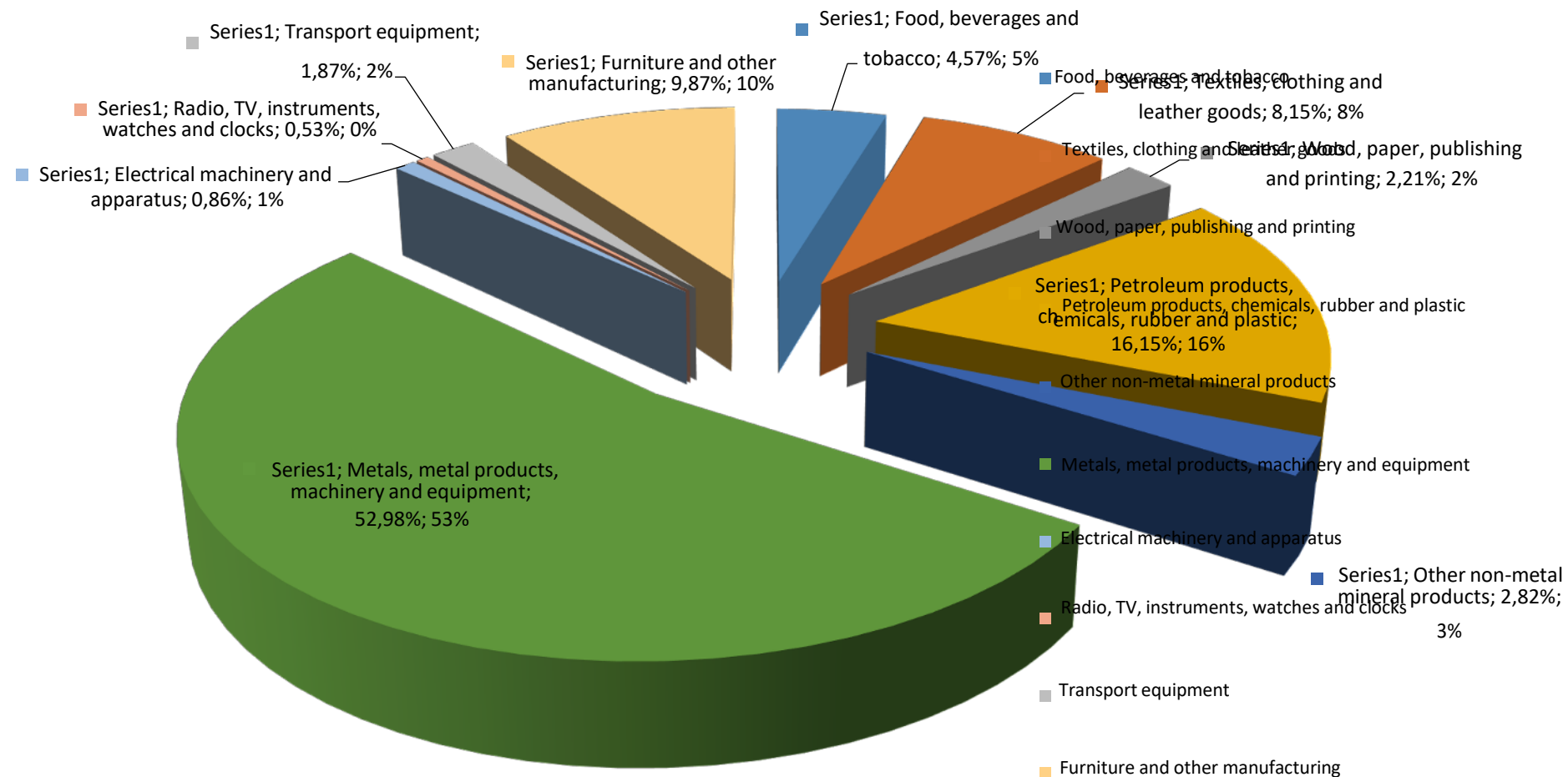


Figure 17 GRAPH OF MANUFACTURING GVA IN NEWCASTLE

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.
- 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.
- The LED department seeks local sponsorships and donations from local businesses to support national and provincial campaigns for community development and upliftment initiatives.
- The LED Department is engaging with various companies to operationalize the Newcastle Airport in line with the Civil Aviation Authority standards and procedures;
- To ensure the Civil Aviation Authority (CAA) Licence for the Newcastle Airport is maintained and upheld for a category 2 Airport;
- To maintain relationships with local businesses to identify key opportunities and threats.
- To embark on various exercises that improves local market research and development;

LOCAL ECONOMIC DEVELOPMENT FORUM (LED FORUM)

- The LED Forum was established on the 16th 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.

In 2022/23 the LED directorate has hosted multiple LED Forums which assisted with the disbursements of information regarding funding mechanisms available from State Owned Entities to assist businesses with challenges that were encountered within the financial year. Additionally, the platform has created a stronger relationship between the private and public sector of Newcastle which assists with the ease of doing business, sponsorships and collaboration towards developing the economy of Newcastle.

LOCAL ECONOMIC DEVELOPMENT INVESTMENT PROMOTION AND SOURCE FUNDING

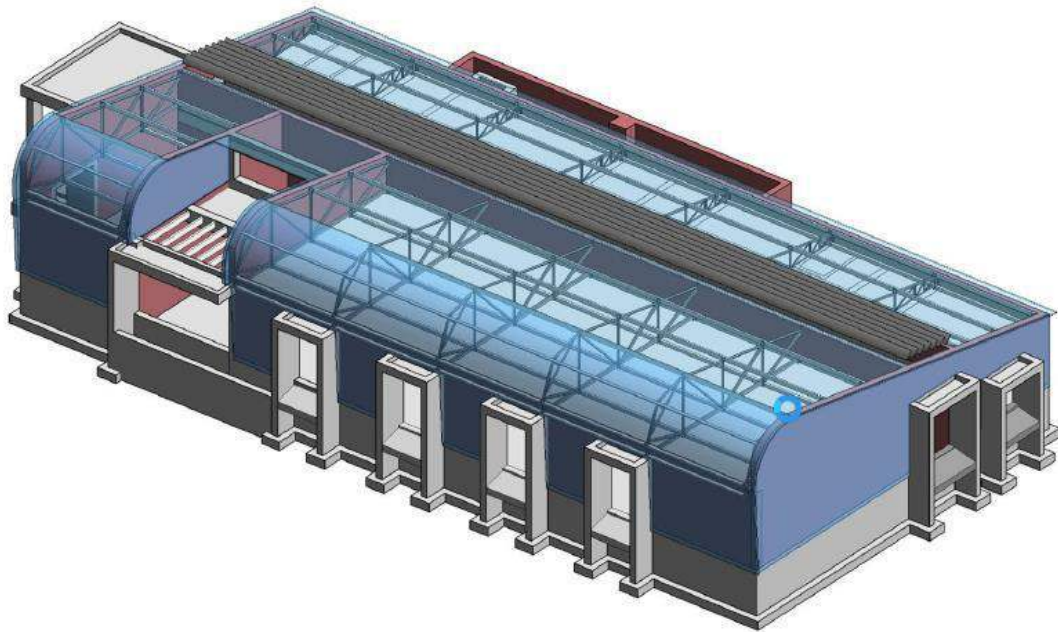
The LED department actively conducts exercising to keep abreast with the available grant funding and investment opportunities to bring into Newcastle for the beneficiation of the local economy. In the financial year of 2022/2023 the LED Department has sourced funding from province the beneficiation of Informal Traders Hawker Shelters to the amount of R1 million; R5 million for the further beneficiation of the Newcastle Airport; R2 million for the Municipal Employment Initiative (MEI) for non-financial support to local businesses from the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). In total, the department has received R8 million in grant funding from the previous financial year roll-overs and new grants combined.

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 10 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 15 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.

INDUSTRIAL ECONOMIC HUB PHASE 1 – INCUBATION CENTER FOR CLOTHING AND TEXTILE



INCUBATION CENTRE

The Department of EDTEA is to fund the construction of a clothing and textile economic industrial hub in Madadeni, Section 6 Newcastle. The project falls within the ERFs 82, 84, 85, 86, 87, 88 and 89, within the Newcastle Local Municipality KwaZulu-Natal. The project site is approximately 10.9 hectares in size. There are currently a site development plan that comprises of 18 sites. One of sites will be a pivotal component which will be incubation centre for skills development and training which has been approved for commencement of the project. The site development plan has been approved for phase 1 and the tender documents for the construction service provider has been completed. The project is estimated to commence in September 2023 with the construction of Phase 1.

COMPLETION OF FIRST CALL FOR PROPOSALS FOR THE MUNICIPAL EMPLOYMENT INITIATIVE IN 2022/23

The Newcastle Municipality in partnership with Economic Development Tourism and Environmental Affairs (EDTEA) established Municipal Employment Initiative (MEI) which is aimed at supporting and enabling growth to Newcastle's SMMEs, Cooperatives and NPO's with funding. The Municipal Employment Initiative will fund viable informal enterprises that are not regulated and micro businesses with an annual turnover of less than R1 million per year that are in urban, rural and township areas. SMMEs, Cooperatives and NGO were called upon to respond to this invitation and participate in various areas of enterprise and supplies development that they wish to be assisted upon through MEI in October 2022.

COMMENCEMENT OF THE UPGRADE AND REFURBISHMENT OF THE INFORMAL TRADERS HAWKER SHELTERS IN NEWCASTLE



The Department of Economic Development, Tourism and Environmental Affairs (EDTEA) granted the LED Directorate R1 million rand only in 2022/2023 to upgrade and refurbish the following informal trade hawker shelters; Theku Plaza, Taxi Rank 1 and Taxi rank 2 in Newcastle. These facilities were constructed to provide a formal environment for informal hawkers to operate within, however, due to vandalism and deterioration of the structures the facility required a refurbishment. The construction commenced in 2022/2023 and is currently 95% completed with all refurbishments.

The informal hawkers who have been allocated the spaces, will be occupying the shelters in 2023/24.

LOCAL JOB OPPORTUNITIES.

TOTAL 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		
2022/2023	2021/2022	2020/2021

14 individuals	N/A	N/A
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TOTAL NUMBER OF NEW BUSINESSES OPENED FROM 1 JULY 2022 – 30 JUNE 2023

Kindly include the number of Approved Development Applications specifically for conducting any type of business activity during the same period (i.e., 2022 – 2023), and the number of new applications for businesses licenses within the same period.

NO.	Items	Totals number of new business licenses approved for 2022-2023	Total number of businesses on the database
1.	New Approved Business Licenses	26	294
	Total	26	294

BREAKDOWN

PERFORMANCE ACHIEVEMENTS FOR 2021/21.

- Appointed the following SED'S:-
 - SED: Community Services (August 2021)
 - SED: Corporate Services (May 2022)
 - SED: DPHS (June 2022)
 - SED: Technical Services (June 2022)
- The municipality constructed 179 new households including access to water, sanitation and refuse removal.
- 8387 households were provided with free basic electricity, water, refuse removal and sanitation.
- 2,8 km of road was resealed within the jurisdiction of Newcastle Municipality
- 6,5km of road was re-gravelled in Madadeni and Osizweni
- 232 houses were built to the roof level, the connection to basic services will be done in the 2022/2023 financial year.
- 100 residential sites have been identified advertised for sale.
- 725 EPWP jobs were created to tackle the high number of unemployment within this municipality.
- The municipality trained 103 SMMEs.
- 120 title deeds were transferred though the EEDBS program.
- 100% of the Electricity maintenance plan was implemented with the intention of maintaining the existing infrastructure and reducing power outages.

- 100% of all building plans received by the municipality were processed within the statutory timeframes.
- 100% compliance with MFMA Reporting requirements for all financial reporting.
- The IDP/Budget/PMS were approved by council on the 31st of May 2023
- 100% of MIG Expenditure
- 97% of WSIG Expenditure

CHALLENGES AND MEASURES TO IMPROVE PERFORMANCE.

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
BASIC SERVICE DELIVERY	Poor performance by service providers	Review of contracts for all service providers that have not performed as planned in terms of the bill of quantities and general conditions of contract
	High water losses due to burst pipes.	A 3-year water reduction plan be developed and implemented in line with the available budget
	Vacant positions not filled	Review of the organogram
	Housing projects were not completed as planned	A recovery plan be developed for the all the housing projects that were not completed at the end of the 2021/2022 financial year and recommended corrective actions be monitored
	Landfill site has not been identified	Assistance from COGTA to identify a suitable landfill site
	Ageing infrastructure	Development of master plans for infrastructure
CROSS CUTTING	Purchase of Bulk Refuse Containers	Follow up with service provider and review of the terms and conditions of the contract.

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
	Construction of Zulu Umuizi and Fort Amiel Admin Building	A new PIP be developed, implemented, and monitored weekly. Application for a roll-over of the budget to the 2022/2023 be submitted to BTO.
FINANCIAL VIABILITY	Low collection rate due to economic factors	Campaigns will be convened to increase consumer awareness. Discounts on arrear debts Write off on deceased accounts. Payment arrangements
FINANCIAL VIABILITY	Cost coverage Outstanding service debtors Capital expenditure	Implementation of the Budget Funding Plan for Newcastle Municipality
GOOD GOVERNANCE	Approval of the Delegation's policy	Legal services to revise the current draft Delegations policy to include all applicable legislation from the LG Municipal Systems Act 32 of 2000. The Delegation's policy to be approved in the 2022/2023 financial year.
	ICT issues addressed	Development, approval, and implementation of ICT plan Monitoring of ICT plan at the ICT steering committee
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Work skills plan not implemented as planned.	Corporate services to identify additional funding for employee training/development.
	Annual meeting not implemented as planned.	Corporate services to revise the 2022/2023 KPI in line with functions and controls within the department.
	Vacant positions not filled.	Review of the organogram

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
	Cascading individual performance management (IPMS) to all employees below a section 57 and implementation of the amended staff regulations	Corporate services to request assistance from SALGA, National Treasury, and COGTA for the rolling out of IPMS to all employees.
LOCAL ECONOMIC DEVELOPMENT	Number of jobs created through the municipality's EPWP.	The KPI target for the KPI on the Job creation for the 2022/2023 financial year has been aligned to the MIG projects and EPWP budget allocation.
LOCAL ECONOMIC DEVELOPMENT	Installation of 68 airport runway lights	A new pip has been developed for the installation of the airport runway lights as at the end of august 2022 the briefing session was concluded.
	Upgrade of hawker shelters	The hawker shelters – a new pip has been developed and will be monitored accordingly.

COCA-COLA BIZNIZ IN A BOX PROJECT

Coca-Cola partnered with the Newcastle Municipality to allocate the Bizniz in a box project in 2018 which was aimed at giving the youth the opportunity of starting or expanding existing businesses.

The beneficiaries of the project began the process of starting their business operation, however, were faced with challenges. The challenges raised by the beneficiaries were as follows in the financial year of 2022/23:

Lack of access to water and electricity

Failure to deliver promises in the form of business equipment, structures, and potential capital
Theft
Vandalism
Low quality containers resulting in damages
Falling and leaking roofs

Personnel was allocated from the Local Economic Development (LED) Directorate at the Local Municipality to regularly post follow-up with the existing beneficiaries in ensuring that their businesses were operating. In 2022/23 a total number of 11 containers were non-operational and the following were the results of site visit findings; 7 containers which was previously allocated by Coca-Cola was identified as underutilized and abandoned; as a result, the containers were demolished due to the severity of vandalism on the structures. Additionally, the remaining 4 containers were repainted and all branding from Coca-Cola was removed. Currently, the process of reallocation of the 4 remaining containers is underway.

SMME AND INFORMAL TRADERS

South Africa faces major developmental challenges which include 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 the 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 following is a result of the efforts of the unit:

SMME AND INFORMAL TRADE TRAINING AND DEVELOPMENT

The trainings 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. Quarterly) training is scheduled to take place.

A total number of 102 attendees have been trained for the period of 2022/2023 which was an overachievement for the directorate as the target was set to 100 beneficiaries. A total of 23 attendees were trained in By-laws and Regulations and 51 attendees were trained in Hygiene requirements of Food Handling to comply within their business operations. A total of 28 attendees from Liquor Outlet, Bottle Store and Tavern Owners were trained regarding compliance and safety in their business outlets in Newcastle. The following stakeholders were

invited to carryout presentations for the training such as KZN Liquor Authority discussing the current legal status and compliance, EDTEA- Regulations Services discussing legislative background, Distell discussed issues outlets face and opportunities to expand, SAPS discussed importance of compliance and safety and security; SARS gave insight on TAX and processes of compliance.

PICTURE 1 & 2: INFORMAL TRADE/SMME's TRAINING ON FOOD HANDLING AND HYGIENE PURPOSES





PICTURE 3 and 4 : SMME's/ INFORMAL TRADE/SMME's TRAINING ON REGULATIONS AND BY-LAWS (LIQUOR TRADERS)



CLASSIFYING INFORMAL TRADERS IN NEWCASTLE THROUGH NEW STRATEGIC APPROACH

The LED Directorate has embarked on a strategic exercise to classify and structure the Informal Trade industry in Newcastle by improving the ease-of doing business for Informal Traders and creating a strategic approach. The following was the approach determined to carryout the exercise in phases;

-
- ✓ Phase 1 (Compliance): Determining the status of the informal trader regarding their level of compliance.
 - ✓ Phase 2 (Current status): Site verifications conducted by LED to identify areas whereby the informal traders conduct business to audit the current landscape of traders that exist in Newcastle.
 - ✓ Phase 3 (Mapping): The LED directorate together with GIS will develop a map of Newcastle to identify the areas of trade that is allowed and prohibited within the Newcastle area for the informal traders to adhere to areas of trade.

The main objective of the exercise is to ensure that the Informal Trade industry has been audited and regularized by the Local Government and the traders adhere to the By-laws and Regulations.

CLASSIFYING THE CAR-WASH INDUSTRY IN NEWCASTLE.

The Local Economic Development Directorate (LED) is embarking on an exercise that seeks to verify the compliance of existing carwash businesses in Newcastle. This will allow the directorate to have a strategic approach towards ensuring compliance and addressing issues pertaining to the wasteful use of a scarce resource, namely water. According to the recent oversight report from the Auditor General, the municipality is experiencing material water losses that account for 39% of the total water purchased, and in light of this fact, we feel efforts should be introduced to ensure that we improve the situation with respect to water losses.

A letter was drafted to the Public Participation Unit to assist with the above-mentioned exercise through the participation of Ward Committee members within the 34 Wards of Newcastle.

Newcastle Tourism Educational Seminar 27 September 2022

In celebrating Tourism Month, Tourism unit hosted an educational seminar for Grade 10 – 12 Tourism educators and Tourism Lecturers from TVET Colleges around Newcastle. The objective of the event was to enhance understanding whilst exposing the educators to the value of Tourism and its opportunities as mandated by the National Department of Tourism. Newcastle Municipality invited Tshwane University of Technology, Faculty of Management Sciences, Tourism Management department to assist Tourism educators/lecturers to deliver the academic curriculum more effectively and to attract young talent to the industry by creating a platform for sharing strategies of teaching and learning in the era of the Fourth Industrial Revolution.



FILMING AT AMCOR DAM

Through KZN Film Commission Newcastle Municipality received a request from Titan Production to film swallows roosting at Amcor Dam. Titan productions is a television company based in Bristol, England. The scenes they captured will make part of the opening sequence to the AIR episode -the beginning of the swallows' epic journey from South Africa to Europe on their current production called 'Great Migrations'.

Titan productions visit will benefit Newcastle to be seen as a one of the best film Destinations.



Tourist Guide Training

KZN EDTEA appointed Tourism World Academy to conduct a Tourists guide training which took place at Newcastle Municipal training centre on the 16th March 2023 to the 18th of April 2023. Tranees were from the following Municipalities:

- Newcastle 15
- Emadlangeni 04
- Dannhauser 01

Tourist guides trainees were taken for an Excursion to familiarize themselves with Newcastle Tourists sites, the following were the visited sites: -

- a) The Battlefield of Schuighooste at Ingogo
- b) Chelmsford Nature Reserve



+

LIBRARY PROGRAMMES

INTRODUCTION

Newcastle Library Services consists of the Newcastle, Lennoxton, Fairleigh, Ingagane, Madadeni, Osizweni, Modular Ward 7 and Charlestown Libraries. These libraries provide information services through the provision of resources such as books, magazines, audio-visual material, reference sections and free Internet and WIFI usage for patrons. Libraries also provide various programmes to encourage the culture of reading, to stimulate learning, for information sharing, as well as for the development of social, research, critical thinking and problem-solving skills. Activities include amongst other the use of technology such as computers, storytelling, how to conduct research and find information from various resources, indoor and outdoor gaming, as well as creative activities.

PERFORMANCE HIGHLIGHTS

Establishment of Parking Area – Newcastle Library

The Newcastle Library is situated in the CBD of Newcastle. The need for a parking area for library users was identified in order to improve access to the facility. Subsequently the area adjacent to the library was allocated for this purpose and construction was finalized during the 2021/2022 financial year.

On the 25 July 2022, the Mayor, Cllr. D.X Dube alongside the Deputy Mayor, Cllr. S.M Thwala, Speaker of Council, Cllr. T Zulu, the Community Services Portfolio Chairperson, Cllr, M.E Hlatshwayo, Councillors and Officials officially opened the Newcastle Library parking area to the patrons and visitors of the library.



Cutting of the ribbon: Newcastle Parking Area



Library Programmes

153 library programmes were conducted during the 2022/2023 financial year. The following programmes were presented:

- Holiday programmes
- Gaming – Educational toys, board games, outdoor games
- School visits (Primary and Secondary)
- Creche programmes
- Reading Clubs
- Chess Clubs
- Basic Computer Classes
- CISCO Computer Courses
- Special events / programmes

Storytelling and reading



Creche visits



Computer classes

Chess Club



Educational toys



AWARD WINNING AUTHOR ANDILE MBATHA BOOK LAUNCH

Andile Mbatha ex-Newcastle resident and author won an honourable award at the Washington DC Open Book Festival in January, as well as the London Literature Award for his African Love Story *Thoughts of the Groom*.

The official launch of his book was arranged in collaboration with Newcastle Library Services and took place in Newcastle on 21 March 2023.



AWARD WINNING AUTHOR SANDILE NGWENYA BOOK CLUB LAUNCH

Newcastle-born author, Sandile Ngwenya won first prize in the 2021 Sanlam Youth Literature Competition with his isiZulu novel, IMALI YEZIPOKI. HE RECEIVED FURTHER ACCOLADES ON THE 25TH OF JULY 2022 WHEN HE RECEIVED THE UJ (University of Johannesburg) Debut Prize for Creative Writing.

This award winning author aspires to give back to his community through the support and development of aspiring writers. Sandile launched the Incushe Yolwazi Book Club in collaboration with Newcastle Library Services on 24 September 2022. The Book Club was initiated at the Osizweni Library and provides a platform for avid readers and writers.



LITERATURE WRITING WORKSHOP

A writer's workshop was arranged in collaboration with the Provincial Department of Sport, Arts and Culture : Language Services.

DSAC conducted an isiZulu short story writing workshop for the Newcastle Reading and Writing Club in preparation for a Provincial Competition which was open to club members only.

The workshop was conducted at the Newcastle Library on 25 May 2023. The event was well supported by local writers and it also provided them with a platform to liaise and join the local Reading and Writing Club.

INTRODUCTION

The building is a national monument, and it was converted to an ART Museum in 1991. The emphasis in the collecting policy is on works by Contemporary South African Artists about Landscape Art and indigenous Craft from the Northern KwaZulu Natal area. Also collected and displayed at the Gallery are some fine examples of KwaZulu Natal Beadwork and ceramics.

The Carnegie art Gallery offers permanent and temporary Exhibitions, information and advice about Art and Craft, different workshops, educational programs for Schools and outreach programs.

PERFORMANCE HIGHLIGHTS

During the 202/2023 financial year five (5) artworks were purchased with funding received from the Provincial Department of Sport, Arts and Culture (DSAC).

1. Praying for flood victims by Mbongeni Msani



2. Brotherhood by Mbongeni Msani



3. Gold diggers by Ben Ntsusha



4. Umemulo by Mlungisi Mbele



5. A sculpture (Towards the Spirit) by Mandla Mlotshwa



School learners visiting the Art Gallery



The art museum participated in various events and projects namely the National Tourism Information Session at Newcastle Inn on 7 September 2022, the Rainbow festival at the Newcastle Town Hall in December 2022 and the International Museums Day in May 2023 at eNcome Museum.





The Museum's exhibition at eNcome Museum for International Museums Day 2023 held by DSAC.

The Curator and Gallery Assistant went for training as tour guides during 2023. It was sponsored by Amajuba District Municipality.

The Curator went to the Provincial SAMA Conference from 23 to 26 August 2022 at eMakhosini in Zululand.

MUSEUMS

INTRODUCTION

Fort Amiel is the cultural history museum of the Newcastle municipality and is situated in Amiel Park. It consists of old military buildings from the Anglo-Zulu War time, a Zulu Umuzi, replica railway station with locomotive, Admin building, ablution facilities and Lapa for braais. It collects museum items, photographs, archive and books for research. Events, educational projects and programs are hosted at the museum.

PERFORMANCE HIGHLIGHTS

1. During the 2022/2023 various capital grant funding projects were completed.

1.1 As part of promoting local history and tourism, various sites have been identified to erect signage. A signage board was put up at Kitchener's kop where Australian and New Zealand soldiers were stationed during the Anglo Boer War in 1902.



1.2 A wheelchair ramp was built towards the new administration offices.



1.3 The terrain for the new Amphitheatre was graded on the museum grounds.



2. The museum was visited by a total of 4 295 people which included 32 educational groups and 47 non-educational groups. The museum hosted 2 successful events (Youth Day and the “Infinity” market and fun day) and participated in 2 Provincial events (Arts and Culture Rainbow festival – Newcastle Town Hall – December 2022 and International Museums Day – Ncome Museum – May 2023) and 1 National Tourism Information Session during the last financial year.

3. The Curator attended the South African Museums Association KZN Regional Conference from 23 – 26 August 2022 at uMgungundlovu near EmaKhosini. The Curator, Museum Assistant and Museum Attendant went for the Tour Guide Training NQF level 2 training sponsored by the Amajuba District Municipality during the first half of 2023.



COMMUNITY HALLS

Introduction

To maintain and clean Council facilities for public use.

To deliver an effective and efficient service in this regard

To develop future diverse facilities of a high standard for use by the Newcastle community.

PERFORMANCE HIGHLIGHTS

OPENING OF CHARLESTOWN HALL

On the 20 July 2022 the Mayor, Cllr. D.X Dube alongside the Deputy Mayor, Cllr. S.M Thwala, Speaker of Council, Cllr. T Zulu, the Community Services Portfolio chairperson, Cllr, M.E Hlatshwayo, councillors and officials officially opened the Charlestown Hall.



Cutting of ribbon and unveiling of plaque: Charlestown Hall



Challenges experienced in 2022/23 and recommended solutions:

CHALLENGES	RECOMMENDED SOLUTIONS
Shortage/damage of furniture and equipment. No budget has been allocated for such for many years and such furniture is required to be moved from hall to hall when needed therefore causing damage to furniture	Budget required for the purchase of furniture and equipment
Deterioration of halls as Technical Services are under-capacitated to maintain the buildings as well as limited budget to maintain and renovate all seven halls	To appoint the handyman position to assist with emergency work and general maintenance and to also prioritize budget for the maintenance of buildings
JBC Hall not yet complete and handed over to the department of Community Services	Technical Services to table a report on the matter at the next PSC

PERFORMANCE HIGHLIGHTS

The objectives of the Fora are:

To prioritise key concerns and initiate policy and action-oriented research relevant to the respective groups' needs.

To develop, promote and communicate the understanding of respective group, specifically the cause of undermining their well-being as well as actions required to address the causes.

To advice and brief the council on the matters pertaining the empowerment of respective group.

To strengthen capacity at all levels by providing necessary framework, guidance and support to all sectors.

To facilitate awareness, advocating and lobby the public about their respective groups.

To consult and liaise with the civil society to ensure a meaning participation.

Based on these objectives, it is clear that the Fora is crafted to improve the lives of the vulnerable group.

It is imperative that the Fora must have at least one meeting seated a month to address challenges pertaining their needs. The meeting minutes are then received by the Social Development Unit to be addressed to relevant stakeholders for intervention through referral system. These meetings are an important document to provide records and discussions about the challenges they are facing. It is crucial for Fora to have meetings as they are the drivers of service delivery for their respective groups, and they assist the municipality in understanding the needs of different vulnerability group.

The Social Development is categorized into four pillars namely: planning and organizing, promoting, monitoring and social development; advising and advocacy and lobbying; lastly maintaining strategic partnerships. For the year 2022/2023 the awareness events and plans are illustrated presentation below.

Below is the events/ activities took place during the financial year 2022/2023

MEN – ISIBAYA SAMADODA

21 JULY 2023

BLAUBLOWSCH WARD 18

This movement strongly aims to promote the well-being of men and alleviate the health issues they face daily



WOMEN'S DAY PROGRAMMES

OSIZWENI COMMUNITY HALL
23 AUGUST 2023

Women's Day It's an opportunity to celebrate women's accomplishments. History bursts with important events that have made the world a better place. Women have always played essential roles in the movements for voting rights, civil rights, LGBTQ+ rights, labour rights, children's rights, and much more.



WAROOM VISITATION

WARD 07 (SGODIPHOLA) & WARD 10 (THEMBALETHU YOUTH CENTRE)
31 JANUARY 2023 & 16 FEBRUARY 2023

The concept of War-Rooms refers to the space where the coordinating task team at ward level provides a direct link to the community, coordinates profiling and integrates service delivery.

Purpose of warroom visitation is to assess the state of War-Room functionality.



OSIZWENI COMMUNITY HALL AND TOWN HALL
10 MARCH 2023 & 08 MARCH 2023



ANTI SUBSTANCE ABUSE PROGRAMME

The goal includes preventing drug use and encouraging occasional users to discontinue use.



INTERNATIONAL DAY FOR ELDER PEOPLE

International Day of Older Persons” on 1 October 2022

To raise public awareness about the opportunities and challenges presented to the ageing populations and to mobilize the families, community groups and stakeholders to address the difficulties faced by older people.



16 DAYS OF ACTIVISM AGAINST THE ABUSE OF WOMEN,CHILDREN AND MEN

The 16 Days of Activism Against Gender-Based Violence is an international campaign to challenge

violence against women and children. The campaign runs every year from 25 November, the International Day for the Elimination of Violence against Women, Children and Men.



LOCAL AIDS COUNCIL

08 APRIL 2023
COUNCIL CHAMBER

HIV/AIDS Forum coordinating/ committee and involve all the different stakeholders. If the local municipality is committed to dealing with HIV/AIDS, a Local AIDS Council is a good way of coordinating work between government and civil society.



WORLD AIDS DAY

01 DECEMBER 2022

DANNHAUSER

Equalise and Integrate to End AIDS, "reflecting the gravity of the epidemic's impact on marginalised communities. This theme is a wake-up call to deal with the inequalities that make it harder for the country to eradicate AIDS



INTERNATIONAL DAY OF DISABLED PERSONS

The day is about promoting the rights and well-being of persons with disabilities at every level of society and development, and to raise awareness of the situation of persons with disabilities in all aspects of political, social, economic, and cultural life.



LOCAL TASK TEAM MEETING

6^H FLOOR BOARDROOM
16 MAY 2023

Operation Sukuma Sakhe (OSS) is a Provincial programme that is a call for all public service institutions within KwaZulu Natal to contribute towards poverty alleviation and rebuilding the communities.

LTT is a platform whereby all local stakeholders gather to share progresses, challenges and articulate upcoming programmes and projects.



BACK TO SCHOOL PROGRAMMES

MORESTER CHILDREN'S HOME
20 JANUARY 2023

Back to School Campaign, is meant to encourage and motivate learners, educators and parents as they steady themselves to negotiate the academic year ahead.



LOCAL AIDS COUNCIL

COUNCIL CHAMBER
08 FEBRUARY 2023

HIV/AIDS Forum coordinating/ committee and involve all the different stakeholders. If the local municipality is committed to dealing with HIV/AIDS, a Local AIDS Council is a good way of coordinating work between government and civil society



CHILD PROTECTION WEEK

19 MAY 2023
NOKUKHANYA PRIMARY SCHOOL

Child protection provides an opportunity to unpack and understand why a child's safety is so important. Child protection week aims to create awareness across society to better ensure the protection and care of children.



FIRE AND DISASTER

INTRODUCTION

As a function we focus on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery and rehabilitation.

PERFORMANCE HIGHLIGHTS

FIRE SERVICES

Details	2021/22	2022/2023
1. Total fires attended to in the year		591
2. Total of other incidents attended in the year		185
3. Average turnout time- urban areas		9 min
4. Average turnout time – rural areas		45 min 33s (based on response to Charlestown, Dannhauser and Utrecht areas etc)
5. Fire fighters in post at year end		1x Chief Fire Officer 2x Station Officer 1x Snr Fire Safety Officer 1x Supervisor Control Room 1x DM Practitioner 1x LFF Workshop 1x Fire Safety Inspector 4x Control Room Operators 45x Operational Fire Fighters Total staff complement = 57
6. Total fire appliances at year end		11
7. Average number of appliances off the road during the year		4

PUBLIC FIRE EDUCATION AND AWARENESS CAMPAIGNS CONDUCTED 2022/23

LOCAL MUNICIPALITY		
Date	Area	Targeted Audience
12 July 2022	Madadeni Hospital	Hospital Employees
14 July 2022	Mediclinic	Hospital Employees
19 July 2022	Madadeni Hospital	Hospital Employees
20 July 2022	Ward 1 – Charlestown	Community
27 July 2022	Escom	Escom Employees
3 Augustus 2022	School of Industry	Learners
04 October 2022	Ward 2 - Anchor Nursery	Ward 2 War Room Members
06 October 2022	Ward 17 - Vumanisabela School	Community
06 October 2022	Ward 29 - Mcebowlwazi School	Community
13 October 2022	Ward 1 – Ingogo	Community
17 October 2022	Majuba District Municipality	Municipal Employees
18 October 2022	Cooper School	Learners
21 October 2022	Khiphohuhle Primary School	Learners
24 October 2022	Newcastle Taxi Rank	Taxi drivers
9 November 2022	Show Hall – CPF	Community
10 November 2022	Lagratitude Old Age Home	Employees & Residents
09 December 2022	Ward 1 Ingogo	Community
24 February 2023	Home Mea Child & Youth Care Centre	Employees
9 March 2023	Ferrum High School	Community
24 March 2023	Newcastle Fire Station	Small Business Owners
27 March 2023	Dannhauser Primary School	Community
12 April 2023	Sen Lida Chemical Fibre	Employees
20 April 2023	Ward 30 - Osizweni	Ward 30 War Room Members
21 April 2023	Ward 8 – Osizweni	Community
21 April 2023	Madadeni Majuba College – Mock Drill	Employees & Students
25 April 2023	Ward 1 – Charlestown	Community
10 May 2023	Madadeni	Madadeni Community
11 May 2023	Ward 13 Osizweni	Ward 13 War Room Members

25 May 2023	Newcastle Provincial Hospital – Mock Drill	Hospital Employees & Patients
12 June 2023	Newcastle Municipality – Electrical Department	Municipal Employees
15 June 2023	Newcastle Fire Station	Municipal Employees
22 June 2023	Newcastle Fire Station	KFC Employees
22 June 2023	Newcastle Municipality – Electrical Department – Mock Drill	Municipal Employees
29 June 2023	Newcastle Farmers Hall	Newcastle Ward Committees Group One
30 June 2023	Osizweni Community Hall	Newcastle Ward Committees Group Two

CHALLENGES	POSSIBLE SOLUTIONS
Response time extended due to limited staff members employed dealing with numerous incidents	Filling the posts of fire fighters and disaster management practitioner
Non-compliance with section 45A of the disaster management act (as amended)	Speed up process of filling in the post of Head of Centre
Limited staff versus vastness of wards (34)	Appointment of: Head Of Disaster Management Centre. & other vacant posts
Limited budget	Additional funding for disaster management, fire & rescue services
Enforcement of Municipal by-laws	Ensure all municipal by-laws are rigorously adhered to.
Some Fire hydrants are not in good condition	Installation of new hydrants
Response time extended due to limited staff members employed dealing with numerous incidents	Filling in the posts of fire fighters and disaster management practitioner

5.2 THE WAY IN WHICH THE PROBLEMS WERE ADDRESSED

The reinstatement of fire fighters in the financial year thereby increasing capacity of personnel to respond to all incidents.

5.3 RECOMMENDATIONS

Fast track the process of filling the post of Head of Centre and other staff members in the Disaster Management Centre to comply with section 45A of the Disaster Management Act (57 OF 2002 as amended)

Increase the budget of the disaster management centre and fire service to perform all legislative activities efficiently.

INCIDENT REPORTED DURING 2022/2023 FINANCIAL YEAR

The table below provides a summary of the incidents that occurred last financial year.

Month	Types. of Incidents	Number of Incidents	Households Affected	Houses Destroyed		People Affected	Fatalities	Injuries
				Totally Destroyed	Partial Destroyed			
SW– Strong Winds, VF– Fires, FL– Floods, HR– Heavy rains, L- Lightning, HF- House Fires, HS- Hail Storm, SF-Structural Fire, Drowning, TS – Thunder storm								
July 2022	SF	11	35	04	07	35	00	06
	SF	15	53	13	03	140	00	02
September 2022	SF	09	16	05	04	40	00	02
	SW	01	09	00	01	02	00	00
October 2022	SF	06	20	06	03	212	00	00
	L	07	198	28	31	20	00	01
	HR	05	42	09	05	31	00	00
November 2022	SF	04	04	04	04	61	00	00
	TS, HR, L	01	86	77	28	402	00	00
	SF	08	08	04	04	46	00	00
December 2022	HR	01	07	04	05	30	00	00
January 2023	SF	03	03	01	02	21	00	00
	HR	02	03	03	03	41	02	00
	SW	01	04	03	01	10	01	00
	L	04	04	05	01	18	00	00
February 2023	FL	03	03	101	285	1356	00	00
	HR	01	338					
March 2023	SF	03	12	02	01	97	00	00
	HR	01	76	09	10		00	00
April 2023	SF	03	08	03	00	29	00	00
	HR	01	21	09	00		00	00
May 2023	SF	07	07	07	00	16	00	00
	HR	01	01	00	01	10	00	00
June 2023	SF	05	05	04	01	36	00	00

	HR	01	01	01	00		00	00
	SW	01	01	01	00		00	00
Total		105	965	393	400	2653	03	11

During the year of 2022/2023, a total number of one hundred and five (105) incidents were reported to the Municipality. Nine hundred and sixty-five (965) households were affected during the process. Four hundred (400) structures were partially damaged, and three hundred and ninety-three (393) structures were totally destroyed. An approximate number of (2653) two thousand, six hundred and fifty three community members were affected. Eleven (11) injuries, and three (03) fatalities were recorded during this time frame.

Interventions in the reporting period

In the financial year 2022/2023 the following relief was issued, 985 nine hundred and eighty five blankets, 702 seven hundred and two sponges, 89 eighty nine tarpaulins, 224 two hundred and twenty four plastic sheeting and 82 eight two B-Box's was issued as part of the relief items to the affected families.

FIRE AWARENESS CAMPAIGNS CONDUCTED

29 June 2023: Newcastle Farmers Hall

Newcastle Ward Committees Disaster Management Awareness Group One



21 April 2023: Osizweni Ward 8
Community Awareness Campaign



09 March 2023: La Gratitude Old Age Home

Mock Drill



Mock Drills are arranged by organizations/ public sector/ factories/ government/ luxury suits etc. usually, fire brigades indulge in mock drills to provide guidance to the public/ the place where the mock drill takes place.

The main objective of the mock drill is to review the emergency preparedness plan as well as to evaluate the standard operating protocols at any location, especially in larger organizations, schools,

places where hazardous materials (chemicals, acids, or LPG) are used, etc. which helps people concerned to act in accordance with the emergency situation to protect their lives and property.

Mock drill exercises developed should be flexible and planned in accordance with the needs of the organization concerned. Mock drills are not crisis solutions, but an effective approach to implementing important priorities that would lead to innovative solutions.

Mock Drill is useful in a number of ways:

- 1) Mock Drill is a complete demonstration of how to react whenever a disaster occurs.
- 2) It identifies potential errors and risks.
- 3) Improves coordination between different disaster control departments.
- 4) It increases the ability to respond quickly to disasters.

DISASTER MANAGEMENT

INTRODUCTION

As a function we focus on preventing or reducing the risk of disasters, mitigating the severity of disasters, emergency preparedness, rapid and effective response to disasters and post-disaster recovery and rehabilitation.

DISASTER BENEFICIARIES 2022/2023

NO.	BENEFICIARY	AREA	WARD	CO-ORDINATES
1	Nxumalo Sinethemba	Osizweni	13	S27'47'2.28228" E30'6'51.73488"
2	Morajane John	Osizweni	17	N/A
3	Msimango Patrick	Mndozo	07	N/A
4	Shongane Dlam	Dry Cut	15	N/A
5	Ngwenya Ntombifuthi	Charlestown	01	N/A
6	Hlubi Nkululeko	Blaaubosch	15	N/A
7	Shwala Mandisa	Soul City	31	N/A
8	Xaba Rudolf	Madadeni	28	N/A
9	Msimango Mphelelaphi	Maaskraal	31	N/A
10	Mbewe Lindeni	Osizweni	12	N/A
11	Zwane Simphiwe	Siyahlala-la	25	N/A
12	Kubheka Lethiwe	Mathangini	32	N/A
13	Nkosi Sandile	Manzana	33	N/A
14	Hlophe Jabulile	Blaaubosch	16	N/A
15	Mazibuko Thembaletu	Madadeni	24	N/A
16	Lukhele Nkomiyahlaba	Madadeni	14	N/A
17	Biyela Thembi	Charlestown	1	N/A
18	Kubheka Thulisile	Madadeni	14	N/A
19	Mchunu Samukelo	Bahlokazi	21	N/A
20	Hlatshwayo Thobani	Mndozo	7	N/A
21	Ndaba Siyabonga	Madadeni	29	N/A
22	Khumalo Busisiwe	Blaaubosch	15	N/A
23	Nkosi Nompilo	Madadeni	23	N/A
24	Madi Mbhampi	Manzana	33	30'9'41,07 27'45'41,9
25	Shabalala Thoko	Maskraal	31	N/A
26	Mirha Amanda	Chelmsford	21	N/A
27	Radebe Zama	Charlestown	1	N/A
28	Nkosi Thulani	Blaaubosch	18	N/A
29	Mbhele Nomusa	H39	19	N/A
30	Sibiya Simo	Blaaubosch	15	N/A
31	Gule Zanele	Blaaubosch	15	E29'48'47,24512" S27'56'7,88956"
32	Khanye Sonto	Ballengeich	21	E30'0'6,33305" S27'65'59.31037"
33	Thango Phumlani	Madadeni	22	E30'3'25,25264" S27'46'16,07465"
34	Mabaso Nonkululeko	Osizweni	6	S27'48'36,82813" E30'6'44,28477"

35	Mtambo Fikile	Manzana	30	E30°7'55,27588" S27°47'47,13824"
36	Dlamini Mzamo	Osizweni	9	S27°48'48,92813" E30°7'55,18497"
37	Khumalo Nokuthula	Ballengiech	21	-24,665887 27,64224
38	Masiteng Bhutini	Ballengiech	21	-24,665897 27,65124
39	Makhathini Buhle	Ballengiech	21	-24,664887 27,845751
40	Makhetha Kate	Ballengiech	21	-24,664851 27,845723
41	Mncube Sizwe	Pioneer Park	4	-27,764797 29,945751
42	Dlamini Thandi	Ballengiech	21	S27°55'58.30547 E31°04,21503"
43	Mbila Xolisile	Osizweni	10	E30°8'33,71085" S27°46'39,22729"
44	Mbonane Lizzie	Botha's Pass	1	E29°48'48,25635" S27°55'7,88845"
45	Nkosi Nomali	Botha's Pass	1	E31°59'58,14928" S28°54'6,66947"
46	Mbonane Sindi	Botha's Pass	1	E29°59'58,14924" S27°54'6,66987"
47	Maklaza Maureen	Haig Farm	21	E29°0'6,32304" S27°54'48,29436"
48	Mbongwa Khethezakhe	Ballengiech	21	E30°0'6,32004" S27°54'48,28456"
49	Mndumbe Solomon	Ballengiech	21	N/A
50	Nzima Nomvula	Ntshingila Stand	31	E30°4'41.85984" S27°45'10,42596"
51	Mabizela David	Blaaubosch	18	E30°5'35,04253" S27°46'51,83803"
52	Hlophe Zodwa	Blaaubosch	18	E30°5'36,89143" S27°47'44,4628"
53	Khanye Johannes	Blaaubosch	18	30°5'39,10013" 27°46'50,37344"
54	Khumalo Eric	Blaaubosch	18	30°5'37,345028" 27°46'50,38509"
55	Tshabalala Sophie	Blaaubosch	18	30°5'24,33383" 27°26'51,70248"
56	Ngubane Hloniphile	Blaaubosch	18	E30°5'35,05164" S27°46'51,74904"
57	Ncongwane Zakhele	Blaaubosch	18	E30°5'33,93887" S27°46'49,10485"
58	Mabizela Nothando	Blaaubosch	18	E30°5'33,92788" S27°46'49,10585"
59	Zwane Bonginkosi	Blaaubosch	18	E30°5'36,89232" S27°46'53,5728"
60	Chaane Pinky	Osizweni	11	30°7'43,83412" 27°47'32,43649"
61	Madlala Sesi	Osizweni	30	E30°8'38,78625" S27°47'34,7023"
62	Mbele Mirriam	Osizweni	10	E30°8'38,86915"

				S27'47'45,9022"
63	Tsotetsi Nomvula	Osizweni	11	30'7'40,45537" 27'47'21,47161"
64	Dhamini Beauty	Osizweni	11	30'7'39,67817" 27'47'28,16806"
65	Manyoni Ntombifuthi	Osizweni	10	E30'8'38,89716" S27'47'44,8023"
66	Mtshali Sthombe	Jobstown	6	E30'7'55,75728" S27'43'36,74864"
67	Ngubeni Nomvula	Ballangiech	21	E29'59'59,69904" S27'54'42,85808"
68	Qaqane Silindile	Blaaubosch	16	-27,765093 29,946157
69	Maseko Xolisile	Osizweni	9	E30'9'59,11992" S27'47'23,262
70	Gama Aaron	Ballengich	21	E30'0'6,32305" S27'54'48,29447"
71	Nzima Khethiwe	Charlestown	1	E29'52'37,4574" S27'25'41,03508"
72	Nkosi Sdudla	Mndozo	9	E30'8'50,81272" S27'47'21,23087"
73	Nkosi Lettie	Ballengiech	21	E29'59'4,5978" S27'53'16,1466"
74	Macingana Liziwe	Osizweni	32	30'8'53,35188" 27'42'30,48144"
75	Mathobela Nelly	Blaaubosch	15	E30'5'44,590223" S27'48'11,81157"
76	Mlambo Njabulo	Blaaubosch	15	E30'5'44,5902" S27'48'11,81124"
77	Zwane Cebisile	Ingogo	1	E29'53'38,30823" S27'26'5,47235"
78	Phakathi Mduduzi	Osizweni	18	E30'58'4,5968" S27'63'16,1466"
79	Dlamini Sbahle	Osizweni	18	E30'6'5,85367" S27'48'50,54765"
80	Jojo Nonkululeko	Blaaubosch	15	E30'6'5,85396" S27'48'50,54652"
81	Mkhonza Londiwe	Johnstone	12	E30'6'19,06452" S27'46'5,63484"
82	Gumede Ntombikayise	Ntshingila Stand	31	E30'4'37,99776" S27'45'20,03256"
83	Ngcobo Vusimuzi	Madadeni	28	E30'2'21,25644" S27'45'9,9054"
84	Nxumalo Lucky	Blueridge Farm	21	E29'49'45,56389" S27'42'57,83195"
85	Hlatshwayo Hlengiwe	Blueridge Farm	21	E29'49'45,57499" S27'42'57,83285"
86	Kunene Xolile	Blueridge Farm	21	E29'99'45,5577" S27'42'57,83273"
87	Ismail Makie	Ndaleneni	21	E29'55'11,73756" S27'46'11,2044"
88	Modise Galebale	Blueridge Farm	21	E29'49'45,45278" S27'42'57,82276"

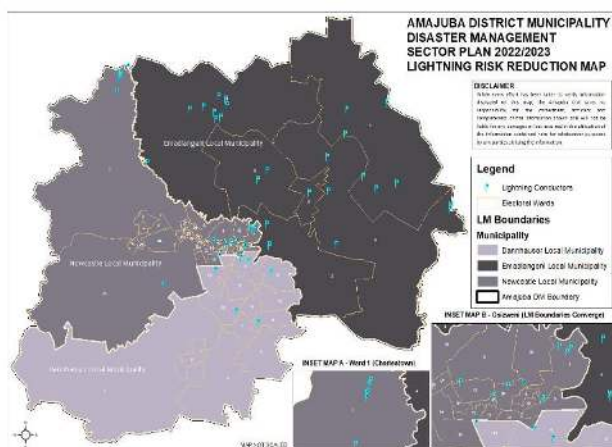
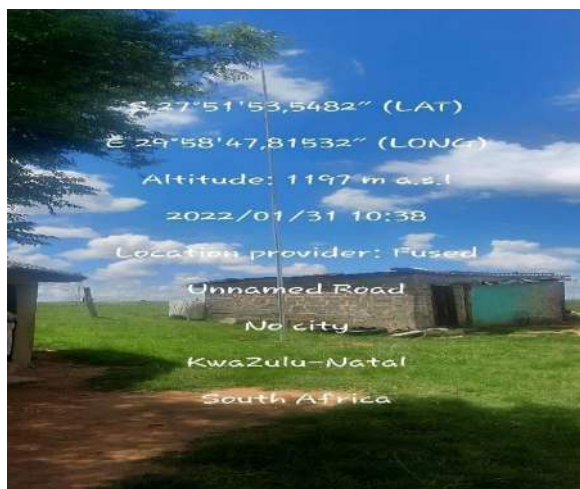
89	Masiteng Bhutini	Bossworth Farm	21	E29°58'58,2553" S27°53'15,31245"
90	Ndaba Idah	Charlestown	1	E29°52'6,83048" S27°26'11,88312"
91	Masondo Magwagwa	Bossworth Farm	21	E29°59'56,84208" S27°54'36,93492"
92	Kunene Simangele	Madadeni	14	E30°4'20,85528" S27°46'22,14372"
93	Mthethwa Ernest	Mathukuza	34	E30°3'24,24222" S27°46'15,06587"
94	Dhlodhlo Cebisile	Masondeza	6	E30°5'35,94987" S27°46'47,7023"
95	Mangele Ntombikhona	Charlestown	1	E29°53'38,30712" S27°26'5,47224"
96	Malinga Thokozile	Osizweni	17	E30°10'0,3418" S27°47'25,25937"
97	Smith Brian	Ncandu Park	5	E30°1'26,49515" S27°45'1,75566"
98	Hariram Anil	Lennoxton	3	E30°1'26,58604" S27°45'1,75557"
99	Xazumti Samukelisiwe	Blaaubosch	17	E30°5'2'2380283" S27°46'50,72687"
100	Mtshali Zamokuhle	Osizweni	9	E30°6'36,85423" S27°47'50,0253"
101	Mbamali Ntombifuthi	Siyahlala lah	25	E30°8'38,89827" S27°47'45,21739"
102	Maharajh Pravesh	Paradise	25	E30°6'5,85614" S27°48'50,65663"
103	Shezi Tholakele	Osizweni	17	E30°6'41,22363" S27°47'49,34537"
104	Nkosi Sifiso	Madadeni	26	E30°2'21,25755" S27°45'9,1065"
105	Moya Samuel	Osizweni	8	E30°6'39,157263" S27°44,55,124377"
106	Ndaba Jabulile	Osizweni	17	E30°8'39,124567" S27°44,55,14735"
107	Khumalo Nompumelelo	Osizweni	17	E30°8'39,2453729" S27°44,54,3867"
108	Nkosi Thandeka	Osizweni	17	E30°8'39,23546" S27°44'54,3792"
109	Nkabinde Nokuthula	Osizweni	17	E30°8'39,12354" S27°44,54,2925"
110	Zikhali Thembelihle	Osizweni	17	E30°8'39,72145" S27°44'54'7975"
111	Mhlungu Ntombikayise	Osizweni	17	E30°8'39'76145" S27°44'53'7874"
112	Mbangula Thandiswa	Osizweni	17	E30°8'39,66316" S27°44,52,7673"
113	Mbhele Ntombikayise	Madadeni	26	30,050293" -27,750007"
114	Kambule Ntombikayise	Osizweni	17	E30°5'56,57163" S27°47'38,22263"
115	Msopi Simangele	Madadeni	22	E30°1'42,99564" S27°45'19,69488"

116	Mdletshe Silindile	Dicks New Stand	31	E30°8'16,16748" S27°47'34,74935"
117	Mofokeng Mosebetsi	Mndozo	7	E30°11'9,58834" S27°45'15,32124"
118	Khumalo Thembisile	Madadeni	24	E30°4'20,94428" S27°46'22,25373"
119	Msimango Dumisani	Madadeni	14	E30°4'20,85528" S27°46'32,14372"
120	Ngwenya Kwanele	Osizweni	7	E30°2'2'39478" S27°44'7'95541"
121	Mashaba Mbali	Charlestown	1	E29°53'38,30715" S27°26'5,47225"
122	Mabaso Thandaphi	Manzana	33	E30°2'39,58199" S27°45'14,70999"
123	Pillay Lingersagren	Surayvile	3	E30°11'9,58895" S27°45'15,32235"
124	Mazibuko Florence	Sgodiphola	7	E30°11'30,13728" S27°44'43,08792"
125	Mpanza Zodwa	Mndozo	7	E30°10'23,44656" S27°45'28,353258"
126	Nhlapho Sesie	Osizweni	30	E30°8'16'16748" S27°47'34,74924"
127	Mofokeng Zodwa	Madadeni	14	E30°11'9'58875" S27°45'15,32135"
128	Zwane Thembinkosi	Jaakalaas	12	E30°11'9,58886" S27°45'15'32135"

CHALLENGES EXPERIENCED IN 2022/2023 AND RECOMMENDED SOLUTIONS

CHALLENGES	RECOMMENDED SOLUTIONS
Limited staff versus vastness of wards (34) thus response time extended due to very limited staff member employed dealing with numerous incidents.	Filling in the posts of disaster management practitioner.
In the past financial year the municipality was affected by major incidents that destroyed households and municipality infrastructure thus the municipality seeking external assistance.	Declaring a state of disaster thus receiving external financial assistance from provincial, national government to rehabilitate damaged infrastructure and households.
Limited budget to perform the entire function	Increase the disaster management budget in order to procure additional relief, awareness material and staff

GIS PLOT OF AREAS IN NEWCASTLE MUNICIPALITY WHERE LIGHTNING CONDUCTORS HAVE BEEN INSTALLED



PARKS AND RECREATION

PARKS AND RECREATION SECTION

Following is the list of play parks within Newcastle Municipality:

SPORT FACILITIES WITHIN NEWCASTLE MUNICIPALITY

The following is the list of Sport Grounds within Newcastle Municipality

Name of the ground	Condition	Challenges & Recommendations
Osizweni Stadium	Functional, although requires lot of maintenance due to vandalism.	Provision of budget for the rehabilitation of sport facilities.
Osizweni Cricket Oval		
Phelindaba Stadium		
Arbor Park Grounds (A, B, C)		
Paradise Grounds (A, B, C)		
Newcastle Recreation Center		
Kilbarchen ground		
Ingagane ground		

BOOKINGS & USAGE FOR 2022/23

DATE	NAME OF FACILITY	CUSTOMER	EVENT
JULY 2022			
24/07/22	Paradise	Aar Noor FC	Soccer
03/07/22	Paradise	KZN College Of Nursing	Soccer, netball, volleyball, Aerobics
03/07/22	Osizweni stadium	Amajuba District Netball	Netball
06/07/22	Paradise	Stars United vs Transnet	
10/07/22	Osizweni stadium	Amajuba District Netball	Netball

13/07/22	Paradise	DOT vs Uthukela Waters	Soccer
12/07/22	Paradise	NN Municipality vs Niemeyer	Soccer
13/07/22	Paradise	NN Municipality vs Majuba Tvet	Soccer
	Paradise	Transnet vs DOJ	Soccer
17/07/22	Osizweni stadium	Amajuba District Netball	Netball
	Paradise	Uthukela Waters vs DOT	Soccer
	Paradise	Sisonke vs Eskom	Soccer
20/07/22	Paradise	DOT vs Eskom	Soccer
	Paradise	POP vs Majuba Tvet	Soccer
24/07/22	Osizweni stadium	Amajuba District Netball	Netball
	Paradise	Uthukela vs Niemeyer	Soccer and netball
	Paradise	Sisonke vs Stars United	Soccer and netball
31/07/22	Osizweni stadium	Amajuba District Netball	Netball
27/07/22	Paradise	Stars United vs DOE	Soccer and netball
	Paradise	NN Municipality vs POP	Soccer and netball
	Paradise	Transnet vs Sisonke	Soccer and netball
	Paradise	Eskom vs DOT	Soccer and netball
13/07/22	Arbor Park	Arbor Park Primary	All sport codes
AUGUST 2022			
03/08/22	Paradise	POP vs DOJ	
07/08/22	Osizweni stadium	Amajuba District Netball	Netball
	Paradise	Stars United vs DOT	Soccer and netball
	Paradise	Transnet vs DOE	Soccer and netball
	Paradise	Uthukela vs NN Municipality	Soccer and netball
14/08/22	Osizweni stadium	Amajuba District Netball	Netball
21/08/22	Osizweni stadium	Amajuba District Netball	Netball
28/08/22	Osizweni stadium	Amajuba District Netball	Netball
29/08/22	Osizweni Stadium	Sport and Recreation	Soccer
SEPTEMBER 2022			
28/09/22	Osizweni stadium	DSAC-Disability Games	Athletics, soccer, netball
30/09/22	Osizweni	SASOL tournament	Soccer
04/09/22	Osizweni stadium	Amajuba District Netball	Netball
11/09/22	Osizweni stadium	Amajuba District Netball	Netball
18/09/22	Osizweni stadium	Amajuba District Netball	Netball
18/09/22	Osizweni stadium	SAFA Amajuba	Soccer
25/09/22	Osizweni stadium	Amajuba District Netball	Netball
OCTOBER 2022			
12/10/22	Osizweni stadium	DSAC-Disability Games	Athletics, soccer, netball
19/10/22	Osizweni stadium	DSAC-Disability Games	Athletics, soccer, netball
22-29/10/22	Paradise	All Foreign Nationals in NN	Soccer

02/10/22	Osizweni stadium	DSAC-Disability Games	Athletics, soccer, netball
27/10/22	Osizweni stadium	SADTU Umgababa branch	Soccer and netball
	Osizweni stadium	DSAC-Disability Games	Athletics, soccer, netball
03/10/22	Paradise	Newcastle District Cricket	Cricket
04/10/22	Paradise	Newcastle District Cricket	Cricket
05/10/22	Paradise	Newcastle District Cricket	Cricket
06/10/22	Paradise	Newcastle District Cricket	Cricket
10/10/22	Paradise	Newcastle District Cricket	Cricket
11/10/22	Paradise	Newcastle District Cricket	Cricket
12/10/22	Paradise	Newcastle District Cricket	Cricket
13/10/22	Paradise	Newcastle District Cricket	Cricket
17/10/22	Paradise	Newcastle District Cricket	Cricket
18/10/22	Paradise	Newcastle District Cricket	Cricket
19/10/22	Paradise	Newcastle District Cricket	Cricket
20/10/22	Paradise	Newcastle District Cricket	Cricket
24/10/22	Paradise	Newcastle District Cricket	Cricket
25/10/22	Paradise	Newcastle District Cricket	Cricket
26/10/22	Paradise	Newcastle District Cricket	Cricket
27/10/22	Paradise	Newcastle District Cricket	Cricket
31/10/22	Paradise	Newcastle District Cricket	Cricket
02/10/22	Paradise	ABC Motsepe Regional League	
09/10/22	Paradise	ABC Motsepe Regional League	Soccer
16/10/22	Paradise	ABC Motsepe Regional League	Soccer
23/10/22	Paradise	ABC Motsepe Regional League	Soccer
NOVEMBER 2022			
09/11/22	Osizweni stadium	DSAC-Disability Games	Athletics, soccer, netball
16/11/22	Osizweni stadium	DSAC-Disability Games	Athletics, soccer, netball
01/12/22	Osizweni stadium	SASOL Womens tournament	Soccer
01/11/22	Paradise	Newcastle District Cricket	Cricket
02/11/22	Paradise	Newcastle District Cricket	Cricket
03/11/22	Paradise	Newcastle District Cricket	Cricket
07/11/22	Paradise	Newcastle District Cricket	Cricket
08/11/22	Paradise	Newcastle District Cricket	Cricket
09/11/22	Paradise	Newcastle District Cricket	Cricket
10/11/22	Paradise	Newcastle District Cricket	Cricket
11/11/22	Paradise	Newcastle District Cricket	Cricket
12/11/22	Paradise	Newcastle District Cricket	Cricket
13/11/22	Paradise	Newcastle District Cricket	Cricket
14/11/22	Paradise	Newcastle District Cricket	Cricket

15/11/22	Paradise	Newcastle District Cricket	Cricket
16/12/22	Osizweni stadium	SASOL Womens tournament	Soccer
17/11/22	Paradise	Newcastle District Cricket	Cricket
21/11/22	Paradise	Newcastle District Cricket	Cricket
22/11/22	Paradise	Newcastle District Cricket	Cricket
23/11/22	Paradise	Newcastle District Cricket	Cricket
24/11/22	Paradise	Newcastle District Cricket	Cricket
DECEMBER 2022			
08-11/12/22	Paradise	DSAC-SALGA Games	Soccer
08-11/12/22	Fernwood	DSAC-SALGA Games	Soccer
08-11/12/22	Osizweni stadium	DSAC-SALGA Games	Soccer
08-11/12/22	Fernwood	DSAC-SALGA Games	Soccer
08-11/12/22	Osizweni stadium	DSAC-SALGA Games	Soccer
16/12/22	Paradise	ABC Motsepe Regional League	Soccer
JANUARY 2023			
04/01/23	Paradise	Newcastle District Cricket	Cricket- semi- final
05/01/23	Paradise	Newcastle District Cricket	Cricket- semi- final
09/01/23	Paradise	Phoenix vs Rebels	Cricket – final
14/01/23	Arbor Park	Eagles vs Warriors	Cricket
21/01/23	Paradise	Phoenix vs Lennexton	Cricket
21/01/23	Arbor Park	Rebels vs Eagles	Cricket
28/01/23	Paradise	Warriors vs Lennixton	Cricket
28/01/23	Arbor Park	Phoenix vs Eagles	Cricket
30/01/23	Paradise	Phoenix and Warriors	Cricket
FEBRUARY 2023			
04/02/23	Paradise	Eagles vs Lennoxton	Cricket
04/02/23	Arbor Park	Rebels vs Warriors	Cricket
11/02/23	Paradise	Lennoxton vs Rebels	Cricket
11/02/23	Arbor Park	Warriors vs Phoenix	Cricket
18/02/23	Paradise	Rebels vs Phoenix	Cricket
18/02/23	Arbor Park	Eagle vs Warriors	Cricket
25/02/23	Paradise	Phoenix vs Lennoxton	Cricket
25/02/23	Arbor Park	Rebels vs Eagles	Cricket
04/02/23	Paradise	ABC Motsepe Regional League	Soccer
11/02/23	Paradise	ABC Motsepe Regional League	Soccer
18/02/23	Paradise	ABC Motsepe Regional League	Soccer

25/02/23	Paradise	ABC Motsepe Regional League	Soccer
MARCH 2023			
04/03/23	Paradise	Lennoxton vs Warriors	Cricket
04/03/23	Arbor Park	Phoenix vs Eagles	Cricket
11/03/23	Paradise	Eagles vs Lennoxton	Cricket
11/04/23	Arbor Park	Rebels vs Warriors	Cricket
22/03/23	Arbor Park grounds	Department of Sport and Recreation	Netball and soccer
	Paradise ground		Netball and soccer
22/03/2023	Arbor Park	Sisonke vs Eskom (Work and Play)	Soccer and netball
	Paradise	Transnet vs Isikhalisezwe	Soccer
	Paradise	Madadeni vs Uthukela Water	Soccer
29/03/2023	Arbor Park	Isikhalisezwe vs Madadeni college	
	Paradise	DOT vs DOJ	Soccer
	Paradise	Brochem vs Newcastle Municipality	Soccer
	Paradise	Sisonke vs Transnet	Soccer
	Paradise	Uthukela water vs All Stars	Soccer
April 2023			
19/04/2023	Arbor Park	Brochem vs Uthukela Water	Soccer and netball
19/04/2023	Paradise	Eskom vs DOT	Soccer and netball
	Paradise	Sisonke vs Newcastle	Soccer and netball
	Paradise	DOE vs Niemeyer	Soccer and netball
26/04/2023	Arbor Park	DOE vs DOT	Soccer and netball
	Paradise	Newcastle vs Niemeyer	Soccer and netball
	Paradise	Eskom vs Uthukela Waters	Soccer and netball
	Paradise	Isikhalisezwe vs Brochem	Soccer and netball
	Paradise	Madadeni hosp vs DOJ	Soccer and netball

LIST OF POOLS IN NEWCASTLE

SWIMMING POOLS:

Parks, Recreation & Cemeteries Section is mandatory to provide safe, accessible facilities to the community that are safe and friendly to promote water safety programmes to the community at large and to comply with applicable legislation such as Health & Safety Act 85 Of 1993.

NAME OF THE POOL	MAINTENANCE	FREQUENCY OF GRASS CUTTING
Amcor dam		Grass cutting is a continues function as and when required
Newcastle pool		Grass cutting is a continues function as and when required
NON-OPERATIONAL POOLS		
Arbor Park Pool		
Fairghly Pool		
Suryaville Pool		
Challenges		
Vandalism of ablution facilities and fencing.		

CHAPTER 8 ORGANISATIONAL DEVELOPMENT PERFORMANCE

8.1 COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

EMPLOYEE TOTALS, TURNOVER AND VACANCY

Table 17 EMPLOYEE TOTALS, TURNOVER AND VACANCY

DEPARTMENT	NO. OF EMPLOYEES	No. OF VACANT POST	NO. OF POSTS BUDGETED FOR	NO. OF STAFF TURN OVER
MUNICIPAL MANAGER AND MAYOR'S OFFICE	59	72	59	131
COMMUNITY SERVICES	638	140	638	778
CORPORATE SERVICES	115	50	115	165
DEVELOPMENT & PLANNING	58	50	58	108
TECHNICAL SERVICES	321	393	321	714
FINANCIAL SERVICES	125	33	125	158
TOTAL	1316	738	1316	2054

Table 18 OCCUPATIONAL LEVELS

OCCUPATIONAL LEVEL	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
Top Management	3				1				4
Senior Management	27		2	3	14		4	4	54
Professionally qualified and experienced specialist and mid-management	72	2	7	4	78	1	5	5	174
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	140	3	14	3	63	2	8	4	237
Semi-skilled and discretionary decisions making	320	4	10	6	160		9	6	515
Unskilled and defined decision making	186				146				332
TOTAL PERMANENT	748	9	33	16	462	3	26	19	1316
Temporary Employees	35		1		26				64
GRAND TOTAL	783	9	34	16	488	3	26	21	1380

OCCUPATIONAL LEVEL	MALES				FEMALES				TOTAL
	A	C	I	W	A	C	I	W	
OCCUPATIONAL LEVEL		POST LEVEL			NO. OF EMPLOYEES				
Top Management		Section 54			4				
Senior Management		15 – 17			54				
Professionally qualified and experience specialist and mid-management		12 – 14			174				
Semi-skilled and discretionary decision making		9 – 11			237				
Unskilled and defined decision making		7 – 8			515				
TOTAL PERMANENT		5 – 6			332				
Temporary Employees					64				
GRAND TOTAL					1380 (TOTAL) PERM & TEMP				

NEW APPOINTMENTS: 1 JULY 2022 – 30 JUNE 2023

Table 19 NEW APPOINTMENT FOR 2022/2023

TASK GRADE	TOTAL EMPLOYEES APPOINTED
Section 57	1
Task Grade 5	0
Task Grade 6	4
Task Grade 7	16
Task Grade 8	4

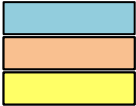
Task Grade 9	0
Task Grade 10	2
Task Grade 11	4
Task Grade 12	11
Task Grade 13	2
Task Grade 14	2
Task Grade 15	0
Task Grade 16	5
Task Grade 17	6
TOTAL	57

EMPLOYMENT EQUITY 2022'2023

NEWCASTLE MUNICIPALITY AS AT 30 JUNE 2023

	46.2	0.6	6	1.5	40.5	0.5	3.6	1.1				
OCCUPATIONAL LEVELS	AFRICAN	MALE COLOURED	INDIAN	WHITE	AFRICAN	FEMALE COLOURED	INDIAN	WHITE	FOREIGN MALE	NATIONALS FEMALE	VACANCIES	TOTAL
Top Management (Sect.57)	3.234	0.042	0.42	0.105	2.835	0.035	0.252	0.077	0	0	0	0
	3	0	0	0	3	0	0	0	0	0	0	6
	3	0	0	0	1	0	0	0	0	0	3	7
Senior Management (TG.17-15)	36.036	0.468	4.68	1.17	31.59	0.39	2.808	0.858	0	0	0	0
	36	1	5	1	32	0	3	1	0	0	0	79
	23	2	0	3	14	4	0	4	0	0	28	78
Professionally qualified and experienced specialists and mid management (TG.14-12)	146.92	32	19	5	129	2	11.45	3.50	0	0	0	0
	147	32	19	5	129	2	11	3	0	0	0	348
	76	7	1	4	77	1	1	5	1	1	144	318
Skilled Technical and academically qualified workers, junior management supervisors, foremen, and superintendents (TG.11-9)	212	27	27	7	186	2	16	5	0	0	0	0
	212	27	27	7	186	2	16	5	0	0	0	482
	140	15	3	4	64	8	2	4	1	0	217	458
Semi - skilled and discretionary decision making (TG.8-7)	328	4.26	43	11	288	4	26	8	0	0	0	0
	328	4	43	11	288	4	26	8	0	0		712
	322	11	3	6	165	11	0	6	0	0	186	710
Unskilled and defined decision making (TG.6-5)	244	3	32	8	214	3	19	6	0	0	0	529
	244	3	32	8	214	3	19	6	0	0	0	529
	190	0	0	0	147	0	0	0	0	0	192	529
TOTAL PERMANENT	970	13	126	32	851	11	76	23	0	0	0	
	970	13	126	32	851	11	76	23	0	0	0	2102
	754	35	7	17	468	24	3	19	2	1	770	2100
Non- permanent employees	50	1	6	2	44	1	4	1	0	0	0	0
	50	1	6	2	44	1	4	1	0	0	0	109
	35	1	0	0	26	0	0	2	0	0	0	64
TOTAL	1020	13	132	33	894	11	79	243	0	0	0	0

	1020	13	132	33	894	11	79	243	0	0	0	2425
	789	36	7	17	494	24	3	21	2	1	770	2164



POPULATION
NUMERICAL
GOALS
PRESENT STAFF
ESTABLISHMENT

VACANCIES 770

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

POLICIES

NAME OF POLICY	COMPLETED %	REVIEWED %	DATE ADOPTED BY COUNCIL OR COMMENT ON FAILURE TO ADOPT
Induction Policy (POA)	100%		2022-06-23
Overtime Policy	100%		2022-06-23
Remuneration Policy	100%		2022-06-23
Retention and Succession Policy	100%		2022-06-23
Subsistence and Travel Allowance policy	100%		2022-06-23
Sexual Harassment Policy (EAP)	100%		2022-06-23
Acting Policy	100%		2022-06-23

INJURIES, SICKNESS AND SUSPENSIONS

INJURIES ON DUTY 2022/23

DEPARTMENT	NUMBER OF INJURIES
MM's Office	2
Technical Services	10
Community Services	25

Corporate Services	0
DPHS	2
BTO	4
Mayor's Office	0
Total	43

Suspension

DEPARTMENT	MISCONDUCT	SUSPENSION DATE
Budget and Treasury Office	Financial misconduct Financial misconduct	24 January 2023 19 January 2023
Corporate Services	None	None
Community Services	None	None
Office of the Municipal Manager	Gross misconduct / gross dishonesty	12 May 2023
Office of the Mayor	None	None
Technical Services	Financial misconduct	20 September 2022

SICK LEAVE PER DEPARTMENT

DEPARTMENT	JULY 2022	AUGUST 2022	SEPT 2022	OCT 2022	NOV 2022	DEC 2022	JAN 2023	FEB 2023	MARCH 2023	APRIL 2023	MAY 2023	JUNE 2023
Corporate Services	47	52	20	37	49	29	62	15	24	40	60	52
Budget & Treasury	40	84	44	117	74	82	75	50	64	22	97	39
DPHS	32	59	17	45	36	27	14	18	21	10	83	41
MM	18	37	19	16	22	77	26	22	13	41	40	12
Technical Services	105	116	53	207	108	102	110	109	92	83	40	98
Community Services	136	236	137	282	262	88	235	219	152	119	226	200
TOTAL	378	584	290	704	551	405	522	433	366	315	546	442

COMPONENT C SKILLS DEVELOPMENT

4.5 SKILLS DEVELOPMENT

Skills development is regarded as all activities related to the education, training and development of councillors and employees in the Newcastle Municipality. The importance of skills development is emphasised in all legislation applicable to local government. The Constitution of South Africa underlines the importance of human resources development in section 195. The Local Government Municipal Systems Act 32 of 2000 Section 68(1) requires municipalities 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.

4.6 LEARNING AND TALENT MANAGEMENT UNIT

Skills development falls under the mandate of the Learning and Talent Management Unit. The Learning and Talent Management 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. The importance of skills development in the Newcastle Municipality is clear in the vision and mission of the Learning and Talent Management 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.

4.7 KEY PRIORITIES OF THE LEARNING AND TALENT MANAGEMENT UNIT

The Learning and Talent Management 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

4.8 LEARNING AND TALENT MANAGEMENT HIGHLIGHTS AND CHALLENGES

Challenges:

- Funding
- Lack of equipment
- Lack of training space
- High vacancy rate
- Lack of prioritizing training by departments and management – departments request training and development but fail to commit the time needed for their staff to be trained.

Highlights:

Despite the number of challenges experienced by the Learning and Talent Management Unit, various achievements can be highlighted. These achievements are only possible with the dedication of LTM employees displaying passion for their work

- Reinstitution of the driver development programme
- OHS
- MFMP

4.8 SKILLS PROGRAMMES & IN-HOUSE TRAINING

In line with the legislation and mandate of the Learning and Talent Management Unit various development programmes were rolled out during the 2022/2023 financial year. Table 1 summarised all training provided in terms of the occupational levels, race and gender of councillors and employees.

Table 1: Education, Training and Development in terms of occupational levels, race and gender: 2022/2023

Occupational Level	Female				Male				Total				Total
	A	C	I	W	A	C	I	W	A	C	I	W	
Councillors	26	0	2	0	24	0	2	2	50	0	4	2	56
Top Management	0	0	0	0	2	0	0	0	2	0	0	0	2
Senior Management	18	0	1	10	25	0	1	0	43	0	2	10	55
Professionally qualified and	79	0	4	3	64	0	0	4	143	0	4	7	154

experienced specialist and mid-management													
Skilled Technical and academically qualified workers, junior management, supervisors, foremen and superintendents	39	3	6	4	76	0	11	0	115	3	17	4	139
Semi-Skilled and discretionary decisions making	109	2	2	5	124	3	1	2	233	5	3	7	248
Unskilled and defined decision making	31	0	0	0	56	0	0	0	87	0	0	0	87
Unemployed (Interns/Students/ Contract Workers)	42	0	0	0	35	0	3	0	77	0	3	0	80
TOTAL	344	5	15	22	406	3	18	8	750	8	33	30	821

Table 2 provides a description of all in-house programmes rolled out by the employees of the Learning and Talent Management Unit as well as the Human Resource Management Directorate. In-house programmes are programmes researched and designed by employees of the Newcastle Municipality with the purpose of developing skills specific to the circumstances of the municipality.

Table 2: In-house programmes : 2022/2023 FY

Types of Learning Intervention	Name of the Learning Intervention	NQF Level	Number of trained	
			Female	Male
In-house Training	Induction Training		25	8
In-house Training	Municipal Staff Regulations Training		14	
In-house Training	Customer Care & Batho Pele Principles		17	11
TOTAL			56	19

Table 3 sets out all skills programmes that took place during the 2022/2023 financial year. Skills programmes refers to skills programmes that are done in terms of the Skills Policy of the Newcastle Municipality to assist employees to acquire skills and competencies that will enhance their productivity levels.

Table 3: Skills Programmes: 2022/2023 FY

Types of Learning Intervention	Name of the Learning Intervention	NQF Level	Number of trained	
			Female	Male
Skills Programme	N4 Human Resources Management		1	
Skills Programme	N4 Public Management		1	
Skills Programme	N4-N6 Public Administration			1
Skills Programme	Negotiation and Conflict Resolution			1
Skills Programme	Advanced Shield Metal ARC Welding			1
Skills Programme	Cherry Picker		2	17
Skills Programme	SHE Representative		13	29
Skills Programme	Truck Mounted Crane		2	13
Skills Programme	Grader Operator		3	10
Skills Programme	Front End Loader		1	10
Skills Programme	Basic Computer Skills		4	6
Skills Programme	Intermediate Report Writing		3	4
Skills Programme	Intermediate Computer Skills		6	4
Skills Programme	TLB Training		3	5
Skills Programme	OHS Management		2	9
Skills Programme	N5 Financial Management		2	
Skills Programme	N4 Financial Management		1	
Skills Programme	Basic Fire Fighter Course			1
Skills Programme	N5 Management Assistant		1	
Skills Programme	N4 Public Management		1	
Skills Programme	N4-N5 Public Management		1	
Skills Programme	N5 Public Management		2	
Skills Programme	HR Practitioners & Councillors Forum		4	6
Skills Programme	Batho Pele Workshop		59	36
Skills Programme	Basic Computer Skills		2	1
Skills Programme	Industrial Water Process Controller			1
Skills Programme	N4 Human Resources Management		1	
Skills Programme	N6 Human Resources Management		1	
Skills Programme	Lawnmower Training		9	33
Skills Programme	Policy Formulation, Implementation & Institutional Governance		14	5
Skills Programme	Payroll & Tax Administrator		1	
Skills Programme	LLF Training (Employer Body)		4	3
Skills Programme	LLF Training (Train the Trainer)		1	

Skills Programme	Advanced Computer Course		6	4
Skills Programme	Public Speaking		5	4
Skills Programme	N6 Public Management		2	
Skills Programme	N4 Public Management		2	1
Skills Programme	N6 Financial Management		1	
Skills Programme	N4 Financial Management			1
Skills Programme	N5 Electrical Engineering		2	
Skills Programme	N1 Electrical Engineering			1
Skills Programme	POPIA Practical Approach towards Compliance		1	
Skills Programme	Basic Labour Relations		1	
Skills Programme	Negotiation Skills		1	
Skills Programme	Managing Day to Day Challenges in the Workplace		1	
Skills Programme	Management and Leadership		1	
Skills Programme	Formulation of Disciplinary Charges		1	
Skills Programme	Employment Equity Committee Training		1	
Skills Programme	Excavator Training			5
Skills Programme	Driving Development Code 14			1
Skills Programme	Driving Development Code 10		1	
Skills Programme	Comptia A+ / Comptia N+		1	
Skills Programme	Microsoft 365 Identity and Services & Exam		1	1
Skills Programme	Technical Report Writing		2	2
Skills Programme	Self Management Report Course for Councillors		6	4
Skills Programme	Certified Risk Management Practitioner Board Exam I		1	
Skills Programme	Operational of Water & Wastewater Treatment Plans		1	
Skills Programme	Developing an Inspired Workforce (37 th Annual IMPSA)		4	2
Skills Programme	Pump Operator & Maintenance			1
Skills Programme	Driving Development : PrDP			6
Skills Programme	First Aid Level 3		5	18
Skills Programme	Labour Relations Framework Support		11	9
Skills Programme	Emotional Intelligence Leadership		12	1
Skills Programme	Driver Development			3
Skills Programme	Comptia Server & Exam			1
Skills Programme	VMWare Configure & Exam			1
Skills Programme	CISCO Implementing & Admin			1
Skills Programme	Driver Development			3
Skills Programme	Security Training Grade E,D, C Firearm Training			3
Skills Programme	Fire Instructor NFPA 1041 & Fire Officer NFPA 1021			1
Skills Programme	N4-N6 Public Management		1	
Skills Programme	Minute Taking, Effective Report Writing & Protocol Training		3	6
Skills Programme	Capacity Building Workshop, Implementation of the Local Government MSR		6	10

Skills Programme	MSR Training		8	13
Skills Programme	N5-N6 Public Management		1	
Skills Programme	A-Z Coding / Intel Easy Steps / Refresher / Matric Upgrade		4	
Skills Programme	Computer Literacy Training		2	1
Skills Programme	N4 Public Management		2	4
Skills Programme	N5 Public Management		3	3
Skills Programme	N4-N6 Public Management		3	1
Skills Programme	Driver Development – Driver Licence Code 8(B)			4
Skills Programme	Advanced Project Management Short Course			2
Skills Programme	Water Governance in South Africa			1
Skills Programme	CESA Members Infrastructure Indaba Conference			1
Skills Programme	HR Practitioners and Councillors Forum		2	2
Skills Programme	Coaching for Leadership Development		2	2
Skills Programme	Avoiding Irregular, Unauthorised, Fruitless and Wasteful Expenditure		1	1
Skills Programme	Citizen Centred Service Delivery			1
Skills Programme	IBSN N4			1
Skills Programme	N1 Diesel Mechanic			1
Skills Programme	Fire Fighter Certificate			1
Skills Programme	Intermediate Computer Skills		4	
Skills Programme	Advanced Computer Skills		4	
Skills Programme	N1-N6 Plumbing			1
Skills Programme	N6 Financial Management		1	
Skills Programme	N6 Public Management		1	
Skills Programme	First Aid Training		1	4
Skills Programme	Trade Test Plumbing		1	1
Skills Programme	N6 Financial Management		1	
Skills Programme	Fire Instructor NFPA		1	3
Skills Programme	Programme in Safety Management			1
Skills Programme	Driver Development – Drivers Licence Code 14(EC)			1
Skills Programme	N5 Management Assistant		1	
Skills Programme	Evidence Based Policy Making and Implementation		3	1
Skills Programme	Fleet & Transport Management			2
Skills Programme	HR Metrics & Analytics		2	3
Skills Programme	CIA Part II Exam		2	1
Skills Programme	HIRA Training		7	8
Skills Programme	Driver Development Code 10(C1)		2	5
Skills Programme	N4 Public Management		2	3
Skills Programme	N4 Human Resource Management			2
Skills Programme	N1 Plumbing			1
Skills Programme	N4 Mechanical Engineering			1
Skills Programme	Fire Officer			1
Skills Programme	Conditions of Service Collective Agreement Training (Online)		7	6
Skills Programme	Fire Fighter 1 & 2			1

Skills Programme	Best Management Skills Programme	1
Skills Programme	Levelling & Setting Out Surveyor Refresher Course	1
Skills Programme	ARPL Phase Assessment Diesel Mechanic	2
Skills Programme	Trade Test Diesel Mechanic	1
Skills Programme	N4 Financial Management	1
Skills Programme	N5 Electrical Engineering	1
Skills Programme	ISASA Control Room Operator Skills Training	1
TOTAL		296 376

Table 4 provides information on the Bursary and Study Assistance Programme of the Newcastle Municipality. This programmes aims to further the employees studies for purposes of personal development, career growth and to add value in the broader mandate of the Newcastle Municipality.

The municipality allocated 27 Bursaries in the beginning of academic year 2022.

Table 4: Bursary and Study Assistance: 2022/2023 FY

Types of Learning Intervention	Name of the Learning Intervention	NQF Level	Number of trained	
			Female	Male
Bursary	Bachelor of Accounting Science in Financial Accounting		1	
Bursary	National Diploma in Local Government Finance			1
Bursary	Bachelor of Commerce in Supply Chain Management		2	
Bursary	N4-N6 Public Management			1
Bursary	Bachelor of Commerce in Law			1
Bursary	Bachelor of Commerce in HRM		1	
Bursary	Bachelor of Public Administration		2	
Bursary	Bachelor of Accounting		1	
Bursary	N6 Public Management			1
Bursary	Postgraduate Diploma in Risk Management			1
Bursary	Bachelor of Commerce			1
Bursary	Masters in Public Management		1	
Bursary	Postgraduate Diploma in Water Management		1	
Study Assistance	Wireman's Licence			2
Study Assistance	Bachelor of Commerce Law		1	
Study Assistance	Advanced Diploma in Accounting Science		1	
Study Assistance	Bachelor of Accounting Science in Management Accounting			1
Study Assistance	Bachelor of Information Science		1	

Study Assistance	Bachelor of Accounting Science in Management Accounting			2
Study Assistance	Higher Certificate in Fire Technology Management			2
Study Assistance	Bachelor of Accounting Science in Financial Accounting		4	
Study Assistance	Bachelor of Laws			2
Study Assistance	Bachelor of Education		1	
Study Assistance	Masters in Business Administration		1	
Study Assistance	N4 – N6 Public Management		1	
Study Assistance	Advanced Diploma in Financial Accounting		2	
Study Assistance	Bachelor of Public Administration (Honours)			2
Study Assistance	Masters in Public Administration			2
Study Assistance	Masters in Business Administration		2	2
Study Assistance	N4 Public Management		1	2
Study Assistance	Bachelor of Business Administration (Honours)			1
Study Assistance	Higher Certificate in Management (Disaster Risk Management)		1	1
Study Assistance	Higher Certificate & Diploma in Fire Technology			1
Study Assistance	Diploma in Management (Disaster Management)		2	1
Study Assistance	Higher Certificate in Management (Fire Technology)		1	1
Study Assistance	Masters in Public Administration			2
Study Assistance	Bachelor of Commerce in Public Procurement Management			1
Study Assistance	Bachelor of Arts in Politics, Philosophy and Economics			1
Study Assistance	Bachelor of Arts in Environmental Management			1
Study Assistance	N5 Public Administration			1
Study Assistance	Bachelor of Business Administration			1
Study Assistance	PhD in Public Management Governance Management		1	
Study Assistance	Bachelor of Information Science		1	
Study Assistance	Bachelor of Commerce in Business Administration		1	
Study Assistance	N4-N5 Public Management		1	
Study Assistance	Public Administration Management		2	
Study Assistance	Bachelor of Commerce			1
Study Assistance	Basic Ambulance Assistance Supervised Practice			1
Study Assistance	Certificate in Public Management			1
Study Assistance	Advanced Diploma in Library & Information			1
Study Assistance	Higher Certificate in Management			1
TOTAL			34	40

Work-Based Exposure (WBE) Programme

The Newcastle Municipality through its Learning and Talent Management (LTM) Unit runs a work-based exposure programme which serves as the community out-reach programme aimed at exposing students to the workplace environment during their school holidays / vacation period.

During the period June 2023 the following students from Majuba TVET College and Boston College were accommodated in the Newcastle Municipality :-

Number of students	Field of Study	Host Department
14	Office Administration	Development Planning & Human Settlement
2	Records Management	Corporate Services (Admin)
3	Libraries	Community Services (Libraries)
3	Civil (Buildings)	Technical Services (Civil)
6	Engineering	Technical Services
17	Electrical	Technical Services (Elec/Mech)
8	Toursim	Community Services (Culture, Recreation & Amenities)

INTERNSHIP & PETS PROGRAMME

Table 5 provides information regarding the placement of Students and Interns as per the Practical Experiential Training System (PETS) and Internship policy of the Newcastle Municipality.

PRACTICAL EXPERIENTIAL TRAINING SYSTEM (PETS) PROGRAMME

The purpose of PETS is to enable students from TVET Colleges and Universities of Technology to acquire required workplace exposure in order to fulfil the minimum requirements of their qualifications.

The following represents the number of students currently in the municipality as part of the in-service (PETS) Programme:

Table 5: Students / In-service Learners & Interns : 2022/2023 FY

PERIOD	DESCRIPTION	NUMBER
July 2021	Number of Current Interns	5
	Office of MM	1
	Corporate Services	1

	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>29</i>
	<i>Budget & Treasury Office</i>	<i>16</i>
	<i>Community Services</i>	<i>2</i>
	<i>Technical Services</i>	<i>11</i>
	<i>Number of Student – TVET</i>	<i>7</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Interns funded by COGTA</i>	<i>6</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>Budget & Treasury Office</i>	<i>3</i>
	<i>Technical Services</i>	<i>1</i>
	<i>Number of Students – funded by FMG</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>7</i>
<i>August 2022</i>	<i>Number of Current Interns</i>	<i>5</i>
	<i>Office of MM</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>29</i>
	<i>Budget & Treasury Office</i>	<i>16</i>
	<i>Community Services</i>	<i>2</i>
	<i>Technical Services</i>	<i>11</i>
	<i>Number of Student – TVET</i>	<i>7</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Interns funded by COGTA</i>	<i>6</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>Budget & Treasury Office</i>	<i>3</i>
	<i>Technical Services</i>	<i>1</i>
	<i>Number of Students – funded by FMG</i>	<i>7</i>
	<i>Technical Services</i>	<i>7</i>

<i>September 2022</i>	<i>Number of Current Interns</i>	<i>41</i>
	<i>Office of MM</i>	<i>3</i>
	<i>Corporate Services</i>	<i>11</i>
	<i>Development Planning & Human Settlements</i>	<i>8</i>
	<i>Community Services</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>23</i>
	<i>Budget & Treasury Office</i>	<i>17</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA (National Youth Development Agency)</i>	<i>2</i>
	<i>Number of Student – TVET</i>	<i>16</i>
	<i>Technical Services</i>	<i>15</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Interns funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Number of Students – funded by FMG</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>7</i>
<i>October 2022</i>	<i>Number of Current Interns</i>	<i>41</i>
	<i>Office of MM</i>	<i>3</i>
	<i>Corporate Services</i>	<i>11</i>
	<i>Development Planning & Human Settlements</i>	<i>8</i>
	<i>Community Services</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>23</i>
	<i>Budget & Treasury Office</i>	<i>17</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA (National Youth Development Agency)</i>	<i>2</i>
	<i>Number of Student – TVET</i>	<i>16</i>
	<i>Technical Services</i>	<i>15</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Interns funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>

	<i>Number of Students – funded by FMG</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>7</i>
<i>November 2022</i>	<i>Number of Current Interns</i>	<i>41</i>
	<i>Office of the MM</i>	<i>3</i>
	<i>Corporate Services</i>	<i>11</i>
	<i>Development Planning & Human Settlements</i>	<i>8</i>
	<i>Community Services</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>23</i>
	<i>Budget & Treasury Office</i>	<i>17</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA (National Youth Development Agency)</i>	<i>2</i>
	<i>Number of Student – TVET</i>	<i>16</i>
	<i>Technical Services</i>	<i>15</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Interns funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Number of Students – funded by FMG</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>7</i>
<i>December 2022</i>	<i>Number of Current Interns</i>	<i>41</i>
	<i>Office of the MM</i>	<i>3</i>
	<i>Corporate Services</i>	<i>11</i>
	<i>Development Planning & Human Settlements</i>	<i>8</i>
	<i>Community Services</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>23</i>
	<i>Budget & Treasury Office</i>	<i>17</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA (National Youth Development Agency)</i>	<i>2</i>

	<i>Number of Student – TVET</i>	<i>21</i>
	<i>Technical Services</i>	<i>20</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Interns funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Number of Students – funded by FMG</i>	<i>7</i>
<i>January 2023</i>	<i>Budget & Treasury Office</i>	<i>7</i>
	<i>Number of Current Interns</i>	<i>41</i>
	<i>Office of the MM</i>	<i>3</i>
	<i>Corporate Services</i>	<i>11</i>
	<i>Development Planning & Human Settlements</i>	<i>8</i>
	<i>Community Services</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>23</i>
	<i>Budget & Treasury Office</i>	<i>17</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA (National Youth Development Agency)</i>	<i>2</i>
	<i>Number of Student – TVET</i>	<i>21</i>
	<i>Technical Services</i>	<i>20</i>
	<i>Community Services</i>	<i>1</i>
	<i>Number of Interns funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Number of Students – funded by FMG</i>	<i>6</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
<i>February 2023</i>	<i>Number of Current Interns</i>	<i>41</i>
	<i>Office of the MM</i>	<i>3</i>
	<i>Corporate Services</i>	<i>11</i>
	<i>Development Planning & Human Settlements</i>	<i>8</i>
	<i>Community Services</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>6</i>

	<i>Number of Students – TVET – funded by TVET</i>	<i>8</i>
	<i>Budget & Treasury Office</i>	<i>2</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA</i>	<i>2</i>
	<i>Number of Students– TVET</i>	<i>19</i>
	<i>Technical Services</i>	<i>19</i>
	<i>Number of Students– Funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Number of Students– Funded by FMG</i>	<i>4</i>
	<i>Budget & Treasury Office</i>	<i>4</i>
	<i>Number of Interns funded by COGTA</i>	<i>21</i>
	<i>Office of the Municipal Manager</i>	<i>6</i>
	<i>Corporate Services</i>	<i>4</i>
	<i>Development Planning & Human Settlements</i>	<i>4</i>
	<i>Budget & Treasury Office</i>	<i>4</i>
	<i>Technical Services</i>	<i>3</i>
<i>March 2023</i>	<i>Number of Current Interns</i>	<i>37</i>
	<i>Office of the MM</i>	<i>2</i>
	<i>Corporate Services</i>	<i>10</i>
	<i>Development Planning & Human Settlements</i>	<i>6</i>
	<i>Community Services</i>	<i>7</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>6</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>23</i>
	<i>Budget & Treasury Office</i>	<i>17</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA</i>	<i>2</i>
	<i>Number of Students– TVET</i>	<i>19</i>
	<i>Technical Services</i>	<i>19</i>
	<i>Number of Students– Funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Number of Students– Funded by FMG</i>	<i>4</i>
	<i>Budget & Treasury Office</i>	<i>4</i>
	<i>Number of Interns funded by COGTA</i>	<i>21</i>

	<i>Office of the Municipal Manager</i>	6
	<i>Corporate Services</i>	4
	<i>Development Planning & Human Settlements</i>	4
	<i>Budget & Treasury Office</i>	4
	<i>Technical Services</i>	3
<i>April 2023</i>	<i>Number of Current Interns</i>	35
	<i>Office of the MM</i>	2
	<i>Corporate Services</i>	10
	<i>Development Planning & Human Settlements</i>	6
	<i>Community Services</i>	6
	<i>Budget & Treasury Office</i>	6
	<i>Technical Services</i>	5
	<i>Number of Students – TVET – funded by TVET</i>	23
	<i>Budget & Treasury Office</i>	17
	<i>Community Services</i>	2
	<i>Development Planning & Human Settlements</i>	2
	<i>NYDA</i>	2
	<i>Number of Students– TVET</i>	19
	<i>Technical Services</i>	19
	<i>Number of Students– Funded by National Skills Fund</i>	1
	<i>Corporate Services</i>	1
	<i>Number of Students– Funded by FMG</i>	4
	<i>Budget & Treasury Office</i>	4
	<i>Number of Interns funded by COGTA</i>	21
	<i>Office of the Municipal Manager</i>	6
	<i>Corporate Services</i>	4
	<i>Development Planning & Human Settlements</i>	4
	<i>Budget & Treasury Office</i>	4
	<i>Technical Services</i>	3
	<i>Number of Interns funded by MERSETA & NSF</i>	42
	<i>Office of the Municipal Manager</i>	1
	<i>Corporate Services</i>	4
	<i>Development Planning & Human Settlements</i>	8
	<i>Budget & Treasury Office</i>	6
	<i>Technical Services</i>	20

	<i>Community Services</i>	<i>3</i>
<i>May 2023</i>	<i>Number of Current Interns</i>	<i>34</i>
	<i>Office of the MM</i>	<i>2</i>
	<i>Corporate Services</i>	<i>10</i>
	<i>Development Planning & Human Settlements</i>	<i>6</i>
	<i>Community Services</i>	<i>5</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>5</i>
	<i>Number of Students – TVET – funded by TVET</i>	<i>23</i>
	<i>Budget & Treasury Office</i>	<i>17</i>
	<i>Community Services</i>	<i>2</i>
	<i>Development Planning & Human Settlements</i>	<i>2</i>
	<i>NYDA</i>	<i>2</i>
	<i>Number of Students– TVET</i>	<i>19</i>
	<i>Technical Services</i>	<i>19</i>
	<i>Number of Students– Funded by National Skills Fund</i>	<i>1</i>
	<i>Corporate Services</i>	<i>1</i>
	<i>Number of Students– Funded by FMG</i>	<i>4</i>
	<i>Budget & Treasury Office</i>	<i>4</i>
	<i>Number of Interns funded by COGTA</i>	<i>21</i>
	<i>Office of the Municipal Manager</i>	<i>6</i>
	<i>Corporate Services</i>	<i>4</i>
	<i>Development Planning & Human Settlements</i>	<i>4</i>
	<i>Budget & Treasury Office</i>	<i>4</i>
	<i>Technical Services</i>	<i>3</i>
	<i>Number of Interns funded by MERSETA & NSF</i>	<i>42</i>
	<i>Office of the Municipal Manager</i>	<i>1</i>
	<i>Corporate Services</i>	<i>4</i>
	<i>Development Planning & Human Settlements</i>	<i>8</i>
	<i>Budget & Treasury Office</i>	<i>6</i>
	<i>Technical Services</i>	<i>20</i>
	<i>Community Services</i>	<i>3</i>
<i>June 2023</i>	<i>Number of Current Interns</i>	<i>35</i>
	<i>Office of the MM</i>	<i>2</i>
	<i>Corporate Services</i>	<i>10</i>
	<i>Development Planning & Human Settlements</i>	<i>6</i>

	<i>Community Services</i>	6
	<i>Budget & Treasury Office</i>	6
	<i>Technical Services</i>	5
	<i>Number of Students – TVET – funded by TVET</i>	23
	<i>Budget & Treasury Office</i>	17
	<i>Community Services</i>	2
	<i>Development Planning & Human Settlements</i>	2
	<i>NYDA</i>	2
	<i>Number of Students– TVET</i>	19
	<i>Technical Services</i>	19
	<i>Number of Students– Funded by National Skills Fund</i>	1
	<i>Corporate Services</i>	1
	<i>Number of Students– Funded by FMG</i>	4
	<i>Budget & Treasury Office</i>	4
	<i>Number of Interns funded by COGTA</i>	21
	<i>Office of the Municipal Manager</i>	6
	<i>Corporate Services</i>	4
	<i>Development Planning & Human Settlements</i>	4
	<i>Budget & Treasury Office</i>	4
	<i>Technical Services</i>	3
	<i>Number of Interns funded by MERSETA & NSF</i>	42
	<i>Office of the Municipal Manager</i>	1
	<i>Corporate Services</i>	4
	<i>Development Planning & Human Settlements</i>	8
	<i>Budget & Treasury Office</i>	6
	<i>Technical Services</i>	20
	<i>Community Services</i>	3
	<i>Work-Based Exposure Programme funded by TVET</i>	53
	<i>Corporate Services</i>	2
	<i>Development Planning & Human Settlements</i>	16
	<i>Community Services</i>	9
	<i>Technical Services</i>	26

BUSINESS STUDIES AND INNOVATION

Business Studies and Innovation (BSI) Unit is located at Corporate Services Department and is situated within the Directorate: People and Organizational Advancement (POA) as per the approved staff establishment of the Newcastle Municipality.

Core-functions of Organizational Development (OD) Unit:

- To enhance productivity for the entire organization.
- To improve efficiency and effectiveness for the entire municipality
- Assist departments on work study related matters.
- Workforce planning
- Custodian/Review/ Coordinate compilation of Job Descriptions for the entire organization
- Review of organizational staff establishment.
- Conducting work study/ business processes related investigations
- Advising management in terms of transport allowance
- Advising personnel in terms of the staff establishment, job descriptions and minimum qualification requirements

(i) In providing a support function to Human Resources, the Business Studies & Innovation Unit provides job descriptions to Recruitment and Selection Unit. The job descriptions are utilized for various purposes such as recruitment and selection processes, promotion, acting appointments, secondment, performance, and labour related matters.

Table 1 : Number of Job Descriptions provided to Departments

<i>Period</i>	<i>Number of Job Descriptions provided</i>					
	<i>MM's Office</i>	<i>BTO</i>	<i>Corp</i>	<i>DPHS</i>	<i>Comm</i>	<i>Tech</i>
July 2022		1	1		3	9
August 2022				1		6
September 2022	6	1	3	5	17	5
October 2022		2	4	1	7	8
November 2022	1		1		6	6
December 2022		1	1		2	4
January 2023	1				1	
February 2023	3	2	1		7	
March 2023	1	5	1		5	6
April 2023		1	1		5	6
May 2023	2		4		1	7
June 2023		2	4		4	2

(ii) The Business Studies and Innovation Unit assist in the review and creating job descriptions where new positions are created or where the job descriptions are not in the records.

Table 2 : Number of Job Descriptions created

<i>Period</i>	<i>Number created</i>
July 2022	3
August 2022	2
September 2022	5
October 2022	1
November 2022	2
December 2022	0
January 2023	0
February 2023	4
March 2023	3
April 2023	2
May 2023	6
June 2023	2

Table 3 : Number of Job Descriptions reviewed

Department	Number of job description re	Period
Corporate Services	55	April 2023 - June 2023

- (iii) Business Studies & Innovation Unit, as part of some of its functions, is to provide advice to the Human Resources Management Unit on whether positions exist in the organogram to ensure that all appointments are in line with section 66 (3) of the Municipal Systems Act and that positions are advertised with acceptable minimum qualification requirements as set out in the approved job descriptions and qualification lists.

Table 4 : Number of comments provided

<i>Period</i>	<i>Number of comments provided to HRM</i>
July 2022	8
August 2022	20
September 2022	9
October 2022	4
November 2022	12
December 2022	4
January 2023	0
February 2023	10
March 2023	5
April 2023	9
May 2023	6
June 2023	11

- (iv) It is part of the Business Studies & Innovation Unit to administer requests in relation to fixed and ad-hoc transport allowances. This entails analyzing requests, motivations, and log sheets in instances where a request for fixed transport allowance is made for a position that was not initially declared as car bearing upon appointment of the incumbent and in instances where adjustments are sought.

***Total number of Transport allowances request received from the period
July 2022 – June 2023 = 6***

- (v) Business Studies & Innovation Unit is mandated to carry out work-study investigations / reports / items as requested by Departments, SED: Corporate Services and/or the Municipal Manager.

Table 5 : Investigations / Reports / Items

<i>Period</i>	<i>Description</i>
July 2022	Overtime Payments
August 2022	Overtime Payments
September 2022	Procedure for Handling complaints against NLM council employees
October 2022	Establishment & Allocation of IPMS
November 2022	Establishment & Allocation of IPMS
December 2022	Establishment & Allocation of IPMS
January 2023	Review of Job Descriptions : Executive Support
February 2023	Review of Job Descriptions : Executive Support
March 2023	Review of Job Descriptions : Executive Support
April 2023	Review of Job Descriptions : Corporate Services
May 2023	Review of Job Descriptions : Corporate Services

CHALLENGES

- Non appointment of Business Studies and Innovation professionals
- Organized Labour opposing work study activities.
- Delay in response on the request of information done by departments under investigation.

SOLUTIONS

- Appointment of Business Studies and Innovation professionals
- Continuous engagement with Organised Labour to create an understanding of the importance of Business Studies and Innovation Unit's activities in the municipality -and its sustainability
- Arrange meeting with relevant departments to facilitate the swift response of the requested information.

CHAPTER 9 ORGANISATIONAL PERFORMANCE 2023/2023

EXECUTIVE SUMMARY

The year under review covers the period from the 1st of July 2022 to the 30th of June 2023. In terms of 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 and applicable legislation to local government. The Annual Performance Report for the 2022/2023 financial year has been compiled in accordance with Section 46 of The Local Government Municipal Systems Act, No. 32 of 2000 (as amended), Section 127 (2) of The Local Government Municipal Finance Management Act, No. 56 of 2003, as well as accompanying circulars, templates and guidelines. The Annual Performance 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) and Top-layer Service Delivery Budget Implementation Plan (TLSDBIP).

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 comparison of the 2021/2022 and 2022/2023 performance of the Top-Layer Service Delivery Budget Implementation Plan:

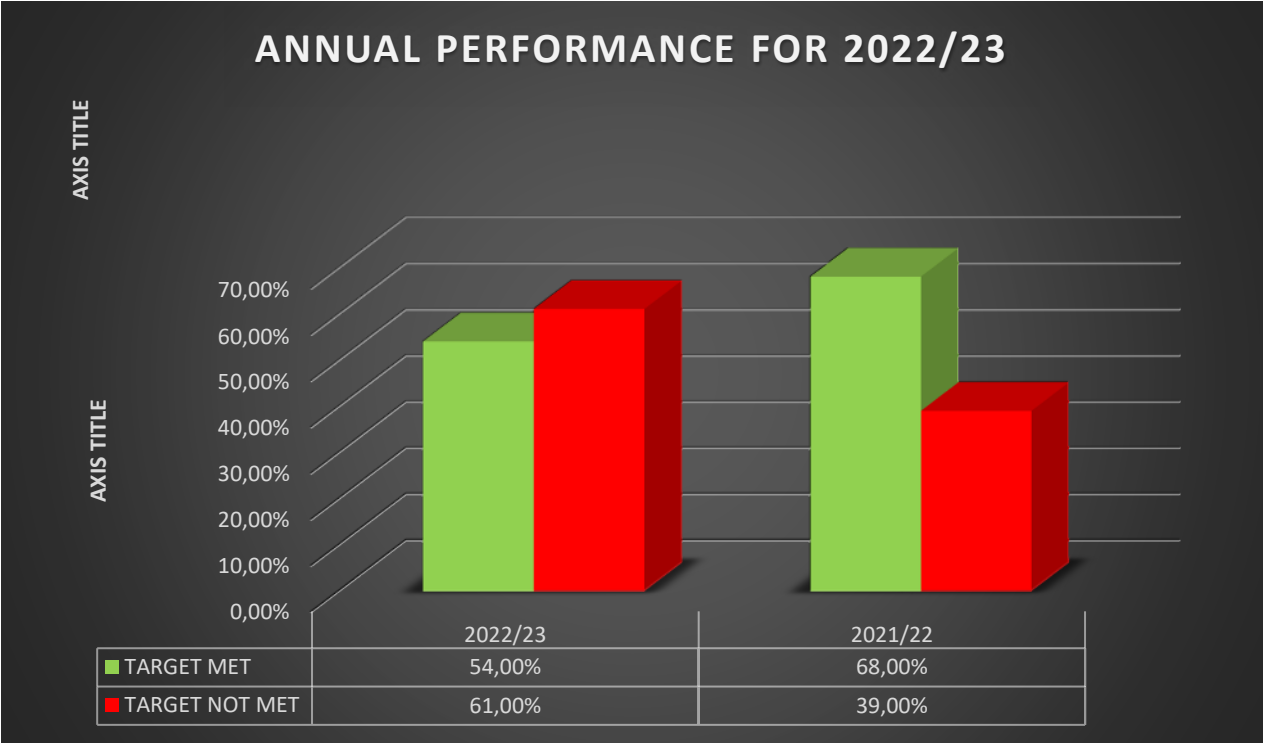


Figure 1 COMPARISION BETWEEN THE 2022/23 AND 2022/23 FINANCIAL YEAR

The chart above demonstrates the overall organisational performance for the 2022/2023 financial year, based on the information on the graph 61% of targets were achieved and 39% of the planned targets that were set were not achieved. The Municipality has improved performance by 7%.

PERFORMANCE MANAGEMENT PROCESS

The M & E Unit from the 1st working day till the 10th 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 **Table 2 PERFORMANCE REPORTING**

Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks
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 Manager of the M & E Unit submits quarterly reports to the Director of the Internal Audit Unit every quarter on the 25TH 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 by the M & E Unit. All Actuals and reasons for variance reported on the Performance Reports are supported by portfolios of evidence that are relevant, reliable and accurate. The Portfolio of evidence is referenced as per the KPI number on the TLSDBIP and submitted to the Internal audit unit electronically. Upon Internal Audit review of 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
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	<p>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 sufficient, reliable or relevant evidence to support the actual or the reason for variance for why the target 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"> • a reason for variance for a target not achieved, or • if there is non-submission of an actual or • non-submission of evidence or • non-submission of a reason for variance or 	1

LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
		<ul style="list-style-type: none"> non-submission of a recommended corrective action 	

PERFORMANCE ANALYSIS OF THE TLSDBIP FOR 2022/2023 PER KEY PERFORMANCE AREA

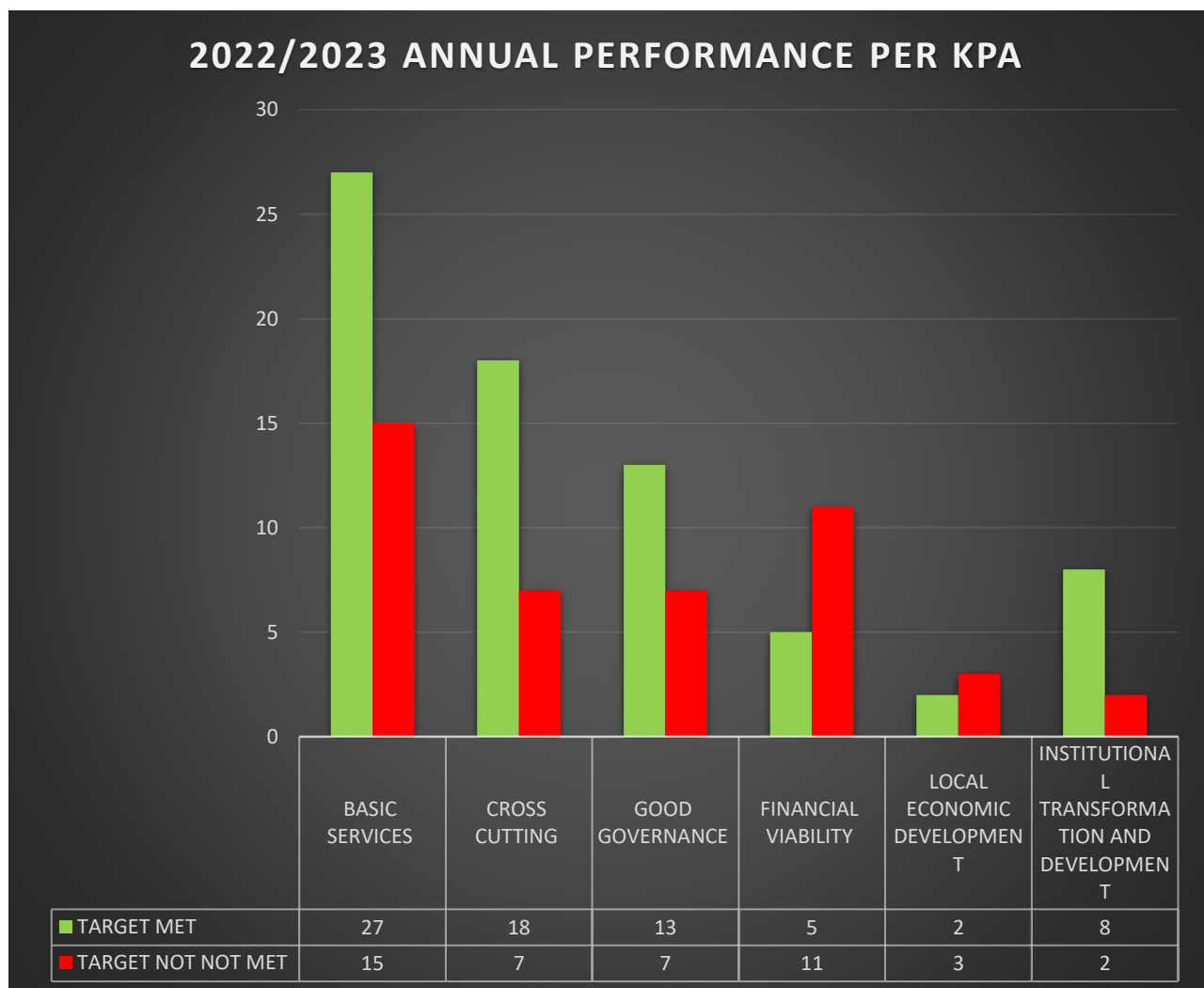


Figure 4 ANALYSIS OF THE TLSDBIP 2022/2023

PERFORMANCE PER KEY PERFORMANCE AREA

Table 4 PERFORMANCE OF THE TLSDBIP FOR 2022/23

KEY PERFORMANCE AREA	TARGET MET	TARGET NOT MET	TOTAL NUMBER OF APPLICABLE KPI'S	PERCENTAGE
Basic Services	27	15	42	64%
Cross Cutting	18	7	25	72%
Financial Viability	5	11	16	31%
Good Governance	13	7	20	65%
Institutional Transformation & Development	8	2	10	70%
Local Economic Development	2	3	5	40%
Total	73	45	119	%

Figure 4 and table 4 indicate that the Basic Service National Key Performance Area has achieved 64% of all the planned targets. The total number of new households connected to water, sanitation and refuse removal for the 2022/23 financial year was 179, the municipality built 29 extra houses. The municipality has attempted to reduce water loss however due to ageing infrastructure and insufficient funding to upgrade and refurbish the existing infrastructure burst and leaking pipes remain as a constant challenge for the municipality. Development planning and Human Settlements has been challenged in identifying a suitable landfill site thus far. There were no roads that were resealed during the 2022/23 financial year due to budget constraints. The planned targets for the water projects were not achieved due to poor performance by the service providers. There were 120 title deeds transferred to first time home owners.

Figure 4 and table 4 illustrates that 72% of planned the targets for the Cross Cutting NKPA were achieved as at the 30th of June 2023. Community Services addressed all disaster related incidents from the community and ensured that Newcastle remains to be a safe and clean environment for its residents. The Community Service Department failed to complete the construction of the Fort Amiel building and the Zulu Umuzi building.

31% of all planned targets were achieved for the Financial Viability Key Performance Area for the 2022/2023 financial year. Despite the economical challenges that South Africa is undergoing currently the Budget and Treasury Office has been making all efforts to improve financial viability by developing and implementing a Cost Containment Policy, Unauthorised Irregular Wasteful Expenditure Strategy, Revenue Action Plan and a Budget Funding plan. As per the financial recovery plan that was submitted to National Treasury the municipality intends on having a funded budget by the 1st of July 2024. The number of unqualifying indigent accounts has reduced, this was as a result of strict implementation of the cost containment policy and data cleansing of the indigent data base. The collection rate for the municipality still remains as a colossal problem are for the municipality, the annual collection rate as at the 30th of June 2023 was 79%. The collection rate for Newcastle Municipality as at the end of the 2022/23 financial year was 16% below the national norm.

Local Economic Development (LED) Key Performance Area has not improved in their performance achievements as at the end of the 2022/2023 financial year, the total percentage of planned targets achieved was 40%. 102 SMME's were trained to empower them with skills to expand and efficiently manage their businesses. The Newcastle Hawker stall project was completed. Unfortunately, LED was unable to achieve the planned targets for the installation of the airport runway lights. Due to the slow performance by service providers, the municipality was unable to employ the planned number of EPWP workers.

There has been considerate improvement in performance for the Institutional Transformation and Development Key Performance Area, the department of Corporate Services achieved 70% of all planned targets. The challenge of implementing the approved Work Skills Plan (WSP) as approved for the municipality was not implemented due to budget constraints. The Administrative Section of Corporate Services was challenged in implementing the approved annual meeting plan due to there being no quorum for specific council meetings. Corporate Services has appointed the Municipal Manager, SED: Budget and Treasury, SED: Community Services, Director: Civils and Director Electrical positions.

PERFORMANCE ACHIEVEMENTS FOR 2022/23

- Appointed the following SEDS:
 - The Municipal Manager
 - SED: Community Services
 - SED: Budget and Treasury
- The municipality constructed 179 new households including access to water, sanitation and refuse removal.
- 8431 households were provided with free basic electricity, water, refuse removal and sanitation.
- 64,8km of the water pipe-line for Newcastle East extension was completed
- 2171 standpipes were installed in Newcastle East
- 5km's of road was re-gravelled in Madadeni and Osizweni
- 2,34 Km's of road was upgraded from gravel to blacktop
- 1,95 km of storm-water drainage was installed
- 725 EPWP jobs were created to tackle the high number of unemployment within this municipality.
- The municipality trained 102 SMMEs.
- 100% of all disaster management issues reported were addressed by the Municipality
- The traffic section under the Community Department ensured that roadblocks were done to ensure that we have safe roads.
- The Health Section under the Community Services Department conducted health inspections at funeral undertakers and food premises.
- 120 title deeds were transferred through the EEDBS program
- 100% of the Electricity maintenance plan was implemented with the intention of maintaining the existing infrastructure and reducing power outages
- 100% of all building plans received by the municipality were processed within the statutory timeframes
- 100% compliance with MFMA Reporting requirements for all financial reporting
- The IDP/Budget/PMS were approved by council on the 31st of May 2023
- 100% of MIG Expenditure

CHALLENGES AND MEASURE TO IMPROVE PERFORMANCE

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
	Poor performance by service providers	Review of contracts for all service providers that have not performed as planned in terms of the bill of quantities and general conditions of contract

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
BASIC SERVICE DELIVERY		
	High water losses due to burst pipes	A 3 year water reduction plan be developed and implemented in line with the available budget
	Vacant positions not filled	Review of the organogram
	Housing projects to the roof level were not completed as planned	Contracts to be reviewed every quarter. A new service provider as per the Department of Human Settlements be appointed
	Landfill site has not been identified	Assistance from COGTA to identify a suitable landfill site
	Ageing infrastructure	Development of master plans for infrastructure Development and submission of business plans
	The land to be disposed off was not completed by the 30 th of June 2023.	The municipality identify land for disposal and ensure that the land is advertised for public tender.
CROSS CUTTING	Construction of Zulu Umuizi and Fort Amiel Admin Building	A new PIP be developed, implemented and monitored weekly. Application for a roll-over of the budget to the 2023/24 be submitted to BTO.
FINANCIAL VIABILITY	Low collection rate due to economic factors	Campaigns will be convened to increase consumer awareness Discounts on arrear debts Write off on deceased accounts Payment arrangements
FINANCIAL VIABILITY	Cost coverage Outstanding service debtors Capital expenditure	Implementation of the Budget Funding Plan for Newcastle Municipality

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
GOOD GOVERNANCE	The Delegation's policy was not approved by Council	Legal services to submit the final Delegations Policy for council approval in July 2023.
	100% ICT issues were not addressed	Development, approval and implementation of ICT plan Monitoring of ICT plan at the ICT steering committee
	The Batho Pele policy, Communications Strategy and Social Media Policy were not approved by Council.	The Director for Communications & Customer Relations was only appointed on the 6th of March 2023 and therefore there was insufficient time for the director to deliberate on the set key performance indicators so as to measure the performance of the department.
	100% of ward visitations year plan was not implemented	Ward visitation plan not executed due to the following reasons 1. IDP/ Budget road show 2. Ward committee by elections 3. Ward committee training.
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	The Annual meeting not implemented as planned	Corporate services to revise the 2022/2023 KPI in line with functions and controls within the department
	The Political Office Bearers Vehicle Policy was not approved by Council	Council referred back the political bearers vehicle policy Corporate services to request assistance from SALGA,

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
	Cascading individual performance management (IPMS) to all employees below a section 57 and implementation of the amended staff regulations	National Treasury, and COGTA for the rolling out of IPMS to all employees.
LOCAL ECONOMIC DEVELOPMENT	Number of jobs created through the municipality's EPWP	The KPI target for the KPI on the Job creation for the 2022/2023 financial year has been aligned to the MIG projects and EPWP budget allocation.
	Installation of 68 airport runway lights	The bid has to be readvertised and the budget has to be rolled over to the 23/24 financial year.

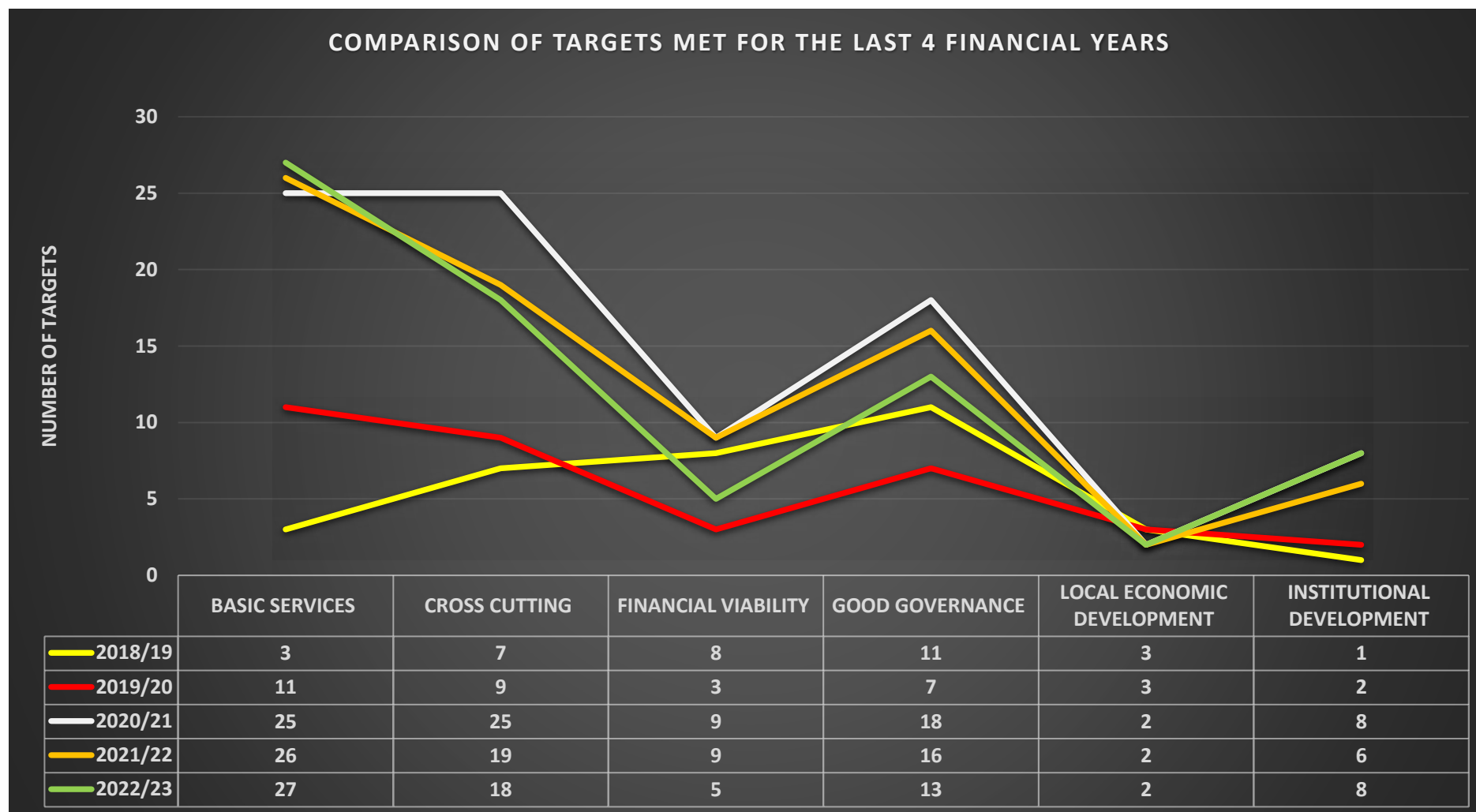


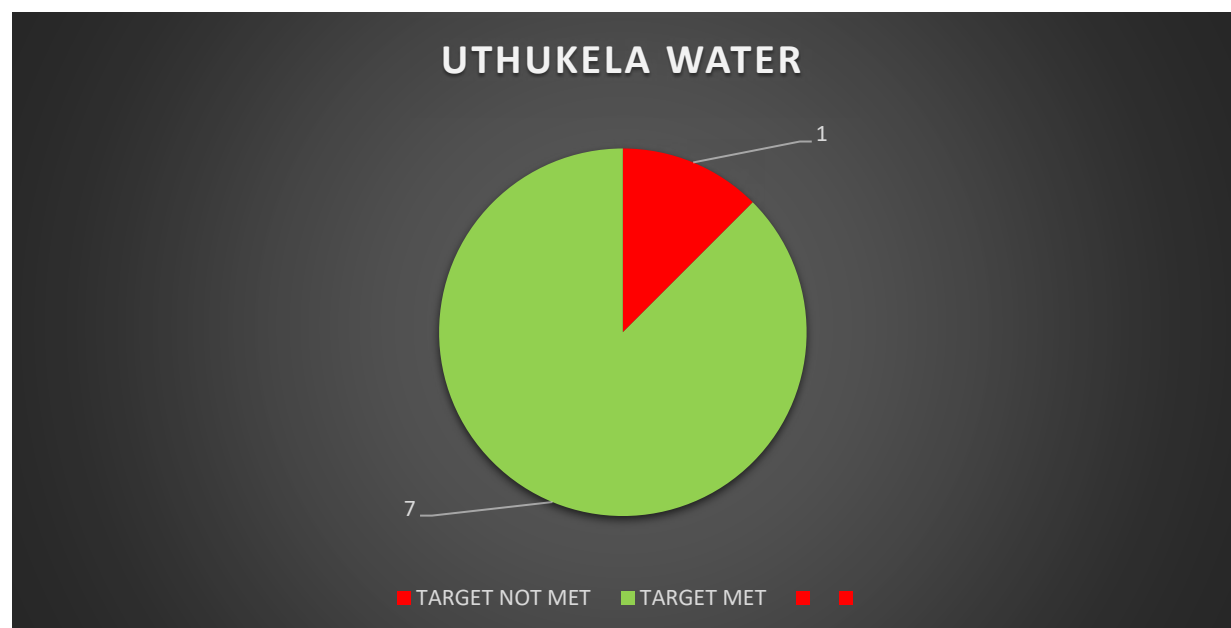
Figure 6 COMPARISION OF PERFORMANCE FOR THE LAST 5 FINANCIAL YEARS

ASSESSMENT OF EXTERNAL SERVICE PROVIDER

In terms of Section 121(4) of The Local Government Municipal Finance Management Act 56 of 2003 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.

UThukela Water (Pty) Ltd is the only Municipal Entity for Newcastle Municipality. Uthukela Water renders the service of bulk water supply to Newcastle Municipality. UThukela Water (Pty) Ltd is an Entity of Newcastle Municipality. UThukela Water achieved 88% of all planned targets as at the 30th of June 2023 this is a significant improvement since the 2021/2022 financial year. All issues relating to Uthukela Water have been consistently reported to COGTA for intervention. The recommended corrective action will be monitored in the 2023/24 financial.



CONCLUSION

Newcastle Municipality commits itself towards achieving all planned strategic objectives as specified in the Integrated Development Plan and the approved budget. As the Accounting Officer for Newcastle Municipality together with my management team the performance of the municipality will be monitored and evaluated as specified in the approved 2022/2023 Performance Management System.

Attached as Annexure A – Newcastle Annual Performance Report

CHAPTER 10 ANNUAL FINANCIAL STATEMENT FOR NEWCASTLE MUNICIPALITY

ATTACHED AS ANNEXURE B – ANNUAL FINANCIAL STATEMENT FOR NEWCASTLE MUNICIPALITY

CHAPTER 11 AUDITOR GENERAL'S REPORT

ATTACHED AS ANNEXURE C FOR THE 2022/2023 FINANCIAL YEAR

CHAPTER 12 2022/2023 ANNUAL REPORT FOR UTHUKELA WATER

ATTACHED AS ANNEXURE D

CHAPTER 13 2022/2023 ANNUAL FINANCIAL STATEMENTS FOR UTHUKELA WATER

ATTACHED AS ANNEXURE E

CHAPTER 14 2022/2023 ANNUAL PERFORMANCE REPORT FOR UTHUKELA WATER

ATTACHED AS ANNEXURE F

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



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ACRONYMS

- | | |
|-----------|--|
| 1. AFS | - Annual Financial Statements |
| 2. AG | - Auditor General |
| 3. BAC | - Bid Adjudication Committee |
| 4. BEC | - Bid Evaluation Committee |
| 5. BSC | - Bid Specification Committee |
| 6. BOQ | - Bill of Quantities |
| 7. CLO | - Community Liaison Officer |
| 8. DOL | - Department of Labour |
| 9. COGTA | - Cooperative Governance and Traditional Affairs |
| 10. DWS | - Department of Water and Sanitation |
| 11. EXCO | - Executive Committee |
| 12. ICT | - Information and Communication Technology |
| 13. IDP | - Integrated Development Planning |
| 14. KPA | - Key Performance Area |
| 15. KPI | - Key Performance Indicator |
| 16. LED | - Local Economic Development |
| 17. LR | - Labour Relations |
| 18. MANCO | - Management Committee |
| 19. MFMA | - Municipal Finance Management Act |
| 20. MIG | - Municipal Infrastructure Grant |
| 21. MSA | - Municipal Systems Act |
| 22. MSCOA | - Municipal Standard Chart of Accounts |
| 23. ORG | - Organisational |
| 24. OSS | - Operation Sukuma Sakhe |
| 25. PMS | - Performance Management System |
| 26. POE | - Portfolio of evidence |

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- 27. RMC - Risk Management Committee
- 28. SCM - Supply Chain Management
- 29. SDBIP - Service Delivery and Budget Implementation Plan
- 30. SMME's - Small Medium Micro Enterprises
- 31. VIP - Ventilated Improved Pits
- 32. WSP - Workplace Skills Plan
- 33. WULA - Water Use License Application

EXECUTIVE SUMMARY

The year under review covers the period from the 1st of July 2022 to the 30th of June 2023. In terms of 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 and applicable legislation to local government. The Annual Performance Report for the 2022/2023 financial year has been compiled in accordance with Section 46 of The Local Government Municipal Systems Act, No. 32 of 2000 (as amended), Section 127 (2) of The Local Government Municipal Finance Management Act, No. 56 of 2003, as well as accompanying circulars, templates and guidelines. The Annual Performance 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) and Top-layer Service Delivery Budget Implementation Plan (TLSDBIP).

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.



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The Graph below represents a comparison of the 2021/2022 and 2022/2023 performance of the Top-Layer Service Delivery Budget Implementation Plan:

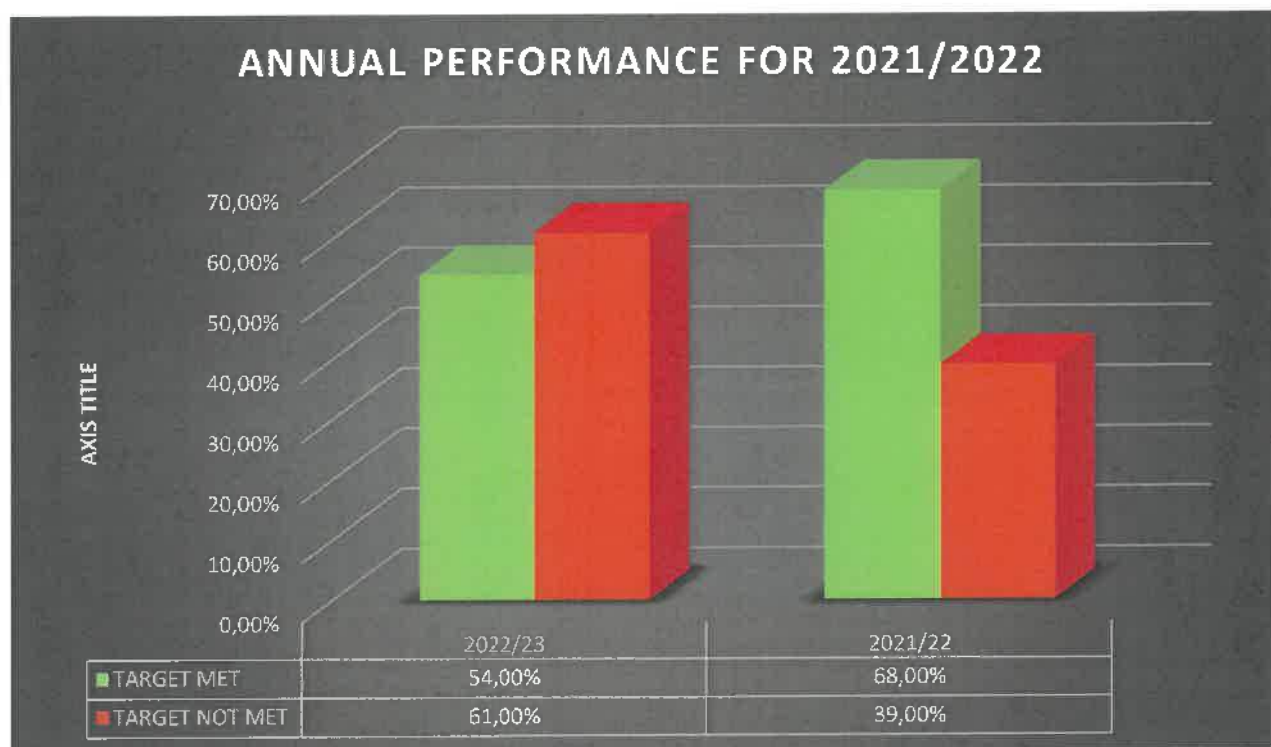


Figure 1 COMPARISION BETWEEN THE 2022/23 AND 2022/23 FINANCIAL YEAR

The chart above demonstrates the overall organisational performance for the 2022/2023 financial year, based on the information on the graph 61% of targets were achieved and 39% of the planned targets that were set were not achieved. The Municipality has improved performance by 7%.

PERFORMANCE MANAGEMENT PROCESS

The M & E Unit from the 1st working day till the 10th 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 1st working day of the month to the 5th 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 CRITERIA TO ASSESS PERFORMANCE INFORMATION

Relevance	Closely connected or appropriate to what is being measured/ assessed
Sufficiency	Enough or adequate evidence to support the actual
Reliable	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:

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Table 2 PERFORMANCE REPORTING

Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks	Report Frequency Submitted for consideration and/or review to Remarks
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 Manager of the M & E Unit submits quarterly reports to the Director of the Internal Audit Unit every quarter on the 25TH 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 by the M & E Unit. All Actuals and reasons for variance reported on the Performance Reports are supported by portfolios of evidence that are relevant, reliable and accurate. The Portfolio of evidence is referenced as per the KPI number on the TLSDBIP and submitted to the Internal audit

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unit electronically. Upon Internal Audit review of 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

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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.

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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
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	<p>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 sufficient, reliable or relevant evidence to support the actual or the reason for variance for why the target 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"> • a reason for variance for a target not achieved, or • if there is non-submission of an actual or 	1



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LEVEL	TERMINOLOGY	DESCRIPTION	RATING DASHBOARD
		<ul style="list-style-type: none">• non-submission of evidence or• non-submission of a reason for variance or• non-submission of a recommended corrective action	



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PERFORMANCE ANALYSIS OF THE TLSDBIP FOR 2022/2023 PER KEY PERFORMANCE AREA

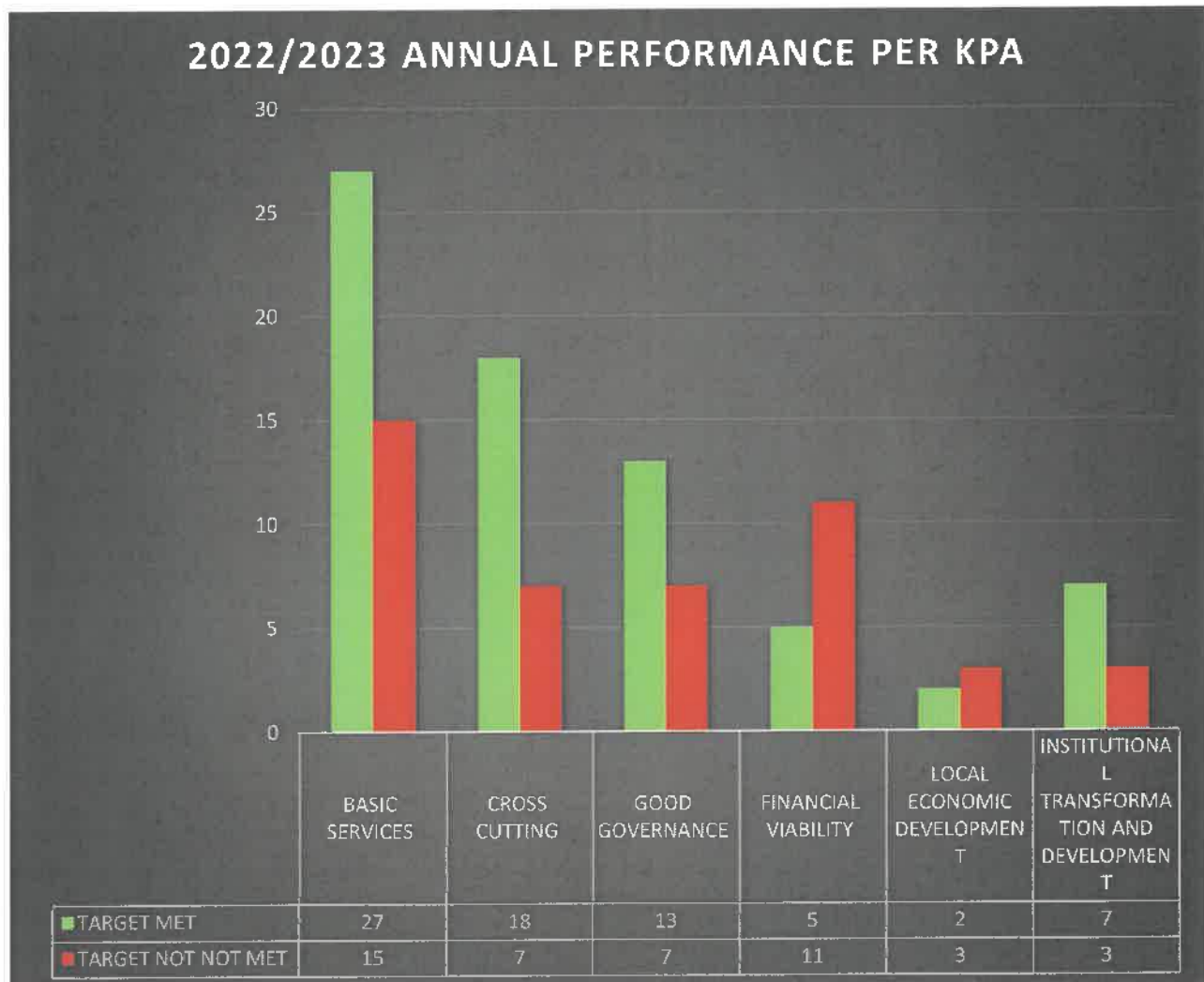


Figure 4 ANALYSIS OF THE TLSDBIP 2022/2023

PERFORMANCE PER KEY PERFORMANCE AREA

Table 4 PERFORMANCE OF THE TLSDBIP FOR 2022/23

KEY PERFORMANCE AREA	TARGET MET	TARGET NOT MET	TOTAL NUMBER OF APPLICABLE KPI'S	PERCENTAGE
Basic Services	27	15	42	64%
Cross Cutting	18	7	25	72%
Financial Viability	5	11	16	31%
Good Governance	13	7	20	65%
Institutional Transformation & Development	7	3	10	70%
Local Economic Development	2	3	5	40%
Total	72	46	118	61%

Figure 4 and table 4 indicate that the Basic Service National Key Performance Area has achieved 64% of all the planned targets. The total number of new households connected to water, sanitation and refuse removal for the 2022/23 financial year was 179, the municipality built 29 extra houses. The municipality has attempted to reduce water loss however due to ageing infrastructure and insufficient funding to upgrade and refurbish the existing infrastructure burst and leaking pipes remain as a constant challenge for the municipality. Development planning and Human Settlements has been challenged in identifying a suitable landfill site thus far. There were no roads that were resealed during the 2022/23 financial year due to budget constraints. The planned targets

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for the water projects were not achieved due to poor performance by the service providers. There were 120 title deeds transferred to first time home owners.

Figure 4 and table 4 illustrates that 72% of planned the targets for the Cross Cutting NKPA were achieved as at the 30th of June 2023. Community Services addressed all disaster related incidents from the community and ensured that Newcastle remains to be a safe and clean environment for its residents. The Community Service Department failed to complete the construction of the Fort Amiel building and the Zulu Umuzi building.

31% of all planned targets were achieved for the Financial Viability Key Performance Area for the 2022/2023 financial year. Despite the economical challenges that South Africa is undergoing currently the Budget and Treasury Office has been making all efforts to improve financial viability by developing and implementing a Cost Containment Policy, Unauthorised Irregular Wasteful Expenditure Strategy, Revenue Action Plan and a Budget Funding plan. As per the financial recovery plan that was submitted to National Treasury the municipality intends on having a funded budget by the 1st of July 2024. The number of unqualifying indigent accounts has reduced, this was as a result of strict implementation of the cost containment policy and data cleansing of the indigent data base. The collection rate for the municipality still remains as a colossal problem are for the municipality, the annual collection rate as at the 30th of June 2023 was 79%. The collection rate for Newcastle Municipality as at the end of the 2022/23 financial year was 16% below the national norm.

Local Economic Development (LED) Key Performance Area has not improved in their performance achievements as at the end of the 2022/2023 financial year, the total percentage of planned targets achieved was 40%. 102 SMME's were trained to empower them with skills to expand and efficiently manage their businesses. The Newcastle Hawker stall project was completed. Unfortunately, LED was unable to achieve the planned targets for the installation of the airport runway lights. Due to the slow performance by service providers, the municipality was unable to employ the planned number of EPWP workers.

There has been considerate improvement in performance for the Institutional Transformation and Development Key Performance Area, the department of Corporate Services achieved 70% of all planned targets. The challenge of implementing the approved Work Skills Plan (WSP) as approved for the municipality was not implemented due to budget constraints. The Administrative Section of Corporate Services was challenged in implementing the approved annual meeting plan due to there being no quorum for specific council meetings. Corporate Services has appointed the

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Municipal Manager, SED: Budget and Treasury, SED: Community Services, Director: Civils and Director Electrical positions.

PERFORMANCE ACHIEVEMENTS FOR 2022/23

- Appointed the following SEDS:
 - The Municipal Manager
 - SED: Community Services
 - SED: Budget and Treasury
- The municipality constructed 179 new households including access to water, sanitation and refuse removal.
- 8431 households were provided with free basic electricity, water, refuse removal and sanitation.
- 64,8km of the water pipe-line for Newcastle East extension was completed
- 2171 standpipes were installed in Newcastle East
- 5km's of road was re-gravelled in Madadeni and Osizweni
- 2,34 Km's of road was upgraded from gravel to blacktop
- 1,95 km of storm-water drainage was installed
- 725 EPWP jobs were created to tackle the high number of unemployment within this municipality.
- The municipality trained 102 SMMEs.
- 100% of all disaster management issues reported were addressed by the Municipality
- The traffic section under the Community Department ensured that roadblocks were done to ensure that we have safe roads.
- The Health Section under the Community Services Department conducted health inspections at funeral undertakers and food premises.
- 120 title deeds were transferred through the EEDBS program
- 100% of the Electricity maintenance plan was implemented with the intention of maintaining the existing infrastructure and reducing power outages
- 100% of all building plans received by the municipality were processed within the statutory timeframes
- 100% compliance with MFMA Reporting requirements for all financial reporting



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- The IDP/Budget/PMS were approved by council on the 31st of May 2023
- 100% of MIG Expenditure

CHALLENGES AND MEASURE TO IMPROVE PERFORMANCE

KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
BASIC SERVICE DELIVERY	Poor performance by service providers	Review of contracts for all service providers that have not performed as planned in terms of the bill of quantities and general conditions of contract
	High water losses due to burst pipes	A 3 year water reduction plan be developed and implemented in line with the available budget
	Vacant positions not filled	Review of the organogram
	Housing projects to the roof level were not completed as planned	Contracts to be reviewed every quarter. A new service provider as per the Department of Human Settlements be appointed
	Landfill site has not been identified	Assistance from COGTA to identify a suitable landfill site
	Ageing infrastructure	Development of master plans for infrastructure Development and submission of business plans
	The land to be disposed off was not completed by the 30 th of June 2023.	The municipality identify land for disposal and ensure that the land is advertised for public tender.
CROSS CUTTING	Construction of Zulu Umuizi and Fort Amiel Admin Building	A new PIP be developed, implemented and monitored weekly. Application for a roll-over of the budget to the 2023/24 be submitted to BTO.
FINANCIAL VIABILITY	Low collection rate due to economic factors	Campaigns will be convened to increase consumer awareness Discounts on arrear debts

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KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
FINANCIAL VIABILITY	Cost coverage Outstanding service debtors Capital expenditure	Write off on deceased accounts Payment arrangements Implementation of the Budget Funding Plan for Newcastle Municipality
GOOD GOVERNANCE	<p>The Delegation's policy was not approved by Council</p> <p>100% ICT issues were not addressed</p> <p>The Batho Pele policy, Communications Strategy and Social Media Policy were not approved by Council.</p> <p>100% of ward visitations year plan was not implemented</p>	<p>Legal services to submit the final Delegations Policy for council approval in July 2023.</p> <p>Development, approval and implementation of ICT plan Monitoring of ICT plan at the ICT steering committee</p> <p>The Director for Communications & Customer Relations was only appointed on the 6th of March 2023 and therefore there was insufficient time for the director to deliberate on the set key performance indicators so as to measure the performance of the department.</p> <p>Ward visitation plan not executed due to the following reasons 1. IDP/ Budget road show 2. Ward committee by elections 3. Ward committee training.</p>

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KEY PERFORMANCE AREA	SUMMARY OF CHALLENGE	MEASURE TO IMPROVE PERFORMANCE
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	Work skills plan not implemented as planned	Corporate services to identify additional funding for employee training/development
	The Annual meeting not implemented as planned	Corporate services to revise the 2022/2023 KPI in line with functions and controls within the department
	The Political Office Bearers Vehicle Policy was not approved by Council	Council referred back the political bearers vehicle policy
	Cascading individual performance management (IPMS) to all employees below a section 57 and implementation of the amended staff regulations	Corporate services to request assistance from SALGA, National Treasury, and COGTA for the rolling out of IPMS to all employees.
LOCAL ECONOMIC DEVELOPMENT	Number of jobs created through the municipality's EPWP	The KPI target for the KPI on the Job creation for the 2022/2023 financial year has been aligned to the MIG projects and EPWP budget allocation.
	Installation of 68 airport runway lights	The bid has to be readvertised and the budget has to be rolled over to the 23/24 financial year.



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COMPARISON OF TARGETS MET FOR THE LAST 4 FINANCIAL YEARS



Figure 6 COMPARISON OF PERFORMANCE FOR THE LAST 5 FINANCIAL YEARS



ASSESSMENT OF EXTERNAL SERVICE PROVIDER

In terms of Section 121(4) of The Local Government Municipal Finance Management Act 56 of 2003 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.

Uthukela Water (Pty) Ltd is the only Municipal Entity for Newcastle Municipality. Uthukela Water renders the service of bulk water supply to Newcastle Municipality. Uthukela Water (Pty) Ltd is an Entity of Newcastle Municipality. Uthukela Water achieved 88% of all planned targets as at the 30th of June 2023 this is a significant improvement since the 2021/2022 financial year. All issues relating to Uthukela Water have been consistently reported to COGTA for intervention. The recommended corrective action will be monitored in the 2023/24 financial.





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CONCLUSION

Moving forward, we have developed municipal service delivery recovery plans as well as the audit action plan to correct what has not been done right and as such, to improve service delivery. I am hoping for an improved service delivery situation and improved audit outcome in the oncoming financial year.

"There is no high religion than human service to work for the common good in the greatest creed," (by Woodrow Wilson)



**MUNICIPAL MANAGER
ZW MCINEKA
NEWCASTLE MUNICIPALITY**

23/11/2023
DATE:

NEWCASTLE MUNICIPALITY																																
REVISED TOP-LAYER SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN - 2022/2023																																
CROSS CUTTING ANNUAL PERFORMANCE - 2022/2023																																
2021/2022 ANNUAL PERFORMANCE																																
TLSDBP REFERENCE NUMBER	OUTCOME 1	NATIONAL KPI	BACK TO BASICS PILLAR	IDP PRIORITY	GOAL / OBJECTIVE	STRATEGY	KPI/No. LINKED TO ES/CICT CENTRE	KEY PERFORMANCE INDICATOR 2022/2023	REVISED KEY PERFORMANCE INDICATOR 2023/2023	KPI TYPE (INPUT, OUTPUT, OUTCOME, PROCESS)	UNIT OF MEASURE	BASELINE	YEAR 1 ANNUAL STANDARD ACCUMULATIVE AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	REVISED YEAR 1 ANNUAL STANDARD ACCUMULATIVE AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	YEAR 1 ANNUAL STANDARD ACCUMULATIVE AVERAGE ACTUAL (1 JULY 2022 - 30 JUNE 2023)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2022/2023 ANNUAL DASHBOARD ASSESSMENT	REVISED ANNUAL STANDARD ACCUMULATIVE AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	ACTUAL ANNUAL STANDARD ACCUMULATIVE AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2019/2020 ANNUAL DASHBOARD ASSESSMENT	RESPONSIBLE DEPARTMENT	FREQUENCY OF REPORTING	REVISED PRIMARY SOURCE OF EVIDENCE	ADJUSTED BUDGET 2022/2023		BUDGET AS AT 30 JUNE 2023	YEAR TO DATE ACTUAL SPENT	LINK OF REWARD LOCALITY TO KPI	
																											MSCOA CONFIGURATION	BUDGET AMOUNT				
TLSDBP-C0301	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved access to land (including Land Reforms)	To develop an efficient and effective land use system as is to provide a national and functional land use policy system.	To undertake efficient and effective building controls.	CC1.1.1	Review and Approval of Building By-laws by Council	Review and Approval of Building By-laws by Council	Output	Percentage (%)	New KPI	Final adoption of by-laws by Council	Final adoption of by-laws by Council	Approved final by-laws by Council in 1 May 2023	N/A	N/A	TARGET MET	N/A	N/A	N/A	N/A	0	Quarterly	Q1 Process Plan, Q2 Progress Report Q3 Draft By-Laws, Q4 Council Minutes	101010105	R11 987 815	R11 987 815,00	R112 828 626,00	Institutional		
TLSDBP-C0302	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Sound Financial Management	To ensure an effective and integrated Strategic Information Management System	GIS System integration with other municipal projects	CC1.1.2	Continuous internal or external engagements on matters of GIS for the TABS programme	Tender advertisement of the project of consultants to source external funding for operational and capital projects for the TABS programme	Output	Reports	New KPI	Continuous internal or external engagements on matters of GIS for the TABS programme	Continuous internal or external engagements on matters of consultants to source external funding for operational and capital projects for the TABS programme	The Bid was not advertised	The Bid was cancelled	Not yet advertised	TARGET NOT MET	N/A	N/A	N/A	N/A	DEVELOPMENT PLANNING & HUMAN SETTLEMENT	Quarterly	Q1: Signal Terms of Reference by DES, Q2: Priority List Q3: Tender Advert, Q4: Minutes of the tender application	101010105	R11 987 816	R11 987 815,00	R112 828 626,00	Institutional		
TLSDBP-C0303	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved access to land (including Land Reforms)	To promote spatial restructuring and integration	Development of municipal IDP in line with the IDP Governance of IDP	CC1.1.3	Approval of Spatial Development Framework by Council in May 2023	Approval of Spatial Development Framework by Council in May 2023	Output	Reports	Approved Spatial Development Framework by 31 May 2023	Approved Spatial Development Framework by Council in May 2023	Approved Spatial Development Framework by Council in May 2023	Approved Spatial Development Framework by Council in May 2023	Approved Spatial Development Framework by Council in May 2023	N/A	N/A	TARGET MET	N/A	Approved Spatial Development Framework by 30 May 2023	N/A	DEVELOPMENT PLANNING & HUMAN SETTLEMENT	Quarterly	Quarter 1: Council Minutes Quarter 2: N/A, Quarter 3: Draft IDP and Council Minutes and 4: Approved IDP and Council Minutes	101010105	R11 987 814,51	R11 987 815,00	R112 828 626,00	Institutional		
TLSDBP-C0304	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved Community Safety	To ensure the provision of traffic management services	Intensify Law Enforcement activities	CC1.1.4	Number of Internal Roadblocks conducted	Number of Internal Roadblocks conducted	Output	Number	24	24	24	24	24	N/A	N/A	TARGET MET	24	24	N/A	COMMUNITY SERVICES	Quarterly	Quarter 1-4: Road block statistics register and road block plan	102040105	R16 216 878	R16 216 878,00	R16 927 541,00	All wards		
TLSDBP-C0305	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved Community Safety	To ensure provision of fire and disaster management services	To provide and maintain an efficient and effective disaster management service to Newcastle.	CC1.1.5	Annual review and adoption of Summer Contingency Plan in November 2022 and Winter Contingency Plan in May 2023 by Council	Annual review and adoption of Summer Contingency Plan in November 2022 and Winter Contingency Plan in May 2023 by Council	Output	Contingency Plans and Reports	Annual review and adoption of Summer Contingency Plan in November 2022 and Winter Contingency Plan in May 2023 by Council	Annual review and adoption of Summer Contingency Plan in November 2022 and Winter Contingency Plan in May 2023 by Council	Annual review and adoption of Summer Contingency Plan in November 2022 and Winter Contingency Plan in May 2023 by Council	Annual review and adoption of Summer Contingency Plan in November 2022 and Winter Contingency Plan in May 2023 by Council	N/A	N/A	TARGET MET	N/A	Annual review and adoption of Winter Contingency Plan in December 2022 and Summer Contingency Plan in June 2023	N/A	Winter Contingency Plan reviewed in June 2023	COMMUNITY SERVICES	Quarterly	Q1 - Draft Summer contingency plan for 2023 season, Q2 - Approval of Summer contingency plan, Q3 - Council minutes, Q4 - Approved Winter contingency plan, Council minutes and attendance register	102050105	R22 249 110	R20 741 543,00	R20 821 543,00	All wards		
TLSDBP-C0306	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved Community Safety	To ensure provision of fire and disaster management services	To provide and maintain an efficient and effective disaster management service to Newcastle.	CC1.1.6	Percentage of Disaster related incidents attended	Percentage of Disaster related incidents attended	Output	Percentage (%)	100%	100%	100%	100%	100%	N/A	N/A	TARGET MET	100%	100%	N/A	COMMUNITY SERVICES	Quarterly	Disaster Assessment Form, Incident Report Forms, Summary of Callouts and Confirmation of Receipt	102061042	R810 000	R780 000,00	R772 413,00	All wards		
TLSDBP-C0307	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved Community Safety	To facilitate the registration of the municipality as OSS (National and Provincial)	To mainstream programmes with the National and Provincial governments, Civil society, private sector and OSS structures	CC1.1.7	Number of Local Task Team meetings held to address issues relating to Operation Sekake's Batho	Number of Local Task Team meetings held to address issues relating to Operation Sekake's Batho	Process	Number	8	8	100%	100%	100%	N/A	N/A	TARGET MET	8	8	N/A	N/A	OFFICE OF THE MUNICIPAL MANAGER	Quarterly	Quarter 1-4: Local Task Team Minutes and attendance registers, Registers and number of issues resolved including telephone issues and referred and referred	101001005 & 103001019	R39 484 514 & R127 600	R37 528 352 & R134 800	R37 741 087 & R139 185	All wards	
TLSDBP-C0308	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved Community Safety	To facilitate the registration of the municipality as OSS (National and Provincial)	To mainstream programmes with the National and Provincial governments, Civil society and private sector	CC1.1.8	Percentage of issues raised at the Special Programmes for and referred to relevant departments by Special Programmes	Percentage of issues raised at the Special Programmes for and referred to relevant departments by Special Programmes	Process	Percentage (%)	100%	100%	100%	100%	100%	N/A	N/A	TARGET MET	100%	100%	N/A	OFFICE OF THE MUNICIPAL MANAGER	Quarterly	Web rev: 101021005: 100001001: 100000001: 100000002: 100000003: 100000004: 100000005: 100000006: 100000007: 100000008: 100000009: 100000010: 100000011: 100000012: 100000013: 100000014: 100000015: 100000016: 100000017: 100000018: 100000019: 100000020: 100000021: 1000							
TLSDBP-C0309	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross cutting	Putting people first.	Improved Community Safety	To respond to the needs of vulnerable groups within Newcastle's professional area	Empowerment of target groups (Elderly citizens, Disability, People living with HIV/AIDS, Women and Men) through human rights activities	CC1.1.9	Percentage Implementation of the Special Programmes Year Plan	Percentage Implementation of the Special Programmes Year Plan	Output	Percentage (%)	New KPI	100% number of implemented planned events/number of planned Special Programmes event x 100	100% number of implemented planned events/number of planned Special Programmes event x 100	87% number of implemented planned events/number of planned Special Programmes event x 100	Due to the retail having some other commitments on the commercial day the programme was cancelled.	N/A	N/A	TARGET NOT MET	100%	100%	N/A	N/A	TARGET MET	OFFICE OF THE MUNICIPAL MANAGER	Quarterly	Quarter 1-4: Year Planner as approved by the Municipal Manager, registers, program and photos	101050105	R39 484 510	R37 528 352	R37 741 087	All wards
TLSDBP-C0310	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross Cutting	Putting people first.	Improved access to public facilities (including educational facilities - provincial mandates)	To ensure efficient use and management of community facilities.	Establishment and provision of community facilities	CC1.1.11	Purchase of 2 Artworks (1 x Sculpture and 1 x Art piece)	Purchase of 2 Artworks (1 x Sculpture and 1 x Art piece)	Output	Reports	Purchased 5 x Artworks	Purchase and delivery of 1 x Sculpture and 1 x Art piece	Purchase and delivery of 1 x Sculpture and 1 x Art piece	Purchase and delivery of 1 x Sculpture and 1 x Art piece	N/A	N/A	TARGET MET	N/A	5 x Artworks purchased	N/A	TARGET MET	COMMUNITY SERVICES	Quarterly	Q2 - Question, Registration, decision form and an order, Q3 - Delivery notes and invoices, Q4 - NA	7027100021	R100 000	R100 000,00	R100 000,00	25		
TLSDBP-C0311	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross Cutting	Putting people first.	Improved access to public facilities (including educational facilities - provincial mandates)	To ensure efficient use and management of community facilities.	Establishment and provision of community facilities	CC1.1.12	Construction and completion of Carport at the Art Gallery	Construction and completion of Carport at the Art Gallery	Output	Report	New KPI	Construction and completion of Carport at the Art Gallery	Construction and completion of Carport at the Art Gallery	Construction and completion of Carport at the Art Gallery	N/A	N/A	TARGET MET	N/A	N/A	N/A	N/A	COMMUNITY SERVICES	Quarterly	Q1 - NA, Q2 - Specifications, Bill/Invoice and Bill Estimation, Q3: NA, Q4 - NA	7027102021	R40 085	R40 085,00	R40 085,00	25		
TLSDBP-C0312	Output 1: Implement a differentiated approach to municipal financing, planning and support.	Cross Cutting	Putting people first.	Improved access to public facilities (including educational facilities - provincial mandates)	To ensure efficient use and management of community facilities.	Establishment and provision of community facilities	CC1.1.13	Construction and completion of Amphitheatre Phase 1 at Fort Arnel	Site Clearance for Amphitheatre Phase 1 at Fort Arnel	Output	Reports	New KPI	Construction and completion of Amphitheatre Phase 1 at Fort Arnel	Construction and completion of Amphitheatre Phase 1 at Fort Arnel	Construction and completion of Amphitheatre Phase 1 at Fort Arnel	N/A	N/A	TARGET MET	N/A	N/A	N/A	N/A	COMMUNITY SERVICES	Quarterly	Q1 - NA, Q2 - Specifications, proof of submission to SCM for quotations, completion of quotation, completion of							

TLDSP REFERENCE NUMBER	OUTCOME 9	NATIONAL KPA	BACK TO BASICS PILLAR	IDP PRIORITY	GOAL/OBJECTIVES	STRATEGIES	KPI/No. LINKED TO KPI COST CENTRE	KEY PERFORMANCE INDICATOR 2022-2023	REVISED KEY PERFORMANCE INDICATOR 2023-2024	KPI TYPE (INPUT, OUTPUT, OUTCOME, PROCESS)	UNIT OF MEASURE	BASELINE	YEAR 1 ANNUAL STANDARD ACCUMULATIVE AVERAGE TARGET 1.1 JULY 2022 - 30 JUNE 2023	REVISED ANNUAL STANDARD ACCUMULATIVE AVERAGE TARGET 1.1 JULY 2022 - 30 JUNE 2023	ANNUAL STANDARD ACCUMULATIVE AVERAGE TARGET 1.1 JULY 2022 - 30 JUNE 2023	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2022/2023 ANNUAL DASHBOARD ASSESSMENT	2021/2022 ANNUAL PERFORMANCE				RESPONSIBLE DEPARTMENT	FREQUENCY OF REPORTING	REVISED PRIMARY SOURCE OF EVIDENCE	ADJUSTED BUDGET 2023/2024		BUDGET AS AT 30 JUNE 2023	YEAR TO DATE ACTUAL SPENT	LINK OF WARD LOCALITY TO KPI		
																			REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2021/2022 ANNUAL DASHBOARD ASSESSMENT	REASON FOR VARIANCE				RECOMMENDED CORRECTIVE ACTION	2021/2022 ANNUAL DASHBOARD ASSESSMENT				MESO CONFIGURATION	BUDGET AMOUNT
TLDSP-00001	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To ensure good governance through transparency and accountability in the organization	Implementation of resolutions taken by Council in response to ongoing transparency and accountability	G01.1.1	Percentage of council committee resolutions not addressed that are submitted to the Municipal Manager	Percentage of council committee resolutions not addressed that are submitted to the Municipal Manager	Output	Percentage (%)	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	The municipality conducted SALCA for all the wards in 2022/2023.	NA	NA	TARGET MET	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1-4: Progress report on the execution of resolutions for all council committees, ward committees and the Accounting Officer after every meeting. Quarterly Report on the Accounting Officer and the calculation sheet.	10105010105	R39 484 510.79	R37 528 352	R37 741 087	All wards	
TLDSP-00002	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To ensure good governance through transparency and accountability in the organization	To develop a system of delegation that will ensure appropriate and operational efficiency	G01.2.1	Annual review and approval of Delegation Policy by Council	Annual review and approval of Delegation Policy by Council	Output	Meeting minutes and delegation policy	Delegation Policy was drafted but not approved by Council on 30th of June 2022	Approved Delegation Policy in June 2023 by Council	Approved Delegation Policy in June 2023 by Council	Delegation Policy not approved by Council on 30th of June 2022	The municipality consulted SALCA for all the wards in 2022/2023.	Delegation Policy is approved by Council on 30th of June 2022	TARGET MET	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 3: Draft Revised Delegation Policy. Q4: Attendance Register. Draft Delegation Policy and Presentation-04. Quarterly Report on the Accounting Officer and the calculation sheet.	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional		
TLDSP-00003	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To promote and enhance good governance in the organization	To facilitate the implementation of an effective Risk Management System towards ensuring the achievement of the organizational objectives and service delivery targets	G02.1.1	Strategic and Fraud Risk Registers for 2023/24 approved by Audit Committee by 30 June 2023	Strategic and Fraud Risk Registers for 2023/24 approved by Audit Committee by 30 June 2023	Output	Minutes of Audit Committee meetings and Reports	Strategic and Fraud Risk Registers for 2023/24 approved by Audit Committee on 14th of June 2022	Approved Strategic and Fraud Risk Registers for 2023/24 by Audit Committee in June 2023	Approved Strategic and Fraud Risk Registers for 2023/24 by Audit Committee in June 2023	Strategic and Fraud Risk Registers for 2023/24 approved by Audit Committee by 30 June 2022	The municipality conducted SALCA for all the wards in 2022/2023.	NA	NA	TARGET MET	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	NA	NA	Office of the Municipal Manager	Quarterly	Q3: Attendance register and draft strategic and fraud risk registers. Q4: Strategic and Fraud Risk Registers. Minutes of Audit Committee	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional	
TLDSP-00004	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To promote and enhance good governance in the organization	To facilitate the implementation of an effective Risk Management System towards ensuring the achievement of the organizational objectives and service delivery targets	G02.1.2	Quarterly monitoring of implementation of risk management action plans submitted to Audit Committee	Quarterly monitoring of implementation of risk management action plans submitted to Audit Committee	Output	Number	4	4	4	4	NA	NA	TARGET MET	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	NA	NA	Office of the Municipal Manager	Bi-annual	Quarter 1 - 4: Quarterly progress report on implementation of risk management action plans and Minutes of Audit Committee	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional		
TLDSP-00005	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To promote and enhance good governance in the organization	To facilitate the implementation of an effective Risk Management System towards ensuring the achievement of the organizational objectives and service delivery targets	G02.1.3	Quarterly progress reports on implementation of management action plans for all Strategic Initiatives submitted to Audit Committee	Quarterly progress reports on implementation of management action plans for all Strategic Initiatives submitted to Audit Committee	Output	Number	4	4	4	4	NA	NA	TARGET MET	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1 - 4: Quarterly progress report on implementation of management action plans and Minutes of Audit Committee	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional		
TLDSP-00006	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To promote and enhance good governance in the organization	To facilitate the implementation of an effective Risk Management System towards ensuring the achievement of the organizational objectives and service delivery targets	G02.1.4	Quarterly compliance monitoring reports (uploaded) submitted to Audit Committee	Quarterly compliance monitoring reports (uploaded) submitted to Audit Committee	Output	Number	4	4	4	4	NA	NA	TARGET MET	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	100% (total number of council resolutions not addressed and submitted to the Municipal Manager) Total number of council resolutions not addressed <100	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1 - 4: Compliance monitoring reports (uploaded) and Minutes of Audit Committee	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional		
TLDSP-00007	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To facilitate good governance by ensuring internal controls, risk management and governance processes	Providing recommendations and advice to management in response to internal controls, risk management and governance processes	G03.1.1	Percentage of Projects implemented as per Internal Audit Plan	Percentage of Projects implemented as per Internal Audit Plan	Process	Percentage (%)	100% (number of implemented planned audit projects/number of planned audit projects x 100)	100% (number of implemented planned audit projects/number of planned audit projects x 100)	100% (number of implemented planned audit projects/number of planned audit projects x 100)	100% (number of implemented planned audit projects/number of planned audit projects x 100)	100% (number of implemented planned audit projects/number of planned audit projects x 100)	The Accounting Officer has appointed the Internal Auditor to conduct the Internal Audit. The Internal Auditor is currently conducting the Internal Audit.	NA	NA	TARGET MET	100% (number of implemented planned audit projects/number of planned audit projects x 100)	100% (number of implemented planned audit projects/number of planned audit projects x 100)	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1-4: Progress report against approved Internal Audit Plan	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional
TLDSP-00008	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To facilitate good governance by ensuring internal controls, risk management and governance processes	Providing recommendations and advice to management in response to internal controls, risk management and governance processes	G03.1.2	Number of Audit Committee meetings conducted	Number of Audit Committee meetings conducted	Output	Number	6	4	4	6	NA	NA	TARGET MET	100% (number of implemented planned audit projects/number of planned audit projects x 100)	100% (number of implemented planned audit projects/number of planned audit projects x 100)	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1-4: Audit committee minutes	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional		
TLDSP-00009	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To ensure good governance through transparency and accountability in the organization	To provide effective and efficient legal support services	G01.1.1	Percentage of contracts drafted and vetted as requested by departments within 30 days	Percentage of contracts drafted and vetted as requested by departments within 30 days	Output	Percentage (%)	100%	100% (total number of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100)	100% (total number of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100)	100% (total number of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100)	100% (total number of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100)	100% (total number of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100)	NA	NA	TARGET MET	100% (total number of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100)	100% (total number of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100)	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1-4: Progress report on the execution of contracts drafted and vetted within 30 days/total number of contracts drafted and vetted within 30 days x 100	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional
TLDSP-00010	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To ensure good governance through transparency and accountability in the organization	To provide effective and efficient legal support services	G01.1.2	Percentage of objections addressed within 60 days as per SCM Regulations	Percentage of objections addressed within 60 days as per SCM Regulations	Output	Percentage (%)	0%	100% (number of objections addressed within 60 days/total number of objections received within 60 days x 100)	100% (number of objections addressed within 60 days/total number of objections received within 60 days x 100)	100% (number of objections addressed within 60 days/total number of objections received within 60 days x 100)	100% (number of objections addressed within 60 days/total number of objections received within 60 days x 100)	100% (number of objections addressed within 60 days/total number of objections received within 60 days x 100)	NA	NA	TARGET MET	100% (number of objections addressed within 60 days/total number of objections received within 60 days x 100)	100% (number of objections addressed within 60 days/total number of objections received within 60 days x 100)	0%	NA	Office of the Municipal Manager	Quarterly	Quarter 1 - 4: Compliance monitoring reports (uploaded), Minutes of Audit Committee	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional
TLDSP-00011	Output 5: Development through a vibrant Ward Committee Model	Good Governance and Public Participation	Accelerated Municipal Transformation and Corporate Development	Accelerated Municipal Transformation and Corporate Development	To keep the committee and stakeholders informed and involved in the affairs of the Municipality	To improve both internal and external communication	G04.1.1	Quarterly Ward Functionality Reports submitted to Council	Quarterly Ward Functionality Reports submitted to Council	Output	Number	3	4	4	4	NA	NA	TARGET MET	NA	NA	3	NA	NA	Office of the Municipal Manager	Quarterly	Q1 - Q4: Internal assessment of the committee report card by the Council, KPI & PFI	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional	
TLDSP-00012	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To ensure good governance through transparency and accountability in the organization	To facilitate the annual implementation of good ICT governance processes and standardized ICT systems	G08.1.1	Percentage of ICT issues addressed at the CT steering committee meetings	Percentage of ICT issues addressed at the CT steering committee meetings	Output	Percentage (%)	75% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	100% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	100% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	75% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	75% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	75% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	75% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	NA	TARGET MET	100% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	75% (total number of ICT issues addressed at the CT steering committee meetings/total number of ICT issues received x 100)	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1-4: ICT Steering Committee Minutes, attendance register, ICT register of issues raised and addressed with stakeholders	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional
TLDSP-00013	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To obtain a clear audit on the Audit of Performance Objectives by 2027	To ensure good governance through transparency and accountability in the organization	G08.1.1	Quarterly performance reports submitted to Audit Committee (Quarter 1-4: Top Layer SDBP)	Quarterly performance reports submitted to Audit Committee (Quarter 1-4: Top Layer SDBP)	Output	Number	4 (Annual Performance Report, Quarter 1 Performance Report, Quarter 2/3/4 Performance Report)	4	4	4	NA	NA	TARGET MET	NA	NA	NA	NA	Office of the Municipal Manager	Quarterly	Quarter 1-4: Audit Committee Minutes	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional		
TLDSP-00014	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To promote good governance through transparency and accountability in the organization	To ensure compliance with Annual report process	G07.1.1	Approval of the Annual Report and Oversight Report by Council	Approval of the Annual Report and Oversight Report by Council	Output	Reports	Annual Report tabled to Council by 31 January 2023 and Annual Report and Oversight Report approved by Council on 31 March 2023	Tabling of the Annual Report to Council by 31 January 2023 and Approval of Annual Report and Oversight Report by 31 March 2023	Tabling of the Annual Report to Council by 31 January 2023 and Approval of Annual Report and Oversight Report by 31 March 2023	Tabling of the Annual Report to Council by 31 January 2023 and Approval of Annual Report and Oversight Report by 31 March 2023	NA	NA	TARGET MET	NA	NA	NA	NA	Office of the Municipal Manager	Bi-annual	Quarter 3: Council Minutes for the tabling of the Annual Report in January 2023 and Council Minutes for the approval of the Annual Report and Oversight Report by the 31 March 2023	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional		
TLDSP-00015	Output 1: Single window of coordination	Good Governance and Public Participation	Putting people first	Accelerated Municipal Transformation and Corporate Development	To ensure the development and the maintenance of excellent IDP	To develop IDP in line with 5th generation policy and guidelines	G08.1.1	Review and Adoption of IDP by May 2023 by Council	Review and Adoption of IDP by May 2023 by Council	Output	Reports	Review and Adoption of IDP by May 2023 by Council	Approval of IDP by May 2023 by Council	Review and Adoption of IDP by May 2023 by Council	Approval of IDP by May 2023 by Council	Approval of IDP by May 2023 by Council	Approval of IDP by May 2023 by Council	NA	NA	TARGET MET	NA	NA	NA	NA	Development Planning and Human Settlements	Quarterly	Quarter 1: Council resolution, Q2: NA, Q3: Council resolution, Q4: Council Resolution	10105010105	R11 987 814.51	R11 987 815.00	R12 826 638.00	Institutional
TLDSP-00017	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To keep internal & external communication and stakeholders informed, empowered and involved by 2027	To develop and implement an optimal communication strategy	G08.1.1	Approval of the Communication Strategy in June 2023 by Council	Approval of the Communication Strategy in June 2023 by Council	Output	Reports	Communications Strategy approved by Council on 30th of June 2022	Approval of the Communication Strategy in June 2023 by Council	Approval of the Communication Strategy in June 2023 by Council	Draft Communication Strategy completed	The Director for Communications & Customer Relations was only appointed on the 30th of March 2023 and therefore there was insufficient time for the Director to deliver on the key performance indicators as set in the Communication Strategy.	NA	NA	TARGET MET	NA	NA	NA	NA	Office of the Municipal Manager (Chief Communications Officer)	Quarterly	Quarter 1: Memo Minutes Quarter 2: Memo Minutes Quarter 3: Draft Social Media Policy/Press Release and Guidelines Quarter 4: Communication Strategy and Council Resolution	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional	
TLDSP-00018	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To provide services to our citizens in a sustainable and equitable manner	To develop and implement a Service Delivery Charter	G09.1.2	Approval of the Service Delivery Charter in June 2023 by Council	Approval of the Service Delivery Charter in June 2023 by Council	Output	Reports	New KPI	Approval of the Service Delivery Charter in June 2023 by Council	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	Office of the Municipal Manager (Chief Communications Officer)	Quarterly	Quarter 1: Memo Minutes Quarter 2: Memo Minutes Quarter 3: A 4 NA	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional	
TLDSP-00019	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To enhance the quality and accessibility of services by improving efficiency and accountability in our commitment to our citizens for public goods and services	To develop and implement a Batho Pele Policy	G016.1.1	Approval of the Batho Pele Policy in June 2023 by Council	Approval of the Batho Pele Policy in June 2023 by Council	Output	Reports	New KPI	Approval of the Batho Pele Policy in June 2023 by Council	Approval of the Batho Pele Policy in June 2023 by Council	Draft Batho Pele Policy completed	The Director for Communications & Customer Relations was only appointed on the 30th of March 2023 and therefore there was insufficient time for the Director to deliver on the key performance indicators as set in the Communication Strategy.	NA	NA	TARGET MET	NA	NA	NA	NA	Office of the Municipal Manager (Chief Communications Officer)	Quarterly	Quarter 1: Memo Minutes Quarter 2: Memo Minutes Quarter 3: Draft Social Media Policy/Press Release and Guidelines Quarter 4: Communication Strategy and Council Resolution	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional	
TLDSP-00020	Output 6: Administrative and financial capability	Good Governance and Public Participation	Good governance	Accelerated Municipal Transformation and Corporate Development	To strengthen engagement and interaction with social media for increased visibility of the Municipality	To develop and implement a Social Media Policy	G016.1.2	Approval of the Social Media Policy in June 2023 by Council	Approval of the Social Media Policy in June 2023 by Council	Output	Reports	New KPI	Approval of the Social Media Policy in June 2023 by Council	Approval of the Social Media Policy in June 2023 by Council	Draft Social Media Policy completed	The Director for Communications & Customer Relations was only appointed on the 30th of March 2023 and therefore there was insufficient time for the Director to deliver on the key performance indicators as set in the Communication Strategy.	NA	NA	TARGET MET	NA	NA	NA	NA	Office of the Municipal Manager (Chief Communications Officer)	Quarterly	Quarter 1: Memo Minutes Quarter 2: Memo Minutes Quarter 3: Draft Social Media Policy/Press Release and Guidelines Quarter 4: Communication Strategy and Council Resolution	10105010105	R39 484 510.79	R37 528 352	R37 741 087	Institutional	
TLDSP-00021	Output 5: Development through a vibrant Ward Committee Model	Good Governance and Public Participation	Building capacity local government institutions	Accelerated Municipal Transformation and Corporate Development	To enhance public participation in the affairs of the Municipality	Implementation of public participation mechanisms in line with the Ward Committee Establishment and Operation Policy as adopted by Council	NA	Percentage of Ward violations as per Ward Plan	Percentage of Ward violations as per Ward Plan	Output	Percentage (%)	New KPI	NA	100% of ward violations as per Ward Plan	40% of ward violations as per Ward Plan	NA	NA	TARGET MET	NA	NA	NA	NA	Office of the Municipal Manager	Bi-annual	Quarter 1-4: Ward Plan of ward violations, minutes, attendance register and Progress Report	10105010105	R39 484 510.79	R37 528 352	R37 741 087	All wards		
TLDSP-00022	Output 6: Administrative and financial capability	Good Governance and Public Participation	Building capacity local government institutions	Accelerated Municipal Transformation and Corporate Development	To monitor and prevent present action towards jurisdiction area	To identify threats to jurisdiction area	NA	Number of Municipal Response Meeting held	Number of Municipal Response Meeting held	Input	Number	New KPI	NA	2	2	NA	NA	TARGET MET	NA	NA	NA	NA	Office of the Municipal Manager	Bi-annual	Quarter 1-4: Ward Plan, MBET minutes and Attendance register, present register and MBET report	10105010105	R39 484 510.79	R37 528 352	R37 741 087	All wards		

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REVISED TOP-LAYER SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN : 2022/2023																															
LOCAL ECONOMIC DEVELOPMENT ANNUAL PERFORMANCE : 2022/2023																															
TLSDBIP REF 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 2022/2023	KPI TYPE (INPUT, OUTPUT, OUTCOME, PROCESS)	UNIT OF MEASURE	BASELINE	ANNUAL STANDARD/ACUMULATIVE/AVERAGE TARGET/1 JULY 2022 - 30 JUNE 2023	REVISED ANNUAL STANDARD/ACUMULATIVE AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	ACTUAL ANNUAL STANDARD/ACUMULATIVE AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2022/2023 ANNUAL DASHBOARD ASSESSMENT	2021/2022 ANNUAL PERFORMANCE					RESPONSIBLE DEPARTMENT	FREQUENCY OF REPORTING	REVISED PRIMARY SOURCE OF EVIDENCE	ADJUSTED BUDGET 2022/2023		BUDGET AS AT 30 JUNE 2023	YEAR TO DATE ACTUAL SPENT	LINK OF WARD LOCALITY TO KPI
																			REVENUE ANNUAL STANDARD/ACUMULATIVE AVERAGE TARGET (1 JULY 2021 - 30 JUNE 2021)	ANNUAL ACTUAL (1 JULY 2021 - 30 JUNE 2021)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2021/2022 ANNUAL DASHBOARD ASSESSMENT				MISGA CONFIGURATION	BUDGET AMOUNT			
TLSDBIP_LED001	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 SME development and Entrepreneurship	EDI 1.2	Number of SME's Trained	Number of SME's Trained	Output	Number (No.)	60	100	100	102	Additional members of Community attended the training to gain knowledge	N/A	TARGET MET	40 SME's from the Fruit and Vegetable and Miscellaneous category in R4 towns and Regulations training. 40 SME's from the Fast Food Owners Category in Food Handling and Transportation training	41 SME's from the Fruit and Vegetable and Miscellaneous category in R4 towns and Regulations training. 40 SME's from the Fast Food Owners Category in Food Handling and Transportation training	N/A	N/A	TARGET MET	DPH	Quarterly	Quarter 1-4: Training registers / Attendance registers and SME Database	10121010373	R100 400.00	R32 800.00	R32 800.00	All wards
TLSDBIP_LED002	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	EDD 1.1	The Number of jobs created through municipality's Expanded Public Works Program (EPWP)	The Number of jobs created through municipality's Expanded Public Works Program (EPWP)	Output	Number (No.)	702	954	954	725	Slow performance by the Contractor for Basalwood Bulk Water Supply project	Renewed program submitted with the anticipated completion date	TARGET NOT MET	942	428	When targets were placed financial years between the Municipality and Public Works was not considered which is now affecting how the KPI is assessed	Targets to be revised on PMS for 2022/2023	TARGET NOT MET	TECHNICAL SERVICES	Quarterly	Quarter 2 and 4: EPWP register per project / Appointment letters / contracts	10225010377	R3 419 124.00	R3 419 124.00	R3 753 000.00	All wards
TLSDBIP_LED003	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	To upgrade the airport	EDD 1.2	Resealing of airport runway	Appointment of the service provider for the airport runway and installation of 28 runway lights	Process	Reports	New KPI	Completion of resealing runway	1. Appointment of the Contractor to commence with the resealing of the airport runway as per the Tender Document. 2. Supply and installation of 28 runway lights	1. The contractor have not been appointed. 2. Installation of 28 runway lights was not done.	1. None of the bidders met the tender requirements. 2. There was a delay in appointing the Contractor, the contractor was only appointed in June 2023.	1. Re-advertising the Bid 2. Project to be rolled to 2023/2024 financial year.	TARGET NOT MET	Installation of 28 runway lights	28 runway lights were not installed	Due to the National Treasury instruction to stop all Bid Processes in February 2022 the Bid for the runway lights was delayed and this resulted in the delay for the installation	Project will be rolled over to the 2022/2023 financial year.	TARGET NOT MET	DPH	Quarterly	Quarter 1: Specifications and BSC reviews Quarter 2: appointment letter Q3: Engineering Design Report (Runways), Advert (lights), Q4: Appointment Letter (Runways), Completion Certificate (lights)	70129038591	R3 000 000	R3 000 000.00	R3 683 795.00	34
TLSDBIP_LED004	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 SME development and Entrepreneurship	EDI 1.1	Initiatives of employment under identity Newcastle Municipality	Provision of non-financial support to shortlisted SMEs as per inventory of items	Output	Reports	New KPI	Employment initiative	Provide non-financial support to shortlisted SMEs as per inventory of items	Provide non-financial support to shortlisted SMEs as per inventory of items	None of the bidders met the tender requirements.	Re-advertising the Bid	TARGET NOT MET	Upgrade of the roof for informal trade stalls. Taxi Rank 1 and 2 installation of parlade fencing at Taxi Rank 1 and 2.	Upgrade of the roof for informal trade stalls was not completed Taxi Rank 1 and 2. Installation of parlade fencing at Taxi Rank 1 and 2 not completed	Due to the National Treasury instruction to stop all Bid Processes in February 2022 the Bid for the runway lights was delayed and this resulted in the delay for the installation	Project will be rolled over to the 2022/2023 financial year.	TARGET NOT MET	DPH	Quarterly	Q3: Shortlist, Q4 - Delivery notes	10129010311	R2 000 000.00	R2 000 000.00	R43 478.00	3, 18 & 25
TLSDBIP_LED005	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 SME development and Entrepreneurship		N/A	Number of Hawker Shelters constructed	Process	Reports	New KPI	N/A	Construction of 3 Hawker shelters	3 Hawker shelters constructed	N/A	N/A	TARGET MET	Upgrade of the roof for informal trade stalls. Taxi Rank 1 and 2. Installation of parlade fencing at Taxi Rank 1 and 2.	Upgrade of the roof for informal trade stalls was not completed Taxi Rank 1 and 2. Installation of parlade fencing at Taxi Rank 1 and 2 not completed	Due to the National Treasury instruction to stop all Bid Processes in February 2022 the Bid for the runway lights was delayed and this resulted in the delay for the installation	Project will be rolled over to the 2022/2023 financial year.	TARGET NOT MET	DPH	Annual	Invoices and Report	70226038261	R798 435.00	R799 435.00	R489 055.00	Ward 34

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INSTITUTIONAL TRANSFORMATION & DEVELOPMENT																															
TLDSDP REFERENCE NUMBER	OUTCOME 9	NATIONAL KPA	BACK TO BASICS PILLAR	BP PRIORITY	GOAL/OBJECTIVES	STRATEGIES	KPI No. LINKED TO BP	KEY PERFORMANCE INDICATOR 2022/2023	REVISED KEY PERFORMANCE INDICATOR 2022/2023	KPI TYPE (INPUT, OUTPUT, OUTCOME, PROCESS)	UNIT OF MEASURE	BASELINE	YEAR 1 ANNUAL STANDARD/ ACCUMULATIVE / AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	REVISED YEAR 1 ANNUAL STANDARD/ ACCUMULATIVE / AVERAGE TARGET (1 JULY 2022 - 30 JUNE 2023)	YEAR 1 ANNUAL STANDARD/ ACCUMULATIVE / AVERAGE ACTUAL (1 JULY 2022 - 30 JUNE 2023)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2022/2023 ANNUAL DASHBOARD ASSESSMENT	REVISED ANNUAL STANDARD/ ACCUMULATIVE / AVERAGE TARGET (1 JULY 2023 - 30 JUNE 2024)	ANNUAL STANDARD/ ACCUMULATIVE / AVERAGE ACTUAL (1 JULY 2023 - 30 JUNE 2024)	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION	2021/2022 ANNUAL DASHBOARD ASSESSMENT	RESPONSIBLE DEPARTMENT	FREQUENCY OF REPORTING	REVISED PRIMARY SOURCE OF EVIDENCE	ADJUSTED BUDGET 2022/2023		BUDGET AS AT 30 JUNE 2023	YEAR TO DATE ACTUAL SPENT	WARD LOCALITY
													MEDIA CONSOLIDATION	BUDGET AMOUNT																	
TLDSDP-ITD001	Outcome 9: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Manage organisational development within the organisation	To embark on the review of job descriptions as per approved structure for the financial year 2023/2024	IT 1.1.1	Number of work study reports conducted as per year plan	Number of job descriptions reviewed as per year plan	Process	Total number	4	4	75	75	N/A	N/A	TARGET MET	4	4	4	N/A	TARGET MET	CORPORATE SERVICES	QUARTERLY	Quarter 1 - 4: Reviewed job description as per year plan and reorganogram	10130010105	R 12 067 346,33	R 12 067 346,00	R 12 142 410,00	Institutional
TLDSDP-ITD002	Outcome 9: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Provide occupationally diverse learning and development opportunities in the workplace	To facilitate work skills planning and development	IT 2.1.1	Percentage of the approved budget actually spent on implementing its workplace skills plan	Percentage of the approved budget actually spent on implementing its workplace skills plan	Output	Percentage (%)	0,144%	0,12%	0,12%	0,10%	20% of the budget is kept aside for skills training. The financial year 1 was possible to use the majority of the budget to implement the WOSP. Skills plan was not planned or executed.	Targets for aligned to approved budget in 2023/2024 FYR	TARGET NOT MET	0,144%	0,148%	Due to budget constraints the municipality was not able to implement the approved Work Skills Plan as approved	Corporate Services to identify funding for skills development training employees	TARGET NOT MET	CORPORATE SERVICES	QUARTERLY	Quarter 1 - 4: 1. Calculation sheet 2. Budget estimate and increase 3 Annual workplace skills plan	10130010061 & 10134010202 & 10134010209 & 10134010303 & 10134010306 & 10134010402	R 2 150 000,00 R 1 134 682,00 R 332 818,00 R 197 818,00 R 16 000,00 R 300 401,00	R 1 990 000 R 1 034 682 R 332 818 R 197 818 R 16 000 R 300 401	R 1 698 968 R 1 369 485 R 351 781 R 198 559 R 16 822 R 319 142	Institutional
TLDSDP-ITD003	Outcome 9: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Facilitate effective logistics management & related activities in support Council committees, Management Committee & other related meetings, and provide timely protocol	To review Admin policies, procedures and process flow	IT 4.1.1	Political Office Bearers Vehicle Policy & Records Management Policy	Council Approval of the Political Office Bearers Vehicle Policy (New) & Records Management Policy (Reviewed)	Output	Attendance Registers and/or Committee resolutions	New KPI	Council Approval of policies	Council Approval of policies	Records Management Policy approved	Council referred back the Political Bearers Vehicle Policy	Target will be achieved in Q1 of 2023/2024 FYR	TARGET NOT MET	workshop for all Corporate Service Portfolio Councilors on all Corp. Service Unit Policies, for Councilors input	Council Approval of the following policies: Induction policy Overtime policy Remuneration policy Retention and Succession policy Sexual Harassment policy Substance and Travel Allowance Acting Policy	Target will be achieved in Q1 of 2023/2024 FYR	TARGET MET	CORPORATE SERVICES	QUARTERLY	Quarter 1 - Comments from the politicians and or attendance register. Quarter 2- Minutes and or resolution of CSPSC and EXCO Quarter 3- Council resolution Quarter 4: Council Resolution	10130010105 and 10106010105	R 12 067 346, and R 16 634 955	R 12 037 957 R 15 735 456	R 12 142 410 R 15 738 462	Institutional	
TLDSDP-ITD004	Outcome 9: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Facilitate effective logistics management & related activities in support Council committees, Management Committee & other related meetings, and provide timely protocol	To provide quality administrative services, to support optimal organizational performance	IT 4.1.1	Number of meetings arranged as per approved annual meeting plan	Number of meetings arranged as per approved annual meeting plan	Output	Number	New KPI	131	123	94	Postponement of meetings due to no quorum	Meetings will be held in July of 2023/2024 Financial year	TARGET NOT MET	100%	96%	some Meetings were Postponed due to no quorum	The annual meeting plan to be revised	TARGET NOT MET	CORPORATE SERVICES	QUARTERLY	Agendas, notice of meetings and revised meeting schedule for Jan to June 2023	10106010105	R 16 634 955	R 15 735 456	R 15 758 462,00	Institutional
TLDSDP-ITD005	Outcome 6: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Ensure sound records management system	To render an Effective and efficient records management system	IT 6.1.1	Annual disposal of Municipal records either by transferring them to KZN Archives Services and/or destroying records without value	Annual disposal of Municipal records either by transferring them to KZN Archives Services and/or destroying records without value	Process	Reports	Transfer A20 records to KZN archives, and destroy and design the destruction certificate for ephemeral records (D), in terms of authorization received from KZN Archives.	Transfer A20 records to KZN archives, or destroy ephemeral records and design the destruction certificate for ephemeral records (D), in terms of authorization received from KZN Archives.	Transfer A20 records to KZN archives, destroyed and designed the destruction certificate for ephemeral records (D), in terms of authorization received from KZN Archives.	Transfer A20 records to KZN archives, destroyed and designed the destruction certificate for ephemeral records (D), in terms of authorization received from KZN Archives.	N/A	N/A	TARGET MET	Transfer A20 Records to KZN Archives and destroy and obtain the destruction certificate for ephemeral records (D), in terms of authorization received from KZN Archives.	Transfer A20 records to KZN archives, and destroy and obtain the destruction certificate for ephemeral records (D), in terms of authorization received from KZN Archives.	N/A	TARGET MET	CORPORATE SERVICES	QUARTERLY	Quarter 1: Copy of memo signed of by the MIA Quarter 2: Copy of application Quarter 3: feedback from KZN Archives Quarter4: Designed destruction certificate to KZN Archives	10106010105	R 16 634 955	R 15 735 456	R 15 758 462,00	Institutional	
TLDSDP-ITD006	Outcome 9: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Ensure attainment of Labour stability	To promote employee relations (ER) and Labour stability	IT 3.1.1	Number of LFP meetings organized per quarter	Number of LFP meetings organized per quarter	Output	Number	New KPI	4	4	4	N/A	N/A	TARGET MET	100%	100%	Some of the issues discussed as per the agenda could not be addressed in the Quarter 4 meeting	Outstanding LFP issues to be addressed in Quarter 1 of the 2023/2024 financial year	TARGET NOT MET	CORPORATE SERVICES	QUARTERLY	Quarter 1 - 4 LFP agenda, notice of meeting, attendance register, Minutes of the meeting	10130010105 and 10106010105	R 12 067 346, and R 16 634 955	R 12 067 346 R 15 735 456	R 12 142 410 R 15 738 462	Institutional
TLDSDP-ITD007	Outcome 6: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Effectively provide an inclusive, clean, safe, healthy and environmentally friendly workplace that stimulates innovation & productivity, strengthens communication & teamwork, and preserves the Council's assets	To promote zero fatalities and ensure a healthy and safe working environment	IT 5.1.1	Number of Health and Safety awareness sessions conducted	Number of Health and Safety awareness sessions conducted	Output	Number	New KPI	4	4	4	N/A	N/A	TARGET MET	100%	100%	N/A	N/A	TARGET MET	CORPORATE SERVICES	QUARTERLY	Memoirandum of awareness session to be held, attendance register	10106010105	R 16 634 955	R 15 735 456	R 15 758 462,00	Institutional
TLDSDP-ITD008	Outcome 9: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	To align processes and systems to established HR practices, standards and applicable legislations	To review and amendment existing policies	IT 2.2.1	Council approval of the CHS Policy, Covid-19 Policy, Strike management Policy, Acting Policy, Employment practice policy(temporal and permanent), leave policy, EAP policy	Council approval of the CHS Policy, Strike management Policy, Acting Policy, Employment practice policy(temporal and permanent), leave policy, EAP policy	Output	Reports	Induction Policy, Retention and Succession Policy, Sexual Harassment Policy, S&T Policy, Chastity Policy, Remuneration Policy	Council Approval of all valued policies	Council Approval of all valued policies	The CHS - Strike management, Acting, Employment practice (temporal and permanent), leave and EAP policies, were approved by Council in 20 June 2023	N/A	N/A	TARGET MET	Research gathering, consultation and meeting with Internal Stake Holders	Research gathering, consultation and meeting with internal stakeholders was completed	N/A	N/A	TARGET MET	CORPORATE SERVICES	QUARTERLY	Quarter 1: Communication sent out for departmental comments, departmental comments Quarter 2: Attendance Register of Local Labour Forum, Quarter 3: Departmental Minutes and minutes with attendance register Quarter 3: Attendance Register of workshops Quarter 4: Council Resolution for the approval of the policies	10130010105 and 10106010105	R 12 067 346, and R 16 634 955	R 12 037 957 R 15 735 456	R 12 142 410 R 15 738 462	Institutional
TLDSDP-ITD009	Outcome 6: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	Encourage an organizational culture that stimulate professional excellence and personal leadership	To foster a culture of peak performance and improvement across the organization	IT 7.1.1	Number of Wellness sessions held per quarter	Number of Wellness sessions held per quarter	Output	Number	New KPI	4	4	4	N/A	N/A	TARGET MET	N/A	N/A	N/A	N/A	N/A	CORPORATE SERVICES	QUARTERLY	Memoirandum of awareness session to be held, attendance register	10106010105	R 16 634 955	R 15 735 456	R 15 758 462,00	Institutional
TLDSDP-ITD010	Outcome 9: Administrative and financial capability	Municipal Institutional Development and Transformation	Building capable local government institutions	Accelerated Municipal Transformation and Corporate Development	To enhance organizational performance by attracting and retaining the best talent by 2022	To fill all vacancies budgeted for in FY 2023	IT 6.2.1	The number of people from preferred employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan	The number of people from preferred employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan	Output	Number	5 (3 x SED, 2 x Directors)	4	8	8	N/A	N/A	TARGET MET	1x Section 57 positions (Afrocent female) (SED; Community Services)	3 x Section 57 positions appointed	The SED: Community Services position was filled as per the employment equity plan based on the applications shortlisted for the position. The SED: Technical Services required and the post had to be subsequently advertised. The SED: DPHS also became vacant and had to be advertised.	Positions be filled as per approved structure by Council	TARGET MET	CORPORATE SERVICES	QUARTERLY	Quarter 1-4 Appointment Letters	10106010105	R 16 634 955	R 15 735 456	R 15 758 462,00	Institutional



NEWCASTLE MUNICIPALITY

(Registration number KZN252)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structure Act (Act 117 of 1998) read with section 155(1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

Nature of business and principal activities

The provision of services (electricity, water, sanitation and refuse) to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.

Mayor

Executive Committee

Cllr DX Dube
Cllr SM Thwala
Cllr ME Hlatshwayo
Cllr CB Kubheka
Cllr AP Meiring
Cllr RM Molelekoa
Cllr LC Sithebe
Cllr SA Yende
Cllr VG Zondo
Cllr TM Zulu
Cllr TE Mthembu
Cllr F Cassim
Cllr VV Bam
Cllr ME Buthelezi
Cllr SB Buthelezi
Cllr EJC Cronje
Cllr MJ Dladla
Cllr TN Dlamini
Cllr NC Dube
Cllr FL Duma
Cllr VF Hadebe
Cllr P Hariram
Cllr MME Hlatshwayo
Cllr HN Khumalo
Cllr LM Khumalo
Cllr NR Khumalo
Cllr NZB Kunene
Cllr MT Lethea
Cllr CY Liu
Cllr BG Madi
Cllr ZE Madi
Cllr MTD Makhoba
Cllr XS Makhubo
Cllr FA Malinga
Cllr NP Maseko
Cllr NSF Masondo
Cllr SP Masuku
Cllr LI Mathe
Cllr BD Mathunjwa
Cllr LP Mazibuko
Cllr MV Mbatha
Cllr AE Mkhwanazi
Cllr MP Mkhwanazi
Cllr SW Mngomezulu

Councillors

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

General Information

	Cllr PF Mnisi Cllr NP Mthabela Cllr MV Molefe Cllr LP Ndebele Cllr JA Vorster Cllr MO Ndlovu Cllr CS Ngcobo Cllr RN Ngcobo Cllr AT Nkosi Cllr SE Nkosi Cllr WP Nkosi Cllr S Ntsele Cllr MJ Ntshangase Cllr RBS Russell Cllr NP Shabalala Cllr SE Shabangu Cllr VN Sibeko Cllr S Singh Cllr FN Sithole Cllr BR Thusi Cllr LP Ximba Cllr NS Zulu Cllr ZE Zwane
Grading of local authority	4
Chief Finance Officer (CFO)	SM Nkosi
Accounting Officer	ZW Mcineka
Registered office	37 Murchison Street Newcastle 2940
Business address	37 Murchison Street Newcastle 2940
Postal address	Private Bag X 6621 Newcastle 2940
Bankers	Nedbank
Auditors	Auditor General South Africa
Attorneys	DBM Attorneys, JT Mphela Attorneys Purdon and Munsamy
Audit Committee Members	Yaasir Haffejee (Chairperson) Tshimomola Rabelani Zanele Nkosi Mamokeaseng Nkopane Sijabulile Makhathini

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the municipality for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out from page 4, which have been prepared on the going concern basis, were approved and signed by the accounting officer on 30 November 2022.

ZW Mcineka
Municipal Manager

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	8	24 543 871	18 807 291
Receivables from exchange transactions	9	85 289 596	96 857 315
Receivables from non-exchange transactions	10	16 630 103	16 002 938
VAT receivable	56	-	36 095 192
Consumer debtors from exchange transactions	11	666 712 885	508 217 581
Consumer debtors from non-exchange transactions	11	120 735 153	136 908 187
Cash and cash equivalents	12	76 167 306	9 500 299
		990 078 914	822 388 803
Non-Current Assets			
Investment property	3	372 224 056	327 734 618
Property, plant and equipment	4	6 174 453 795	6 480 678 969
Intangible assets	5	382 212	1 257 668
Heritage assets	6	11 822 732	11 757 932
Investments in associates	7	142 171 037	173 927 882
		6 701 053 832	6 995 357 069
Total Assets		7 691 132 746	7 817 745 872
Liabilities			
Current Liabilities			
Financial liabilities	17	46 652 953	30 987 268
Finance lease obligation	15	606 923	194 829
Payables from exchange transactions	20	778 043 952	821 700 720
VAT payable	21	3 037 875	-
Consumer deposits	22	33 418 184	27 501 909
Unspent conditional grants and receipts	16	206 298 387	38 130 158
Defined benefit plan	18	11 105 000	11 406 000
		1 079 163 274	929 920 884
Non-Current Liabilities			
Financial liabilities	17	314 367 835	362 011 519
Finance lease obligation	15	1 122 219	68 711
Defined benefit plan	18	164 128 001	155 397 002
Provision for rehabilitation of landfill site	19	65 212 118	59 210 858
		544 830 173	576 688 090
Total Liabilities		1 623 993 447	1 506 608 974
Net Assets		6 067 139 299	6 311 136 898
Reserves			
Housing Development fund	13	30 563 967	29 806 660
Self-insurance reserve	14	322 945	435 241
Accumulated surplus		6 036 252 387	6 280 894 997
Total Net Assets		6 067 139 299	6 311 136 898

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	1 128 488 051	1 013 999 033
Rental of facilities and equipment	25	8 372 974	7 093 441
Other Revenue	27	12 064 156	18 450 819
Interest received	28	8 308 003	6 660 722
Total revenue from exchange transactions		1 157 233 184	1 046 204 015
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	353 326 627	342 533 924
Licences and Permits		45 824	101 472
Transfer revenue			
Government grants & subsidies	30	611 797 759	639 932 157
Fines, Penalties and Forfeits	26	5 352 730	5 401 977
Total revenue from non-exchange transactions		970 522 940	987 969 530
Total revenue	23	2 127 756 124	2 034 173 545
Expenditure			
Employee related costs	31	665 630 377	546 878 068
Remuneration of councillors	32	23 742 260	25 611 680
Depreciation and amortisation	33	348 817 502	351 084 296
Finance costs	35	64 412 397	64 979 614
Debt Impairment	36	123 924 694	202 430 116
Bad debts written off	37	24 492 046	14 597 835
Bulk purchases	38	649 750 143	559 335 056
Contracted services	39	240 901 289	264 109 423
General Expenses	40	143 927 248	148 194 029
Total expenditure		2 285 597 956	2 177 220 117
Operating deficit		(157 841 832)	(143 046 572)
Share of deficit in investment in associates		(31 756 845)	(30 277 147)
Actuarial gains/losses		3 450 182	12 908 000
Fair value adjustments to investment property		49 372 929	-
Impairment loss	34	(109 689 804)	(25 822 582)
Inventories losses/write-downs		(645 854)	(117 170)
Profit/(Loss) on Sale of Assets		3 113 641	(50 052 096)
Public contributions and donations		-	39 249 962
		(86 155 751)	(54 111 033)
Deficit for the year		(243 997 583)	(197 157 605)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Self Insurance Reserves	Total reserves	Accumulated surplus	Total net assets
Balance at 01 July 2020	28 807 981	532 983	29 340 964	6 448 360 340	6 477 701 304
Changes in net assets					
Deficit for the year	-	-	-	(197 157 605)	(197 157 605)
Transfer to Housing Development Fund	998 679	-	998 679	(998 679)	-
Transfer from Self Insurance Reserves	-	(97 742)	(97 742)	97 742	-
Prior Period error debt impairment	-	-	-	54 634 212	54 634 212
Prior year adjustment	-	-	-	(13 128 194)	(13 128 194)
Investment in associate	-	-	-	10 183 543	10 183 543
Prior Period error Assets	-	-	-	1 637 589	1 637 589
Prior period error Indigent support	-	-	-	-	-
Prior period error Creditors	-	-	-	(18 469 387)	(18 469 387)
Prior period error Interest on arrear accounts	-	-	-	(4 292 874)	(4 292 874)
Prior period error Other liabilities	-	-	-	27 356	27 356
Prior year error Inventory	-	-	-	954	954
Total changes	998 679	(97 742)	900 937	(167 465 343)	(166 564 406)
Restated* Balance at 01 July 2021	29 806 660	435 241	30 241 901	6 280 894 981	6 311 136 882
Deficit for the year	-	-	-	(243 997 583)	(243 997 583)
Transfer to Housing Development Fund	757 307	-	757 307	(757 307)	-
Transfer from Self Insurance Reserves	-	(112 296)	(112 296)	112 296	-
Total changes	757 307	(112 296)	645 011	(244 642 594)	(243 997 583)
Balance at 30 June 2022	30 563 967	322 945	30 886 912	6 036 252 387	6 067 139 299

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 229 841 918	1 082 610 029
Grants		779 965 988	632 312 985
Interest income		8 308 003	6 660 722
		<u>2 018 115 909</u>	<u>1 721 583 736</u>
Payments			
Employee costs and Councillors remuneration		(589 991 308)	(568 958 990)
Suppliers		(1 148 046 837)	(975 982 239)
Finance costs		(43 350 276)	(42 709 558)
		<u>(1 781 388 421)</u>	<u>(1 587 650 787)</u>
Net cash flows from operating activities	42	<u>236 727 488</u>	<u>133 932 949</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(149 372 864)	(135 369 348)
Proceeds from sale of property, plant and equipment	4	251 860	2 457 003
Proceeds from sale of Investment property	3	9 679 964	1 478 258
Purchase of other intangible assets	5	(42 244)	-
Purchases of Heritage Assets	6	(64 800)	(87 700)
Net cash flows from investing activities		<u>(139 548 084)</u>	<u>(131 521 787)</u>
Cash flows from financing activities			
Net movements in long term loans		(31 977 999)	(28 914 561)
Movement on finance lease		1 465 602	(264 800)
Net cash flows from financing activities		<u>(30 512 397)</u>	<u>(29 179 361)</u>
Net increase/(decrease) in cash and cash equivalents		66 667 007	(26 768 199)
Cash and cash equivalents at the beginning of the year		9 500 299	36 268 498
Cash and cash equivalents at the end of the year	12	<u>76 167 306</u>	<u>9 500 299</u>

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	1 119 127 801	9 023 212	1 128 151 013	1 128 488 051	337 038	
Rental of facilities and equipment	7 532 029	1 384 716	8 916 745	8 372 974	(543 771)	
Other own revenue	20 986 799	35 143	21 021 942	12 064 156	(8 957 786)	
Interest Received	6 937 974	(397 650)	6 540 324	8 308 003	1 767 679	
Total revenue from exchange transactions	1 154 584 603	10 045 421	1 164 630 024	1 157 233 184	(7 396 840)	

Revenue from non-exchange transactions

Property rates	362 426 238	(1 320 375)	361 105 863	353 326 627	(7 779 236)	
Licences and Permits	104 938	(63 506)	41 432	45 824	4 392	
Transfer revenue						
Government grants & subsidies	695 021 001	147 910 651	842 931 652	476 755 803	(366 175 849)	
Fines, Penalties and Forfeits	2 104 944	1 838 815	3 943 759	5 352 730	1 408 971	
Total revenue from non-exchange transactions	1 059 657 121	148 365 585	1 208 022 706	835 480 984	(372 541 722)	
Total revenue	2 214 241 724	158 411 006	2 372 652 730	1 992 714 168	(379 938 562)	

Expenditure

Employee costs	(570 233 902)	(8 184 337)	(578 418 239)	(665 630 377)	(87 212 138)	
Remuneration of councillors	(28 882 467)	4 590 000	(24 292 467)	(23 742 260)	550 207	
Depreciation and amortisation	(378 675 137)	13 641 611	(365 033 526)	(348 817 502)	16 216 024	
Finance costs	(39 754 198)	-	(39 754 198)	(64 412 397)	(24 658 199)	
Debt Impairment	(283 536 108)	8 553 878	(274 982 230)	(123 924 694)	151 057 536	
Bad debts written off	-	-	-	(24 492 046)	(24 492 046)	
Bulk purchases	(688 412 653)	28 146 168	(660 266 485)	(649 750 143)	10 516 342	
Contracted Services	(388 305 778)	(249 377 226)	(637 683 004)	(240 901 289)	396 781 715	
Other expenditures	(111 130 506)	(10 921 288)	(122 051 794)	(143 927 248)	(21 875 454)	
Total expenditure	(2 488 930 749)	(213 551 194)	(2 702 481 943)	(2 285 597 956)	416 883 987	
Operating deficit	(274 689 025)	(55 140 188)	(329 829 213)	(292 883 788)	36 945 425	
Transfers Recognised Capital	121 377 000	34 728 513	156 105 513	135 041 956	(21 063 557)	
Actuarial gains/losses	-	-	-	3 450 182	3 450 182	
Fair value adjustment to IP	-	-	-	49 372 929	49 372 929	
Share of surpluses or (deficits) from Investments in associates	-	-	-	(31 756 845)	(31 756 845)	
Inventories losses/write-downs	-	-	-	(645 854)	(645 854)	
Profit/(Loss) on sale of assets	-	-	-	3 113 641	3 113 641	
Impairment loss or reversal	-	-	-	(109 689 804)	(109 689 804)	
	121 377 000	34 728 513	156 105 513	48 886 205	(107 219 308)	
Deficit before taxation	(153 312 025)	(20 411 675)	(173 723 700)	(243 997 583)	(70 273 883)	
Actual Amount on Comparable Basis	(153 312 025)	(20 411 675)	(173 723 700)	(243 997 583)	(70 273 883)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
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Figures in Rand

Statement of Financial Position

Assets

Current Assets

Inventories	14 994 565	-	14 994 565	24 543 871	9 549 306
Receivables from exchange transactions	81 351 346	-	81 351 346	85 289 596	3 938 250
Receivables from non-exchange transactions	-	-	-	16 630 103	16 630 103
Consumer debtors	544 147 765	-	544 147 765	666 712 885	122 565 120
Consumer debtors from non-exchange transactions	-	-	-	120 735 153	120 735 153
Cash and cash equivalents	9 149 752	(2 968 731)	6 181 021	76 167 306	69 986 285
	649 643 428	(2 968 731)	646 674 697	990 078 914	343 404 217

Non-Current Assets

Investment property	341 873 618	-	341 873 618	372 224 056	30 350 438
Property, plant and equipment	6 410 126 071	-	6 410 126 071	6 174 453 795	(235 672 276)
Intangible assets	1 223 846	-	1 223 846	382 212	(841 634)
Heritage assets	11 710 932	-	11 710 932	11 822 732	111 800
Investments in associates	217 333 222	-	217 333 222	142 171 037	(75 162 185)
	6 982 267 689	-	6 982 267 689	6 701 053 832	(281 213 857)

Total Assets

7 631 911 117	(2 968 731)	7 628 942 386	7 691 132 746	62 190 360
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Liabilities

Current Liabilities

Financial liabilities	15 117 588	-	15 117 588	46 652 953	31 535 365
Finance lease obligation	-	-	-	606 923	606 923
Payables from exchange transactions	601 094 204	88 576 389	689 670 593	778 043 952	88 373 359
VAT payable	-	-	-	3 037 875	3 037 875
Consumer deposits	27 094 773	-	27 094 773	33 418 184	6 323 411
Unspent conditional grants and receipts	-	-	-	206 298 387	206 298 387
Defined benefit plan	9 752 000	-	9 752 000	11 105 000	1 353 000
	653 058 565	88 576 389	741 634 954	1 079 163 274	337 528 320

Non-Current Liabilities

Financial liabilities	345 654 390	-	345 654 390	314 367 835	(31 286 555)
Finance lease obligation	-	-	-	1 122 219	1 122 219
Defined benefit plan	152 313 600	-	152 313 600	164 128 001	11 814 401
Provision for rehabilitation of landfill site	50 150 219	-	50 150 219	65 212 118	15 061 899
	548 118 209	-	548 118 209	544 830 173	(3 288 036)

Total Liabilities

1 201 176 774	88 576 389	1 289 753 163	1 623 993 447	334 240 284
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Net Assets

6 430 734 343	(91 545 120)	6 339 189 223	6 067 139 299	(272 049 924)
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Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
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Figures in Rand

Net Assets

Reserves

Housing Development Fund	29 719 759	(4 233 164)	25 486 595	30 563 967	5 077 372	
Insurance reserve	354 500	-	354 500	322 945	(31 555)	
Accumulated surplus	6 400 660 084	(87 311 956)	6 313 348 128	6 036 252 387	(277 095 741)	
Total Net Assets	6 430 734 343	(91 545 120)	6 339 189 223	6 067 139 299	(272 049 924)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods	1 214 721 133	-	1 214 721 133	1 229 841 918	15 120 785	
Grants	816 398 000	164 710 651	981 108 651	779 965 988	(201 142 663)	
Interest received	2 295 509	(1 721)	2 293 788	8 308 003	6 014 215	
Other receipts	29 044 755	228 664 077	257 708 832	-	(257 708 832)	
	2 062 459 397	393 373 007	2 455 832 404	2 018 115 909	(437 716 495)	

Payments

Employee costs and payments to suppliers	(1 863 263 092)	(362 503 376)	(2 225 766 468)	(1 738 038 145)	487 728 323	
Finance costs	(39 754 198)	-	(39 754 198)	(43 350 276)	(3 596 078)	
	(1 903 017 290)	(362 503 376)	(2 265 520 666)	(1 781 388 421)	484 132 245	

Net cash flows from operating activities	159 442 107	30 869 631	190 311 738	236 727 488	46 415 750	
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Cash flows from investing activities

Purchase of property, plant and equipment	(145 393 000)	(40 000 178)	(185 393 178)	(149 372 864)	36 020 314	
Proceeds from sale of property, plant and equipment	11 000 000	-	11 000 000	251 860	(10 748 140)	
Proceeds from sale of investment property	-	-	-	9 679 964	9 679 964	
Purchase of other intangible assets	-	-	-	(42 244)	(42 244)	
Purchases of heritage assets	-	-	-	(64 800)	(64 800)	
Net cash flows from investing activities	(134 393 000)	(40 000 178)	(174 393 178)	(139 548 084)	34 845 094	

Cash flows from financing activities

Movement in long term loans	(31 884 356)	-	(31 884 356)	(31 977 999)	(93 643)	
Movement in finance leases	-	-	-	1 465 602	1 465 602	
Net cash flows from financing activities	(31 884 356)	-	(31 884 356)	(30 512 397)	1 371 959	

Net increase/(decrease) in cash and cash equivalents	(6 835 249)	(9 130 547)	(15 965 796)	66 667 007	82 632 803	
Cash and cash equivalents at the beginning of the year	15 985 000	(6 484 697)	9 500 303	9 500 299	(4)	
Cash at the end of the year	9 149 751	(15 615 244)	(6 465 493)	76 167 306	82 632 799	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Information

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference (Refer to Appendix E for comments)
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Figures in Rand

The budget of the municipality was been prepared on accrual basis of accounting and in accordance with the prescripts of the Municipal Budget and Reporting Regulations (MBRR) as well as the National Treasury's MFMA circulars. In accordance with the MBRR, the classification basis through which the municipality presents its budget is the economic (item) as well as the functional classification (standards and vote classifications). Differences between the budget and the actual financial results exist mainly due to technical GRAP related entries made as well as the actual adjustments made after the adjustments budgets were approved. These differences are considered to be not material since the basis of preparation of the budget and the actual results are the same (accrual basis). Where variances are considered to be material, the reasons for variances are provided in Annexure E attached hereto.

Variances between the approved budget and the final budget presented in the Statement of Comparison of Budget and Actual Information are due to the adjustments budget(s) which have been approved by council. These changes include those that are as a result of reallocations within the approved budget between municipal votes as well as additional grant allocations received by the municipality during the year. Changes also include those done in accordance with the approved virements Policy of Council during the financial year.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand	Note(s)	2022	2021
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1. Presentation of Annual Financial Statements

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

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

The annual financial statements are rounded off to the nearest R1.

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

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

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

1.3 Materiality

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

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.4 Interests in other entities

Investments in associates and/or joint ventures

An associate is an entity over which the investor has significant influence.

Binding arrangement is an arrangement that confers enforceable rights and obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

Consolidated annual financial statements are the annual financial statements of an economic entity in which assets, liabilities, net assets, revenue, expenses and cash flows of the controlling entity and its controlled entities are presented as those of a single economic entity.

The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's surplus or deficit includes its share of the investee's surplus or deficit and the investor's net assets includes its share of changes in the investee's net assets that have not been recognised in the investee's surplus or deficit.

A joint arrangement is an arrangement of which two or more parties have joint control.

Joint control is the agreed sharing of control by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

A joint venturer is a party to a joint venture that has joint control of that joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the entity continues to apply the equity method and does not remeasure the retained interest.

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.5 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

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

The nature OR type of properties classified as held for strategic purposes are as follows:

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

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

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	30 years
Plant and machinery	Straight-line	5 years
Furniture and fixtures	Straight-line	7 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	5 years
IT equipment	Straight-line	5 years
Computer software	Straight-line	5 years
Infrastructure	Straight-line	5-80 years
Community	Straight-line	5-80 years
Other property, plant and equipment	Straight-line	5-10 years
Landfil site	Straight-line	5 years
Heritage	Straight-line	Infinite

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.8 Intangible assets (continued)

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight-line	5 years

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

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.9 Heritage assets (continued)

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.

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

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1.9 Heritage assets (continued)

Transfers

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

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

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.10 Financial instruments

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

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

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

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Accounting Policies

1.10 Financial instruments (continued)

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

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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

Finance leases - lessor

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.12 Inventories

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

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

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

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

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Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

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

1.13 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the 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 (Amortisation) 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.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

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Accounting Policies

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Redesignation

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

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Newcastle Municipality

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Accounting Policies

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other post retirement obligations

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

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

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

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

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

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

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Accounting Policies

1.15 Employee benefits (continued)

Termination benefits

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

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

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

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

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

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

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

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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Accounting Policies

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an 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;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - 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 municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy and 1.13.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.16 Provisions and contingencies (continued)

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

Government refers to government, government agencies and similar bodies whether local, national or international.

The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation.

The municipality does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the municipality being economically compelled to continue to operate in that future period. The preparation of financial statements under the going concern assumption does not imply that the municipality has a present obligation to pay a levy that will be triggered by operating in a future period.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.18 Revenue from exchange transactions

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

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

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

1.19 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, 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 municipality 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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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

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

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

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 municipality.

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.

1.20 Grants and transfers

Grants and transfers received or receivable are recognised as assets when the resources have been transferred to the Municipality and meet the definition and criteria for recognition as assets.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions that require the Municipality either consumes the future economic benefit or service potential of the asset as specified, or that in the event that the conditions are bridged, the Municipality returns such future economic benefits or service potential to the transferor. The liability is transferred to the revenue when conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

1.21 Investment income

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

1.22 Borrowing costs

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

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

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Recognition

Newcastle Municipality

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Accounting Policies

1.23 Accounting by principals and agents (continued)

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

1.25 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 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 is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.29 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.30 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

Newcastle Municipality

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Accounting Policies

1.31 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

The resources of the municipality are allocated in line with the business units, which are as follows:

- Community and Public Safety: which includes community services , sport and recreation , public safety and housing services.
- Economic and Environmental Services: which includes planning and development , road transport and environmental protection services.
- Trading Services: which includes provision of electricity , water management , waste water management and waste management services.
- Other Services: which includes governance and administration of the municipality.

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.32 Budget information

The annual budget figures have been in accordance with the GRAP standards in an accrual basis, and are consistent with accounting policies used for the preparation of these financial statements. The approved budget is the most recent adjustment budget approved by Council. The final budget is the most recently approved budget that has been adjusted for changes made in terms of the legislation and may not have been formally approved again by Council .

The budget amounts are presented as a separate, additional financial statement, called statement of comparison of budget and actual amount. Explanatory notes on material differences are provided in the notes to the financial statements. Material variances are those variances that are 10% more or less than the approved budget. Comparative information is not required for, and has therefore not been presented in the statement of comparison of budget and actual amounts..

1.33 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

1.33 Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.35 Cash and cash equivalents

Cash includes cash on hand, cash held with banks and call deposits. Cash equivalents are short-term bank deposit with maturity of 3 months or less from inception, readily convertible into cash without significance changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any overdrafts

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 25 (as revised 2021): Employee Benefits 	01 April 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> iGRAP 7 (as revised 2021): Limit on defined benefit asset, minimum funding requirements and their interaction 	01 April 2009	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 104 (amended): Financial Instruments 	01 April 2025	Expected impact on classification, measurement and disclosure
<ul style="list-style-type: none"> iGRAP 21: The Effect of Past Decisions on Materiality 	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 2020: Improvements to the standards of GRAP 2020 	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 1 (amended): Presentation of Financial Statements 	01 April 2023	Unlikely there will be a material impact
<ul style="list-style-type: none"> 2099 means that the standard has been issued but does not have an effective date as yet. 		

Newcastle Municipality

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3. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	372 224 056	-	372 224 056	327 734 618	-	327 734 618

Reconciliation of investment property - 2022

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	327 734 618	(4 883 491)	49 372 929	372 224 056

Reconciliation of investment property - 2021

	Opening balance	Disposals	Transfers	Total
Investment property	342 104 618	(775 000)	(13 595 000)	327 734 618

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Newcastle Municipality

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Figures in Rand

4. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	171 830 447	-	171 830 447	171 960 447	-	171 960 447
Buildings	428 264 449	(87 337 228)	340 927 221	424 213 011	(72 883 155)	351 329 856
Infrastructure	9 734 459 849	(4 271 097 173)	5 463 362 676	9 466 599 932	(3 753 515 815)	5 713 084 117
Community	259 873 489	(99 133 978)	160 739 511	290 445 001	(88 500 449)	201 944 552
Leased Assets	3 137 020	(1 605 533)	1 531 487	2 115 330	(1 863 117)	252 213
Other Assets	200 782 586	(164 720 133)	36 062 453	205 362 168	(163 254 384)	42 107 784
Total	10 798 347 840	(4 623 894 045)	6 174 453 795	10 560 695 889	(4 080 016 920)	6 480 678 969

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Additions WIP	Transfers	Disposals	Write offs	Depreciation	Impairment loss	Total
Land	171 960 447	-	-	-	(130 000)	-	-	-	171 830 447
Buildings	355 212 639	4 568 438	719 854	(4 568 437)	(62 348)	-	(14 908 726)	-	340 961 420
Infrastructure	5 713 084 120	67 232 847	136 376 796	(67 232 847)	-	(853 315)	(308 828 207)	(102 959 244)	5 436 820 150
Community	197 190 535	3 816 820	5 052 897	(5 043 456)	-	(817 233)	(10 251 962)	(2 699 764)	187 247 837
Leased Assets	252 174	1 922 667	-	-	-	-	(643 353)	-	1 531 488
Other assets	42 979 018	6 527 462	-	-	(14 298)	(57 642)	(13 267 555)	(104 531)	36 062 454
	6 480 678 933	84 068 234	142 149 547	(76 844 740)	(206 646)	(1 728 190)	(347 899 803)	(105 763 539)	6 174 453 796

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Additions WIP	Transfers	Write off	Disposals	Impairment	Depreciation	Correction of prior period error	Total
Land	158 055 447	500 000	-	13 595 000	-	(190 000)	-	-	-	171 960 447
Buildings	362 527 331	5 125 517	3 517 397	-	-	(524 131)	(756 065)	(14 677 410)	-	355 212 639
Infrastructure	5 961 314 068	62 613 128	54 322 689	-	(51 637 754)	-	(16 082 071)	(307 713 841)	10 267 901	5 713 084 120
Community	182 935 593	25 340 912	4 118 090	-	-	-	(5 282 959)	(9 921 101)	-	197 190 535
Leased Assets	448 631	155 700	-	-	-	(2 494)	-	(447 589)	97 964	252 212
Other assets	52 711 292	7 935 440	-	-	(29 109)	-	(38 462)	(17 367 850)	(232 293)	42 979 018
	-	-	-	-	-	-	-	-	-	-
	6 717 992 362	101 670 697	61 958 176	13 595 000	(51 666 863)	(716 625)	(22 159 557)	(350 127 791)	10 133 572	6 480 678 971

Assets subject to finance lease (Net carrying amount)

Other leased Assets	1 531 487	252 213
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Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	137 743 304	6 876 176	3 882 783	148 502 263
Additions/capital expenditure	136 376 796	5 052 897	719 854	142 149 547
Transferred to completed items	(67 232 847)	(5 043 456)	(4 568 437)	(76 844 740)
	206 887 253	6 885 617	34 200	213 807 070

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	82 897 772	2 758 086	365 385	86 021 243
Additions/capital expenditure	111 498 414	4 118 090	4 449 027	120 065 531

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand			2022	2021
4. Property, plant and equipment (continued)				
Transferred to completed items	(54 171 203)	-	(931 629)	(55 102 832)
Correction of error	(2 481 679)	-	-	(2 481 679)
	137 743 304	6 876 176	3 882 783	148 502 263

Expenditure incurred to repair and maintain property, plant and equipment

Building Maintenance	5 782 124	4 340 437
Infrastructure Maintenance	52 162 432	34 761 470
Land Maintenance	282 014	286 503
Maintenance of Movable Assets	8 903 249	9 110 292
	67 129 819	48 498 702

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Newcastle Municipality

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5. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	13 485 801	(13 103 589)	382 212	15 583 125	(14 325 457)	1 257 668

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	1 257 668	42 245	(917 700)	382 213

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, internally generated	2 224 607	(966 939)	1 257 668

Newcastle Municipality

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6. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	11 822 732	-	11 822 732	11 757 932	-	11 757 932

Reconciliation of heritage assets 2022

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	11 757 932	64 800	11 822 732

Reconciliation of heritage assets 2021

	Opening balance	Additions	Total
Art Collections, antiquities and exhibits	11 670 232	87 700	11 757 932

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand				2022	2021
7. Investments in associates					
Investments in associates					
Name	Determination of ownership interest	% ownership interest 2022	% ownership interest 2021	Carrying amount 2022	Carrying amount 2021
Uthukela Water (Pty) LTD	Unlisted shares	34,00 %	34,00 %	142 171 037	173 927 882
				142 171 037	173 927 882
				142 171 037	173 927 882
8. Inventories					
Water Stock				412 576	387 231
Consumable stores				25 174 764	18 817 675
				25 587 340	19 204 906
Inventories (write-downs)				(1 043 469)	(397 615)
				24 543 871	18 807 291
Reconciliation for inventory write-downs					
Opening Balance				397 615	280 445
Inventory written down				645 854	117 170
				1 043 469	397 615
9. Receivables from exchange transactions					
Deposits (Eskom and Nedbank Building)				3 832 198	3 722 275
Sundry Debtors				3 509 228	(1 202 232)
Input VAT on invoices raised				76 357 240	94 337 272
Prepayment				1 590 930	-
				85 289 596	96 857 315
10. Receivables from non-exchange transactions					
Fines (Gross Balance)				69 380 569	64 827 139
Less: Provision for impairment				(52 750 466)	(48 824 201)
				16 630 103	16 002 938
Reconciliation of Gross Amount					
Opening Balance				64 827 138	60 641 498
Add: Fines recognised				5 178 170	4 647 120
Less: Fines received				(624 740)	(461 480)
				69 380 568	64 827 138
Reconciliation for Provision of Impairment					
Opening Balance				48 824 201	45 161 162
Add: Contribution				3 926 265	3 663 039
				52 750 466	48 824 201
				-	-
Total receivables from non-exchange transactions				16 630 103	16 002 938

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
10. Receivables from non-exchange transactions (continued)		
Statutory receivables general information		
Traffic fines are imposed in terms of section 54, 56 and 341 of Criminal Procedure Act 51 of 1977 and Municipality bylaws 623 of 1977. Fines are followed up by issue of summons. Traffic fines can be contested in court and this can lead to a review of the amount of the fine.		
11. Consumer debtors		
Gross balances		
Rates	198 298 573	226 985 393
Electricity	127 864 791	158 904 828
Water	444 057 982	237 933 730
Waste water	384 157 734	211 866 003
Refuse	172 220 707	216 309 700
Sundry receivables *	79 068 859	57 259 607
VAT and sundry services	146 966 768	185 281 035
	1 552 635 414	1 294 540 296
Less: Allowance for impairment		
Rates	(77 563 420)	(90 077 206)
Electricity	(13 918 318)	(8 880 566)
Water	(260 497 551)	(224 285 281)
Waste water	(186 775 450)	(141 696 264)
Refuse	(104 787 349)	(98 989 819)
Sundry receivables	(38 657 415)	(17 211 615)
VAT and sundry services	(82 987 873)	(68 273 779)
	(765 187 376)	(649 414 530)
Net balance		
Rates	120 735 153	136 908 187
Electricity	113 946 473	150 024 262
Water	183 560 431	13 648 449
Waste water	197 382 284	70 169 739
Refuse	67 433 358	117 319 881
Sundry receivables	40 411 444	40 047 992
VAT and sundry services	63 978 895	117 007 257
	787 448 038	645 125 767
Included in above is receivables from exchange transactions		
Electricity	127 864 791	158 904 828
Water	444 057 982	237 933 730
Waste water	384 157 734	211 866 003
Refuse	172 220 707	216 309 700
Sundry receivables	79 068 859	57 259 607
VAT and sundry services	146 966 768	185 281 035
	1 354 336 841	1 067 554 903
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	198 298 573	226 985 393
Net balance	1 552 635 414	1 294 540 296
Rates		
Current (0 -30 days)	33 025 064	24 214 146
31 - 60 days	9 440 269	16 493 113
61 - 90 days	8 461 979	9 471 070
91 - 120 days	8 146 124	8 818 561

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Consumer debtors (continued)		
121 - 150 days	8 087 765	8 688 945
> 150 days	131 137 373	159 299 558
	198 298 574	226 985 393
Electricity		
Current (0 -30 days)	109 123 153	96 587 343
31 - 60 days	2 297 106	5 584 848
61 - 90 days	892 007	1 364 670
91 - 120 days	854 750	1 145 878
121 - 150 days	1 673 743	922 528
> 150 days	13 024 031	53 299 561
	127 864 790	158 904 828
Water		
Current (0 -30 days)	45 634 112	32 211 505
31 - 60 days	11 107 525	15 412 329
61 - 90 days	7 972 158	9 396 467
91 - 120 days	8 098 706	9 279 245
121 - 150 days	9 175 502	10 464 470
> 150 days	362 069 979	161 169 714
	444 057 982	237 933 730
Waste water		
Current (0 -30 days)	14 774 747	8 169 533
31 - 60 days	6 752 192	11 402 153
61 - 90 days	6 221 045	6 387 376
91 - 120 days	6 112 237	6 251 916
121 - 150 days	6 007 565	6 086 907
> 150 days	344 289 947	173 568 118
	384 157 733	211 866 003
Refuse		
Current (0 -30 days)	11 010 149	6 130 468
31 - 60 days	4 806 790	7 720 660
61 - 90 days	4 614 276	4 609 359
91 - 120 days	4 505 204	4 552 623
121 - 150 days	4 426 675	4 344 674
> 150 days	142 857 613	188 951 915
	172 220 707	216 309 699
Sundry receivables		
Current (0 -30 days)	2 363 900	237 783
31 - 60 days	611 047	3 748 741
61 - 90 days	546 333	2 765 794
91 - 120 days	535 039	2 080 525
121 - 150 days	436 809	2 713 641
> 150 days	74 575 730	45 713 124
	79 068 858	57 259 608
VAT and sundry services		
Current (0 -30 days)	7 453 421	(3 020 589)
31 - 60 days	3 927 618	6 136 387
61 - 90 days	3 142 500	3 417 893
91 - 120 days	4 092 316	3 288 006
121 - 150 days	31 609 439	3 372 283
> 150 days	96 741 475	172 087 055
	146 966 769	185 281 035

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Consumer debtors (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	163 858 316	146 974 443
31 - 60 days	32 201 571	52 580 705
61 - 90 days	28 495 076	32 116 596
91 - 120 days	29 127 456	30 838 213
121 - 150 days	56 874 809	32 608 078
> 150 days	1 090 390 863	817 786 112
	<u>1 400 948 091</u>	<u>1 112 904 147</u>
Less: Allowance for impairment	(739 537 844)	(634 597 416)
	661 410 247	478 306 731
Industrial/ commercial		
Current (0 -30 days)	58 365 571	97 873 878
31 - 60 days	4 420 538	12 415 606
61 - 90 days	2 706 736	4 163 975
91 - 120 days	2 524 635	3 543 960
121 - 150 days	3 957 440	3 384 778
> 150 days	66 201 130	46 185 479
	<u>138 176 050</u>	<u>167 567 676</u>
Less: Allowance for impairment	(25 649 532)	(14 817 113)
	112 526 518	152 750 563
National and provincial government		
Current (0 -30 days)	1 116 334	1 434 621
31 - 60 days	2 321 952	1 445 314
61 - 90 days	650 007	1 122 318
91 - 120 days	692 388	1 026 317
121 - 150 days	587 641	594 104
> 150 days	8 142 950	8 445 799
	<u>13 511 272</u>	<u>14 068 473</u>
Total		
Current (0 -30 days)	223 340 221	246 282 942
31 - 60 days	38 944 061	66 441 625
61 - 90 days	31 851 819	37 402 889
91 - 120 days	32 344 479	35 408 490
121 - 150 days	61 419 890	36 586 959
> 150 days	1 164 734 943	872 417 390
	<u>1 552 635 413</u>	<u>1 294 540 295</u>
Less: Allowance for impairment	(765 187 376)	(649 414 530)
	787 448 037	645 125 765
Less: Allowance for impairment		
> 150 days	(765 187 376)	(649 414 530)
Net total debtor past due		
Current (0 -30 days)	223 340 221	246 282 942
31 - 60 days	38 944 061	66 441 625
61 - 90 days	31 851 819	37 402 889
91 - 120 days	32 344 479	35 408 490
121 - 150 days	61 419 890	36 586 959
> 150 days	399 547 567	223 002 860
	<u>787 448 037</u>	<u>645 125 765</u>
Reconciliation of allowance for impairment		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
11. Consumer debtors (continued)		
Balance at beginning of the year	(649 414 530)	(1 110 803 619)
Contributions to allowance	(115 772 846)	461 389 089
	(765 187 376)	(649 414 530)

Receivables from consumer debtors

*Sundry receivables

Included in sundry receivables are the following minor receivables; Rental income, interest, evren, housing development fund, legal fees, housing sales, deposits and non-vat sundries.

Receivables are amounts owing by consumers, and are presented in net impairment losses. The municipality has the credit control policy in place, and the exposure to credit risk is monitored on an ongoing basis. The municipalities compelled in terms of the constitutional mandate to provide all its residence with basic minimum services, without recourse to an assessment of credit worthiness. The municipality strategy for managing its risk includes encouraging residence to pay for services, through an outreach programme, incentives schemes and to install water demand management devices that control water flow to households, as well as prepaid electricity meters for those consumers who struggle to pay for services. A deposit is also required for new service connections, serves as guarantee.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	421 568	283 946
Bank balances	29 514 022	7 550 154
Short-term Investments	46 231 716	1 666 199
	76 167 306	9 500 299

The municipality limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and with specific guidelines set in accordance with council's approved investment policy. Consequently, the municipality does not consider that there will be any significant exposure to credit risk.

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
Nedbank- 1162667338	29 514 022	7 550 153	29 514 022	7 550 154

Call Investments

Standard Bank - 68450354/015	1 168 669	126 586
Standard Bank - 68450354/016	30 725 304	76 817
Standard Bank - 68450354/035	-	43 497
Standard Bank - 68450354/036	4 007 290	18 529
Standard Bank - 68450354/037	-	36 659
Standard Bank - 68450354/038	-	60 906
Standard Bank - 68450354/039	-	79 269
Standard Bank - 68450354/040	8 913 660	95 976
Absa - 9300506428	560 759	64 584
Absa - 9956019602	-	545 946
Nedbank - 037648555441 46	-	117
Nedbank - 037648555441 47	-	117
Nedbank - 037648555441 48	-	117
Nedbank - 037648555441 49	-	117
Nedbank - 037648555441 52	456 213	132 168
Nedbank - 037648555441 53	-	47
Nedbank 037648555441 56	-	384 747
Nedbank-037648555441 58	399 821	-
	46 231 716	1 666 199

Interest Income

Interest on Primary Account	811 922	494 239
Interest on Investments	3 703 349	2 328 036
	4 515 271	2 822 275

13. Housing development fund

Opening balance	29 806 660	28 807 982
Transfers in	757 307	998 678
	30 563 967	29 806 660

14. Self-insurance reserve

Opening balance	435 242	532 983
Transfers in/(out)	(112 297)	(97 742)
	322 945	435 241

15. Finance lease obligation

Minimum lease payments due

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
15. Finance lease obligation (continued)		
- within one year	606 923	194 829
- in second to fifth year inclusive	1 122 219	68 711
Present value of minimum lease payments	1 729 142	263 540
Non-current liabilities	1 122 219	68 711
Current liabilities	606 923	194 829
	1 729 142	263 540

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Sports and Recreation	9 396 908	5 647 084
Ingogo Fresh Produce	11 353	11 353
Municipal Water Infrastructure Grant	2 746 628	8 516 370
Title Deed Restoration Grant	5 196 326	5 196 326
Osizweni Art Centre	36 920	36 920
Skills Development Grant	930 688	1 546 185
Cleanest Town	833 575	823 975
Environmental Management Framework	502 871	502 871
Neighbourhood Partnership Development	2 738 678	5 939 933
Title Deeds Restorations	2 270 488	2 717 163
Sports Maintenance Facilities Grant	10 220	10 220
All Housing Grant	152 572 537	1 164 667
Newcastle Airport	3 815 281	1 815 281
Capacity Building Housing Accreditation	15 939 707	2 102 589
Fort Amiel Museum	539 434	552 221
EEDSM Grant	3 656 339	-
Water Intervention Grant	3 904 250	-
Hawker Stalls Grant	1 000 000	-
Community Library Service Grant	18 925	412 549
Corridor Development	131 075	131 075
Provincialisation - Libraries	46 184	1 003 376
	206 298 387	38 130 158

17. Financial liabilities

At amortised cost

DBSA loans	114 233 854	129 704 984
ABSA Bank loans	246 786 934	263 293 803
	361 020 788	392 998 787

Total other financial liabilities

361 020 788	392 998 787
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Non-current liabilities

At amortised cost	314 367 835	362 011 519
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Current liabilities

At amortised cost	46 652 953	30 987 268
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18. Defined benefit plan

Reconciliation of defined benefit plan - 2022

	Opening Balance	Additions	Utilised during the year	Actuarial (gain) or loss	Change in discount factor	Interest for the year	Total
Employee benefits	166 803 002	7 209 000	(11 147 818)	(3 450 182)	-	15 819 000	175 233 001

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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18. Defined benefit plan (continued)

Reconciliation of defined benefit plan - 2021

	Opening Balance	Additions	Utilised during the year	Actuarial (gain) or loss	Change in discount factor	Interest for the year	Total
Employee benefits	160 109 002	7 060 000	(9 752 000)	(12 908 000)	7 128 000	15 166 000	166 803 002
Non-current liabilities					164 128 001		155 397 002
Current liabilities					11 105 000		11 406 000
					175 233 001		166 803 002
Health Care Benefits							
Balance at the beginning of the year					131 226 000		127 521 000
Current Service Cost					3 864 000		4 024 000
Benefits Paid					(6 413 977)		(5 897 000)
Actuarial Loss/(Gain)					(4 505 023)		(7 310 000)
Interest					12 752 000		12 888 000
					136 923 000		131 226 000
Net Expenses Recognised in Statement of Financial Performance PEMA							
Current Service Cost					3 864 000		4 024 000
Benefits Paid					(6 413 977)		(5 897 000)
Actuarial Loss/(Gain)					(4 505 023)		(7 310 000)
Interest					12 752 000		12 888 000
					5 697 000		3 705 000
Long Service Bonus Awards							
Balance at the beginning of the year					35 577 000		32 588 000
Current Service Cost					3 345 000		3 036 000
Benefits Paid					(4 733 841)		(3 855 000)
Actuarial Loss/(Gain)					1 054 841		(5 598 000)
Interest					3 067 000		2 278 000
Change in policy					-		7 128 000
					38 310 000		35 577 000
Net Expenses recognised in Statement of Financial Performance LSA							
Current Service Cost					3 345 000		3 036 000
Benefits Paid					(4 733 841)		(3 855 000)
Actuarial Loss/(Gain)					1 054 841		(5 598 000)
Interest					3 067 000		2 278 000
Change in Policy					-		7 128 000
					2 733 000		2 989 000

Employee benefit cost provision: Assumptions

The Municipality offers in-service members and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a members' death-in-service or death-in-retirement, the surviving dependents may continue membership of the medical scheme. The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2022 by Arch Actuarial Consulting, a member of Actuarial Society of South Africa (ASSA). The present value of the defined obligation and all related current service costs and past service costs were measured using the projected units credit method. No other post retirement medical benefits are provided by the municipality.

It was assumed that the municipality's health care arrangements and subsidy policy will remain as outlined in section 3. Furthermore, it was assumed that the level of benefits receivable, and the contributions payable in respect of such, would remain unchanged, with the exception of allowing for inflationary adjustments. Implicit in this approach is the assumption that the current levels of cross-subsidy from in-service members to continuation members within the medical scheme are sustainable, and will continue.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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18. Defined benefit plan (continued)

Key financial assumptions used

Discount rate	11.77%
Health care cost inflation rate	8.40%
Net-of-health-care-cost-inflation discount rate	3.11%
Maximum subsidy inflation rate	5.93%
Net-of-maximum-subsidy-inflation discount rate	5.52%
Unfunded accrued liability	R136 923 000

Current-service and interest cost

Year ended 30 June 2022	R3 864 000
Interest cost	R12 752 000
Actuarial (Gain)/Loss recognised in surplus /deficit	(R4 505 023)

Long Service Bonus Awards

The long service bonus award is a function of accumulated leave days that is converted into cash in the year an employee attains the service eligible for an award at a rate of 1/249th of annual salary per day.

Key financial assumptions used

Discount rate	11.12%
General earnings inflation rate (long term)	7.30%
Net effective discount rate	3.56%

The earning used in valuation include an increase on the 01s of July 2021 of 4% as per SALGBC circular 23 of 2021. The next general earnings increase was assumed to take place on 1 July 2022.

Key Demographic Assumption used (PEMA)

Average retirement age	62		
Continuation of membership at retirement	75%		
Proportion with a spouse dependent at retirement	60%		
Mortality during employment	SA 85-90		
Mortality post employment	PA (90)-1 with a 1% mortality improvement per annum from 2010		
Withdrawal from services (Sample annual rate)	Age	Rate-Female	Rate-Male
	20	9%	9%
	25	8%	8%
	30	6%	6%
	35	5%	5%
	40	5%	5%
	45	4%	4%
	50	3%	3%
	55+	0%	0%

Key Demographic Assumption used (LSA)

Average retirement age	62		
Mortality during employment	SA 85-90		
Withdrawal from services (Sample annual rate)	Age	Rate-Female	Rate-Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55+	0%	0%

Unfunded Accrued Liability

Total value of liabilities	R38 310 000
Value of assets	R0
Unfunded accrued liabilities	R38 310 000

Current service and interest cost

Current-service cost	R3 345 000
Interest cost	R3 067 000

Comparative of Vital Statistics

Number of eligible employees	1190
Average annual salary	R308 598
Salary-weighted average age	44.4
Salary-weighted average past service	11.4

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
19. Provision for rehabilitation of landfill site		
The movement in the rehabilitation of landfill site		
Balance at the beginning of year	59 210 858	52 118 028
(Decrease)/Increase in Provision	758 139	-
Finance Charges recognised	5 243 121	7 092 830
	65 212 118	59 210 858
20. Payables from exchange transactions		
Trade payables	277 660 045	377 969 966
Retentions	42 082 802	38 193 905
Output VAT on Levies	151 271 181	176 521 731
Leave Pay Provision	37 343 917	32 410 854
Bonus Provision	11 915 541	11 015 049
Accruals	89 165 612	87 767 707
Salaries Payable	115 462 210	32 693 947
Advance payments	26 133 126	51 858 538
Unallocated deposits	3 966 254	5 745 954
Sundry Payables	23 043 264	7 523 069
	778 043 952	821 700 720
21. VAT payable		
Tax refunds payables (receivable)	3 037 875	-
The VAT is imposed in terms of Value Added Tax Act 89 of 1991 and levied at 15%		
22. Consumer deposits		
Electricity & Water Deposits	32 846 145	27 052 861
Housing Deposits	572 039	449 048
	33 418 184	27 501 909
23. Revenue		
Service charges	1 128 488 051	1 013 999 033
Rental of facilities and equipment	8 372 974	7 093 441
Licences and Permits (Non-exchange)	45 824	101 472
Sundry revenue	1 555 089	8 341 750
Other income	558 799	564 474
Fee income	9 950 268	9 544 595
Interest received - investment	8 308 003	6 660 722
Property rates	353 326 627	342 533 924
Government grants & subsidies	611 797 759	639 932 157
Fines, Penalties and Forfeits	5 352 730	5 401 977
	2 127 756 124	2 034 173 545
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 128 488 051	1 013 999 033
Rental of facilities and equipment	8 372 974	7 093 441
Sundry revenue	1 555 089	8 341 750
Other income	558 799	564 474
Fee income	9 950 268	9 544 595
Interest received - investment	8 308 003	6 660 722
	1 157 233 184	1 046 204 015
The amount included in revenue arising from non-exchange transactions is as follows:		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
23. Revenue (continued)		
Taxation revenue		
Property rates	353 326 627	342 533 924
Licences or permits	45 824	101 472
Transfer revenue		
Government grants & subsidies	611 797 759	639 932 157
Fines, Penalties and Forfeits	5 352 730	5 401 977
	970 522 940	987 969 530
24. Service charges		
Sale of electricity	713 921 267	621 374 904
Sale of water	195 899 195	188 454 396
Sewerage and sanitation charges	119 755 437	112 145 578
Refuse removal	98 912 152	92 024 155
	1 128 488 051	1 013 999 033
25. Rental of facilities and equipment		
Premises		
Municipal Housing	3 288 749	3 063 812
Venue hire	5 058 952	3 976 575
Rental - HDF	25 273	53 054
	8 372 974	7 093 441
26. Fines, Penalties and Forfeits		
Building Fines	43 465	555 739
Illegal Connections Fines	67 463	177 811
Overdue Books Fines	9 352	3 137
Pound Fees Fines	54 280	18 170
Municipal Traffic Fines	5 178 170	4 647 120
	5 352 730	5 401 977
27. Other revenue		
Sundry revenue	1 555 089	8 341 750
Other income	558 799	564 474
Fee income	9 950 268	9 544 595
	12 064 156	18 450 819
Sundry Revenue		
Sundry Revenue		
Insurance Income	35 500	1 416 466
R/D Admin Fee	129 896	169 107
Other Revenue	1 389 693	6 756 177
	1 555 089	8 341 750
Other Income		
Sales		
Burial Plots	519 974	551 212
Copies	22 670	6 816
Printing	16 155	4 800
Swimming Tickets	-	1 646
	558 799	564 474

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
27. Other revenue (continued)		
Fee Income		
Fees		
Advertising Signs	100 638	393 373
Building Plans	664 376	675 720
Business Letters	839 796	1 141 362
Cemetery	2 243 995	2 575 543
Rates Clearance Certificate	770 610	978 132
Reconnection	2 532 717	3 098 316
Town Planning	1 953 049	297 587
Other	793 463	192 087
Tender	51 624	192 475
	9 950 268	9 544 595
28. Interest Received		
Bank	4 515 271	2 822 275
Interest on arrear account	3 792 317	3 592 543
Other Interest	415	245 904
	8 308 003	6 660 722
29. Property rates		
Rates received		
Residential	221 158 147	209 139 767
Commercial	178 169 282	176 489 664
State	8 838 294	9 683 158
Public Benefit Organisation	15 636	(41 672)
PSI	2 871 991	2 760 605
Vacant Land	16 920 062	16 462 857
Agricultural	3 635 166	3 732 413
Specialises Non-Marketed	112 217	96 866
Less: Income forgone	(78 394 168)	(75 789 734)
	353 326 627	342 533 924
Valuations		
Residential	17 161 316 787	17 014 015 787
Commercial	5 772 812 000	6 072 559 000
State	2 444 933 000	2 444 933 000
Vacant	730 336 500	704 957 500
PSP	1 687 626 000	1 687 629 000
Agriculture	1 362 339 000	1 474 800 000
Place of Worship	377 300 000	379 824 000
Formal Protected Areas	25 523 000	-
Public Benefit Organisation	87 492 000	-
	29 649 678 287	29 778 718 287
Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
30. Government grants and subsidies		
Operating grants		
Equitable share	417 790 000	471 963 000
Museum Services	213 518	52 077
Finance Management Grant	1 650 000	1 700 000
Skills Development Grant	1 563 391	639 088
Municipal Infrastructure Grant	6 706 433	38 962 037

Newcastle Municipality

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Figures in Rand	2022	2021
30. Government grants and subsidies (continued)		
Community Library Service Grant	2 465 648	3 267 381
Water Service Infrastructure Grant	28 789 512	8 206 259
EPWP Grant	2 948 000	2 901 738
Provincialisation and Library Grant	7 714 192	7 224 755
Electrification Grant	-	94
Capacity Building	6 124 772	4 198 058
Energy Efficiency and Demand Side Management Grant	343 661	-
Tittle Deeds Restoration Grant	446 676	519 882
	476 755 803	539 634 369
Capital grants		
Community Library	402 976	934 961
Neighbourhood Development Partnership	4 701 322	9 060 067
Water Services Infrastructure Grant	8 464 163	18 270 519
Museum Services	228 269	562 278
Sports and Recreation	3 583 509	-
Cleanest Town	390 400	-
Water Intervention Grant	4 795 750	-
Municipal Infrastructure Grant	112 475 567	71 469 963
	135 041 956	100 297 788
	611 797 759	639 932 157
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	194 007 759	167 969 157
Unconditional grants received	417 790 000	471 963 000
	611 797 759	639 932 157
Financial Management Grant		
Current-year receipts	1 650 000	1 700 000
Conditions met - transferred to revenue	(1 650 000)	(1 700 000)
	-	-
Sport and Recreation		
Balance unspent at beginning of the year	5 647 084	1 980 418
Current-year receipts	7 333 333	3 666 666
Conditions met - transferred to revenue	(3 583 509)	-
	9 396 908	5 647 084
Ingogo Fresh Produce		
Balance unspent at beginning of the year	11 353	11 353
Municipal Infrastructure Grant		
Current-year receipts	119 182 000	110 432 000
Conditions met - transferred to revenue	(119 182 000)	(110 432 000)
	-	-
Water Service Infrastructure Grant		
Balance unspent at beginning of year	8 516 370	17 196 148
Current-year receipts	40 000 000	35 000 000
Conditions met - transferred to revenue	(37 253 675)	(26 476 778)

Newcastle Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Government grants and subsidies (continued)		
Repayment to funder	(8 516 067)	(17 203 000)
	2 746 628	8 516 370
Title Deeds Restoration		
Balance unspent at beginning of year	2 717 163	7 233 371
Current-year receipts	-	1 200 000
Conditions met - transferred to revenue	(446 676)	(519 882)
Transferred to title deeds restoration post grant	-	(5 196 326)
	2 270 487	2 717 163
Osizweni Art Centre		
Balance unspent at beginning of year	36 920	36 920
Skills Development Grant		
Balance unspent at beginning of the year	1 546 185	905 456
Current-year receipts	947 894	1 279 817
Conditions met - transferred to revenue	(1 563 391)	(639 088)
	930 688	1 546 185
Cleanest Town		
Balance unspent at beginning of the year	823 975	823 975
Conditions met - transferred to revenue	(390 400)	-
Prior year receipts	400 000	-
	833 575	823 975
Environmental Management Framework		
Balance unspent at beginning of the year	502 871	502 871
Neighbouring Development Partnership Grant		
Balance unspent at beginning of the year	5 939 933	-
Current-year receipts	7 440 000	15 000 000
Conditions met - transferred to revenue	(4 701 322)	(9 060 067)
Repayment to funder	(5 939 933)	-
	2 738 678	5 939 933
Electrification Grant		
Balance unspent at beginning of the year	-	6 267 094
Current-year receipts	-	7 000 000
Conditions met - transferred to revenue	-	(7 000 094)
Repayment to funder	-	(6 267 000)
	-	-
Expanded Works Programme Incentive		
Balance unspent at beginning of the year	-	6 738
Current-year receipts	2 948 000	2 895 000
Conditions met - transferred to revenue	(2 948 000)	(2 901 738)
	-	-

Newcastle Municipality

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Figures in Rand	2022	2021
30. Government grants and subsidies (continued)		
Water Intervention Grant		
Current-year receipts	8 700 000	-
Conditions met - transferred to revenue	(4 795 750)	-
	3 904 250	-
Hawker Stalls		
Current-year receipts	1 000 000	-
Title Deeds Restoration Grant (Post)		
Balance unspent at beginning of year	5 196 326	-
Transferred from title deeds restoration grant	-	5 196 326
	5 196 326	5 196 326
Sports Maintenance Facilities Grant		
Balance unspent at beginning of the year	10 220	10 220
All Housing Grants		
Balance unspent at beginning of the year	1 164 667	4 266 813
Current-year receipts	414 723 579	120 903 440
Conditions met - transferred to revenue	(263 315 709)	(124 005 586)
	152 572 537	1 164 667
Newcastle Airport		
Balance unspent at beginning of the year	1 815 281	1 815 281
Current-year receipts	2 000 000	-
	3 815 281	1 815 281
Capacity Building Housing		
Balance unspent at beginning of the year	2 102 589	-
Current-year receipts	19 961 891	6 300 647
Conditions met - transferred to revenue	(6 124 773)	(4 198 058)
	15 939 707	2 102 589
Fort Amiel Museum		
Balance unspent at beginning of the year	552 221	759 575
Current-year receipts	429 000	407 000
Conditions met - transferred to revenue	(441 787)	(614 354)
	539 434	552 221
Community Library Service Grant		
Balance unspent at beginning of the year	412 549	1 343 706
Current-year receipts	2 475 000	2 312 000
Conditions met - transferred to revenue	(2 868 624)	(4 202 341)
Transferred from provincialisation all library grant	-	959 184

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
30. Government grants and subsidies (continued)		
	18 925	412 549
Corridor Development		
Balance unspent at beginning of the year	131 075	131 075
Energy Efficiency and Demand Side Management Grant		
Current-year receipts	4 000 000	-
Conditions met - transferred to revenue	(343 661)	-
	3 656 339	-
Provincialisation- All Libraries		
Balance unspent at beginning of the year	1 003 387	2 458 316
Current-year receipts	6 757 000	6 729 000
Conditions met - transferred to revenue	(7 714 192)	(7 224 745)
Transferred to Community library services grant	-	(959 184)
	46 195	1 003 387
31. Employee related costs		
Basic	419 622 590	339 920 278
Medical aid - company contributions	22 603 401	17 470 630
UIF	2 576 485	2 135 239
Annual Bonus	32 777 372	25 689 885
Defined contribution plans	83 538 458	59 383 546
Travel, motor car, accommodation, subsistence and other allowances	16 101 321	14 236 079
Overtime payments	36 135 182	38 332 041
Long-service awards	-	3 882 846
Car allowance	22 594 251	22 242 760
Housing benefits and allowances	8 372 168	6 857 860
Group insurance	10 050 989	7 792 980
Bargaining council	150 657	140 481
Night work allowance	2 097 748	1 864 456
Termination benefits	9 009 755	6 928 987
	665 630 377	546 878 068
Remuneration of municipal manager		
Annual Remuneration	726 827	-
Car Allowance	133 413	-
Annual Bonuses	101 191	-
Contributions to UIF, Medical and Pension Funds	154 438	-
Acting allowance	707 944	176 576
Other	23 605	-
	1 847 418	176 576
Remuneration of chief finance officer		
Annual Remuneration	1 003 588	951 070
Car Allowance	164 297	240 199
Annual Bonuses	77 799	77 799
Contributions to UIF, Medical and Pension Funds	169 326	171 400
Other	124	119
	1 415 134	1 440 587

Newcastle Municipality

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Figures in Rand	2022	2021
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31. Employee related costs (continued)

Remuneration of Executive Directors & Municipal Manager

Annual Remuneration	3 719 377	5 406 562
Car Allowance	692 270	813 938
Annual Bonuses	370 341	386 309
Contributions to UIF, Medical and Pension Funds	691 538	734 401
Acting Allowances	996 701	254 882
Other	23 975	614
	6 494 202	7 596 706

Community Services

Annual Remuneration	851 665	171 804
Car Allowance	210 630	44 238
Annual Bonuses	-	74 637
Contributions to UIF, Medical and Pension Funds	197 253	27 667
Acting Allowance	-	62 841
Other	103	20
	1 259 651	381 207

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Figures in Rand	2022	2021
31. Employee related costs (continued)		
Development and Planning Services		
Annual Remuneration	243 317	895 477
Car Allowance	51 084	193 014
Annual Bonuses	72 792	81 850
Contributions to UIF, Medical and Pension Funds	35 173	213 588
Other	31	119
Acting Allowance	135 872	33 402
	538 269	1 417 450
Internal Audit/Governance		
Annual Remuneration	646 605	1 047 078
Car Allowance	82 127	126 171
Annual Bonuses	118 558	85 075
Contributions to UIF, Medical and Pension Funds	123 748	190 259
Other	82	119
	971 120	1 448 702
Corporate Services		
Annual Remuneration	94 300	936 924
Car Allowance	19 394	210 316
Annual Bonuses	-	76 007
Contributions to UIF, Medical and Pension Funds	11 248	129 703
Other	10	119
Acting Allowance	104 562	-
	229 514	1 353 069
Technical		
Annual Remuneration	153 076	1 377 214
Car Allowance	31 325	-
Contributions to UIF, Medical and Pension Funds	354	1 785
Acting allowance	48 322	-
Other	21	119
	233 098	1 379 118
32. Remuneration of councillors		
Mayor	867 761	900 271
Deputy Mayor	702 073	728 375
Executive Committee Members	3 418 075	4 674 326
Speaker	700 723	728 375
Councillors	17 124 573	17 177 437
Chief Whip	454 918	685 403
MPAC Chairperson	474 138	666 493
Traditional Leaders	-	51 000
	23 742 261	25 611 680

Newcastle Municipality

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32. Remuneration of councillors (continued)

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor is entitled to stay at the mayoral residence owned by Council at no cost. The Mayor has use of a Council owned vehicle for official duties.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

The Mayor has two full-time bodyguards. The Deputy Mayor and speaker have two full-time bodyguards

Mayor

Annual Remuneration	539 778	560 000
Car Allowance	207 690	215 471
Cellphone Allowance	39 327	40 800
Contributions to UIF, Medical Aid and Pension	80 967	84 000
	867 762	900 271

Deputy Mayor

Annual Remuneration	432 226	448 419
Car Allowance	165 686	171 891
Cellphone Allowance	39 327	40 800
Contributions to UIF, Medical Aid and Pension	64 834	67 263
	702 073	728 733

Speaker

Annual Remuneration	458 290	448 419
Car Allowance	165 690	171 891
Cellphone Allowance	39 327	40 800
Contributions to UIF, Medical Aid and Pension	23 916	67 623
Other	13 500	-
	700 723	728 733

Chief Whip

Annual Remuneration	272 961	420 393
Car Allowance	105 081	161 151
Cellphone Allowance	35 927	40 800
Contributions to UIF, Medical Aid and Pension	40 950	63 059
	454 919	685 403

33. Depreciation and amortisation

Property, plant and equipment	347 899 802	350 117 357
Intangible assets	917 700	966 939
	348 817 502	351 084 296

34. Impairment loss

Impairments

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
34. Impairment loss (continued)		
Property, plant and equipment	105 763 538	22 159 543
Fines	3 926 266	3 663 039
	109 689 804	25 822 582
35. Finance costs		
Non-current borrowings	38 662 710	41 797 407
Provisions and Current borrowings	21 139 794	22 323 678
Interest Expense	4 609 893	858 529
	64 412 397	64 979 614
36. Debt impairment		
Debt impairment	115 772 846	183 997 551
Bad debts written off - Council resolution	8 151 848	18 432 565
	123 924 694	202 430 116
37. Bad debts written off		
Indigents written off	24 492 046	14 597 835
38. Bulk purchases		
Electricity - Eskom	518 830 790	436 880 517
Water	130 919 353	122 454 539
	649 750 143	559 335 056
Electricity losses		
Units purchased	432 669 460	428 083 451
Units sold	(398 238 476)	(395 378 086)
Total loss	34 430 984	32 705 365
Percentage Loss:		
Technical losses	8 %	8 %
Estimated cost per unit (Rands)	R 0.97	R0.78
Estimated cost of loss (Rands)	R33 398 055	R25 510 185
Electricity distribution losses comprise of the following:		
Administrative losses		
Administrative losses refers to the difference between the income generated from electricity delivered to consumers and the actual amount of revenue that is recovered. Administrative losses are minimal as the municipality ensures that the cut-offs are effected on all unpaid accounts.		
Technical losses		
Technical losses within the municipality are made up of standard line losses, unmetered own consumption, free basic electricity, street lighting and traffic lights.		
Non-technical losses		
Non-technical losses refers to unrecorded electricity delivery. Illegal connections, faulty and incorrect calibration of meters contribute to consumption not being recorded.		
Water losses		

Newcastle Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
38. Bulk purchases (continued)		
Units purchased	33 759 451	32 136 904
Units sold	(20 703 689)	(21 218 848)
Total	13 055 762	10 918 056
Comprising of:		
Technical losses	13 055 762	10 918 056
Percentage Loss:		
Technical losses	39 %	34 %
Bulk Tariff (R/KL)	R3.94	R3.83
Technical water losses (Rands)	R51 439 702	R41 816 154
Water distribution losses:		
Water losses are the sum of the real and apparent losses and are calculated from the difference between the system input volume and the authorized consumption.		
Non-Revenue Water		
Non-revenue water amounts to 60.2%, which is disclosed in the annual performance report and this includes unbilled authorized consumption (metered or unmetered) and apparent and real losses. There are unaccounted for water, they are the component of system input volume (SIV) which are not billed and do not generate revenue.		
39. Contracted services		
Outsourced Services		
Security Services	52 493 704	39 295 453
VIP Toilets	17 040 684	47 135 575
Plant Hire	24 489 130	27 640 718
Consultants and Professional Services		
Professional Services	39 665 794	59 387 147
Legal Cost	9 954 605	23 037 529
Contractors		
Other	859 495	1 018 916
Media and Communication	3 021 523	1 092 289
Electrical	3 679 905	4 493 496
Employee Wellness	479 834	80 587
Public Participation	8 198 338	837 413
Maintenance of Buildings and Facilities	5 782 124	4 340 437
Maintenance of Infrastructure	52 162 432	34 761 470
Maintenance of Land	282 014	286 503
Maintenance of Movables	8 903 249	9 110 292
Medical Services	823 795	970 632
Pest Control and Fumigation	290 214	324 117
IT Services	3 737 398	3 812 387
Training	3 466 762	1 875 945
Refuse services	5 570 289	4 608 517
	240 901 289	264 109 423
40. General expenses		
Auditors remuneration	5 773 617	5 186 267
Bank charges	4 031 625	4 384 789
Entertainment	7 681	3 916
Insurance	6 434 342	7 218 762
Community development and training	4 421 417	6 211 668
IT expenses	12 699 608	13 482 683
Magazines, books and periodicals	18 069	18 497
Motor vehicle expenses	8 481 214	8 199 880

Newcastle Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
40. General expenses (continued)		
Subsistence and Travelling	629 129	516 051
Fuel and oil	14 699 066	10 091 521
Postage and courier	3 255 819	3 233 584
Printing and stationery	1 773 137	1 705 062
Promotions	13 184	1 576
Protective clothing	3 461 919	4 067 834
Royalties and license fees	55 999	28 867
Staff welfare	13 258	16 680
Subscriptions and membership fees	6 556 757	6 682 712
Telephone and fax	4 011 760	4 155 826
Training	3 788 184	3 821 845
Assets expensed	136 354	409 463
Advertising	989 350	313 162
Contribution to post retirement	7 209 000	14 188 000
Material	6 277 714	5 226 658
Skills Development Levy	4 789 011	3 255 574
Rental Office machines	2 507 434	2 960 635
Provision to rehabilitation of landfill site	758 139	-
Departmental services	38 640 191	39 437 120
Workmans compensation	2 494 270	3 375 397
	143 927 248	148 194 029
41. Auditors' remuneration		
Audit Fees	5 641 461	4 808 996
Audit Committee	132 156	377 271
	5 773 617	5 186 267
42. Cash generated from operations		
Deficit	(243 997 583)	(197 157 605)
Adjustments for:		
Depreciation and amortisation	348 817 502	351 084 296
Share of deficit in associate	31 756 845	30 277 147
Salary back pay provision	115 462 210	-
Fair value adjustment	(49 372 929)	-
Gain on Actuarial Valuation	(3 450 182)	(12 908 000)
change in estimate of landfill site provision	758 139	-
Accumulated surplus	-	43 546 844
Public contribution and donations	-	(39 249 962)
Impairment of assets	105 763 538	22 159 557
Debtors Impairment - other receivables from non-exchange	3 926 263	3 663 040
Movement in provision for leave	(4 933 060)	-
Bad debts written off - receivables from exchange	148 416 740	217 027 951
Profit on sale of assets	(3 113 641)	50 052 096
Impairment of Inventory	645 854	117 170
Current service cost- Employee benefit liability	7 209 000	7 060 000
Finance costs- Employee benefit liability	15 819 000	15 166 000
Finance costs- Rehabilitation provision	5 243 121	7 104 041
Movement in leave on bonus provisions	900 493	(905 242)
Movement in employee benefit liability	(11 147 819)	(2 624 000)
Changes in working capital:		
Inventories	(6 382 434)	(5 235 752)
Receivables from exchange transactions	11 567 719	(19 886 325)
Consumer debtors	(290 739 019)	(283 461 540)
Other receivables from non-exchange transactions	(4 553 431)	(4 185 640)
Other financial assets	-	277
Payables from exchange transactions	(155 086 409)	5 216 669
VAT	39 133 067	(47 871 492)
Unspent conditional grants and receipts	168 168 229	(7 619 172)
Other financial liabilities	5 916 275	2 562 591
	236 727 488	133 932 949

Newcastle Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
43. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Infrastructure Assets	140 598 162	156 402 129
• Community Assets	10 561 765	498 234
• Other	-	101 242
	151 159 927	157 001 605
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	936 000	-
Total capital commitments		
Already contracted for but not provided for	151 159 927	157 001 605
Not yet contracted for and authorised by accounting officer	936 000	-
	152 095 927	157 001 605

This committed expenditure relates to property and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	2 458 594	1 110 932
- in second to fifth year inclusive	746 681	-
	3 205 275	1 110 932

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Newcastle Municipality

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44. Contingencies

Plaintiff: Sibiya (Ingogo Fresh Produce)

There is litigation process against the municipality relating to the dispute with Mr Sibiya whereas there was an agreement between the municipality and Mr Sibiya to pay the rental of R1500 per month on the portion of land belonging to Mr Sibiya now demands R30 000 instead of R1500. EXCO authorised that the matter be handled by COGTA.

Plaintiff: Minister of Water Affairs

The Minister of Water Affairs is suing the municipality for services of water rendered for the period April 2002 to 31 August 2016. An arrangement has been made to pay this in instalments of 3 years. An amount sued for is R35 906 412.22 and estimated legal costs are R380 000.

Plaintiff: Small Enterprise Finance Agency SOC Ltd

Summons were issued against the municipality for R1 100 000 and estimated legal costs of R350 000.

Plaintiff: Bigen Services Africa PTY (LTD)

The former service provider objected to the municipality's appointment of another service provider to take over the debt management services. The municipality is being sued for 2.5% of collected debt under 60 days estimated to be R30 000 000. Estimated legal costs are R250 000.

Plaintiff: Miracle Mile Investments

This is a collection matter for outstanding money wherein fraud was perpetrated. The monies outstanding with interest will be in the region of R 1 100 000. Legal costs of R90 000

Plaintiff: Scarlet Hibiscus Investments 220 (PTY) LTD

The municipality has been sued an estimated amount of R42 000 000 for payment of monies owing in terms of a lease agreement. Legal costs of R1 500 000

Plaintiff: VN Trading and Projects (PTY) LTD

The municipality is being sued an amount of R2 000 000 for damages of failing to fulfil the terms of a service contract, estimated legal cost of R500 000.

Plaintiff: Mageba Capital Projects CC

The municipality is being sued the amount of R16 444 934 for holding time and for failing to fulfill an as and when required service contract, estimated legal cost of R250 000.

Plaintiff: PRB Bhagwandass

The municipality is being sued for vehicle damage claim. Claim is for R18 022.37 and estimated legal costs of R50 000.

Plaintiff: Violet Sky Trading

The municipality is being sued R2 085 000 for implementation and use of a software system.

Plaintiff: Viola Water Solutions and Technologies SA (PTY) LTD

The municipality has received a letter of demand for payment due of R407 836.84 for services rendered at Ncandu pump station.

Plaintiff: Eldocrete

The Municipality received a claim of R1 313 688 for outstanding payment according to the cession signed by the municipality and main contractor on a project of VIP toilets. Legal costs amount to R200 000.

Plaintiff: Joey Grasman

The municipality is being sued R750 000 for failing to cover holes from damaged traffic poles. estimated legal costs of R50 000.

Plaintiff: Isimo Engineers

Claiming monies owed by the municipality for professional services provided to the municipality amounting to R987 568 and estimated legal costs of R75 000.

Plaintiff: Newcastle Industrial Laundry

Wants compensation of R14 000 000 for loss of income and damages suffered as a result of a discharged interdict against the company by the municipality. Estimated legal costs of R1000 000.

INSURANCE CLAIMS FROM THIRD PARTIES PUBLIC LIABILITY

Alistair Kevin van Wyk for personal injuries, Sued an amount of R6 000 000 and estimated legal costs of R5 000.

Diaan and AJ Von Broembsen for property damage due to rain storm. Sued amount is R220 580 and estimated legal fees is R5 000.

Olivia Sizani Nzimande for motor vehicle claim. Sued amount R109 550 and estimated legal costs of R5 000.

Vusi Mahlangu for vehicle damage claim. Sued amount R140 835 and estimated legal costs of R50 000

Vishal Heerelal for personal injuries. Sued amount is R1 050 000 and estimated legal fees is R5 000

Nicole Adale Pillay for vehicle damage claim. Sued amount R101 327 and estimated legal costs of R5 000

Porto Fish and Chips for motor vehicle claim, Municipality motor vehicle collided with Porto Fish and Chips vehicle claim for R141 300 and estimated legal costs of R50 000.

Newcastle Municipality

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44. Contingencies (continued)

Thanduxolo Winston Kubheka is claiming R17 407.21 from the municipality for vehicle damages caused by a pothole. estimated legal fees of R20 000.

LABOUR REVIEWS AND BARGAINING COUNCIL

CK Mazibuko, unfair labour practice relating to non-appointment. Estimated legal cost of R70 000.

BP Ngubeni, for unfair labour practice relating to non-appointment.

BN Khumalo for unfair labour practice relating to non-appointment.

SP Tshabalala, for unfair labour practice relating to non-appointment.

ZZ Qwabe for unfair dismissal for a contract not renewed when other employees contracts were renewed.

B Mkhize and others for unfair labour practice relating to appointment of 10 traffic wardens. Estimated legal cost of R70 000.

Vish Govender suspended with pay, settlement agreement of R900 000 is under review. Estimated legal costs of R450 000.

45. Related parties

The Municipality is in a relationship with Uthukela Water (Pty) Ltd as the water service provider for the provision of bulk water. The Municipality does not solely have significant control of the entity as it owns 34% of its interest.

The Municipality also has councillors and senior managers, who are responsible for leadership, governance and management of the municipality. These are also disclosed as related parties in line with GRAP standards.

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties

Uthukela Water	(156 581 537)	(116 667 909)
Bulk Water Purchases		
Uthukela Water	130 896 374	122 454 539

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

45. Related parties (continued)

Remuneration of management

Councillors

2022

Name	Basic salary	Pension Contribution	Medical Aid Contribution	Motor Vehicle Allowance	Cellphone and other Allowances	Housing Allowance	Total
Executive Committee Members	3 810 293	526 722	33 610	1 539 176	468 520	239 367	6 617 688
Other Councillors	9 727 330	1 239 894	3 283	3 639 005	2 224 276	290 785	17 124 573
	13 537 623	1 766 616	36 893	5 178 181	2 692 796	530 152	23 742 261

2021

Name	Basic salary	Pension Contribution	Medical Aid Contribution	Motor Vehicle Allowance	Cellphone and other Allowances	Housing Allowance	Total
Executive Committee Members	4 643 187	665 068	78 160	1 977 028	482 800	588 000	8 434 243
Other Councillors	9 371 825	1 109 260	2 504	3 916 235	2 270 613	507 000	17 177 437
	14 015 012	1 774 328	80 664	5 893 263	2 753 413	1 095 000	25 611 680

46. Risk management

Financial risk management

Market risk

The municipality's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Market is the risk that changes in the market prices, such as interest rate and foreign-exchange rate that may affect the Municipality's income or value of financial instrument. The Municipality manages the market risk on investment by engaging on short-term call investments, which are withdrawn without any material changes in the interest rate. The risk on loans is managed by ensuring that all interest rates of loans are fixed for the duration of the loan term.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand	2022	2021
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46. Risk management (continued)

Operational risk

The Municipality is exposed to the operational risk in the normal operation of its business. This risk is managed through the development and monitoring of risk registers and through the delegation and segregation of duties. Operational risk is also managed through the development and implementation of various policies and standard operating procedures.

Liquidity risk

The municipality's risk to liquidity is a result of the funds not available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the municipality.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

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46. Risk management (continued)

Financial assets exposed to credit risk at year end were as follows:

Cash and cash equivalents	76 167 306	9 500 299
Other receivables	101 919 699	148 955 445
Receivables from consumer debtors	787 448 038	508 217 581
	965 535 043	666 673 325

47. Going concern

As at 30 June 2022, the municipality had an accumulated surplus (deficit) of R 6 036 252 387 (2021: R6 280 894 997) and that the municipality's current liabilities exceed its current assets by R(89 084 360) (In 2021 current liabilities exceeded current assets by: R107 532 081).

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

We draw attention to the fact that at 30 June 2022, the municipality had a net profit(deficit) of R(243 997 583) (2021: R(197 157 605)) and the municipality's Cash and Cash equivalents is R76 167 306 (2021: R9 500 299) which is not sufficient to cover the current liabilities of the municipality. The current assets are more than the current liabilities, the collection rate has improved a little bit however but there is still a risk that all the outstanding debtors might not be collected. Over the next 12 months, the municipality is still committed to ensure the expenditure is kept within the funded and approved budget.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to receive funding for the ongoing operations for the municipality and that the Provincial and National government has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

48. Unauthorised expenditure

Opening balance as previously reported	967 778 930	967 778 930
Correction of prior period error (written off in the prior year)	(747 586 856)	-
Opening balance as restated	220 192 074	967 778 930
Add: Expenditure identified - current	-	-
Closing balance	220 192 074	967 778 930

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

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Figures in Rand	2022	2021
49. Fruitless and wasteful expenditure		
Opening balance as previously reported	59 403 688	55 822 311
Correction of prior period error (written off in the prior year)	(38 355 768)	-
Opening balance as restated	21 047 920	55 822 311
Less: Amount written off - prior period	(780 984)	-
DBSA	24 219	-
Dr Pixley ka Isaka Seme Local Municipality	-	2 388
Eskom	-	4 125
Itec Finance	3 949	1 145
Ithala	1 260	2 872
New Integrated Solution	-	2 633 512
SARS	204	835 421
Salary Overpayment	-	43 068
Salary Overpayment	-	55 267
Telkom	3 483	3 579
Chapps Construction CC	430 881	-
Closing balance	20 730 932	59 403 688

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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49. Fruitless and wasteful expenditure (continued)

Amounts written-off

After the council committee investigations, council adopted the council committee recommendation to write-off an amount of R 780 984 - from the total fruitless and wasteful expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Write-of fruitless and wasteful expenditure of R 780 984 for employee salary over-payment.

50. Irregular expenditure

Opening balance as previously reported	498 352 518	466 707 308
Correction of prior period error	18 787 485	-
Opening balance as restated	517 140 003	466 707 308
Add: Irregular Expenditure - current	37 725 791	31 645 210
Less: Amount written off - prior period	(81 629 736)	-
Closing balance	473 236 058	498 352 518

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
50. Irregular expenditure (continued)		
Incidents/cases identified in the current year include those listed below:		
Payments made to contracts where SCM procedures were not followed		
Amabuso Security Solutions	11 436 793	-
Bhekisiwe Electrical Investments	-	888 447
Biyela MM Geomatics	-	68 085
Bravolex	3 542 263	872 699
DBM	-	224 322
Egxen Engineering	-	5 669 683
Fidelity Security Services	278 601	55 601
Gladmod Transport and Shories Projects	4 170 130	-
Hloniphane Trading Ent. cc	-	2 041 294
Impumelelo Consulting Engineering	300 001	3 992 017
Insidedata South (PTY) Ltd	349 071	282 676
Ithala Properties	135 602	137 451
Jenny Internet	-	32 199
M-Charlie	-	1 042 170
Magubane Plant and Contractors	-	298 219
Mobile Networks	2 290	-
Njengamanje Trading CC	-	5 724 320
NN Land Survey Office	-	35 880
Ongoti Risk Management Service	303 758	-
Royal Haskoning DHV	1 652 198	-
SS Masondo Attorneys	-	2 604 756
Somkhanda Plant Hire	-	853 908
Tactical Security Services	-	5 478 419
TJ Mphela Attorneys	204 470	-
Vodacom Service Provider Company (Pty)Ltd	32 564 974	-
Zanele Plumbers	-	131 383
Zenawe	174 761	996 659
Zero Defect Construction	-	199 000
	55 114 912	31 629 188

As at the end of the reporting period, the Municipality had not concluded investigations into the unauthorised, irregular, fruitless and wasteful expenditures. Strides by the MPAC are however at an advance state to finalise the investigations and to submit its recommendations to Council for approval.

Awards to close family members in the service of state

The Municipality identify the following for awards made to close family members of the employees in service of the state in terms of section 45 of the Municipal Supply Chain Management Regulations.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
50. Irregular expenditure (continued)		
Employed in the service of the state		
Ababhungi Enterprise	174 015	-
Bangwati Catering and Services	-	16 021
Elethu Igugu (Pty) Ltd	23 840	-
Ikamva Logistics Fast Moving	999 518	-
Malikhula	60 980	-
NASTA Projects and kitchen	28 500	-
Sihlangu Sithebe Attorneys	787	-
Zamancama Project and Training	95 235	-
Zathaphi	15 490	-
	1 398 365	16 021

Amounts written-off

After the council committee investigations, council adopted the MPAC recommendation to write-off an amount of R 81 629 736 from the total irregular expenditure amount as it was proven without reasonable doubt that the amount was not recoverable.

Write-off of irregular expenditure of R3 040 078 due to that the amount was incorrectly included in the UIF&W register

Write-off of irregular expenditure of R495 171 for non-compliance of MFMA circular 69 as SCM officials not trained on the implementation of the circular.

Write-off of irregular expenditure of R13 514 516 for expired contracts as there is no financial losses for the municipality and goods were delivered and no evidence of criminal activities.

Write-off of irregular expenditure of R1 305 678 for suppliers employed in the service of the state due to that the municipality does not have the software to identify suppliers who are employed in the service of the state.

Write-off of irregular expenditure of R14 156 799 due to that there was no financial loss to the municipality and goods were delivered.

Write-off of irregular expenditure of R13 292 382 for expired contracts due to weak controls caused by under-capacitated of the SCM unit and there was no financial loss to the municipality.

Write-off of irregular expenditure of R4 394 924 for non compliance to SCM processes.

Write-off of irregular expenditure of R31 430 188 as the expenditure related to old contracts which were already investigated and written off.

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	8 148 561	8 796 076
Current year subscription / fee	6 433 193	6 572 200
Amount paid - current year	(6 433 193)	(7 219 715)

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
51. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Amount paid - previous years	(8 148 561)	-
	<u>-</u>	<u>8 148 561</u>
Audit fees		
Opening balance	11 759	163 044
Current year subscription / fee	6 487 630	5 648 490
Amount paid - current year	(6 302 306)	(5 636 731)
Amount paid - previous years	(11 759)	(163 044)
	<u>185 324</u>	<u>11 759</u>
PAYE and UIF		
Opening balance	7 385 016	6 942 137
Current year subscription / fee	95 855 329	91 872 671
Amount paid - current year	(87 775 400)	(84 487 655)
Amount paid - previous years	(7 385 106)	(6 942 137)
	<u>8 079 839</u>	<u>7 385 016</u>
Pension and Medical Aid Deductions		
Opening balance	3 350 404	9 757 007
Current year subscription / fee	129 651 568	121 410 819
Amount paid - current year	(118 899 918)	(118 060 415)
Amount paid - previous years	(3 350 404)	(9 757 007)
	<u>10 751 650</u>	<u>3 350 404</u>
VAT		
VAT receivable	(5 448 051)	(3 074 315)
VAT payable	8 485 926	7 541 055
	<u>3 037 875</u>	<u>4 466 740</u>
Councillors' arrear consumer accounts		
The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2022:		
30 June 2022	Outstanding more than 90 days	Total
Councillor FN Sithole	<u>8 919</u>	<u>8 919</u>
30 June 2021	Outstanding more than 90 days	Total
Councillor MP Sibilwane	<u>4 249</u>	<u>4 249</u>
52. Utilisation of Long-term liabilities reconciliation		
Long-term liabilities raised	<u>361 020 788</u>	<u>392 998 787</u>

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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53. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Repairs and maintenance services were procured during the financial year under review and the process followed in procuring* those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations

Section 36	2 719 912	15 745 009
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54. Accounting by principals and agents

Details of an entity as an agent are as follows

The Municipality has entered in to principal-agent with the Department of Human Settlement and Department of Energy Settlements and provision of housing and electricity infrastructure connections respectively. The mandate to provide these services lies with the two departments, however the municipality is acting as an agent on behalf of the two departments to provide such services. The assets constructed are not capitalised in the books of the Municipality. The revenue and expenditure in relation to such agreement is also not accounted for in the financial statements, except those that relate to the municipality as an agent.

The following principal-agent transactions were accounted for;

Grants received

Housing Grants	414 723 580	120 903 440
Electrification Grant	-	7 000 000
	414 723 580	127 903 440

Grants revenue

Housing Grant	263 315 709	124 005 586
Electrification Grant	-	7 000 000
	263 315 709	131 005 586

Grants expenditure

Housing Grant	263 315 709	124 005 586
Electrification Grant	-	7 000 000
	263 315 709	131 005 586

Grant Payable

Housing Grants	152 572 537	1 164 667
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Agent fees

Housing Accredation fees	19 961 890	6 300 647
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Entity as principal

Details of the entity as a principal are as follows:

Cigicell had a contract of providing prepaid vending system for the municipality and also a 3rd party vending solution enabling 3rd party vendors to sell electricity tokens on our behalf.

Cigicell collected and banked collections from the third party vendors almost on daily basis and banked these into our municipal account. For these services hosting fees for the system and commission on collections was paid to Cigicell monthly as stipulated on the attached contract.

At the end of the reporting period Cigicell still had made total sales amounting to R28 192 864.81 and of the total sales, and amount of R124 980 was still due to the municipality at the end of the reporting period. Cigicell paid the outstanding amount in 3 days to the municipality.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
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54. Accounting by principals and agents (continued)

There are no cost implications for the entity if the principal-agent arrangement is terminated according to the contract entered into by the parties.

Fee paid

Fee paid as compensation to the agent	794 980	1 906 037
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55. Covid-19 Pandemic

The Municipality continued to experience the devastating impact of the Covid-19 pandemic during the year, which has created significant challenges to the Municipality, business sector and the community of Newcastle at large. The impact required the Municipality to act swiftly to reprioritise its expenditure and to respond to the under-collection of revenue due to the business and individuals' economic impact. The Municipality was also required to implement measures to ensure the safety of its employees, councillors and community.

The following transactions relate to the revenue and expenditure in respect of the Covid-19

Grant transfers

Equitable Share	-	68 899 000
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Covid-19 expenditure

Protective equipment	182 477	341 352
Thermometer	-	101 714
Other	-	93 680
	182 477	536 746

56. VAT receivable

VAT	-	36 095 192
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57. Prior-year adjustments

Statement of financial position

2021

	Note	As previously reported	Correction of error	Restated
Inventories		18 806 337	954	18 807 291
Receivable from exchange transactions		99 418 303	(2 560 988)	96 857 315
VAT receivable (payable)		(18 539 020)	54 634 213	36 095 193
Consumer debtors		504 404 673	3 812 908	508 217 581
Property, plant and equipment		6 470 545 398	10 133 572	6 480 678 970
Investment in associate		187 056 075	(13 128 194)	173 927 881
Finance lease obligation - Current		109 927	84 902	194 829
Payables from exchange transactions		796 421 953	25 278 767	821 700 720
Unspent conditional grants and receipts		41 232 304	(3 102 146)	38 130 158
Finance lease obligation - Non Current		42 180	26 531	68 711
Provision for rehabilitation of Landfill site		59 199 647	11 211	59 210 858
Accumulated Surplus		6 250 301 798	30 593 197	6 280 894 995
		14 408 999 575	105 784 927	14 514 784 502

Cash flow statement

2021

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
57. Prior-year adjustments (continued)		
Sale of good and services	1 083 861 952	(1 251 923) 1 082 610 029
Grants	635 415 131	(3 102 146) 632 312 985
Suppliers	(990 347 232)	14 364 993 (975 982 239)
Finance costs	(42 720 784)	11 211 (42 709 573)
	686 209 067	10 022 135 696 231 202
Cash flow from investing activities		
Purchase of PPE	(124 427 766)	(10 941 570) (135 369 336)
Sale of PPE	1 649 005	807 998 2 457 003
	(122 778 761)	(10 133 572) (132 912 333)
Cash flow from financing activities		
Finance lease obligation	(376 233)	111 433 (264 800)
Prior Period Errors		

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
57. Prior-year adjustments (continued)		
Error 1		
Inventory		
Inventory gains were not accounted for correctly in the prior year	954	
Error 2		
Receivables from exchange transactions		
Correction of invoices that were not paid in the correct financial year resulted in an input vat debtor	94 297	
Interest income was charged to individuals and was reversed	(4 292 874)	
Audit tests on indigent support were not accounted for during the audit of 2020/2021	1 637 588	
	2 560 988	
Error 3		
VAT receivable (payable)		
Reversal of VAT output included on debtors write off	54 634 213	
Error 4		
Consumer Debtor from exchange transactions		
Debtors were incorrectly captured as creditors payment	3 812 908	
Error 5		
Property, plant and equipment		
Upon investigation by the Asset department , it was established that two vehicles are not the property of the municipality and are indeed rented vehicles , these were moved from other assets	(126 718)	
The asset was delivered in the current financial year and not in the prior year	(199 861)	
Correcting the prior year difference between depreciation of other assets between FAR and they system	(4 605)	
During the physical verification and review of the fixed asset register , assets were identified that were in service on the floor, but were not captured on the fixed asset register. these asset were added in accordance with directive 7 at Deemed cost	9 745 055	
During the current financial year , it was discovered that WIP additions were paid by consultants vote instead of project vote	522 845	
Finance leased additions for prior financial year that were not recorded in the 2020/2021 financial year	97 964	
Vehicle donated to the municipality in 2014 not initially added to the FAR	(98 890)	
	10 133 570	
Error 6		
Investment in Associate		
Share in the prior year adjustment in the books of Uthukela Water, an associate of the municipality	(13 128 194)	
Error 7		
Finance lease obligation - Current		
Current portion of finance lease liability.	84 902	
Error 8		
Payables from exchange transactions		
Government gazette advert was not paid in the correct financial year	26 619	
Various expenditure accruals were not reversed in the incorrect financial year	(30 177)	
Various expenditure was not accounted for in the correct financial year	30 073	
Payment raised as an accrual should be reversed as there was no budget to pay for it in 2021	(199 972)	
Accrual that should have been raised was not raised on 2020/21	695 750	
Interest expense was not paid in the correct financial year.	2 586	
Debtors were incorrectly captured as creditors payment	3 842 709	
Invoice was recognised in an incorrect financial year	3 102 146	
Accruals that were paid from general appropriation	17 809 033	
	<u>25 278 767</u>	
Error 9		
Finance lease obligation		
Finance lease liability was not raised in the prior year	150 000	
Finance lease payments not reliazed	(38 567)	
Current portion of lease liability	(84 902)	
	26 531	
Error 10		
Provision for Rehabilitation of Landfil site		
Landfil was not accounted for correctly	11 211	
Error 11		
Accumulated surplus		
All profit and losses for prior year errors		
Interest Recieved	(4 292 874)	

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand	2022	2021
57. Prior-year adjustments (continued)		
Interest Received	(29 802)	
Indigent write-off	1 637 589	
Debt impairment	54 634 213	
Depreciation	10 083 543	
Interest Expense	(2 586)	
General Expenses (Telephone expense)	38 567	
General Expenses (Adjustment to provision for rehabilitation of landfill site)	(11 211)	
General Expenses (Collection fees)	(605 000)	
General Expenses	(22 967)	
Gain on inventory	954	
Share of deficit in investment in associate	(13 128 194)	
Accruals that were paid from general appropriation	17 809 033	
	<u>30 593 198</u>	
 Error 12		
Unspent conditional grant and receipts		
An invoice was erroneously recognised in an incorrect financial year.	(3 102 146)	

Reclassifications

The following reclassifications adjustment occurred:

Comparative Figures	2021/22	2020/21	Differences	Comments
Revenue				
Service charges	1 013 999 033	1 013 748 409	250 624	Reclassified from Other Revenue to Service Charges.
Other Revenue	18 450 819	18 701 443	(250 624)	Reclassified from Other Revenue to Service Charges.
Expenditure				
Repairs and maintenance	0	44 151 131	(44 151 131)	Reclassified from Repairs and Maintenance to Contracted Service and General Expense as per mSoa data strings classification.
Contracted Services	273 737 451	230 421 048	43 316 403	Reclassified from Repairs and Maintenance to contracted Services as per mScoa data strings alignment.
General Expenses	138 566 001	137 731 271	834 730	Reclassified from Repairs and Maintenance to General Expenses as per mScoa data strings alignment.

Newcastle Municipality

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

58. Events after the reporting date

Full time appointment of Municipal Manager

The Municipality made a full time appointment of Mr ZW Mcineka as a the Municipal Manager as of the 10th of August 2022. Mr Mcineka has been the acting Municipal Manager since February 2022.

Grants roll-over applications

As of August 2022 the Municipality is in the process of submitting the applications to the National and Provincial Treasuries of the roll-over of the unspent conditional grants in respect of the Community Library Service Grant, Provincialisation, Fort Amiel Museum Grant, Hwaker Stalls Grant, Newcastle Airport, Water Service Infrastructure grants, Neighbourhood Development Partnership grant, Sport and Recreation grant and the Water Intervention Grant. The municipality has since received feedback from National Treasury, grants amounting to R9.1 Million have not been approved for roll-over.

Assets write-off

As of August 2022 the Municipality write-off of the assets that either could not be identified or with zero carrying values as at 30 June 2022. The resolution was subsequent to the physical asset verification process which was conducted and concluded during the reporting period. As such, the asset register and the annual financial statements were adjusted to reflect the impact of this resolution.

Employee related cost liability

As of September 2022 the Municipal council took a resolution to reinstate 223 employees who were dismissed in 2019. Due to court order dated 12 September 2022 the municipality will retrospectively pay 12 months of employee related cost amounting to R80 264 536.14 in total, As a result the Annual Financial Statements were adjusted to reflect the accrued expenditure and the related liability. The money for the back pay will be paid in four trenches. The employees returned to work as of the 1st of October 2022.

59. Segment Reporting

Reportable Segments	Community And Public Safety	Economic and Environmental services	Trading services	Other	Total
Segment Revenue	174 101 387	129 851 579	1 348 239 992	533 285 299	2 185 478 257
External revenue from exchange transactions	106 497 749	2 976 791	1 029 321 286	15 032 261	1 153 828 087
External revenue from non-exchange transactions	67 603 638	126 874 787	318 918 707	457 125 803	970 522 935
Interest received	-	-	-	8 308 002	8 308 002
Other revenue	-	-	-	52 819 233	52 819 233
Segment Expenses	(406 281 382)	(266 187 101)	(1 185 214 638)	(571 792 719)	(2 429 475 840)
Depreciation and amortisation	(9 047 708)	(166 664 248)	(140 042 433)	(33 063 113)	(348 817 502)
Interest expense	-	-	-	(64 412 398)	(64 412 398)
Internal charges	(339 523)	-	(26 377 998)	(17 947)	(26 735 468)
Other segment expenses	(396 894 150)	(99 522 852)	(1 018 794 207)	(474 299 261)	(1 989 510 470)
	(232 179 995)	(136 335 522)	163 025 354	(38 507 420)	(243 997 583)



AUDITOR-GENERAL
SOUTH AFRICA

REPORT OF THE AUDITOR-GENERAL

Newcastle Municipality

For the year ended 30 June 2023

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the Council on Newcastle Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Newcastle Municipality set out on pages 335 to 419, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets and cash flow statement and statement of comparison of budget and actual information 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 the Newcastle Municipality as at 30 June 2023 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 56 of 2003 (MFMA) and the Division of Revenue Act No. 5 of 2022 (Dora).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *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.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified with respect to this matter.
7. I draw attention to note 48 to the financial statements, which indicates that a net loss of R357,99 million was incurred during the year ended 30 June 2023 and, as of that date the current liabilities exceeded current assets by R265,43 million. These events or conditions, along with other matters as set forth in the afore-mentioned note, indicate that a material uncertainty exists that may cast significant doubt on the municipality's ability to continue as a going concern.

Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified with respect to these matters.

Contingencies

9. As disclosed in note 45 to the financial statements, the municipality has disclosed various pending legal matters. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Material impairment – Receivables from non-exchange transactions

10. As disclosed in note 10 to the financial statements, the municipality made a material provision for impairment of R57 million (2021-2022: R52,75 million) on receivables from non-exchange transactions, as a result of poor collectability of outstanding traffic fines.

Material impairments – Consumer debtors

11. As disclosed in note 11 to the financial statements, the municipality made a material provision for impairment of R1,02 billion (2021-2022: R765,19 million) on consumer debtors, as a result of poor collectability of outstanding consumer debts.

Material losses – Bad debts

12. As disclosed in note 37 to the financial statements, the council approved the write-off of consumer and indigent debtors amounting to R102,30 million (2021-2022 R24,49 million) due to incentive schemes encouraging payments of municipal bills.

Material losses – water

13. As disclosed in note 38 to the financial statements, the municipality incurred material technical water losses of R58,89 million (2021-2022: R51,44 million), which represents 37% (2021-2022: 39%) of total water purchased. These losses were due to real and apparent losses, which are based on the system input volume and the authorised consumption.

Unspent conditional grants and receipts

14. As disclosed in note 16 to the financial statements, the municipality significantly underspent on its conditional grants for the year. The majority of this amount relates to the housing grant, which was underspent by R94,17 million (2021-2022: R152,57 million).

Unauthorised expenditure

15. As disclosed in note 49 to the financial statements, unauthorised expenditure of R202,38 million was incurred, due to overspending of the approved budgeted amounts.

Other matters

16. I draw attention to the matters below. My opinion is not modified with respect to these matters.

Unaudited disclosure notes

17. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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.

Unaudited supplementary schedules

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

Responsibilities of the accounting officer for the financial statements

19. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with SA Standards of GRAP and the requirements of the MFMA and Dora and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
20. In preparing the financial statements, the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

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

Report on the audit of the annual performance report

23. In accordance with the Public Audit Act No. 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected key performance area (KPA) presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

24. I selected the following KPA presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the KPA that measures the municipality's performance on its primary mandated functions and that is of significant national, community, or public interest.

Key performance area	Page numbers	Purpose
Basic service delivery	329	The purpose of this key performance area is the overall delivery of basic and infrastructural services and products.

25. I evaluated the reported performance information for the selected KPA against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery of its mandate and objectives.

26. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time-bound, and measurable to ensure that it is easy to understand what should be delivered and by when the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for measures taken to improve performance.

27. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

28. I did not identify any material findings on the reported performance information for the selected KPA of basic service delivery.

Other matters

29. I draw attention to the matters below.

Achievement of planned targets

30. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance.

31. The municipality plays a key role in delivering services to South Africans. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets and measures taken to improve performance are included in the annual performance report on pages 287 to 334.

<i>Targets achieved: 74%</i> <i>Budget spent 100%</i>		
Key service delivery indicators not achieved	Planned target	Reported achievement
1. BS003 - Limit the water losses to below $\leq 40\%$	40%	37,05%
2. BS015 - Km's of OB1 Link Road Stormwater installed	Completion of 0,86 Km's of OB1 Link Road Stormwater installation	0,78 Km's of OB1 Link Road Stormwater installed
3. BS019 - Construction of Blaauwbosch Bulk Water Supply	Completion of 4,7 Km's of trench excavations and pipe laying for 450ND steel gravity main water supply pipeline from Braakfontein to Blaauwbosch	3,07 Km's of trench excavations and 3,84 Km's of pipe laying for 450ND steel gravity main water supply pipeline from Braakfontein to Blaauwbosch completed
4. BS020 - Upgrade of Madadeni Wastewater Treatment Plant	Construction of Inlet Structures and dividing walls in existing aeration basin	Construction of Inlet Structures and dividing walls in existing aeration basin was not achieved and is still in progress
5. BS021 - Upgrade of the Newcastle Wastewater Treatment Works for Viljoen Park Bulk Water and Sanitation (Phase2)	Refurbishment - installation of chlorine dosing equipment Installation of pipeline at Ncandu rising main pipeline - appointment of the contractor, site handover, site establishment and excavating trenches for 200m.	Refurbishment - installation of chlorine dosing equipment in progress and Installation of pipeline - Contractor is not appointed, site handover, site establishment and excavating trenches for 200m not completed
6. BS022 - Achieve 90% wastewater quality (green drop) score in terms of SANS 241	90%	87,51%

<i>Targets achieved: 74%</i> <i>Budget spent 100%</i>		
Key service delivery indicators not achieved	Planned target	Reported achievement
7. BS026 - Number of completed Top-structures to roof level	200	176
8. BS032 - Km's of roads upgraded from gravel to blacktop including stormwater for ME26 & ME27	Completion of 1 Km gravel roads upgraded from gravel to blacktop including 0,85 Km's of stormwater for ME26 and ME27	1 Km base layer and 0,85 Km's of stormwater completed. Surfacing for ME26 and ME27 roads is not complete
9. BS038 - Installation of 1,4 km's of pipeline in ward 5, excavations and pipe laying for Ward 2 & 25	Installation of 1,4 km's of pipeline in ward 5,4 km's of trench excavation and pipe laying for Ward 2 and 4,5 kms of trench excavation and pipe laying for Ward 25	10,55 Km's of pipeline installed in ward 5, Contractor appointed and site establishment in progress for ward 2 and 6,1 Km's of trench excavations and pipelaying installed for ward 25
10. BS044 - Compilation of design report for the sewer line at Lyle Street in Newcastle by June 2023	Compilation of design report for sewer line at Lyle Street in Newcastle by June 2023	Design report for the sewer line at Lyle Street in Newcastle is not compiled due to Geotechnical information that is still outstanding
11. BS046 - Completion of connection of Sewer and water service to the Crawford Park Ablution facility and completion connection of sewer to the Dry cut Cemetery.	Completion of connection of sewer and water service to the Crawford Park Ablution facility and completion connection of sewer to the Dry cut Cemetery.	Sewer and water service to the Crawford Park Ablution facility and sewer to the Dracut Cemetery not completed. Contractor appointed for sewer connection at Dracut Cemetery

Report on compliance with legislation

32. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management, and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.
33. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

34. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
35. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Financial statements

36. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

37. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
38. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R13,03 million as disclosed in note 50 to the financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed aforesaid expenditure was caused by interest incurred on late payments made to suppliers.

Other information in the annual report

39. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report, and the selected KPA presented in the annual performance report that have been specifically reported on in this auditor's report.
40. My opinion on the financial statements, the report on the audit of the annual performance report, and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
41. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
42. I have nothing to report in this regard.

Internal control deficiencies

43. I considered internal control relevant to my audit of the financial statements, annual performance report, and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
44. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
45. It is crucial that accounting officer ensures that all financial and performance data is carefully collated, reviewed and quality assured by management, internal audit and the audit committee before being reported on. Additionally, leadership must ensure that the accounting and legislative prescripts are complied with due diligence and demonstrate a decisive approach to consequence management where non-compliance is identified. This will lead to further improvements in the municipality's audit outcomes and more time for leadership and management to focus on matters that impact the lived realities of the citizens as well as the overall financial viability of the municipality.

Material irregularities

46. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Salary payments to terminated employees

47. The municipality did not comply with section 65(2)(a) of the MFMA which state that the accounting officer must take reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control including procedures for the approval, authorisation, withdrawal and payment of funds.
48. The municipality failed to ensure that terminated employees were exited timeously by the human resources department, thus resulting in the employees being paid months after they had left the municipality for the 2015-2016 to 2019-2020 financial years. This resulted in a financial loss which amounted to R1,22 million. The salary overpayments were disclosed as fruitless and wasteful expenditure in note 52 of the 2019-2020 financial statements. The accounting officer was notified of the material irregularity on 14 April 2021.
49. The following actions have been taken to address the material irregularity:
- The accounting officer strengthened the control environment to prevent re-occurrence of salary overpayments on termination of employment.
 - The matter was investigated by the internal audit unit on the instruction of the accounting officer. The investigation was concluded, and the recommendation was accordingly implemented. Some overpayments were recovered, and the amounts that were deemed irrecoverable were written off accordingly.

50. The actions taken by the accounting officer have adequately addressed the material irregularity and accordingly, the material irregularity is resolved.

Other reports

51. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
52. Various investigations are being undertaken by independent consultants at the request of the municipality, relating to matters involving suspensions, theft, fraud allegations and financial misconduct covering the 2021 to 2023 years. The investigations were still in progress at the date of this report.
53. Furthermore, there are 10 different matters that are being investigated by the Special Investigating Unit (SIU) and the Directorate for Priority Crime Investigations of the South African Police Service (Hawks), relating to supply chain management transgressions covering the period 2013 to 2022. These matters were still in progress at the date of this report.
54. Additionally the Hawks had investigated one allegation of payroll fraud at the municipality. This matter has been finalised and criminal proceedings have been undertaken.

Pietermaritzburg

29 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected KPA and on the municipality's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraphs (a), (b) & (d) of the definition: irregular expenditure, Section 1 - Definition: service delivery and budget implementation plan, Sections 11(1), 13(2), 14(1), 14(2)(a) & (b), 15, 24(2)(c)(iv), 29(1), Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b), Sections 32(6)(a), 32(7), 53(1)(c)(ii), 54(1)(c), 62(1)(d), 62(1)(f)(i), Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b), Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e), Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, 122(1), Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii), Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170, Sections 171(4)(a), 171(4)(b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 71(1), 71(2), 72
MFMA: Municipal Investment Regulations, 2005	Regulations 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a), Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a), Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b), Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations 44, 46(2)(e), 46(2)(f)
Municipal Systems Act 32 of 2000	Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b), Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a), Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1), 93J(1), 96(b)
MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 3(6)(a), 7(1), 8, 9(1)(a), 10(a), Regulations 12(1), 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers, 2006	Regulations 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations 17(2), 36(1)(a)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations 5(2), 5(3), 5(6), 8(4)
Annual Division of Revenue Act	Section 11(6)(b), 12(5), 16(1); 16(3)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations	Regulations 17, 25(7A)
Municipal Property Rates Act 6 of 2004	Section 3(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), 6(2), 6(3), 6(6), 6(8), Regulations 7(1), 7(2), 7(3), 7(6), 7(8), 8(2), 8(5) 9(1), 10(1), 10(2), Regulations 11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

NEWCASTLE LOCAL MUNICIPALITY

Type of Opinion : Unqualified

Type of Opinion Previous Year : Unqualified

Nature Of Audit Query	Audit Query	Audit Response
<p>1. Consumer debtors – Impairment calculation / Net present value</p>	<p>In terms of GRAP 104 Financial assets are measured at amortised cost</p> <p>“61. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or with an allowance account. The amount of the loss shall be recognised in surplus or deficit.”</p> <p>In terms of GRAP 108 (Statutory receivables) - paragraph.22 states the following: If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, an entity shall measure the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, shall be reduced, either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit.</p> <p>PART A</p> <p>During the audit of the impairment of consumer debtors from exchange and non-exchange transactions, it was noted that the municipality utilised the services of a consultant/ expert for the impairment calculation.</p>	<p>The debt impairment calculation will be done in accordance with the relevant Grap Standards and assumptions and exceptions will be clearly outlined in the policies and procedures. This calculation is done only at year end</p>

Nature Of Audit Query	Audit Query	Audit Response
	<p>In terms of the impairment methodology used by the expert, the following is noted:</p> <p>“a) The assessment of debt impairment for receivables, either individually assessed or assessed as a group, shall be done taking into account the assumptions and according to the methodology as outlined below:</p> <p>First step:</p> <p>In determining the impairment provision, the receivables shall firstly be categorized and information relating to the following observable factors or events shall be accumulated, considered and evaluated in order to assess collectability of a receivable or groups of receivables:</p> <p>(i) Significant financial difficulty of the debtors.</p> <p>(ii) A breach of agreement, such as default on delinquency in interest or principal payments.</p> <p>(iii) The municipality, for economic or legal reasons relating to the debtor’s financial difficulty, granting the debtor a concession that the municipality would not consider</p> <p>(iv) It is possible that the debtor will enter sequestration or other financial reorganisations.</p> <p>(v) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of receivables since the initial recognition of those receivable(s); although the decrease cannot yet be identified with the individual receivable in the group, including: a. Adverse changes in the payment status of the debtor in the group (e.g., an increased number of delayed payments) or. b. National or local economic conditions that correlated with defaults on the receivables in the group (e.g., adverse changes in market conditions that affect the debtors in a group).</p> <p>(vi) In some cases, the above observable data or events required to estimate the amount of impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances, e.g., when a debtor is in financial difficulties and</p>	

Nature Of Audit Query	Audit Query	Audit Response
	<p>there is limited, available historical data relating to similar debtors. In such cases, the municipality shall use its experience judgment to estimate the amount of any impairment loss. Similarly, the municipality shall use its experienced judgement to adjust observable data for a group of receivables to reflect the current circumstances.</p> <p>Second step: Based on the observable factors above, the municipality shall calculate the provision for impairment or collectability of a debt by considering the cash shortfalls it would incur in various default scenarios for prescribed future periods using the following formula: $A \times B = C$ Where:</p> <p>A = Default rate (expressed in a percentage form) B = Gross Carrying Amount of Receivable(s) C = Impairment Provision.</p> <p>Any previously recognised impairment provision must be revised when the expected timing or similar amount of the cash flow to be collected changes.</p> <p>Third step: Determine the estimated future cash flows of receivable(s) using the following formula: $A - B = C$ Where: A = Gross Carrying Amount of Receivable(s) B = Impairment provision, and C = Estimated future cash flows of Receivable(s)</p> <p>REPORTING OF DEBTORS SEGMENTATION</p> <p>Debt quadrants depict the behaviour of Debtors in terms of the payment of services. Such behaviour is monitored and analysed over a twelve (12) month period. These quadrants as well as their brief description is outlined below as follows:</p>	

Nature Of Audit Query	Audit Query	Audit Response
	<p>1. Star Payers: Customers that pay their rates account on time and in full. (High collectability)</p> <p>2. Grudge Payers: Customers that pay their rates account on time but not in full. (Medium collectability)</p> <p>3. Infrequent Payers: Customers that do not always pay their bills on time and/or regularly (i.e., such customers may skip a few months at a time without paying for services). (Low Collectability)</p> <p>4. Non-Payers: Customers that do not pay their account. (Very Low Collectability)</p> <p>From an inspection of note 11 (AFS) consumer debtors from exchange and non-exchange transactions, the following concerns were noted during the audit of the impairment amount of R1,119,379,186:</p> <ul style="list-style-type: none"> • The debt impairment was calculated using a default rate of 100%. • And therefore, the municipality did not consider estimating future cash flows for receivable amounts when calculating the allowance for debt impairment. The municipality included 100% of both medium collectability and low collectability debtors in this calculation, therefore assuming that debtors with medium or low collectability will default entirely. • The management did not consider the possibility that the municipality may receive some cash flow. This is because the methodology defines these categories as "Customers that pay their rates account on time but not in full and Customers that do not always pay their bills on time and/or regularly (i.e., such customers may skip a few months at a time without paying for services)." 	
<p>2. Payments not made within 30 days</p>	<p>In terms of section 65(2) (e) of the MFMA:</p> <p>"The accounting officer must for subsection (1) take all reasonable steps to ensure that all money owing by the municipality be paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure."</p>	<p>COGTA selected the municipality to participated in a debt collection project. The municipality has introduced several incentive schemes which are aimed at collecting the old debt. Interim Finance Committee (IFC) has been established to curtail</p>

Nature Of Audit Query	Audit Query	Audit Response
	<p>During the audit of General Expenses disclosed at an amount of R171,784,638 in note 41 to the financial statements, it was noted from a sample of 60 expenditure items that the following eight invoices were not paid within 30 days as required by section 65(2)(e) of the MFMA.</p>	<p>costs. All these aimed to improve revenue collection and implement cost containment measures in an effort to improve finances of the municipality. Old debt will be prioritized when approving payments in the Interim Finance Committee meetings to avoid interest.</p>
<p>3.Cash Flow statement inaccuracies (COMAF07-09th October)</p>	<p>In terms of GRAP 2 Cash flow statements: Paragraph 02 - An entity that prepares and presents financial statements under the accrual basis of accounting shall prepare a cash flow statement in accordance with the requirements of this Standard and shall present it as an integral part of its financial statements for each period for which financial statements are presented.</p>	<p>Adjustments will be made to the cashflow statement and make improvements to the reconciliation assets note which is also used for inputs to the cashflow statement especially additions. AFS task team will be established to monitor progress of the AFS preparation which will allow finalization timeously and also allowing enough time for review before submission of AFS to the AG.</p>
<p>4.Risk management disclosures (COMAF 13-23 October).</p>	<p>In terms of GRAP 104 – Financial instruments: Paragraph 131: an entity shall disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities and a description of how it manages the liquidity risk inherent in the financial liabilities.</p> <p>During the audit of Note 47 Risk Management to the financial statements, it was noted that the municipality had omitted certain disclosures. The annual financial statements disclosed a description of liquidity risk but omitted a maturity analysis of the non-derivative financial liabilities, such as trade payables and other financial liabilities</p> <p>Paragraph 131: an entity shall disclose a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities and a description of how it manages the liquidity risk inherent in the financial liabilities.</p>	<p>1. Process will be put in place to ensure that the disclosure of risk management includes the discounted maturity analysis of borrowings, consumer debtors and other non-derivatives as reported in the statement of financial position. 2. The AFS and the working paper file (rates and figures in the AFS) shall be reviewed by the Director: Budget and Financial Reporting before the disclosure is populated into the AFS. AFS task team will be established to monitor progress of the AFS Preparation which will allow finalization timeously and also allowing enough time for review before submission of AFS to the AG.</p>

Nature Of Audit Query	Audit Query	Audit Response
	<p>During the audit of Note 47 Risk Management to the financial statements, it was noted that the municipality had omitted certain disclosures. The annual financial statements disclosed a description of liquidity risk but omitted a maturity analysis of the non-derivative financial liabilities, such as trade payables and other financial liabilities</p>	
<p>5.Fruitless and wasteful expenditure completeness / not prevented</p>	<p>In terms of section 62(1)(d) of the Municipal Finance Management Act (MFMA), The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that that unauthorised, irregular or fruitless and wasteful expenditure and other losses are prevented;</p> <p>As per section 125(2)(d)(i) of the MFMA, the notes to the annual financial statements of a municipality and municipal entity must include, amongst others, particulars of any material losses and any material irregular, fruitless and wasteful expenditure.</p> <p>Furthermore, as per GRAP 1 Presentation of financial statements: Paragraph 17 - financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses</p>	<p>Management shall strengthen controls to ensure that all fruitless and wasteful expenditure is identified and disclosed correctly in future. It must be noted that the on-going discussions between the municipality and uThukela Water led to the omission in disclosing this expenditure as it was part of the payment plan discussion that the interest will be written-off on conclusion of the agreement. Interim Finance Committee (IFC) has been established to curtail costs and in an attempt improve cash flow and meet our financial obligations.</p>
<p>Emphasis of the Matter</p>		
<p>6.Material water / electricity losses</p>	<p>As disclosed in note 38 to the financial statements, the municipality incurred material technical water losses of R58 890 000 (2021-2022 R51,44 million) which represents 37% (2021-22..39%) of total water purchased. The losses were due to real and apparent losses, which are based on the system input volume and the authorized consumption.</p>	<p>Newcastle municipality has aimed to reduce the water losses in the context of physical/real losses and commercial/apparent losses. Reducing commercial losses directly generates revenue and reducing physical losses, also reduces the cost of producing the water (less water needed, less chemical and energy use), Improves customer service (more pressure, less supply interruptions and less contamination). Furthermore, improving the</p>

Nature Of Audit Query	Audit Query	Audit Response
		<p>billing-collection efficiency will also improve the water utilities' revenue At the end of 2021/22 financial year non-revenue water was at 60.2 % and Physical water losses at 38.7%.</p> <p>ACTION PLAN PROGRESS OF INTERVENTION PROGRAM A Service Provider has been appointed for the implementation of a self-funded model for reducing water and energy inefficiencies through Shared Water Saving Contracts (SWSC) and Revenue Enhancement Contracts (REC) to assist the Newcastle Local Municipality's Water Conservation/ Water Demand Management (WC/WDM) and Non-Revenue Water (NRW) Strategies having the main objective of reducing the current losses attributed to leaks, theft, overflows, and meter reading inaccuracies, while simultaneously improving billed volumes to consumers and allowing the private sector to partner with the Municipality and share in the savings achieved from the intervention on a 80/20 basis for a 3-year term.</p> <p>APPROACH AND METHODOLOGY The project is divided into 5 phases to address the intervention:</p> <p>Phase 1: Data collection and analysis Phase 2: Water audit and baseline establishment Phase 3a: Water efficiency saving method & Phase 3b: Water increased revenue measures Phase 4: Organisational and results analysis Phase 5: Measurements and verification of outputs.</p>

Nature Of Audit Query	Audit Query	Audit Response
		Contractual dates: Project start date: 1 November 2022 Project completion date: 31 October 2025

CHAPTER 9 – AUDIT AND RISK COMMITTEE ANNUAL REPORT FOR THE 2022/2023 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) and (3) 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 on 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 the 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, with the authoritative and credible view of the financial position of the municipality, 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 as the council of the municipality 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 Charter is the base for the functioning of the Audit and Risk Committee together with the annual work plans and legislative compliance universe crafted from local government legislative framework.

The Committee reviewed these formal terms of reference, *herein referred to as the Charter*, which was then presented, deliberated upon and recommended for final approval by the Municipal Council. The Audit and Risk Committee has executed its functions in accordance with this Charter and annual plan for the 2022/23.

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. This ensures integrated risk oversight and Council capacity to see a single point of entry on risk and performance issues, improve risk mitigation responses, effectiveness of governance processes, compliance and internal controls.

The Committee held six (6) meetings during the 2022/23 financial year. The Accounting Officer, Chief Financial Officer and SEDs together with other Senior Management attended Committee meetings as standing invitees. The Risk Management Unit Internal Auditors and AGSA also have standing invitation and unrestricted access to the 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. Yaasir Haffejee (Chairperson from 01/04/2021 and resigned 31/08/2022)	28/02/2018	30 th of September 2022	2	2
Ms. Zanele Nkosi (Interim Chairperson from 10/11/2022)	28/02/2018	31/03/2021 (Appointment extended until 31/03/2024)	6	6
Mr. Rabelani Tshimomola	28/02/2018	31/03/2021 (Appointment extended until 31/03/2024)	6	6
Ms. Joyce Nkopane	01/11/2021	31/03/2024	6	6
Ms. Sijabulile Makhathini	01/11/2021	31/03/2024	5	5

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 following:

- Progress on implementation of mitigating actions for strategic and fraud risks.
- Emerging risks identified by management.
- Development and progress on implementation of Business Continuity Strategy and plan.
- Progress on development and implementation of organisational wide combined assurance model.

The Committee has noted some improvement in the municipal risk management and governance. Management has been urged to further ensure adequate mitigating actions and clear alignment between risk and the performance of the municipality.

The Committee is of the view that a more improved risk management system will strengthen combined assurance and thereby eliminate duplication of efforts.

EFFECTIVENESS OF INTERNAL CONTROLS AND COMPLIANCE

The Audit and Risk Committee reviewed, amongst others, the following in regard to internal controls and compliance during its quarterly meetings:

- Adequacy and effectiveness of the municipality's systems of internal control over annual financial reporting, including information technology security and controls.
- Adequacy and effectiveness of the systems that have been designed to ensure and monitor compliance with laws, regulations, policies and procedures of Newcastle Municipality.
- Residual risks arising from Enterprise Risk Management risk registers and controls implemented to mitigate risk.
- Significant issues raised by both Internal and External Auditors.
- 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.
- 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 and contingencies, including those that may have a material impact on the financial statements.

- 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 and assurance obtained, the Committee noted the continuous improvements on internal controls and compliance with applicable prescripts. Notwithstanding this, certain areas of inadequacy have been noted. The following, amongst other concerns, have been identified:

- Inappropriate budgeting and expenditure management towards ensuring a funded budget and reduced going concern risk.
- Slow progress on implementation of controls, investigations and consequence management relating to historical irregular and fruitless and wasteful expenditure
- 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.
- Inadequate controls around prevention and detection of non-compliance with SCM prescripts
- 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.
- Inadequate information technology governance and security
- Slow implementation of action plans resulting in long outstanding and re-occurring audit findings.

The Committee continues to urge management to implement processes and systems to address the above-mentioned issues.

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 obtained from Internal Audit through its review of quarterly performance information reports.

The Committee noted the quality, completeness and credibility of performance information but has recommended improved planning, clear targets, and effective in-year monitoring. This will ensure significant achievement of targets as planned.

EVALUATION OF FINANCIAL STATEMENTS

The Audit and Risk Committee reviewed the interim and annual financial statements as presented by management and has noted certain weaknesses in ensuring complete and credible financial statements.

The Committee emphasized the importance of effective financial systems and controls that produces accurate and complete financial information with reviews and monitoring done by delegated official on regular intervals.

The Committee also reviewed the AGSA's audit report, together with the management report and management responses on the audited annual financial statements. It noted the issues arising out of the audit and engaged with the AGSA on the matters accordingly.

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. The Committee also noted work done by Internal Audit on management's progress on prior year recommendations as given by both internal and external audit.

Although the Committee was satisfied with the scope, coverage, quality and reports of the Internal Audit, concerns regarding vacancies and the limited budget within the Internal Audit Function remain. Management has been requested to consider these to ensure a more robust Internal Audit function.

AUDITOR-GENERAL OF SOUTH AFRICA

The Audit and Risk Committee has reviewed the scope of External Audit to ensure that critical areas within the Municipality are covered adequately.

In addition, the Committee have met with the AGSA to ensure that there are no unresolved issues and that all issues including subsequent events have been communicated for further action.

Based on all the engagements, nothing impacting the independence of the External Auditors has come to the attention of the Committee.

CONCLUSION

The Audit and Risk Committee would like to thank the Municipal Council, Accounting Officer, Chief Financial Officer, 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.

MS GZ NKOSI
CHAIRPERSON OF THE AUDIT AND RISK COMMITTEE



uThukela Water (Pty) Ltd

Draft Annual Report

2023

*If there is magic on this planet,
it is contained in water.
~ Loren Eiseley ~*



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Annexures -

AGSA Audit Report for the 2022/23 Financial Year
UTW Audit Action Plan on the AGSA's Audit Report

Overview

Organisational Profile

- uThukela Water's establishment imperatives.
- Who uThukela Water is and what it does.
- Presents the Vision, Mission, and Strategic Intent.
- Describes the entity's institutional arrangements.



Board Chairperson's Report

- Makes reflections on-
 - The entity's governance position.
 - The state of the entity's financials.
 - Service delivery achievements and challenges.
- Concludes by acknowledging various contributors to company performance.

Governance

- Entity received an unqualified AGSA Audit Opinion.
- Management has developed an Action Plan to redress audit findings.
- There is healthy relationship between the Shareholders, the Board, and Executives Management.
- The Board is fully functional, along with its Audit Committee.
- There is an effective Risk Management and Internal Audit function.



Managing Director's Report

- Focuses on the need to get the basics right.
- Presents the MD's perspective on the operational and financial performance of the entity.
- Highlights the imperatives of stakeholder management.
- Concludes by acknowledging various contributors to entity's performance.

Financials



- AFS for the year under review.
- Financial Position
- Financial Indicators/Ratios
- Need to improve on:
 - Capital investment for infrastructure upgrades and new developments.
 - Infrastructure maintenance budgeting.
 - Cost reflective budgeting.
 - Debt management.

Operational



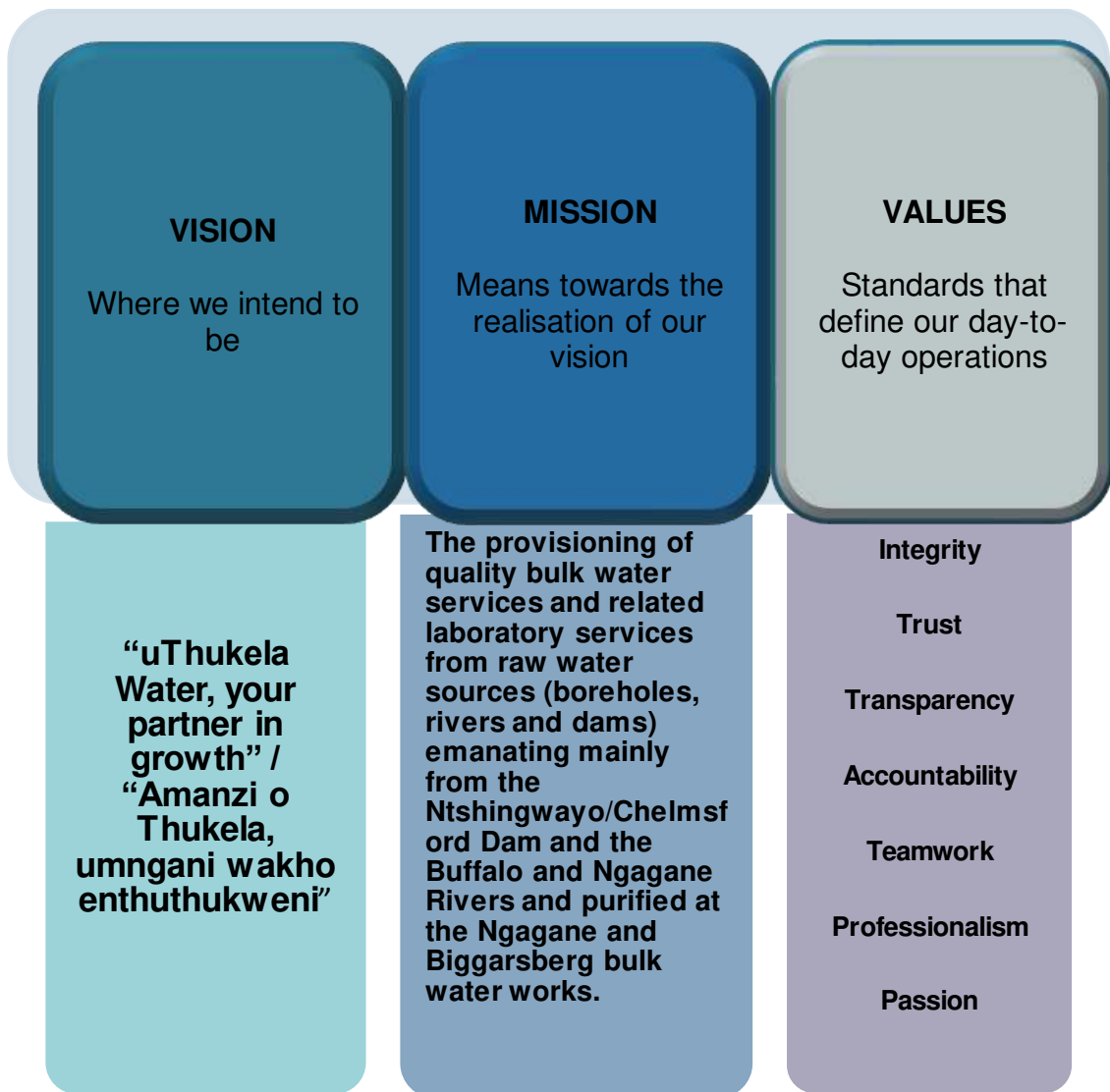
- Overall achievement on the execution of the WSA/WSP SLA.
- Achieved a Blue Drop water quality status.
- There is need to improve operational efficiency, on the control of water losses.

Organisational Profile

Who we Are

uThukela Water (Pty) Ltd is a municipal owned entity established in September 2001, then called uThukela Water Partnership. Its establishment was birthed from a study commissioned by the Department of Water and Sanitation (DWS) and the Australian government (AUSAID) between 1997 and 2000. The outcome of the study was made possible by the active participation of various stakeholders, including, all municipalities in the previous uMzinyathi and uThukela regions, organs of civil-society-based organisations, non-government organisations, organised business, agriculture, industry, and labour.

The entity was changed from its original form to a bulk water services provider because of a Provincial Cabinet decision dated 6 June 2013, which became effective from 1 July 2013. The entity is duly registered with the Commission for Intellectual Property Council under registration number 2003/029916/07.



Where we Operate

uThukela Water prides itself in that it is the first municipal entity to provide a full spectrum of bulk and reticulation water and sanitation services on a regional basis, covering three shareholding municipalities, namely: Amajuba District Municipality (DC25), uMzinyathi District Municipality (DC24), and Newcastle Local Municipality. The entity's Head office and Laboratory facilities are situated in Newcastle.



The above maps portray the geographic coverage of uThukela Water service area. Note: only Endumeni Local Municipality is covered in the uMzinyathi District Municipality.

Operations within uThukela Water are centred in Newcastle (Ngagane WTP) and Dundee (Biggarsberg WTP). Table 1 below provides high-level baseline information on the two Plants.

Table 1: Summary of baseline information on Ngagane and Biggarsberg Plants.

Plant	Design Capacity	Production	Service Areas	Status	Vision
Ngagane Water Works	115 mega-litres per day	100.8 mega-litres per day	Newcastle, Madadeni, Osizweni, Brakfontein, Kilbarchan, Eskom Village, Ballengeich and the rural areas of the Amajuba District Municipality.	Blue Drop	To increase this capacity to 150 mega-litres per day to meet current and future demands, subject to the availability of appropriate resources.
Biggarsberg Plant	100 mega-litres per day	14.51 mega-litres per day	Dundee, Glencoe, Sithembile, Wasbank, Hattinghspruit and certain rural areas.	Blue Drop	To increase the Plant's capacity, subject to the availability of sufficient and sustainable raw water sources. Company's Master Plan recommends sourcing additional water from high-up in the Dranskensberg to augment water supply in the uMzinyathi area.

What we Do

uThukela Water (Pty) Ltd's business focus is on the provision of quality bulk water services to its shareholders, as well as providing bulk water services to farmers and industry within its area of jurisdiction. The entity also provides water laboratory services to the municipalities and the public.

Consequent to a 2011 Section 78 assessment, the entity transferred the water reticulation services back to the municipalities, and now only operates as a bulk water services provider to its shareholders, farmers, and industry. uThukela Water has established itself to be an industry leader in as far as the production of quality water is concerned. The entity provides bulk water from its Ngagane and Biggarsberg Water Treatment Plants and services approximately 250 000 households.

The provision of water services to shareholders, and the overall management and operations of services are carried out in terms of the policies established by the Water Services Authorities (WSAs). Noting the funding constraints, this requires stringent prioritisation, matching levels of service with affordability levels as determined by the income streams and bulk water sales tariffs.

WATER PURIFICATION

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

BULK WATER SERVICES

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

ENGINEERING SERVICES

- Operates from the Engineering Services Centre.
- Functions include the application of professional engineering discipline of water services –
“river to tap” for optimal delivery in the short, medium and long term horizons.
- Utilises the concept of minimum total cost of ownership and maximum use of resources. -
- Planning activities carried out jointly with the Operations Service Centre, the Water Services Authorities and national government departments.
- Reliance on the Geographic Information System and technology based applications.

Strategic Intent

The entity's strategic intent is derived from its Shareholder approved Strategic Plan 2030 (SP2030), whose strategic deliverables are:

- Safe bulk drinking water for the shareholder municipalities to distribute to their customers.
- Raw bulk water to farmers and industries outside the developed areas.
- Recognising affordable, yet effective environmental and catchment management.
- Participation in the regional 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.
- Having a dynamic, pulsating, and young professional workforce.
- Facilitating unique sourcing deployment.
- Implementing continuous improvement processes to minimise tariff increases.
- Adherence to the concepts of total cost of ownership, value of ownership and risk of ownership (TCO, TVO, TRO).
- Employee performance management based on self-management concepts linked to organisational performance.

As a bulk water services provider, we will provide the services on behalf of, and in agreement with, the WSAs, who further distribute to their customers, i.e., community households, industries, businesses, agriculture, government institutions, etc.

With the aim to improve value proposition, we may also provide water and related services beyond the current area of jurisdiction.

Institutional Structures

The uThukela Water leadership and management structures comprise of four key committees, namely: Shareholders Committee, Board of Directors, Executive Management Committee, and Management Committee.

With a quest to thrive for a more coordinated approach to the regional bulk water infrastructure challenge and to promote intergovernmental relations between municipalities, the shareholders resolved to establish an accounting officers technical forum that should foster a joint and coordinated planning.

uThukela Water Institutional Structures



Shareholder parent municipal % shareholding

Newcastle Municipality
Water Services Authority (WSA)

34%

Amajuba District Municipality
Water Services Authority (WSA)

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

Synopsis of Shareholder Matters

The relationship between the Shareholders and uThukela Water is governed by the Articles of Association, Memorandum of Association, and the WSA/WSP Service Level Agreement (SLA) between the `Parties`. The SLA provides for the rights, obligations, and responsibilities of both parties, as depicted in table 2 below.

Table 2: High-level summary of key shareholder matters

Shareholders Rights	Shareholders Responsibilities	uThukela Water's obligation	Communication and Customer Care Imperatives
<p>Accurate measurement of water produced and sold.</p> <p>The right to quality, clean, good, and safe drinking water.</p> <p>Have the right to error-free billing.</p> <p>Right to prompt and efficient service.</p> <p>The right to a reliable, efficient, and effective water service</p>	<p>Pay for bulk water services provided.</p> <p>Be water conservation conscious and apply water demand management principles.</p> <p>Monitor and control the entity's budget and operational activities.</p> <p>Support and provide bulk water governmental grants and other grants to the Company.</p> <p>Adhere to legal prescripts, by-laws, and water restriction notices.</p>	<p>See section "What we Do" in page 6 of this report.</p>	<p>Maintenance of effective communication between the entity, shareholders and customers that provides for feedback mechanisms.</p> <p>The customers of uThukela Water are the shareholder municipalities, who reticulate the water to their jurisdictional areas via their own reticulation infrastructure networks.</p> <p>The municipalities administer customer care departments that filter bulk water queries and reports to the entity where necessary.</p> <p>Billing: The entity bills the municipalities for bulk water only, and the municipalities in turn bill their water customers directly for the water consumed.</p>

A photograph of a beach at sunset. In the foreground, a stack of four smooth, dark, rounded stones is balanced on top of each other. The stones are dark brown or black. The background is a soft-focus view of the ocean with the sun low on the horizon, creating a warm, golden glow and bokeh effects on the water and sand. The text "Board Chairperson's Report" is overlaid in the center of the image.

Board Chairperson's Report

Board Chairperson`s Report

I am pleased to present this 19th annual report for uThukela Water (Pty) Ltd for the 2022/23 financial year. This is the first report wherein the current board had a full financial year to exercise oversight over the affairs of the entity. This presented an opportunity for the board to have a full overview of the entity`s performance over the financial year, and thereby enabling it to discharge its fiduciary duties over the affairs of the entity.

As known, the annual report encapsulates the performance of entity in line with its key performance objectives and targets as set out in the entity`s business plan. Notably, the year under review has been challenging for the entity, but we have registered significant progress in key areas.

On financial performance-

The board has noted that the entity`s revenue and cash flow have significantly declined from the previous financial year. This is mainly attributable to the fact that the operations of the entity are not adequately funded by the shareholder municipalities. For example, the bulk water tariff approved by shareholder municipalities for the financial year was fixed at R4.43 per kilolitre, with an additional R0,02 per kilolitre for laboratory services for Newcastle and Amajuba Municipalities. This is well under the industry potable water tariff norm of R7,50 per kilolitre.

For this reason, I would like to advocate for the reconsideration of the costing model of the water delivery business.

By the end of the 2022/23 financial year, the entity`s total outstanding trade creditors amounted to R475.2 million, of which R449.2 million (94.53%) was outstanding for over 120 days. The major unpaid creditor is the Department of Water and Sanitation (DWS) for bulk raw water purchases amounting to R457.7 million (96.30%). The entity has not been able to pay DWS due to cash flow issues. When the entity starts receiving payments towards arrear debt from shareholder municipalities, it will start to adequately honour the DWS.

On service delivery-

Albeit the financial constraints, we have managed to deliver on the entity's strategic intent to the shareholder's satisfaction, and even beyond expectations in some instances. This achievement was due to several factors, including our focus on operational efficiency and our strong client relationships. The Board ensured that the entity fulfilled its mandate to supply potable water that meets the SANS 241: 2015 drinking water standards to our municipalities.

The entity produced more than its budgeted water volumes for the financial year, supplying Newcastle Local Municipality and uMzinyathi District Municipality over and above their budgeted supply volumes. The board has noted with concern that the entity only managed to supply 85% of its predetermined budgeted bulk water volumes to the Amajuba District Municipality. This is because the municipality does not have a dedicated reservoir. I am happy that Amajuba will soon commission its reservoir, which would be a solution to this problem.

On governance-

I would like to thank the shareholders for appointing a new board of directors towards the end of 2021/22. This board comprises of professionals who possess a diverse pool of expertise and experience required for a governing body of an entity such as uThukela Water. This has enabled it to execute its mandate in a diligent and professional manner. The board has ensured that the entity is governed in a transparent, fair, sound, and accountable manner, in conformity to good governance principles.

The board's governance practices, meeting schedules, committee structure, shareholders' engagement mechanisms, and decision-making processes, are well defined, and the board continues to conduct its business effectively and efficiently. We are proud of our commitment to good corporate governance.

Further, the board has established an effective audit committee and internal audit function that supports it to play oversight over the performance of the entity, particularly on sound financial management, legislative compliance, and adherence to service standards. I am pleased with the performance of both the audit committee and internal auditor. However, the board has noted that their terms of office have extended beyond the regulated term of office. It is for this reason that the Managing Director has been mandated to correct this within the second quarter of the 2023/24 financial year.

On performance management-

The board commends management on the entity's performance results for the year under review. We are however concerned on the failure to meet the predetermined targets on these strategic objectives:

- Managed stakeholder relations,
- Ensuring good corporate governance,
- Improved service delivery,
- Increased water resource sustainability, and
- Communicating company performance to stakeholders and public through WSAs.

Also, we are alert to, and will pay more focussed attention to, areas of concern that the Auditor-General of South Africa has raised during the audit. We will closely monitor management's improvement and corrective measures to the under-performance on the highlighted strategic objectives as well as the action plan to redress the AGSA findings.

Challenges

Aged infrastructure: owing to the state of the infrastructure, the repairs and maintenance costs show a general upward trend over the years. During the year under review, the repairs and maintenance cost amounted to over 75% of total expenditure. However, this is not a true reflection of the state of the assets, as expenditure has been curtailed due to lack of funding. Without appropriate funding, it is almost impractical to implement a planned maintenance programme.

Compounding this challenge is the growing water demand that has proven the need for infrastructure upgrades and the construction of additional water treatment plants. This is articulated in the Bulk Water Infrastructure Master Plan for the region.

Water losses: the poor state of infrastructure, combined with inadequate water services management mainly at reticulation, significant water volumes are lost out of the system, with some losses not even accounted for. This is a huge set back to the already stressed system. I urge both the WSAs and the entity to urgently come up with plans to curb the water losses challenge.

Inadequate funding: as identified by its 30-year Strategic Plan (SP2030) and the Bulk Water Services Infrastructure Master Plan, the entity needs over R5,5 billion to address the current bulk water infrastructure challenges. Over the years, budgets have been requested from WSAs to fund capital projects; however, no capital budget was approved by any of the shareholders. Instead, there has been more budget cuts amid the challenges. This has a significant impact on our ability to sustain operations.

Having noted this, the board has set aside capital funding in the 2023/24 financial year and beyond, albeit it being far from adequate to address the infrastructure challenges. It is saddening to observe that even when our dams are full, government is unable to reliably deliver the much-needed water service to our residents. This scenario is globally brought about by, amongst others, inadequate response to the climate change phenomena, dwindling reservoirs, deteriorating water quality at source, the ever-increasing water demand, maladministration, inadequate capacity, and underfunding.

The challenge requires us to think deeper about how we are going to ensure a continued and sustainable supply of water to our residents, amidst the challenges faced. The board has mandated the Managing Director to think out of the box and come up with unconventional ways to address the environmental and technical challenges associated with the water service delivery chain, from extraction, bulk water provision, and through to reticulation.

Acknowledgments

I would like to thank the mayors of the shareholder municipalities for their unwavering support to the entity, my fellow board members, and our UTW and shareholder-employees for their commitment to the performance and sustainability of the entity. Your commitment has enabled us to do relatively well under the prevailing challenging circumstances.

Looking ahead, we are confident that we will continue growing and succeeding. We have a strong team in place, and we are focused on executing our strategic plan. We believe the future is bright for our uThukela Water, and we are excited to share our journey with all the shareholders and stakeholders.



BOARD CHAIRPERSON

DR AS MOKOENA



Managing Director's Report

The Year under review

It is with pleasure to present the annual report for the year ending 30 June 2023.

The activities of the year under review reflect focused business planning and reinforcement of a relationship between us as a child entity and our three shareholders in the context of a multi-jurisdictional municipality.

Doing the basics right

The consecutive thirteen years of unqualified audit opinion, provision of uninterrupted service with limited resources for the past twenty years and the awarding of 4 Blue Drop awards by the Department of Water and Sanitation is remarkable. The entity has the best performing HR standard in strategic HR Management, HR Standard Risk Management, HR standard Performance Management, HR Standard Learning and Development as well as the HR Audit Overall Public Sector Winner 2017/2018 by the SABPP in its 2017/2018 audit year. This is an resounding reflection of the entity's adherence to good governance principles.

Bulk Water Production

Our establishment mandate is to provide shareholder municipalities with quality bulk water, as during the year under review, this was implemented as outlined in table 3.

Table 3: Volumes Supplied to shareholder municipalities.

Shareholder Municipality	Annual Volumes Supplied in Kilolitres
Newcastle Local Municipality	35976127 KL
uMzinyathi District Municipality	5639698 KL
Amajuba District Municipality	4466858 KL

The entity intends to increase the capacity of our Ngagane Water Purification Plant from its design production of 105 megalitres of water per day to 153 megalitres. This is over and above the long-term plan contained in our bulk water master plan of constructing a new dam in the Northern catchment area to augment the current production to Newcastle and Amajuba areas. The Biggarsberg plant has a leverage of increased bulk water production since it produces 15.84 megalitres per day with a design capacity of 19.3 megalitres per day.

Product Quality

During the year under review, the entity has supplied excellent quality bulk water to its WSAs, with water quality across all determinants of SANS 214:2015 Drinking Water Standards exceeding 99% consistently.

It is also important to highlight that even at reticulation by the WSAs, the water is subjected to various monitoring measures in the context of SANS 214:2015 Drinking Water Standards.

Further, the entity provides the laboratory monitoring services to both the Newcastle and the Amajuba municipalities for their reticulated water.

Bulk Water Losses

Bulk water losses on the bulk water mains, plants, and installations were restricted to about 3.45% during the year. Maintaining losses at this low level is a remarkable achievement, particularly under the difficult financial circumstances in which the entity operates, coupled with the aged condition of the bulk water infrastructure, and the lack of funding to replace it.

Financial State

The administration of the entity has been fully supported by the Board in engaging shareholder municipalities, particularly on the issue of inconsistent payments for supplied water volumes. While it is understood that the shareholder municipalities have financial constraints, the entity has an obligation to deliver on.

The historical debt amounting to R482 634 409 owed to DWS remains a liability and exacerbated by the inability of the shareholder municipalities to conform with the payment plans adopted by themselves in the shareholders meeting of 02 November 2022. These payment plans were a roadmap of the entity towards engaging DWS on the manner in which the debt shall be settled, with due regard to commitment by respective shareholders.

The entity is part of the government's stride to acquire clean audits. This is evidenced by the recorded improvements on our ICT, governance and compliance, stakeholder management, financial administration, and engineering services.

Performance Management

The entity is in the process of aligning its performance management system with the Local Government Municipal Systems Act: Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers, 2006, in order to enhance compliance. This process involves reviewing the entity's performance management policy to fully align with the Regulations.

In order to ensure that the entity is meeting its strategic objectives and key deliverables agreed to in its service level agreement with each of its shareholders are being met, the entity also aligns itself, as far as practically possible to the local government: municipal planning and performance management regulations, 2001.

At an institutional level, the pre-determined objectives as set by the entity in the context of the mandate by shareholder municipalities are:

1. Manage stakeholder relations.
2. Communicate performance to all stakeholders and public through WSA's.
3. Ensure good corporate governance.
4. Increase financial sustainability.
5. Improve service delivery.
6. Increase water resource sustainability.
7. Maintain Water Infrastructure.

Human Capital

The entity has a sound human resources and labour relations agenda which deals with all matters relating to the conditions of service for local government, employee capacity building, recruitment, and appointments. There are adequate human resources systems and statutory fora to process all matters requiring specific resolutions in areas of responsibility in place.

Conclusion

We will continue to strive for continued service excellence and quality and work towards achieving all the objectives set out in business plans. It is our desire to fully service our shareholders and assist them with knowledge and the management of their water reticulation to ensure that end-users are serviced with minimal interruptions.

With its turnaround strategies, the Board has ensured that the entity has gone from strength to strength and is making a meaningful contribution to the development of sustainable communities in the region.

I am indeed grateful for the contributions and partnerships which made it possible to achieve these commendable results and would like to convey my gratitude to:

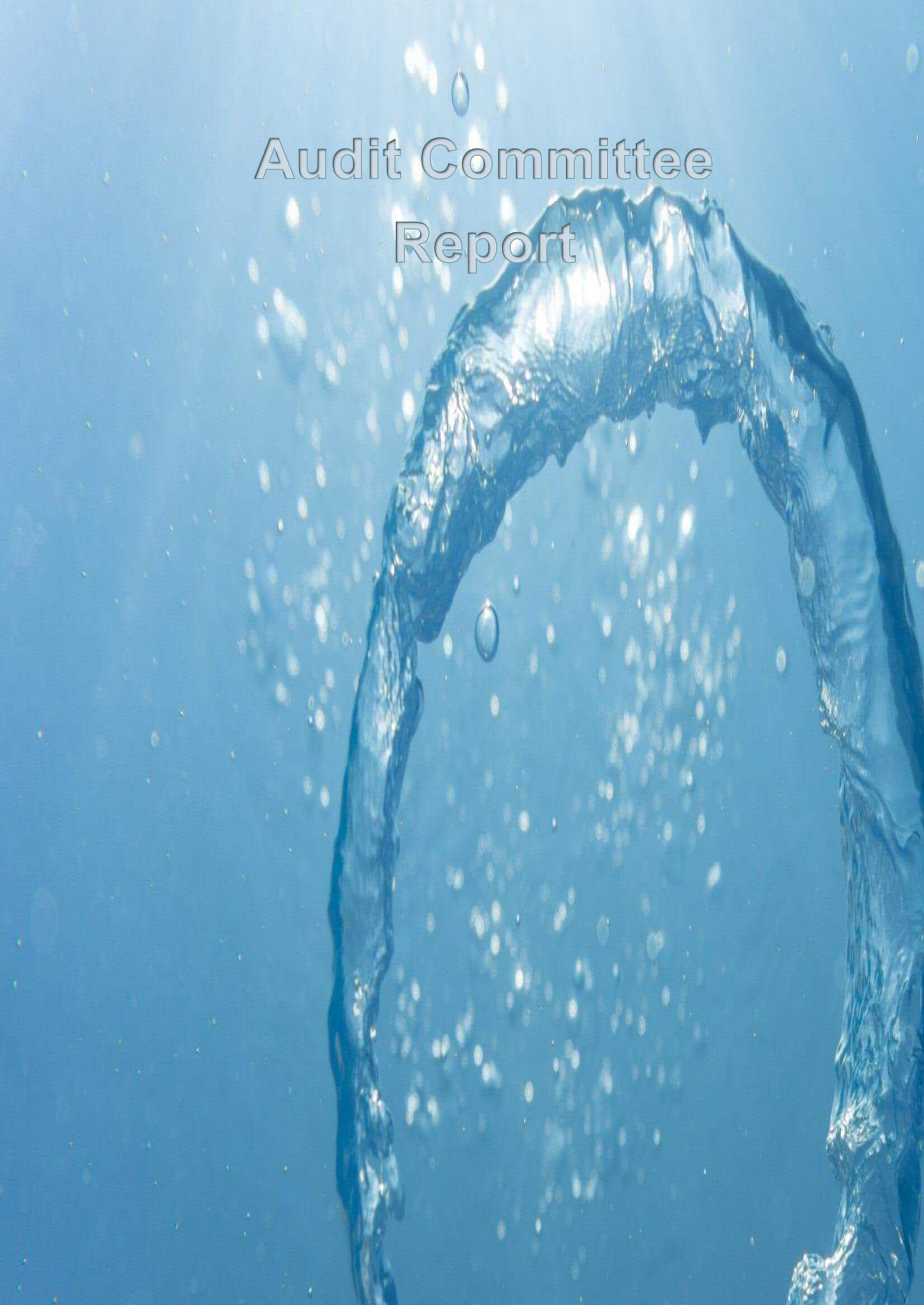
- All Board members, past and present, and particularly to the Chairperson, Dr AS Mokoena. The board's strides towards clearing the going-concern cloud that has been evident is surmountable.
- EMC and all employees, who have worked tirelessly, sometimes under difficult conditions to keep the ship afloat and steered in the right direction.
- Our shareholder municipalities, their Councils and officials who also endured frustrating times of dealing with community complaints and concerns, we thank them for their support and for the way in which they have continued to deliver the same excellent services to their communities.

- The Office of the Premier for its continued support and for always holding the interests of all parties and communities at heart.
- Finally, DWS for its guidance, assistance, and being readily available to us.

A handwritten signature in black ink, appearing to be 'Nkosi WB', is positioned above a horizontal line.

Managing Director
Nkosi WB

Audit Committee Report



Audit Committee Report for the year ending 30 June 2023

Background

uThukela Water's Audit Committee has been established in line with 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 carrying out their responsibilities.

Membership of the Audit Committee

The committee comprises of three (3) members, and they are: -

1. Mr S Majola : Audit Committee Chairperson
2. Mr. I. Simjee : Audit Committee Member
3. Mr A. Jordan : Audit Committee Member

The Audit Committee consists of independent members, who by virtue of the requirements 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. This translates to one meeting per quarter. The Committee met 3 times during this financial year and the members' attendance was as follows:

Name of Member	Number of Meetings
• Mr S Majola	3
• Mr I Simjee	3
• Mr A Jordan	3

Audit Committee Responsibility

We report that we have performed our responsibilities for the 2022/23 financial year in terms of Section 66 of the Municipal Finance Management Act No 56 of 2006. We further report that we conducted our affairs in compliance with the Audit Committee Terms of Reference.

The Effectiveness of Internal Controls

The MFMA requires that the entity's system of internal controls be designed to provide cost effective assurance that assets are safeguarded and liabilities and working capital are effectively managed. In line with this, the Internal Auditors conducted their reviews to assess if the system of internal controls of the entity were effective or not. The Audit Committee monitored the implementation of recommendations of both the internal auditors and Auditor-General. We can report that management adopted the recommendations proposed and most of them have been implemented and others are in progress.

Internal Audit

The entity has an external service provider who provides the internal audit services to the entity. Audit committee approved the internal audit plan for 2022/23 financial year as required by the International Internal Audit (IIA) Standards. We can report that internal audit conducted all the reviews as per the internal audit plan. An external assessment of internal audit was done in the previous financial year to ensure that it complies with the international internal audit standards.

The areas of concern that were raised by the external assessor were addressed and others are in progress of being finalised. The implementation plan for these issues will be monitored by the Audit Committee in the following financial year, i.e. 2023/24.

The committee will also continue monitoring the implementation of internal auditor's recommendations by management to improve internal controls, financial reporting and financial management.

Financial Reporting

The monthly Municipal Finance Management Act's section 71 reports for the period July 2022 through to June 2023 were reviewed by the committee and the following comments should be noted:

- Cost of inventory consumed was higher than the budgeted amount as at the end of June 2023 by R11.6M. This could result in unauthorised expenditure.
- A saving of R4.1M for contracted services was noted at the end of the year.
- Entity generated R6.8M more revenue than was budgeted.
- Debtors book relating to debt owed by WSAs continues to increase especially uMzinyathi's.
- Payment arrangements by the WSAs and the entity were entered into.
- The entity continued to reduce the trade and payables from the third quarter during the year under review.
- Owing to the poor payments received from the WSAs, the payment arrangement for the Department of Water and Sanitation's loan was in most cases not honoured by the entity.

We recommend that:

- Adequate reasons should be provided for all unfavourable variances for external auditors.
- Management should review expenditure on inventory consumed to verify that it is correctly allocated to this vote.
- The payment arrangements by the entity and the WSAs are noted, compliance to the payment arrangements should be monitored.
- The entity should continue to settle its debts to reduce the trade creditors balance.

- Funds should be made available for the entity to carry out capital maintenance of the infrastructure.
- The practice of financing capital expenditure with operational budget is a repetition of what was the case also in 2021/22 (prior year). There is a risk of cementing this inappropriate practice as a "culture" and it is requested that management avoid this.

Performance Management System

There have been some improvements in this area on the issues that we previously raised. These include the quarterly performance assessments which are now being undertaken with senior management to assess their performance. Also, remedial plans for the targets that were not met are provided. Going forward, we recommend that all the targets set be achieved.

Risk Management and Compliance

The entity's Risk Management Committee (RMC) deals with matters of risk management and it has been fully effective in the management of risks within the entity. The RMC should update the risk register with emerging risks as identified by the internal auditor and implement plans to address those risks.

Operations of the Entity

With all the financial constraints that the entity is facing, we commend it for meeting its service delivery outputs which are:

- Meeting its production targets,
- Providing water of high quality, and
- Keeping water losses at minimal levels.

Our concerns in this area however remain, and these include:

- Aging infrastructure that needs to be replaced.
- Unavailability of the capital budget limits the entity to undertake capital projects.
- Water losses equate to money and if the entity can reduce these, more funds can be available for the entity to carry out its mandate.
- We therefore recommend WSAs to settle their monthly bills timeously and also to make adequate funds available to the entity for its capital projects.

Corporate Governance

We appreciate the relationship the committee has had with the uThukela Water Board and we hope the relationship will yield results in ensuring that the entity achieves its objectives and clean administration. We recommend that the Board considers this report, and where clarities are sought, the audit committee will provide them.

Conclusion

The Committee would like to commend the management team led by the Accounting Officer and uThukela Water Board of Directors for the support given to the committee, and we would like to reassure it that we are committed to work with it to improve the entity`s internal controls to achieve its objectives.

Mr S Majola,

For the Audit Committee.



Company Secretary's Report

Purpose

The entity's Company Secretary (CS) is responsible for ensuring that the entity complies with all applicable corporate governance laws and regulations. The CS plays a pivotal role in supporting the functionality of the Board of Directors, fostering that its affairs are conducted professionally, and ensuring that it has the information and resources it needs to make informed decisions.

Corporate governance

As a municipal entity, uThukela Water's corporate governance framework is based on the local government legislative prescripts, the Companies Act 71 of 2008, and its incorporation Articles of Association. The entity's compliance to these legislative prescripts is monitored by the shareholders of the entity (Newcastle, Amajuba, and uMzinyathi municipalities).

Further, the entity shareholders have a duty to ensure that the entity does not deviate from the purpose of its establishment. In doing so, they periodically meet to discuss and vote on important corporate matters affecting the entity. For the year under review, shareholder meetings were held as follows:

DATE OF MEETING	MATTERS CONSIDERED
15 February 2023	Remuneration of the Board of Directors.
07 March 2023	Motion of no confidence against a member of the board.
30 May 2023	Approval of the multi-year business plan of uThukela Water (Pty) Ltd. Medium-term budget for 2023/24 – 2026/27 financial years. Approval of the finance related policies of the entity.

The second layer of the entity's governance framework is the board, whose role is to provide oversight and strategic guidance to the entity and report back to the shareholders on its performance. The board is responsible for setting the entity's vision and policies and ensuring adherence to good governance principles.

The board is responsible for holding executive management accountable for the implementation of the entity's strategic objectives. In the performance of its duties, the board held its meetings for the 2022/23 financial year as follows:

- 2022: 07 July, 12 July, 22 July, 26 August, 29 September, 23 November, 07 December, and 29 December.
- 2023: 18 January, 31 January, 01 March, 30 May, and 27 June.

The board has established an audit committee to assist it in carrying out its corporate governance responsibilities. The audit committee held three meetings instead of the legislated four for the year under review as follows:

Date of meeting	Matters considered
29 August 2022	Draft Annual Financial Statements, 2021/22
	Draft Annual Performance Report, 2021/22
	Internal Audit Report on the draft Annual Financial Statements, 2021/22
21 February 2023	Mid-Year Budget Assessment
	Mid-Year Performance Report
	AGSA Management Report Action Plan
	Internal Audit Plan Status Update
	Risk Oversight Quarter 2 Report
	Follow Up on Supply Chain Management Review
	SCM Review with emphasis on UIFW
	Finance Quarter 2 Report
	SCM Quarter 2 Report 2

Human Resource Management Quarter 2 Report

Engineering Quarter 2 Report

20 June 2023

Finance Quarter 3 Report

SCM Quarterly Quarter 3 Report

Engineering Quarter 3 Report

Risk Oversight Quarter 3 Report

Preparations for the Annual Financial Statements and the Draft Annual Performance Report

Progress on the appointment of the Audit Committee

Confirmation of the Internal Audit and Committee Charters

Compliance

The entity's Board of Directors and management team are committed to ensuring that it complies with all applicable laws regulating municipal entities. Notably, its compliance register depicts a generally compliant entity.

Further, the entity has implemented several policies in order to ensure that it complies with all applicable corporate governance laws and regulations. The policies include:

- Budget Policy;
- Creditors, Audit Committee Members and Staff Payment Policy;
- Delegated Powers of Authority;
- Performance Management Policy;
- Remunerations Policy;
- Staff Recruitment and Selection Policy;
- Risk Management Policy; and
- Fraud Prevention Plan.

Significant changes

There has been no significant changes to the entity`s corporate structure and governance arrangements during the financial year. However, a new Board of Directors of the entity was appointed. Further, there was a change in the composition of the newly appointed board. The shareholders of the entity terminated the directorship of one board member, Mr EM Zungu, and replaced him by Mr ME Mpungose.

On the side of executive management team, the Board has appointed a new Managing Director, Mr WB Nkosi and a Company Secretary, Mr MI Khoza, during the year. The board also appointed an acting Chief Financial Officer, Mr BN Khumalo, who is seconded from one of its shareholders, the Newcastle Municipality.

Looking ahead

uThukela Water's Board of Directors, together with the executive management team, are committed to ensuring that the entity is managed in a responsible, transparent, accountable, and compliant manner. The entity will continue to thrive to develop and implement policies and procedures to sustain its legislative compliance and improve on its governance practices.



Mzamani Khoza

Company Secretary



Corporate Governance

Corporate Governance

uThukela Water (Pty) Ltd continues to strive to adhere to the principles of good corporate governance as stipulated in the Municipal Systems Act 32 of 2000, the Municipal Structures Act 117 of 1998, the Municipal Finance Management Act 56 of 2003, the Water Services Act 108 of 1997, and the Companies Act 71 of 2008.

Entity Shareholding

uThukela Water (Pty) Ltd is a multijurisdictional water service utility that was established in terms of Section 87 of the Municipal Systems Act and is wholly owned by the following parent municipalities as follows:

- Newcastle Local Municipality : 34% shareholding
- uMzinyathi District Municipality : 33% shareholding
- Amajuba District Municipality : 33% shareholding

Board Composition and Structure

The Board of Directors is responsible for the overall governance of the entity. It is responsible for setting the entity's strategy, overseeing its execution, and ensuring that it complies with all applicable laws and regulations.

The board of uThukela Water (Pty) Ltd is composed of four independent non-executive directors. The directors are independent in that they do not have any business interests in the entity that could conflict with their duties as its directors. The shareholders are represented in the board but the Mayors of the shareholder municipalities. As and when required, the Municipal Managers, and any other official of the shareholder municipalities are requested to participate in the board activities.

The board is chaired by an independent non-executive director. The Chairperson is responsible for leading the board and ensuring that it operates effectively. The current board was appointed by the shareholders on the 15th of March 2022 as follows:

Dr AS Mokoena, Chairperson
Mr TJ Mphela
Mr EM Zungu (directorship terminated)
Mr PM Ngcobo

Out of the drive to enhance the entity's corporate governance, the shareholders resolved to terminate the directorship of Mr. E Zungu on 07 March 2023, and replaced him by Mr PM Mpungose.

Since their appointment, the entity`s board has demonstrated adequate capacity to lead and guide the affairs of the entity. The board members are suitably qualified for the job. Below are the summary profiles of the members of the board:

Dr AS Mokoena

Dr Mokoena is a revered businessman, former Director General, academic, scholar, board member of various organisations, mentor, community leader, with many awards under his belt. He has a wealth of experience in business as well as in government. His summary profile is as follows:

Qualifications	Work experience
<ul style="list-style-type: none"> • Diploma in Computer Science – Rand Afrikaans University (1980) • B. Comm (Accounting) – University of the North (1983) • Post Graduate Diploma in Service Industry Management – • Wharton Business School (University of Philadelphia) • MBA – University of the Witwatersrand (1989) • Post Masters Certificate in Leadership Coaching – Wits Business School (2009) • Doctor of Business Administration (Knowledge Management) – University of Liverpool (2019) • Post Graduate Diploma in Corporate Governance (Cum Laude) – Monash University (2020) 	<ul style="list-style-type: none"> • Director-General – Department of Home Affairs • Consultant & Chief Executive Officer – FCAK • Chairman of the South African Basketball Association • NED & Chairman of REMSEC – Jo'burg Roads Agency • Secretary General - Basketball South Africa • REMCO Chairman – Premier Soccer League • Board Chairman & CEO – Mavambo ITS • Board Chairman – Johannesburg Roads Agency • Board Chairman – Basketball National League • Board Chairman – Sepatake Corporate Solutions (Pty) Ltd • Chairman and Chief negotiator for Basketball unification

Mr. TJ Mphela

Mr Mphela holds a B.proc Degree and is an admitted Attorney with Right of Appearance in High Court. His career history entails the following:

- 1999 – 2001 – Y.T Mbatha & Partners, Article Clerk
- August 2001 to March 2002, Professional Assistant
- April 2002 to September 2002, E.A Jadwat & Co. Attorneys- Professional Assistant
- October 2002- September 2004, Legal Aid South Africa- Professional Assistant
- October 2004 – February 2006, T.J Mphela Attorneys – Director
- February 2006 – October 2015, Southey- Mphela Incorporated - Director
- November 2015- current, J Mphela Attorneys Inc- Director

Mr PM Ngcobo

Qualifications	Work experience
-Bachelor of Education with Honors from the University of the Witwatersrand -Further Diploma in Education in Mathematics from the University of the Witwatersrand -Natural Science and Technology for Intermediate Phase and Grade 7 from Embury Education and Training Centre -Diploma in Eductaion from PROMAT COLLEGE, in association with the University of Natal Senior Certificate	PL1 Teacher for Hholwane CP PL1 Teacher for Velaphi Hing PL1 Teacher for Ngubevu CP PL1 Teacher for Dundee Junior Secondary PL1 Teacher for Nocomboshe CP Deputy Principal of Mhlumba PP Principal of Mhlumba PP Tutor at University of KwaZulu Natal

Mr EM Zungu

Qualifications	Work experience
<ul style="list-style-type: none"> • Municipal Finance Management Programme form the University of Pretoria • Stormanship Course from the University of Witwatersrand Technology Centre • Telephonic Communication Skills Course • Sales Manager Course from Metropolitan Life • Colour Systems Training Course • Senior Certificate from Xolani High School 	<ul style="list-style-type: none"> • Member of the KwaZulu Natal Provincial Legislature and whip of the Parties • Sales Consultant for ITEC • PR Councilor for Newcastle Municipality • Sales of Office Equipment for Nashua • Sales Manager for Metropolitan Life • Storeman for Malvern Engineering Works • Stock Clerk for Newfern Engineering

Mr EM Mpungose

Qualifications	Work experience
BSC Degree from the University of Qwaqwa, North Campus	<ul style="list-style-type: none"> • PL1 Teacher for Malambule High School • PL1 Teacher for Steadville High School • HOD in the Science Department for Sebenzakusakhanya High School • Deputy Principal for Sebenzakusakhanya High School • Principal for Sichelukukhanya High School

The Roles and Responsibilities of the Board

Guided by the Municipal Systems Act, the MFMA, the Companies Act and other relevant pieces of legislation, uThukela Water's board has a clear and well-defined set of roles and responsibilities that are enshrined in the entity's board charter and Articles of Association. The key roles and responsibilities include:

- Setting the vision of the entity.
- Setting the entity's strategy and overseeing its implementation.
- Approval of the entity's policies.
- Approving the entity's annual budget and financial statements.
- Ensuring that the entity is well capacitated to implement its strategy, including appointing and overseeing senior executives.
- Ensuring that the entity complies with all applicable laws and regulations.
- Protecting the interests of all stakeholders: shareholders, employees, customers, and suppliers.

Board Committees

The board has established an audit committee and charged it with the responsibility of overseeing the entity's financial reporting and internal controls.

During the year under review, the board has initiated the process of appointing a Financial Misconduct Disciplinary Board (FMDB) that would be an independent advisory body to the board. The FMDB would be responsible for investigating allegations of financial misconduct and to monitor the institution's disciplinary proceedings against alleged transgressors.

Delegation of Authority

A comprehensive delegation of authority framework governs the authority levels for the board and executive management committee (EMC). These are exercised through the board and the EMC as well as senior management officials in their individual capacities. This framework assists the board to discharge its duties with proper accountability and responsibility. The Board reviews the framework regularly.

The Internal Audit Function

The entity's internal audit function is outsourced to an independent audit firm, whose purpose, authority, and responsibility is defined in a charter approved by the board in line with stipulations of the Institute of Internal Auditors, and the MFMA.

The internal auditor provide assurance to management, the Audit Committee, the board, and external auditors on the appropriateness and effectiveness of internal controls. With this, the board is empowered to conduct reviews on the accuracy, reliability, and credibility of statutory financial reporting.

Internal Controls

uThukela Water has established a comprehensive system of internal controls. The internal controls are designed to ensure the reliability of the entity's financial and performance reporting and the prevention and treatment of financial and administrative irregularities.

Risk Management

uThukela Water has a robust risk management framework in place. This framework is designed to identify, assess, and manage its risks.

The entity's risk management framework is overseen by the board's audit committee, which regularly reviews the risk management procedures and make improvement recommendations to the board.

Director`s Fees

The principles and procedures that are used to determine the fees payable to the members of board are set out and approved by the shareholders in line with the legislative framework governing local government.

Disclosure and Transparency

uThukela Water is committed to high standards of disclosure and transparency. The entity publishes a detailed annual report that includes information on all aspects of its governance practices and financial performance.

Fraud Prevention

The board acknowledges its responsibility to ensure that the entity 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. The plan is yet to serve before the board for approval and thereafter implementation.

The plan has been developed to help prevent and respond to incidents of fraud, corruption, and any other administrative irregularities.

Conclusion

uThukela Water's Board of Directors is committed to maintaining high standards of ethical leadership and corporate governance. The board believes that good corporate governance is essential for the entity's long-term success.

Executive Management Profile

uThukela Water is led by a team of experienced and qualified executives who are committed to its success. The profiles of its Executive Management Team are summarised here below:

Mr. Wiseman Bonginkosi Nkosi - Managing Director

Mr. Nkosi joined uThukela Water as the Managing Director in 2022, after serving as the Municipal Manager of the Dannhauser Municipality. He also worked as a Manager: Support Services at the AbaQulusi Municipality as well as the Manager of Corporate Services of the Utrecht Municipality to mention a few.

His academic qualifications include:

Name of Institution	Mangosuthu University of Technology
Qualification	National Diploma in
Course	Public Management
Name of Institution	University of South Africa
Qualification	B-TECH
Course	Labour Relations Management
Name of Institution	University of Pretoria
Qualification	Municipal Finance
Course	Municipal Finance Management Programme

Mr. Bongumenzi Ntandoyenkosi Khumalo - Acting CFO

Mr. Khumalo joined the entity in June 2023, after he was seconded as CFO from one of our parent municipalities, Newcastle Local Municipality.

Mr. Khumalo started his journey in municipal financial management in 2008 as a creditors Clerk for the Okahlamba Municipality. He later joined the Newcastle Local Municipality as a Budget Accountant in 2012 and is currently the Acting Director: Budget and Reporting for the municipality.

Mr. Khumalo is a registered Professional Accountant and brings to the entity a wealth of knowledge in municipal financial management.

His academic qualifications include:

- National Diploma: Accounting - Durban University of Technology
- B TECH Cost and Management Accounting – Durban University of Technology
- Certificate Programme in Management Development for Municipal Finance – University of Witwatersrand
- Municipal Finance Management Programme – University of Pretoria
- Bachelor of Accounting Science – University of South Africa
- Post Graduate Diploma in Business Administration- University of Kwazulu Natal.

Mr. Clever Taurai Dhliwayo - Acting Executive Director Operations and Engineering Services

Mr. Dhliwayo joined the entity 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, he is currently the Acting Executive Director Operations and Engineering since February 2017.

His academic qualifications include:


- 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)
- Master of Business Administration. (2019), Management College of Southern Africa
- Certified Public – Private Partnership Practitioner (CP3P) (2000856050)

Mr. Mzamani Isaac Khoza – Company Secretary

Mr. Khoza joined the entity as Company Secretary in May 2023. Mr. Khoza has vast experience in local government. His experience includes but not limited to being, a Senior Project Consultant for the RSA National Disaster Management Centre, Manager Environment and Waste Management at the Greater Giyani Municipality, Manager Capacity Building, Research and Development for the Department of Cooperative Governance, Manager Disaster Management for the Greater Giyani Municipality, Director Community Services for the Geater Giyani Municipality. Operations Manager Strategic Support in the office of the Chief Executive Officer of Johannesburg Roads Agency.

His academic qualifications include:

- Bachelor of Environmental Sciences – University of Venda
- Masters in Disaster Management – University of the Free State
- SAMTRAC – NOSA
- Master of Business Administration – University of Limpopo
- Municipal Financial Management Programme – University of Pretoria



Going Concern Assessment, 30 June 2023

Introduction

The Reporting Framework: GRAP 1 paragraph 27 stipulates that when preparing financial statements, management shall assess the entity's ability to continue as a going concern. Financial Statements shall be prepared on a going concern basis, unless there is an intention to liquidate the entity or to cease its operations, or if there is no realistic alternative but to do so.

When management is aware, in conducting its assessment, of material uncertainties relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, those uncertainties shall be disclosed in the annual financial statements. If the annual financial statements are not prepared on a going concern basis, the same must be disclosed together with the basis on which the annual financial statements are prepared and the reasons why the entity is not regarded as a going concern.

This report seeks to provide an assessment of what management and the board have done to reach a conclusion that the entity will continue to operate as a going concern. The assessment reflected on the period of consideration, the implications for the entity's failure to continue as going concern, the financial health as at the reporting date, expected cash flows as well as the strategies that the entity intends to implement to be able to improve its financial health in the near future.

Period of assessment

The financial statements of the entity have been prepared on the basis that the entity will continue to operate as a going concern for the period of at least 12 months from the reporting date, being 01 July 2023 to 30 June 2024. Given other long-term strategies that the entity is planning to undertake, the assessment also highlights some of the strategies as well as the financial implications thereof for a period beyond 12 months. Management will also consider key events and conditions expected to affect its assessment during the period of consideration.

Going concern status

As at 30 June 2023, the annual financial statements of the entity presented an undesirable state of affairs. Although the entity's balance sheet showed an accumulated surplus of R212 539 336, it has a deficit of R184 528 924. Deficits were also incurred in the past two financial years. The entity continues to incur losses associated with the continuing accumulated deficits. Tables 4 and 5 present the entity's deficits and accumulated surpluses for the past three years.

Table 4: Surplus or deficit for the past three years

Component	2023	2022	2021
Surplus/(deficit) for the year	(R 184 528 924)	(R 93 402 486)	(R 127 149 807)

Table 2: Accumulated surplus for the past three years

Component	2023	2022	2021
Accumulated surplus/ (deficit)	R 212 539 336	R 397 068 160	R 511 552 592

Net current assets and liabilities

The current assets of the entity were recorded at R128 103 306 (2022: R194 270 123), while current liabilities were recorded at R519 894 502 (2022: R476 399 661). This represents a current ratio of 0.25, which is below the National Treasury accepted norm of 1.5. This implies that the current assets are not adequate to cover liabilities over the next financial year.

Consideration was however given during the assessment that the bulk of the amount reported under trade and other payables from exchange transactions of R518 594 418, included an amount of R482 634 409 owed to the Department of Water and Sanitation, whose payment the entity has failed to honour to date. This is attributable to the entity not receiving regular payments from its shareholder municipalities.

Operating deficit

The operating deficit of the entity is reported at R184 528 924 (2022: R93 402 486). The current deficit indicates that the revenue generated by the entity is not adequate to cover the expenditure for the same year. The key cost drivers have been identified as employee costs, operating expenses, depreciation (non-cash), and contribution to provision for bad debts (non-cash).

Bank balance at year-end

The entity recorded cash and cash equivalents of R 1 119 492 (2022: R19 800 255) at the end of the financial year. This amount will not be adequate to cover the amount of R 518 594 418 required to cover the short-term obligations (payables from exchange transactions).

Creditor-payment period time

The assessment has also revealed that the creditor-payment period is above the stipulated period of 30 days. This is mainly due to the long outstanding creditor status of the Department of Water and Sanitation. The entity plans to start to adequately service the debt and thereafter negotiate write-off of its interest once it starts receiving regular payments from the shareholder municipalities.

Debtor-payment period

Significant delays were recorded on the processing and paying of invoices in the year under review, making the entity's debtor-payment to be way above the legislated period of 30 days. This is due to the long outstanding debtors in relation to the entity's shareholders. Meetings have been held with the shareholders to discuss the outstanding debt and payment arrangements in order to try to improve the cash flow of the entity.

Cash flow projections

According to GRAP 1 paragraph 29, the degree of consideration of whether the entity is still a going concern on the facts in each case, and assessments of the going concern assumption are not predicated on the solvency test usually applied to business enterprises. There may be circumstances where the usual going concern tests of liquidity and solvency appear unfavourable, but other factors suggest that the entity is nonetheless a going concern, such as:

- in assessing whether or not an entity is a going concern, the power to levy rates or taxes may enable some entities to be considered as a going concern even though they may operate for extended periods with negative net assets; and
- for an individual entity, an assessment of its statement of financial position at the reporting date may suggest that the going concern assumption is not appropriate. However, there may be multi-year funding agreements, or other arrangements, in place that will ensure the continued operation of the entity.

In the case of uThukela Water, it is notable that the entity is owed over R300 million by the shareholder municipalities combined, a debt that they have pledged to pay over the next few years. Although the financial health of the entity appears to be unfavourable as elaborated above, the nature of conditions under which the entity operates dictates that the entity can continue to operate as a going concern.

Implications of failure to operate as a going concern

The main implication of the failure of the entity to continue as a going concern will be the failure of the entity to provide bulk water service to its WSA. This will have a direct impact on the wellbeing of the citizens. Risks associated with the entity's failure to operate as a going concern have been identified as follows:

- Failure to pay creditors within legislated timeframes.
- Failure to pay employee-related costs and board members' fees.
- Failure to obtain credit from financial institutions.

- Failure to provide adequate maintenance of municipal infrastructure.
- A reduction in the entity's net asset value.

Conclusion

The going concern assessment shows that, albeit the challenges that it faces, the entity will be able to generate adequate revenue to cover all payments over a period of the next twelve months. The assessment clearly indicates the challenges that the entity is facing. While the entity is aware of its ability to continue as a going concern, management has taken a cautious approach by putting measures and strategies to ensure that its cash flows are improved and strictly monitored.

As part of imploring the shareholders to improve their financial contributions to the entity, the management of uThukela Water (Pty) Ltd continuously engage the senior management of the WSAs to pray them to honour their invoices as well as to service the historical debt. To date, the entity is not aware of any matter that may cast doubts on its ability to operate as a going concern beyond the period of the assessment.



MANAGING DIRECTOR

NKOSI WB

DATE:

ICT Governance



Introduction

uThukela Water is dedicated to harnessing advanced technologies, particularly information and communication technology (ICT), to enhance its operations, provide high-quality services, and ensure long-term sustainability. Herein is an overview of uThukela Water's ICT department for the fiscal year.

ICT Strategy

At uThukela Water, the primary focus remains on the strategic utilization of technology to modernise water management processes, boost operational efficiency, and elevate service delivery. Our ICT strategy aligns closely with our overarching business strategy to achieve these objectives.

ICT Governance

Our ICT governance principles are centred on prudent risk management. We understand the importance of safeguarding sensitive data and maintaining compliance with evolving data privacy regulations. We have established robust governance mechanisms to ensure the responsible and secure management of ICT resources.

ICT Investments

Throughout the fiscal year, it's important to note that uThukela Water has made relatively limited investments in its ICT infrastructure. However, recognising the critical need for improvement, the organization is now poised to increase its commitment to strategic ICT investments. This includes dedicating resources to maintain and upgrade our server infrastructure, network systems, and a range of ICT and business solutions.

Investing more substantially in ICT will yield numerous benefits for the entity, including:

- **Enhanced Efficiency:** Increased investments will enable the streamlining of workflows and the reduction of manual processes, ultimately leading to improved operational efficiency.
- **Data Accuracy:** Greater resources dedicated to ICT will facilitate the automation of processes, resulting in enhanced data accuracy and integrity, which is paramount for effective decision-making.
- **Enhanced Responsiveness:** With increased ICT investments, uThukela Water will be better equipped to respond promptly and effectively to the dynamic challenges in water management, ultimately leading to improved service delivery.

ICT Achievements

Despite facing significant challenges, including the absence of capital investments, and operating within a constrained budget, uThukela Water has admirably maintained its ICT operations throughout the fiscal year. However, it is crucial to acknowledge that the current state of affairs is far from sustainable.

The ICT department has demonstrated resilience and resourcefulness in sustaining its functions. However, the constraints have underscored the urgency of addressing the department's financial needs to ensure long-term viability and effectiveness in supporting the organisation's objectives.

ICT Challenges

Despite our successes, several challenges persist, such as:

- **Budget Constraints:** One of our foremost challenges lies in addressing our aged ICT infrastructure due to limitations in our capital budget. Aging infrastructure poses risks, including increased maintenance costs, system vulnerabilities, and decreased operational efficiency. To mitigate these risks, we are exploring strategies to optimize resource allocation.
- **Data Privacy and Cyber-security:** since we manage sensitive data, we continuously adapt to evolving data privacy regulations. In today's interconnected world, the risk of cyber threats looms large. the entity must take a proactive stance in safeguarding its ICT assets and sensitive data. It should implement robust cybersecurity measures to protect against breaches, continuously monitor threats, and educate its workforce on best practices.
- **Skills Gap:** The rapid pace of technological advancements necessitates ongoing efforts to upskill our workforce. We are committed to keeping our team up to date with the latest ICT trends.

Currently, the ICT department comprises of a Chief Technology Officer, a Systems Engineer, and an IT Service Engineer. This staff establishment is far from desirable adequate capacity requirements to run an efficient ICT function.

Conclusion

The entity is steadfast in embracing ICT as a core component of its operations. It remains dedicated to leveraging on technology to enhance its customer service and ensure the sustainable delivery of a high-quality water service.

Looking ahead, our focus extends to addressing the challenges of insufficient capital budget, fortifying our cybersecurity measures, and adopting cloud-based solutions. By actively navigating these challenges and seizing opportunities for innovation, we are poised to further enhance our ICT initiatives in the coming year.

A close-up photograph of a wooden oar dipping into a body of water. The oar is positioned diagonally from the bottom right towards the center. The water is a deep blue color and is covered in numerous concentric ripples that spread outwards from the point where the oar enters. The background shows a reflection of a cloudy sky, with soft, white clouds mirrored in the water's surface. The overall mood is calm and serene.

Human Capital Overview

Human Capital and Leadership Development

Introduction and Executive Summary

This Human Capital (HC) Report seeks to provide an overview of the human resource (HR) initiatives, accomplishments, and challenges faced during the 2022/2023 financial year. It also aims to highlight the strategic contributions made by the HR department in supporting the entity's goals and objectives.

Notably, uThukela Water's staff compliments comprise of 93 employees. Through its HR department, the entity strives to create a positive work environment that fosters employee engagement, development, and productivity through enabling policies and procedures.

HR Department in a Glance

The HR department consists of five employees, comprising of the HR Manager, HR Admin Officer, Training and Development Administrator, and two Office Administrators. These officials are responsible for managing various HR functions, including talent acquisition, employee relations, performance management, training and development, compensation and benefits, HR compliance and risk management, and employee wellness. The human resource strategy supports the overall entity strategy by:

- Ensuring the adequate supply of skills to meet the strategic goals and objectives of the entity, i.e., getting the right people with the right skills at the right time.
- Keeping up with social, economic, legislative, and technological trends that might have an impact on human resources.
- Remaining flexible to ensure that the organisation can manage changes relating to the operating environment.
- Entrenching and maintaining the entity's corporate values.

Workforce Profile

Our workforce consists of 85 employees with 61% being males and 39% females. The company's age distribution indicates that 38.6% of our staff are below 40 years, 40% are between the ages of 40 and 55 years, and 14.7% are between the ages of 55 and 64 years, which is the retirement age.

Headcount

Number of positions	97
Total Head Count	85
Number of Vacancies	12

Talent Acquisition

The Board took a resolution to remove the moratorium on the filling of vacant positions in 2022. Subsequent to that resolution, two senior officials have been appointed, being the Managing Director who was appointed in October 2022, and the Company Secretary who was appointed in May 2023. The CFO position is currently filled with a seconded incumbent from Newcastle Municipality, whilst the Executive Director of Operations and Engineering is filled on an acting capacity. These appointments will help the entity comply with various legislations, improve efficiencies, and promote good corporate governance.

Another significant change was the resignation of the Laboratory Manager soon after the passing away of the Laboratory Analyst. Whilst these losses dealt a heavy blow to the entity, means were made to temporally fill the positions to ensure that operations were not thwarted.

Employee Retention

The entity employs several retention strategies to ensure the retention of skills. The current employee turnover rate is 1%, which is remarkably low. The entity undertakes the following initiatives to retain its talent:

- Conducts exit interviews to gather feedback from departing employees and identify areas for improvement. This information is then used to make necessary changes to address any recurring issues and enhance

retention strategies continuously.

- Employees with potential are identified for succession planning and development. Clear career paths and opportunities for advancement within the organisation are laid out.
- Training programs and mentorship opportunities are offered, and internal job postings to support employee development and progression as we understand that employees are more likely to stay with a company if they see the potential for personal and professional growth.

Performance Management

The entity has a performance management system that is guided by both legislation and best practice. The entity sets annual performance targets from SDBIP, this is followed by the MDs KPAs, and cascades down to the lowest employee in the organisation. Every individual employee's KPI is designed and linked to the organisational performance targets. Performance evaluations are done quarterly. Feedback is given to the employee for them to improve in areas of underperformance.

Notably, the entity's performance management policy has recently been reviewed to facilitate the establishment of performance evaluation committees for senior management performance evaluations. All staff continue to commit themselves to the organisational performance management system, thus ensuring the achievement of the entity's strategic objectives. The performance related reward system is used to encourage positive performance and as an employee retention strategy. The entity also understands that recognising and rewarding employees for their contributions is crucial in boosting morale and increasing retention.

Training and Capacity Development

Employees are encouraged to further their knowledge on the positions they hold and to develop themselves for career advancement. The entity complies with the SETA requirements by preparing and submitting Workplace Skills Plans and Training Reports to the relevant SETA annually. This enables it to receive discretionary grants from the relevant SETAs. The entity continues to capacitate its staff through its study assistance programme.

Currently, there are 12 employees that are at various levels of completion of their respective studies. This leads to a competent staff complement and the creation of a pool of suitably qualified staff that are trained for their jobs and career advancements.

Further, the entity has a vigorous programme aimed at resolving the technical skills shortages. Through this programme, the entity has trained 7 artisans and has provided in-service training opportunities to 7 local trainee students and has absorbed some of them as permanent employees.

Other initiatives undertaken to develop and enhance staff knowledge undertaken include workshops, seminars, online courses, and mentoring programs. This helps employees feel valued and motivated, increasing their loyalty and offering to the organisation.

Research and Development

The entity has an established research and development (R&D) programme, whose aim is to help solve work-based technical and administrative gaps. The types of R&D programmes that the entity is implementing include basic research, applied research, and technological development.

For the year under review, the entity has funded the continuing research being conducted by Mr. S Buthelezi, Mr Omesh Singh, and Mr. M Sibisi, who are conducting basic research in the public sector discipline.

It is envisaged that their research will contribute towards enhancing the entity's

process optimisation, resource management, technology adoption, human factors engineering, and performance measurement.

The entity has an intension to start negotiating service level agreements with various academic and research institutions in order to enhance its research development base. This is so because it values the pivotal role that research can play in driving continuous improvement in its operational efficiency, and thereby in enhancing productivity, providing evidence-based engineering and administrative solutions.

Compensation and Benefits

The entity understands that offering competitive salaries and comprehensive benefit packages is crucial in attracting and retaining top talent. We endeavour to offer market related salaries through evaluating positions to establish their fair value. The entity`s benefit packages include subsidised medical aid, pension contributions, ill-health, death benefits, and funeral cover.

Employee Wellness

uThukela Water prioritizes employee wellness as it believes that productivity is directly linked to a healthy workforce. Employees are affected by many social traumas and work-related challenges, including financial challenges, health, and stress issues.

To assist employees in this regard, the entity implements programs that support physical, mental, and emotional health through its various employee wellness support policies such as the Condolatory Policy and Employee Assistance Programs.

Further, the entity has partnered with Department of Health for conducting monthly employee general health screening. Additionally, wellness conferences are organised to address employees emotional and physical challenges.

HR Compliance and Labour Relations

The entity continues to comply with the required statutory provisions and related reporting requirements to the statutory bodies.

Local Labour Forum meetings are held monthly to deal with matters of mutual interest. This helps create a platform for employer-employee representatives' engagements to address labour-related matters before they can escalate. Lastly, the entity conducts internal workshops and roadshows to keep employees updated on the changes in legislation, policies, and conditions of service.

Diversity, Transformation, and Employee Demographics

The entity is committed to diversity and transformation. To achieve this, it compiles an employment equity plan every three years and annually submits employment equity reports to the Department of Labour and holds diversity workshops.

Table 6: Employment Equity Demographics

Males	49
Females	34
Employees with Disabilities	3
Designated Groups	84
None Designated Groups	4

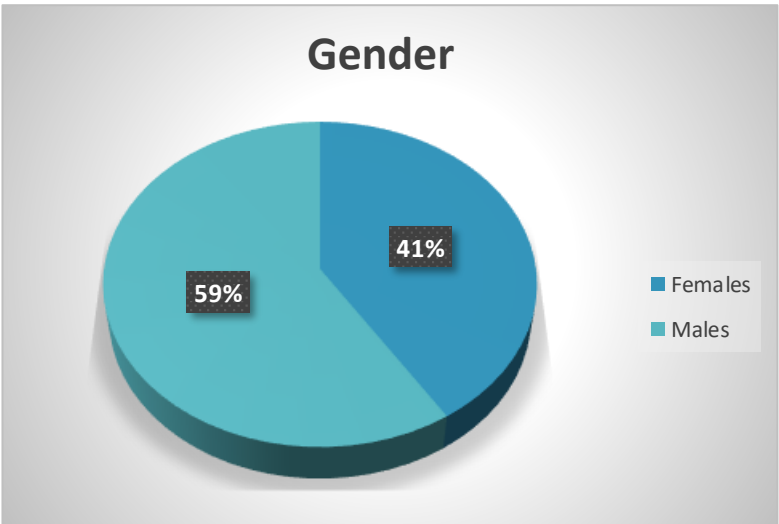


Figure 1: Employment status by gender

Table 7: Equity Statistics

Male						Females					
Occupational Levels and Categories	A	C	I	W	FN	Occupational Levels and Categories	A	C	I	W	FN
Top Management	3	0	0	0	0	Top Management	0	0	0	0	0
Senior Management	1	0	1	2	1	Senior Management	1	0	1	1	0
Professionally Qualified	1	0	0	0	0	Professionally Qualified	1	1	0	0	0
Skilled Tech & Academically Qualified & Junior Management, Supervisors, Foreman's Superintendents	8	0	2	1	0	Skilled Tech & Academically Qualified & Junior Management, Supervisors, Foreman's Superintendents	5	0	1	2	0
Semi-Skilled	19	1	1	0	0	Semi-Skilled	11	1	0	1	0
Unskilled	9	0	1	1	0	Unskilled	11	0	0	0	0

The image features three identical glass Erlenmeyer flasks arranged in a row on a reflective white surface. Each flask is partially filled with clear water. A blue liquid, likely ink, is being introduced into each flask from a glass dropper positioned above the leftmost one. In the first flask, the ink is just being added, forming a small, concentrated drop. In the second flask, the ink has begun to disperse, creating a cloud-like shape. In the third flask, the ink is fully dispersed, filling the lower half of the flask with a vibrant blue color. The text 'Strategy, Performance, and Sustainability' is centered over the middle flask in a light blue, sans-serif font.

Strategy, Performance, and Sustainability

Strategy, Performance and Sustainability

Scientific Services

The supply of safe potable water is an important performance indicator for uThukela Water. The entity's Laboratory provides assurance that the entity complies with the recommended guidelines of the South African National Standard (SANS 241:2015) for Drinking Water. This is achieved by implementing a water quality monitoring programme that meets legislative requirements, water treatment process requirements and considers the risks that have been identified in the system, rendering water quality management efficient and effective.

uThukela Water Laboratory is the main quality testing facility of the entity. This is a safeguard that uThukela Water can safeguard customer confidence that the water supplied to the Water Service Authorities is indeed safe for human consumption.

The Laboratory is responsible for generating credible water quality data. It 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 do well.

It is the mission of uThukela Water Laboratory to provide accurate, reliable, and professional laboratory services to its customers. The Scientific Services also provides input information to management for decision-making on water quality risks, purification efficiencies and compliance to regulatory requirements. The Laboratory offers sampling services and water quality testing services in the areas of chemistry and microbiology for external customers.

The Laboratory develops test methods that meet SANS 241 analysis requirements, ensuring that the full list of water quality parameters are monitored. Non-complying water quality data is investigated, and follow-up samples taken for verification. The

number of samples collected for this reporting period amounted to 4931, covering uThukela Water area of bulk water supply and critical reticulation sampling points.

The percentage compliance of the 55 286 data results produced is presented in tables 7 and 8. No water quality customer complaints were received during the financial year under review.

The drinking water quality delivered by uThukela Water during this financial year met all regulatory standards. All physical, chemical, and microbiological related parameters were compliant with SANS 241:2015 drinking water standards. Water samples were sent to an external, independent, accredited Laboratory to perform the full SANS parameter list analysis on the samples. The results obtained by the reviewers, as assessed against the SANS 241 national standards, indicate that uThukela Water has delivered safe water to the Water Services Authorities. uThukela Water's routine monitoring results compared favourably with the findings of the independent review laboratory.

Raw Water Sources

The raw water sources form part of the Tugela catchment, comprising of four main sources, Buffalo River, Ncandu River, Ingagane River and Nsthingwayo Dam. Of the four, the Buffalo River system is the biggest and is one of the most significantly polluted rivers in the Tugela catchment. The key issues affecting the four major raw water sources of the catchment are discussed hereunder.

Critical concerns affecting the four main Raw Water Sources

Buffalo River

Highly polluted, hence the poor water quality of the river system.

Poor water also caused by - pollution from Ngagane River.
- acid mine drainage from old coal mines and industrial pollution from Newcastle.

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.

Where it enters Newcastle, it is impacted on by urbanisation and the water quality impacted on by industries, especially from Wastewater Treatment Works effluent and sewage spillages.

The river pollution leads to eutrophication, resulting in increased sulphide concentration downstream.

Ingagane River

This river rises in the high-lying south-western 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, it is impacted upon by agriculture, industry, coal mining activities and waste dumps causing poor water quality.

An increased sulphite concentration is recorded where the river meets the Ncandu River.

Ntshingwayo Dam

Dam flows originates from catchment areas higher in the mountains.

Agriculture and forestry impacts on the inflow water quality of the dam.

The Ntshingwayo Dam, the main raw water source's biological water quality, is the best of all the raw water sources.

Turbidity levels averaged below a hundred NTU's during the reported period.

There are several issues that impact source water quality, such as but not limited to; rapidly changing turbidity levels, faecal contamination and associated pathogens; and chemical constituents.

The quality concerns are based on water quality information on the points used for raw water abstraction for drinking water purposes.

To abate these water quality risks, all the water sources are continuously monitored, and treatment processes are proactively managed to ensure that the potable water produced complies with SANS 214:2015 requirements.

Potable water quality performance

The SANS 241:2015 for Drinking Water prescribes a structured and risk based systematic approach to the management of drinking water. As in the previous year, uThukela Water has continued to demonstrate its commitment to its customers by providing safe, clean drinking water. The quality of water produced was evaluated against the following five SANS 241:2015 risk categories:

- Acute Health: Microbiological;
- Acute Health: Chemical;
- Chronic Health;
- Operational; and
- Aesthetic.

Ngagane Water Purification Plant

The Ngagane Water Purification Plant was consistent in the provision of excellent drinking water quality, maintaining compliance above 99% to the risk categories, as presented in figure 2. On occasions, inconsistencies occurred in the operational risk category, when turbidity levels did not comply with the ≤ 1 NTU standard, as displayed in table 7.

Table 7: Bulk Potable Water Quality Compliance per determinant based on SANS 241:2015

Table 7: Ngagane Water Purification Plant 2022/2023.

			Raw Water			Final Water		
Determinand	Risk	SANS241 2015	Samples	Comply	Compliance	Samples	Comply	Compliance
Microbiological determinands								
E.coli count per 100 mL	Acute health	<=0	62	16	25.81%	307	307	100.00%
Cryptosporidium spp count per 10 L	Acute health	<=0	3	2	66.67%	3	3	100.00%
Giardia spp count per 10 L	Acute health	<=0	3	2	66.67%	3	3	100.00%
Total Coliforms count per 100 mL	Operational	<=10	62	4	6.45%	307	307	100.00%
Heterotrophic Plate Count count per mL	Operational	<=1000	0	0	No Data	307	307	100.00%
Somatic Coliphages count per 10 mL	Operational	<=10	3	3	100.00%	3	3	100.00%
Physical and aesthetic determinands								
Colour as mg/L	Aesthetic	<=15	57	7	12.28%	109	109	100.00%
Conductivity at 25C in mS/m	Aesthetic	<=170	57	57	100.00%	307	307	100.00%
Total Dissolved Solids as mg/L	Aesthetic	<=1200	57	57	100.00%	307	307	100.00%
Turbidity in NTU	Operational	<=1	62	1	1.61%	409	400	97.80%
Turbidity in NTU	Aesthetic	<=5	62	2	3.23%	409	409	100.00%
pH at 25C in pH units	Operational	>=5 ; <=9.7	59	59	100.00%	406	406	100.00%
Chemical determinands - macro								
Free Chlorine as Cl2 in mg/L	Chronic health	<=5	0	0	No Data	406	406	100.00%
Nitrate as N in mg/L	Acute health	<=11	57	57	100.00%	109	109	100.00%
Nitrite as N in mg/L	Acute health	<=0.9	57	57	100.00%	109	109	100.00%
Combined nitrate plus nitrite	Acute health	<=1	0	0	No Data	106	106	100.00%
Sulphate as SO4 in mg/L	Acute health	<=500	57	57	100.00%	102	102	100.00%
Sulphate as SO4 in mg/L	Chronic health	<=250	57	56	98.25%	102	102	100.00%
Flouride as F in mg/L	Chronic health	<=1.5	57	57	100.00%	109	109	100.00%
Ammonia as N in mg/L	Aesthetic	<=1.5	3	3	100.00%	3	3	100.00%
Chloride as Cl in mg/L	Aesthetic	<=300	57	57	100.00%	3	3	100.00%
Sodium as Na in mg/L	Aesthetic	<=200	18	18	100.00%	3	3	100.00%
Zinc as Zn in mg/L	Aesthetic	<=5	3	3	100.00%	3	3	100.00%
Chemical determinands - micro								
Antimony as Sb in ug/L	Chronic health	<=20	3	3	100.00%	3	3	100.00%
Aluminium as Al in ug/L	Operational	<=300	57	57	100.00%	109	109	100.00%
Arsenic as As in ug/L	Chronic health	<=10	3	3	100.00%	3	3	100.00%
Barium as Ba in ug/L	Chronic health	<=700	3	3	100.00%	3	3	100.00%
Boron as B in ug/L	Chronic health	<=2400	3	3	100.00%	3	3	100.00%
Cadmium as Cd in ug/L	Chronic health	<=3	3	3	100.00%	3	3	100.00%
Total Chromium as Cr in ug/L	Chronic health	<=50	3	3	100.00%	3	3	100.00%
Copper as Cu in ug/L	Chronic health	<=2000	3	3	100.00%	3	3	100.00%
Cyanide (recoverable) as CN in ug/L	Acute health	<=200	3	3	100.00%	3	3	100.00%
Iron as Fe in ug/L	Chronic health	<=2000	57	54	94.74%	109	109	100.00%
Iron as Fe in ug/L	Aesthetic	<=300	57	21	36.84%	109	109	100.00%
Lead as Pb in ug/L	Chronic health	<=10	3	3	100.00%	3	3	100.00%
Manganese as Mn in ug/L	Chronic health	<=400	52	52	100.00%	100	100	100.00%
Manganese as Mn in ug/L	Aesthetic	<=100	52	46	88.46%	100	100	100.00%
Mercury as Hg in ug/L	Chronic health	<=6	3	3	100.00%	3	3	100.00%
Nickel as Ni in ug/L	Chronic health	<=70	3	3	100.00%	3	3	100.00%
Selenium as Se in ug/L	Chronic health	<=40	3	3	100.00%	3	3	100.00%
Uranium as U in ug/L	Chronic health	<=30	3	3	100.00%	3	3	100.00%
Chemical determinands - organic								
Total Organic Carbon as C in mg/L	Chronic health	<=10	3	3	100.00%	3	3	100.00%
Chloroform in ug/L	Chronic health	<=300	0	0	No Data	3	3	100.00%
Bromoform in ug/L	Chronic health	<=100	0	0	No Data	3	3	100.00%
Dibromochloromethane in ug/L	Chronic health	<=100	0	0	No Data	3	3	100.00%
Bromodichloromethane in ug/L	Chronic health	<=60	0	0	No Data	3	3	100.00%
Microcystin (Total) as LR in ug/L	Chronic health	<=1	3	3	100.00%	3	3	100.00%
Phenols in ug/L	Aesthetic	<=10	3	3	100.00%	3	3	100.00%
Other								
Alkalinity			54	0	0.00%	66	0	0.00%
Calcium as Ca			15	0	0.00%	12	0	0.00%
Temperature			59	0	0.00%	406	0	0.00%
Total hardness as CaCO3			15	0	0.00%	12	0	0.00%
Magnesium as Mg			15	0	0.00%	12	0	0.00%
Calcium hardness			15	0	0.00%	12	0	0.00%
Magnesium hardness			15	0	0.00%	12	0	0.00%

Drinking Water Quality Compliance - Bulk

Category	Samples	Compliance
Acute Health Chemical Compliance	429	100.00%
Acute Health Microbiological Compliance	313	100.00%
Aesthetic Compliance	1356	100.00%
Chronic Health Chemical Compliance	880	100.00%
Operational Compliance	1541	99.42%

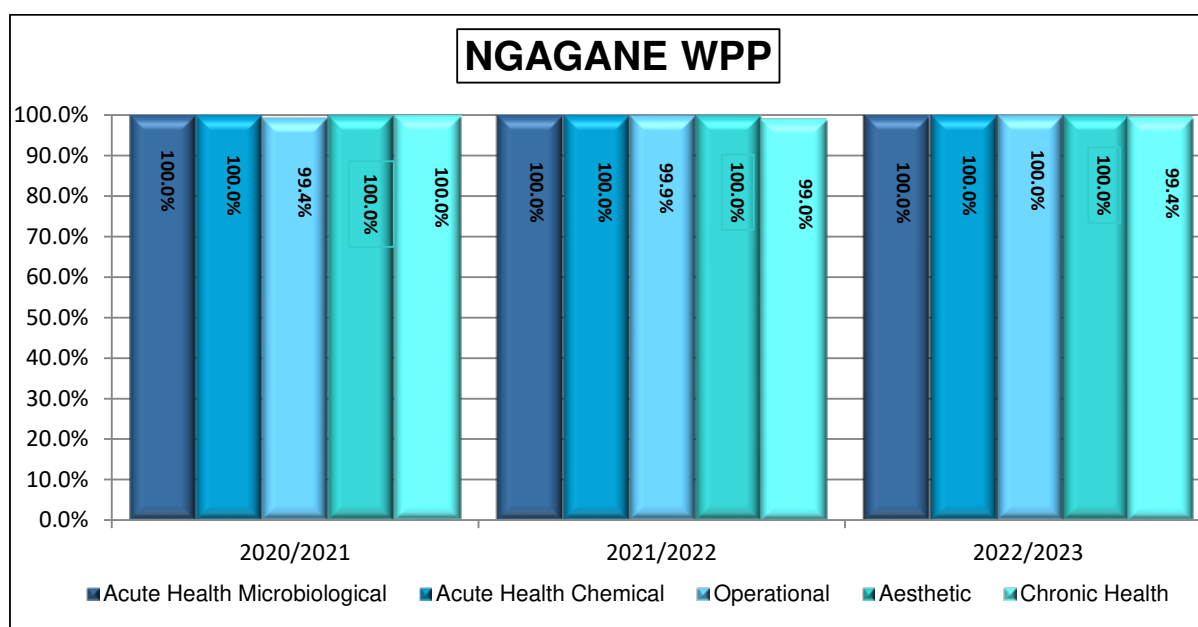


Figure 2: % Bulk Potable Water Quality Compliance per risk category for Ngagane Water Purification Plant

Biggarsberg Water Purification Plant

The Biggarsberg Water Purification Plant continued to supply good quality potable water, maintaining the compliance above 99% of various risk categories, as presented in figure 3. The identified operational and aesthetic non-compliances were attributable to slightly increased turbidity levels and increased manganese levels.

Drinking Water Quality Compliance - Bulk

Category	Samples	Compliance
Acute Health Chemical Compliance	311	100.00%
Acute Health Microbiological Compliance	184	100.00%
Aesthetic Compliance	908	99.34%
Chronic Health Chemical Compliance	646	100.00%
Operational Compliance	1054	99.81%

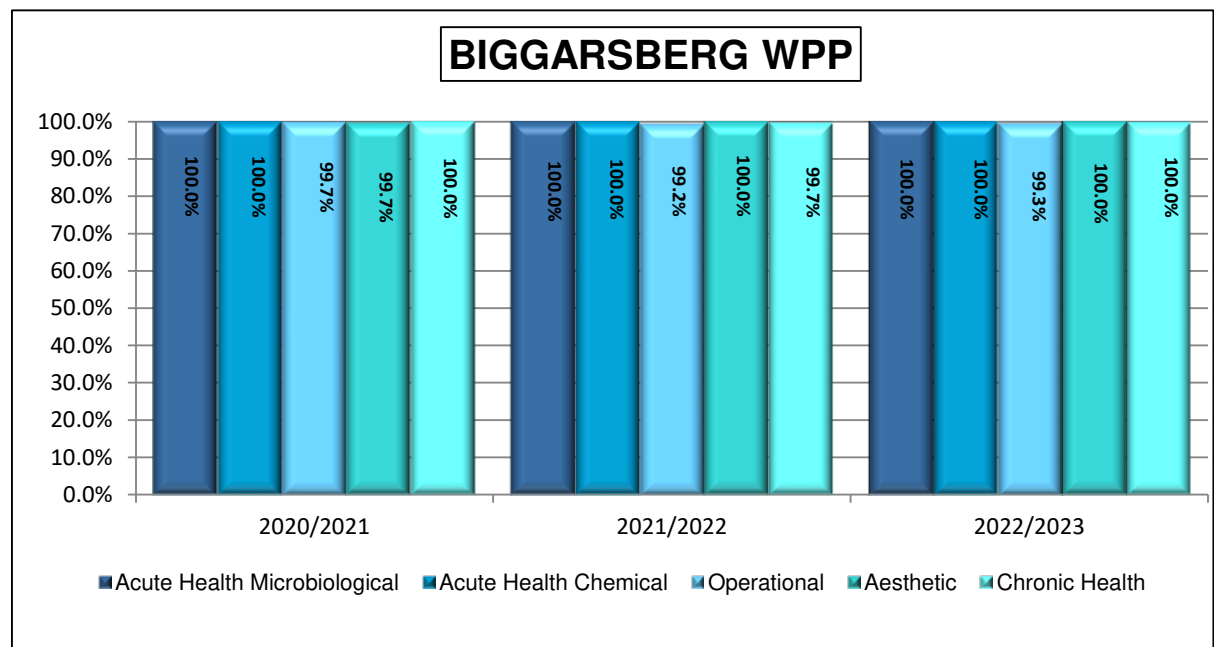


Figure 3: % Bulk Potable Water Quality Compliance per risk category for Biggarsberg Water Purification Plant

Table 8: Bulk Potable Water Quality Compliance per determinant based on SANS

241:2015

Biggarsberg Water Plant 2022-2023

			Raw Water			Final Water		
Determinand	Risk	SANS241 2015	Samples	Comply	Compliance	Samples	Comply	Compliance
Microbiological determinands								
E.coli count per 100 mL	Acute health	<=0	101	22	21.78%	180	180	100.00%
Cryptosporidium spp count per 10 L	Acute health	<=0	6	6	100.00%	2	2	100.00%
Giardia spp count per 10 L	Acute health	<=0	6	6	100.00%	2	2	100.00%
Total Coliforms count per 100 mL	Operational	<=10	101	2	1.98%	180	180	100.00%
Heterotrophic Plate Count count per mL	Operational	<=1000	0	0	No Data	180	180	100.00%
Somatic Coliphages count per 10 mL	Operational	<=10	6	5	83.33%	2	2	100.00%
Physical and aesthetic determinands								
Colour as mg/L	Aesthetic	<=15	94	27	28.72%	79	79	100.00%
Conductivity at 25C in mS/m	Aesthetic	<=170	94	94	100.00%	180	180	100.00%
Total Dissolved Solids as mg/L	Aesthetic	<=1200	94	94	100.00%	180	180	100.00%
Turbidity in NTU	Operational	<=1	101	0	0.00%	308	306	99.35%
Turbidity in NTU	Aesthetic	<=5	101	23	22.77%	308	308	100.00%
pH at 25C in pH units	Operational	>= 5 ; <=9.7	96	95	98.96%	305	305	100.00%
Chemical determinands - macro								
Free Chlorine as Cl2 in mg/L	Chronic health	<=5	0	0	No Data	306	306	100.00%
Monochloramine	Chronic health	<=3	0	0	No Data	0	0	No Data
Nitrate as N in mg/L	Acute health	<=11	94	94	100.00%	79	79	100.00%
Nitrite as N in mg/L	Acute health	<=0.9	94	94	100.00%	79	79	100.00%
Combined nitrate plus nitrite	Acute health	<=1	0	0	No Data	77	77	100.00%
Sulphate as SO4 in mg/L	Acute health	<=500	94	94	100.00%	74	74	100.00%
Sulphate as SO4 in mg/L	Chronic health	<=250	94	94	100.00%	74	74	100.00%
Flouride as F in mg/L	Chronic health	<=1.5	94	94	100.00%	79	79	100.00%
Ammonia as N in mg/L	Aesthetic	<=1.5	6	6	100.00%	2	2	100.00%
Chloride as Cl in mg/L	Aesthetic	<=300	94	94	100.00%	2	2	100.00%
Sodium as Na in mg/L	Aesthetic	<=200	30	30	100.00%	2	2	100.00%
Zinc as Zn in mg/L	Aesthetic	<=5	6	6	100.00%	2	2	100.00%
Chemical determinands - micro								
Antimony as Sb in ug/L	Chronic health	<=20	6	6	100.00%	2	2	100.00%
Aluminium as Al in ug/L	Operational	<=300	94	93	98.94%	79	79	100.00%
Arsenic as As in ug/L	Chronic health	<=10	6	6	100.00%	2	2	100.00%
Barium as Ba in ug/L	Chronic health	<=700	6	6	100.00%	2	2	100.00%
Boron as B in ug/L	Chronic health	<=2400	6	6	100.00%	2	2	100.00%
Cadmium as Cd in ug/L	Chronic health	<=3	6	6	100.00%	2	2	100.00%
Total Chromium as Cr in ug/L	Chronic health	<=50	6	6	100.00%	2	2	100.00%
Copper as Cu in ug/L	Chronic health	<=2000	6	6	100.00%	2	2	100.00%
Cyanide (recoverable) as CN in ug/L	Acute health	<=200	6	6	100.00%	2	2	100.00%
Iron as Fe in ug/L	Chronic health	<=2000	94	92	97.87%	79	79	100.00%
Iron as Fe in ug/L	Aesthetic	<=300	94	75	79.79%	79	79	100.00%
Lead as Pb in ug/L	Chronic health	<=10	6	6	100.00%	2	2	100.00%
Manganese as Mn in ug/L	Chronic health	<=400	86	85	98.84%	72	72	100.00%
Manganese as Mn in ug/L	Aesthetic	<=100	86	77	89.53%	72	66	91.67%
Mercury as Hg in ug/L	Chronic health	<=6	6	6	100.00%	2	2	100.00%
Nickel as Ni in ug/L	Chronic health	<=70	6	6	100.00%	2	2	100.00%
Selenium as Se in ug/L	Chronic health	<=40	6	6	100.00%	2	2	100.00%
Uranium as U in ug/L	Chronic health	<=30	6	6	100.00%	2	2	100.00%
Chemical determinands - organic								
Total Organic Carbon as C in mg/L	Chronic health	<=10	6	3	50.00%	2	2	100.00%
Chloroform in ug/L	Chronic health	<=300	0	0	No Data	2	2	100.00%
Bromoform in ug/L	Chronic health	<=100	0	0	No Data	2	2	100.00%
Dibromochloromethane in ug/L	Chronic health	<=100	0	0	No Data	2	2	100.00%
Bromodichloromethane in ug/L	Chronic health	<=60	0	0	No Data	2	2	100.00%
Microcystin (Total) as LR in ug/L	Chronic health	<=1	6	6	100.00%	2	2	100.00%
Phenols in ug/L	Aesthetic	<=10	6	6	100.00%	2	2	100.00%
Other								
Alkalinity			88	0	0.00%	37	0	0.00%
Calcium as Ca			24	0	0.00%	7	0	0.00%
Temperature			96	0	0.00%	306	0	0.00%
Total hardness as CaCO3			24	0	0.00%	7	0	0.00%
Magnesium as Mg			24	0	0.00%	7	0	0.00%
Calcium hardness			24	0	0.00%	7	0	0.00%
Magnesium hardness			24	0	0.00%	7	0	0.00%

Operations

The entity's operations function is responsible for the core business, from raw water abstraction from 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 are 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 its flows are intermittent and season based. 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.

The Ntshingwayo Dam

The main source of raw water supply to the Ngagane Water Purification Plant is the Ntshingwayo Dam, followed by the Buffalo River, and then the Ngagane River. Ngagane Water Purification Plant receives resource water from the Ntshingwayo Dam via two gravity pipelines: the Ngagane River via the Ngagane Pump Station and the Buffalo River through Schurwepoort weir higher up in the Volksrust area.

An average daily supply volume of 80 Mℓ /day is 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.

The 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 augment the river supply. These dams are the Upper and Lower Mpathi Dam, Tom Worthington Dam and Verdruk Dam, Donald McHardy Dam, and Preston Pan.

Bulk water supply volumes

A total of 46 082 Mega litres (Mℓ) of potable water was supplied to the three Water Services Authorities during the 2022/2023 financial year by the two Bulk Water Purification Plants. There was a 4.05% increase from the previous year's total supply volumes.

Amajuba District Municipality consumption volumes decreased by 10.87% when compared to the previous financial year. Newcastle Local Municipality and uMzinyathi District Municipality consumption volumes increased by 6.87% and 0.48% respectively when compared to 2021/22 financial year.

Ngagane Water Purification plant is the major contributor to the total supply volumes, with a contribution of 87% against the 13% from the Biggarsberg Water Purification Plant.

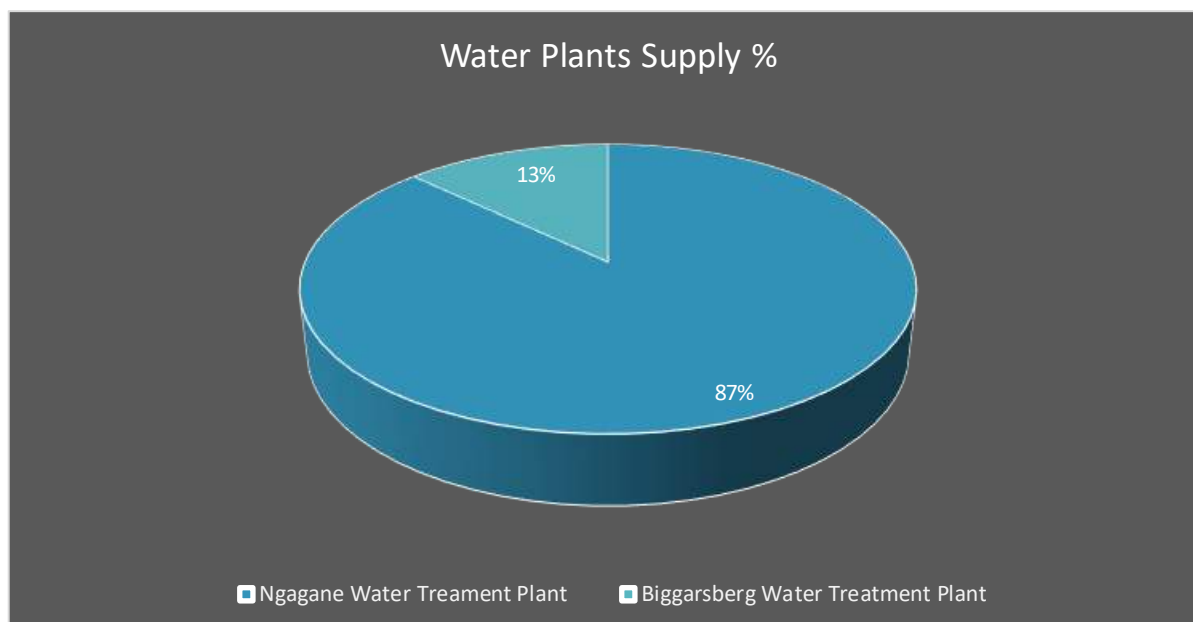


Figure 4: Bulk Water Plants contribution percentage to the total supply volume

Ngagane Water Purification Plant

Water produced at the Ngagane Water Purification Plant amounted to 38 478 Mℓ for the 2022/2023 financial year. The plant operated at an average daily supply volume of 105.42 Mℓ/day. The Ngagane Water Plant's past five years annual supply volume trend is illustrated in figure 5 below.

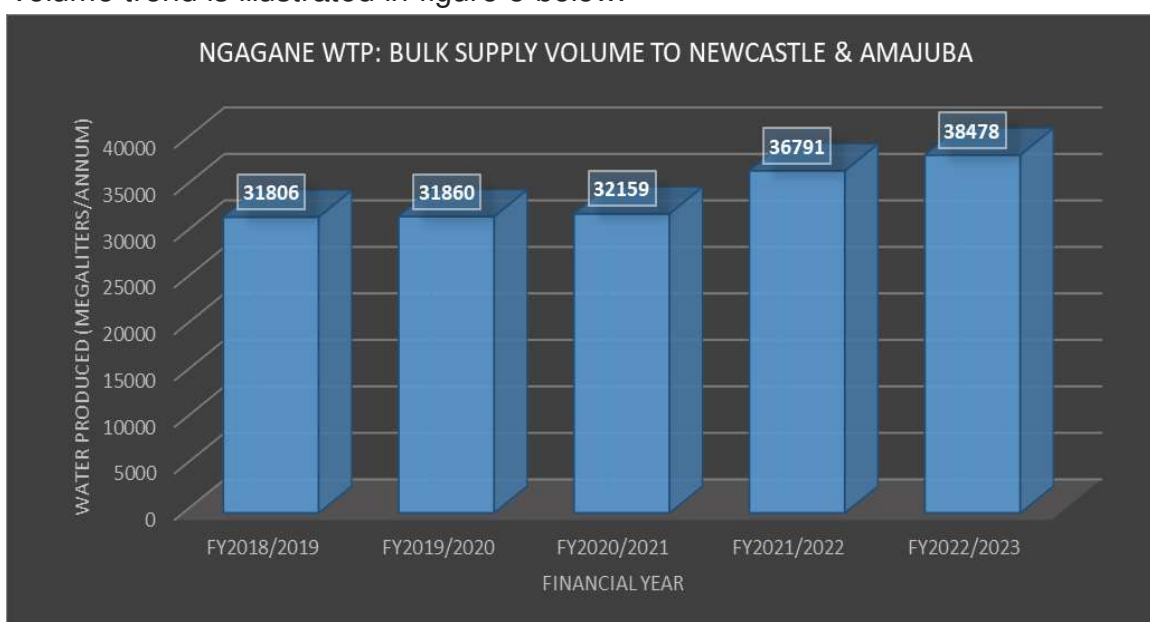


Figure 5: Annual Ngagane Plant Production Trends in Megalitres (Mℓ)

Biggarsberg Water Purification Plant

Water produced at the Biggarsberg Water Plant amounted to 5757 Mℓ for the 2022-2023 financial year. A daily average supply volume of 15.77 Mℓ/day was supplied for the year. The plant's past five- years supply volume trend is illustrated in figure 6 below.

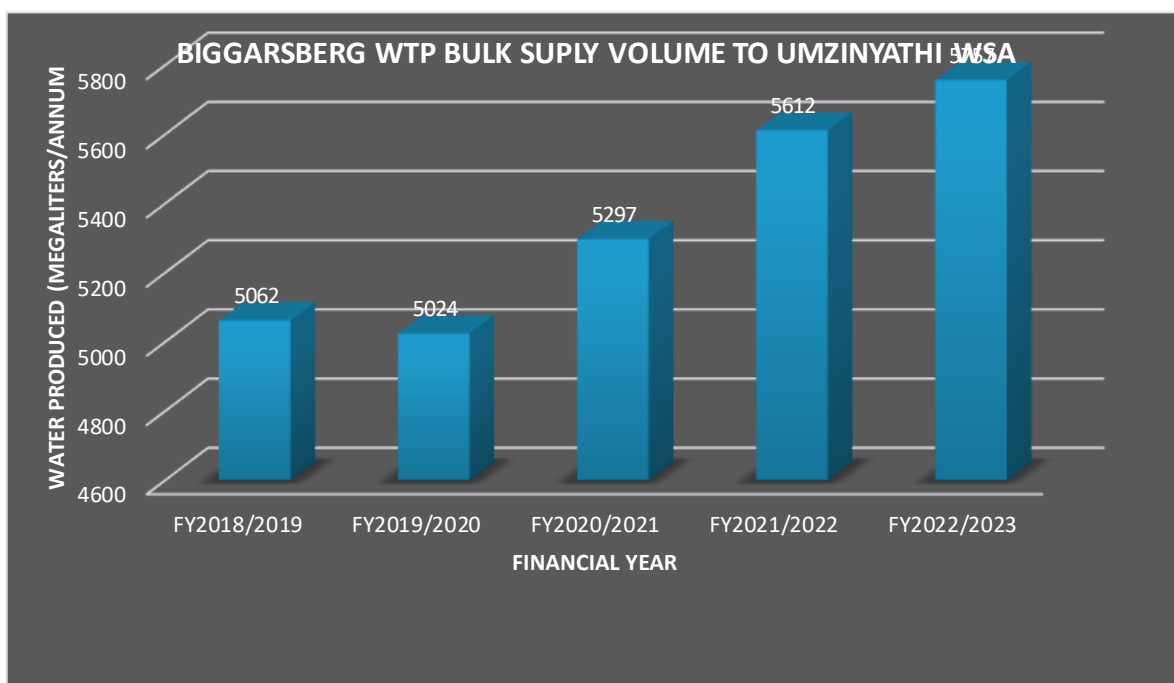


Figure 6: Annual Biggarsberg Plant Production Trends in Megalitres (Mℓ)

Amajuba Water Supply Area

Amajuba supply area receives bulk water from both Ngagane and Biggarsberg Plants. A total supply volume of 4480 Mℓ was received in the 2022-2023 financial year. This amounts to a daily average supply volume of 12.27 Mℓ/day. Figure 7 portrays the supply volumes over the past five years for the combined Amajuba supply area.

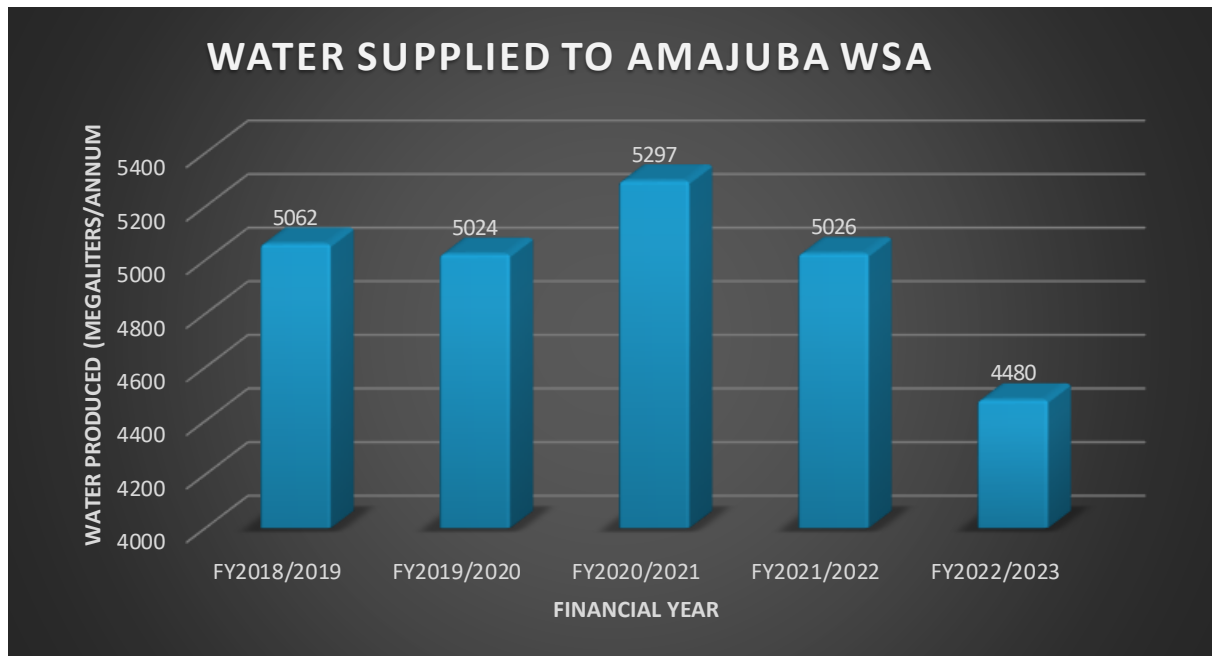


Figure 7: Annual Amajuba WSA Consumption Trends in Megalitres (Mℓ)

Water loss

uThukela Water prides itself in continuous improvement of potable water supply. It recognises the importance of efficient and effective water loss control in the bulk system. The main aim is to save the precious and valuable water resource and increase the efficiency of the existing supply system.

The water loss control strategy can only be effective if it is a continuous activity forming part of the entity's vision. The commitment and dedication at all levels within the entity determines the success of the strategy.

Water loss management was achievable through:

- Formulation of a water loss management plan.
- Continuous flow monitoring that 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 for running the Plants as well as by the Finance Department for billing purposes.

The current system needs to be rolled out further so that the functionality of these mag flow meters can be 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. The total water loss percentage was 3.45 % in 2022/23, an improvement from last year's 6.19%. 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 and bulk reservoir inlets, where the WSA's metered billing points are. The flow meters are monitored, and a maintenance program is implemented to allow accurate and consistent flow meter readings for accurate water loss calculations over the entire water supply system.

Maintenance management

The key objective of Asset Maintenance Management is to provide a desired level of service in the most cost-effective and sustainable manner. uThukela Water is

committed in optimising the utilisation of its assets and recognises that well managed assets play a key role in providing a service delivery that both supports and contributes to social and economic growth.

The objectives of Asset Maintenance Management were formulated within the framework of the overall organisational setup so that the goals of the entity are accomplished. For this, the maintenance objectives ensured that:

- Assets and facilities are in an optimum working condition at the minimum cost.
- The time schedule of delivering to customers is not affected because of non-availability of assets and machinery.
- The performance of assets and facilities is dependable and reliable.
- The maintenance cost is properly monitored in order to control overhead costs at minimum.
- The life of assets and equipment is prolonged while maintaining the acceptable level of performance to avoid unnecessary replacements.

Asset Maintenance

The strategic management of assets covered a wide range of maintenance activities that were performed according to the asset Maintenance Plan, it included in part component replacement, reconditioning, refurbishment of assets as well as the limited procurement of new assets due to no capital budget being available.

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. Some of the benefits derived from the Maintenance Management System include:

- The minimisation 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.

It is noted that an increase in the maintenance repairs on asset infrastructure and bulk water pipelines was recorded. This is attributable to ageing pipelines and infrastructure failures, which has resulted in an increase in corrective maintenance. capital funding is required for the replacement of pipelines and asset infrastructure.

Planned and Corrective maintenance activities included the following:

Planned Maintenance	Corrective Maintenance
The installation of a new pump at the Kilbarchan pump station.	The replacement of the alternator on the standby generator at the Biggarsberg Water Purification Plant.
Inspection and cleaning electrical panels at the water purification plants and pump stations.	The repair of electronic flow meters on raw water and potable water pipelines.
Inspection and load testing of lifting equipment at the water purification plants and pump stations.	Repair of the potable water pipe leak in the Glencoe pump station at the Biggarsberg Water Purification Plant.
Electrical transformer oil sampling and oil analysis at water purification plants and pump stations.	Repairs on the AC Pipeline to the Hilldrop reservoirs.
Servicing of the standby generator at the Biggarsberg water purification plant.	Replacement of a filter isolating valve at the Ngagane water purification plant.

Carrying out the 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 done, thereby restoring communications.
Cleaning the sump at the Tayside low lift pump station.	Installation of security doors at the Verdruk pump station.
Replacement of an air-valve on the GRP pipe-line to the Braakfontein reservoirs.	Repair Clarifier bridge gearbox at the Biggarsberg water purification plant.

Examples of maintenance activities performed in FY 2022-2023



Inspection of and cleaning electrical panels at the Ngagane Water Purification Plant



Replacement of panels on the storage tank at the Alcockspruit pump station



Repairing a leak on the Ngagane /Kilbarchan pipeline

Cleaning the sump at the Tayside Low Lift Pump station



Installation of a new pump at the Kilbarchan pumpstation



Annual load testing of equipment at Biggarsberg WTP



Installation of a new alternator on the standby Generator at Biggarsberg WPP



Repair work on the balancing tank at the Biggarsberg WPP



Repairing a burst on the Ngagane pipeline



Inspection and servicing of various pumpstations

Performance Outcomes

Annual Performance Report of
uThukela Water (Pty) Ltd for the
financial year 2022/2023

Introduction

Section 46(1) of the municipal systems act 32 of 2000 requires municipalities to prepare annual reports consisting of performance reports.

This report serves to table the annual performance of the entity as at 30/06/2023 against its pre- determined objectives planned out in June 2022. This report is subject to change during and after the internal audit process, finalisation of the annual financial statements for 2022/2023 as well as the audit outcomes received from the Auditor General South Africa.

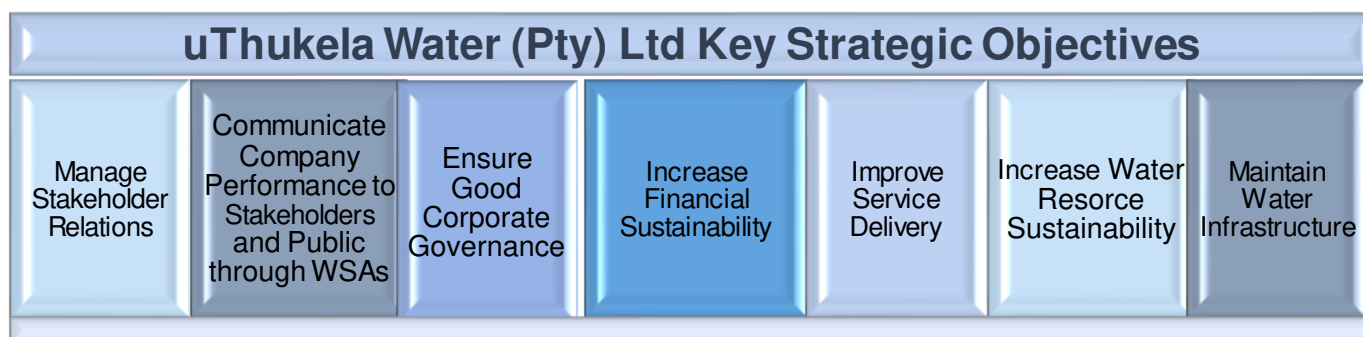
Performance analysis

uThukela Water (Pty) Ltd upholds its mission statement by ensuring excellent and consistent performance across all areas of expertise within the entity. The board approved a pre-determined strategic plan/performance plan in June 2022. The plan translates into measurable criteria on how, where and when the strategic objectives and normal business processes of the entity will be achieved and implemented.

a. Performance Setting

The performance plan of uThukela Water (Pty) Ltd for the FY 2022//2023 comprises of 7 key strategic objectives, that were filtered into key performance areas and key performance indicators.

The key strategic objectives for the financial year 2022/2023



b. Monitoring Performance

The entity`s institutional performance management reporting is guided by both the municipal finance management act 56 of 2003 (MFMA) as well as the municipal systems act 32 of 2000 (MSA).

Section 88(1) of the MFMA requires municipal entities to assess their performance against pre-determined objectives at mid-year, ending 31 December of each year. The outcomes of the assessment must be submitted to the board of directors and parent municipalities by 20 January. Accordingly, the entity prepared a mid-year performance report and submitted it to the board of directors and its three parent municipalities on the 20th of January 2023.

Section 46(1)(a) of the MSA provides for the compilation of the annual performance report. Therefore, this draft annual performance report is compiled to satisfy and comply with this legislation. The report serves to document the annual performance outcomes of the entity and highlight variances in performance outcomes from the prior financial year.

Performance outcomes

Figure 1 below represents the performance outcomes of the entity at year end (30/06/2023). A detailed breakdown of performance outcomes is at the end of this report, presented through a detailed performance dashboard.

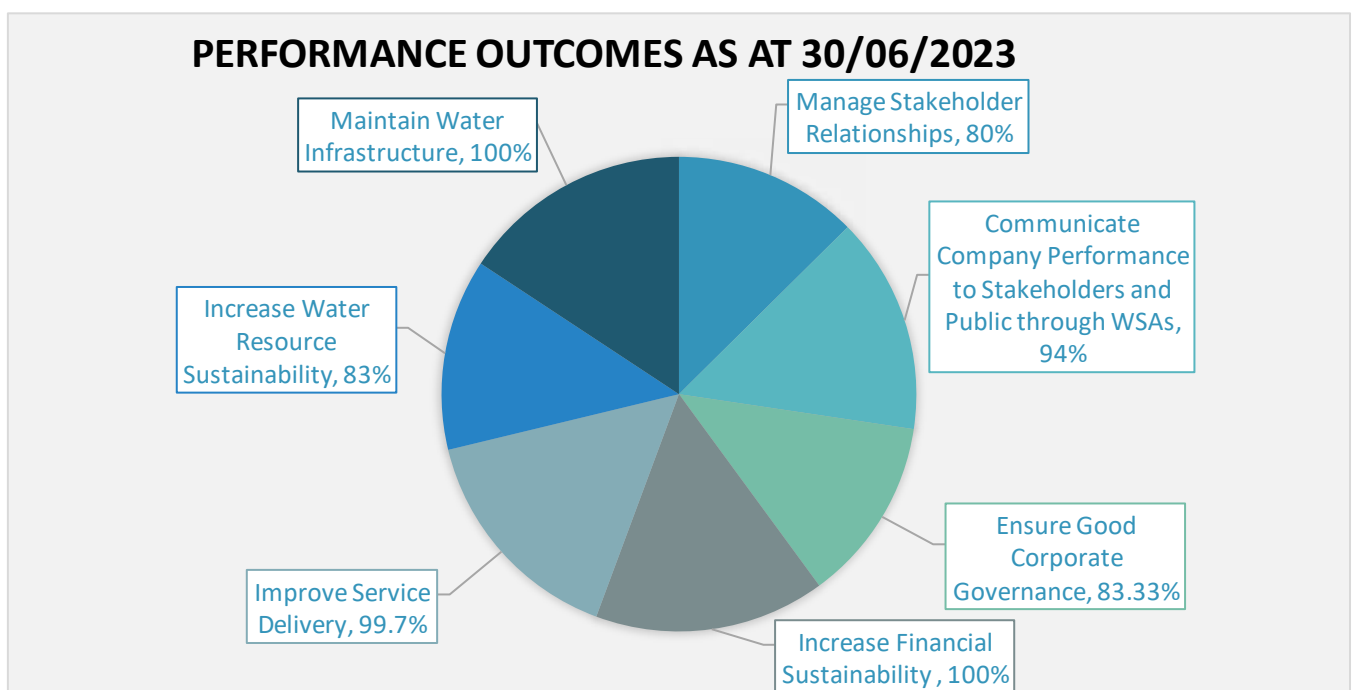


Figure 8: The performance outcomes of the entity against its pre-determined strategic objectives for the FY 2022/2023.

As depicted in figure 1, the entity met all its agreed targets as per the performance plan of the entity for the fy2022/2023 in the key performance areas of the following strategic objectives:

- increase financial sustainability, and
- maintain water infrastructure.

Notably, the entity did not meet its performance objectives in the following strategic objectives:

- Manage Stakeholder Relations,
- Communicate company performance to stakeholders and public through WSAs,
- Ensure Good Corporate Governance,
- Improve Service Delivery, and
- Increase Water Resource Sustainability.

c. Reasons for not meeting performance targets.

The reasons for not meeting the targets in the above objectives are discussed below:

Manage Stakeholder Relations-

The entity did not schedule an Operations, Admin, and Finance meeting between itself and its WSAs in the months of December 2022 and April 2023 due to other competing operational commitments.

The entity was unable to schedule and convene for an Audit Committee Meeting in Quarter 2. However, all quarterly institutional reports have subsequently been presented to the Audit Committee as two meetings took place in the first quarter of FY 2023/2024.

Communicate Company Performance to Stakeholders and Public through WSAs-

The entity did not compile and submit April and May 2023 Section 71 reports to parent municipalities. The June 2023 Section 71 report was however compiled and submitted to the parent municipalities, with information on the April and May 2023 months.

Ensure Good Corporate Governance-

The entity received four (4) material external audit findings from the Auditor General which is above the maximum of three (3) as pre-determined. The findings were mostly of non-

compliance with prescribed legislation, an example of which is the entity failed to pay its creditors within the prescribed 30-day cycle, and due to this on some creditor accounts the entity incurred fruitless and wasteful expenditure during the financial year. The entity has drawn up and prioritised the implementation of an action plan to address the Auditor General's audit findings. The Managing Director monitors the implementation of the plan monthly and is presented to the Audit Committee quarterly.

Improve Service Delivery-

The entity supplied 85% of its predetermined budgeted bulk water volumes to the Amajuba District Municipality. The Amajuba District Municipality does not have a dedicated reservoir. Currently, it shares a reservoir with the Newcastle Local Municipality. Thus, if Newcastle Municipality uses more water, it is often to the disadvantage of the Amajuba District Municipality. The ideal solution for this would be the completion of construction and commission of the Amajuba District Municipality reservoir.

It must be noted that the entity produced more than its budgeted volumes for the financial year, supplying Newcastle Local Municipality and uMzinyathi District Municipality over and above their budgeted supply volumes.

Increase Water Resource Sustainability

The entity only scheduled and convened one meeting to address business continuity planning in the financial year. This was due to operational commitments during the year. The entity will develop an annual meeting calendar to ensure that all important meetings are scheduled, aligned, and prioritised during the next financial year.

Previous year performance analysis versus current financial year

Figure9 depicts the performance outcomes of the entity in its strategic objectives in the previous financial year (2021/2022) versus the performance outcomes of the entity for the current 2022/2023 financial year.

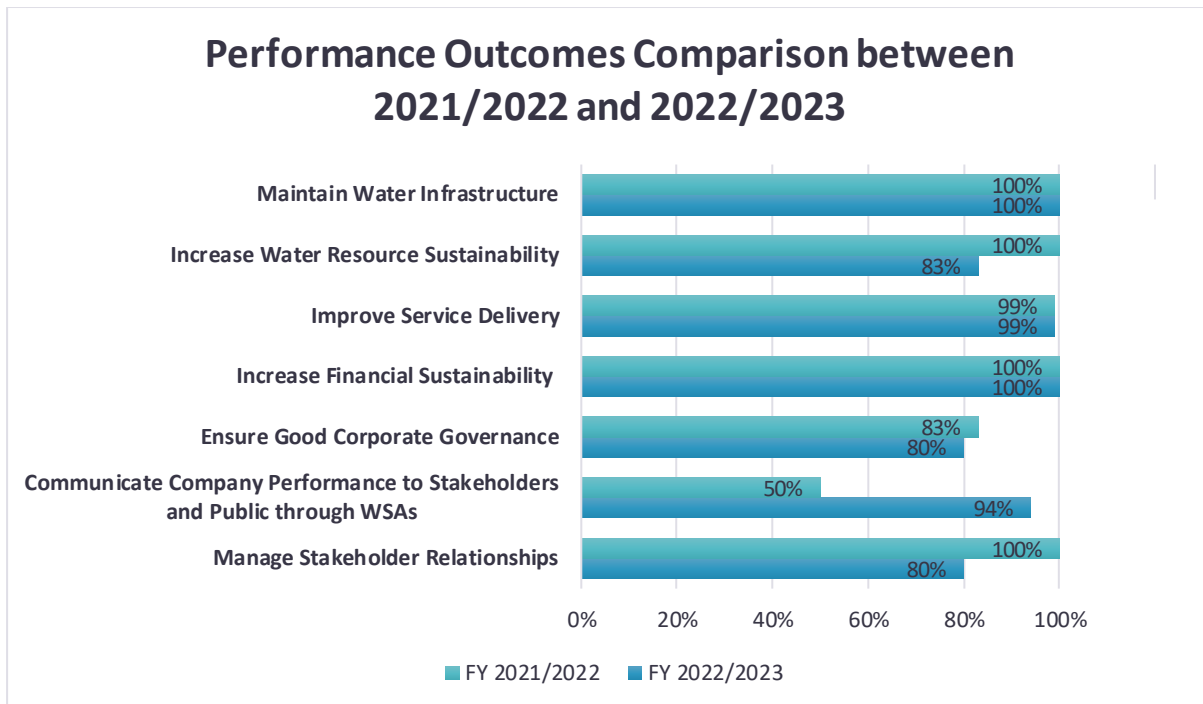


Figure 9: A comparison of performance outcomes of the entity for the current and previous financial year.

Variances in performance outcomes between the current and previous financial year

The performance outcomes variances between financial year 2021/2022 and 2022/2023 are summarised in table 1 below.

Table 8: Performance outcomes variances between 2021/2022 and 2022/2023

Strategic Objective	Variance
Manage Stakeholder Relationships	-20%
Communicate Company Performance to Stakeholders and Public through the WSA's	+44%
Ensure Good Cooperative Governance	-3%
Increase Financial Sustainability	0%
Improve Service Delivery	0%
Increase Water Resource Sustainability	-17%
Maintain Water Infrastructure	0%

Performance Scorecard of the entity for the FY 2022/2023

A full breakdown of the performance of the entity as of the 30th of June 2023 is detailed in the annual performance score card below. Reasons for the performance variances and recommended corrective actions for all areas where the entity failed to meet targets are also discussed in the scorecard

Table 9: annual performance score card

uThukela Water (Pty) Ltd Annual Performance Scorecard FY 2022/2023								
STRATEGIC OBJECTIVES	KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	ANNUAL TARGET	RESPONSIBILITY	ANNUAL ACTUAL	TARGET MET/ NOT MET	REASON FOR VARIANCE	RECOMMENDED CORRECTIVE ACTION
Manage Stakeholder Relationships	Align Business Plans and Budgets with Municipal IDPs, Budgets & Plans.	Submit an annual business plan to WSA's as per MFMA on the 31 st January 2023	1 Submission of Annual Business Plan per WSA by the 31 st January 2023	Managing Director	1 Business Plan submitted to WSAs on the 31 st of January 2023	Met		
		To submit an annual budget for 2023/2024 by the 31 st January 2023	1 Budget submission per WSA by the 31 st January 2023		1 Draft Budget submission per WSA on the 31 st of January 2023	Met		
		Schedule one meeting per WSA to align budgets and SDBIPs.	1 SDBIP Alignment Meeting per WSA to align the 2023/2024 SDBIP of the entity and WSAs		No SDBIP Alignment Meeting	Not met		
							SDBIP Alignment was done via email due to time constraints with one parent municipality.	The entity will schedule meetings to align to the SBIPs of uMzinyathi and Amajuba District Municipality in December 2023.

	Schedule and attend regular operational, admin, and financial meetings with parent municipalities.	To coordinate monthly operations, admin, and finance meetings with each WSA	To coordinate 12 Monthly Operations, Admin and Finance Meetings Scheduled with all WSAs	Executive Director: Operations and Engineering	Monthly Meetings scheduled with all WSAs	Not met	Operational Commitment s did not allow the entity to schedule meetings in December 2022 and April 2023	The entity to commit to developing an annual meeting planner for meetings with parent municipalities .
	Coordinate Quarterly Board Meetings, Quarterly Audit Committee Meetings and One Annual Shareholder Meeting	To schedule quarterly Board Meetings, Quarterly Audit Committee Meetings and at least 1 Annual Shareholder Meeting	<ul style="list-style-type: none"> • 4 Board meetings scheduled. • 1 Shareholder s meetings scheduled. • 4 Audit Committee meetings scheduled 	Managing Director	<ul style="list-style-type: none"> • 13 Board Meetings • 6 Shareholder s Meetings • 3 Audit Committee Meeting (Special Audit Committee Meeting) 	Met Met Not met	Due to Operational Commitment s and Audit Committee Meeting was not scheduled in Quarter 2	The entity to develop an annual meeting calendar for the Audit Committee meeting for the next financial year, the entity has also had 2 meetings between July and August 2023 to ensure that issues are addressed timeously.
Communicate Company Performance to Stakeholders and Public through WSAs	Submission of Monthly Section 71 Oversight Reports and quarterly performance reports to Shareholders	Compile and submit Monthly Reports to Shareholders. Compile and submit quarterly Performance monitoring templates to all 3 WSA's.	12 Monthly Section 71 Reports 4 Quarterly Performance Monitoring Templates to each WSA	<ul style="list-style-type: none"> • Chief Financial Officer • Managing Director 	<ul style="list-style-type: none"> • 10 Monthly Section 71 Reports submitted to WSAs (March and April reports not submitted). • 4 Quarterly Performance Monitoring Templates submitted to all WSAs. 	Not Met	Due to the resignation of the Acting Chief Financial Officer due to ill-health.	The Chief Financial Officer completed both April and May Reports, however only June reports were subsequently submitted to shareholder municipalities as June reports included April and May activities as the reports are cumulative in nature.

	Submission of Mid- Year Performance Report and Annual Performance Report of the entity as per MFMA	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th of August 2022.	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th August 2022.	Managing Director	1 Annual Performance Report submitted to all municipalities on the 20 th of August 2022	Met	.	
	Compile Draft Annual Report with input from stakeholders.	Compile and submit Draft Annual Report to the stakeholders and public by the 31st of October 2022	1 Draft Annual Report Compiled and submitted to WSA's by the 31st of October 2022	Managing Director	1 Draft Annual Report compiled and submitted to WSAs by the 31 st of October 2022	Met		The Final Annual Report was submitted to all WSAs on the 31 st of December 2022, in line with MFMA requirements.
Ensure Good Corporate Governance	Material Audit Findings	Number of material audit findings in the annual audit report equal to 3 or less.	3 or less than 3 Material External Audit Findings	Managing Director	4 Material External Audit Findings	Not met	The entity did not comply with all prescribed legislation during the financial year.	The entity has drawn up an action plan to address the findings from the Auditor General and will prioritise the implementation of the action plan within the entity.

	Manage and Reduce Risks	Perform quarterly monitoring exercises of risk management within the entity Conduct an annual risk assessment for the entity by the 30th June 2023	<ul style="list-style-type: none"> • 4 Quarterly Risk Oversight Reports Completed • 1 Risk Assessment update for FY 2023/2024 	Managing Director	<ul style="list-style-type: none"> • 4 Quarterly Risk Oversight Reports Completed • 1 Risk Assessment Update for FY 2023/2024 completed. 	Met		
	Attract, Retain, and increase organisational skills and capacity	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes been from the staff highlighted to be developed in terms of the WSP and succession plan	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes been from the staff highlighted to be developed in terms of the WSP and succession plan	Managing Director	Training and Development Report submitted detailing 66% of all training was in line with the WSP and succession plan.	Met		
	Information Technology Systems	To compile and submit 12 Monthly Information Technology Reports that include the design implementation	To compile and submit 12 Monthly Information Technology Departmental Reports	Managing Director	12 monthly Information Technology Departmental Reports Submitted	Met		

		and management of Technology Infrastructure and systems and the management of Technology Asset.						
	Ensure Compliance with the Occupational Health and Safety Act and Regulation	Submit Quarterly SHEQ Oversight Reports	SHEQ Oversight Reports	Managing Director	4 SHEQ Quarterly Oversight Reports submitted.	Met		
Increase Financial Sustainability	Revenue Management	To invoice debtors within 10 days of each new month for services rendered.	12 Monthly Invoices to each WSA	Chief Financial Officer	12 Monthly Invoices submitted to each WSA within 10 days of each new month.	Met		
	Financial Performance	To produce Annual Financial Statements by the 31 August 2022	1 Set of Entity Annual Financial Statements completed and submitted to the Auditor General by the 31st August 2022	Chief Financial Officer	1 Set of Entity Annual Financial Statements completed and submitted to the Auditor General on the 31st of August 2022	Met		
Improve Service Delivery	To supply agreed bulk water volumes to WSAs	To supply bulk water volumes in terms of WSP / WSA Agreements and budgeted volumes.	<ul style="list-style-type: none"> Newcastle 33215000KL uMzinyathi 5500000KL Amajuba 5263200KL 	Executive Director: Operations and Engineering	Newcastle 35976127 KL uMzinyathi 5639698 KL	Met Met	The Amajuba DM shares a reservoir with the Newcastle LM. If Newcastle exceeds its	A designated reservoir for the Amajuba District Municipality is in the process of construction, once the reservoir is commissioned

					Amajuba 4466858 KL	Not met	budgeted volumes, it directly impacts the volumes supplied to the Amajuba DM	and in use, the entity will be able to supply the budgeted volumes to the Amajuba District Municipality.
	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	Newcastle: Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100% Aesthetic Compliance 100% Chronic Health Compliance 100% Operational Compliance 99.42% Biggarsberg: Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100% Aesthetic Compliance 99.34%	Met		

					Chronic Health Compliance 100%			
					Operational Compliance 99.81%			
	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	107 Maintenance Disruptions July 2021-December 2022 < 24 hours per disruption.	Met		
	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	Total Water Loss 3.45 %	Met		
Increase Water Resource Sustainability	To coordinate the regional bulk water master plan	To coordinate bi-annual meetings of the regional bulk water master plan	<ul style="list-style-type: none"> Schedule 2 Meetings 	Executive Director: Operations and Engineering	2 Meetings Scheduled	Met		

	Increasing the resiliency of the institution	To coordinate at least 2 business continuity meetings to facilitate the development of entity wide business continuity plans	2 Meetings to develop an Institutional Business Continuity Plan	Managing Director	1 meeting held on the 19 th of October 2022 with COGTA: Provincial Disaster Management Centre	Target Not Met		The entity needs to develop an annual calendar for all meetings of the entity to ensure that all meetings are prioritised.
	Regular asset conditional assessments	To annually assess the overall condition of all assets	1 Annual asset conditional assessment	Chief Financial Officer	1 Annual Asset Conditional Assessment Completed	Target Met		
Maintain Water Infrastructure	Maintenance Planning	To update the Annual Maintenance Plan.	1 updated Annual Maintenance Plan	Manager: Engineering	1 Updated Maintenance Plan Jan-Dec 2022 Jan-Dec 2023	Target Met		

REPORT SIGN-OFF-

I, Wiseman Bonginkosi Nkosi, in my capacity as Managing Director of uThukela Water (Pty) Ltd hereby declare that the content contained in this report is complete and accurate to the best of my knowledge. I also confirm that this is a true reflection of the performance of uThukela Water (Pty) Ltd at year end of the 2022/2023 financial year, ending 30 June 2023.

SIGNATURE: _____



Financial Performance



This financial report is in line with Section 126 of the MFMA, that requires Accounting Officers of municipal entities to report on the financial performance of their entities and accordingly prepare and submit Board approved annual financial statements to their parent municipalities and the AGSA.

The ensuing sections present a review of an analysis of the key areas of the uThukela Water's financial performance, operational results, and financial position, which must be read in conjunction with the annual financial statements presented with this report.

Table 10: Graphical Presentation of Financial Performance

Five Year Financial Review					
	2023	2022	2021	2020	2019
Capital Expenditure	3 040 013	1 233 541	1 258 341	1 648 854	18 661 411
Total capital transfers recognised			-	222 372	13 598 135
Borrowing			-	-	-
Accumulated Funds	3 040 013	1 233 541	1 258 341	1 426 482	5 063 276
Water services: bulk water sales	205 737 971	174 372 947	165 403 505	148 550 115	128 439 901
Average bulk water cost per KI produced	4.45	3.92	3.81	3.46	3.03
Financial Position					
Total current assets	224 593 460	194 270 123	157 446 059	151 757 865	111 934 609
Total non current assets	615 799 848	690 207 798	789 451 219	867 454 343	936 160 385
Total current liabilities	530 272 238	476 399 661	423 381 056	370 175 393	316 414 535
Total non current liabilities	11 469 316	11 010 000	11 963 630	9 821 457	10 192 126
Accumulated funds and share capital	298 651 653	397 068 261	511 552 592	639 215 358	721 488 232
Cash Flows					
Net cash from (used) operations	(15 640 750)	(8 390 288)	10 612 266	7 652 415	2 033 404
Net cash from (used) investing	(3 040 013)	(1 233 541)	(1 258 341)	(1 648 854)	(16 778 498)
Net cash from (used) financing					
Net increase/ (decrease) in cash and cash equivalents	(18 680 763)	(9 623 829)	9 353 925	6 003 561	(14 745 093)

Table 10: Graphical Presentation of Financial Performance...continued

Financial Indicators/Ratios					
	2023	2022	2021	2020	2019
Employee related costs to total expenditure ratio excl depreciation and debt impairment	31%	29%	33%	32%	32%
Employee related costs to total expenditure ratio incl depreciation and debt impairment	19%	21%	23%	22%	21%
Number of permanent employees at year end	83	84	87	87	91
Repairs and maintenance costs to total expenditure ratio excl depreciation	1.71%	2%	3%	2%	3%
Repairs and maintenance costs to total expenditure ratio incl depreciation	1.30%	1%	2%	1%	2%
Current ratio (current assets/current liabilities)	0.43	0.41	0.46	0.41	0.35

Financial performance highlights

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.
- The absence of a capital budget to implement business and bulk water master plans.
- Funding Model: grant funding not paid directly to company 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

As indicated in table 8 above, the company is not in a healthy financial position. Albeit the high employee related costs of 31% but it is still within the norm of 25% to 40%, the is under expenditure on the maintenance of infrastructure, the entity is currently spending 1% whereas the norm is 8%.

Cash flow decreased over the last year from R 19 800 255 to R1 119 492 owing to consistent non- payment by some of the shareholders. Nonetheless, more funds were invested in short term investments due to the deteriorating shareholder payments to provide a buffer in times of non-payment and this is barely sufficient to sustain the Company for a period of less than 1 month. Should the municipalities update and pay their current bulk billing accounts up to date, it would bring the Company into a favourable position enabling it to operate effectively and efficiently.

Budgets and planning alignment

The alignment of the company's operational and capital budgets, Integrated Development Plans and the 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 model to operate effectively, this is a priority and must be prioritized in the short-term.

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 adequately paying for the services. This places severe strain on the company to effectively deliver on its mandate.

The Bulk Water tariff of R 4, 45 per kilolitre measures way below the National Norm of about R 9, 75 per kilolitre. The Shareholders have accepted the inclusion of a capital element within the bulk tariff structure, on some capital expenditure such as vehicles, IT equipment, pumps and motors. Currently, the company has no means to raise sufficient capital to perform necessary and planned refurbishments and upgrades to its old and ailing water infrastructure and new water infrastructure projects. This anomaly has been identified and documented in the company's Risk Management Plan. The municipalities also do not pay depreciation charges to the company to perform capital replacements.

Creditors and Raw Water charges

It must be noted in the statement of financial position records a substantial amount owed to the Department of Water and Sanitation (DWS) for unpaid raw water charges amounting to approximately R483 million. This is attributable to the shareholder municipalities not settling their old shortfall debt and current DWS raw water charges.

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.

uThukela Water is currently engaging 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 4,45 per kilolitre. Despite this tariff being too low, municipalities do not pay their monthly billing as contracted (see figure 36 for the rise in the bulk water service debt of the WSAs).

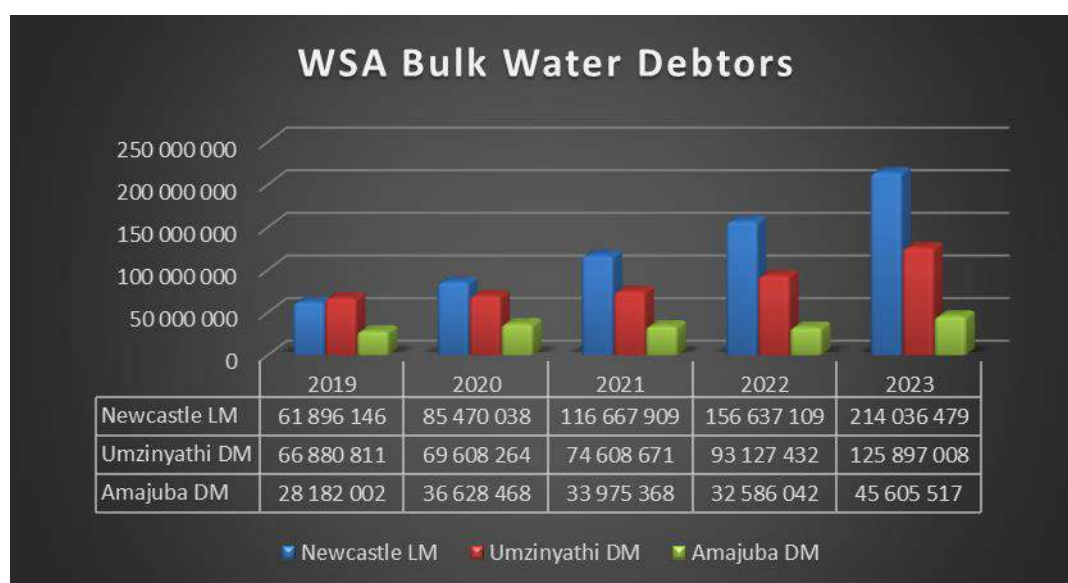


Figure 10: WSA Bulk Water Debt

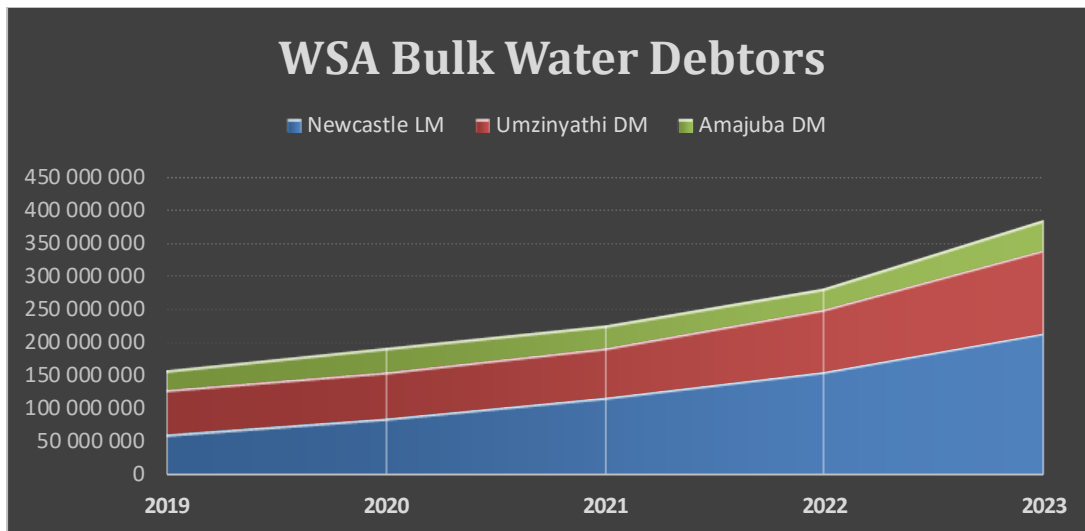


Figure 11: WSA Bulk Water Service Debt

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 company 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.

Capital requirements for infrastructure

A capital budget comprising of most urgent and immediate capital requirements of approximately R 332 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 Company.

Restrictions to implementation of adequate maintenance programs

It must be noted that the bulk water service infrastructure is not being maintained and upgraded in terms of best practices due to shortage of funds. For the year under review, the total actual used on maintenance was R4 273 913, which is 1.30% of the overall expenditure of R327 957 042.

Loans

The Company's external debt was either fully redeemed or transferred back to the municipalities with the transfer of reticulation services at the end of June 2013.

The Utility had capacity to pay off 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 further.

Current Asset Ratio

For the past five years, the current asset ratio has been unfavourable due to the non-payment of the DWS raw water charges by the company (see figure 12 below).

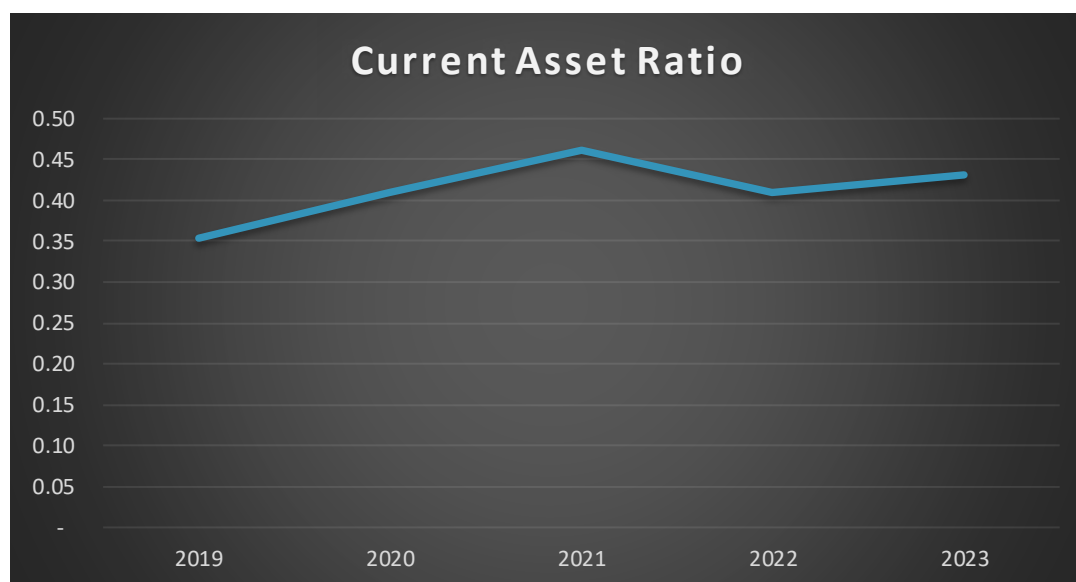


Figure 12: uThukela Water Current Asset Ratio

Contribution to an affordable tariff

As shown in figure 13, the company's bulk water tariff is well below industry norm and unfortunately does not include a capital element or include depreciation charges.

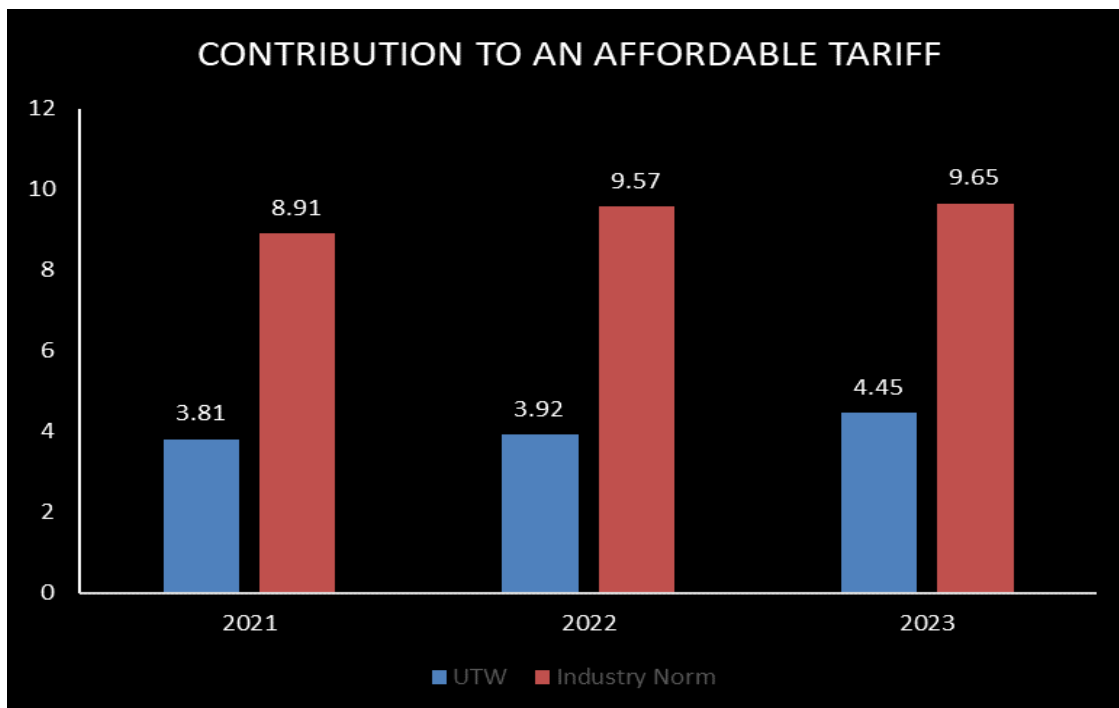


Figure 13: Comparison between uThukela Water bulk tariff with that of Industry Norm

Income categories

A depiction of the revenue streams of the Company is depicted by the diagram below.

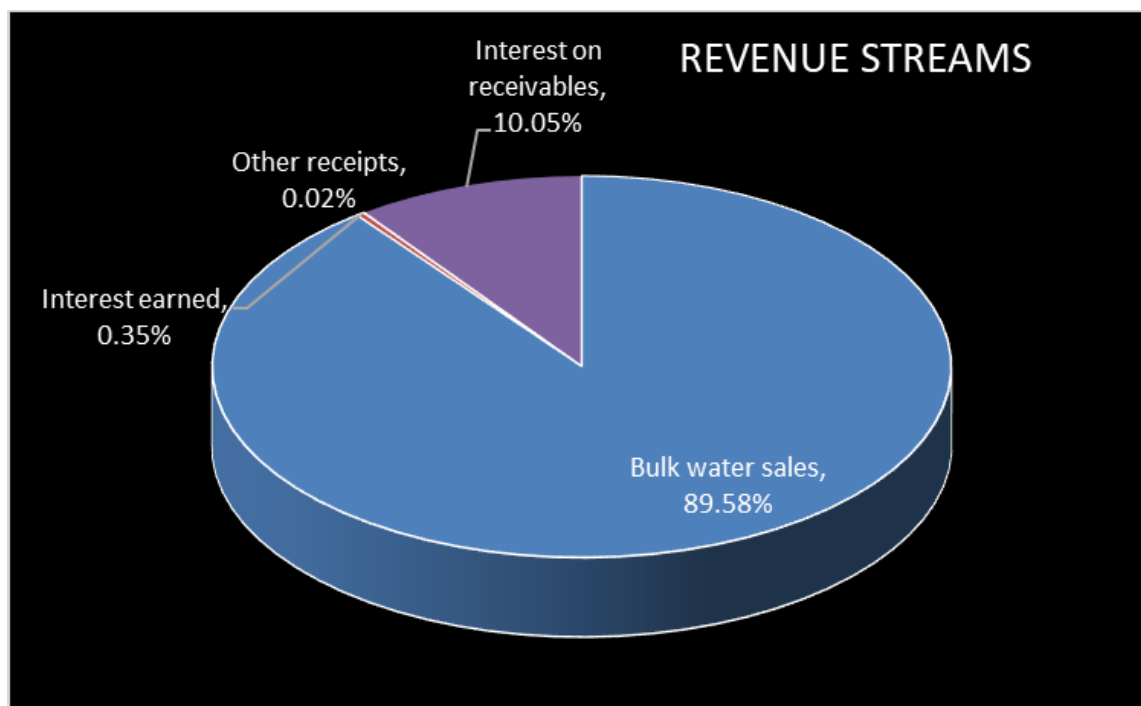


Figure 14: percentage contribution of the main company revenue streams

Cash and Investment Holding

The Company's cash and investment holding has been strained due to non-payment by the municipalities and it currently provides cover for less than 1 month of operations.

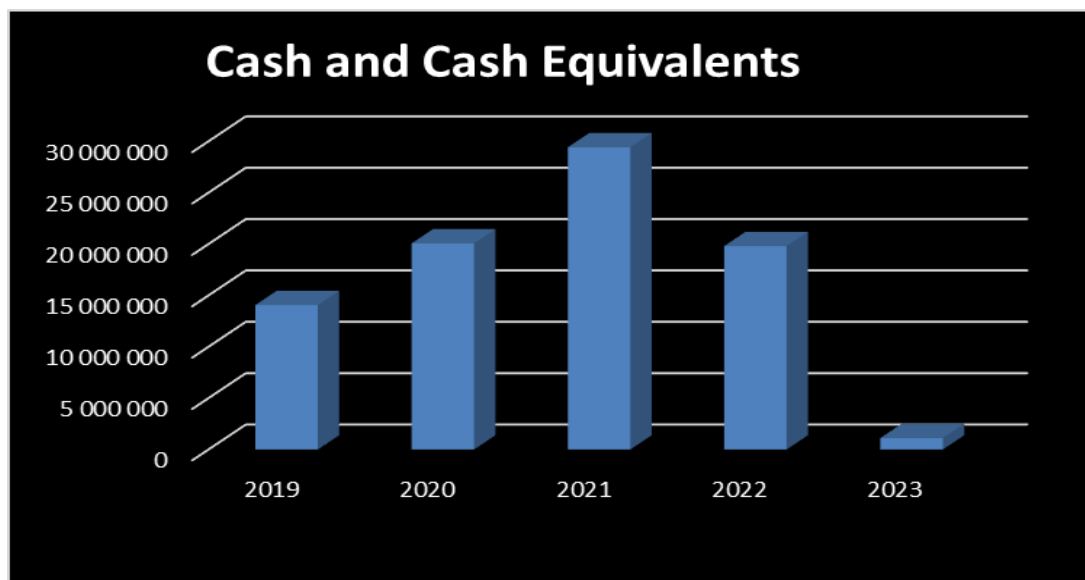


Figure 15: uThukela water cash and investment holding

Expenditure Cost Drivers

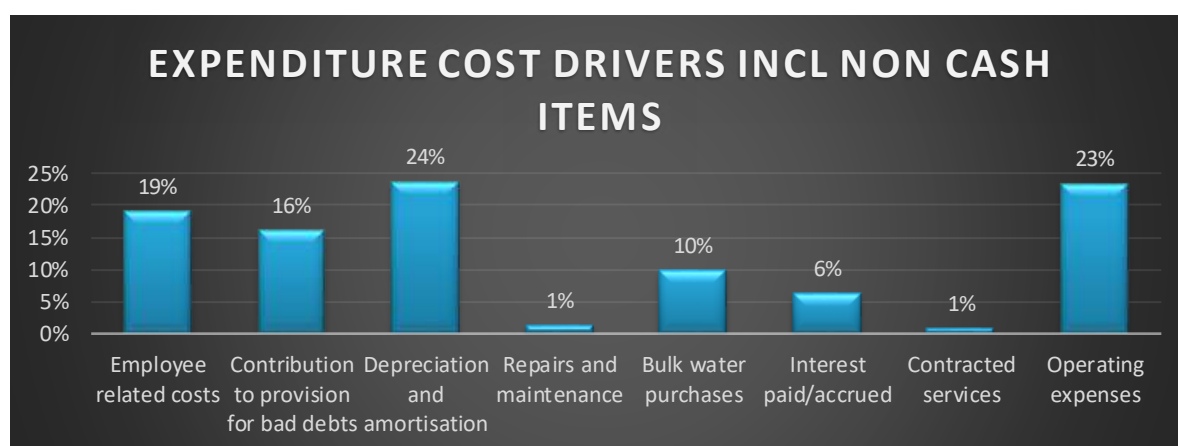


Figure 16: uThukela water expenditure cost drivers

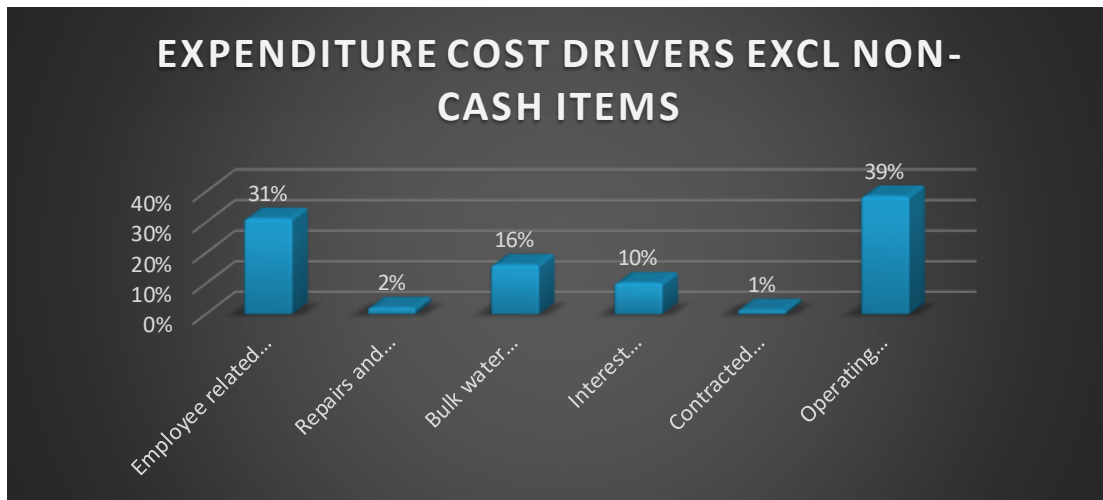


Figure 17: uThukela Water expenditure cost drivers excluding non-cash items

An analyses of expenditure cost drivers.

The main expenditure cost drivers for uThukela Water are chemicals, electricity, repairs and maintenance, employees, and bulk water purchase costs. Figure 18 and table present a summary analysis of the company's cost drivers.

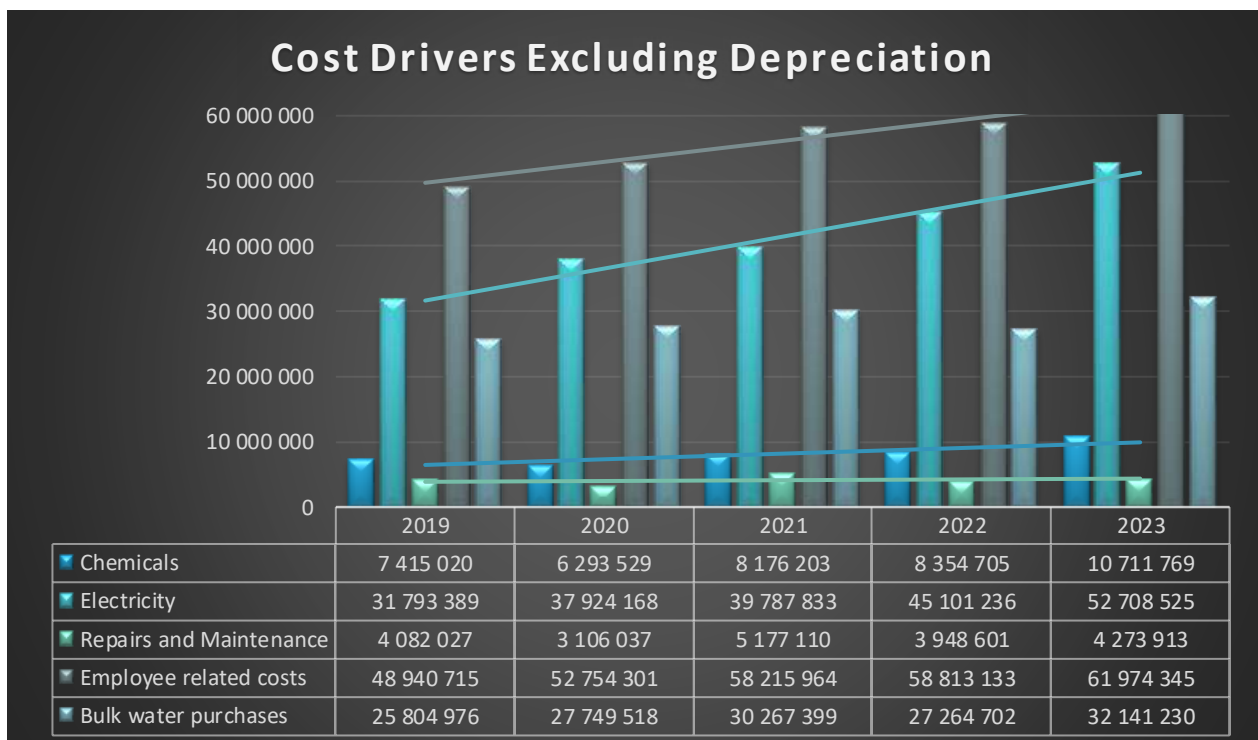


Figure 18: uThukela water cost drivers without depreciation

Table 11: An analysis of uThukela Water cost drivers

Cost Driver	Analysis
Chemical Costs	Follow the same trend over the years, except for 2022, as the bulk water volume and had increased by the inflationary rate.
Electricity Costs	Energy costs show a sharp increase in the 2021/2022 and 2022/23 FY.
Repairs and Maintenance	<p>This category shows a general upward trend after following the bulk water volume production matrix.</p> <p>The expenditure in this category should be substantially more considering the age and the deteriorating condition of the water infrastructure.</p> <p>At 1,7% of total expenditure, it should be 8% current expenditure, it should be substantially higher than what it is currently.</p> <p>Expenditure has been curtailed due to poor payments from the WSA's.</p>
Employee Related Costs	Employee related costs have shown a steady increase over the past five years.
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 always been minimal considering the bulk water demands of the region. Less than R 5 million a year, except for 2019 (R 18.6 million invested), has been invested by the Shareholder municipalities over the last five years (figure 19).

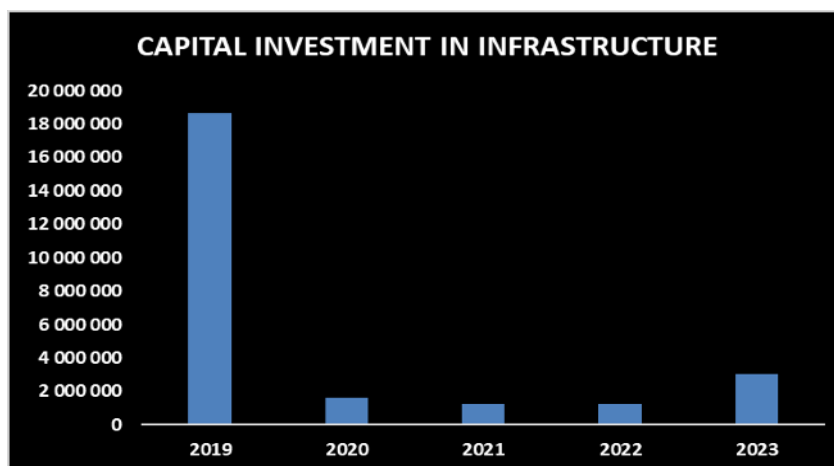


Figure 19: Capital Infrastructure Investment over five years

In order to adequately address the infrastructure challenges, the Bulk Water Master Plan envisages an investment well in excess of R 15 billion over the next 10 years. This area requires urgent attention and will be the focus of the Board going forward.

Capital Projects

As already discussed, capital has decreased dramatically over the past five years. 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 company's necessary capital refurbishments and upgrades.

The tariff capital element needs to be considered as a serious option to raise capital funding. Dependency on Government grant funding (i.e. MIG, MWIG, and the DWS) will further stifle infrastructure development. The inadequate capital investment is a high risk are for the Entity and Shareholders.

As part of the solution to this challenge, several tariff models have been proposed, including a capital levy of R 1, 00 per kilolitre. This has the potential to raise approximately R 46 million per annum.

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 identified in the bulk water master plan for short, medium to long-term implementation. One key intervention would be the construction of a new water resource and a new water treatment plant to augment the three WSA current water demands.

Funding Requirements

Along with the registration of the Company in its current form in 2004, a 30-year Strategic Plan (SP2030) was developed for the delivery of water bulk infrastructure services.

The purpose of the SP2030 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 company is very restricted in its limited institutional capacity to raise funding sources, as it is confined to the reliance on grant funding from the WSA's for its capital requirements.

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

The company faces fundamental operational and financial risks that need to be effectively managed to ensure that any negative impact on its operational and financial performance is identified, minimised, measured and effectively mitigated.

The Board has approved a risk management strategy and plan in place, and the plan is regularly updated, monitored, and managed at EMC, Audit Committee and Board level. The plan rates the risks according to the level of threats they pose to the company and outlines 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

It is concerning that the adoption of the new and revised accounting standards 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 company's accounting policies.

Despite this concern, the company's accounts are fully GRAP compliant for the 2023 financial year. The Utility has implemented the Municipal Standard Chart of Accounts (mSCOA) with effect from 2018.

Various finance and employee related policies have been developed and are reviewed by the Board on an annual basis. The Board has put in place mechanisms to monitor the implementation of the policies.

Statement of Directors' Responsibility

The Directors acknowledge their responsibility for the preparation of the annual financial statements for the year ended 30 June 2023, which in their opinion, fairly presents the results and cash flows for the financial year and the situation 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 of 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 smiles"* reflect in the report for these

reforms.

Internal control systems are designed to provide reasonable but not absolute assurance on the reliability of the AFS and to adequately safeguard, verify and maintain accountability of assets and recorded liabilities as well as detect and correct material misstatements. The systems are implemented by suitably trained personnel with appropriate segregation of authority and duties.

uThukela Water is equally serious about and supports the government's "operation clean audit" initiative. It has thus set administrative structures accordingly and has as a result achieved clean audit in the 2017/18 financial year, with unqualified audit opinions in the 2018/19, 2019/20, 2020/21 and 2021/22 financial years respectively.

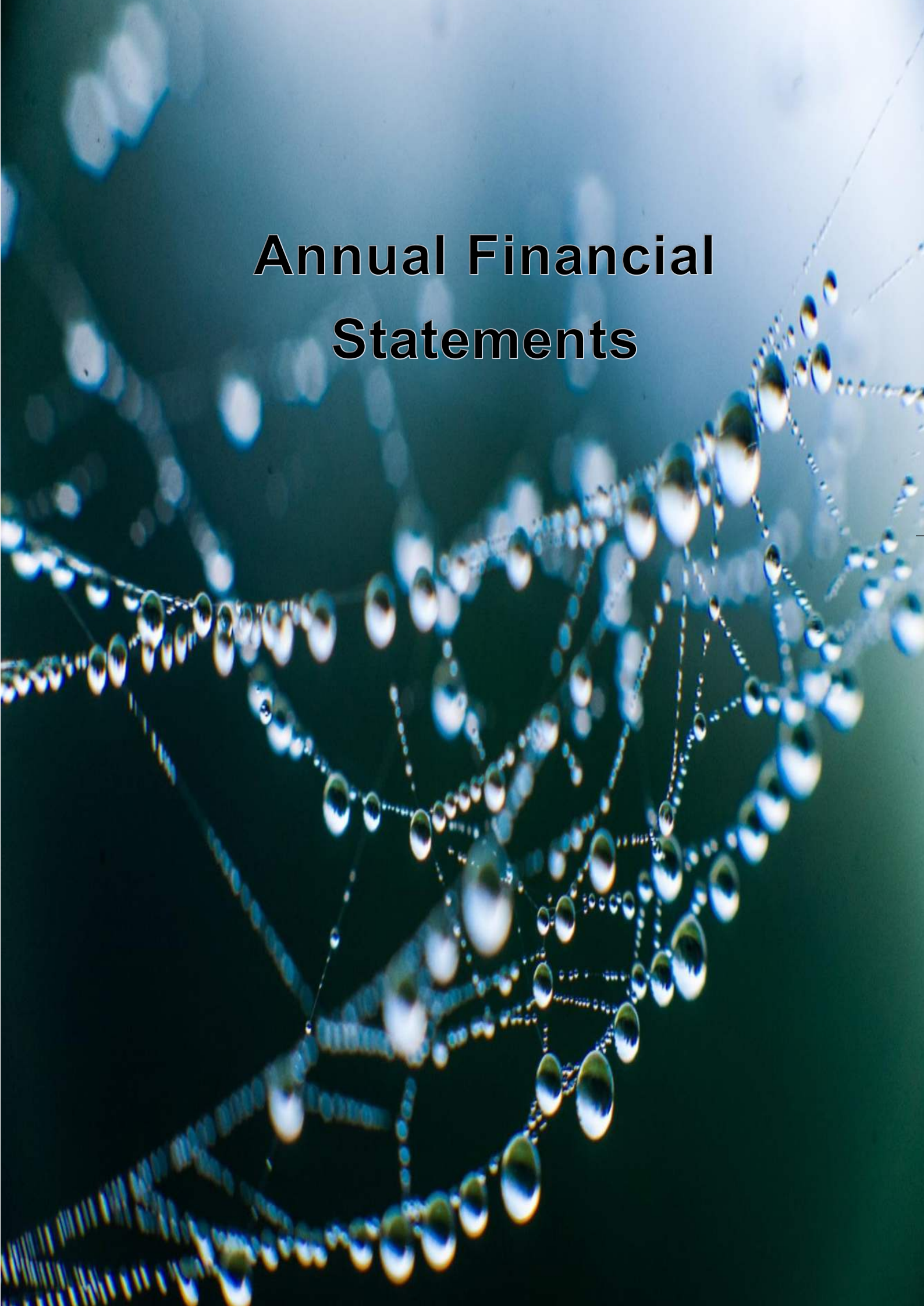
The Directors are firm in their belief that based on the information and explanations given by management, the internal auditors and the external auditors, that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the consolidated annual financial statements.

The AGSA reports on the fair representation of the AFS. Therefore, the AGSA has audited the AFS after being granted unrestricted access to all accounting and financial records and related data. The Directors believe that all representations made to the AGSA during their audit were valid, appropriate, and complete.

uThukela Water has reviewed its forecast financial performance for the year ended 30 June 2023, as well as the longer-term budget, and in the light of this review and the current financial position, they are satisfied that the company has access to adequate resources, and 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 condition that shareholder municipalities address these pressing issues: scientific tariff determination, timorous payment of accounts, full payment of raw water production costs and adequate capital infrastructure planning and funding.

Annual Financial Statements





**uthukela
water**

**UTHUKELA WATER (PTY) LTD
(REGISTRATION NUMBER 2003/029916/07)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

GENERAL INFORMATION

Province:	KwaZulu Natal
AFS rounding	SA Rand only, no cents.
Contact information	<p>Managing Director: Mr WB Nkosi</p> <p>Acting Chief Financial Officer: Mr BN Khumalo</p> <p>Telephone Number: 034 328 5000</p> <p>Email Address: pa.md@uthukelawater.co.za</p> <p>Chairperson of the Board: Dr AS Mokoena</p> <p>Telephone Number: 034 328 5000</p> <p>Email Address: alimokoena@gmail.com</p> <p>Auditor General South Africa Contact: Aruna Soopal</p> <p>Telephone: 033 264 7400</p> <p>Email Address: ArunaS@agsa.co.za</p>
Legal form of entity	<p>uThukela Water (Pty) Ltd is a Water Service Provider operating under a water services provider agreement signed with the Shareholder municipalities of: Newcastle, Umzinyathi and Amajuba, in accordance with the provisions of section 78 of the Municipal Systems Act 32 of 2000, for the purposes of providing Bulk water services to these municipalities.</p> <p>The entity operates as a Bulk water services provider to its controlling Shareholders, and performs no other functions outside the scope of the agreement between the parties.</p> <p>The entity is established by the provisions of the Municipal Systems Act 32 of 2000, Companies Act 71 of 2008 and Municipal Finance Management Act 56 of 2003.</p>
Members of the Board	<p>Dr A.S Mokoena (Chairperson of the Board)</p> <p>Mr TJ Mphela</p> <p>Mr PM Ngcobo</p> <p>Mr ME Mpungose (Appointed on the 21st April 2023)</p> <p>Mr EM Zungu (Terminated on the 07th March 2023)</p>
Auditors	Auditor General South Africa
Bankers	Standard Bank of South Africa
Registered office	<p>79 Harding Street</p> <p>Newcastle</p> <p>2940</p>
Business address	<p>79 Harding Street</p> <p>Newcastle</p> <p>2940</p>
Postal address	P O Box 729

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

GENERAL INFORMATION

	Newcastle 2940
Telephone Number	034 328 5000
Fax Number	034 326 3388

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

MANAGING DIRECTOR'S RESPONSIBILITIES AND APPROVAL

I am responsible for the preparation of these annual financial statements which are set out on the pages 5 to 58, in terms of Section 126 (2) of the Municipal Finance Management Act 56 of 2003 and the Companies Act, 71 of 2008.

These annual financial statements have been prepared on the going concern basis, and were duly approved by the board and signed on behalf of the entity by:



Mr WB Nkosi
Managing Director

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

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MANAGING DIRECTOR'S REPORT

In terms of the Municipal Systems Act 32 of 2000, as amended, and read with Companies Act 71 of 2008, as amended, the board of uThukela Water (Pty) Ltd, is the oversight and the bulk water services provider for the shareholders municipalities. The board of directors have pleasure in presenting their report for the year ended 30 June 2023.

1. Nature of business

uThukela Water (Pty) Ltd, is a multijurisdictional water entity, section 90(2) of the Municipal Systems Act 32 of 2000, 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 Water Services Act 108 of 1997.

The primary activities in terms of section 29 of the said Act are:

- a) Treatment of raw water and distribution of portable water to 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 Local Municipality

uMzinyathi District Municipality

2. Compliance with legislation

The annual financial statements are prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board. The requirements of the following relevant statutes were also taken into account when preparing the annual financial statements:

- (a) Water Services Act 108 of 1997,
- (b) Municipal Finance Management Act 56 of 2003,
- (c) Municipal Systems Act 32 of 2000,
- (d) Companies Act 71 of 2008 and
- (e) Public Audit Service Act 25 of 2004.

These acts require preparation of the financial information to be in compliance with the Companies Act 71 of 2008, as amended.

3. 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 organisations 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 organisation in as far as compliance with King IV is concerned.

The board is responsible for monitoring the risk management process in order to ensure the entity statutory compliance.

UTHUKELA WATER (PTY) LTD

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

MANAGING DIRECTOR'S REPORT

4. 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 R 100.

The authorised 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 Local 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 of 2008, as amended.

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 shareholders in their appreciation of the state of affairs of the company, were made by the company during the period covered by this report.

5. Financial performance

The company's statement of financial position reflects a net asset worth of R 298 651 753 (2022: R 396 487 592) and is made up as follows:

Share capital	R 100
Accumulated deficit	R 119 001 970
Asset revaluation reserve	R 417 653 623

The total net shareholder contributions paid to uThukela Water to date is reflected at R 147 474 696 (2022: R 157 040 888) 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 14 to the annual financial statements.

Net deficit of the entity was R 97 835 839 (2022: deficit R 92 985 232).

6. Statement of Financial Performance, June 2023

The statement of financial performance for the year under review reflects a trading deficit of R 97 835 839 for the year (2022: R 92 985 232). However, it should be noted that the deficit is mainly attributable to the raising of depreciation charges amounting to R 77 447 962 (2022: R 79 285 116), 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 and the contribution to provision for bad debts amounting to R 52 368 838 (2022: R 22 777 117). 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.

7. Statement of Financial Position, June 2023

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 and Sanitation and consequently raised by the entity, but not paid to the Department, as a result of non-payment by the shareholder municipalities.

There were no external borrowings in the year under review.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

MANAGING DIRECTOR'S REPORT

8. Capital expenditure and commitments

Capital expenditure for the year including amounts disbursed directly by the shareholders and utilised from accumulated funds and brought into account in the water services statement of financial position amounting to R 3 040 013 (2022: R 1 233 541) for property, plant and equipment. Refer to note 8 for property, plant and equipment. There were no capital commitments in the current financial year (2022: R Nil).

9. Materiality framework

Management works within the framework of acceptable levels of materiality and significance set and established by the office of the Auditor General.

10. Fruitless and wasteful expenditure

There was R151 488 334 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 31.

11. 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 32.

12. Fraud and financial misconduct

There were no instances of fraud and financial misconduct in the current financial year. Internal controls are reviewed and improved.

13. 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 on 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 under difficult and constrained circumstances.

14. Events after the reporting period

The executive management is not aware of any matter or circumstance arising since the end of the financial year.

15. Going concern

As at 30 June 2023, the entity's current liabilities exceed its current assets by 2.36:1, consequently the entity is unable to pay the Department of Water and Sanitation accounts as and when they become due. The debtor's collection date is 281 days and there is an impairment of debtors of R 210 361 048. Annually deficits have been incurred with a deficit of R 97 835 839 incurred in the current financial year. These conditions, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern in the foreseeable future.

The going concern basis has been adopted in preparing the financial statements. The executive management 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 payment plans.
- The entity continues to deliver on its mandates to its shareholders in all respects and in compliance with legislation as evidenced by good audit outcomes.
- Executive management was 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.
- Business plan, the budget, tariff model, performance management and risk assessment plans are in place and monitored and reported on regularly to the board and its shareholders.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

MANAGING DIRECTOR'S REPORT

Going concern (continued)

- The shareholders have neither the intention nor need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on pages 9 to 58, which have been prepared on the going concern basis, were approved by the board of directors.



Mr WB Nkosi
Managing Director

UTHUKELA WATER (PTY) LTD

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note(s)	2023 R	2022 Restated* R
Assets			
Current Assets			
Cash and cash equivalents	3	1 119 492	19 800 255
WSA debtors	4	-	2 026 211
Receivables from exchange transactions	5	219 900 172	169 476 289
Receivables from non-exchange transactions	5	2 860 794	2 792 641
Prepayments	6	460 516	-
Inventories	7	252 486	208 447
		224 593 460	194 303 843
Non-Current Assets			
Property, plant and equipment	8	615 619 255	689 840 770
Intangible assets	9	180 592	367 027
		615 799 847	690 207 797
Total Assets		840 393 307	884 511 640
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	10	529 433 115	475 847 632
VAT payable	11	340 809	677 416
Employee benefit obligation	12	498 514	489 000
		530 272 238	477 014 048
Non-Current Liabilities			
Employee benefit obligation	12	11 469 316	11 010 000
Total Liabilities		541 741 554	488 024 048
Net Assets		298 651 753	396 487 592
Share capital	13	100	100
Accumulated surplus	14	298 651 653	396 487 592
Total Net Assets		298 651 753	396 487 692

* See Note 30 & 54

UTHUKELA WATER (PTY) LTD

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF FINANCIAL PERFORMANCE

		2023	2022
	Note(s)	R	Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	15	205 737 971	174 372 947
Interest earned - external investments	16	812 695	858 315
Inventory adjustments	7	44 039	22 032
Interest on receivables	17	23 075 114	6 810 980
Total revenue from exchange transactions		229 669 819	182 064 274
Revenue from non-exchange transactions			
Government grants & subsidies	18	-	460 961
Other receipts	19	451 384	3 451 215
Total revenue from non-exchange transactions		451 384	3 912 176
Total revenue		230 121 203	185 976 450
Expenditure			
Employee related costs	20	(61 974 345)	(58 813 133)
Contribution to provision for bad debts	4&5	(52 368 838)	(22 777 117)
Depreciation and amortisation	21	(77 447 962)	(79 285 116)
Repairs and maintenance	22	(4 273 913)	(3 948 601)
Bulk purchases	23	(32 141 230)	(27 264 702)
Interest	24	(20 400 634)	(20 424 692)
Contracted services	25	(2 743 700)	(2 944 167)
Operating expenses	26	(76 606 420)	(63 394 154)
Loss on scrapping of assets	27	-	(110 000)
Total expenditure		(327 957 042)	(278 961 682)
Deficit for the year		(97 835 839)	(92 985 232)

* See Note 30 & 54

UTHUKELA WATER (PTY) LTD

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF CHANGES IN NET ASSETS

	Share capital	Umzinyathi	Amajuba	Newcastle	Asset Revaluation	Total reserves	Accumulated surplus / deficit	Total net assets
	R	R	R	R	R	R	R	R
Balance at 01 July 2021	100	85 251 440	6 627 604	90 053 729	567 945 140	749 877 913	(238 325 422)	511 552 591
Changes in net assets								
Correction of error	-	(6 531 186)	-	(8 788 169)	-	(15 319 355)	14 321 432	(997 923)
Fair Value Adjustment	-	-	-	-	(21 081 846)	(21 081 846)	-	(21 081 846)
Off- setting depreciation	-	(3 523 133)	(1 093 649)	(4 955 750)	(65 534 399)	(75 106 931)	75 106 931	-
Deficit for the year	-	-	-	-	-	-	(92 985 232)	(92 985 232)
Restated* Balance at 01 July 2022	100	75 197 121	5 533 955	76 309 811	481 328 895	638 369 782	(241 882 290)	396 487 592
Off- setting depreciation	-	(3 516 792)	(1 093 649)	(4 955 750)	(63 675 272)	(73 241 463)	73 241 463	-
Deficit for the year	-	-	-	-	-	-	(97 835 839)	(97 835 839)
Balance at 30 June 2023	100	71 680 329	4 440 306	71 354 061	417 653 623	565 128 319	(266 476 666)	298 651 753

* See Note 30 & 54

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

CASH FLOW STATEMENT

		2023	2022
	Note(s)	R	Restated* R
Cash flows from operating activities			
Receipts			
Sale of services (water)		127 674 994	124 059 296
Interest income		812 695	805 394
Other receipts		383 231	368 479
		128 870 920	125 233 169
Payments			
Employee costs		(61 024 553)	(58 460 587)
Suppliers		(63 086 483)	(75 076 020)
Interest		(20 400 634)	(86 850)
		(144 511 670)	(133 623 457)
Net cash flows from operating activities	29	(15 640 750)	(8 390 288)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(3 040 013)	(1 233 541)
Cash flows from financing activities			
Net increase/(decrease) in cash and cash equivalents		(18 680 763)	(9 623 829)
Cash and cash equivalents at the beginning of the year		19 800 255	29 424 084
Cash and cash equivalents at the end of the year	3	1 119 492	19 800 255

* See Note 30 & 54

UTHUKELA WATER (PTY) LTD

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	195 891 663	-	195 891 663	205 737 971	9 846 308	Note 50 (1)
Rendering of services	-	-	-	23 075 114	23 075 114	
Interest received - investment	119 642	-	119 642	812 695	693 053	Note 50 (2)
Inventory adjustment	-	-	-	44 039	44 039	Note 50 (3)
Total revenue from exchange transactions	196 011 305	-	196 011 305	229 669 819	33 658 514	
Revenue from non-exchange transactions						
Other receipts	52 250	-	52 250	451 384	399 134	Note 50 (5)
Total revenue	196 063 555	-	196 063 555	230 121 203	34 057 648	
Expenditure						
Employee costs	(67 309 889)	-	(67 309 889)	(61 974 345)	5 335 544	Note 50 (6)
Depreciation and amortisation	(1 970 151)	-	(1 970 151)	(77 447 962)	(75 477 811)	Note 50 (7)
Interest paid	-	-	-	(20 400 634)	(20 400 634)	Note 50 (8)
Lease rentals on operating lease	(1 730 891)	90 000	(1 640 891)	(1 581 560)	59 331	
Chemicals	(9 662 782)	1 700 000	(7 962 782)	(10 711 769)	(2 748 987)	Note 50 (9)
Contribution to provision for bad debts	-	-	-	(52 368 838)	(52 368 838)	Note 50 (10)
Contracted Services	(11 624 795)	(2 831 825)	(14 456 620)	(2 743 700)	11 712 920	Note 50 (11)
Bulk purchases	(29 884 685)	(2 365 020)	(32 249 705)	(32 141 230)	108 475	Note 50 (12)
Operating Expenses	(72 460 339)	3 406 846	(69 053 493)	(68 587 004)	466 489	Note 50 (13)
Total expenditure	(194 643 532)	1	(194 643 531)	(327 957 042)	(133 313 511)	
Deficit before taxation	1 420 023	1	1 420 024	(97 835 839)	(99 255 863)	
Actual Amount on Comparable Basis	1 420 023	1	1 420 024	(97 835 839)	(99 255 863)	

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised 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 judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of 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.

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.

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(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

ACCOUNTING POLICIES

1.1 Significant judgements and sources of estimation uncertainty (continued)

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 12 – Defined benefit plan..

Effective interest rate

The entity used the prime interest rate to discount future cash flows adjusted for risks specific to the related item.

Allowance for doubtful debts

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the 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 recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the company; and
- 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 through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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 at the earlier of the date that the assets are classified as held for sale and the date on which the assets are derecognised.

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

ACCOUNTING POLICIES

1.2 Property, plant and equipment (continued)

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:

Item	Average useful life
Buildings	50 years
Water Infrastructure	5 to 50 years
Motor vehicles	5 to 7 years
Office equipment	3 to 10 years
Leasehold improvements	5 years over the period of lease
Grass-cutting Equipment	7 to 10 years
Minor plant	5 to 50 years
Mobile plant	7 to 10 years
Furniture & fittings	7 to 10 years
Artwork	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 recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

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 recognised 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 recognised 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 recognised 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 derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an 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 recognised in surplus or deficit when the asset is derecognised.

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(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

ACCOUNTING POLICIES

1.3 Intangible assets (continued)

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

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

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

The amortisation charge for each period shall be recognised in surplus or deficit unless it is permitted or required to be included in the carrying amount of another asset.

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

Item	Average useful life
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 amortised 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.

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 recognised 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 recognised in surplus or deficit. Regular way purchases of financial assets are accounted for at trade date.

Subsequent measurement

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1.4 Financial instruments (continued)

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised 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.

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 recognised 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 recognised, 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 recognised.

Reversals of impairment losses are recognised 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 recognised 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 recognised 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 amortised cost.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised 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 reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised 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 recognised in surplus or deficit within operating expenses.

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.

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1.4 Financial instruments (continued)

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 amortised 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 amortised 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 amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised 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 recognised as follows

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

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 derecognised 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 derecognised using trade settlement date accounting.

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1.4 Financial Instruments (continued)

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 recognised 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 derecognised 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 recognised in surplus or deficit.

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

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

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

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

Operating leases - lessee

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

1.6 Inventories

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

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

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

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

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

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

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

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1.6 Inventories (continued)

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

1.7 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 / amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the 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 / Amortisation 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.

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 recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of 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.

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1.7 Impairment of cash-generating assets (continued)

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
- 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.

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 of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the 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
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

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

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

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

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

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

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1.7 Impairment of cash-generating assets (continued)

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 recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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

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

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

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

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

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 / amortisation.

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the 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 / Amortisation is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.8 Impairment of non-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.

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 recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the 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 optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

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

1.9 Share capital

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 recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised 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 entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

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1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected 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 end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised 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 recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised 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 recognised 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 recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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1.11 Provisions and contingencies (continued)

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

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

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognized for future operating deficits.

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

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;
- 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.

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ACCOUNTING POLICIES

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.

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 recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the 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 recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

Interest, royalties and dividends

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

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

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, 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 recognised as revenue over the period during which the service is performed.

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ACCOUNTING POLICIES

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.

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 recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

Measurement

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

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1.13 Revenue from non-exchange transactions (continued)

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

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 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 recognised as revenue in the current period is included in cost of sales.

1.15 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 capitalised do not exceed the total borrowing costs incurred.

The capitalisation 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 realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.6, 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.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation 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 capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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ACCOUNTING POLICIES

1.17 Unauthorised expenditure (continued)

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.

In terms of section 87(8) of the MFMA, a municipal entity may incur expenditure only in accordance with its approved budget or adjustment budget. Therefore, where a municipal entity overspends its budget, such expenditure will be unauthorised expenditure as the municipal entity incurred in contravention of a provision of the MFMA.

1.18 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.

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), 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.

1.20 Offsetting

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

1.21 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.

1.22 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.

1.23 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.

1.24 Related parties

A related party is a person or entity that is related to the entity.

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ACCOUNTING POLICIES

1.24 Related parties (continued)

(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).
- (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.

1.25 Financial risk management

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.

Liquidity risk

uThukela Water (Pty) Ltd manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows.

1.26 Critical accounting estimates and judgements

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.

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ACCOUNTING POLICIES

1.26 Critical accounting estimates and judgements (continued)

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.

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.

1.27 Segment Information

Segmental information in respect of property, plant and equipment is disclosed in Appendix B to the annual financial statements attached.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R	2022 R
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

There are no new standards that were issued and effective in the current year. The entity has applied all standards and interpretations that were issued by the accounting standards board that are applicable to the entity consistently with prior year.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2023	Unlikely there will be a material impact
• GRAP 103 (as revised): Heritage Assets	Date to be determined by the minister of finance	Unlikely there will be a material impact
• GRAP 25 (as revised): Employee Benefits	01 April 2023	Unlikely there will be a material impact
• IGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction	01 April 2023	Unlikely there will be a material impact
• GRAP 104 (as revised): Financial Instruments	01 April 2025	Unlikely there will be a material impact
• IGRAP 21: The Effect of Past Decisions on Materiality	01 April 2023	Unlikely there will be a material impact
• Improvements to the standards of GRAP 2021	01 April 2023	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2023	Unlikely there will be a material impact

GRAP 25 (as revised): Employee Benefits

Background

The Board received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially "misstated" over time. If the effect was considered material, retrospective adjustments were often made. This interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

This interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

IGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

The effective date of these interpretation is on 1 April 2023.

The entity expects to adopt the interpretation for the first time in the 2023/2024 financial year.

It is unlikely that the interpretation will have a material impact on the entity's financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

The amendments clarify that:

Information should not be obscured by aggregating or by providing immaterial information:

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. New standards and interpretations (continued)

- Materiality considerations apply to all parts of the financial statements; and.
- Even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on sub-totals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2025.

The entity expects to adopt the amendment for the first time in the 2024/2025 annual financial statements. The adoption of this amendment is not expected to impact on the results of the entity, but may result in more disclosure than currently provided in the financial statements.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 784	10 707
Bank balances	1 058 337	1 047 061
Short-term deposits	54 371	18 742 487
	1 119 492	19 800 255

uThukela Water (Pty) Ltd has the following bank accounts:

The entity had the following bank accounts

Account Number - Bank -Account Description	Bank statement balances			Cash book balances		
	30 June 2023	30 June 2022	30 June 2021	30 June 2023	30 June 2022	30 June 2021
4059636838 - Absa	215 380	113 561	145 247	215 380	113 561	145 247
061938939 - Standard Bank - Primary Current Account	842 957	933 500	923 807	842 957	933 500	923 807
268586055-020 - Standard Notice Deposit	-	13 194 786	17 271 106	-	13 194 786	17 271 106
268586055-002 - Standard Call Account	44 056	5 038 520	10 533 309	44 056	5 038 520	10 533 309
92 5753 8348 - Absa - Deposit	10 315	509 182	536 862	10 315	509 182	536 862
Petty cash	-	-	-	6 784	10 707	13 754
Total	1 112 708	19 789 549	29 410 331	1 119 492	19 800 256	29 424 085

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	2023 R	2022 R
4. WSA Debtors		
Gross balances		
Asset funding	348 951	324 745
Revenue funding	90 989 091	84 781 815
	91 338 042	85 106 560

The asset funding debtor arises from funding the WSA's have received in the form of grants which should then be transferred to the entity to expend on it's assets. See note 48.

The revenue funding debtors arose when the entity was carrying out the reticulation function for the WSA's [prior to 1st July 2013] and the WSA's did not fully pay the entity for the amounts billed to them.

Less: Provision for doubtful debts

Asset funding	(348 951)	-
Revenue funding	(90 989 091)	(83 080 349)
	(91 338 042)	(83 080 349)
Net balance		
Asset funding	-	324 745
Revenue funding	-	1 701 466
	-	2 026 211

5. Receivables

Gross balances

Water	247 615	213 977
Bulk	294 549 914	197 568 767
Deposits and other debtors	4 028 563	3 879 503
Creditors Invoices Vat Raised - Not Yet Claimed	42 957 880	40 181 368
	341 783 972	241 843 615

Less: Provision for doubtful debts

Water	(31 066)	(20 078)
Bulk	(117 824 171)	(68 467 744)
Deposits and other debtors	(1 167 769)	(1 086 862)
	(119 023 006)	(69 574 684)

Net balance

Water	216 549	193 898
Bulk	176 725 743	129 101 023
Deposits and other debtors	2 860 794	2 792 640
Creditors Invoices Vat Raised - Not Yet Claimed	42 957 880	40 181 368
	222 760 966	172 268 929

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	2023 R	2022 R
5. Receivables (continued)		
Included in above is receivables from exchange transactions		
Water	247 615	213 977
Bulk	294 549 914	197 568 767
	294 797 529	197 782 744
Included in above is receivables from non exchange transactions		
Deposits with suppliers	2 850 994	2 728 655
Other debtors	1 177 569	1 150 848
	4 028 563	3 879 503
Water		
Current (0 - 30 days)	178 825	165 616
31 - 60 days	2 717	1 632
61 - 90 days	2 220	9
91 days and over	63 853	46 720
	247 615	213 977
Bulk		
Current (0 - 30 days)	21 663 757	18 519 467
31 - 60 days	6 060 742	5 394 642
61 - 90 days	36 130 487	5 185 273
91 - 120 days	5 911 002	4 870 033
121 days and over	224 783 926	163 599 352
	294 549 914	197 568 767
6. Prepayments		
Software licences	460 516	-

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	2023 R	2022 R
7. Inventories		
Water	252 486	208 447

Inventories are measured at the cost of production and subsequent net realisable value utilising the cost of production, and represents the fair value of the inventory at 30 June 2023.

The total carrying amount of inventory in classification appropriate to the Entity is:

Potable; 52.6 MI at R 4.45 per KI and Raw water; 26.93 MI at R0,7682 and 4.03 MI at R0.03383 per kl.

Inventories recognised as an expense during the year	(44 039)	(22 032)
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The entity has prepared the Statement of Financial Performance in line with paragraph 50 of GRAP 12, and has adopted a format for surplus or deficit that results in amounts being disclosed other than the cost of inventories recognised as an expense during the period. Under this format, the entity presented an analysis of expenses using a classification based on the nature of expenses. In this case, the entity disclosed the costs recognised as an expense for raw materials and consumables, labour costs, technical water losses and other costs together with the amount of the net change in inventories for the period.

The entity has chosen this method of presenting the Statement of Financial Performance as the sole function of the entity is the supply of bulk water to municipalities and very limited private consumers. As a result all costs incurred in the entity are directly related to this function.

Furthermore, the entity has calculated the net realisable value (NRV) of inventory at R400 732. As inventory is measured at the lower of cost and NRV, this represents the maximum possible value of inventory

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Figures in Rand

8. Property, plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	38 605 114	(20 733 568)	17 871 546	38 605 114	(19 551 028)	19 054 086
Water Infrastructure	1 301 803 922	(727 020 737)	574 783 185	1 301 803 922	(656 937 552)	644 866 370
Vehicles	5 489 827	(4 844 555)	645 272	5 489 827	(4 466 627)	1 023 200
Plant and Equipment	72 589 697	(51 128 166)	21 461 531	70 026 037	(45 958 037)	24 068 000
Furniture, Equipment and Fittings	4 411 021	(3 553 300)	857 721	4 044 668	(3 215 554)	829 114
Total	1 422 899 581	(807 280 326)	615 619 255	1 419 969 568	(730 128 798)	689 840 770

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Depreciation	Total
Buildings	19 054 086	-	(1 182 540)	17 871 546
Water Infrastructure	644 866 370	-	(70 083 185)	574 783 185
Vehicles	1 023 200	-	(377 928)	645 272
Plant and Equipment	24 068 000	2 644 860	(5 251 329)	21 461 531
Furniture, Equipment and Fittings	829 114	395 153	(366 546)	857 721
	689 840 770	3 040 013	(77 261 528)	615 619 255

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Revaluations	Depreciation	Write off	Total
Buildings	44 046 664	-	(22 465 468)	(2 527 110)	-	19 054 086
Water Infrastructure	713 461 472	-	1 383 623	(69 978 725)	-	644 866 370
Vehicles	1 593 860	-	-	(570 660)	-	1 023 200
Plant and Equipment	28 533 602	1 114 382	-	(5 469 984)	(110 000)	24 068 000
Furniture, Equipment and Fittings	1 085 738	119 159	-	(375 783)	-	829 114
	788 721 336	1 233 541	(21 081 845)	(78 922 262)	(110 000)	689 840 770

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS**Figures in Rand****9. Intangible assets**

	2023			2022		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	5 014 600	(4 834 008)	180 592	5 014 600	(4 647 573)	367 027

Reconciliation of intangible assets - 2023

	Opening balance	Amortisation	Total
Computer software, other	367 027	(186 435)	180 592

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Computer software, other	729 881	(362 854)	367 027

10. Trade and other payables from exchange transactions

Trade creditors	499 777 993	451 083 539
Leave pay accrual	7 185 253	6 760 691
Consumer debtors - payments received in advanced	8 342	13 732
Other creditors	684 171	297 321
Unallocated receipts	1 356	30 740
Bonus provision	1 473 584	1 417 184
Debtors Vat Raised - Not Yet Due	20 302 416	16 244 425
	529 433 115	475 847 632

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	2023 R	2022 R
11. VAT payable		
VAT payable	340 609	677 416

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.

12. Defined benefit plan

Non-current

Long Service Awards	2 733 481	2 709 000
Post-employment medical benefits	8 735 835	8 301 000
	11 469 316	11 010 000

Current

Long Service Awards	209 468	221 000
Post-employment medical benefits	289 046	268 000
	498 514	489 000

Total Provisions	11 967 830	11 499 000
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Long Service Awards

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 2019/06/30	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30	Year ending 2023/06/30
Opening Accrued Liability	2 529 666	2 574 007	2 205 463	2 842 330	2 930 000
Current Service Cost	302 466	223 878	190 067	234 000	259 000
Interest Cost	204 355	167 481	147 337	216 000	291 000
Benefit payments	(276 618)	49 225	476 567	(297 000)	(221 000)
Past Service Cost	(185 862)	(809 128)	(177 104)	(65 000)	(316 051)
Closing Accrued Liability	2 574 007	2 205 463	2 842 330	2 930 330	2 942 949

Net expense recognised in the statement of financial performance

Current service cost	259 000	234 000
Past service cost	291 000	216 000
Interest cost	(221 000)	(297 000)
Actuarial gains	(316 051)	(65 000)
Closing Accrued Liability	12 949	88 000

Post-employment medical benefits

Medical Scheme Arrangements

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.

Membership Eligibility

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.

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12. Defined benefit plan (continued)

Contribution Rate Structure

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.

Subsidy Policy

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:

Post-employment medical benefits

An actuarial valuation of the future liability for this benefit has been undertaken by an independent firm of Actuaries with the following result:

	Year ending 2019/06/30	Year ending 2020/06/30	Year ending 2021/06/30	Year ending 2022/06/30	Year ending 2023/06/30
Opening Accrued Liability	8 396 642	8 673 753	8 070 742	9 689 000	8 569 000
Current-service Cost	501 915	349 858	327 067	421 000	415 000
Interest Cost	796 911	914 049	1 024 804	1 079 000	1 098 000
Benefit payments	(248 407)	(246 507)	(277 645)	(270 000)	(268 000)
Actuarial Loss / (Gain)	(773 308)	(1 620 411)	543 623	(2 350 000)	(789 119)
Closing Accrued Liability	8 673 753	8 070 742	9 688 591	8 569 000	9 024 881

Net expense recognised in the statement of financial performance

Current-service cost	415 000	421 000
Interest	1 098 000	1 079 000
Benefits paid	(268 000)	(270 000)
Actuarial gains	(789 119)	(2 350 000)
	455 881	(1 120 000)

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12. Defined benefit plan (continued)		
Long Service Awards		
Key financial assumptions		
uThukela Water offers employees LSA for every five years of service completed, starting from five years of service calculated as follows:		
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 the 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:		
Discount rates used	10,04 %	10,52 %
Salary increase rate	4,37 %	4,90 %
Net effective discount rate	3,71 %	2,12 %
Average retirement age		
Male	63	63
Female	58	58
Post-employment medical benefits		
Key financial assumptions		
Discount rates used	13,51 %	13,02 %
Health care cost inflation rate	9,50 %	10,02 %
Net effective discount rate	3,66 %	2,73 %
Average retirement age		
Male	63	63
Female	58	58
Proportion continuing membership at retirement	100,00 %	100,00 %
Proportion of retiring members who are married	100,00 %	100,00 %
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
In service members withdrawing before retirement		
Age 20	24 %	12 %
Age 30	15 %	5 %
Age 40	6%	3%
Age 50	2%	1%
Age 55+	1%	1%

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13. Share capital		
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.

14. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2023

	Surplus (deficit)	Asset Revaluation Reserve	Total
Balance Beginning Year - Surplus(Deficit)	(84 841 403)	481 328 895	396 487 492
Surplus/(Deficit) for year	(97 835 839)	-	(97 835 839)
Off Setting Depreciation /Partners Cont/Reval Reserve	63 675 272	(63 675 272)	-
	(119 001 970)	417 653 623	298 651 653

Ring-fenced internal funds and reserves within accumulated surplus - 2022

	Surplus (deficit)	Asset Revaluation Reserve	Total
Balance Beginning Year - Surplus(Deficit)	(56 392 746)	567 945 140	511 552 394
Surplus/(Deficit) for year	(92 985 232)	-	(92 985 232)
Off Setting Depreciation /Partners Cont/Reval Reserve	64 536 575	(86 616 245)	(22 079 670)
	(84 841 403)	481 328 895	396 487 492

2023

Shareholder Contributions - Projects

	Total
Umzinyathi District Municipality	71 680 329
Amajuba District Municipality	4 440 306
Newcastle Municipality	71 354 061
	147 474 696

2022

Shareholder Contributions - Projects

	Total
Umzinyathi District Municipality	75 197 122
Amajuba District Municipality	5 533 955
Newcastle Municipality	76 309 811
	157 040 888

15. Service charges

Sale of water	205 737 971	174 372 947
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16. Interest earned - external investments

Bank	690 356	771 465
Deposits made with suppliers	122 339	86 850
	812 695	858 315

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17. Interest on receivables		
Interest on WSA debtors	6 231 482	2 026 211
Interest on water	4 966	1 523
Interest on bulk	16 757 639	4 756 066
Interest on other debtors	81 027	27 180
	23 075 114	6 810 980

18. Government grants & subsidies

Newcastle	-	388 455
Umzinyathi	-	72 506
	-	460 961

19. Other receipts

Rent	244 973	225 746
Other income	206 411	3 225 469
	451 384	3 451 215

20. Employee related costs

Salaries and Wages	38 245 840	37 341 054
Medical, Pension and Provident Fund	9 117 355	7 424 338
Leave pay	1 125 271	1 779 203
Bonuses	4 353 555	4 107 883
Housing benefits and allowances	2 485 074	2 649 129
Overtime payments	5 538 219	4 515 641
Other	1 109 031	995 885
	61 974 345	58 813 133

Included in employee related costs are the following:

Remuneration of managing director**01-10-2022 to 30-06-2023**

Annual Remuneration	1 864 380	1 505 595
Travel, motor car, accommodation, subsistence and other allowances	249 544	110 222
Contributions to UIF, Medical and Pension Funds	1 594	246 237
	2 115 518	1 862 054

Remuneration of managing director**01-07-2022 to 16-09-2022**

Annual Remuneration	557 301	-
Travel, motor car, accommodation, subsistence and other allowances	51 997	-
Contributions to UIF, Medical and Pension Funds	71 121	-
	680 419	-

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	2023 R	2022 R
20. Employee related costs (continued)		
Chief finance officer		
Annual Remuneration	168 299	200 402
	168 299	200 402
Heads of departments		
Operations/Engineering		
Annual Remuneration	209 995	199 797
	209 995	199 797
Human Resources Manager		
Annual Remuneration	1 786 397	1 655 605
Travel, motor car, accommodation, subsistence and other allowances	126 286	144 318
Contributions to UIF, Medical and Pension Funds	304 723	289 284
	2 217 406	2 089 207
Remuneration of directors		
Chairman	734 369	58 500
Other board members	596 428	192 000
	1 330 797	250 500
21. Depreciation and amortisation		
Property, plant and equipment	77 261 527	78 922 262
Intangible assets	186 435	362 854
	77 447 962	79 285 116
22. Repairs and maintenance		
Maintenance of plant and equipment	218 864	531 169
Maintenance motor vehicles	368 625	278 022
Maintenance of infrastructure assets	3 686 424	3 139 410
	4 273 913	3 948 601
The amounts reflected for the respective financial years indicate the amounts spent by the entity to repair and maintain property, plant and equipment, and include costs of maintenance, preservation, monitoring, repair, refurbishment, renovation, materials, service provider and if applicable direct employee costs.		
23. Bulk purchases		
Water	26 702 378	22 318 969
Water services and management levy	5 438 852	4 945 733
	32 141 230	27 264 702
24. Interest		
Overdue accounts	20 400 634	20 424 692

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	2023 R	2022 R
25. Contracted services		
Professional fees and consultant costs	2 531 114	2 711 804
Legal expenses	212 586	232 363
	2 743 700	2 944 167
26. Operating expenses		
Advertising	142 403	39 892
Bank charges	81 842	83 087
Board meeting and Chairman's discretionary	1 465 832	321 978
Chemicals	10 711 769	8 354 705
Communications costs	970 965	1 120 835
Conferences and seminars	1 595	32 078
Consumables and stores	282 972	103 517
Covid-19 expenses	3 080	41 780
Electricity	52 708 825	45 101 236
Fuel and oil	2 692 467	1 022 292
Insurance	873 214	825 279
Licensing of Motor Vehicles and Trailers	92 254	111 088
Membership fees	13 435	24 484
Municipal services	205 874	234 447
Postage and courier services	5 712	6 230
Printing and stationery	141 228	145 643
Protective clothing	283 720	205 991
Rental	1 581 560	1 412 970
Safety and security	1 165 071	702 217
Scada and telemetric costs	109 810	186 753
Software Licenses	275 972	802 074
Staff Emergency Rations	12 661	5 754
Staff and other meeting costs	1 209	667
Staff recruitment and relocation costs	55 952	18 159
Subsistence and travel	197 794	237 941
Tools and equipment	7 345	52 815
Training	322 064	269 245
Water analysis	2 199 795	1 930 997
	76 606 420	63 394 154
27. Loss on scrapping of assets		
Property, plant and equipment	-	110 000
28. Taxation		

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 of 1962.

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	2023 R	2022 R
29. Cash used in operations		
Deficit for the year	(97 835 839)	(92 985 232)
Adjustments for:		
Depreciation and amortisation	77 447 962	79 285 116
Scrapping of assets	-	110 000
Contribution to staff benefits provision	468 830	(1 031 922)
Other non-cash items	-	(997 921)
Changes in working capital:		
Inventories	(44 039)	(22 032)
Receivables	(50 423 883)	(31 978 631)
Consumer debtors	2 026 211	(1 843 073)
Other receivables from non-exchange transactions	(68 153)	(139 591)
Prepayments	(460 516)	-
Trade and other payables from exchange transactions	53 585 484	40 376 453
VAT	(336 807)	1 297 506
Unspent conditional grants and receipts	-	(460 961)
	(15 640 750)	(8 390 288)

30. Changes in accounting policy

No change in accounting policies during the year.

31. Fruitless and wasteful expenditure

Opening balance as previously reported	131 087 700	110 706 715
Add: Fruitless and wasteful expenditure identified - current	20 400 634	20 380 985
Closing balance	151 488 334	131 087 700

R 151 451 149 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.

32. Irregular expenditure

Opening balance as previously reported	71 084 443	66 983 560
Irregular Expenditure - (Non-compliance with laws and regulations) - prior year	12 648 871	2 868 985
Add: Irregular Expenditure - (Overspending of approved budget) - prior period - Cash Items	14 072 570	-
Add: Irregular Expenditure - (Overspending of approved budget) - prior period - Non Cash Items	214 372 352	-
Opening balance as restated	312 178 236	69 852 545
Add: Irregular Expenditure - (Non-compliance with laws and regulations) - current	2 813 214	1 231 898
Add: Irregular Expenditure - (Overspending of approved budget) - current - Cash Items	5 466 862	-
Add: Irregular Expenditure - (Overspending of approved budget) - current - Non Cash Items	127 846 649	-
Closing balance	448 304 961	71 084 443

Irregular expenditure is presented inclusive of VAT

Incidents/cases identified/reported in the current year include those listed below:

Competitive bidding not invited	17 633 977	1 044 369
False declaration of Interest	8 680	161 334
Non compliance with local content	1 361	26 195
Over-expenditure of approved budget - current	133 313 511	-
Over-expenditure of approved budget - prior period	228 444 922	-
Correction of prior period	-	2 868 985
	379 402 451	4 100 883

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	2023 R	2022 R
33. Audit fees		
Audit fees paid during the year	1 697 233	1 773 069
34. PAYE		
Opening Balance	-	-
Current year payroll deductions	12 349 130	11 913 025
Amount paid - current year	(11 372 332)	(11 913 025)
Balance unpaid at year end included in creditors	976 798	-
35. UIF		
Opening Balance	-	-
Current year payroll deductions	353 679	363 713
Amount paid - current year	(324 882)	(363 713)
Balance unpaid at year end included in creditors	28 797	-
36. Medical aid		
Opening Balance	-	-
Current year payroll deductions	3 877 041	3 615 912
Amount paid - current year	(3 877 041)	(3 615 912)
Balance unpaid at year end included in creditors	-	-
37. Pension and provident fund contributions		
Current year payroll deductions	9 277 451	9 361 824
Amount paid - current year	(8 498 593)	(9 361 824)
Balance unpaid at year end included in creditors	778 858	-
38. Operating leases		
At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:		
Operating leases - lessee		
- within one year	(1 882 499)	(1 562 683)
- in second to fifth year inclusive	(154 828)	(158 429)
- later than five years	-	-
Present value of minimum lease payments	(2 037 327)	(1 721 112)

The entity has entered into lease agreement with Carde Properties (Pty) Ltd for the occupation of premises and ITEC Tiyende (Pty) Ltd for printers. The lease runs on an extension basis for further two years and escalates at 5% annually. The printing contract has a eight months. The entity has extended the lease agreement with Carde Properties post year end.

39. Retirement plans

Defined contribution plans

During the year contributions were made to the following are defined contribution plans: Natal Joint Municipal Pension Fund - Provident Funds. These contributions have been expensed.

Defined benefit plan

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39. Retirement plans (continued)

The following are defined benefit plans: Natal Joint Municipal Pension Funds - Superannuation and Retirement funds. 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.

Employees retirement funding

An amount of R6 276 994 (2022 : R6 323 878) 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.

40. Contingent liability

A notice of motion was received from Mr. EM Zungu, a former board member, challenging his removal as a non-executive director of the entity and seeking to be reinstated as a non-executive director in the Board of Directors of the entity. The entity then replied in an answering affidavit disputing his assertions. To this end, Mr. EM Zungu did not file an answering affidavit in response to the entity's affidavit. Legal advice obtained indicates that the Mr. Zungu is out of time for filing of his replying affidavit as he has failed to file the affidavit within the prescribed time period. He has also not set the case down. Therefore, the case is dormant. However, the entity notes that at a later stage the law allows Mr. Zungu to elect to apply for condonation for late filing of his answering affidavit and even to have the matter sat down.

41. Contingent asset

There were no significant matters to report on (2022: R Nil).

42. In-kind donations and assistance

The Entity received no in-kind donations and assistance.

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43. Related parties		
The nature of the relationship between the company and its shareholders, namely: the Water Service Authorities (Umzinyathi District Municipality, Amajuba District Municipality and Newcastle Local Municipality) is such that any transactions between the parties are related party transactions. Specific categories of such transactions includes:		
Related party balances		
Revenue Received		
Bulk Water Services		
Umzinyathi District Municipality	32 771 997	24 190 504
Amajuba District Municipality	22 549 107	20 503 745
Newcastle Municipality	171 741 513	134 830 885
	227 062 617	179 525 134
Year End Balances		
Assets Funding		
Umzinyathi District Municipality	348 951	324 745
Less: Provision for Doubtful Debt	(348 951)	(316 676)
	-	8 069
Bulk Water Services		
Umzinyathi District Municipality	55 313 835	27 358 614
Amajuba District Municipality	25 199 599	13 573 044
Newcastle Municipality	214 036 480	156 637 109
Less: Provision for Doubtful Debt	(117 824 171)	(68 467 744)
	176 725 743	129 101 023
Revenue Funding		
Umzinyathi District Municipality	70 583 173	65 768 818
Amajuba District Municipality	20 405 918	19 012 997
Less: Provision for Doubtful Debt	(90 989 091)	(82 763 673)
	-	2 018 143
Sundry (mSCOA System)		
Umzinyathi District Municipality	210 801	196 178
Amajuba District Municipality	753 932	701 633
Newcastle Municipality	(964 732)	(875 503)
	-	22 307

Related party transactions

Key Management Personnel

[Refer to Note 20]

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.

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43. Related parties (continued)

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, 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 followed by three further extensions of 3 months each 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. Mr Cunha terminated his services in August 2021.

No guarantees are given or provided for in the agreements except for the performance objectives required by the board.

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 2023.

Payments made for contracted services	-	355 777
Payments for rental accommodation	-	6 325
	-	362 102

44. Events after the reporting date

No events after the reporting date noted.

45. Deviations from SCM regulations (SCM regulation number 36)

Emergency procurement	584 447	874 376
Impractical to follow supply chain processes	1 475 653	1 308 666
Sole supplier	2 240 805	3 505 598
Section 16 and 17 acquisitions	1 108 856	435 678
	5 409 761	6 124 318

Supply chain deviations from SCM policy listed above were in terms of section 36 of the entity 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.

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46. Risk Management

Liquidity risk

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. The entity manages liquidity risk through ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash and cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise of the three municipalities (Amajuba District Municipality, Newcastle Local Municipality and uMzinyathi District Municipality) and other private customers. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer taking into account its financial position, past experience and other factors.

Interest rate risk

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.

Financial instruments

Financial liabilities		
Trade and other payables	529 433 015	475 847 632
Current portion of staff benefit obligation	498 514	489 000
	529 931 529	476 336 632

Financial assets exposed to credit risk at year end were as follows:

Financial assets		
Cash and cash equivalents	1 119 492	19 800 255
WSA debtors	-	2 026 211
Trade and other receivables from exchange transactions	176 942 292	129 294 921
Other receivables from non-exchange transaction	2 860 794	2 792 640
Prepayments	460 516	-
	181 383 094	153 914 027
Total other financial assets	711 314 623	630 250 659

47. Bulk water losses

Bulk water losses for the year is stated after accounting for the following (amounts below are in kilolitres):

Water stock

Opening balance treated water	48	47
Opening balance raw water	31	31
Raw water purchases Amajuba and Newcastle	48 806	47 153
Treated water sales	46 256	43 873
Process water in system	857	361
Technical water loss	1 688	2 918
Closing water stock	84	79

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R	2022 R
47. Bulk water losses (continued)		
Water losses		
Opening Stock Raw	31	31
Opening stock Treated	48	47
Units purchased - Newcastle and Amajuba	42 352	40 960
Units purchased - Umzinyathi	6 454	6 193
Total units purchased	48 885	47 231
Units sold	46 256	43 873
Unsold process water in system	857	361
Closing Stock	84	79
Total loss	1 688	2 918
Comprising of		
Technical losses	1 688	2 918
Total loss	1 688	2 918
Amounts below are presented in rands		
Water losses		
Opening Stock Raw	20 485	20 286
Opening stock Treated	31 718	184 240
Units purchased - Newcastle and Amajuba	27 986 403	22 326 899
Units purchased - Umzinyathi	4 264 803	-
Total units purchased	32 303 410	22 531 426
Units sold	30 565 965	171 982 160
Unsold process water in system	566 306	1 415 120
Closing Stock	55 507	-
Total loss	1 115 632	1 909 539
Comprising of		
Technical losses	1 115 632	1 909 539
Total	1 115 632	1 909 539
Percentage loss	%	%
Technical losses	3,45%	6,18%

48. Transfer of grants and other funding to the entity to implement capital projects on behalf of municipalities

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.

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R	2022 R
49. Commitments		
There were no capital commitments in the current financial year		
50. Budget differences		
Material differences between budget and actual amounts		
1. Service charges		
Increase in water demand from the WSA's.		
2. Interest received - investment		
Conservative budget provided for Interest income due to uncertainty of payments from WSA's.		
3. Inventory adjustment		
Annual adjustment not budgeted for.		
4. Interest on receivables		
Not budgeted for as WSA's do not approve interest raised on receivables.		
5. Other receipts		
Other receipts are irregular receipts dependant partially on laboratory services requested by customer's.		
6. Employee related costs		
Staff vacancies not filled. Especially senior positions such as CFO and Director Operations.		
7. Depreciation and amortisation		
Only a portion of depreciation is budgeted annually.		
8. Interest paid		
Not Budgeted For.		
9. Chemicals		
Water demand from WSA's increased therefore more expenditure on chemicals. Quality of raw water also had an impact on chemicals.		
10. Contribution to provision for bad debts		
WSA's do not approve budgets for non-cash items.		
11. Contracted services		
Due to cash flow constraints normal expenditure did not occur.		
12. Bulk water purchases		
Water demand from WSA's increased resulting in more bulk water purchases.		
13. Operating expenses		
Mainly due to increase diesel costs to run generators during load shedding,		

UTHUKELA WATER (PTY) LTD

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2023 R	2022 R
51. Segmental analysis		
The entity only has one segment which is the provision of Bulk Water Services.		
52. Change in estimate		
Property, plant and equipment		
GRAP 17: Property, plant and equipment requires that the review of the remaining useful life of an item of property, plant and equipment be conducted at least at each reporting period. The entity performed this review as at 30 June 2023 and the following results were achieved:		
Based on the condition assessment and utilisation of assets ascertained during the physical verification exercise, the remaining useful lives of assets were reviewed. The impact of the adjustment is that depreciation charges on property, plant and equipment decreased by R879 122. Refer to the below break down:		
Depreciation before the review of useful life		(78 140 649)
Depreciation after the review of useful life		77 261 527
		(879 122)

53. Going concern

As at 30 June 2023, the entity's current liabilities exceed its current assets by 2.36:1, consequently the entity is unable to pay the Department of Water and Sanitation accounts as and when they become due. The debtor's collection date is 281 days and there is an impairment of debtors of R 210 361 048. Annually deficits have been incurred with a deficit of R 97 835 839 incurred in the current financial year. These conditions, indicate the existence of a material uncertainty that may cast significant doubt on the entity's ability to operate as a going concern in the foreseeable future.

The going concern basis has been adopted in preparing the financial statements. The executive management 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 payment plans.
- The entity continues to deliver on its mandates to its shareholders in all respects and in compliance with legislation as evidenced by good audit outcomes.
- Executive management was 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.
- Business plan, the budget, tariff model, performance management and risk assessment plans are in place and monitored and reported on regularly to the board and its shareholders.
- The shareholders have neither the intention nor need to liquidate or curtail materially the scale of the entity.

54. Prior period errors

Creditors Invoices Vat Raised - Not Yet Claimed was previously presented as VAT receivable, now is being reclassified to the receivables from exchange transactions.

Debtors Vat Raised - Not Yet Due was previously presented as VAT receivable, now is being reclassified to the payable from exchange transactions.

Inventory adjustment (surplus) was previously presented as an expenditure, now is being reclassified to the income section.

Unspent Grants – Was previously presented as a current liability. Now is being reclassified as revenue as the projects for which the funds were received were completed in prior years.

UTHUKELA WATER (PTY) LTD

(REGISTRATION NUMBER 2003/029916/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

	2023 R	2022 R
54. Prior period errors (continued)		
Payables Adjustment – The Department of Water and Sanitation outstanding balances were amended to include all accounts in the entity's name.		
The correction of the error(s) results in adjustments as follows:		
Statement of financial position		
VAT receivable		
Balance previously reported	-	23 225 809
Reclassification to receivables from exchange transactions	-	(40 147 650)
Reclassification to payable from exchange transactions	-	16 921 841
VAT receivable raised not claimed	-	33 719
	-	-
Receivables from exchange transactions		
Balance previously reported	-	-
Reclassification from VAT receivable	-	40 147 650
	-	40 147 650
Payable from exchange transactions		
Balance previously reported	-	-
Reclassification from VAT receivable	-	(16 921 841)
Increase in payables	-	(1 075 349)
Decrease in interest payable	-	43 707
	-	(17 953 483)
Unspent conditional grants and receipts		
Reclassification to government grants and subsidies	-	(460 961)
Decrease in accumulated surplus	-	997 923
Statement of financial performance		
Inventory adjustment		
Amount previously report as expenditure	-	(22 032)
Reclassification to income section	-	22 032
	-	-
Government grants and subsidies		
Reclassification from unspent conditional grants and receipts	-	460 961

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2023	
Cost/Revaluation	Accumulated depreciation

	Accumulated depreciation													
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Buildings														
Buildings	38 605 114	-	-	-	-	-	38 605 114	(19 522 221)	(1 211 347)	-	-	-	(20 733 568)	17 871 546
	38 605 114	-	-	-	-	-	38 605 114	(19 522 221)	(1 211 347)	-	-	-	(20 733 568)	17 871 546
Water infrastructure														
Water Purification Plant	309 321 942	-	-	-	-	-	309 321 942	(98 330 604)	(12 823 630)	-	-	-	(111 154 234)	198 167 708
Pump Stations	46 813 785	-	-	-	-	-	46 813 785	(19 714 885)	(2 574 549)	-	-	-	(22 289 214)	24 524 571
Dams	140 125 466	-	-	-	-	-	140 125 465	(21 949 844)	(2 752 625)	-	-	-	(24 702 469)	115 422 996
Reservoirs	54 299 532	-	-	-	-	-	54 299 532	(21 645 296)	(3 037 643)	-	-	-	(24 682 939)	29 616 583
Chambers & Components on Bulk lines	14 729 240	-	-	-	-	-	14 729 240	(11 304 748)	(1 391 621)	-	-	-	(12 696 369)	2 032 871
Reticulation	736 514 037	-	-	-	-	-	736 514 037	(484 021 281)	(47 474 310)	-	-	-	(531 495 591)	205 018 446
	1 301 804 001	-	-	-	-	-	1 301 804 001	(856 966 438)	(70 054 378)	-	-	-	(727 020 816)	574 783 185

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2023	
Cost/Revaluation	Accumulated depreciation

	Accumulated depreciation													
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Vehicles														
Water	5 339 928	-	-	-	-	-	5 339 928	(4 332 728)	(369 626)	-	-	-	(4 702 556)	637 272
Administration	149 899	-	-	-	-	-	149 899	(133 899)	(8 000)	-	-	-	(141 899)	8 000
	5 489 827	-	-	-	-	-	5 489 827	(4 466 627)	(377 928)	-	-	-	(4 844 556)	645 272
Plant and equipment														
Tractors/Trailers/Machinery	2 962 822	2 370 435	-	-	-	-	5 353 257	(2 319 271)	(385 674)	-	-	-	(2 704 945)	2 648 312
Bulk Water Meters	2 932 927	-	-	-	-	-	2 932 927	(1 366 481)	(253 318)	-	-	-	(1 619 778)	1 313 148
Laboratory Equipment	4 433 843	49 835	-	-	-	-	4 483 678	(3 905 035)	(250 774)	-	-	-	(4 155 809)	327 869
Small Plant And Equipment	2 352 716	38 443	-	-	-	-	2 421 159	(2 144 049)	(80 934)	-	-	-	(2 224 983)	196 176
Water Plant	57 183 729	214 948	-	-	-	-	57 398 677	(35 113 221)	(4 309 429)	-	-	-	(40 422 650)	16 976 027
	69 916 037	2 673 661	-	-	-	-	72 589 698	(46 848 037)	(5 280 129)	-	-	-	(51 128 166)	21 461 532
Furniture, equipment and furniture														
Technology	2 395 273	242 458	-	-	-	-	2 637 731	(1 799 407)	(221 601)	-	-	-	(2 021 008)	616 723
Finance	205 888	-	-	-	-	-	205 888	(181 849)	(11 584)	-	-	-	(193 432)	12 456
Engineering	833 550	115 660	-	-	-	-	949 210	(701 555)	(69 605)	-	-	-	(771 160)	178 050
Administration	475 150	4 115	-	-	-	-	479 265	(411 591)	(27 648)	-	-	-	(439 239)	40 026
Human Resources	134 807	4 120	-	-	-	-	138 927	(121 154)	(7 307)	-	-	-	(128 461)	10 466
	4 044 668	366 353	-	-	-	-	4 411 021	(3 215 556)	(337 746)	-	-	-	(3 553 300)	857 721

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2023	
Cost/Revaluation	Accumulated depreciation

	Cost						Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Transfers Rand	Disposals Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	1 419 859 647	3 040 014	-	-	-	-	1 422 899 661	(730 018 878)	(77 261 527)	-	-	-	(807 280 406)	615 619 255
Intangible assets														
Technology	5 014 600	-	-	-	-	-	5 014 600	(4 647 573)	(186 435)	-	-	-	(4 834 008)	180 592
	5 014 600	-	-	-	-	-	5 014 600	(4 847 573)	(186 435)	-	-	-	(4 834 008)	180 592
Total	1 424 874 247	3 040 014	-	-	-	-	1 427 914 261	(734 866 451)	(77 447 962)	-	-	-	(812 114 413)	615 799 848

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2022	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Water infrastructure														
Water Purification Plant	309 321 942	-	-	-	-	-	309 321 942	(85 506 973)	(12 823 630)	-	-	-	(98 330 603)	210 981 339
Buildings	58 686 960	-	-	-	(21 081 846)	-	38 605 114	(17 070 766)	(2 451 455)	-	-	-	(19 522 221)	19 082 893
Pump Stations	46 813 785	-	-	-	-	-	46 813 785	(17 140 116)	(2 574 549)	-	-	-	(19 714 665)	27 099 120
Dams	140 125 465	-	-	-	-	-	140 125 465	(19 197 219)	(2 752 626)	-	-	-	(21 949 844)	118 175 621
Reservoirs	54 299 532	-	-	-	-	-	54 299 532	(18 607 853)	(3 037 643)	-	-	-	(21 645 296)	32 654 236
Chambers & Components on Bulk lines	14 729 240	-	-	-	-	-	14 729 240	(9 913 127)	(1 391 621)	-	-	-	(11 304 748)	3 424 492
Reticulation	736 514 037	-	-	-	-	-	736 514 037	(436 546 971)	(47 474 310)	-	-	-	(484 021 281)	252 492 756
	1 361 490 961	-	-	-	(21 081 846)	-	1 340 409 115	(603 982 825)	(72 606 833)	-	-	-	(676 488 658)	663 920 457

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2022
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Vehicles														
Buildings	5 339 928	-	-	-	-	-	5 339 928	(3 778 068)	(554 660)	-	-	-	(4 332 728)	1 007 200
Administration	149 899	-	-	-	-	-	149 899	(117 899)	(16 000)	-	-	-	(133 899)	16 000
	5 489 827	-	-	-	-	-	5 489 827	(3 895 967)	(670 660)	-	-	-	(4 466 627)	1 023 200
Plant and equipment														
Tractors/Trailers/Machinery	3 092 822	-	(110 000)	-	-	-	2 982 822	(2 086 634)	(232 638)	-	-	-	(2 319 272)	663 550
Bulk Water Meters	2 851 807	81 120	-	-	-	-	2 932 927	(1 114 494)	(251 966)	-	-	-	(1 366 460)	1 566 467
Laboratory Equipment	4 344 888	88 945	-	-	-	-	4 433 843	(3 486 847)	(418 188)	-	-	-	(3 905 035)	528 808
Small Plant And Equipment	2 291 806	90 810	-	-	-	-	2 382 716	(2 017 888)	(128 161)	-	-	-	(2 144 049)	238 667
Water Plant	56 330 222	853 507	-	-	-	-	57 183 729	(31 672 189)	(4 441 031)	-	-	-	(36 113 220)	21 070 509
	68 911 655	1 114 382	(110 000)	-	-	-	69 916 037	(40 378 052)	(5 469 884)	-	-	-	(45 848 036)	24 068 001
Furniture, equipment and fittings														
Technology	2 307 759	87 514	-	-	-	-	2 395 273	(1 586 167)	(213 240)	-	-	-	(1 799 407)	595 866
Finance	205 888	-	-	-	-	-	205 888	(160 003)	(21 844)	-	-	-	(181 847)	24 041
Engineering	805 945	27 606	-	-	-	-	833 551	(620 298)	(81 257)	-	-	-	(701 555)	131 996
Administration	471 110	4 040	-	-	-	-	475 150	(365 799)	(45 792)	-	-	-	(411 591)	63 559
Human Resources	134 807	-	-	-	-	-	134 807	(107 502)	(13 652)	-	-	-	(121 154)	13 653
	3 925 609	119 160	-	-	-	-	4 044 669	(2 839 769)	(375 786)	-	-	-	(3 215 554)	829 115

Uthukela Water (Pty) Ltd
Appendix A

Analysis of property, plant and equipment as at 30 June 2022	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	1 439 817 952	1 233 542	(110 000)	-	(21 081 846)	-	1 419 859 648	(651 096 813)	(78 922 262)	-	-	-	(730 018 875)	689 840 773
Intangible assets														
Technology	5 014 600	-	-	-	-	-	5 014 600	(4 284 719)	(362 854)	-	-	-	(4 647 573)	367 027
	5 014 600	-	-	-	-	-	5 014 600	(4 284 719)	(362 854)	-	-	-	(4 647 573)	367 027
Total	1 444 832 552	1 233 542	(110 000)	-	(21 081 846)	-	1 424 874 248	(655 381 332)	(79 285 116)	-	-	-	(734 666 448)	690 207 800

Uthukela Water (Pty) Ltd
Appendix B

Segmental analysis of property, plant and equipment as at 30 June 2023

	Accumulated Depreciation													
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Summary														
Water	1 415 685 073	2 673 680	-	-	-	-	1 418 338 733	(726 669 416)	(76 915 782)	-	-	-	(803 685 198)	614 753 535
Technology	7 409 873	242 458	-	-	-	-	7 652 331	(6 452 869)	(408 036)	-	-	-	(6 860 705)	791 626
Administration	625 049	4 115	-	-	-	-	629 164	(545 490)	(35 648)	-	-	-	(81 038)	48 026
Finance	205 888	-	-	-	-	-	205 888	(181 848)	(11 584)	-	-	-	(193 432)	12 456
Human Resources	134 807	4 120	-	-	-	-	138 927	(121 154)	(7 307)	-	-	-	(128 461)	10 466
Engineering	833 550	115 660	-	-	-	-	949 210	(695 866)	(69 605)	-	-	-	(766 471)	183 739
	1 424 874 240	3 040 013	-	-	-	-	1 427 914 263	(734 666 443)	(77 447 962)	-	-	-	(812 114 405)	615 799 848
Total	1 424 874 240	3 040 013	-	-	-	-	1 427 914 263	(734 666 443)	(77 447 962)	-	-	-	(812 114 405)	615 799 848

Uthukela Water (Pty) Ltd
Appendix C

Actual versus Budget (Revenue and Expenditure) for the year ended 30 June 2023

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	205 737 971	195 891 663	9 846 308	5,0	Increase in water demand from the WSA's.
Interest on receivables	23 075 114	-	23 075 114	100,0	Not budgeted for as WSA's do not approve interest raised on receivables.
Inventory adjustment	44 039	-	44 039	100,0	Annual adjustment not budgeted for.
Interest received - investment	812 695	119 642	693 053	579,3	Conservative budget provided for Interest income due to uncertainty of payments from WSA's.
Other receipts	451 384	52 250	399 134	763,9	Other receipts are irregular receipts dependant partially on laboratory services requested by customer's.
	230 121 203	196 063 555	34 057 648	17,4	
Expenses					
Employee related costs	(61 974 345)	(67 309 889)	5 335 544	(7,9)	Staff Vacancies not filled. Especially senior positions such as CFO and Director Operations
Depreciation	(77 447 962)	(1 970 151)	(75 477 811)	831,1	Only a portion of depreciation is budgeted annually
Amortisation	-	-	-	-	
Interest	(20 400 634)	-	(20 400 634)	100,0	Not budgeted for. Mainly Department of Water and Sanitation interest. Due to erratic and low payment by WSA's.
Contribution to provision for bad debts	(52 368 838)	-	(52 368 838)	100,0	WSA's do not approve budgets for non-cash items.
Bulk purchases	(32 141 230)	(32 249 705)	108 475	(0,3)	Water demand from WSA's increased resulting in more Bulk water Purchases.
Contracted Services	(2 743 700)	(14 456 620)	11 712 920	(81,0)	Due to cash flow constraints normal expenditure did not occur.
Lease rentals on operating lease	(1 581 560)	(1 640 891)	59 331	(3,6)	
Chemicals	(10 711 769)	(7 962 782)	(2 748 987)	34,5	Water demand from WSA's increased therefore more expenditure on chemicals. Quality of raw water also had an impact on chemical purchases.
General Expenses	(68 587 004)	(69 053 493)	466 489	(0,7)	Mainly due to increase diesel costs to run generators during load shedding.
	(327 957 042)	(194 643 531)	(133 313 511)	68,5	
Other revenue and costs	-	-	-	-	
Net surplus/ (deficit) for the year	(97 835 839)	1 420 024	(99 255 863)	989,7)	



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AUDITOR-GENERAL
SOUTH AFRICA

REPORT OF THE AUDITOR-GENERAL

uThukela Water (Pty) Ltd

For the year ended 30 June 2023

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the Board of Directors on uThukela Water (Pty) Ltd

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of uThukela Water (Pty) Ltd set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2023, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as 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 2023 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 No. 56 of 2003 (MFMA) and the Companies 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 responsibilities of the auditor-general 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.

Material uncertainty relating to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. As disclosed in note 53 to the financial statements, the municipal entity incurred a net deficit of R97,84 million during the year ended 30 June 2023 and, as of that date the current liabilities exceeded its current assets. These events or conditions, along with other matters as set forth in the aforementioned note, indicate that a material uncertainty exists that may cast significant doubt on the municipal entity's ability to continue as a going concern.

Emphasis of matters

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

Provision for doubtful debts

9. As disclosed in note 4 to the financial statements, the municipal entity made a provision for doubtful debts of R91,34 million (2021-2022: R83,08 million) against Water service authorities (WSA) debtors as a result of long outstanding payments.
10. As disclosed in note 5 to the financial statements, the municipal entity made a provision for doubtful debts of R119,02 million (2021-2022: R69,57 million) against receivables as a result of long outstanding payments from water and bulk debtors.

Restatement of corresponding figures

11. As disclosed in note 54 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of an error in the financial statements of the municipal entity at, and for the year ended, 30 June 2023.

Other matters

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

Unaudited supplementary schedules

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

Unaudited disclosure notes

14. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed 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

15. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with 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.
16. 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.

Responsibilities of the auditor-general for the audit of the financial statements

17. 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.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

19. In accordance with the Public Audit Act No. 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected strategic objective presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
20. I selected the following strategic objective presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected the strategic objective that measures the municipal entity's performance on its primary mandated functions and that is of significant national, community, and public interest.

Strategic objective	Page numbers	Purpose
Improve service delivery	XX	This strategic objective relates directly to the political and legislative mandate of the municipal entity, which is the service provision of safe, affordable, and adequate bulk water services to its controlling shareholders.

21. I evaluated the reported performance information for the selected strategic objective against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipal entity's planning and delivery of its mandate and objectives.
22. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the municipal entity's mandate and the achievement of its planned objectives
 - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time-bound, and measurable to ensure that it is easy to understand what should be delivered and by when the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and for the reasons provided for the measures taken to improve performance

23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

24. I did not identify any material findings on the reported performance information for the selected strategic objective of "Improve service delivery".

Other matters

25. I draw attention to the matters below.

Achievement of planned targets

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for measures taken to improve performance.

Material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for the "improve service delivery" strategic objective. Management subsequently corrected all the misstatements, and accordingly I did not include any material findings in this report.

Report on compliance with legislation
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28. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management, and other related matters. The accounting authority is responsible for the municipal entity's compliance with legislation.

29. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

30. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipal entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
31. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

32. The annual financial statements submitted for auditing were not fully prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of non-current assets, current assets, liabilities, expenditure, and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Procurement and contract management

33. Some goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by regulation 19(a) of the Municipal supply chain management regulations. Similar non-compliance was also reported in the prior year.

Expenditure management

34. Money owed by the municipal entity was not always paid within 30 days, as required by section 99(2)(b) of the MFMA.
35. Expenditure was incurred in excess of the approved budget, in contravention of section 87(8) of the MFMA.
36. Reasonable steps were not taken to prevent irregular expenditure amounting to R377,22 million as disclosed in note 32 to the annual financial statements, as required by section 95(d) of the MFMA. The majority of the irregular expenditure was caused by the competitive bidding process not being followed and overspending of the approved budget.
37. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R20,40 million, as disclosed in note 31 to the annual financial statements, in contravention of section 95(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by the interest charges incurred on late payments to suppliers.

Consequence management

38. Fruitless and wasteful expenditure incurred by the municipal entity was not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).
39. Irregular expenditure incurred by the municipal entity were not investigated to determine if any person is liable for the expenditure, as required by municipal budget and reporting regulations 75(1).

Asset management

40. An effective system of internal control for assets (including an asset register) was not in place, as required by section 96(2)(b) of the MFMA.

Other information in the annual report

41. The accounting authority is responsible for the other 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 section 71 of the Companies Act. The other information referred to does not include the financial statements, the auditor's report, and the selected strategic objective presented in the annual performance report that has been specifically reported on in this auditor's report.
42. My opinion on the financial statements, the report on the audit of the annual performance report, and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
43. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected strategic objective presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
44. I have nothing to report in this regard.

Internal control deficiencies

45. I considered internal control relevant to my audit of the financial statements, annual performance report, and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
46. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion and the material findings on the annual performance report and the material findings on compliance with legislation included in this report.
47. The accounting authority and senior management need to respond with the required urgency to the audit messages regarding addressing risks and improving internal controls to ensure credible financial and performance reporting. This will enable effective oversight and therefore pave the way of improving the overall audit outcomes and therefore enable the municipal entity to focus on the issues that matter to the citizens. Non-compliance with key legislation should be addressed with a less tolerant approach through effective consequences management.

Material irregularities

48. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Outstanding invoices not paid within 30 days

49. The municipal entity did not comply with section 99(2)(b) of the Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA), which states that the accounting authority must for the purpose of section (1) take all reasonable steps to ensure that all money owing by the entity is paid within 30 days of receiving the relevant invoice or statement unless prescribed otherwise for certain categories of expenditure.
50. The municipal entity failed to ensure that the payments due to the Department of Water and Sanitation were made within 30 days of the invoice date. The non-compliance resulted in a material financial loss of R29,88 million incurred by uThukela Water (Pty) Ltd before 30 March 2020. The interest incurred was disclosed as fruitless and wasteful expenditure in note 29.2 to the 2020-2021 annual financial statements.
51. The accounting authority was notified of the material irregularity on 25 January 2022 and was invited to make a written submission on the actions taken that will be taken to address the matter. The following actions have been taken to resolve the material irregularity:
- The accounting authority has engaged with the three shareholding municipalities, namely, the Water Service Authorities (WSA's) to increase the cash inflow in order to fund the payments due to the Department of Water and Sanitation. The accounting authority has furthermore commenced with levying of interest on this outstanding debt to increase the pressure on the shareholders to expedite payments.
52. The actions taken by the accounting authority have adequately addressed the material irregularity and accordingly the material irregularity is resolved.

Other reports

53. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on compliance with legislation.

54. The KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs (COGTA) has concluded an investigation in 2021 on various allegations levelled against officials of the municipal entity. The municipal entity is awaiting direction from the controlling entities on the implementation of the recommendations of the investigation report.

Auditor-General

Pietermaritzburg

27 November 2023



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for the selected strategic objective and on the municipal entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipal entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipal entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipal entity to cease operating as a going concern
- evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Municipal Finance Management Act 56 of 2003	Section 1 - Paragraphs (a), (b) & (d) of the definition: irregular expenditure Sections 87(5)(b) & (d), 87(5)(d)(i), 87(5)(d)(iii), 87(6)(c), Sections 87(8), 88(1)(a), 90(1), 90(2)(a), (b) & (d), Sections 96(2)(a), (b), 97(e), (f), (h) & (i), 99(2)(a), Sections 99(2)(b), (c), (g), 102(1), 102(2)(a), Sections 112(1)(j), 116(2)(b) & (c)(ii), 122(1), 126(2)(b), Sections 133(1)(a), (c)(i), (c)(ii), 170, 172(3)(a) & (b)
MFMA: Municipal Budget and Reporting Regulations, 2009	Regulations 73(1), 73(2), 75(1), 75(2)
MFMA: Municipal Investment Regulations, 2005	Regulations 3(2), 3(3), 5(4), 6, 6(8)(b), 7, 10(1), 12(2), 12(3)
MFMA: Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations 5(4), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2005	Regulations 5, 12(1)(c), 12(3), 13(b), (c) & (i), 16(a), Regulations 17(1)(a), (b), & (c), 19(a), Regulations 21(b), 22(1)(b)(i), 22(2), 27(2)(a) & (e), Regulations 28(1)(a)(ii), 29(1)(a) & (b), 29(5)(a)(ii), Regulations 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c), Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, 44, 46(2)(e) & (f)
Municipal Systems Act 32 of 2000	Section 93B(a), 93C(a)(iv)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulations 17, 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Sections 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations 4(1) & (2), 5(1), (3), (6) & (7), 6(1), (2) & (3), Regulations 6(6), 6(8), 7(1), (2) & (3), 7(6), 7(8), 8(2), 8(5), Regulations 9(1), 10(1) & (2), 11(1) & (2)
Preferential Procurement Regulations, 2022	Regulations 4(1), (2), (3) & (4), 5(1), (2), (3) & (4)
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Companies Act 71 of 2008	Sections 45(2), 45(3)(a)(ii), (b)(i), (ii), 45(4), Sections 46(1)(a), (b) & (c), 112(2)(a)

ACTION PLAN RESPONDING TO FACTUAL FINDINGS REPORT OF AUDITOR GENERAL OF SOUTH AFRICA –

AGREED PROCEDURES REGARDING ANNUAL PERFORMANCE REPORT

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Incorrect calculation of Provision for bad debts / Debt impairment	Management should review the impairment calculation and the debtors balance in accordance with GRAP 104 and policy requirements and ensure the necessary adjustments are affected on all impacted line items of the financial statements to ensure fair presentation.	Agree with the internal control deficiency in that the impairment calculation was not adequately reviewed prior to submission.	All impacted line items of the financial statements will be adjusted with the corrected amounts	BN Khumalo Acting CFO		Completed	The next AFS will be reviewed by CFO, Internal Audit and Audit Committee.
Incorrect purchases amount – misstatement of related accounts	Management should ensure that adequate reviews are performed on invoices to verify that the volumes per invoice agree with the uThukela Water's meter readings. Furthermore, invoice payments should be validated with the relevant technical department records before effecting payments. The differences identified should be investigated and followed up immediately with the supplier. The entity should liaise with the supplier to ensure that the	Agreed, Once the error was detected, DWS was requested to credit the difference.	Although the error was only detected after payment of portion of the invoice [R 394 468.25 instead of R 3 995 840.14], DWS has acknowledged the error and agreed to pass a credit and the overpayment is to be allocated to an unpaid invoice.	BN Khumalo Acting CFO	31/03/2023	Ongoing	DWS accounts to be reconciled on a monthly basis, readings to be confirmed with the Engineering Department and the Invoiced to be co-signed by the HOD Engineering before being recorded by Finance in the General Ledger.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
	overcharge is rectified in the supplier accounts. Accordingly, the accounting / financial records of the entity should be adjusted to ensure that the overcharge is fairly reflected and accounted for in the financial statements to ensure fair presentation.		Monthly reconciliations of volumes invoiced to the DWS meter reading forms				
Payments not made within 30 days	Management should review and monitor the supplier invoices to ensure that suppliers are paid within 30 days of receipt of invoice to ensure compliance with the requirements of the MFMA	The finding is not a result of inadequate internal controls. Suppliers not being paid within 30 days is not due to inadequate monitoring and reviewing of supplier invoices to ensure that suppliers are paid within 30 days of receipt of invoice. It is because the WSAs are not timeously and fully paying their current and outstanding accounts.	<p>Management continuously engages the WSAs in an attempt to ensure that they regularly pay their invoices and debt. This has been escalated to the Board and attempts are being made to obtain payment plans from the WSAs.</p> <p>The entity is currently exploring alternative funding options to reduce reliance on the WSAs.</p>	WB Nkosi Managing Director	30/06/2023	Ongoing	<p>Dependant on receiving full monthly payments from the WSAs.</p> <p>Engagements to get the WSAs to pay monthly are on an ongoing basis.</p>

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Misclassification of buildings	Management should appropriately amend both the fixed asset register and its impact on the annual financial statements to ensure that all fixed assets disclosed in the asset register are classified correctly in terms of GRAP 17. Furthermore, the necessary amendments to the prior year's amounts should be affected to ensure fair presentation.	Management agrees with the audit finding and will show the buildings separately on the AFS. However, appendix A does show the buildings separately.	Management will reflect the buildings separately.	BN Khumalo Acting CFO		Completed	The buildings are now disclosed correctly in the adjusted AFS.
Contract extension that is above the 15% threshold and non-compliance with the SCM policy	Management should ensure that extension of contracts is made in accordance with legislative thresholds and prescripts. Furthermore, controls should be strengthened on the contract management of routine service providers to ensure that the entity is able to timeously identify the risk in expired contracts and contract payments to ensure that the proper procurement process is followed. Undisclosed irregular expenditure should be evaluated, and the necessary adjustments effected to ensure fair presentation.	The Management accept the finding. The management has implemented controls to proper monitor and control contracts extension.	The entity is in the process of appointing a service provider for supply and delivery of Chemicals, rendering Internal Audit Services and the provision of office space and parking.	BN Khumalo Acting CFO	30/04/2023	Ongoing	Service providers have been appointed for Internal Audit Services. The procurement of a service provider for chemicals supplies is at the adjudication stage. The procurement for office space and parking is at the specification stage.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Incomplete disclosure of fruitless and wasteful expenditure	Management should review all expenditure transactions for possible interest charges and consider disclosure as fruitless and wasteful expenditure in line with the requirements of the MFMA and MFMA circular 68.	Management agrees that there was the internal control deficiency as stated. Appropriate and adequate review of expenditure and AFS disclosure to ensure accuracy and completeness	Note 27 will be appropriately corrected	BN Khumalo Acting CFO		Completed	The disclosure was corrected on the adjusted AFS.
Difference noted in bulk water purchases disclosed in note 19 and 43	Management should make the necessary corrections to the financial statements to ensure that the bulk water purchase amount disclosed in note 43 is consistent with note 19.	There will be a difference between the notes as the WRM and WRL included in note 19 are not included in the water loss note as these are not units purchased.				Completed	The disclosure was corrected on the adjusted AFS.
Bulk water losses inaccurately calculated.	Management should ensure that proper reviews are performed on the water loss calculation to ensure that the correct water loss disclosures and amounts are included in the annual financial statements and the annual performance report. Management should ensure that aging infrastructure is maintained on a regular basis to reduce the water losses incurred by the entity.	Upon detection and acknowledgement of the error by DWS, the revised calculation for water loss stands at 3.45% which is substantially lower than 12.75% which brings the water losses to acceptable levels.	Monthly reconciliations of volumes invoiced to the DWS meter reading forms	C Dhlwayo, Acting HOD Operations and Engineering		Completed	The disclosure was corrected on the adjusted AFS.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Segment analysis disclosure does not meet GRAP 18 requirements.	Management should consider disclosing the requirements of GRAP 18 and conclude accordingly on the applicability of segmental analysis in note 46 to the financial statements.	Note 46 to be adjusted." uThukela Water only has one segment which is the provision of bulk water services"	Management agrees with the finding	BN Khumalo Acting CFO		Completed	The disclosure was corrected on the adjusted AFS.
High-level review of the AFS: Inconsistencies and omissions	Management should affect the necessary adjustments to the annual financial statements to ensure fair presentation.	Management agrees that there was the internal control deficiency as stated	All impacted items indicated above will be amended in the financial statements	BN Khumalo Acting CFO		Completed	The disclosure was corrected on the adjusted AFS. The next AFS will be reviewed properly by the CFO, Internal Audit and Audit Committee.
Overspending of approved budget	Management should ensure that expenditure incurred is in accordance with the entity's approved budget or adjustment budget.	There is no internal control deficiency as the payment from WSA's are out of the entities control.	The entity will request sufficient budget from the WSA's for Water Purchases and request the WSA's to pay the monthly invoices timeously so that the entity could pay DWS timeously to avoid interest charges.	BN Khumalo Acting CFO		Ongoing	Sufficient budget will be requested from the WSAs. There are ongoing negotiations with WSAs to pay the entity regularly.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
Irregular, fruitless, and wasteful expenditure not investigated	Management should ensure that investigations on incurred irregular as well as fruitless and wasteful expenditure are conducted timeously to determine if any person is liable for the expenditure.	The management is in the process of appointing a panel of service providers that will ensure that the investigations is done timeously	Management is in the process of appointing the panel of service providers that will ensure that the investigations are done timeously	Nkosi WB Managing Director	March 2023	Ongoing	
No reasonable steps taken to prevent irregular, and fruitless and wasteful expenditure.	<p>Management should ensure the following is implemented:</p> <ul style="list-style-type: none"> take reasonable steps to prevent irregular, fruitless, and wasteful expenditure. ensure that the expenditure incurred is in line with the approved budgeted expenditure. ensure that proper SCM processes are followed in appointing service providers. adequately monitor the creditors' age analysis to ensure suppliers are paid within the payment terms. 	Management agrees with the finding. However, overspending on the budget and not paying suppliers on time could not be avoided by the entity. WSAs did not approve a sufficient budget for the entity on non-cash items. The entity is unable to pay suppliers on time because WSA are not paying the entity on time for it to be able to pay for the service provider timeously.	With regards to the appointment of service providers, management is busy with procurement processes to ensure that service providers are appointed following SCM regulations.	Nkosi WB Managing Director	Ongoing	Ongoing	
Department of water and sanitation – Differences between supplier statements	Management should review the Department of Water and Sanitation's supplier statements issued	Management does review the DWS's supplier statements issued to uThukela	Meetings to be held with DWS on a quarterly	BN Khumalo Acting CFO		Ongoing	

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
and supplier age analysis	to uThukela Water and ensure that all the balances are included in the creditor's ledger, age analysis, and financial statements.	<p>Water and ensure that all the balances are included in the creditor's ledger. However, where a difference is identified the relevant document is requested. Despite numerous requests over the years, DWS has not assisted.</p> <p>These accounts were transferred from the entity to the WSAs as follows:</p> <ul style="list-style-type: none"> • when the reticulation function was handed back to them in 2013. • when uThukela District Municipality withdrew from the entity ownership in 2004. 	basis, to reconcile the old accounts, once old accounts are reconciled, they will be paid on availability of funds, and only have active accounts on the statements.				
Board chairperson remuneration	<ul style="list-style-type: none"> • Based on the conclusions above, the chairperson is employed on a full-time basis and therefore it is recommended that PAYE be deducted from his remuneration and paid over to SARS in accordance with the requirements of legislation including 	Management disagreed with the audit findings. Its comments on audit findings are summarised as follows: The audit finding carries the heading called "chairperson's position". From the onset, we unsuccessfully, made	Management disagreed with the audit findings	WB Nkosi Managing Director			

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
	<p>the binding general rules laid down by SARS.</p> <ul style="list-style-type: none"> The chairperson should accordingly no longer issue invoices to uThukela Water in his company's name and should not charge VAT on his invoices. Any overcharge on incorrectly issued invoices should be recovered by uThukela Water to ensure that the entity remains tax compliant. uThukela Water should recover the PAYE from the chairperson where he was paid on the submission of invoices and pay these amounts over to SARS in accordance with legislative requirements. 	<p>an effort to find a relationship between this heading or subject with the query, in its entire context, and the legal reference.</p> <p>The functions of the Board of Directors as referred to in the said section 66 of the Companies Act are a matter of common cause. This is over and above the fact that a local government proclamation of functions of the Board of Directors is depicted by section 93H of the Local Government: Municipal Systems Act 32 of 2000, which makes specific reference to a municipal entity. However, there is no inconsistency between section 66 of the Companies Act and the said provision of the Local Government: Municipal Systems Act 32 of 2000.</p> <p>The memorandum referred to in the second paragraph of the query neither expands the functions</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>of the Chairperson of the Board nor unpacks the meaning of section 66 of the Companies Act. This memorandum had its own legal framework which was intended to provide the legal framework under consideration at the time of formulation of the report.</p> <p>There is also no inconsistency between the proclamation of the full-time basis of the Chairperson of the Board and section 66 function of the Board. The full-time basis of the Chairperson of the Board is administratively treated in same manner as office bearers and members of executive committees in municipalities, as they perform nothing lesser or more than oversight functions.</p> <p>Our opinion in respect of the heading or subject of the query and its below paragraphs, is that, this said content is too</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>literal and lacking contextual interpretation of proclamations as contained in these various pieces of statutes.</p> <p>We submit as follows in respect of the items contained in part (a) of the query -</p> <p>i) The role of the Chairperson of uThukela Water's Board</p> <p>The Chairperson of the Board is obliged to perform functions contained in section 93H, like all other board members. By virtue of being the chairperson, he performs additional duties of the chairperson, not limited to chairing board meetings and performing oversight on administration of the entity through directly supervising the Managing Director.</p> <p>As the entity, we do not interpret the functions as "roles".</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>The chairperson is deemed not role playing or partaking, but he is the most senior Director of the entity. Bearing in mind the fact that he is non-executive by definition and level of occupation.</p> <p>ii) Compensation on a full time-basis</p> <p>The chairperson receives Director's fees on a monthly basis, and it is not compensation. In the context of the Local Government, we have office bearers which are remunerated in the spirit of Remuneration of Public Office Bearers Act, and they receive remuneration. Members of the board of directors of municipal entities receive directors' fees.</p> <p>iii) Consulted on daily basis</p> <p>The chairperson is consulted; involved and engaged on full-time basis. Our interpretation of full-</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>time has a bearing on time availed for the entity as and when the regulating framework and the Managing Director so require. Full-time basis does not translate into consultation on daily basis.</p> <p>iv) Involvement in daily management and operations of the entity</p> <p>In the sector, the prayer for full-time basis as may be lodged with MEC in the case of the members of Municipal Councils or with the shareholders in the case of a municipal entity, is related to more time availed, and not amendment of the area of responsibility from oversight to management. In particular, management functions are duly performed by the Managing Director and Directors reporting directly to him or her. Therefore, irrespective of the sub-functions extracted from the provisions of section</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>93H of the Local Government: Municipal Systems Act 32 of 2000, the chairperson of the Board shall not be proclaimed and/or proclaimable as the executive director.</p> <p>v) Executive board member</p> <p>In the said provision of the Municipal Systems Act, in particular, section 93E (1), members of the board are referred to as non-executive directors and the chairperson is non-executive chairperson. The functions of the chairperson may not, inadvertently or otherwise, amend the provisions of this legislation.</p> <p>It would also be irregular for shareholders to proclaim chairperson as full-time with the intention to achieve a legislative amendment, and any form of memorandum presented by the Managing Director before the</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>shareholders may not be construed as effecting an amendment.</p> <p>vi) Employment term is on a full-time basis</p> <p>The term of the members of the board, including its chairperson, is three years, subject to proclamation by shareholders on whether it is full-time or part-time basis. Therefore, this implies that a full-time or part-time basis is a secondary proclamation, and by its nature, it is volatile. Therefore, there is no guarantee in that the chairperson will be full-time for the whole term for contextualization in the manner depicted by the query.</p> <p>a) No PAYE deducted on remuneration</p> <p>(i) Treatment of members of the board as political office-bearers</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>During the period of consultation with National Treasury on the matter of a guideline for board remuneration, we could not abstract an understanding of classification of board members as political office-bearers. If they were political office-bearers, we would have zoomed into the gazette which was presented to the shareholders as an annexure to the memorandum referred to herein, and proposed that the board be remunerated as would have been provided. But, they are not political office bearers.</p> <p>In order for the Board of Directors to be classified as political office-bearers, we must find them contained in the definition of Remuneration of Public Office Bearers Act 20 of 1998, which in its current form reads as follows –</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>“ Office bearers” means a Deputy President, a Minister, a Deputy Minister, a member of the National Assembly, a permanent delegate, a Premier, a member of an Executive Council, a member of a provincial legislature, a traditional leader, a member of a provincial House of Traditional Leaders, a member of the Council of Traditional Leaders and a member of a Municipal Council”.</p> <p>(ii) Reference to board chairperson as the employee in terms of income Tax Act</p> <p>For the purposes of establishing whether a person is an employee or non-employee, we ordinarily utilize the definition contained under section 200 of the Labour Relations Act 66 of 1995, which was promulgated to deal with matters of this nature. In this case, we may not regard the chairperson</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>of the board as an employee, irrespective of the provisions of the Income Tax Act.</p> <p>The above paragraph shall be read with provision 3.2 of the guide called "Binding General Ruling (Income Tax) 40 which provides as follows –</p> <p>"SARS accepts that the nature of the duties of an NED mean that NEDs are not common law employees. The only way that an NED would be subject to employees' tax is if the so-called statutory tests apply. These tests provide that, notwithstanding that an amount may have been paid in respect of services rendered to a person carrying on an independent trade, the recipient is deemed to be an employee if two requirements have been satisfied: the "premises" test; and the "control or supervision" test. The tests operate as follows:</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>(a) Under the premises test, the services must be performed mainly at the premises of the client. "Mainly" in this context means a quantitative measure of more than 50%</p> <p>(b) Under the "control or supervision" test, either control or supervision must be exercised over one of the following:</p> <p>(i) The manner in which the duties must be performed; or</p> <p>(ii) The hours of work.</p> <p>It is only if both tests are satisfied, (that is, both the premises test, and the control or supervision test) that the recipient is deemed to not be carrying on an independent trade, and will thus be receiving "remuneration" for employees' tax purposes. If only one of these tests is satisfied, or neither, the deeming rules will not apply".</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>If an NED is not deemed to be an employee, and is not a common law employee, the amounts payable to such NED will not be "remuneration."</p> <p>Reference to the chairperson as an executive board member is less correct. Moreover, the chairperson is not appointed on a permanent basis. He is only full-time, and not permanent.</p> <p>c) VAT charged on remuneration and invoice in the name of the private company.</p> <p>Subsequent to passing of the resolution on full-time basis of the chairperson by the shareholders, the chairperson made a declaration to the Managing Director that in view of SARS guidelines in this regard, we would be required to be compliant on VAT.</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>As the accounting officer, I was not clear on the eligibility of a person to charge VAT in the personal capacity. Therefore, our view was that the avenue of the chairperson charging VAT through a company was appropriate on the basis that VAT must be lawfully declared to SARS and it [VAT] belongs to the state, and not the chairperson of the Board. Considering the provisions of VAT</p> <p>QUICK REFERENCE GUIDE: NON-EXECUTIVE DIRECTORS: ISSUE 3, we shall engage the chairperson on registration in personal capacity, and thereafter effect due reconciliations.</p> <p>The engagement with the chairperson will also be in the spirit of issue 2 on</p> <p>FREQUENTLY ASKED QUESTIONS ON BGRS 40 AND 41: NON-EXECUTIVE</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		<p>DIRECTORS which are providing that</p> <p>Question</p> <p>When determining if I exceed the compulsory VAT registration threshold, must I only take into account NED fees earned</p> <p>Answer</p> <p>No, you must add together the value of all taxable supplies of goods or services made in the course or furtherance of all your enterprises that you conduct as a sole proprietor. For example, if, in addition to your NED fees for serving on the board of a company, you also supply forensic accounting services to other clients in the normal course of conducting an enterprise as a sole proprietor, then you need to add the total value of NED fees and the total value of service charges from the forensic accounting business together. The resultant total value of</p>					

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		income from taxable supplies in a 12-month consecutive period must then be compared to the R 1 million compulsory VAT registration threshold to see if you have to register					
Contingent liability not disclosed in the annual financial statements.	Management should make the necessary disclosure in the annual financial statements to recognise the contingent liability in accordance with GRAP 19.	Management agrees with the finding. However, it provides the following discussion: The basis for not disclosing this as a contingent liability is because the entity has sufficiently responded (through an answering affidavit) to the notice received from the Applicant. The Applicant should have responded back through an affidavit but did not. As communicated to AGSA through management and the uThukela Water's Attorney in this case, the Applicant is out of time for the filing his replying affidavit as he has failed to file the affidavit within the prescribed period. He has also not set the case own. And		M I Khoza Company Secretary			The disclosure was corrected on the adjusted AFS.

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		therefore, the current status of the case is that it is discontinued and dormant. The probability of where the case may fall is immaterial as the case itself is not continuing. Needless to say that as in any other legal case, the law affords the Applicant to elect to at a later stage apply for condonation for the late filing of his affidavit or setting the matter down. Should that happen, whether after 6 months or 3 years, the necessary disclosure will be made then.					
Audit committee – required number of meetings not held	Management should ensure that the audit committee charter is updated and that the audit committee meets the minimum times each financial year in accordance with the requirements of the MFMA.	Management agrees with the audit finding.	<u>AC meetings:</u> Quarterly meetings and other needs-based meetings will duly be convened onwards. In fact, two meetings were held in August 2023 in order to close the gap created by not meeting 3 times in 2022/23.	M I Khoza Company Secretary	Quarterly		

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
			<u>AC charter review:</u> The review of the AC charter will be done soon after the appointment of new AC members.				
Audit committee members not rotated.	Management should ensure that they rotate the audit committee members once their six-year term has elapsed.	Management agrees with the finding	<u>Appointment of AC members:</u> The entity has identified this shortcoming and has already advertised for the appointment of a new audit committee. The entity plans to appoint the new audit committee on 27 September 2023 at its annual general meeting.	MI Khoza Company Secretary	October 2023	Complete	
Directors not updated on CIPC	Management should update the entity's directors' information to reflect the current directors on CIPC.	Management agrees with the finding. However, it is noted that the legal reference on which the finding is	Directors amendment on CIPC.	MI Khoza Company Secretary	31/03/2024		

AUDIT FINDING	AUDITORS RECOMMENDATION	MANAGEMENT RESPONSE	REMEDIAL ACTION	RESPONSIBLE OFFICIAL	RETURN/TARGET DATE	STATUS	COMMENT
		based is applied inappropriately. There is no provision in the Companies Act 71 of 2008 that the entity is required to update its directors with the CIPC. The cited Section 70(6) of the Companies Act does not make any reference of the CIPC, it states that <i>"every company must file a notice within 10 business days after a person becomes or ceases to be a director of the company."</i> It does not indicate where should the 'notice' be filed					



uthukela
water

Annual Performance Report of uThukela Water (Pty) Ltd for the financial year 2022/2023

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1. Introduction

Section 46(1) of the Municipal Systems Act 32 of 2000 requires municipalities to prepare annual reports consisting of performance reports.

This report serves to table the annual performance of the entity as at 30/06/2023 against its pre- determined objectives planned out in June 2022. This report is subject to change during and after the internal audit process, finalisation of the annual financial statements for 2022/2023 as well as the audit outcomes received from the Auditor General South Africa.

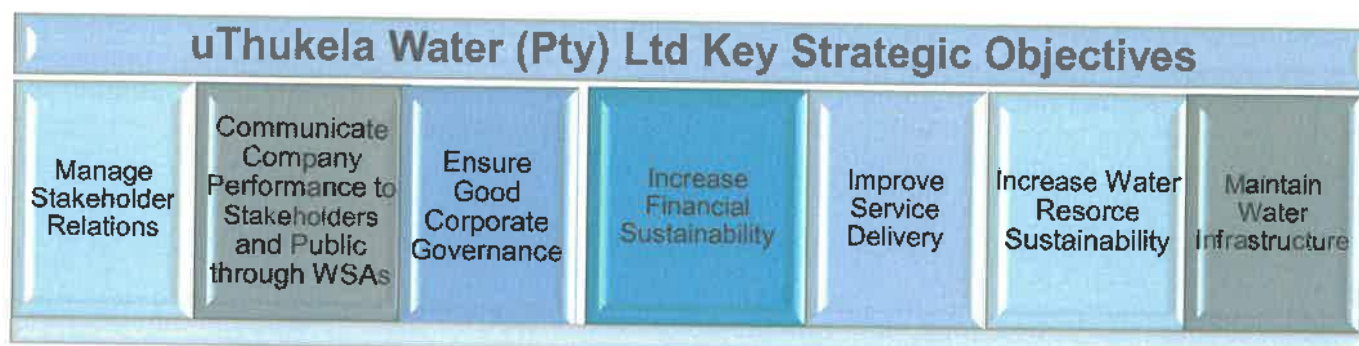
2. Performance analysis

uThukela Water (Pty) Ltd upholds its mission statement by ensuring excellent and consistent performance across all areas of expertise within the entity. The board approved a pre-determined strategic plan/performance plan in June 2022. The plan translates into measurable criteria on how, where and when the strategic objectives and normal business processes of the entity will be achieved and implemented.

2.1. Performance Setting

The performance plan of uThukela Water (Pty) Ltd for the FY 2022//2023 comprises of 7 key strategic objectives, that were filtered into key performance areas and key performance indicators.

2.1.1. The Key Strategic Objectives for the financial year 2022/2023



2.2. Monitoring Performance

The entity's institutional performance management reporting is guided by both the Municipal Finance Management Act 56 of 2003 (MFMA) as well as the Municipal Systems Act 32 of 2000 (MSA).

Section 88(1) of the MFMA requires municipal entities to assess their performance against pre-determined objectives at mid-year, ending 31 December of each year. The outcomes of the assessment must be submitted to the board of directors and parent municipalities by 20 January. Accordingly, the entity prepared a mid-year performance report and submitted it to the board of directors and its three parent municipalities on the 20th of January 2023.

Section 46(1)(a) of the MSA provides for the compilation of the annual performance report. Therefore, this draft annual performance report is compiled to satisfy and comply with this legislation. The report serves to document the annual performance outcomes of the entity, and highlight variances in performance outcomes from the prior financial year.

3. Performance Outcomes

Figure 1 below represents the performance outcomes of the entity at year end (30/06/2023). A detailed breakdown of performance outcomes is at the end of this report, presented through a detailed performance dashboard.

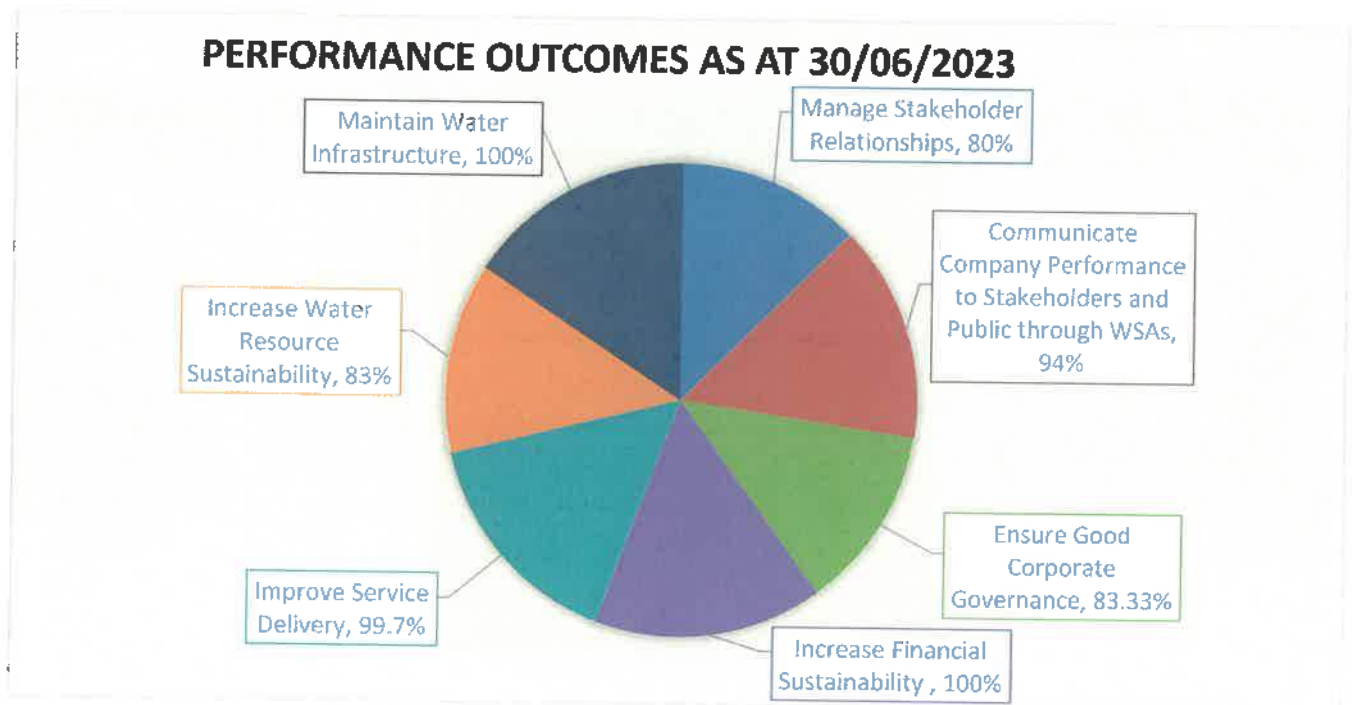


Figure 1: The performance outcomes of the entity against its pre-determined strategic objectives for the FY 2022/2023.

As depicted in figure 1, the entity met all its agreed targets as per the performance plan of the entity for the FY2022/2023 in the key performance areas of the following strategic objectives:

- Increase Financial Sustainability, and
- Maintain Water Infrastructure.

Notably, the entity did not meet its performance objectives in the following strategic objectives:

- Manage Stakeholder Relations,

- Communicate company performance to stakeholders and public through WSAs,
- Ensure Good Corporate Governance,
- Improve Service Delivery, and
- Increase Water Resource Sustainability.

3.1. Reasons for not meeting performance targets.

The reasons for not meeting the targets in the above objectives are summarised below herein:

3.1.1. Manage Stakeholder Relations

The entity did not schedule an Operations, Admin, and Finance meeting between itself and its WSAs in the months of December 2022 and April 2023 due to other competing operational commitments.

The entity was unable to schedule and convene for an Audit Committee Meeting in Quarter 2. However, all quarterly institutional reports have subsequently been presented to the Audit Committee as two meetings took place in the first quarter of FY 2023/2024.

3.1.2. Communicate Company Performance to Stakeholders and Public through WSAs

The entity did not compile and submit April and May 2023 Section 71 reports to parent municipalities. The June 2023 Section 71 report was however compiled and submitted to

the parent municipalities, with information on the April and May 2023 months.

3.1.3. Ensure Good Corporate Governance

The entity received four (4) material external audit findings from the Auditor General which is above the maximum of three (3) as pre-determined. The findings were mostly of non-compliance with prescribed legislation, an example of which is the entity failed to pay its creditors within the prescribed 30-day cycle, and due to this on some creditor accounts the entity incurred fruitless and wasteful expenditure during the financial year. The entity has drawn up and prioritised the implementation of an action plan to address the Auditor General's audit findings. The Managing Director monitors the implementation of the plan monthly and is presented to the Audit Committee quarterly.

3.1.4. Improve Service Delivery

The entity supplied 85% of its predetermined budgeted bulk water volumes to the Amajuba District Municipality. The Amajuba District Municipality does not have a dedicated reservoir. Currently, it shares a reservoir with the Newcastle Local Municipality. Thus, if Newcastle Municipality uses more water, it is often to the disadvantage of the Amajuba District Municipality. The ideal solution for this would be the completion of construction and commission of the Amajuba District Municipality reservoir.

It must be noted that the entity produced more than its budgeted volumes for the financial year, supplying Newcastle

Local Municipality and uMzinyathi District Municipality over and above their budgeted supply volumes.

3.1.5. Increase Water Resource Sustainability

The entity only scheduled and convened one meeting to address business continuity planning in the financial year. This was due to operational commitments during the year. The entity will develop an annual meeting calendar to ensure that all important meetings are scheduled, aligned, and prioritised during the next financial year.

4. Previous Year Performance Analysis Versus Current Financial Year

Figure 2 below depicts the performance outcomes of the entity in its strategic objectives in the previous financial year (2021/2022) versus the performance outcomes of the entity for the current 2022/2023 financial year.

Performance Outcomes Comparison between 2021/2022 and 2022/2023

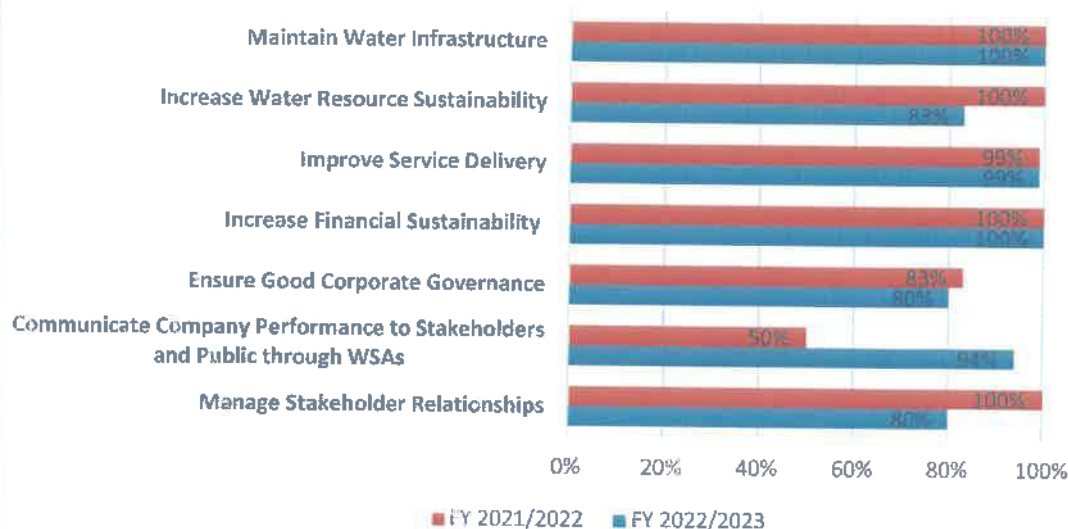


Figure 2: A comparison of performance outcomes of the entity for the current and previous financial year.

4.1 Variances in Performance Outcomes between the current and previous Financial Year

The performance outcomes variances between financial year 2021/2022 and 2022/2023 are summarised in table 1 below.

Table 1: Performance outcomes variances between 2021/2022 and 2022/2023

Strategic Objective	Variance
Manage Stakeholder Relationships	-20%
Communicate Company Performance to Stakeholders and Public through the WSA's	+44%
Ensure Good Cooperative Governance	-3%
Increase Financial Sustainability	0%
Improve Service Delivery	0%
Increase Water Resource Sustainability	-17%
Maintain Water Infrastructure	0%

4.2 Performance Scorecard of the entity for the FY 2022/2023

A full breakdown of the performance of the entity as at the 30th of June 2023 is detailed in the annual performance score card below. Reasons for the performance variances and recommended corrective actions for all areas where the entity failed to meet targets are also discussed in the scorecard.

uThukela Water (Pty) Ltd
Annual Performance Scorecard FY 2022/2023

Strategic Objectives	Key Performance Area	Key Performance Indicator	Annual Target	Responsibility	Annual Actual	Target Met/ Not Met	Reason for Variance	Recommended Corrective Action
Manage Stakeholder Relationships	Align Business Plans and Budgets with Municipal IDPs, Budgets & Plans.	<p>Submit an annual business plan to WSA's as per MFMA on the 31st January 2023</p> <p>To submit an annual budget for 2023/2024 by the 31st January 2023</p> <p>Schedule one meeting per WSA to align budgets and SDBIPs.</p>	<p>1 Submission of Annual Business Plan per WSA by the 31st January 2023</p> <p>1 Budget submission per WSA by the 31st January 2023</p> <p>1 SDBIP Alignment Meeting per WSA to align the 2023/2024 SDBIP of the entity and WSAs</p>	Managing Director	<p>1 Business Plan submitted to WSAs on the 31st of January 2023</p> <p>1 Draft Budget submission per WSA on the 31st of January 2023</p> <p>No SDBIP Alignment Meeting</p>	<p>Met</p> <p>Met</p> <p>Not met</p>	<p>SDBIP Alignment was done via email due to time constraints with one parent municipality.</p>	The entity will schedule meetings to align to the SBIPs of uMzinyathi and Amajuba District Municipality in December 2023.
	Schedule and attend regular operational, admin, and financial meetings with parent municipalities	To coordinate monthly operations, admin, and finance meetings with each WSA	To coordinate 12 Monthly Operations, Admin and Finance Meetings Scheduled with all WSAs	Executive Director: Operations and Engineering	10 Monthly Meetings scheduled with all WSAs	Not met	Operational Commitment s did not allow the entity to schedule meetings in December 2022 and April 2023	The entity to commit to developing an annual meeting planner for meetings with parent municipalities.

	Coordinate Quarterly Board Meetings, Quarterly Audit Committee Meetings and One Annual Shareholder Meeting	To schedule quarterly Board Meetings, Quarterly Audit Committee Meetings and at least 1 Annual Shareholder Meeting	<ul style="list-style-type: none"> 4 Board meetings scheduled. 1 Shareholders meetings scheduled. 4 Audit Committee meetings scheduled 	Managing Director	<ul style="list-style-type: none"> 13 Board Meetings 6 Shareholders Meetings 3 Audit Committee Meeting (Special Audit Committee Meeting) 	<p>Met</p> <p>Met</p> <p>Not met</p>	Due to Operational Commitments and Audit Committee Meeting was not scheduled in Quarter 2	The entity to develop an annual meeting calendar for the Audit Committee meeting for the next financial year, the entity has also had 2 meetings between July and August 2023 to ensure that issues are addressed timeously.
Communicate Company Performance to Stakeholders and Public through WSAs	Submission of Monthly Section 71 Oversight Reports and quarterly performance reports to Shareholders	Compile and submit Monthly Reports to Shareholders. Compile and submit quarterly Performance monitoring templates to all 3 WSA's.	<p>12 Monthly Section 71 Reports</p> <p>4 Quarterly Performance Monitoring Templates to each WSA</p>	<p>• Chief Financial Officer</p> <p>• Managing Director</p>	<ul style="list-style-type: none"> 10 Monthly Section 71 Reports submitted to WSAs (March and April reports not submitted). 4 Quarterly Performance Monitoring Templates submitted to all WSAs. 	Not Met	Due to the resignation of the Acting Chief Financial Officer due to ill-health.	The Chief Financial Officer completed both April and May Reports, however only June reports were subsequently submitted to shareholder municipalities as June reports included April and May activities as the reports are cumulative in nature.
	Submission of Mid- Year Performance Report and Annual Performance Report of the entity as per MFMA	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th of August 2022.	Submit a Mid-Year Performance Assessment Report to all WSA's by the 20th of January 2023. Submit an Annual Performance Report to all Municipalities by the 20th August 2022.	Managing Director	1 Annual Performance Report submitted to all municipalities on the 20 th of August 2022	Met		

		Compile Draft Annual Report with input from stakeholders.	Compile and submit Draft Annual Report to the stakeholders and public by the 31st of October 2022	1 Draft Annual Report Compiled and submitted to WSAs by the 31st of October 2022	Managing Director	1 Draft Annual Report compiled and submitted to WSAs by the 31 st of October 2022	Met		The Final Annual Report was submitted to all WSAs on the 31 st of December 2022, in line with MFMA requirements.
Ensure Corporate Governance	Good	Material Audit Findings	Number of material audit findings in the annual audit report equal to 3 or less.	3 or less than 3 Material External Audit Findings	Managing Director	4 Material External Audit Findings	Not met	The entity did not comply with all prescribed legislation during the financial year.	The entity has drawn up an action plan to address the findings from the Auditor General and will prioritise the implementation of the action plan within the entity.
		Manage and Reduce Risks	Perform quarterly monitoring exercises of risk management within the entity Conduct an annual risk assessment for the entity by the 30th June 2023	<ul style="list-style-type: none"> 4 Quarterly Risk Oversight Reports Completed 1 Risk Assessment update for FY 2023/2024 	Managing Director	<ul style="list-style-type: none"> 4 Quarterly Risk Oversight Reports Completed 1 Risk Assessment Update for FY 2023/2024 completed. 	Met		
		Attract, Retain, and increase organisational skills and capacity	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes been from the staff highlighted to be developed in terms of the WSP and succession plan	Capacitating staff and developing staff in line with the succession plan. With a total of 50% of all staff in training and development programmes been from the staff highlighted to be developed in terms of the WSP and succession plan	Managing Director	Training and Development Report submitted detailing 66% of all training was in line with the WSP and succession plan.	Met		

	Information Technology Systems	To compile and submit 12 Monthly Information Technology Reports that include the design implementation and management of Technology Infrastructure and systems and the management of Technology Asset.	To compile and submit 12 Monthly Information Technology Departmental Reports	Managing Director	12 monthly Information Technology Departmental Reports Submitted	Met		
	Ensure Compliance with the Occupational Health and Safety Act and Regulation	Submit Quarterly SHEQ Oversight Reports	4 SHEQ Oversight Reports	Managing Director	4 SHEQ Quarterly Oversight Reports submitted.	Met		
Increase Financial Sustainability	Revenue Management	To invoice debtors within 10 days of each new month for services rendered.	12 Monthly Invoices to each WSA	Chief Financial Officer	12 Monthly Invoices submitted to each WSA within 10 days of each new month.	Met		
	Financial Performance	To produce Annual Financial Statements by the 31 August 2022	1 Set of Entity Annual Financial Statements completed and submitted to the Auditor General by the 31st August 2022	Chief Financial Officer	1 Set of Entity Annual Financial Statements completed and submitted to the Auditor General on the 31 st of August 2022	Met		

Improve Service Delivery	To supply agreed bulk water volumes to WSAs	To supply bulk water volumes in terms of WSP / WSA Agreements and budgeted volumes.	<ul style="list-style-type: none"> Newcastle 33215000KL uMzinyathi 5500000KL Amajuba 5263200KL 	Executive Director: Operations and Engineering	Newcastle 35976127 KL uMzinyathi 5639698 KL Amajuba 4466858 KL	Met Met Not met	The Amajuba DM shares a reservoir with the Newcastle LM. If Newcastle exceeds its budgeted volumes, it directly impacts the volumes supplied to the Amajuba DM	A designated reservoir for the Amajuba District Municipality is in the process of construction, once the reservoir is commissioned and in use, the entity will be able to supply the budgeted volumes to the Amajuba District Municipality
	To supply quality bulk water in terms of SANS 241:2015	95% compliance across; 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"> Newcastle: Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100% Aesthetic Compliance 100% Chronic Health Compliance 100% Operational Compliance 99.42% Biggarsberg: Acute Health Chemical Compliance 100% Acute Microbiological Compliance 100% 	Met		

					Aesthetic Compliance 99.34% Chronic Health Compliance 100% Operational Compliance 99.81%			
	Reliability of Bulk Water Supply	To minimise unavoidable or planned maintenance interruptions of bulk water supply should not be greater than 24 hours in any one instance.	All planned and unplanned maintenance disruptions of bulk water should not be greater than 24 hours per disruption.	Executive Director: Operations and Engineering	107 Maintenance Disruptions July 2021-December 2022 < 24 hours per disruption.	Met		
	Water Conservation Management	To restrict bulk water losses on raw and potable bulk pipelines to an average of 15% per annum	To restrict water loss on total bulk water system raw and potable pipelines to an average of 15% per annum.	Executive Director: Operations and Engineering	Total Water Loss 3,45 %	Met		
Increase Water Resource Sustainability	To coordinate the regional bulk water master plan	To coordinate bi-annual meetings of the regional bulk water master plan	<ul style="list-style-type: none"> Schedule 2 Meetings 	Executive Director: Operations and Engineering	2 Meetings Scheduled	Met		
	Increasing the resiliency of the institution	To coordinate at least 2 business continuity meetings to facilitate the	2 Meetings to develop an Institutional	Managing Director	1 meeting held on the 19 th of October 2022 with COGTA: Provincial	Target Not Met		The entity needs to develop an annual calendar for all meetings of the entity to

		development of entity wide business continuity plans	Business Continuity Plan		Disaster Management Centre			ensure that all meetings are prioritised.
	Regular asset conditional assessments	To annually assess the overall condition of all assets	1 Annual asset conditional assessment	Chief Financial Officer	1 Annual Asset Conditional Assessment Completed	Target Met		
Maintain Water Infrastructure	Maintenance Planning	To update the Annual Maintenance Plan.	1 updated Annual Maintenance Plan	Manager: Engineering	1 Updated Maintenance Plan Jan-Dec 2022 Jan-Dec 2023	Target Met		

5. Report sign-off-

I, Wiseman Bonginkosi Nkosi, in my capacity as Managing Director of uThukela Water (Pty) Ltd hereby declare that the content contained in this report is complete and accurate to the best of my knowledge. I also confirm that this is a true reflection of the performance of uThukela Water (Pty) Ltd at year end of the 2022/2023 financial year, ending 30 June 2023.

Signature:  : _____ Date: _____