



uPhongolo Local
Municipality

ANNUAL REPORT

2022/2023

**This Annual Report is
drafted in terms of the
Local Government:
Municipal Finance**

**Management Act, 2003
(Act 56 of 2003) and
the Local Government:
Municipal Systems Act,
2000 (Act 32 of 2000).**

Uphongolo Local Municipality
Postal: P.O Box 191, Pongola, 3170
Physical: 61 Martin Street, Pongola
Tel: 034 413 1223
Fax: 034 413 1706
Web: www.uphongolo.gov.za

TABLE OF CONTENTS

- 1. EXECUTIVE SUMMARY 18**
- 1.1 MUNICIPAL MANAGER’S OVERVIEW 20**
- 1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENT OVERVIEW 23**
 - 1.2.1 MUNICIPAL POWERS AND FUNCTIONS 23
 - 1.2.2 POPULATION AND DEMOGRAPHIC PROFILE 25
 - 1.2.3 ENVIRONMENTAL OVERVIEW 31
- 1.3 SERVICE DELIVER OVERVIEW 40**
 - 1.3.1 BASIC SERVICES 40**
 - 1.3.2 SERVICE DELIVERY PERFORMANCE HIGHLIGHTS FOR 2021/2022 41**
 - 1.3.3 SERVICE DELIVERY SHORTFALLS - 2020/2021 57
 - 1.3.4 PROPORTION OF HOUSEHOLDS WITH ACCESS TO WATER 62
 - 1.3.5 PROPORTION OF HOUSEHOLDS WITH ACCESS TO SANITATION 63
 - 1.3.6 ELECTRICITY 64
- 1.4 FINANCIAL HEALTH OVERVIEW 65**
- 1.5 ORGANIZATIONAL DEVELOPMENT OVERVIEW Error! Bookmark not defined.**
- 1.6 AUDITOR GENERAL REPORT 72**
- 1.7 STATUTORY ANNUAL REPORT PROCESS 72**
- 2. POLITICAL GOVERNANCE 75**
- 2.1 INTRODUCTION TO POLITICAL GOVERNANCE 75**
- 2.2 ADMINISTRATIVE GOVERNANCE 80**
- 2.3 INTERGOVERNMENTAL RELATIONS 80**
- 2.4 PUBLIC MEETINGS 83**
- 2.5 IDP PARTICIPATION AND ALIGNMENT 96**
- 2.6 RISK MANAGEMENT 101**
- 2.7 ANTI-CORRUPTION AND FRAUD 102**
- 2.8 SUPPLY CHAIN MANAGEMENT 103**
- 2.9 BY-LAWS 105**
- 2.10 WEBSITES 105**
- 2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICE 106**
- 3. SERVICE DELIVERY PERFORMANCE 109**
- 3.1 Legislative Requirements Error! Bookmark not defined.**

3.2	<i>Organizational Performance</i>	110
3.3	<i>Performance Management Policy</i>	110
3.4	<i>IDP and Budget</i>	111
3.5	<i>Municipal Scorecard and Service Delivery and Budget Implementation Plan</i>	112
3.6	<i>The Municipal Scorecard</i>	112
3.6.1	One-year detailed plan with the following components:	113
3.6.2	Scorecard KPIs were prepared based on the following:	113
3.7	<i>Amendment of the Scorecard</i>	113
3.7.1	Actual Performance	113
3.7.2	Monitoring of the Scorecard	113
3.8	<i>Individual Performance</i>	114
3.8.1	Directors and Managers Directly Accountable to the Municipal Manager	114
3.8.2	Other Municipal Officials	115
3.9	<i>The Municipal Scorecard</i>	115
3.10	<i>Water Services</i>	115
3.10.1	The Status of Water Infrastructure and Asset Management Plan	115
3.10.2	Provision of Portable Water	117
3.10.3	Bulk Regional Water Schemes	117
3.10.4	Ground Water.....	120
3.10.5	Water Quality	121
3.10.6	Water Schemes to be Rehabilitated	121
3.11	<i>WASTEWATER (SANITATION) SERVICES</i>	122
3.11.1	Provision of Sanitation Services.....	122
3.12	<i>ELECTRICITY SERVICES</i>	128
3.13	<i>WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL AND RECYCLING)</i>	132
3.13.1	Waste Collection Services.....	132
3.13.2	The Status Backlogs, Needs and Priorities for Solid Waste Collection, Removal and Disposal.....	133
3.13.3	Refuse Removal Backlog Assessment	134
3.13.4	Ownership of Waste Disposal Sites	135
3.13.5	The State of Waste Disposal Site	135
3.13.6	Collection of Solid Waste Management	136
3.14	<i>HOUSING</i>	137
3.14.1	Housing Administration	137
3.14.2	UPhongozo Municipality as Housing Developer for Human Settlements	138
3.14.3	Housing Sector Plan.....	139
3.14.4	Alignment of Housing Sector Plan to KZN Human Settlements Spatial Master Plan (2030).....	139
3.14.5	Housing Chapter Highlighting Housing Needs and Planned Projects	140
3.14.6	Existing and Planned Housing Projects	141

3.14.7	Level of Services and Backlogs.....	147
3.14.8	Housing Typology Based Demand Analysis	149
3.14.9	uPhongolo Municipality Housing Backlog	150
3.14.10	Mechanism for Coordination of Housing Developments with the Service Providers/Authorities	151
3.14.11	Committed Funding for the Services in Support of Housing Projects	155
3.15	<i>FREE BASIC SERVICES AND INDIGENT SUPPORT</i>	155
3.16	<i>ROAD AND INFRASTRUCTURE</i>	155
3.16.1	Existing and Future Transport Infrastructure	155
3.16.2	Existing and Future Transport Infrastructure	157
3.16.3	Rural Roads Backlogs (ZDM Rural Roads Asset Management System [RRAMS])	158
3.16.4	Institutional Responsibility for Transport Infrastructure	159
3.16.5	Responsibility of the Provision of New Roads and Related Facilities	159
3.17	<i>PLANNING AND DEVELOPMENT SERVICES</i>	160
3.17.1	Spatial Planning	160
3.17.2	Geographical Information Systems (GIS).....	160
3.17.3	Building Control	161
3.17.4	Land Use Planning Services	163
3.18	<i>LOCAL ECONOMIC DEVELOPMENT (LED) SERVICES</i>	165
3.18.1	Local Economic Development Achievements	166
3.18.2	Local Economic Development Challenges	166
3.18.3	EPWP Job Creation	167
3.18.4	Tourism and Market Places	167
3.19	<i>RURAL DEVELOPMENT</i>	168
3.20	<i>LIBRARY SERVICES</i>	170
3.20.1	Service Statistics	172
3.20.2	Service Delivery Levels	173
3.21	<i>CEMETERIES AND CREMATORIA</i>	173
3.21.1	The status, Backlogs, Needs and Priorities	173
3.22	<i>COMMUNITY HALLS, FACILITIES AND THUSONG CENTRES</i>	174
3.22.1	Service Statistics	175
3.22.2	Service Delivery Levels	176
3.23	<i>CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES</i>	176
3.24	<i>ENVIRONMENTAL MANAGEMENT (INCLUDING POLLUTION CONTROL)</i>	177
3.24.1	Service Statistics	177
3.25	<i>TRAFFIC, LICENSING AND LAW ENFORCEMENT</i>	178
3.25.1	Service Statistics	178
3.25.2	Service Delivery Levels	179
3.26	<i>FIRE AND DISASTER MANAGEMENT</i>	179

3.26.1	Fire Services.....	179
3.26.2	Service Statistics	180
3.26.3	Disaster Management	180
3.26.4	Service Delivery Levels	180
3.27	<i>SPORT GROUNDS AND HALLS</i>	181
3.27.1	Service Delivery Levels	181
3.28	<i>EXECUTIVE AND COUNCIL SUPPORT</i>	182
3.28.1	Service Statistics	182
3.28.2	Service Delivery Levels	183
3.28.3	Major Projects Completed.....	183
3.29	<i>FINANCIAL SERVICES</i>	183
3.29.1	Service Statistics	184
3.29.2	Service Delivery Levels	184
3.29.3	Capital Expenditure	184
3.29.4	Major Projects Completed.....	185
3.29.5	Operating Expenditure	185
3.30	<i>HUMAN RESOURCE SERVICES</i>	186
3.30.1	Service statistics	186
3.30.2	Service Delivery Levels	187
3.30.3	Major Projects Completed.....	187
3.31	<i>INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES</i>	187
3.31.1	Service Statistics	187
3.31.2	Operations and Support	187
3.32	<i>PROPERTY SERVICES</i>	187
3.32.1	Service Delivery Levels	188
3.33	<i>LEGAL SERVICES</i>	188
3.33.1	Service Delivery Levels	188
3.34	<i>RISK MANAGEMENT SERVICES</i>	189
3.34.1	Major Projects Completed.....	189
3.35	<i>PROCUREMENT SERVICES</i>	189
4.	INTRODUCTION TO THE MUNICIPAL PERSONNEL	224
4.1	<i>EMPLOYEE TOTALS, TURNOVER AND VACANCIES</i>	224
4.2	<i>POLICIES</i>	226
4.3	<i>INJURIES, SICKNESS AND SUSPENSIONS</i>	227
4.4	<i>PERFORMANCE REWARDS</i>	229
4.5	<i>SKILLS DEVELOPMENT AND TRAINING</i>	230

5.	FINANCIAL PERFORMANCE	239
5.1	GRANTS.....	<i>Error! Bookmark not defined.</i>
5.2	ASSET MANAGEMENT.....	246
5.3	FINANCIAL RATIOS FOR 2021/2022	246
5.3.1	FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS.....	<i>Error! Bookmark not defined.</i>
5.4	CAPITAL EXPENDITURE	<i>Error! Bookmark not defined.</i>
5.5	SOURCES OF FINANCE.....	<i>Error! Bookmark not defined.</i>
5.6	BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW	<i>Error! Bookmark not defined.</i>
5.7	BASIC SERVICE AND INFRASTRUCTURE BACKLOGS- OVERVIEW.....	<i>Error! Bookmark not defined.</i>
5.8	CASH FLOW	<i>Error! Bookmark not defined.</i>
5.9	BORROWINGS AND INVESTMENTS.....	<i>Error! Bookmark not defined.</i>
5.10	PUBLIC PRIVATE PARTNERSHIPS.....	<i>Error! Bookmark not defined.</i>
5.11	SUPPLY CHAINMANAGEMENT	<i>Error! Bookmark not defined.</i>
5.12	GRAP COMPLIANCE.....	<i>Error! Bookmark not defined.</i>
6.	Auditor General’s Report	257

GLOSSARY

DEFINITIONS	
Accessibility indicators	Explore whether the intended beneficiaries are able to access services or outputs.
Accountability documents	Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to parliament and provincial legislatures as prescribed by the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996). This includes plans, budgets, in-year and annual reports.
Activities	The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”.
Adequacy indicators	The quantity of input or output relative to the need or demand.
Annual Report	A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003). Such a report must include the annual financial statements as submitted to the Auditor-General.
Approved Budget	The annual financial statements of a municipality as audited by the Auditor-General and approved by Council or a provincial or national executive.
Baseline	Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period.
Basic municipal service	A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided, it may endanger the public health and safety or the environment.
Budget year	The financial year for which an annual budget is to be approved – means a year ending on 30 June.
Cost indicators	The overall cost or expenditure of producing a specified quantity of outputs.
Distribution indicators	The distribution of capacity to deliver services.

Financial Statements	Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed.
General Key performance indicators	After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally.
Impact	The results of achieving specific outcomes, such as reducing poverty and creating jobs.
Inputs	All the resources that contribute to the production and delivery of outputs. Inputs are " <i>what we use to do the work</i> ". They include finances, personnel, equipment and buildings.
Integrated Development Plan (IDP)	Sets out municipal goals and development plans.
National Key Performance Areas	Five National Key Performance Areas are: <ol style="list-style-type: none"> 1. Municipal Transformation and Institutional Development 2. Basic Service Delivery and infrastructure Development 3. Good Governance and Community Participation 4. Cross Cutting Interventions 5. Social and Economic Development 6. Financial Viability and Management
Outcomes	The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are " <i>what we wish to achieve</i> ".
Outputs	The final products, or goods and services produced for delivery. Outputs may be defined as " <i>what we produce or deliver</i> ". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunisation, or a service such as processing an application) that contributes to the achievement of a key result area.
Performance Indicator	Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge

	the extent to which an output has been achieved (policy developed, presentation delivered, service rendered).
Performance Information	Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure.
Performance Standards	<p>The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the</p> <p>outputs and related activities of a job by describing what the required result should be. In this employee performance management and development system (EPMDS), performance standards are divided into indicators and the time factor.</p>
Performance Targets	The level of performance that municipalities and its employees strive to achieve. Performance targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period.
Service Delivery and Budget Implementation Plan	Detailed plan annually approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included.
Vote	<p>One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The vote specifies the total amount that is appropriated for the purpose of a specific department or functional area.</p> <p>Section 1 of the MFMA defines a "vote" as:</p> <p><i>"(a) One of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and</i></p> <p><i>(b) Which specifies the total amount that is appropriated for the purposes of the department or functional area concerned."</i></p>

ACCRONYMS

ACRONYMS	
A/PC	Audit/Performance Committee
AIDS	Acquired Immune Deficiency Syndrome
ANC	African National Congress
ANC	Anti Natal Clinic
APR	Annual Performance Report
AQMP	Air Quality Management Plan
ASB	Accounting Standards Board
ACF	Anti-Corruption and Fraud
CBD	Central Business District
CCAP	Climate Change Adaption Plan
CFO	Chief Financial Officer
CIGFARO	Chartered Institute of Government Finance Audit and Risk Officers
CLLR	Councillor
CIP	Comprehensive Infrastructure Plan
RCM	Risk and Compliance Manager
DA	Democratic Alliance
DCOGTA	Department of Co-operative Governance and Traditional Affairs
DED	Department of Economic Development
DoA	Department of Agriculture
DoRA	Division of Revenue Act
DRDLR	Department of Rural Development and Land Reform
ECD	Early Childhood Development

EEA	Employment Equity Act
EFF	Economic Freedom Fighters
EIA	Environmental Impact Assessment
EPWP	Expanded Public Works Programme
FRM	Fraud Risk Management
GIS	Geographic Information System
GRAP	Generally Recognised Accounting Practice
GV	General Valuation
GVA	Gross Value Added
HIV	Human Immunodeficiency Virus
HR	Human Resources
IAS	Invasive Alien Species
IFP	Inkatha Freedom Party
ICT	Information and Communication Technology
IDP	Integrated Development Plan
IEM	Integrated Environmental Management
IGR	Inter-Governmental Relations
INEP	Integrated National Electrification Funding
IOD	Injury on Duty
ISAMAO	Institute of South African Municipal Accounting Officers
ITP	Integrated Transport Plan
IWMP	Integrated Waste Management Plan
KFA	Key Focus Area
KPA	Key Performance Area
KPI	Key Performance Indicator
LED	Local Economic Development
LLF	Local Labour Forum
MM	Municipal Manager

MFMA	Municipal Finance Management Act
MGRO	Municipal Governance Review and Outlook
MICE	Meetings, Incentives, Conferences and Exhibitions
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
MPRA	Municipal Property Rates Act
MSA	Municipal Systems Act
mSCOA	Municipal Standard Chart of Accounts
NBR	National Building Regulations
NEMAQA	National Environmental Management Air Quality Act
NEMBA	National Environmental Management: Biodiversity Act
NERSA	National Energy Regulator of South Africa
NGO	Non-Governmental Organisation
NPO	Non-Profit Organisation
NQF	National Qualification Framework
PMS	Performance Management System
PPP	Public Private Partnership
RBIG	Regional Bulk Services Infrastructure Grant
SAHRA	South African Heritage Resources Agency
SALGA	South African Local Government Association
SAPS	South African Police Service
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
SEDA	Small Enterprise Development Agency
SEM	Staff Employee Monitoring
SMMEs	Small Medium and Micro Enterprises
SO	Strategic Objective

SOP	Standard Operating Procedure
STATSSA	Statistics South Africa
SV	Supplementary Valuation
TASK	Tuned Assessment of Skills and Knowledge
UIF	Unemployment Insurance Fund
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works



CHAPTER ONE

Mayor's Foreword
(Executive Summary)



COMPONENT A: MAYOR'S FOREWORD



ACTING MAYOR – CLLR J.B. THWALA

It is a great pleasure to present to you our 2022/2023 Annual Performance Report. I would like to point out that the Annual Performance Report provides us a detailed account of the Municipal performance for the previous financial year that ended as at 30th June 2023. This report complies with the requirements of the Municipal Finance Management Act, 56 of 2003 including other relevant pieces of legislation that stipulate inevitable need for transparency and accountability when executing the Municipal mandate. The report was thus prepared while taking the above into account.

VISION: The municipality is focusing on its vision which is "*uPhongolo Municipality will ensure an all-inclusive socio-economy by providing qua services that will yield a better life for all by 2035*". This report is therefore a reflection of how far the municipality has progressed in realising this vision. It also informs the amount of effort still to be put in coming closer to the realisation if this vision and the total emancipation of our people.

KEY POLICY DEVELOPMENTS: Our strategies and operations as the Municipality always takes a direction towards addressing the National triple challenges i.e. poverty, inequality and unemployment. It is for this reason that whenever we develop our plans and strategies we ensure the alignment with Provincial Growth Development Plan, which also guides us when developing our IDP.

In order to achieve this, we have a clear mission and core values, which are our ethics as an Institution. We had to be very innovative and strategic in the sourcing, prioritisation and spending the limited resources.

The municipality had adopted the IDP which is by the people and for which its implementation will change many lives for the better. The strategic objectives in our IDP is focused on, amongst other things, the development of key community infrastructure, which would improve peoples' lives. The Municipality did not only focus on the number of infrastructure items but mostly the quality of infrastructure that all residents could be proud of in utilising. It was for that reason that the Municipality limited the number of new projects but to focus on the current and old projects by investing more quality additions and features in our Halls, Sport fields, gravel roads and more.

The Municipality received grants from MIG and INEP to implement capital projects for the benefit of our community. These grants are conditional and such conditions are monitored by Cogta, DOE & Treasury. During 2022/2023 financial year, the infrastructure grants were fully spent, and this means that the Municipality achieved its targets as planned in the organisational scorecard and there were no roll-overs.

The National Treasury introduced the cost containment regulation with a view that public funds should be spent in the most prudent way. The Municipality developed a cost containment policy congruent to the regulation to ensure that the resources of the Municipality are used effectively, efficiently and economically. The impact of this is that the implementation of the policy would enable the funds are spent on service delivery priorities. The success of the Municipality to deliver on its mandate is partly linked to the available human resources.

PUBLIC PARTICIPATION: Our local citizens are our greatest stakeholders in the planning and general working of the Municipality. It is the Municipality's citizens that give Councillors the mandate when they come to office, and it is fitting that they are consulted and reported back to on the municipal's operations.

All 15 ward Councillors had regular engagements with communities to address service delivery issues and report on future plans of the Municipality affecting their respective wards. The Municipality adopted the *Operation Sukuma Sakhe (OSS)* which enables it to identify challenges and address them in a pro-active manner. A number of deserving families benefited from the OSS housing project in

2022/2023. Many challenges that faced the communities are addressed through War Rooms by engaging other stakeholders in the National and Provincial government to assist in the needs identified.

FUTURE ACTIONS: Our focus in the next coming years will not shift from our mandate and vision of providing quality services that will yield a better life for all. Providing a healthy, clean and safe environment. However, our greatest focus will be on the local economic development thus creating decent and sustainable jobs for our people.

CONCLUSION: We are pleased and proud to report that our Municipality has obtained an Unqualified Audit Opinion in the year 2022/2023. We will strive to maintain the audit opinion or better by obtaining a clean audit. We will forever be committed to our communities by doing all that is possible to improve their lives for the better.

I thank you.

ACTING MAYOR – CLLR. J.B. THWALA

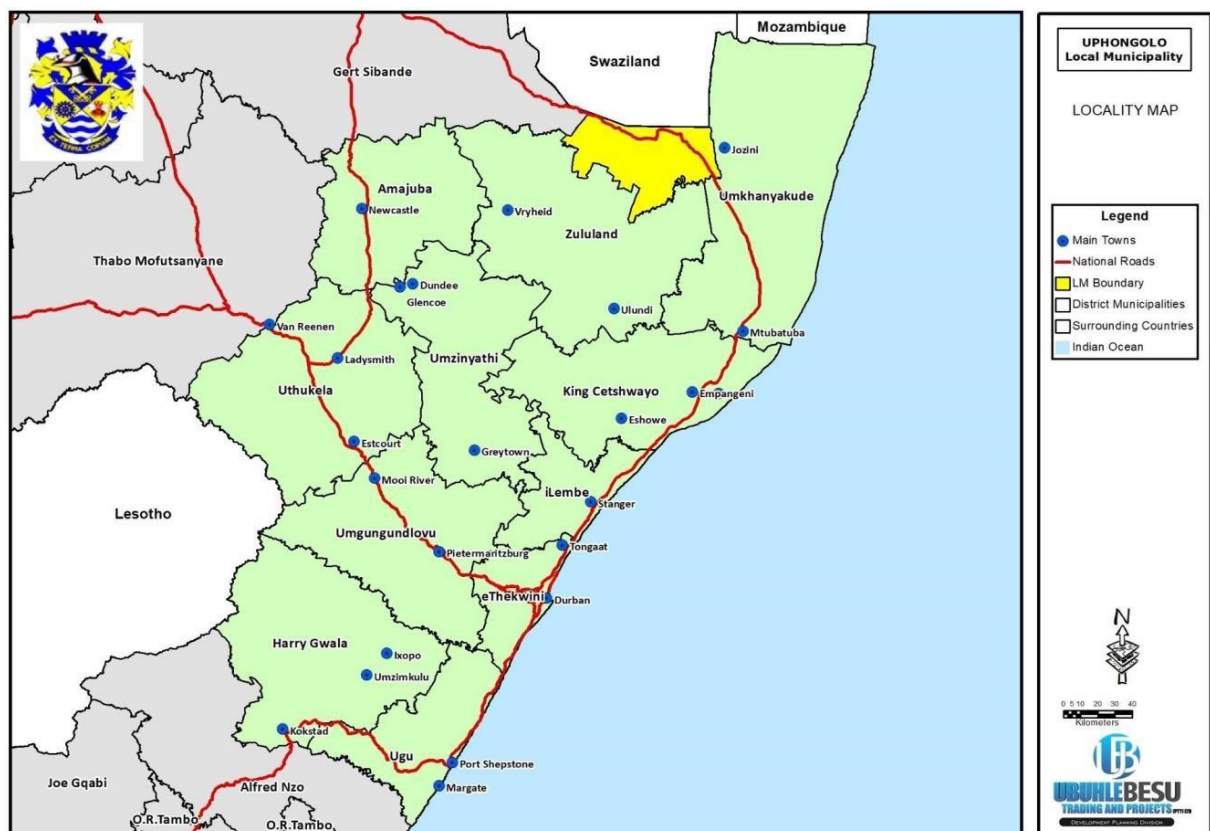
UPHONGOLO MUNICIPALITY

COMPONENT B: EXECUTIVE SUMMARY

1. EXECUTIVE SUMMARY

uPhongolo Municipality is one of five local municipalities located within Zululand District Municipality (DC26) in KwaZulu Natal Province. It is strategically located along the N2, adjacent to the eSwatini Border and the Mpumalanga Province. It forms part of LEBOMBO SDI Corridor as a gateway to eSwatini and Mozambique using its Golela and Onverwacht border gates respectively.

Map: 1 uPhongolo Municipality Locality



Source: uPhongolo Municipality

The municipality has a relatively diverse economy, with a particularly strong primary and secondary sector, in the form of Agriculture and retail and game farming, which together contribute over 30% of the Municipality's GVA. General Government has a comparatively small economic role in the municipality as compared to the rest of the region, although it remains the biggest sectorial contributor (18%).

Surrounded by a unique natural scenic beauty, with endless water resources uPhongolo Municipality is the only place in South Africa where you can do tiger fishing in a competitive environment when we

host the tiger fishing tournament. UPhongolo boasts of vast tracts of untapped natural resources coupled with original natural creations of magnificent landscape and green scenery which manifests itself as a paradise and a jewel that creates more opportunities with a huge potential to elevate tourism in our area to higher level.

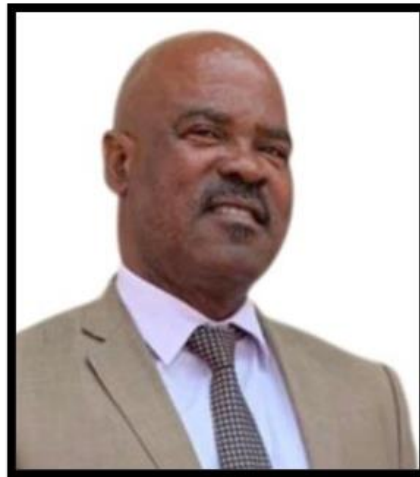
Amongst other key offerings the area of uPhongolo has the following key attributes:

- Gold mining at Klipwaal;
- Sugar cane farming;
- Untapped Rural tribal land;
- Two significant dams – Pongolapoort dam and Mbivane Dam;
- Sugarcane processing factory (TSB) which is due for expansion to include biofuel from the cane residue;
- Ithala Game reserve and many other tourist attractions like game farms including the big five experience;
- Gateway to eSwatini and Maputo through the Golela border post;
- Proximity to King Shaka airport and the Dube Trade Port;
- Unrestricted height freight route for abnormal trucking from Durban to Johannesburg on the N2 passes through uPhongolo; and
- Rich Zulu Kingdom heritage.

SPATIAL LOCATION WITHIN KWAZULU-NATAL: uPhongolo Municipality is situated within the northern area of Zululand, in northern KwaZulu- Natal. As such, it is highly influenced by provincial and district development trends and development within the Zululand Municipality has significant implications for both the province and the district. As such, spatial planning for the future development of uPhongola Municipality considers development trends and patterns that are taking place at both provincial and district level.

REGIONAL CONTEXT: The N2 national road corridor passes through the uPhongolo area as a national link between Gauteng and the Richards Bay corridor and on to Durban in the south. it also connects with Swaziland just to the north of the uPhongolo municipal area as N2 is the primary development corridor. the major challenge is to capitalise on the opportunities this presents and optimise benefits for the local people.

1.1 MUNICIPAL MANAGER'S OVERVIEW



MUNICIPAL MANAGER: MR MB KHALI

I am honoured to table the 2022/2023 Annual Report, Annual Performance Report (APR) and Annual Financial Statements. The purpose for doing this is to comply with the legislative prerequisites. This then gives the Municipality a chance to make sure that we are accountable for our actions for the year under review. Therefore, this report conveys the approach we have adopted with a view to energise the performance of the Municipality and thus raise the bar of compliance by a margin of distinction.

The Municipal Systems Act No. 32 of 2000, precisely Section 46 thereof, stipulates that the Accounting Officer of a Municipality must, subsequent to the end of each financial year, compile the Annual Performance Report and Annual Financial Statements and that the compilation thus forms part of the Annual Report. Whereas in terms of Section 121 of the Municipal Finance Management Act (MFMA) (Act 56 of 2003 further stipulates that the Municipal Manager must within six (6) months after the end of a financial year, present the Annual Report. Accordingly, the Mayor, within seven (7) months following the end of the financial year, has to table the Annual Report to Council for adoption. This Annual Report details the achievements and constraints experienced as well as the corrective measures during the year under review.

uPhongolo Local Municipality was established and operates in terms of Chapter 7 of the South African Constitution. Section 152(1) outlines various objects of local government and it is on these objects that this municipality governs and serves its community in a democratic manner. uPhongolo Municipality has 15 wards and 29 Councillors who were elected to serve the Council on 01 November 2021.

The Risk Management Unit established and is fully functioning, placed in the Office of the Municipal Manager. The MFMA, 62 (1) requires that Municipalities maintains systems of Risk Management and

Internal Control that is efficient and effective. The current system has improved significantly, and the risk maturity of the organizations proves that.

The Fraud Prevention Strategy which was approved by the Council is being implemented and this will help reduce malpractices within uPhongolo municipality. We also have instituted an Enterprise Risk Management Framework, which also includes the Risk Management Policy.

The Municipality received an Unqualified Audit Opinion in the 2021/2022 financial year . This is due to the desire by the municipality to continuously improve its financial management systems and deliver better quality services to its residents. A number of findings raised by the Auditor General during 2021/2022 financial year have been addressed and a management report was developed and monitored. The goal is to clear all the AG findings and achieve clean audit. A regular monitoring of progress in addressing AG findings is done by the MANCO and Internal Audit and reported to Audit Committee and Council on quarterly basis.

The employee costs was within the norm as it as sitting at 37% of Opex while the norm is limited to 40%. We also managed to spend 100% of MIG and INEP grants which is a sign of good financial management.

The LED Unit continued with the process to consolidate our key economic development priorities as reflected in 2022/2023 IDP, which primarily focuses on creation of sustainable jobs, mitigation of the HIV epidemic and promote positive living amongst others. During 2022/2023 financial year, there were 100 job opportunities that were created through EPWP, 50 unemployed people were trained and 120 job opportunities were created through the municipality's LED Initiatives including capital projects.

Keeping our communities safe and healthy has been a priority notwithstanding the health services function is not our mandate. The municipality was able to co-operate with other stakeholders in ensuring that food dispensing outlets and general groceries stores provide safe products to our communities.

Various key service delivery improvements achieved during the year under review confirmed the alignment and implementation of the IDP, SDBIP and Council resolutions. These include, amongst others:

- Sportsfields Programme;
- Electrification Programme
- Roads and Stormwater Programme;
- Community Halls/Multi-Purpose Community Centres; and
- RDP Housing Units

In June 2023, the Annual Risk assessment process was successfully completed which included the fraud risk assessment. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by management, therefore the risk assessment process and the internal audit planning process are aligned so that timely and relevant risk information is available to Internal Audit when they are devising their audit coverage plans.

uPhongolo Local Municipality has six service departments namely:

- The Municipal Manager's Office;
- Finance Department;
- Technical Services Department;
- Community Services Department;
- Corporate Services Department; and
- Planning Development & Local Economic Development.

The aforesaid six departments are led by the respective directors who are accountable and/or report to the Municipal Manager. The Municipality took a decision to split the following departments: Technical Services, Planning and Development & Local Economic Development (LED) and ensure that each respective department has a director duly appointed. Service delivery and the implementation of Council resolutions, IDP and the SDBIP have improved as a result.

The Municipality approved an organisational performance management (PMS) framework and policy that serve as guiding documents and aligned to the Planning and Performance Management Regulations. The high-level process cycle of the PMS is designed to monitor the departmental performance in the following key performance areas, service delivery, municipal transformation, financial viability, good governance and cross-cutting interventions.

MUNICIPAL MANAGER: MR MB KHALI

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENT OVERVIEW

1.2.1 MUNICIPAL POWERS AND FUNCTIONS

The Constitution of the Republic of South Africa Act 108 of 1996, Schedule 4, Part B, read together with Section 152 thereof, and containing the objects of local government vests the powers and functions in a local municipality. Municipal transformation and institutional development relate to a fundamental and significant change pertaining to the way that municipalities perform their functions, allocation of resources and institutional strategies which are implemented to ensure optimum results in service delivery to the communities. It is envisaged that transformation and institutional development shall be seen to take place when the following is addressed as part of the Municipality's strategic planning and direction.

The Municipality has the functions and powers assigned to it in terms of Sections 156 and 229 of the Constitution (Act 108 of 1996). Chapter 5 of the Local Government Municipal Structures Act, Act 117 of 1998 clearly defines these functions and powers vested in a local community;

- To provide democratic and accountable government for local communities;
 - To ensure provision of services to communities in a sustainable manner;
 - To promote social and economic development;
 - To promote a safe and healthy environment; and
 - To encourage the involvement of communities and community organisations in the matters of local government.

Table 1 below indicates the functions that are performed by the uPhongolo Municipality in respect of its relationship with the Zululand District Municipality under which the Municipality falls.

Table 1: uPhongolo Municipality's Functions in Relation to those of the Zululand District Municipality

Zululand District Municipality and Local Municipalities		
District Municipal Functions	Shared Functions District and Local	Local Municipal Functions
Potable Water Supply	Fire Fighting services	Air Pollution
Sanitation Services	Local Tourism	Building regulations (National Building Regulations)
Electricity Reticulation	Municipal Airports	Child Care Facilities
Municipal Health Services	Municipal Planning	Pontoons, Ferries, Jetties, Piers and Harbours
Regional Airport	Municipal Public Transport	Storm Water Management System in Built up areas
	Cemeteries, Funeral Parlours and Crematoria	Trading regulations
	Markets	Beaches and Amusement Facilities
	Municipal Abattoirs	Billboards and the Display of advertisement in Public places
	Municipal Roads	Cleansing
	Refuse Removal, Refuse Dumps and Solid Waste	Control of Public Nuisances
	Cemeteries, Funeral Parlours and Crematoria	Facilities for the Accommodation, Care and Burial of Animals
		Fencing and Fences
		Licensing of Dogs
		Local amenities
		Local Sport Facilities
		Municipal Parks and Recreation
		Noise Pollution
		Pounds
	Public Places	
	Street Trading	
	Street Lighting	

		Traffic and Parking
--	--	---------------------

The Municipality's core object is to deliver the basic services in line with the legislation to improve the lives of the uPhongolo Community and its visitors. The community needs are identified through the public participation process of the Integrated Development Plan (IDP) which are then budgeted for and implemented. The focus for the year was on the Electrification of areas without electricity, Construction and maintenance of roads, Provision of RDP Housing for the needy, solid waste removal, Job creation (local economic development) and Construction Community Hall, Sport fields and Crèches. See Annual Performance Report (APR) for details of level of services provided for 2020/2021.

1.2.2 POPULATION AND DEMOGRAPHIC PROFILE

Table 2: Key Demographic Statistics.

Indicator	uPhongolo Municipality
Area	3 239 km ²
Population	141 247
Households	34 228
Number of settlements	104
Urban areas	1 town and 4 small urban settlements
Gender breakdown	Males 46,9 %
	Females 53,1 %
Age breakdown	0 – 14 51.78% / 15 – 64 43.93% / 65 + 4.29%
Life expectancy	1998 65 years
	2011 48 years

Source: Stats SA – Census 2011 and Community Survey, 2016

The population growth rate of the uPhongolo Municipality (including Golela) increased from 2003 to 2013. The population growth rate can be used as an indicator for measuring demand for fuel within the area. The population of uPhongolo has increased from 122 653 in 2004 to 147 679 in 2014; this represents an average annual increase of 1.9% over the period ranging from 2003- 2013. The number of households grew from 27 280 in 2004 to 27 958 in 2014.

Table 3: Life Statistics

Indicator	Description	Value
Gender breakdown	Males	48%
	Females	52.0%
Age breakdown	0 -14	51.78%
	15 -64	43.93%
	65+	4.29%
Life expectancy	In 1998	65 years
	In 2011	48 years

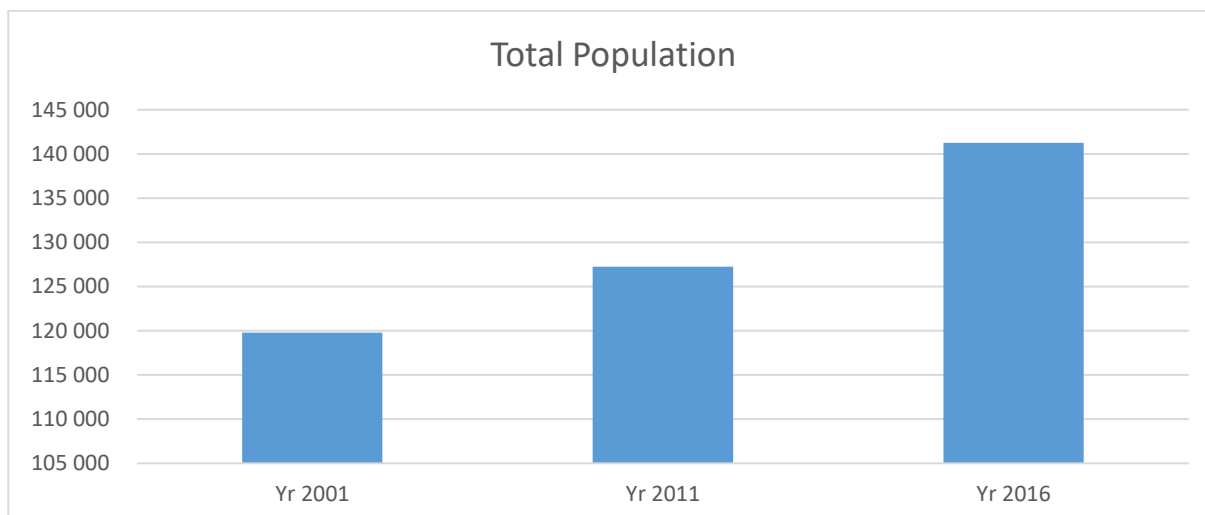
Age breakdown analysis shows a decrease of 12.47% in the 15 to 64 age group meaning that uPhongolo has become a breeding and training ground of the South African labour force were upon attaining qualifications and experience the working age group departs for greener pastures. As such, major interventions through the provision of access roads, electricity and proper sanitation are required as our priority areas in the IDP. This kind of investment will bring development that can lure our citizens to stay and develop with us instead of migrating

Table 4: Population by Age and Gender for 2001, 2011 and 2016

Age	2001			2011			2016		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
0-4	7 663	8 038	15 701	8 838	8 962	17 800	9 887	9 706	19 593
10-14	8 266	8 097	16364	8 042	8 120	16 162	9 787	9 458	19 245
15-19	8 398	8 492	16 890	8 155	7 910	16 065	9 202	9 245	18 447
15-19	7 704	8 169	15 873	7 961	7 897	15 858	9 526	9 008	18 534
20-24	5 249	5 941	11 190	6 380	7 087	13 467	7 728	8 200	15 928
25-29	3 968	4 639	8 607	4 997	5 766	10 762	6 146	6 946	13 092
30-34	2 959	3 792	6 751	3 354	3 894	7 247	4 329	4 848	9 177
35-39	2 476	3 335	5 811	2 615	3 192	5 806	2 558	2 822	5 380
40-44	2 343	3 018	5 361	2 021	2 793	4 814	1 866	2 658	4 524
45-49	1 881	2 373	4 254	1 635	2 554	4 188	1 388	2 178	3 566
50-54	1 476	1 689	3 165	1 665	2 318	3 983	1 122	1 799	2 921
55-59	1 072	1 270	2 342	1 315	1 873	3 188	1 288	1 867	3 155
60-64	990	1 471	2 462	970	1 467	2 438	741	1 626	2 367
65-69	600	1 085	1 685	613	992	1 605	666	1 223	1 889
70-74	479	1 082	1 561	538	1 022	1 560	488	957	1 445
75-79	324	480	805	263	685	948	224	643	867
80-84	236	426	662	184	573	757	144	323	467
85+	94	205	298	182	406	588	109	541	650

Total	56 178	63 602	119 781	59 728	67 510	127 238	67 198	74 049	141 247
<i>Source: Stats SA , 2001, 2011 And Community Survey 2016</i>									

Figure 1: Population Growth Rate: 2001, 2011 and 2016



Source: Stats SA, 2001, 2011 and Community Survey 2016

AVERAGE HOUSEHOLD SIZE: According to the ZDM’s Household analysis the Municipality has an average household size of 6.76. This figure indicates the actual situation in the municipal area and is much more correct than the STATSSA figures. The average household size of the uPhongolo Municipality according to STATSSA was calculated by subdivision of the population figures with the number of households recorded. The average household size is therefore 4 persons per household. This has also a huge influence on service delivery due to the impact on infrastructure services design parameters and actual provision.

Table 5 : Household Size

Municipality	Total household population			Number of households			Average household size		
	1996	2001	2011	1996	2001	2011	1996	2001	2011
UPhongolo	97 372	115 384	125 197	15 967	24 814	28 772	6.1	4.6	4.4

Source: Stats SA – Census 2011

HOUSEHOLD DWELLING TYPE

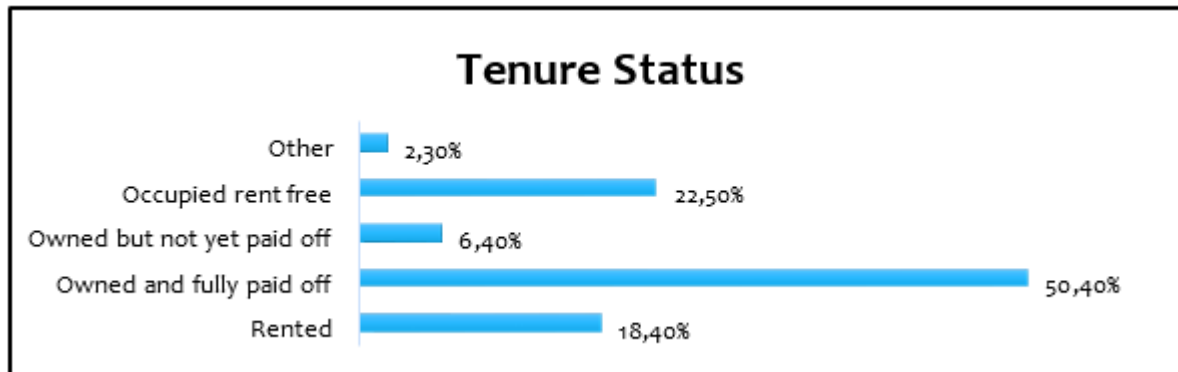
Table 6: Household Dwelling Type

Municipality	Formal Dwelling			Informal Dwelling			Traditional Dwelling		
	1996	2001	2011	1996	2001	2011	1996	2001	2011
UPhongolo									
Total	8 371	16 331	24 013	313	398	342	7 121	8 011	4 115

Source: Stats SA – Census 2011

TENURE STATUS

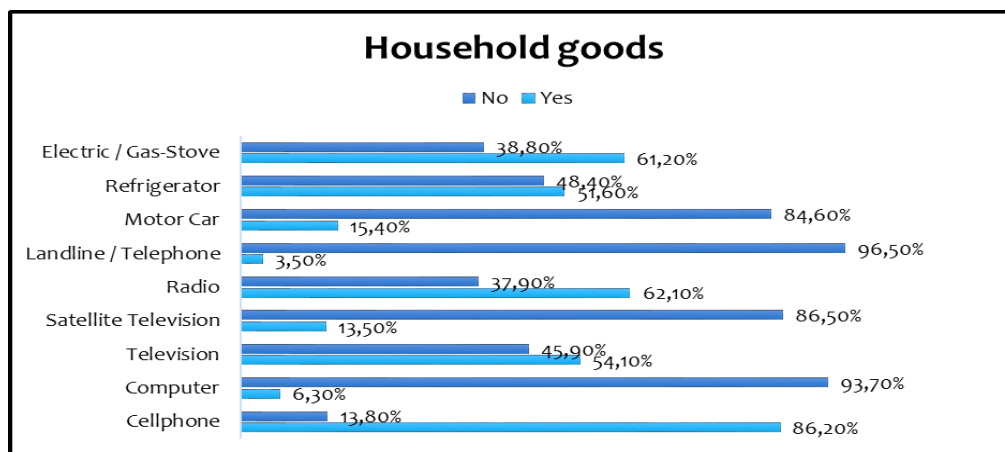
Figure 2: Tenure Status



Source: Stats SA – Census 2011

HOUSEHOLD GOODS

Figure 3: Household Goods



Source: Stats SA – Census 2011

HOUSEHOLD HEADED BY FEMALES

Table 7: Female Headed Households Figures

Municipality	No. Of Household Headed by A Woman			Number of Households			% of Female Headed Households		
	1996	2001	2011	1996	2001	2011	1996	2001	2011
UPhongolo									
Total	7 114	12 151	13 993	15 967	24 814	28 772	44.6	49.0	48.6

Source: Stats SA – Census 2011

HOUSEHOLD HEADED BY CHILDREN

Table 8: Child Headed Households

Municipality	No. of Households Headed By Children			Number of Households			% of Households Headed by Children		
	1996	2001	2011	1996	2001	2011	1996	2001	2011
UPhongolo									
Total	172	429	475	15 967	24 814	28 772	1.1	1.7	1.7

Source: Stats SA – Census 2011

Currently, the total population of the uPhongolo Municipality is estimated at 141 247 people represented into 34 228 households. Ethnically, the population is grouped as follows: Africans 98.5%, Coloureds 0.1%, Asians 0.01%, and whites 1.5% as presented in the table below.

Table 9: Population and Ethnic Groups

Trends	No.	Percentage
Black African – Total	132 270	98,1
Coloured – Total	6	0,1
Indian or Asian – Total	18	0,1
White – Total	1 937	1,5
Total	134 231	100



Source : Stats SA, 2011

Education is an indication of human resources and the skills available within the municipality. Figure 7 above presents the levels of education obtained by people within uPhongolo Municipality in 2013. 15% of the population over the age of 15 have no schooling qualification of any grade. This is concerning given the importance of education in obtaining employment and contributing to the economy. 37.9% of the population have completed matric and only 0.7% has tertiary qualifications as presented above.

ECONOMIC GROWTH: uPhongolo has 50 km² of sugarcane and subtropical fruit plantations surrounding it using drastic irrigation systems. The town of Pongola has thrived as a result of the canal system and a sugar mill that was built which together with the sugarcane plantations and government employment sustains the livelihood of the people of uPhongolo. The N2 national road corridor passes through the uPhongolo area as a national link between Gauteng and Richards Bay then Durban in the south. It also connects with eSwatini just to the north of the uPhongolo Municipal area. This is the primary development corridor in uPhongolo.

The Pongola area also has many tourist attractions including Game Farms and Lodges, the Pongolapoort Dam, famed for its Tiger Fishing and surrounding wildlife, cultural history and much more. The town of Pongola is wedged between the eSwatini border and the Pongola River and has all the modern facilities, Supermarkets, Hospital, Small Airport, 9 (hole) Golf Course, Tennis and Bowls. Pongola has an unparalleled selection of excellent game camps and lodges in which to spend the night. Around Pongolapoort Dam there are 10 lodges in the Pongola Game Reserve.

The two main rivers in the municipality are the Mkuze River in the south and the (Pongola) River in the north, the latter feeding the Pongolapoort Dam, located on the eastern boundary of the municipality. Agriculture and tourism form the basis for the municipality's economy. Major development components consist of game and nature reserves, agricultural activities, traditional settlement areas and some urban nodes.

The public sector is the dominant provider of employment opportunities; however, the informal sector is expanding, primarily based on the taxi industry, informal financial services and taverns. From the data provided by Quantec, 13% of households receive no income, 99.8% of the population earn

between R 801 and R 1600 per month, while 8% of the population earn between R6400 and R12 000 per month. There are couple of households in the Municipality that earn R 25 000 monthly.

The percentage of economically active people in uPhongolo Municipality indicated. It shows that 17% of the population is unemployed, that 30% of the population is employed, 53% of the population is not economically active.

Education is an indication of human resources and the skills available within the municipality. Data provided from Quantec indicates 15% of the population over the age of 15 have no schooling qualification of any grade. This is concerning given the importance of education in obtaining employment and contributing to the economy. 39.7% of the population have completed matric and only 0.7% has tertiary qualifications.

The municipality has also embarked on several activities to speed up the growth of uPhongolo. This includes the investment in a flea market complex which was completed in 15/16 and well as the Imbube Cultural Village which is still under construction. This market is expected to benefit from the free flow of tourists visiting the many game reserves in the area, as well as encourage locals to be productive as there is a selling place for their products. There has also been a newly developed mall at uPhongolo which has since seen the attraction of other major retail chains into this growing town. These opportunities have not only increased job opportunities but also have increased the quality of lifestyle for the local citizens as they can now shop at the best shops in South Africa.

uPhongolo will see major structural developments in the near future as more and more retailers are establishing their mark on our map. As a municipality we aim to ease and facilitate this development by providing state of the art infrastructure. The municipality hopes to speed this up through training of small informal sector business to provide building blocks services, so they can take advantage of the current boom in the building section that is buffered nationally by the current low interest rates.

1.2.3 ENVIRONMENTAL OVERVIEW

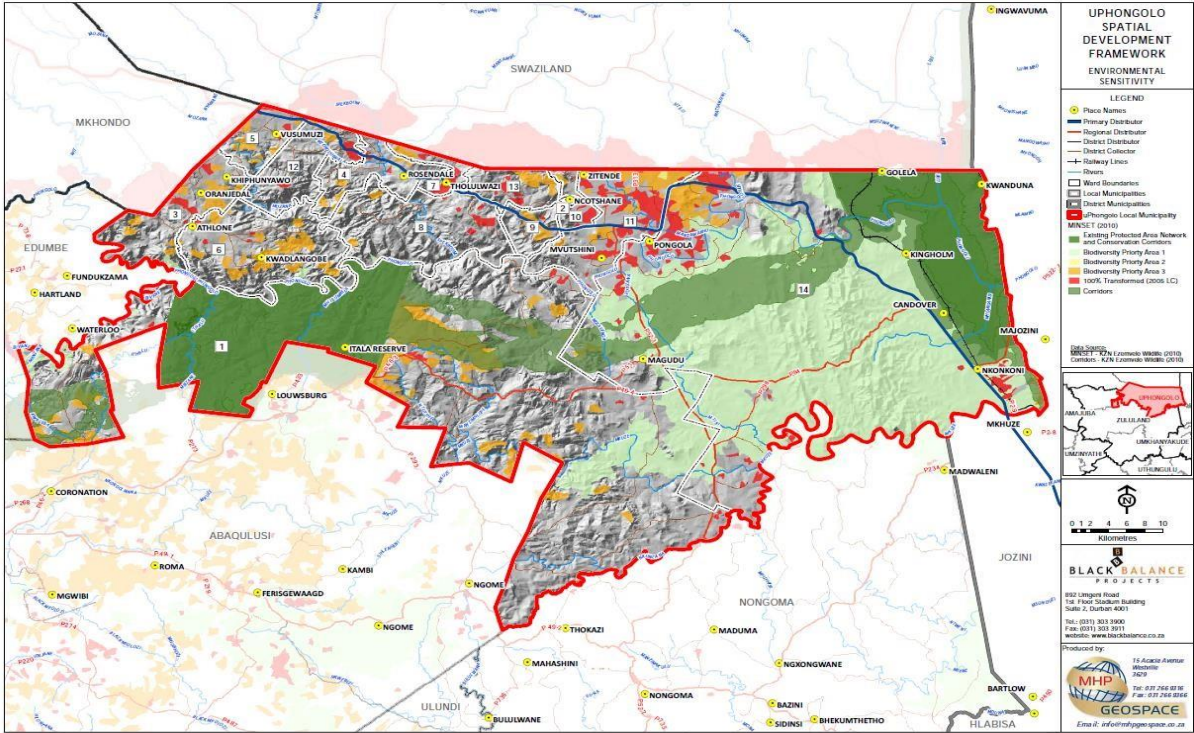
uPhongolo Municipality has a number of environmental sensitive areas, of which two are formally protected. Ithala Game Reserve is located on the south western boundary of the municipality directly South of the Phongolo River. Pongola poort dam is situated on the eastern boundary of the Municipality.

The environmental Conservation corridor as identified by the KwaZulu-Natal Spatial Development Framework is clearly visible and traversing the municipality in an east west direction. The main areas where sugar cane production takes place is classified as 100% transformed or classified as areas with no sensitivity (Priority Area 3).

Biodiversity Priority 1 Areas are mainly concentrated in the eastern side of the municipality, between the R66 and the Pongola Poort Dam. A very limited number of small Priority 1 Biodiversity Area pockets are situated adjacent the Ithala Game Reserve and the eDumbe LM Boundary.

Biodiversity Priority Area 3 is scattered throughout the municipality area and is situated mainly on the western boundary the Ithala Reserve and surrounding the areas of Kwadlangobe, and Oranjeldal. Areas to the northwest of Pongola, where sugarcane farming is taking place, has also a large concentration of Priority Biodiversity 3 areas. No Biodiversity Priority 2 areas are observed.

Map: 2 uPhongolo Environmental Sensitivity



HYDROLOGY: uPhongolo Municipality has a mixture of two “precipitation sectors” which is linked to the varying topography within the municipal area. On average the two sectors average between 722

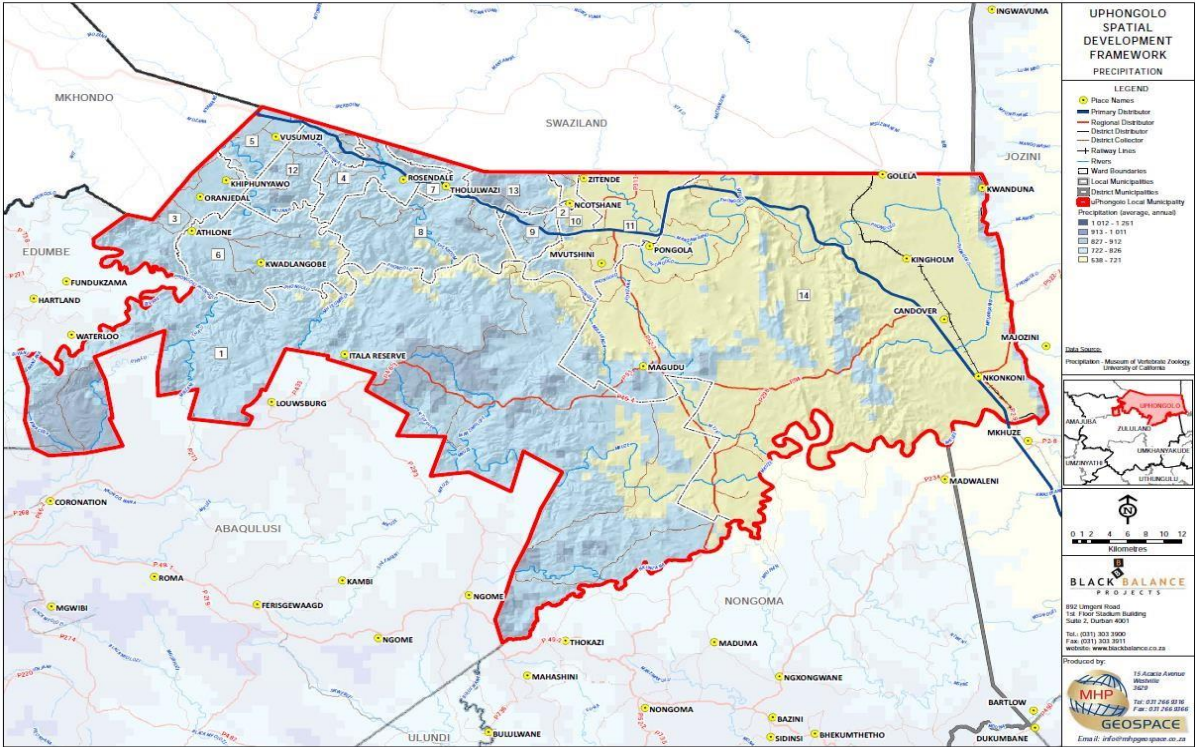
to 826mm per annum and 538 to 721mm per annum. Selected pockets have a higher average precipitation of 913 to 1011mm per annum.

It is evident from the map that the mountainous areas situated to the west of the municipality have higher precipitation levels, thus play an important role in feeding uPhongolo and Mkuze Rivers. Catchments are the areas of land where rainwater drains downhill into a body of water, such as a river, lake or dam.

The drainage basin includes both the streams and rivers that convey the water as well as the land surfaces from which water drains into those channels and is separated from adjacent basins by a catchment divide. Ecological aspects need to be considered when considering Catchment Areas/Drainage Basins. Water that is accumulated within the catchment areas, flows to water bodies namely rivers and dams which is ultimately utilised to provide potable water for household purposes.

Subsequently it is necessary to consider the possible impacts from specific land uses (settlements and agriculture) on the quality of water. This will further provide a clue as to where sanitation services are more desperately required to prevent contamination of water sources by cholera for example. In cases where large scale agricultural activity can have a negative impact on the quality of water it is necessary to limit the use of pesticides. The table below comprises of the rivers and dams that exist within the uPhongolo Municipality.

Map: 3 uPhongolo Precipitation



STRATEGIC ENVIRONMENTAL ASSESSMENT: It is critical for the development of a sustainable Spatial Development Framework to identify environmentally sensitive areas in order to direct and manage intensive development away from such areas. uPhongolo Spatial Development Framework considers both formally registered conservation areas as well as additional potential/future conservation worthy areas, classified as Critical Biodiversity 1 Areas. Phongolo and Mkuze River including tributaries, have a conceptual buffer of 40m from centreline, which allows for an estimated 15m width of a river and then includes the 30m buffer area.

AREAS PRONE TO SOIL EROSION: Wetlands & Dams in excess of 1 Ha with a 30m buffer around the boundary. Areas identified as Biodiversity Priority 1 Areas. MinSet Data as Overlain on the Conservation Criteria Map, Depicting Mandatory Reserve Areas.

The above environmental features have been protected within formal reserves, Riverine Areas, as well as the proposed “Eco Tourism” area, which is aimed at balancing the need for agricultural and conservation activities in a specific region.

SPATIAL ISSUES: The uPhongolo integrated development plan depicts a number of challenges related to a number of aspects that has spatial manifestations. Protecting the natural environment

and resources, the natural environment forms one of the most important resources of the municipality, providing the basis for agriculture and tourism development as well as a functioning and attractive landscape;

Maximising and coordinating the tourism and recreation potential, while the municipality accommodates an existing series of tourism attractions, there is scope for a better utilisation of opportunities, whereby it needs to be ensured that such development is not detrimental to the natural environment, is in accordance with the image of the tourism features of the municipality, and that the various initiatives are coordinated with each other.

Linking access and development, different levels of development should be related to the different levels of accessibility, e.g. development requiring high levels of accessibility and visibility should be located in proximity of primary access corridors etc., the access hierarchy therefore provides one element in the structuring of development in the municipality.

Utilising linkages to surrounding opportunities, the municipality is located in proximity of a wide range of existing and potential developments outside its boundaries, potentials emanating from this location needs to be utilized.

There is a need to better integrate the traditional settlement areas into the functioning of the municipality in terms of social, economic and institutional development ensuring that the communities benefit from improved development without losing their particular unique background.

Facilitating economic development, ensuring that all sectors and communities of the municipality form part of and contribute their particular abilities to the economic development of the area; and facilitating social development, ensuring the provision of adequate social amenities and facilitating social integration.

AGRICULTURE: The agricultural sector employs more people than any other sector in uPhongolo Municipality. It impacts significantly on employment, income generation, economic linkages, land tenure and land reform and environmental considerations in the area. The most predominant activities are sugarcane farming and gaming.

The current agricultural products being exported are sugar cane, vegetables, citrus fruit and game. Value adding for sugar cane is undertaken locally as there a sugar mill in existence. A local maize mill by the local farmers and an agri-park proposed by Rural Development Department will also form a good value chain to benefit SMMEs and Co-ops. Municipality’s LED is directly involved in assisting Co-ops and SMMEs to take advantage of these opportunities. There is also potential for production of biofuel in the area.

Land rated above moderate in terms of agricultural potential is very limited for the whole municipal area. Agricultural potential for Pongola Valley is high due to the availability of water for irrigation purposes. This is evidently seen by existence of commercial farms producing sugar and vegetables in these areas. Agricultural production outside of these areas are limited to stock and game farming.

The land in the north western part of the municipality falls under Ingonyama Trust and is densely populated by traditional communities that are practicing subsistence farming. A small-scale sugar production project was established in 1999 after the construction of Bivane Dam.

EXISTING LAND USE PATTERNS

Table 10: Land Cover and Broad Land Uses

Commercial Crops Dry land	Degraded Grassland	Rural Dwellings
Commercial Crops Irrigated	Dense Bush	Sugarcane – Commercial
Bushland	Grassland	Sugarcane – Emerging Farmer
Degraded Bushland	Grassland/ Bush Clumps Mix	Subsistence – Rural
Degraded Forest	Permanent Orchards Irrigated	Urban
Degraded Grassland	Permanent Orchards Dryland	Water (Natural)
Old Cultivated fields (Bushland)	Plantation	Wetlands
Old Cultivated fields (Grassland)	Plantation Clear-felled	Woodland

From the above land cover, six main elements are visible within the Municipal area, namely urban areas, rural settlements and subsistence farming, woodlands, grasslands and commercial sugarcane. The urban areas are situated around Pongola Town and stretches northwards along the N2. Smaller pockets of densely populated “urban areas” are situated along major transport routes, but they are

also scattered throughout the municipality at localities such as Ncotshane, Vusumuzi and Khiphunyawo. The remainder of the settlements are characterised by rural dwellings.

These settlements include areas such as Athlone and Kwadlangobe in the western areas, Magudu and Candover south and south-east of Pongola Town, and KwaNduna and Golela on the north eastern boundary of the municipality. Large areas of woodlands are situated on the evenly sloped areas on the north-eastern boundary of uPhongolo. This area stretches from the Majozi surroundings (east) to Magudu (South of N2).

Subsistence farming is scattered throughout the municipal area, but more densely situated in close proximity to the rural settlement areas. The highest concentrations of subsistence farming are found near the settlements of Tholulwazi, Oranjedal and Athlone, with scattered subsistence farming activities around Rosendale.

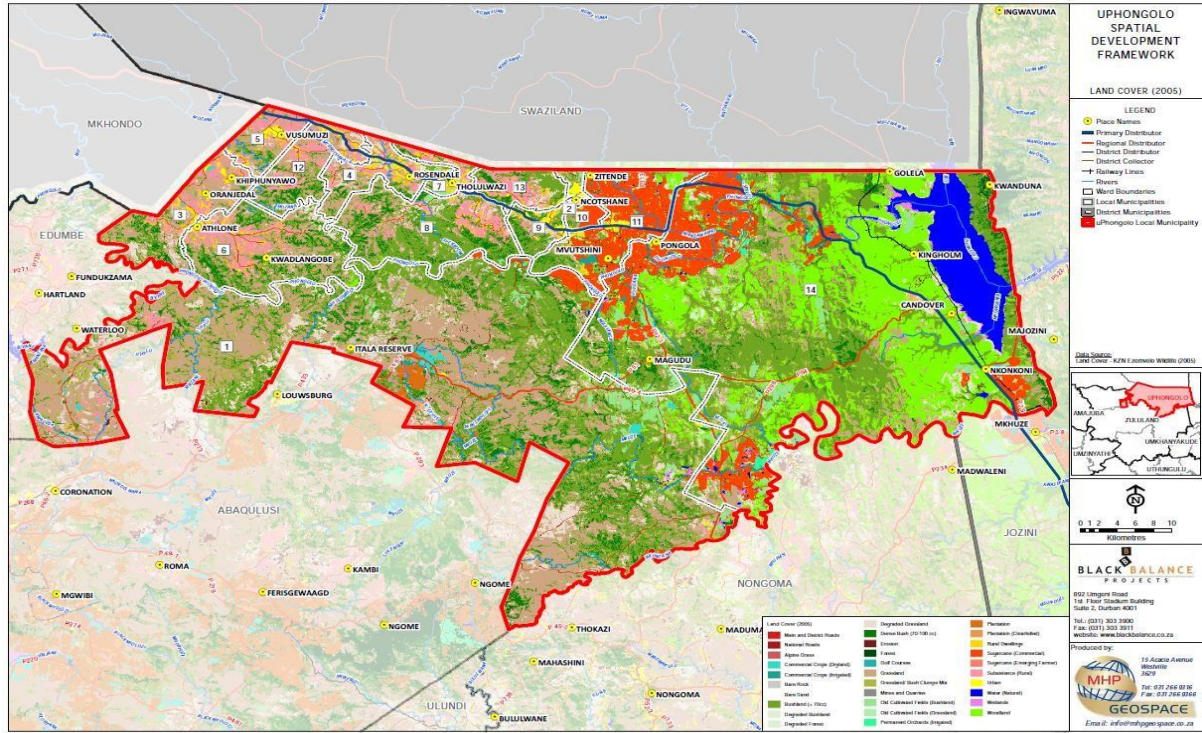
Grasslands are scattered throughout the municipal area, although the lack of other activities and vegetation types makes this the main land cover category in the south-western areas around Ithala Reserve and Waterloo. Plantations are located in the south-western parts of the municipality, and mainly grouped south of Ithala Reserve.

The area in the east of Magudu is characterised by bushlands, whilst the northern parts of the municipal area have a high concentration of commercial sugarcane groupings situated north from Zithende surroundings (north) to all around the Pongola Town. Agriculture: largely located in flat topographic conditions in river valleys, in particular east of Pongola, much of activities consist of commercial sugar cane and vegetable farming. A level of subsistence farming forms an integral part of the traditional settlement areas.

TOURISM AND NATURE RESERVES: one of the main economic activities in the municipality extending over much of the municipality. There exist a series of additional opportunities, such development must however be based on an appropriate protection, management and utilization of the substantial natural resources of the municipality and an appropriate co-ordination of the tourism/recreation activities.

UPHONGOLO LAND COVER

Map: 4 uPhongolo Land Cover



GRAZING LAND: Grazing land occurs in the form of large tracks of vacant land located between different settlements.

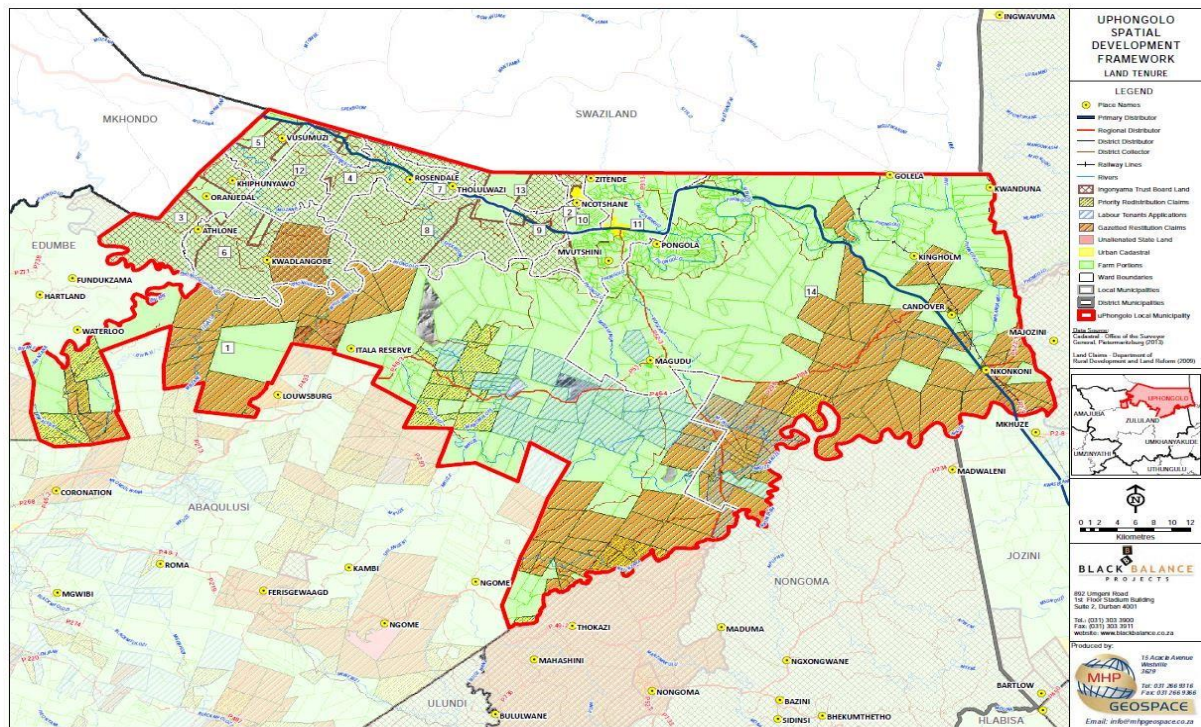
CONSERVATION AND TOURISM: The N2 National Road corridor passes through uPhongolo municipal area as a national link between Gauteng, Richards Bay and Durban. It also connects with Swaziland just to the north of the municipal area.

Natural beauty, existence of tourism related development, and future tourism development potential within the municipal area are the main attributes. These attributes are putting the municipal area at an excellent position to reap the benefits of an intensive tourism programme.

LAND OWNERSHIP: The larger north-western part of uPhongolo Municipality is managed by Tribal Authorities, whilst the eastern part of the Municipality consists of privately owned farms. Only a few areas have official cadastral boundaries and include Pongola Town and Ncotshane. The settlements not situated within the area of a Tribal Council include Magudu, Candover, Nkonkoni, Kingholm and Ithala Reserve.

UPHONGOLO LAND TENURE

Map: 5 uPhongolo Land Tenure



LAND REFORM: Much of the land in the municipality is in the ownership of three categories of land-owners, i.e. state, private individuals and Ingonyama Trust.

State-owned land consists of land in the ownership of the local municipality and various provincial and national departments. The extent and location of formal nature conservation areas are in this context of significance. Much of the traditional settlement areas are in the ownership of the Ingonyama Trust and this has, in particular in the past, limited external investment in the areas.

The majority of the land is held by private companies and individuals being used for agricultural purposes and nature and game experiences. Various trusts and traditional authorities have benefited from the land restitution process and green fund by both Department of Rural Development & Land Reform and Dept. Agriculture & environmental affairs especially in ward 1, ward 14 and part of ward 10 e.g. Inkunzana Trust, Somkhanda game reserve, Ntshangase Traditional authorities to name but few.

LAND CAPABILITY: Large areas of the municipality have land which falls in the high to moderate potential class. The soil quality and climate lend itself to intensive agricultural practices in most of these areas. The overall soil pattern in the study area has been strongly influenced by two dominant soil forming factors namely climate and parent material.

In the higher rainfall areas above 800 mm per annum like the Elandsberg scarp and the Makateoskop plateau the soils tend to be deep, well-drained, fine-textured and leached with somewhat sandier textures were derived from sandstone or granite but more clayey where formed from dolerite. In terms of the South African Soil Classification system the most common soils are those of the Clovelly and Hutton forms in gently sloping upland areas with Glenrosa soils on steeper slopes and Katspruit or Cartref soils in wetlands and depressions.

Most upland soils on the Makateoskop plateau and the upper Pongola and bivane valleys are high potential arable soils being generally deep and well-drained with good physical properties. Chemically, however, these soils tend to be leached, due to the high rainfall, and therefore acid and low in plant nutrients. They may consequently need to be limed and to have their nutrient status built up by appropriate fertilizer treatments. When this is done, they are highly productive cropping soils. In the drier areas, where mean annual rainfall is below 800 mm, the soils are generally shallower and less leached, often with strongly structured subsoils of poor permeability.

1.3 SERVICE DELIVER OVERVIEW

1.3.1 BASIC SERVICES

One of the objects of local government is to ensure the provision of services to communities in a sustainable manner. Basic services rendered to the communities of uPhongolo Municipality is electricity, waste management, roads and stormwater. Water and sanitation services are provided by the Zululand District Municipality. Other services are development and spatial planning, local economic development, environmental, housing, library, cemeteries, community, sports and recreation, traffic as well as fire and disaster services. These services are discussed in detail in Chapter 3 of the Annual Report.

The Municipality has two basic services that it provides to the Pongola community, namely, refuse removal and electricity. Due to low urban settlement area when compared to the Farmland and Tribal settlement area, the refuse removal services are only provided to the urban settlement area.

1.3.2 SERVICE DELIVERY PERFORMANCE HIGHLIGHTS FOR 2022/2023

The Council of uPhongolo Municipality adopted an Organisational Scorecard and Service Delivery and departmental Basic Implementation Plans (SDBIP's) for implementation in 2022/2023 financial year. The Municipality resolved to focus on key tangible deliverables that yield outstanding results. Therefore, it meant that the number of indicators and targets had to be reduced drastically in each KPA so that the Organisational Scorecard reports become more focused and strategic.

For the year ended 30 June 2023, the municipality has managed to achieve 51% of the performance target for the year. This is a 3% improvement when comparing to the performance of the previous year. The indicators with good progress of above or equal to 50% of the target was 23% for the year. The performance targets that were not met and of which more work still has to be done were 27.5% of the targets for the year.

The municipal performance management system is a tool legislated to assist in implementing the IDP of the Municipality and the annual budget (operational and Capital). It is essentially a summary of all the needs of the community and organisation as well as other compliance requirements for the year under review which have been prioritised.

The Municipal Finance Management Act defines the Services Delivery and Budget Implementation plan (SDBIP) as the including the following components.

- 1) Projections for each month of: -
 - (a) revenue to be collected, by source; and
 - (b) operational and capital expenditure by, vote
- 2) Service delivery targets and performance indicators for each quarter; and
- 3) any other matters that may be prescribed, and includes any revisions of such plan by the
- 4) Mayor in terms of section 54(1)(c).

This Annual Performance Report therefore is prepared in terms of Section 46 of the Municipal Systems Act and it seeks to report on the implementation of the SDBIP or the IDP priorities for the year under review.

PERFORMANCE MANAGEMENT PROCESS

The guiding document in the Performance Management System (PMS) process is the approved PMS framework and Policy which are aligned to the Planning and Performance Management Regulations as well as the Appointment and Conditions of Employment of Senior Managers Regulation. The MFMA circular number 13 issued by National Treasury in January 2005 is also used as a guiding document in the planning and development of the service delivery and budget implementation plan.

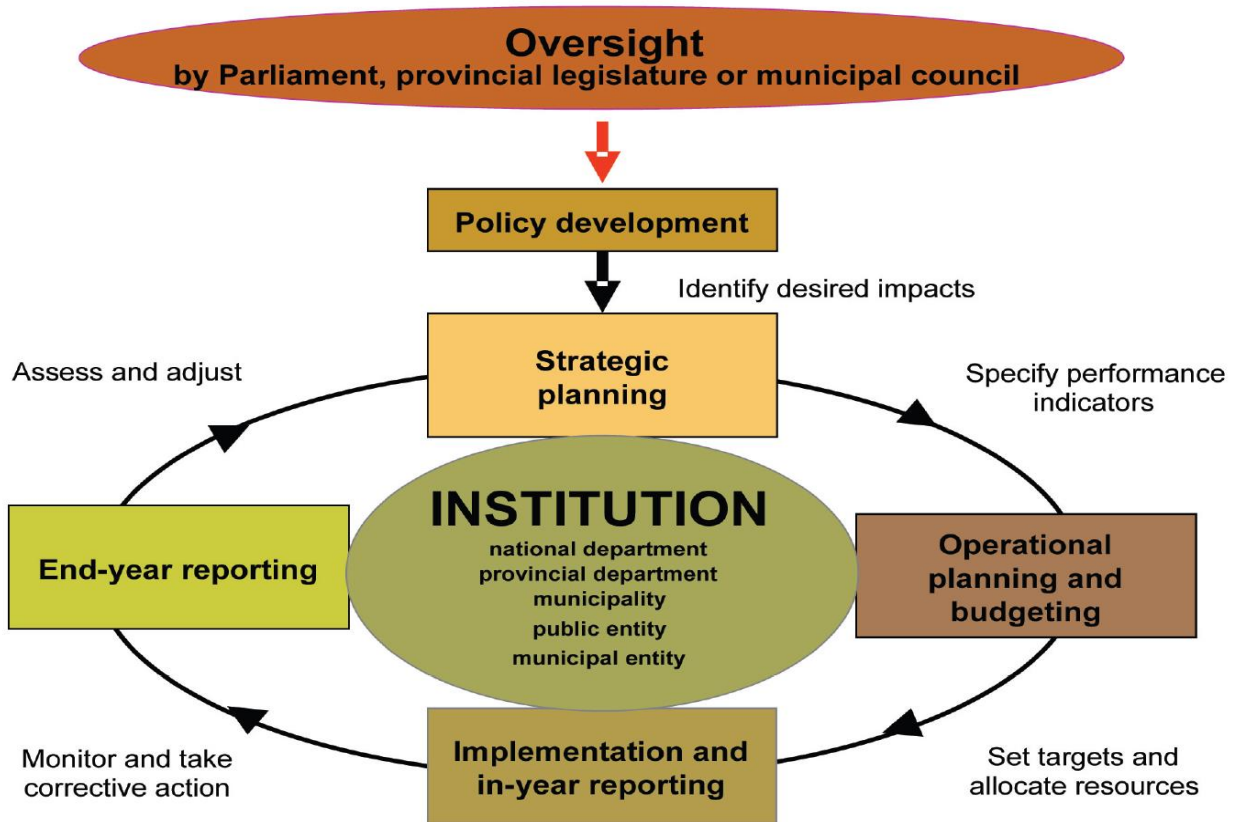
The PMS processes implemented are meant to give a clear picture to all stakeholders on how the strategic objective of the organisation and resources allocated were able to yield the desired output which will improve the lives of community. Key to the PMS process is the monitoring and reporting on shortcomings and making public, service delivery achievement.

The report on financial performance and non-financial performance that are make public include the following:

- Quarterly Performance (Non-financial) Reports
- S71 & S72 Reports (financial)
- Annual Performance Report
- Annual Financial Statements
- Annual Report

Figure 4: The high-level process cycle of the Performance Management System

The high-level process cycle of the Performance Management System can be summarised in a form of the diagram that follows:



ADMINISTRATION OF THE MUNICIPAL PERFORMANCE MANAGEMENT SYSTEM

The Municipality has a PMS unit which acts as the support structure for the 6 Departments (Municipal Manager’s office, Budget and Treasury Unit, Technical Services, Corporate Services, Community Services and Planning Development & Local Economic Development) by collecting, verifying, and reporting on their performance against targets prior to sending the performance report to Internal Audit section to be audited.

It is a norm to hold quarterly Performance Audit Committee meetings after the internal audit had finalised their reports. For the year under review, there’re 4 Audit /Performance Committee meetings that were held during 2022/2023 financial year.

The performance report is prepared and audited on quarterly basis as per the requirement of section 45 of the Municipal Systems Act. The Annual Performance report is also prepared and is audited by the Auditor General as part of their year-end audit.

PERFORMANCE AND SUPPORTING INFORMATION

The Municipal SDBIP (**Appendix 1**) approach reflects the 6 National Key Performance Areas (KPA) and local priorities and enables a wider assessment of how the municipality is performing. The performance report is based on the measures included in the Municipal Scorecard.

The performance targets contained in the Service Delivery and Budget Implementation Plan were approved by the Mayor and also adopted by Council for implementation. During the year, the performance targets were revised as part of the adjustment budget and Mid-year review and all such changes to the performance targets were also approved by Council.

Table 11: The Traffic Light System used in the report of performance is as follows:

COLOUR	REPORT OF PERFORMANCE
Blue	Performance above expectation (10% & more from target)
Green	Performance targets achieved
Amber	Performance target below (50% of target achieved)
Red	Performance target below (less than 50% of target an achieved)

OVERALL ORGANISATIONAL PERFORMANCE SUMMARY FOR 2022/2023 For the year ended 30 June 2023, the municipality has managed to achieve 51% of the performance target for the year. This is a 3% improvement when comparing to the performance of the previous year. The indicators with good progress of above or equal to 50% of the target was 23% for the year. The performance targets that were not met and of which more work still has to be done were 27.5% of the targets for the year.

Positive Contributors:

- Municipal Transformation KPA had an overall improvement of 27 %
- Good Governance KPA had at 15% improvement overall.
- Cross Cutting KPA had a 18% improvement overall.

Negative Contributors:

- Financial Viability has a 6% decline.
- The Basic Services KPA had a 33% decline overall.
- Local Economic Development had an overall decline of 7%.

Overall Performance Highlights for the 2022/2023:

The municipality was able to deliver key infrastructure project including but not limited to the following:

- Construction of 1.745km new tarred road.
- Job opportunities were created under the EPWP program including other capital project -99.
- The municipality was able to engage communities through community meetings conducted by ward councillor where a total of 110 meetings were held.
- Completion of 245 RDP houses.
- An unqualified audit opinion was received for the fourth time in a row.

Key Performance Area 1: Municipal Institutional Development and Transformation

The contributor to this KPA is the Corporate Services Department and mostly deals with Human Resource indicators, Performance Management indicators and IDP indicators. This KPA had an overall achieved of 67%. This an improvement of 27% when comparing to the previous financial year where an achievement of 40% was recorded.

Table 12: Comparative Analysis for the Municipal Transformation and Institutional Development Over 4-Years

KPI Status	Municipal Transformation			
	2019/2020	2020/2021	2021/2022	2022/2023
Target Exceeded	3	2	1	2
Target Met (as planned)	4	3	5	8
Target Not Met (with 50% progress)	4	7	3	3
Target Not Met (with less than 50% progress)	2	2	6	2
Total	13	14	15	15
% Targets met	54%	36%	40%	67%
% Targets not met	46%	64%	60%	33%

Table 13: MTID Performance Highlights, Challenges and Measures to Improve Performance

Performance Highlights for the 2022/2023	Challenges	Measures taken to improve Performance.
<p>A number of employees were able to complete their qualifications with the assistance of the Municipality, target was 40 and the achievement was 44. The annual report was tabled as legislated. The Performance Audit Committee meetings were conducted quarterly as planned. Backing-up of critical data was always done as expected throughout the year. The municipality appointed women in some senior and middle management positions (thus, levels target 1, actual 2).</p>	<p>Bursaries budgeted not fully spent at year end.</p> <p>Challenges still exist in the cascading of PMS to lower levels.</p> <p>Councillor trainings not all completed as per the target.</p>	<p>Post of Director Corporate Service was filled.</p> <p>Cascading PMS process started with the advertisement of PMS officer.</p>

Key Performance Area 2: Comparative Analysis of Basic Service Delivery and Infrastructure Development Over 4-Years

The overall score for this KPA is 43% for the year under review, which showed an improvement of 19%. The overall performance of this KPA is not at the acceptable level.

Table 14: Comparative Analysis of Basic Service Delivery and Infrastructure Development Over 4-Years

KPI Status	BASIC SERVICE DELIVERY & INFRASTRUCTURE			
	2019/2020	2020/2021	2021/2022	2022/2023
Target Exceeded	1	3	2	1
Target Met (as planned)	1	1	4	0
Target Not Met (with 50% progress)	8	9	7	6
Target Not Met (with less than 50% progress)	3	4	1	3
Total	13	17	14	10
% Targets met	15%	24%	43%	10%
% Targets not met	85%	76%	57%	90%

Table 15: BSDID Performance Highlights, Challenges and Measures to Improve Performance

Performance Highlights for the 2022/2023	Challenges	Measures taken to improve Performance.
<p>The municipality completed the construction of 245 RDP houses. The completion of new tarred roads were more than 1.745 km.</p>	<p>Some infrastructure projects were put on hold in the previous year.</p> <p>The municipality relies more on contractors and consultants in delivering the projects and where the appointed service provider performs poor, the project gets delayed.</p> <p>Director Technical Services post was vacant for almost the entire year.</p> <p>The vacancy of middle management and other key personnel within the Technical Services Department remains a challenge.</p>	<p>The post of the Dir. Technical Services was filled later in the year and has been re-advertised after it was vacant from July 2023.</p> <p>The posts of the Manager: Electricity and Manager Civil were advertised and to be filled in 2023/2024 financial year.</p>

Key Performance Area 3: Comparative Analysis of Local Economic Development Over 4-Years

The overall score for the Local Economic Development KPA is at 43%. This is a decrease of 7% in the overall performance when compared to 2021/2022 financial year where 50% of targets were achieved.

Table 16: Comparative Analysis for Local Economic Development Over 4-Years

KPI Status	LOCAL ECONOMIC DEVELOPMENT			
	2019/2020	2020/2021	2021/2022	2022/2023
Target Exceeded	6	4	5	2
Target Met (as planned)	3	1	1	4
Target Not Met (with 50% progress)	3	4	2	4
Target Not Met (with less than 50% progress)	2	5	4	4
Total	14	14	12	14
% Targets met	64%	36%	50%	43%
% Targets not met	36%	64%	50%	57%

Table 17: LED Performance Highlights, Challenges and Measures to Improve Performance

Performance Highlights for the 2022/2023	Challenges	Measures taken to improve Performance.
<p>The elderly, people living with disabilities and special groups were assisted with food parcels and many more other need and services required. The number of people who were examined for learners' licence was higher than planned for the year. More Tourism promotion initiatives were undertaken. There were more roadblocks conducted during 2022/2023 financial year.</p>	<p>Vacancy in the post of the LED Manager Transfer of the Tourism function to Community Services Cash flow challenges to execute Special programmes</p>	<p>Post of the LED Manager has been advertised and to be filled. Post of LED Manager has been filled on an acting basis. Manager post in the Office of the Municipal Manager for Youth and Sport filled. Training Programs for unemployed Youth created and in progress</p>

KEY PERFORMANCE AREA 4: Municipal Financial Viability and Management

The overall score for this KPA is 47%. This shows that the same level of performance in the current year as prior year achievement.

Table 18: Comparative Analysis for Municipal Financial Viability and Management

KPI Status	FINANCIAL VIABILITY AND FINANCIAL MANAGEMENT			
	2019/2020	2020/2021	2021/2022	2022/2023
Target Exceeded	1	1	2	1
Target Met (as planned)	7	7	5	6
Target Not Met (with 50% progress)	7	5	2	4
Target Not Met (with less than 50% progress)	0	2	6	4
Total	15	15	14	15
% Targets met	53%	53%	47%	47%
% Targets not met	47%	47%	53%	53%

Table 19: MFV&M Performance Highlights, Challenges and Measures to Improve Performance

Performance Highlights for the 2022/2023	Challenges	Measures taken to improve Performance.
<p>Spending on INEP grant budget was at 100% by year end.</p> <p>Spending on MIG grant was also at 100%</p> <p>Revenue growth of 3% was within the expectation</p> <p>Spending on Operational Expenditure was within the norm and target for the year.</p>	<p>The collection rate at year end was at 85% which is far below the norm of 95%-100%</p> <p>Cost coverage ratio was at 0 months by end of financial year while a norm is 1 to 3 months.</p> <p>CAPEX for the year were below the target of 100% as only 88% was spent</p> <p>Staff cost to OPEX was a bit out of the norm by 2%</p>	<p>Revenue enhancement strategy to be reviewed and implemented.</p> <p>The indigent register will be updated and implemented.</p> <p>Where necessary, a write-off of irrecoverable debtors will be done.</p> <p>To appoint a debt collector to assist with recovering the long outstanding debt.</p> <p>Filling of posts to be limited to critical post only.</p> <p>Training programs for unemployed youth and staff to resume in 2023/2024 Financial Year.</p>

KEY PERFORMANCE AREA 5: Good Governance and Public Participation

The overall score for this KPA is 73%. There is an increase of 15% in the over-all performance when comparing to the previous financial year.

Table 20: Comparative Analysis for Good Governance and Public Participation Over 4 Years

KPI Status	GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS			
	2019/2020	2020/2021	2021/2022	2022/2023
Target Exceeded	3	5	3	4
Target Met (as planned)	5	4	4	4
Target Not Met (with 50% progress)	2	1	2	2
Target Not Met (with less than 50% progress)	2	2	3	1
Total	12	12	12	11
% Targets met	67%	75%	58%	73%
% Targets not met	33%	25%	42%	27%

Table 21: GG&PP Performance Highlights, Challenges and Measures to Improve Performance

Performance Highlights for the 2021/2022	Challenges	Measures taken to improve Performance.
<p>New ward committees members were appointed and fully functioning in all 15 wards.</p> <p>Community meetings conducted by the ward Councillors exceeded the quarterly projections which summed 110.</p> <p>The Council meetings were held and planned as required by Legislation.</p> <p>The Annual Risk Assessment was conducted .</p> <p>IDP credibility score was above the set target.</p> <p>The Municipality was able to maintain unqualified audit opinion.</p>	<p>The holding of Inter-Governmental Relations (IGR) meeting was a challenge also during the year as the IGR was not functional.</p>	<p>Training of new Councillors to begin once full stills audit is completed.</p> <p>Strategic planning to be planned from beginning of calendar year and progress monitored by MANCO.</p>

Key Performance Area 6 : Cross-Cutting Interventions

The KPA scored an achievement of 75% of the targets for the year. This shows a significant increase of 18% when comparing to the previous year.

Table 22: Comparative Analysis for Cross Cutting Interventions Over 4 Years

KPI Status	CROSS CUTTING INTERVENTIONS			
	2019/2020	2020/2021	2021/2022	2022/2023
Target Exceeded	0	1	3	2
Target Met (as planned)	2	3	1	1
Target Not Met (with 50% progress)	1	0	1	0
Target Not Met (with less than 50% progress)	3	3	2	1
Total	6	7	7	4
% Targets met	33%	43%	57%	75%
% Targets not met	67%	57%	43%	25%

Table 23: Cross Cutting Interventions Performance Highlights, Challenges and Measures to Improve Performance

Performance Highlights for the 2022/2023	Challenges	Measures taken to improve Performance.
<p>The inspection at buildings for compliance with fire and other by-laws or regulation was above target.</p> <p>More Waste and Environmental Management Operations / Awareness were done during the year than budgeted</p>	<p>The Environmental Management By-law and related Environment Management Plan were not reviewed</p>	<p>To Engage Cogta for assistance with the development of the Environmental management by-law</p>

1.3.3 SERVICE DELIVERY SHORTFALLS - 2022/2023

Table 24: Service Delivery Shortfalls

MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT		
NO.	CHALLENGES	INTERVENTION
1	No off-site information backup done (site/storage)	Budget and identify site for back-up purposes
2	Inadequate office space	To budget for planning and designs. To re-submit the plans to Treasury.
3	No back-up power generator	It is budgeted for in the 2022/2023 financial year
BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT		
1	Budget for repairs and maintenance is below 8% norm and affects the service delivery	More budget is needed to clear the backlog and compliance to National Treasury guidelines
2	Shortage of staff	Prioritize filling of critical positions in the technical services department
3	No depot for Technical Services staff and equipment	Budget needed
4	No Integrated Local Transport plan (ILTP) in place	To develop and adopt ILTP
5	Insufficient yellow machine	Lease/buy yellow machine
6	Electricity distribution losses	Phase out old analog meters with digital prepaid meters provided
7	No Truck Stop and weigh bridge	To engage provincial DOT regarding weigh bridge To identify land and build a truck stop
8	No traffic related by-laws	Development and/or formulation and passing of applicable traffic by-laws
MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
1	Lack of office space	Prepare item on Circular 51 (extension of office building) and submit Provide budget in 2022/2023 subject to approval of building plans and cost analysis
2	Increasing consumer debts	Intensify the methods or ways to collect monies that are due and payable to municipality
		Review, implement and monitor the revenue enhancement strategy

3	SCM Challenges	Implement the consequence management and recommends to Council writing off old UIFW.
SOCIAL DEVELOPMENT		
1	Ward upliftment not changing beneficiaries' economic status	Ward upliftment budget to increase (20 000 P/W),
2	Inadequate support for SMMEs and Co-Ops	Identify and support sustainable concepts to be funded, Conduct workshops on projects development and concepts for small businesses, SMMEs and Co-ops
3	No information centre	To draft Information Centre Business Plan and source funding and land for its development
4	Lack of job opportunities	To create job opportunities through EPWP, CWP, Capital projects and other municipal programmes
5	Tourism products not well marketed	To engage stakeholders in the hospitality industry, Support local events Develop/link tourism website and brochures
6	Lack of green economy initiatives	Identification and implementation of green economy initiatives
7	Lack of strategies for tuck/spaza shops South African owners and potential investors	Engage the tuck/spaza shop owners and assist where possible
8	Unsuitable merchandise traded in undemarcated areas	Identify all small businesses and type of business operating illegal Conduct a meeting with all businesses about illegal trading business Issue notices Law Enforcement

9	Inadequate provision of bulk infrastructure (water, electricity, and roads) hamper investors	Engage DWA and ZDM, Application for License, Engage DME, Eskom and DOT
10	Slow processes/delays in obtaining zoning certificate, EIAs, Building plans and other specialists reports and approvals	Appointment a panel for planning consultants
11	Unfavorable/lack of policies, bylaws and lease agreements between the municipality and tenants	Correct lease agreements
LOCAL ECONOMIC DEVELOPMENT (LED)		
1	Beneficiaries particularly cooperatives misusing funding and support from the municipality through ward upliftment programme (Grants)	Ward upliftment budget to increase for sustainability. Only creative concepts should be funded
2	Inadequate support for SMMEs and Co-Ops due to limited resources	Increase accessibility of funds and support on sustainable concepts.
		Conduct workshops on projects development and concepts for small businesses, SMMEs and Co-ops
3	No local business support centres	Sister departments and Government entities should set up satellite offices to service the municipality
4	Unemployment is still high despite commitment from the Municipality on infrastructure investments and skills development.	Increase funding on infrastructure projects and promote black industrialists to ensure labour intensive job opportunities. This includes EPWP, CWP, Capital projects etc.
5	Tourism products lack value chain exchange between emerging producers and developed tourism facilities.	To engage stakeholders in the hospitality industry,
		Support emerging locals in tourism and promote value chain.

		Develop/link tourism website and brochures
6	Green economy initiatives/concepts lack funding	Funding of green economy initiatives and concepts
7	Tuck/spaza shops previously owned by locals have been taken over by foreign nationals	Engage tuck/spaza shop owners and assist where possible
8	Unsuitable merchandise traded in un-demarcated areas.	Identify all small businesses and type of business operating illegal
		Conduct a meeting with all businesses about illegal trading business
		Issue notices and appoint business compliance personnel
		Law Enforcement
9	Inadequate provision of bulk infrastructure (water, electricity and roads) hamper investors	Engage DWA and ZDM, for bulk infrastructure provision and Application for License for infrastructure proposed projects.
10	Slow processes/delays in obtaining zoning certificate, EIAs and other specialists reports and approvals	Appointment a panel for planning consultants
11	Unfavorable/long term land lease agreements between the municipality and previous tenants disadvantage locals from production.	Legal team to approach courts to correct lease agreements
GOOD GOVERNANCE AND PUBLIC PARTICIPATION		
1	Shortage of personnel to monitor the operation and functioning of ward committees	Prioritise appointment of Personnel
2	Lack of skills/training to capture ward community minutes and reporting	To provide training workshops for ward community meetings

3	Chamber has no public gallery	To be budgeted for extension
4	Lack of commitment of Ward Champions	The Municipal champion to encourage war room champions to attend war room meetings
5	IGR Meetings not convened (as per IGR sectors between ZDM and LMs)	ZDM to review the TORs for the IGR Sectors
		Develop an annual schedule of meetings
		Submission of an annual schedule to LMs
6	Lack of stakeholder participation at IDP/Budget Meetings	Strengthen a working relationship with stakeholders/sector departments
CROSS CUTTING INTERVENTIONS		
1	Land Claims	Undertake Land Audit (Participation of Sector Departments in the process)
2	Land invasion, Illegal development/encroachments	Implementation of land audits outcomes including prosecution/eviction
3	Illegal dumping	Conduct community awareness campaigns pertaining to illegal dumping
4	No emergency centre / fire station	Land has been secured, in the process of securing funding for development

1.3.4 PROPORTION OF HOUSEHOLDS WITH ACCESS TO WATER

Table 25: Distribution of households by access to piped (tap) water for 1996, 2001 and 2011

Water Service Delivery Levels				
Description	Year -3	Year -2	Year -1	Year 0
	Outcome	Outcome	Outcome	Actual
Household (000)				
<u>Water: (above min level)</u>				
Piped water inside dwelling	857	546	655	846
Piped water inside yard (but not in dwelling)	647	865	456	486
Using public tap (within 200m from dwelling)	486	486	465	546
Other water supply (within 200m)				
<i>Minimum Service Level and Above sub-total</i>	990	898	576	879
<i>Minimum Service Level and Above Percentage</i>	80%	84%	65%	79%
<u>Water: (below min level)</u>				
Using public tap (more than 200m from dwelling)				
Other water supply (more than 200m from dwelling)	486	486	486	486
No water supply				
<i>Below Minimum Service Level sub-total</i>	486	359	865	486
<i>Below Minimum Service Level Percentage</i>	20%	16%	35%	21%
Total number of households*	2 476	2 256	2 442	2 365
Households - Water Service Delivery Levels below the minimum				
Description	Year -3	Year -2	Year -1	Year 0
	Outcome	Outcome	Outcome	Actual
Household (000)				
Formal Settlements				
Total households	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%
Informal Settlements				
Total households	100 000	100 000	100 000	100 000
Households ts below minimum service level	25 000	25 000	25 000	25 000
Proportion of households ts below minimum service level	25%	25%	25%	25%

(Stats SA: Census)

1.3.5 PROPORTION OF HOUSEHOLDS WITH ACCESS TO SANITATION

Table 26: Distribution of households by type of toilet facility for 1996, 2001 and 2011

Sanitation Service Delivery Levels				
Description	2005/06	2006/07	2007/08	2008/09
	Outcome	Outcome	Outcome	Actual
Household (000)				
<i>Sanitation/sewerage: (above minimum level)</i>				
Flush toilet (connected to sewerage)	942	600	720	930
Flush toilet (with septic tank)	712	952	502	535
Chemical toilet	535	535	511	601
Pit toilet (ventilated)	124	135	103	100
Other toilet provisions (above min.service level)	13	13	15	11
<i>Minimum Service Level and Above sub-total</i>	2 325	2 236	1 851	2 178
<i>Minimum Service Level and Above Percentage</i>	68,9%	59,9%	55,5%	63,1%
<i>Sanitation/sewerage: (below minimum level)</i>				
Bucket toilet	502	952	938	720
Other toilet provisions (below min.service level)	535	535	535	535
No toilet provisions	10	11	12	15
<i>Below Minimum Service Level sub-total</i>	1 047	1 498	1 485	1 271
<i>Below Minimum Service Level Percentage</i>	31,1%	40,1%	44,5%	36,9%
Total number of households*	3 372	3 734	3 336	3 449
Households - Sanitation Service Delivery Levels below the minimum				
Description	2005/06	2006/07	2007/08	2008/09
Household (000)	Outcome	Outcome	Outcome	Actual
Formal Settlements				
Total households	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%
Informal Settlements				
Total households	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%

(Stats SA: Census)

1.3.6 ELECTRICITY

Electricity Service Delivery Levels				
Description	2005/06	2006/07	2007/08	2008/09
	Outcome	Outcome	Outcome	Actual
Household (000)				
<i>Energy: (above minimum level)</i>				
Electricity (at least min.service level)	655	547	565	523
Electricity - prepaid (min.service level)	565	587	846	565
<i>Minimum Service Level and Above sub-total</i>	1 220	1 134	1 411	1 088
<i>Minimum Service Level and Above Percentage</i>	52,8%	52,8%	66,3%	62,1%
<i>Energy: (below minimum level)</i>				
Electricity (< min.service level)	112	123	124	124
Electricity - prepaid (< min. service level)	955	865	565	487
Other energy sources	24	26	28	54
<i>Below Minimum Service Level sub-total</i>	1 091	1 014	717	664
<i>Below Minimum Service Level Percentage</i>	47,2%	47,2%	33,7%	37,9%
Total number of households*	2 310	2 147	2 127	1 753
Households - Electricity Service Delivery Levels below the minimum				
Description	2005/06	2006/07	2007/08	2008/09
Household (000)	Outcome	Outcome	Outcome	Actual
Formal Settlements				
Total households	100 000	100 000	100 000	100 000
Households below minimum service level	25 000	25 000	25 000	25 000
Proportion of households below minimum service level	25%	25%	25%	25%
Informal Settlements				
Total households	100 000	100 000	100 000	100 000
Households ts below minimum service level	25 000	25 000	25 000	25 000
Proportion of households ts below minimum service level	25%	25%	25%	25%

1.4 FINANCIAL HEALTH OVERVIEW

The municipality is highly dependent on grant funding for the financial year ending 30 June 2023. The grant funding equated to 65.67% of the municipal revenue. During the 2022/2023 financial year, the grant expenditure was at 99.7%. The service charges such as refuse as well as property rates contributed 28.88% to the total revenue of the Municipality during the 2022/2023 financial year.

The Municipality has a Council-approved Revenue Enhancement Strategy which is being implemented. The implementation of the Revenue Enhancement Strategy improves the Municipality's revenue. The Customer Care, Credit Control, and Debt Collection Policy are being implemented in order to compel ratepayers to pay for municipal services.

uPhongolo Municipality's budget reflects sound financial strategies in respect of expenditure and, in particular, cost containment measures that are being implemented. The Budget covers sound financial strategies since the cash inflow is based on an estimated collection rate.

BUDGET RELATED-POLICIES:

The uPhongolo Municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies, and related policies. The purpose of budget-related and financial purposes is to provide a sound environment to manage the financial actions of the municipality with relevant legislation frameworks. The previous year's adopted policies were reviewed as part of the budget compilation process and were approved by the Council in June 2020. The following are key budget-related policies:

CUSTOMER CARE, CREDIT CONTROL, AND DEBT COLLECTION POLICY:

This policy required in terms of section 96 of the Municipal Systems Act, 32 of 2000 to provide for credit and debt collection procedures and mechanisms to ensure that all consumers pay for services provided. The adopted policy is credible, sustainable, manageable, and informed by affordability and value for money.

ASSET MANAGEMENT, INFRASTRUCTURE INVESTMENT, AND FUNDING POLICY:

The purpose of the policy is to ensure that municipal assets are managed and accounted for in terms of relevant legislation and frameworks.

BUDGET POLICY:

This policy prescribes principles that must be complied with in preparing, monitoring, and reporting a medium-term revenue and expenditure framework budget. It further ensures that the budget reflects the strategic outcomes embodied in the IDP and related strategic policies.

BUDGET AND VIREMENT POLICY:

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the Municipality's system of delegations.

BORROWING POLICY:

The purpose of the policy is to establish a borrowing framework for the Municipality and to set out the objectives, policies, statutory requirements, and guidelines for the borrowing of funds to:

- Manage interest rate and credit risk exposure;
- Maintain debt within specified limits and ensure adequate provision for the repayment of debt; and
- Ensure compliance with all legislation and Council policies governing the borrowing of funds.

CASH MANAGEMENT AND INVESTMENT POLICY:

The aim of the policy is to ensure that the Municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves.

PETTY CASH POLICY:

This policy governs the issuing of petty cash in terms of the supply chain management policy and the effective utilization of petty cash according to authorized processes only.

SUPPLY CHAIN MANAGEMENT POLICY:

This policy sets out principles to ensure that the procurement of goods and services is fair, transparent, equitable, and competitive as well as cost-effective to comply with applicable regulations and frameworks for Supply Chain management.

TARIFF POLICY:

The policy provides a broad framework within which the Council can determine fair, transparent, and affordable charges that also promote sustainable service delivery. All the above policies are available on the Municipality’s website.

The Sustainability and Liquidity of the Municipality:

The current ratio is a measure of the current assets divided by the current liabilities. The norm is 2:1 and the ratio should not decrease below 1 otherwise the municipality will be at risk to finance operations. For the 2021/2022 MTREF, the current ratio was 0.77:1 and 0.78:1 in 2020/21. The norm range is between 1 and 3. The ratio for the 2022/23 MTREF indicated that the municipality will be able to meet its current obligations when they fall due.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to settle current liabilities immediately. The municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. This needs to be considered a pertinent risk for the municipality as any under-collection of revenue will translate into serious financial challenges for the Municipality. As part of the longer-term financial planning objectives, this ratio will have to be maintained at a minimum of 1.

LOANS/ BORROWINGS:

The Municipality’s strategy is to borrow only long-term funds at the lowest possible interest rates at minimum risk within the parameters of authorized borrowing as stated in section 46 of the Municipal Finance Management Act No. 56 of 2003. This permits municipal borrowing with respect to financial capital expenditure on infrastructure, property, plant, and equipment. The Municipality is mindful that the borrowing of long-term loans has to be sustainable. The total loans outstanding as at 30 June 2023 amounted to R0.00. The purpose of the loans/borrowings was to purchase tipper trucks. The following two tables show uPhongolo Municipality’s loan profile for 2021/2022 and 2022/2023 is as follows:

GRANT DEPENDENCY:

Grants from the National Treasury are received in tranches during the year. Government grants have been recognized as income over the periods necessary to match them with the related costs. For grants received during the year under review in Chapter 5 for ease of reference.

PAYMENT OF CREDITORS:

The Municipality has not defaulted on payment of its creditors, i.e. Eskom (bulk electricity purchases), SARS (VAT and PAYE), third-party payments (pension and medical aid funds), and any other trade creditors.

The Municipality's own revenue in the 2022/2023 financial year reflects 34.33% and this is largely due to a decrease in service charges (refuse) by 20% as a result of the indigent register implementation. A 95.60% in interest on outstanding debtors, and a 21.50% on fines, penalties, forfeits

Table 27: Current Ratios over 3 Years

	2020/2021	2021/2022	2022/2023
Current assets/Current liabilities	0.78	0.77	1.17

This ratio is used to assess the ability of the municipality to pay back its short-term liabilities with its short-term assets which are cash, inventory, and receivables. The norm ranges between 1.5 to 2:1. The ratio indicates that the municipality is still capable of paying back its short-term obligations although the ratios have increased when compared to the prior year's ratios from 0.78 to 1.17.

Table 28: Cash/Cost Coverage Ratios Over 3 Years

	2020/2021	2021/2022	2022/2023
Cash and cash equivalents- unspent conditional grants- overdraft+ short-term investments/monthly fixed operational expenditure excluding depreciation, provision for bad debts, impairments, and loss on disposal of assets	0 month	0 month	0 month

This ratio indicates the municipality’s ability to meet at least its monthly fixed operating commitments from cash and short-term investments without collecting any additional revenue during that month. The ratio has not changed when compared to the prior years it has remained for 0 months meaning that the municipality is currently at the risk of not being able to meet its obligations to provide basic services or meet its financial commitments.

DEBTOR’S COLLECTION

Table 29: Collection Rate

	2020/2021	2021/2022	2022/2023
Gross debtors closing balance + Billed revenue - Gross debtors opening balance - Bad debts are written off/Billed revenue x 100	81.44%	44.53%	93.43%

This ratio indicates the level of payments received from debtors, and it measures the increase or decrease in debtors relative to annual billed revenue. The collection rate has improved when compared to the prior years although debtors' balance has slightly decreased in the current financial year when compared to the prior year.

REVENUE MANAGEMENT, EXPENDITURE MANAGEMENT AND COST CONTAINMENT MEASURES:

The Municipality has introduced a revenue management, expenditure management, and cost containment program to raise and collect all revenue due to the Municipality. Included in the program is a focus on expenditure management and cost containment to ensure that available resources are optimized for quality service delivery.

The municipality has managed to implement the MSCOA as per the National Treasury requirements by the 1st of July 2017. The financial system being used by the municipality is MSCOA compliant since the municipal IDP and SDBIP have been captured into the system and successfully managed to develop the budget chart on the system. On the 1st of July 2017, the municipality managed to go live on MSCOA and is able to transact on the financial system.

The Municipality's own revenue in the 2022/2023 financial year reflects 34.33% as compared to 2021/2022 which was 46.26% which signifies an 11.93% decrease. The operating expenditure for the current year has decreased by 17.12% in comparison to the 2021/2022 financial year.

Table 30: Financial Overview (Not Updated)

Financial Overview 2020/2021			
	Original budget	Adjustment budget	Actual
Income			
Grants	209 936 000	250 301 269	232 155 470
Taxes, levies and tariffs	45 592 637	45 592 637	45 570 560
Other income	72 456 068	73 468 529	75 778 992
Sub-total	327 984 705	369 362 435	353 505 022
Expenditure	273 703 884	300 000 990	323 335 907
Net total	54 280 821	69 361 445	30 169 115

Sources: uPhongolo Municipality

Employee costs represent 41.53% of the total operating expenditure, which is relatively within the norm. The Repairs and Maintenance is 2.97% of the property plant and equipment book value and Finance charges 1% of the total operating expenditure.

Table 31: Operating Ratios

Operating Ratios	2020/2021	2021/2021	2022/2023
Detail	%	%	%
Employee Cost	37.1	29.61	41.53
Repairs & Maintenance	5.34	3.45	2.97
Finance Charges & Impairment	1	0.45	1

Source: uPhongolo Municipality

The employee-related cost to total operational cost amounts to 41.53%, which is slightly above the norm of 40%. The key contributor to the higher-than-normal staff cost is overtime and temporal employees. The repairs and maintenance cost is at 2.97% of OPEX and this appears to be lower than the norm of 8% due to the fact that this figure is for the materials only and the labour component is included in the employee cost line item.

The finance cost shows 0.59% of OPEX which is within the acceptable norm and increased compared to the prior year. Capital expenditure: The capital budget in the current year appears to have decreased when compared to the prior mainly due to the change in the way the INEP (electrification grant) budget is accounted. From 2020/2023, the Electrification grant was not treated at the Capital budget.

Table 32: Total Capital Expenditure: Year 2020/2021 to 2022/2023

Total Capital Expenditure: Year 2020/2021 to Year 2022/2023			
			R
Detail	Year 2020/21	Year 2021/2022	Year 2022/23
Original Budget	43 387 110	52 075 949	28 791 087
Adjustment Budget	69 096 360	48 652 332	48 687 580
Actual	55 529 877	42 054 470	43 004 145

Source: uPhongolo Municipality

Capital Expenditure

The variance between the Original Budget vs. the Actual expenditure is 49.37% and the variance between the Adjustment budget vs. the Actual expenditure is 13.20% which means there was an under-expenditure in the Capital Budget. The underspending was due to a grant that was gazetted but it was not received.

Grant funding from National Departments is received in 3 tranches during the year. Government grants have been recognized as income over the periods necessary to match them with the related costs.

1.5 ORGANISATIONAL DEVELOPMENT OVERVIEW

During 2022/2023 financial year, the municipality filled all the critical senior management vacancies. There has been an improvement in the overall municipality vacancy rate as it was at 9.22% by end of the financial year. This improvement means more human resources have been added to assist the municipality to improve efficiency in service delivery to communities.

The training and development of employees and Councillors was prioritized for implementation during 2022/2023 financial year and were implemented in accordance the approved Council’s Workplace Skills Plan (WSP). This translates to the overall development of the Municipality.

The organogram which was approved by the Council during the 2022/2023 shows an overview of the municipal administrative structure. The organogram presented immediately here-in below indicates the vacancy rate, structures, powers and functions of the municipality and is aligned to the long-term development plans of the municipality.

1.6 AUDITOR GENERAL REPORT

The municipality obtained unqualified audit opinion in the 2020/2021, 2021/2022 and 2022/2023 financial years. These results are indicative of the internal controls that management has implemented and are working effectively.

The issues that the Auditor General has highlighted in their Audit Report will be prioritized for correction in a form of an Audit Action Plan. Monitoring of the Audit Action Plan by Council is key to eliminating the risk of a negative audit opinion in future.

1.7 STATUTORY ANNUAL REPORT PROCESS

Table 31: Statutory Annual Report Process

No	Activity	Timeframe
1	Consideration of next financial year’s Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period	July
2	Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).	
3	Finalise the 4th quarter Report for previous financial year	
4	Submit draft year 0 Annual Report to Internal Audit and Auditor-General	
5	Municipal entities submit draft annual reports to MM	
6	Audit/Performance committee considers draft Annual Report of municipality and entities (where relevant)	August
8	Mayor tables the unaudited Annual Report	
9	Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General	
10	Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase	

11	Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data	September - October
12	Municipalities receive and start to address the Auditor General's comments	November
13	Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report	
14	Audited Annual Report is made public and representation is invited	
15	Oversight Committee assesses Annual Report	
16	Council adopts Oversight report	December
17	Oversight report is made public	
18	Oversight report is submitted to relevant provincial councils	
19	Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input	January



CHAPTER TWO

Governance



COMPONENT B: POLITICAL AND ADMINISTRATIVE GOVERNANCE

2. POLITICAL GOVERNANCE

2.1 INTRODUCTION TO POLITICAL GOVERNANCE

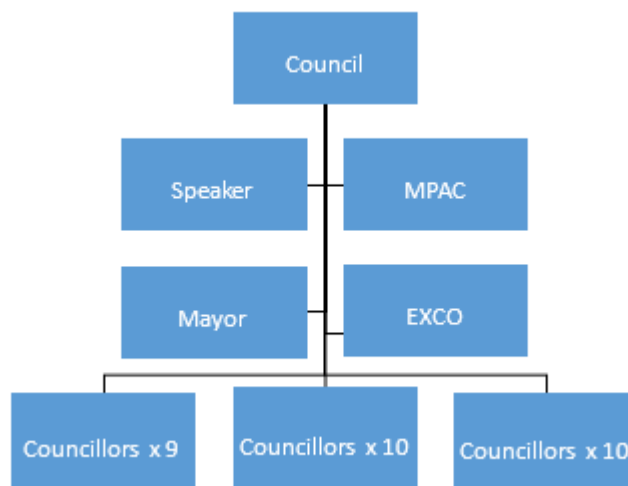
An accountable government is one that is transparent and accessible. This chapter reports on governance by uPhongolo Local Municipality and provides an overview of the framework of the institutional management and governance structures through which the municipality implements its strategies using the appropriate resources.

The following key aspects are reported on:

- Mechanisms for political and administrative governance
- Intergovernmental relations
- Public accountability and participation
- Corporate governance

uPhongolo Municipality political governance structure consists of the Portfolio Committees, Executive Committee (EXCO), MPAC and Council.

Figure 4: Political Structure



The Council meets quarterly while the EXCO meets on a monthly basis. The Council plays an oversight role through established committees, which meet on a monthly basis for the purpose of checking whether or not departments are implementing resolutions taken by Council. There are six (6)

administrative departments comprising five Portfolio Committees established in terms of section 80, of the Municipal Structures Act 117 of 1998 the purpose is to ensure transparency and accountability. In its endeavour to fulfil legislated functions, the uPhongolo Municipality has convened Council committees as per delegations, roles and responsibilities as follows:

Table 32: Council Committees, Roles and Responsibilities

Council	The Municipality Councillors are allocated to different portfolios where they serve in accordance with internal departments and functions. The Council meets quarterly in line with legislative prescripts. This reflects 100% functionality.
Exco	Executive Committee meetings are held monthly for the purposes of considering reports submitted by the respective portfolio committees prior to same being presented to Council.
Portfolio Committees	Members of municipal departments hold meetings monthly wherein they deliberate on issues and make recommendations to EXCO and to Council for approval. Essentially Portfolio Committees exercise political oversight on such meetings. The arrangement of the portfolio committees is as follows: 1) Budget & Treasury, (2) Corporate Services, (3) Technical Services, (4) Planning & LED and Tourism and (5) Community Services.
Municipal Oversight Committee	The oversight committee is in place and meets quarterly. These are MPAC, Manco, Risk Committee and Audit Committee.
Audit /Performance Committee	The Audit/Performance Committee was appointed to assist Council in strengthening its role. The Committee comprises four (4) members who are highly qualified and are all external. The Committee met in the last financial year and is set to meet on a quarterly basis as-and-when required to attend to matters at hand. The Audit Committee is chaired by one chairperson who is responsible for all regulated matters that are to be considered by the committee.

uPhongolo Municipality Council is constituted by 5 political parties in a form of public representation, which is as follows:

Table 33: Representation of Political Parties

POLITICAL PARTY	NUMBER OF REPRESENTATIVES/COUNCILLORS
Inkatha Freedom Party (IFP)	15
African National Congress (ANC)	10
Democratic Alliance	1
Economic Freedom Fighters	1
National Freedom Party (NFP)	2
TOTAL NUMBER OF COUNCILLORS	29

The Municipality has 15 wards and 29 Councillors who were elected to serve the Council on 01 November 2021. The Councillors are presented below:

UPHONGOLO LOCAL MUNICIPALITY WARD COUNCILLORS 2021-2026



**MAYOR -CLLR. JB
THWALA**



**HONOURABLE
SPEAKER
-CLLR KE NXUMALO**



**CLLR. M Mthembu
-WARD 1**



**CLLR. VM Sikhosana
-WARD 2**



**CLLR. CN Mavundla
-WARD 3**



**CLLR. BJ Thwala
- WARD 4**



**CLLR. NP Mavuso
-WARD 5**



**CLLR. XH Dhlamini
-WARD 6**



**CLLR. TA Ntshangase
-WARD 7**



**CLLR. SA Xulu
-WARD 8**



**CLLR. BES Ntshangase
-WARD 9**



**CLLR. KE Nxumalo
-WARD 10**



**CLLR. ZZ Buthelezi
-WARD 11**



**CLLR. MG
Ndlangamandla
-WARD 12**



**CLLR. FS Masango
-WARD 13**



**CLLR. MP Mafuleka
-WARD 14**



**CLLR. P Masuku
-WARD 15**

UPHONGOLO LOCAL MUNICIPALITY PR COUNCILLORS 2021-2026



CLLR. BR Shongwe



CLLR. SR Mhlongo



**CLLR. CM Nxumalo
Sibiya**



CLLR. TD Buthelezi



CLLR. NT Gumbi



**CLLR. NL Van
Zuydam**



CLLR. NA Nkosi



CLLR. ZB Motha



CLLR. ZS Khumalo



CLLR. NG Ncube



CLLR. JB Ngema



CLLR. MT Msibi



**CLLR. SV Dlamini
Nkambule**



CLLR. GL Sibiya

2.2 ADMINISTRATIVE GOVERNANCE

The Municipal Manager heads the administration of uPhongolo Municipality and is assisted by 4 (four) Heads of Departments who are known as Directors. His primary role is to serve as a chief custodian of service delivery and implementation of political priorities. The municipality has six departments namely:

Table 34: Management

No.	Department	Position
1.	Office of the Municipal Manager	Mr MB. Khali – Municipal Manager
2.	Corporate Services	Miss S.S.P.Xaba – Director Corporate Services
3.	Budget and Treasury	Mr K.W.G.Ngcobo – Chief Financial Officer
4.	Community Services	Mr B.C.X.Dladla – Director Community Services
5.	Technical Services	Mr M.V.M.Mbatha-Acting Director Technical
6.	Planning and LED Services	Mr M.V.M. Mbatha – Director Planning & LED

Each department is structured into different sections which are run by Section Managers. Management meetings are held regularly to discuss current priorities, strategic interventions to improve service delivery and new initiatives based on feedback from political leadership, government departments and local community. Through various structured committees, reports are generated and submitted to the Mayor and the Mayoral Committee in order to comply with applicable legislation, to seek and provide updates on service delivery, as well as to explore new and innovative ways to provide services to the community.

COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

NATIONAL INTER-GOVERNMENTAL RELATIONS: uPhongolo Municipality participates in a range of intergovernmental activities, both formally and informally. Key staff members participate in professional institutes that govern the interests of various fields of work. Examples of such interaction and co-operation are:

NATIONAL INTERGOVERNMENTAL STRUCTURES

- National Government Departments
- Accounting Standards Board (ASB) – Public Sector Accounting Forum

- Electricity Distribution Regulation and Tariff Setting (NERSA)
- Chartered Institute of Government Finance Audit and Risk Officers (CIGFARO)
- Institute of Fire and Emergency Safety of South Africa
- Institute of Internal Auditors
- Institute of Municipal and Licensing Officers of South Africa
- Institute of South African Municipal Accounting Officers (ISAMAO)
- National Government SETA Skills Development Forum
- National Municipal Managers Forum
- South African Local Government Association (SALGA)
- South African Tourism Services Association (SATSA)

PROVINCIAL INTER-GOVERNMENTAL STRUCTURES: Interaction with KwaZulu-Natal Government Departments and municipalities plays a pivotal role by ensuring better co-ordination and co-operation between the Departments and the Municipality. It is at these sessions that lots of information and best practices is shared. These structures provide important support and guidance to staff in maintaining and enhancement of professional work standards. Whereas issues pertaining to service delivery and matters of common interest are discussed at the following forums:

- Accounting Standards Board (ASB) – Public Sector Accounting Forum
- CFO Forum
- KwaZulu-Natal Government Departments
- Disaster Management Forum/s
- EPWP coordinating meetings
- Provincial IDP Managers’ Forum
- MIG coordinating meetings
- Ministerial Mayors’ Forum
- Municipal Governance Review and Outlook (MGRO)
- Municipal Managers’ Forum
- Municipal Planning Forum
- Premier’s Coordinating Forum
- Provincial Local Government SETA Skills Development Forum
- Provincial Speakers’ Forum
- Public Participation and Communications Forum
- Records Management Forum

- SALGA Working Groups

It is observed that the Municipality relations with all government entities is generally healthy. Hence, most Government structures are always ready to assist as-and-when required. COGTA provides the most valuable support to uPhongolo Municipality through regular meetings, finance projects, training of personnel and placements of critical personnel when necessary. also engages with the district Municipality especially on sanitation and water services. Currently, the Municipality has a huge backlog with regard to the water and sanitation services and the Municipality has initiated talks with the District Municipality to resolve this challenge as a matter of urgency.

DISTRICT INTER-GOVERNMENTAL STRUCTURES: All service delivery matters involving other government departments, private sector, development agencies, etc. are co-ordinated through the District IGR-Forum. Other Forums that are established at District Level are Mayors Forum, Municipal Managers Forum, Planners Forum, Finance Forum, Technical Services Forum, Corporate Services Forum and so forth. These fora are already established and to this end, an annual calendar for forum meetings is prepared by the District. uPhongolo Municipality has its own IGR Forum that addresses local service delivery matters with the relevant sectors.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

In terms of Section 6 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) the administration of a municipality must:

- (a) *be responsive to the needs of the local community;*
- (b) *facilitate a culture of public service and accountability amongst staff;*
- (c) *take measures to prevent corruption;*
- (d) *establish clear relationships, and facilitate cooperation and communication between itself and the local community;*
- (e) *give members of the local community full and accurate information about the level and standard of municipal services they are entitled to receive; and*
- (f) *inform the local community how the municipality is managed, of the costs involved and the persons in charge.”*

For the purposes of adherence and/or compliance with the aforesaid, the Municipality has established the legislatively required structures such as Section 80 Portfolio Committees advising the Mayor as well as Council Committees such as the Municipal Public Accounts Committee (MPAC), and Special (Disciplinary) Committee dealing with the Code of Conduct for Councillors, as well as a Fraud and Risk Management Committee. In addition, thereto, an Audit Committee comprising independent external professionals also advises Council. The Audit Committee also serves as the Municipality's Performance Audit Committee and meets quarterly. A quarterly report reflecting the Audit Committee's recommendations relating to the areas of financial management and control, performance management, internal control, risk management and governance matters is tabled in Council.

These structures represent a separation of duties amongst public representatives and staff to ensure accountability, oversight, transparency and good governance and assist the Municipality to discharge the necessary public accountability responsibilities.

2.4 PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS: Chapter 4 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) compels municipalities to establish appropriate mechanisms, processes and procedures to enable the local community to participate in the affairs of a municipality. During the year under review, the Municipality used the following mechanisms to comply with this legislative requirement:

- Ward committee meetings (discussed in more detail below)
- Public notices in local, regional, and national newspapers
- Newsletters
- Press releases as and when required.
- Public IDP and consultative meetings
- General Municipal Programmes
- Functioning of a municipal website, regularly updated with recent news.

The stakeholder and community engagement meetings are held to determine and undertake development priorities that form the cornerstone of the IDP. Needs are dynamic and by virtue of their

changing nature, they require frequent reviewing. The annual review of the IDP is a process which assists the Municipality to further enhance its service delivery outputs and outcomes. This is effected through the Performance Management System, implemented by the Municipality, it ensures that the Municipality remains accountable to the local community, the various stakeholders such as formal and informal businesses, NGO,s, NPO,s and community based organisations.

The Municipal Council ensures that its oversight role is sufficiently mandated by the populace voice of its local community, through fully embracing the principles of participatory democracy. This is being achieved through a well-functioning Ward Committee System, robust public participation through its various development planning processes and regular communication with the community through public meetings, newsletters, radio and various other print and electronic media including the Municipal Website.

The IDP structures/forums are listed below the role players that participate in the municipal IDP programmes. The involvement and participation of these role-players is crucial to the accomplishment of a participatory review process:

- All Municipal Councillors
- The Municipal Council
- The Executive Committee
- The IDP Manager
- Municipal Manager
- The IDP/ Budget Steering Committee
- The IDP Representative Forum
- The District IDP Steering Committee
- Organized business structures
- Traditional Councils
- Sector Departments
- Ward Committees
- Municipal Officials
- Neighbouring Provinces
- NGOs and CBOs
- Local Farmers Association

- Organized Farm-workers structures
- Private sector

UPHONGOLO MUNICIPALITY COUNCIL: The Council is responsible for the following:

- Adoption of the IDP Process Plan
- Adoption and approval of the reviewed IDP
- Amendment of the IDP in accordance with the comments by sector departments and MEC;
- Approval of the various review phases; and
- Ensuring that the IDP is linked to the PMS and Municipal Budget.

THE EXECUTIVE COMMITTEE has the following responsibilities:

- Recommend to Council the adoption of the IDP Process Plan and reviewed IDP.
- Overall management of the IDP Review process,
- Monitoring the IDP review process

THE IDP MANAGER is assigned the following responsibilities:

- Management and Co-ordination of the IDP process;
- Ensure that there's vertical and horizontal alignment;
- Management of the consultants;
- Ensuring all stakeholders are informed of the process and their involvement;
- Create a conducive environment for public participation.

THE IDP STEERING COMMITTEE is assigned the following responsibilities:

- Ensuring the gathering and collating of information while the IDP implementation is proceeding;
- Support the IDP Manager in the management and co-ordination of the IDP;
- Discussion of input and information for the IDP review;
- Ensuring the monitoring and evaluation of the gathered information;
- Attending to MEC's comments.

THE IDP REPRESENTATIVE FORUM is assigned the following responsibilities:

- Recommend reports for approval / adoption;
- Representing interests of the constituents;

- Present a forum for communication and participation for all stakeholders; and
- Monitoring the IDP review process.

The IDP Representative Forum is the structure that institutionalizes and ensures a participatory IDP review process. It represents the interests of the constituents of the municipality in the review process. It is envisaged that all organizations, stakeholders, or interest groups are represented in the forum. The composition of the IDP Representative Forum is as follows:

- Chairperson: The Mayor
- Secretariat: uPhongolo Municipality IDP Steering Committee
- Members: All Municipal Councillors
- The Executive Committee
- Councillors and Officials from Zululand District Municipality
- Municipal Manager and Municipal Officials
- Traditional Leaders within uPhongolo Municipality
- Ward Committees Representatives
- Community Development Workers (CDWs)
- Parastatals and Service Providers
- NGOs and CBOs
- Sector Departments
- Neighbouring Municipalities
- Neighbouring Countries
- Farmers Associations
- Traditional Healers
- Churches
- Private sector

The Zululand District Municipality forms a district-wide Planning and Development Forum for the purpose of alignment with all the local municipalities within the district:

THE MUNICIPAL OFFICIALS are responsible for the implementation of the IDP and in the process gather information on changes in the circumstances. They must provide budgetary information and any information on the performance evaluation. They provide technical expertise during the planning process. Municipal Officials also interact with the Ward Councillors and Ward Committees and provide guidance and advice that is crucial during the IDP process.

Participation of Amakhosi in Council Meetings and Traditional Councils: Amakhosi in uPhongolo Municipality participate in the Council meetings, strategic planning sessions and in general municipal programmes in line with Section 81 of Municipal Structures Act. The Traditional Councils work as a link between the community and Ward Councillors and matters of service delivery and needs of the people. This could assist in providing information about the land rights and possible available areas for future development.

THE SECTOR DEPARTMENTS have the following responsibilities:

- Assist in the IDP formulation and review process,
- Provide budget information and sector plans,
- Provide data and information,
- Ensure programme and project alignment between the Municipality and province,
- Ensure budgetary alignment between provincial programmes and projects and the municipality's IDP.

WARD COUNCILLORS are an important link between the Municipality and the constituents. They are the first to know of any community needs or service delivery gaps. The Councillors are responsible for forwarding this information to the municipal officials. They are also responsible for organizing community meetings and ensuring maximum participation of residents in the IDP review process.

THE WARD COMMITTEES have a crucial role of identifying the needs and service delivery gaps in the community and meet monthly, submit their sectorial reports and report to the Ward Councillor. uPhongolo Municipality has embraced and enrolled the government initiative of ward committees to ensure that service delivery is effective in all wards.

The functioning and operation of the ward committees in uPhongolo Municipality is through an approved municipal policy that is congruent to the provisions of Section 59 of the Municipal Systems Act. The Council approved policy is being implemented and contains the roles and responsibilities listed below:

- To serve as an official specialized participatory structure in the municipality;

- To create formal unbiased communication channels as well as cooperative partnerships between the community and the council. This may be achieved as follows:
 - Advise and make recommendations to the ward councillor on matters and policy affecting the ward;
 - Assist the ward Councillor in identifying challenges and needs of residents;
 - Disseminate information in the ward concerning municipal affairs such as the budget, integrated development planning, performance management system (PMS), service delivery options and municipal properties;
 - Receive queries and complaints from residents concerning municipal service delivery, communicate it to council and provide feedback to the community on council's response;
 - Ensure constructive and harmonious interaction between the municipality and community through the use and co-ordination of ward residents meetings and other community development forums; and Interact with other forums and organizations on matters affecting the ward.

To serve as a mobilizing agent for community action within the ward. This may be achieved as follows:

- Attending to all matters that affect and benefit the community;
- Acting in the best interest of the community;
- Ensure the active participation of the community in:
 - » Service payment campaigns;
 - » The integrated development planning process;
 - » The Municipality's budgetary process;
 - » Decisions about the provision of municipal services; and
 - » Decisions about by-laws.
- Decisions relating to implementation of Municipal Property Rates Act (MPRA)
- Delimitate and chair zonal meetings.

Composition of Ward Committees:

- A Ward Committee consists of the Councillor representing that ward in the Council who is also the chairperson of the committee, and not more than ten other persons.

- In the process of election of Ward Committee and consider the need for women to be equitably represented in a Ward Committee and for a diversity of interests in the ward to be represented.
- Gender equity was also pursued by ensuring that there is an even spread of men and women in a Ward Committee.

PUBLIC MEETINGS: The Implementation of the Communication Strategy to have effective public participation:

- Newsletter – is utilised for the purposes of communicating the projects, programmes and development.
- Suggestion boxes in all the municipal facilities
- Local and National Newspapers - This medium is used to communicate various messages that concerns the Municipality especially service delivery.
- Local and National Radio
- Ward Community Meetings – they are used to effectively promote maximum community participation in municipal affairs.
- Public meetings (*Izimbizo*) - These meetings are conducted to provide a platform for the Municipality to communicate the level of projects and programmes undertaken by Council and further solicit input from communities and their (communities) buy-in thereof.
- Annual Report - The annual report is distributed to the stakeholders and community organizations that we have on our database and will be distributed to the community at large. This will also maximize the culture of community participation and access to information.
- Website - through this tool various stakeholders such as business community, foreign investors, NGO's and community at large will more access to information regarding the municipality and its area.
- IDP Structures are used for public participation and implementation of uPhongolo Municipality Communication Strategy.

A communication plan for public participation is developed and circulated to all councillors and IDP Structures. The IDP Structures meet as per the Council Approved IDP Process Plan Schedule.

Table 35: Public Meetings Held

Financial cycle		Activities	Date	Responsible official
1st Quarter: Analysis Phase	July/August	Start of budget preparations and IDP.	July 2022	IDPO/CFO
		Submission of Draft Process Plan to CoGTA	30 July 2022	IDPO
		SDF Review Credible Status Quo	November 2022	uPhongolo Planning Dept.
		IDP Steering Committee Process plan; and Performance Management System.	August 2022	IDPO/PMSS
		Special Council meeting Council consider, adopt and approve the Process Plan Submission of the Annual Financial Statements to Council for approval Adopt 1 st Draft: Urban Scheme	August 2022	MM
		Submission of the Annual Financial Statements to Auditor General.	31 August 2022	CFO and MM
		Submission of Final Process Plan to DTLGTA	31 August 2022	IDPO
		Urban LUMS Workshop with Community	September 2022	uPhongolo Planning Dept.
		SDF Review Synthesis of Issues and Vision Document	September 2022 – October 2022	uPhongolo Planning Dept
		IDP Steering Committee Meeting (Prepare for IDP Rep Forum) (Prepare for Strat Plan Session)	September 2022	IDPO
		1 st IDP Rep Forum IDP Process Plan Project Status Update MEC Feedback on 2017/2018 IDP Development Strategies Final LUMS	September 2022	All
		KZN Planning Indaba MEC Feedback and Adoption of IDP Management Plan	September 2022	CoGTA
		Chief Financial Officer of the Municipality to determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year	September 2022	CFO

		after taking into account strategic objectives		
		Special Council Meeting Adoption of Final Urban LUMS	September 2022	MM
Financial cycle		Activities	Date	Responsible official
2 nd Quarter: Consultation Phase	October	SDF Review Draft SDF Document	October 2022– December 2022	uPhongolo Planning Dept
		uPhongolo Strategic Planning Session Review of KPA's, KPI's, Objectives, Strategies and Projects)	January 2023 - February 2023	PMSS/All
		S 57 Managers Quarterly Performance Assessments; and (First performance quarterly report.)	October 2022	MM
	November	IDP and Budget Road shows	October 2022– November 2022	Mayor and CS
		IDP Municipal Alignment Processes	November 2022	CoGTA
		IDP Steering Committee Meeting (Registration of New Projects into IDP)	November 2022	IDPO
		2 nd IDP Representative Forum (Public) 1 st quarter report; Objectives, strategies and projects; Sector plans; Submission of new projects (capital) (Presentation by sector dept's. and service providers) Status of current projects	November 2022	All
	December	Review of SDF Achieving Support for the SDF	December 2022 – January 2023	Planning Dept
		IDP Best Practice Conference	December 2022	CoGTA
		Departmental heads to finalise detailed estimates of capital and operational expenditure and income and submit to Budget and Treasury Office	December 2022	All
		Chief Financial Officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials MFMA s 35, 36, 42; MTBPS	December 2022	CFO
		Submission of Draft Annual Report by MM to Mayor	August 2022	CFO/MM/Mayor

Financial cycle		Activities	Date	Responsible official
3 rd Quarter : Drafting Phase	January	S 57 Managers Quarterly Performance Assessments (Second performance quarterly report)	January 2023	MM
		IDP Steering Committee Meeting	January 2023	IDPO
		SDF Review Finalisation and Approval	January 2023 – February 2023	eDumbe Planning Dept
		Accounting officer, Chief Financial Officer and senior officials consolidate and prepare proposed budget and plans for next financial year considering previous year's performance as per audited financial statements	January 2023	MANCO
		Chief Financial Officer combines various departmental estimates and calculates total income and expenditure of the municipality. Chief Financial Officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January)	January 2023	CFO
		Special Council Meeting Submission of Auditor General's report to Council for consideration. Annual report and Action Plan tabled to Council. Make public annual report and invite local community to submit representations in connection with the annual report. Submission of mid-year assessment report and budget	January 2023	MM Mayor MM
		Submit the annual report to the Auditor General, the KZN provincial treasury and provincial departments relevant to local government.	February 2023	MM
		Meeting with CoGTA: IDP Submission and Assessment Process	February 2023	CoGTA

	February	IDP SC Meeting (Budget structure and submission for consideration)	February 2023	CFO/ IDPO
		SDF Review Implementation, Monitoring and Evaluation	February 2023	uPhongolo Planning Dept
		Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous year's audited financial statements and annual report	February 2023 February 2023	CFO CFO
		Chief Financial Officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year MFMA s 37(2)		
		SDF Review Close Out	February 2023	uPhongolo Planning Dept
	March	3 rd IDP Rep Forum (Closed) 2 nd quarter report; Sector plans; Submission of new projects (capital) (Presentation by sector dept's. and service providers) Recommend to Council the approval of the IDP draft document. Status of current projects	March 2023	All
		Special Council Meeting Draft budget and revised IDP are tabled together in council for consideration.	March 2023	Mayor
		Council Adopt Draft IDP / Budget		CFO & IDPO
		Draft budget and revised IDP together with all related documents to be posted onto the municipal website so that the budget is accessible to the public.	March 2023	BTO and MM IDPM
		Publish Draft IDP/Budget for comments (21 days) Hard copies of IDP/Budget to be made available to the Public	March 2023	IDPO

		Submission of Draft 2018/2019 Reviewed IDP	March 2023	IDPO
Financial cycle		Activities	Date	Responsible official
4th Quarter : Final Adoption Phase	April	Hard Copies of IDP/Budget submitted to the following: National Treasury Provincial Treasury Zululand District Municipality	April 2023	IDPO and CFO
		Publicise an Annual Report with oversight report. Submit an Annual Report with oversight report to Provincial Legislature/MEC of Local Government	April 2023	CS
		IDP Assessment / Engagement Meeting with DLGTA	April 2023	CoGTA
		S 57 Managers Quarterly Performance Assessments (Third quarterly report)	April 2023	MM
		IDP and Budget Roadshows	April 2023	CS
		IDP Steering Committee 3 rd quarter report; Draft budget 208/19; and Consider comments from DLGTA assessment	April 2023	IDPO
		Due date for budget written comments Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc MFMA s 21	April 2023	Mayor/MM
		Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year	April 2023	Mayor/MM
		Council to consider all the submissions and representations received during its hearing process.	April 2023	CS
				Update IDP projects based on final DORA allocations and Public Consultation Complete financial plan (Draft SDBIP)

	May	IDP Steering Committee Prepare for IDP Rep Forum Finalise IDP and Budget	May 2023	All
		CoGTA Draft IDP Feedback Assessment	May 2023	CoGTA
		IDP Representative Forum 2018/2019 Budget Overview 2018/2019 MIG Projects Finalisation of Sector Department Projects Status of current projects Recommend to Council Adoption of Final IDP and Budget	May 2023	IDP MM Mayor
		Council Meeting Final 2018/2019 IDP is tabled in council for consideration. Council Adopt Final IDP & Budget Council Consider Adoption of Final IDP & Budget for 2018 / 2019	May 2023	CFO
	June/July	-Advertise Final IDP and advertise on Municipal Website -Submit Final IDP to CoGTA	June 2023	IDP,/ITM
		Council must finalise a system of delegations. MFMA s 59, 79, 82; MSA s 59-65 Submit adopted Budget and Budget return forms to National Treasury; Provincial Treasury	June 2023	IDPM
		Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval. MFMA s 53; MSA s 38-45, 57(2)	June 2023	Mayor/MM

		Submission of Final 2017/2018 Reviewed IDP (Can be submitted before this date)	July 2023	IDPM
		S 57 Managers Quarterly Performance Assessments (Fourth performance quarterly report)	July 2023	MM
		Signing of Performance Agreements and Performance Plans	July 2023	MM

2.5 IDP PARTICIPATION AND ALIGNMENT

Table 36: IDP Participation and Alignment

IDP Participation and Alignment Criteria*	Yes/No
Does the Municipality have impact, outcome, input, output indicators?	Yes
Does the IDP have priorities, objectives, KPIs, development strategies?	Yes
Does the IDP have multi-year targets?	Yes
Are the above aligned and can they calculate into a score?	Yes
Does the budget align directly to the KPIs in the strategic plan?	Yes
Do the IDP KPIs align to the Section 57 Managers	Yes
Do the IDP KPIs lead to functional area KPIs as per the SDBIP?	Yes
Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes	Yes
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 Municipal Systems Act 2000	

COMPONENT D: CORPORATE GOVERNANCE

Governance in uPhongolo Municipality encompasses line functions that pertain to political and administrative governance, audit, risk management, organisational and individual performance management, public participation and IDP, intergovernmental relations, public communication, human resource management, organisational development and legal services. The governance function is supported by an independent Audit Committee, comprising external specialists who boast the necessary skills to provide effective oversight of the Municipality's systems of internal control, risk management and governance processes. The Audit Committee is supported in its role by the Internal Audit function which performs audits in terms of an approved audit plan and reports to the Audit Committee on a quarterly basis. The Municipal Public Accounts Committee (MPAC) comprises independent Councillors.

OVERVIEW OF CORPORATE GOVERNANCE

uPhongolo Municipality Council comprised of 29 Councillors during the 2022/2023 financial year. The Councillors are allocated to different portfolios where they serve in accordance with internal departments and functions. The Council has quarterly meetings as legislated which reflects 100% functionality.

Executive Committee (EXCO) meets on a monthly basis and considers reports from respective portfolio committees prior to same and items being presented to Council.

Portfolio Committees (Representatives and Functionalities) exercise political oversight on respective departments within the municipality where departmentally the members have monthly meetings where issues are tabled, discussed and recommendations are made to EXCO and to Council for approval. The portfolio committees have been arranged as per Table 33 (above).

Municipal Public Accounts Committee (MPAC) was established in terms of Section 79 of the Structures Act, convenes on a quarterly basis as prescribed to consider matter related to exercising oversight on financial and governance matters, as promulgated in Council adopted Terms of Reference.

The MPAC is a committee of the Municipal Council, appointed in accordance with section 79 of the Structures Act. The main purpose of the MPAC is to exercise oversight over the executive functionaries of Council and to ensure good governance within the Municipality. This would include oversight over the municipal entity. This committee is functional, but still needs to improve on its functionality as its meetings do not take place as per approved municipal calendar.

The MPAC may engage directly with the public and consider public comments when received and will be entitled to request for documents or evidence from the Accounting Officer of a municipality or municipal entity. The primary functions of the Municipal Public Accounts Committees are as follows:

- to consider and evaluate the content of the Annual Report and to make recommendations to Council when adopting an oversight report on the Annual Report;
- in order to assist with the conclusion of matters that may not be finalized, information relating to past recommendations made on the Annual Report, must also be reviewed. This relates to current in-year reports, including the quarterly, mid-year and Annual Reports;
- to examine the financial statements and audit reports of the municipality and municipal entities, and in doing so, the committee must consider improvements from previous statements and reports and must evaluate the extent to which the Audit Committee's and the Auditor General's recommendations have been implemented;
- to promote good governance, transparency and accountability on the use of municipal resources;
- to recommend or undertake any investigation in its area of responsibility, after reviewing any investigation report already undertaken by the Municipality or the Audit Committee; and
- to perform any other functions assigned to it through a resolution of Council within its area of responsibility.
- the MPAC reports to Council, at least quarterly, on the activities of the Committee which includes a report detailing its activities of the preceding and current financial years, the number of meetings held, the membership of the committee and key resolutions taken in the annual report.

Table 37: Members of the MPAC

<i>Details</i>	<i>Designation</i>
Cllr J.B.Ngema	Chairperson
Cllr B E S Ntshangase	Member
Cllr M G Ndlangamandla	Member
Cllr N P Mavuso	Member
Cllr C N Mavundla	Member
Cllr T D Buthelezi	Member
Cllr N T Gumbi	Member

The Internal Audit Committee is an independent advisory body that advises Council and the Executive on financial and risk matters and also acts as an advisory body to the MPAC. The Finance Portfolio Committee deals with financial management issues such as budgetary, revenue and expenditure management as well as Supply Chain Management (SCM).

The primary function of the MPAC is to assist Council to hold the Executive and the municipal administration accountable and to ensure the efficient and effective use of municipal resources. It does this by reviewing public accounts and exercising oversight for and on behalf of Council. The committee must:

- Examine financial statements of all executive organs of council and any audit reports issued on those statements;
- Examine reports issued by the AG on the affairs of the municipal entities;
- Any other financial statements or reports referred to the committee by council;
- The Annual report on behalf of council and must make recommendations to council thereafter;
- Initiate and develop the annual oversight report based on the annual report;
- Initiate any investigation in its area of competence; and
- Perform any other function assigned by resolution of Council.

When the Committee examines the financial statements and audit reports of a municipality or municipal entity, it must consider the previous statements and reports of the entity and report on the degree to which shortcomings have been rectified. The outcomes and deliberations of the Committee must be reported to Council and the public to allow for public participation.

Audit Committee / Performance Audit Committee: Section 166 (1) of the MFMA No. 56 of 2003 requires every municipality and entity to have an audit committee. To this end, the Audit and Performance Committee was appointed to assist Council in strengthening its role. The committee meets on quarterly basis and as at and when required to deal with matters at hand. The Committee has Chairperson for Audit Committee and a Chairperson for Performance which covers all regulated matters to be considered by the committee.

The primary objective of this committee is to advise the municipal Council, the political office – bearers, the accounting officer and the management staff of the municipality on matters relating to:

- Internal financial control ;
- The safeguarding of assets ;
- The maintenance of an adequate control environment and systems of internal control;
- The successful implementation of the council’s risk management Strategy and effective operation of risk management processes;
- The preparation of accurate financial reporting in compliance with all legal requirements and accounting policies and standards;
- Effective corporate governance;
- The effectiveness of the Municipality’s performance management system in ensuring the achievements of objectives set as per the Municipality’s IDP;
- Any other issues referred to it by the Municipality;
- The detailed Internal Audit Chapter which clearly defined the roles and responsibilities; and
- Composition of the committee as well as meetings has been adopted.

The Audit and Performance Committee meets on a quarterly basis for each financial year to consider the reported quarterly performance achievements reported on the OPMS scorecard as well as the performance achievements reported in terms of the Service Delivery and Budget Implementation Plans. In terms Section 166 of the MFMA the Audit Committee must comprise at least three (3) members. The meetings were held as follows:

Table 38: Audit and Performance Committee Meetings Held

Meetings Held	Dates
Quarter 1	29 August 2022
Quarter 2	29 November 2022
Quarter 3	23 March 2023
Quarter 4	27 June 2023

Table 39: Current Audit Committee/Performance Committee Members

MEMBERS OF THE AUDIT/PERFORMANCE COMMITTEE	DESIGNATION	GENDER
Mr B.B Mdletshe	Chairman	M
Mr V.V.V Sibiya	Member	M
Mr P.L Buthelezi	Member	M
Mrs NT Mkhwanazi	Member	F

2.6 RISK MANAGEMENT

All managers and employees are responsible for risk management in their own areas. The Municipality has established a MANCO Risk Management Committee that reports to the Audit Committee on a quarterly basis. The Municipality has appointed an independent and external chairperson of the Risk Management Committee.

The MANCO Risk Management Committee, in terms of its authority delegated by Council, facilitates the development of a formal Risk Management Framework and Strategy as well as the implementation thereof. The results of the risk assessments are used to direct internal audit efforts and priorities, and to determine the skills required by managers and staff to improve controls and to manage these risks. The Risk Management Committee is made up of MANCO members whose names are listed herein-below:

Table 40: MANCO Risk Committee Members

MANCO RISK COMMITTEE	MEMBER
Miss SSP Xaba	Member
Mr X Dladla	Member
Mr M B Buthelezi	Member
Mr KWG Ngcobo	Member
Mr MVM Mbatha	Member
Mr BM. Khali	Chairperson (Municipal Manager)
Mr M.C. Mdluli	Risk Management Support
Mr SMM Manqele	Chief Internal Auditor

The annual risk assessment was successfully completed in June 2022 to give effect to the MFMA requirement that the municipality “has and maintains effective, efficient and transparent system of financial and risk management and internal control”. This process was of critical importance as the Internal Audit is required by the MFMA to plan the audit coverage to address the risks identified through the risk management processes developed and maintained by management. Therefore, the risk assessment process and the internal audit planning processes are aligned so that timely and relevant risk information is available to internal audit when they are devising their audit coverage plans.

Table 41: Risk Assessment

NO	DESCRIPTION	RATING
	Failure to monitor and put corrective measure to improve employee performance	Priority 1
	Inability to enforce compliance with traffic laws	Priority 1
	Inability to maintain and keeping the roads, in a proper working condition	Priority 1
	Inability to maintain and keeping the storm water in a proper working conduction	Priority 1
	Inability to generate and account for all revenue due to the municipality	Priority 1

2.7 ANTI-CORRUPTION AND FRAUD

The Municipality has an Anti-Corruption Policy and Fraud Prevention Strategy approved by the Council and is being implemented. The strategy has been developed in accordance with the expressed commitment of government to fight corruption. Accordingly, the risk register includes fraud risk. Fraud and corruption represent potential risks to the uPhongolo municipality’s assets and reputation. The municipality is committed to protecting its funds and other assets from the effects of fraud, corruption and any other irregularity. The municipality has adopted a zero-tolerance attitude about fraud, corruption or any other irregularities, whether perpetrated by internal or external parties, and will vigorously pursue and prosecute any parties, which engage in such practices or attempt to do so, in accordance with applicable legislative provisions.

The Municipality has developed a strategy to detect corrupt and fraudulent activities and has managed to implement this strategy effectively this financial year. The public is encouraged to report suspected corrupt activities by using the hotline number 0800 701 701 which is monitored by independent parties.

On all other matters reported by Internal Audit and the AGSA as audit findings, the municipality has developed an Audit Action Plan to address all issues. MPAC is also meeting as required and carrying out an oversight role and assisting Council by investigating all cases referred to it. The Audit Committee is also in place and comprises of four members who are highly qualified and all of them are external. The committee met six times in this financial year.

The Fraud prevention strategy was approved by Council and is being implemented. We also have instituted an enterprise risk management framework which also includes the risk management policy.

The strategy covers the following areas:

- Surprise audits by the internal audit unit;
- Post transactions review;
- Forensic data analysis performed by the KZN forensic services where necessary.
- Management Accounting report review
- Fraud Risk Assessment

2.8 SUPPLY CHAIN MANAGEMENT

The Supply Chain Management (SCM) Unit has been established to implement a compliant and effective supply chain management system through demand management, acquisition management, logistics management, disposal management, risk management and performance management.

A procurement plan with timeframes was developed and implemented during 2022/2023 financial year. The procurement plan is aligned with the departmental service delivery plans (SDBIP's) to ensure that projects are executed in accordance with the expectation created. An annual schedule for the bid committee meetings was developed.

The SCM Unit is fully functional, and the bid committees meet as per the procurement plan. The tables below contain the members of the bid committees in 2022/2023 financial year.

Table 42: Members of the Bid Specification Committee

BID SPECIFICATION COMMITTEE	MEMBERS
Mr MVM Mbatha	Chairperson
Mr H Hlatshwayo	Secretary
Mr S. Mntungwa	Member
Mrs A.Meria	Member
Mr SF Zungu	Member

Table 43: Members of the Bid Evaluation Committee

BID EVALUATION COMMITTEE	MEMBERS
Mr M. Simelane	Chairperson
Mr SV Mndaweni	Secretary
Mr NK Gumede	Member
Ms M.Zwane	Member
Ms L Masondo	Member

Table 44: Members of the Bid Adjudication Committee

BID ADJUDICATION COMMITTEE	MEMBERS
Mr KWG. Ngcobo	Chairperson
Ms A. Mncwango	Secretary
Mr MVM Mbatha	Member
Ms SSP Xaba	Member
Mr BCX Dladla	Member
Mr MS Mtshali	Member

The Municipality applies strict supply chain management principles in advertising and awarding of tenders. There are strict controls in place that ensure that the Municipal Financial Management Act is adhered to and complied with so as to prevent or avert the potential of any fraudulent activities from occurring.

The Municipality will ensure that business will not be conducted with entities owned by people that are employed by the state, because doing the contrary is tantamount to contravening the provisions of the Municipal Financial Management Act. Furthermore, it is incumbent upon all staff members who work outside of the Finance Department to be constantly educated on the policy and procedures of the Municipal Financial Management Act and Supply Chain Management Policy to stay abreast with new changes and developments in this regard.

2.9 BY-LAWS

The municipality has developed and adopted several municipal by-laws, but most were never gazetted due to lack of funds to effect this requirement.

- SPLUMA By-laws (Adopted by Council and Gazetted)
- Building Regulations By-Laws (Adopted by Council and Gazetted)
- Emergency By-Laws (Approved by Council to be Gazetted)

2.10 WEBSITES

The municipal website is in place and operational.

Table 45: Municipal Website

Municipal Website: Content and Currency of Material	
	Yes/No
Documents published on the Municipality’s/ Entity’s Website	Yes
Current annual and adjustments budgets and all budget-related documents	Yes
All current budget-related policies	Yes
The previous annual report (Year – 1)	Yes
The annual Report (Year 0) published/ to be published	Yes
All current performance agreements required in terms of section 57 (1) (b) of the Municipal Systems Act (Year 0) and resulting scorecards	Yes
All service delivery agreements (Year 0)	Yes (Community/Technical Agreements)
All long-term borrowing contracts (Year 0)	N/A
All supply chain management contracts above a prescribed value (give value) for Year 0	Yes

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 Year 1	Yes
Contracts agreed in Year 0 to which subsection (1) of section 33 apply, subject to subsection (3) of that section	N/A
Public private partnership agreements referred to in section 120 made in Year 0	N/A
All quarterly reports tabled in the council in terms of section 52 (d) during Year 0	Yes
<p>*Note: MFMA s75 sets out the information that a municipality must include in its website as detailed above.</p> <p>Municipalities are, of course encouraged to use their websites more extensively than this to keep their Community and stakeholders abreast of service delivery arrangements and municipal developments.</p>	

The municipal website has been well maintained and features municipal documentation required in terms of legislation, including public policies, bylaws, supply chain documents, notices, press releases and other documents. The purpose is to inform uPhongolo Municipality residents about the affairs, achievements and initiatives of the Municipality. The website is user-friendly, well received and earned positive feedback from the community for the Municipality than before.

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICE

Table 46: Public Satisfaction on Municipal Service

Satisfaction Surveys Undertaken during: Year – 1 and Year 0				
Subject matter of survey	Survey method	Survey date	No. of people included in survey	Survey results indicating satisfaction or better (%) *
Overall satisfaction with:				
(a) Municipality	Complaints/ Compliments Register	2022/2023	All municipal wards	Satisfaction
(b) Municipal Service Delivery	IDP Public Participations and Ward Committee Meetings	2022/2023	All municipal wards	Satisfaction
(c) Mayor	IDP Public Participations/ Complaints/ Compliments Register	2022/2023	All municipal wards	Satisfaction

Satisfaction with:				
(a) Refuse Collection	None	2022/2023	None	None
(b) Road Maintenance	IDP Public Participations/ Complaints/ Compliments Register	2022/2023	All municipal wards	Satisfaction
(c) Electricity Supply	IDP Public Participations/ Complaints/ Compliments Register	2022/2023	All municipal wards	Better
(d) Water Supply	IDP Public Participations/ Complaints/ Compliments Register	2022/2023	All municipal wards	Better
(e) Information supplied by municipality to the public	IDP Public Participations/ Complaints/ Compliments Register	2022/2023	All municipal wards	Satisfaction
(f) Opportunities for consultation on municipal affairs	IDP Public Participations	2022/2023	All municipal wards	Satisfaction
*The percentage indicates the proportion of those surveyed that believed that relevant Performance was at least satisfactory				



CHAPTER THREE

Service Delivery Performance (Performance Report Part 1)



3. SERVICE DELIVERY PERFORMANCE

INTRODUCTION

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

At local government level, performance management is institutionalised through the legislative requirements of the performance management process. Performance management provides the mechanism to measure whether targets are met in line with the strategic objectives as set by the organisation.

Section 152 of the Constitution of the Republic of South Africa, 1996, deals with the objectives of local government and paves the way for performance management. The idea of a government that is accountable is important to meet the needs of uPhongolo Municipality. The democratic values and principles in terms of section 195(1) are also linked with the concept of performance management, with reference to the principles of the following, among others to:

- Promote the effective, efficient and economic use of resources;
- Ensure accountable public administration;
- Be transparent by providing information;
- Be responsive to the needs of the community; and
- Facilitate a culture of public service and accountability.

The Local Government: Municipal Systems Act (MSA) of 2000 requires municipalities to establish a performance management system. Further, the MSA and the Municipal Finance Management Act (MFMA) require the Integrated Development Plan (IDP) to be aligned to the municipal budget. The monitoring of organisational performance of the budget must be done against the IDP on a quarterly basis via the Service Delivery and Budget Implementation Plan (SDBIP). The report is made public after the Council has been informed of the quarterly progress against set targets.

In addition, Regulation 7(1) of the Local Government: Municipal Planning and Performance Management Regulations of 2001 states that *"A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be*

conducted, organised and managed, including determining the roles of the different role players.”

Performance management is not only relevant to the organisation as a whole, but also to the individuals employed in the organisation, as well as the external service providers and the municipal entities. This framework, *inter alia*, reflects the linkage between the IDP, the Budget and the SDBIP.

3.1 Legislative Requirements

In terms of section 46(1)(a) of the Local Government: Municipal Systems Act, a municipality must prepare an Annual Performance Report (APR) for each financial year that reflects the municipality's and any service provider's performance during the financial year. The APR must furthermore indicate the development and service delivery priorities and the performance targets set by the municipality for the financial year and based on the results indicate what corrective measures were or are to be taken to improve performance. The 2022/2023 APR is attached to this Annual Report as Annexure K.

3.2 Organizational Performance

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

The APR highlights the strategic performance in terms of the Municipality's Scorecard as well as the Service Delivery and Budget Implementation Plans (SDBIP's) high-level performance in terms of the strategic objectives of the Municipality and performance on the National Key Performance Indicators prescribed in terms of section 43 of the Municipal Systems Act of 2000.

3.3 Performance Management Policy

The Municipality adopted an Organisational Performance Management Framework and Policy and is being implemented. The policy review is conducted on an annual basis. The PM Policy articulates the Municipality's objectives in order to promote accountability and the overall strategy of the Municipality. Accordingly, the main principles of the PM Policy are that it must be feasible in terms of the available resources to the Municipality and that the PM Policy must serve as an enabling mechanism for employees to achieve their performance objectives and targets.

Performance management has been introduced in the Local Government: Municipal Systems Act, Act 32 of 2000 (hereafter referred to as the MSA). The MSA is specific with regards to performance management. Each municipality must develop a performance management system (PMS) in order to enhance service delivery inputs in order to maximise outputs to the community. The MSA emphasise the amplified role of Council in performance management.

Legislative enactments which govern performance management in municipalities are found in various documents. As outlined in Section 40 of the MSA, uPhongolo Municipality must establish mechanisms to monitor and review its Performance Management System (PMS) so as to measure, monitor, review, evaluate and improve performance at organisational, departmental and lower levels.

3.4 IDP and Budget

The new Council of uPhongolo Municipality has not changed its vision thus:

“uPhongolo Municipality will ensure an inclusive socio- economy by providing quality services that yield a better life for all by 2035”.

The IDP 2021 to 2026 provides a comprehensive needs analysis and bold intentions, key initiatives, programmes and projects in order to address challenges working in conjunction with its partners such as sector departments as well as the private sector and civil society.

The IDP, together with its long-term trajectory, is subject to annual review to accommodate changes in the municipal environment, including community priorities. In turn, the revised IDP informs changes to the budget, key performance indicators and targets of the Municipality.

The Municipal IDP is reviewed every year to ensure that:

- Municipalities and communities keep track of progress in implementing development projects and spending the municipal budget; and
- Communities are provided with an opportunity to review their needs and make possible changes to the priorities listed in the municipal IDP.

The IDP is the principal planning instrument that guides and informs the municipal budget. The uPhongolo Municipality’s PMS is the primary mechanism to monitor, review and improve the implementation of its IDP and to measure the progress made in achieving the objectives as set out in the IDP.

The Five-Year Performance Framework reflects the connection between the strategic framework of the Municipality, as detailed in the previous chapter and IDP implementation through Key Performance Indicators and Targets to measure performance of the IDP for the five years.

These are annually revised in line with Section 34 of the Local Government: Municipal Systems Act, No. 32 of 2000 which compels a municipal council to review its integrated development plan

annually in accordance with an assessment of its performance measurements in terms of section 41 to the extent that changing circumstances so demand.

A conducive performance management culture will ensure that the developmental objectives as construed in the IDP gets relevance in the performance agreements of senior managers and consequence implementation thereof.

3.5 Municipal Service Delivery and Budget Implementation Plan (SDBIP) and Departmental Scorecards

The organisational performance is evaluated by means of a municipal SDBIP (Top-Layer SDBIP). Performance objectives, as reflected in the SDBIP are required to be practical, measurable and based on the key performance indicators.

The SDBIP is a tool that converts the IDP and budget into measurable criteria of how, where and when the strategies, objectives and normal business processes of the Municipality are implemented.

It also allocates responsibility to directorates to deliver the services in terms of the IDP and the budget.

MFMA Circular No. 13 is a clarification of the Municipal Budget and Reporting Regulations, Schedule A1, General Notice 393 in Government Gazette 32141 and prescribes that:

- The IDP and Budget must be aligned;
- The Budget must address the strategic priorities;
- the SDBIP should indicate what the Municipality is going to do during the next 12 months; and
- The SDBIP should form the basis for measuring the performance against goals set during the Budget/IDP processes.

The SDBIP and Departmental Scorecards were prepared as described in the paragraphs below and approved by the mayor in 2022 in terms of section 53(1)(c)(ii) of the Local Government: Municipal Finance Management Act of 2003. It was made public on the municipal website in due course after approval by the mayor.

3.6 The Municipal SDBIP

The Municipal SDBIP consolidates service delivery targets set by Council/Exco and provides an overall picture of the performance of the Municipality in its entirety, reflecting performance in its strategic priorities for the 2022/2023 financial year. The SDBIP is the performance evaluation tool and is used during the informal and formal performance assessment of the Municipal Manager and directors/senior managers reporting to the Municipal Manager. Components of the Scorecard include:

3.6.1 One-year detailed plan with the following components:

- Monthly projections of revenue to be collected for each source;
- Expected revenue to be collected;
- Monthly projections of expenditure (operating and capital) and revenue for each vote;
- Quarterly projections of service delivery targets and performance indicators for each vote;
- Non-financial, measurable performance objectives in the form of targets and indicators;
- Output management objectives; and
- Level and standard of service being provided to the community.

3.6.2 SDBIP- KPIs were prepared based on the following:

- Key performance indicators (KPIs) for the programmes/activities identified to address the strategic objectives as documented in the IDP in co-operation with the community who identifies developmental priorities;
- KPIs identified during the IDP public participation process and KPIs that need to be reported to key municipal stakeholders; and
- KPIs to address the required national minimum reporting requirements.

3.7 Amendment of the SDBIP

The SDBIP was amended during the mid-year review through Council Resolution approved Council.

3.7.1 Actual Performance

The Municipality utilises an electronic performance management template on which the Municipal Manager and Senior Managers update actual performance on a monthly basis and report on the results of the KPI by documenting the following information on the performance system:

- The actual result in terms of the set target;
- A performance comment; and
- Actions to improve the performance by the submission of corrective measures to meet the set target for the reporting interval in question, if the target was not achieved.

It is the responsibility of every senior manager to maintain a portfolio of evidence to support actual performance results updated and provide same to the Internal Auditor and Auditor General upon request during the quarterly and annual audit testing.

3.7.2 Monitoring of the SDBIP

Municipal performance is measured as follows:

- Mid-year assessment and submission of the mid-year report to the mayor in terms of Section 72(1)(a) and 52(d) of the Local Government Municipal Finance Management Act to assess the performance of the Municipality during the first half of the financial year;
- Quarterly performance was subjected to an internal audit and the results of their findings were submitted to the Audit Committee; and

- Quarterly performance reports are submitted to Council for information.

3.8 Individual Performance

The Human Resources Management Unit under Corporate Services Department is responsible for the Individual Performance Management System that should be cascaded to municipal staff. The purpose of the Individual Performance Management System is to manage and enhance efficiency by enabling a higher level of staff participation and involvement in planning, delivery and evaluation of work performance.

The Individual Performance Management System ensures integrated work planning, target setting, performance reporting and feedback.

The Municipality is in the process of cascading the PMS to all employees that will be rolled out in phases (Phase One: All managers reporting to the Directors/Senior Managers), (Phase Two: Supervisors), (Phase Three: all outstanding levels of employees). The employees and their respective supervisors are expected to complete and agree to the KPIs and targets based on the individuals job description.

The individual PMS encourages supervisor and employee engagement, coaching and mentoring, skills transfer and also enhances communication between managers, supervisors and employees. Managers are able to identify skills gaps of employees through this tool. Employee Monitoring will take place on a quarterly basis.

3.8.1 Directors and Managers Directly Accountable to the Municipal Manager

The Municipal Systems Act (MSA), 2000 (Act 32 of 2000) prescribes that the Municipality must enter into performance-based agreements with all section 57-employees and that performance agreements must be reviewed annually and published for public interest. This process and the format are further regulated by Regulation 805 (August 2006), MSA.

The performance agreements for the section 57 appointments for the 2022/2023 financial year were signed during 2022 as prescribed. They include performance agreements for the:

- Municipal Manager;
- Chief Financial Officer;
- Director: Corporate Services;
- Director: Community Services;
- Director: Technical Services; and
- Director Planning and LED.

The appraisal of the actual performance in terms of the signed agreements takes place twice per annum as regulated. The mid-year performance assessment for the Municipal Manager and senior

managers for the 2022/2023 financial year was conducted. The final evaluations of the Municipal Manager and Senior Managers for the 2022/2023 financial year were also conducted.

3.8.2 Other Municipal Officials

The roll-out of the Individual Performance Management Policy (IPMP) to the rest of the employees has not yet been introduced. However, processes in this regard are underway. In an endeavour to implement the IPMP, the Municipality will introduce Performance Agreements as a means to ensure the phasing of IPMP implementation which will start with middle management. The PMS monitoring tool will be introduced as intended for all employees who do not undergo formal performance evaluation. Each department is required to conduct the above exercise on a quarterly basis. The PMS Unit is responsible for the top three reporting levels of management.

3.9 The Municipal SDBIP

The SDBIP results for the year under review are reflected in the Annual Performance Report attached as Component K to the Annual Report.

COMPONENT B: BASIC SERVICES

Water, electricity, wastewater and refuse removal services are fundamentally important basic services to ensure a healthy and safe environment for all uPhongolo inhabitants. These basic services sections play a very important part in the planning and implementation of basic services in all formally established township developments as well as informal settlements in the uPhongolo Area over which the Municipality has control.

3.10 Water Services

uPhongolo Municipality is a local municipality forming part of the Zululand District and **it is, therefore, not a Water Services Authority**. Instead, the Zululand District Municipality is the one mandated by the Water Services Act to be the Water Services Authority in respect of all areas under its jurisdiction in this regard.

3.10.1 The Status of Water Infrastructure and Asset Management Plan

The table below provides a brief overview of the schemes in the district that have been captured on the MANZI system and a summary of the infrastructure under consideration, as well as a rough estimate of the value of assets. These figures will be refined over time once the asset management system has been rolled out.

Table 47: Summary of Schemes in the District

Summary Data	LOS	Total
Number of Schemes	Above RDP – Urban	13
	Above RDP – Rural	25
	RDP	105
	Rudimentary	173
	TOTAL SCHEMES	316

The table below shows examples of infrastructure data that is currently available on the GIS system and MANZI. Some gaps still exist in the infrastructure information, ZDM has been systematically updating its infrastructure details and eliminating data gaps where possible within its capability and resources.

Table 48: Summary of Infrastructure Components to ZDM -GIS

Summary Data	Description	Total
Pipelines	Bulk	1264 km
	Reticulation	5745 km
Installations	Yard Connection	27 831
	StandPipe – Barrel	302
	StandPipe – Communal	5 681
	Electrical Point	72
	Valve	14 820
	Meter	1 274
	Bulk Metering Points	253
	Handpump	486
	Pump	25
	Pump Station	119
	Source / Abstraction	520
	Break-pressure Tank	499
	Storage – Jojo	228
	Storage – Reservoir	744
	Treatment (Sand filters etc)	12
	Water Treatment Works	39
Replacement Value	Civil	R 2 187 465 532.77
	Mechanical	R 638 857 590.23
	Electrical	R 252 906 251.28
	Telemetry	R 13 480 747.91

Table 49: Summary of Schemes in the District

Summary Data	LOS	Total
--------------	-----	-------

Number of Schemes	Above RDP – Urban	13
	Above RDP – Rural	25
	RDP	105
	Rudimentary	173
	TOTAL SCHEMES	

3.10.2 Provision of Portable Water

uPhongolo Municipality IDP has included a summary on how potable drinking water is provided. According to ZDM-IDP 2020/2021, the sources of raw water in the ZDM falls within the Mfolozi (W2), Mkuze (W3) and Pongola (W4) secondary catchments of the Usuthu/Mhlathuze Water Management Area (WMA).

Table 50: Water Balance - Summary Of The Water Available And Required Within Zululand District Municipality For The Year 2000 (Million M3 (Kℓ) Per Annum)

			Mfolozi	Mkuze	Pongola	Total
Available water	Natural resource	surface water	36	15	616	667
		Groundwater	5	12	8	25
	Usable return flow	Irrigation	5	6	21	32
		Urban	4	0	0	4
		Mining & bulk	1	0	0	1
	Total local yield*		51	33	645	729
	Transfers in		0	30	0	30
	Total available	51	63	645	759	
Water requirements	Consumer groups	Irrigation	51	61	213	325
		Urban**	12	1	1	14
		Rural**	11	10	6	27
		Mining & bulk industrial***	4	0	1	5
		Afforestation****	2	6	34	42
	Total local requirements		80	78	255	413
	Transfers out		18	0	30	48
	Total used	98	78	285	461	
Balance			-47	-15	360	298

3.10.3 Bulk Regional Water Schemes

3.10.3.1 Hlahlindlela Regional Water Supply and Nkonjeni Regional Water Supply Area

ZDM undertook a Water Resource Modelling of the upper White uMfolozi River System during 2011/2012. Areas served by this System are Vryheid Town and surrounding suburbs, Bhekuzulu,

Lakeside, eMondlo Town and surrounding areas (Hlahlindlela Regional Water Supply Scheme), Mpumamhlope, Ulundi, Babanango (Nkonjeni Regional Water supply Scheme) and Nondweni (Umzimyathi District Municipality).

The model indicates that the yield from Mvunyane dam is insufficient to meet the water requirements at the desired levels of assurance and should be augmented very soon, to avoid the risk of restrictions occurring. The operating rules for Mvunyane should be implemented to protect higher assurance users.

- For the low growth scenario, the yield from Klipfontein combined with the other existing dams is sufficient to meet the water requirements of Vryheid and Ulundi as well as the link to eMondlo until at least 2030.
- For the median growth scenario, the yield from Klipfontein combined with the other existing dams is sufficient to meet the water requirements of Vryheid, Ulundi and eMondlo until 2024. After 2024, the existing water resource infrastructure of the White Mfolozi will need augmentation to meet the projected water requirements.

For the high growth scenario, the yield from Klipfontein combined with the other existing dams is sufficient to meet the water requirements of Vryheid, Ulundi and eMondlo until 2021. After 2021 the existing water resource infrastructure of the White Mfolozi will need augmentation to meet the projected water requirements.

It is therefore important that the required work to plan for the next water resource augmentation be undertaken, due to the long lead times required to implement a water resource development project.

During 2016 ZDM was declared a drought-restricted region, which led to emergency interventions. The town of Vryheid was forced to rely on water tankers and water points at designated borehole and water tank points. Since then dam levels have normalised again but it is clear that the greater Vryheid region is in urgent need for major interventions in terms of sustainable water during dry winter months.

3.10.3.2 Usuthu Regional Water Supply

ZDM investigated the available water resources in the upper Black Mfolozi River during 2011. The purpose of the investigation was two-fold:

- An assessment was undertaken to determine the available water resources of the upper Black Mfolozi River which involved quantifying the divertible flows at the existing weir on the river near Nongoma upstream of the Kwa Nkweme River confluence. This represents the situation prior to construction of the off-channel storage dam on the Kwa Nkweme River. Analyses were performed for 18.6 MI/day (2025 demand) and 25 MI/day (2035 demand).
- Detailed yield analyses were undertaken to determine the water resources capability of a proposed system on the upper Black Mfolozi River, which consists of a new off channel storage dam on the Kwa Nkweme River. Water for this off-channel storage dam will be supplied by diverting available flows from the existing weir on the Black Mfolozi River. The performance of the system was evaluated for a variety of possible configurations including a range of dam (storage) sizes, flow diversion capacities and downstream environmental flow requirements (EFR's).

Based on the results of the water resource assessment it was concluded that:

Prior to the construction of the proposed off-channel storage dam on the Kwa Nkweme River, a run-of-river scheme on the upper Black Mfolozi River could supply a target abstraction of 18.6MI/day (or 6.8 million m³/a, the projected water requirement for the proposed scheme in 2025) with an annual risk of failure of 64% (recurrence interval of 1:1.6 years). This risk is well above accepted levels for schemes of this increase the supply capability (assurance of supply) of the system.

A storage capacity of 7.9 million m³ (30% of the maximum capacity) is adequate to meet the target abstraction of 6.8 million m³/a. This, however, requires a fairly large diversion works capacity of 0.6m³/s. For a larger dam of 10.6 million m³ (40% of the maximum capacity) diversion works with a capacity of only 0.4m³/s would be adequate to meet the target abstraction.

The option recommended was the construction of a 75m high earth fill dam at estimated construction cost of R370m, but due to the limited geotechnical information available, the level of the dam options investigation (layouts and design) and related cost estimates can be classified as pre-feasibility.

3.10.3.3 Mandhlakazi, Mkuze and Simdlangentsha Regional Water Supply Area

The Pongola catchment is currently under-utilised and the only catchment area not under stress. This catchment area supplies the Mandhlakazi Regional Water Supply Scheme from Senekal Boerdery via the Jozini Dam.

Due to the high cost involved for the construction of an off-storage Facility for the Usuthu Regional Scheme, the augmentation of the Mandhlakazi and Usuthu Regional Water Supply Schemes is currently investigated. The following items should be considered:

- Alternative sites for the off-channel storage facility should be investigated;
- The possibility to reduce the capacity of the off-channel storage dam on the Kwa Nkweme River should be investigated. The associated risk should be considered;
- The Operational cost should also be considered (including levies payable to Mr Senekal);
- ZDM will have to assess their agreement with Senekal and negotiate upgrading and extensions of the existing agreement if necessary for the Usuthu supply;
- Additional and future DWA water allocations and licences from Jozini Dam; and
- The existing abstraction works at Jozini Dam needs to be investigated.

3.10.4 Ground Water

In general, the overall groundwater quality in the ZDM is good in the northern parts with the water quality in eDumbe, uPhongola and Abaqulusi LMs falling within Class 0 and 1 (Kempster Classification). In the southern parts the water quality is generally poor however, with most boreholes falling in Class 3. It is pertinent to note that a large number of the Traditional Authority areas are situated within these areas of poorer groundwater quality. The deterioration of groundwater quality from west to east, can be ascribed to:

- Declining rainfall from west to east.
- Concentration of dissolved solids from through flow below the Dwyka Formation and coal seams in the Vryheid Formation in the central and eastern regions of the catchments.

The sedimentary rocks that underlie the study area represent a secondary or fractured rock aquifer with negligible primary porosity or permeability. Groundwater storage and movement

is therefore mainly confined to fractures and joints that occur within the rock mass and is therefore structurally controlled. The groundwater development potential within each of the quaternary catchments is adequate to meet the basic water demand of rural communities either through:

- Stand-alone basic levels of water supply by boreholes equipped with hand pumps; or
- Limited reticulation schemes through production boreholes that target structural features offering high groundwater development potential.

3.10.5 Water Quality

ZDM has developed a water quality reporting system where all water quality test results are captured, and management reports drawn for immediate interventions where needed. ZDM also reports monthly to DWA on water quality results, as part of the DWA regulation process. Schemes that indicate inferior water quality results are then immediately acted upon to resolve such issues. The actual report for each month is available from the ZDM MANZI system on request.

The Blue Drop Assessment also serves to evaluate different aspects of water provision and quality within ZDM. The latest results can be reviewed further-on in this report.

3.10.6 Water Schemes to be Rehabilitated.

There are currently a number of investigations underway to determine the refurbishment requirements of water services infrastructure in the district. The refurbishment requirements at bulk plants are receiving first priority since it is perceived that the most urgent interventions are required at these assets. Investigations are also being commissioned to determine the condition of urban infrastructure and the refurbishment needs in the towns. Whilst new infrastructure has been rolled out in the rural areas to previously neglected communities, the infrastructure in towns have received very little attention and funding since 1994 and it can be expected that most of the refurbishment requirements will be in these areas. The above-mentioned investigations have not yet been fully completed and the results will be included once available.

3.11 WASTEWATER (SANITATION) SERVICES

As mentioned at paragraph 3.5 above, the water and wastewater (sanitation) services function are provided by the Zululand District Municipality in terms of the Water Services Act. The basic functions are intended to upgrade existing sewerage infrastructure (so as to meet future requirements); to extend the wastewater/ sewerage network (provide higher level of service to consumers); to maintain the existing wastewater/sewerage network (ensure adequate rehabilitation and maintenance); to monitor water resources; and, to ensure the prevention of pollution thereof.

3.11.1 Provision of Sanitation Services

The status of the infrastructural backlogs, needs and priorities for water and sanitation can be summarised as follows:

Table 51: Table Showing Sanitation Backlogs (WSDP 2017)

SANITATION	TOTAL HOUSEHOLDS	BACKLOGS	% BACKLOGS	% OF TOTAL BACKLOGS
AbaQulusi LM	46 529	11 718	25.18%	30.83%
eDumbe LM	16 405	4 584	27.94%	12.06%
Nongoma LM	45 713	11 086	24.25%	29.17%
Ulundi LM	46 398	3 420	7.37%	47.51%
uPhongolo LM	28 132	7 199	25.59%	18.94%
Total	183 177	38 007	20.75%	100.00%

The table below sets out a comparison of community's access to sanitation facilities in 1996, 2001 and 2011 (as derived from STATSSA):

Table 52: Community Access to Sanitation Facilities (STATSSA)

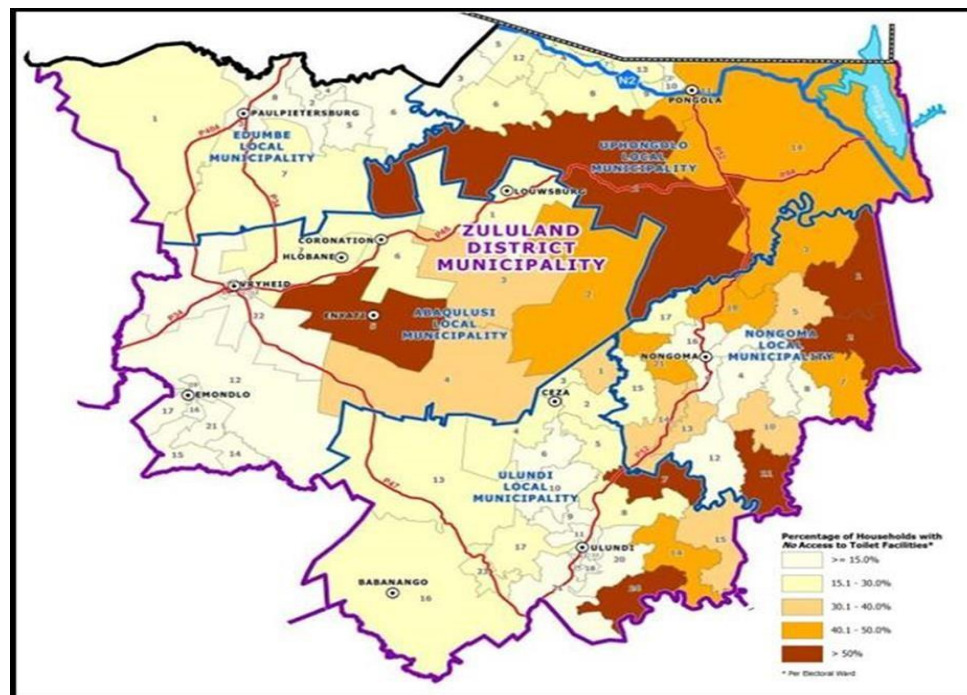
Sanitation Facilities	Year		
	1996	2001	2011
Flush or chemical toilet	18 297	34 984	50 405
Pit latrine	48 412	50 488	68 287
Bucket latrine	1 523	1 002	1 572
None	35 023	54 718	31 272

There has been a dramatic increase between 1996 and 2001 and again between 2001 and 2011 in the number of households who had access to flush or chemical toilets or pit latrines. However, there were still some 31,272 households who indicated that it had no access to toilet facilities. This constituted some 19.8% of the total number of households within the District in 2011.

Super Cities 2011 Migration D.

The larger urban areas do have sanitation systems whereas the rural areas rely on septic tanks or pit latrines or no system at all. This places tremendous strain on the environment. Meanwhile there has been an increase in the number of households with access to ablution facilities.

Map 6: Percentage of Households with No Access to Toilets (2011)



The table below shows the level of access by residential consumers to basic sanitation services. uPhongolo Municipality makes up 15.9% of households within the district that have access to sanitation services (WSDP 2016).

Table 53: Level of Access by Residential Consumers to Basic Sanitation Services

	None or Inadequate (Excl. Infills/Replacements)	VIP	Septic tank	Waterborne	TOTALS
		RDP	RDP	>RDP	
AbaQulusi LM	0	0	0	15 283	15 283
eDumbe LM	0	0	498	4 859	5 157
Nongoma LM	0	0	0	1 239	1 239
Ulundi LM	0	0	0	5 520	5 520
uPhongolo LM	0	0	0	3 557	3 557
Total (urban)	-	-	498	30 258	30 756
AbaQulusi LM	8 838	15 914	267	0	25 019
eDumbe LM	0	11 272	199	0	11 723
Nongoma LM	8 547	28 385	0	0	36 932
Ulundi LM	8 311	23 492	42	0	31 845
uPhongolo LM	5 375	15 846	358	0	21 579
Total (rural)	31 071	94 909	866	0	127 098
Total (households)	31 071	94 909	1 364	30 258	157 854

Source: Draft WSDP 2016/2017

Existing and Planned Infrastructure Capacity and Functional Evaluation

As a tertiary node within the province, uPhongolo Municipality functions as a centre providing for community needs at a sub-regional level. Key strategies targeted at the Pongola node and surrounding communities are:

- Promoting provision of sufficient bulk infrastructure services (demand and supply)
- Priority spending on infrastructural Upgrading Needs (new and maintain)

Pongola Poort bulk water scheme - Bulk Water Supply of new bulk water scheme under construction, at a cost of 1,100,000 as part of the long-term infrastructure plan (DWA, Revised Strategic Plan 2015/16 – 2019/20)

Table 54: Summary of the status of service delivery to ZDM and its LMs (2016 Census Stats)

Municipalities	No. of Households	Water		Sanitation		Refuse removal		Electricity	
		Households Serviced	%	Households Serviced	%	Households Serviced	%	Households Serviced	%
Zululand	157748	83978	53%	82569	52%	32274	20%	110055	70%
eDumbe	16138	10400	64%	11570	72%	3344	21%	10127	63%
uPhongolo	28772	15026	52%	12334	43%	5563	19%	21004	73%
Abaqulusi	43299	30604	71%	25590	59%	17985	42%	31223	72%

Nongoma	34341	9435	27%	12088	35%	1461	4%	21851	64%
uLundi	35198	18513	53%	20988	60%	6922	20%	25850	73%

Regional Water Schemes

There are 10 regional water schemes that have been developed to roll-out water supply to the entire Zululand District Municipality). The schemes are listed hereunder and depicted in the map immediately below:

- Coronation ; Hlahlindlela ; Khambi ; Mandlakazi ; Nkonjeni ; Simdlangentsha East (uPhongolo); Simdlangentsha Central ; Simdlangentsha West; Usuthu ; Candover

Each regional scheme footprint has a sustainable water source from where infrastructure is being rolled out progressively to all households within the supply area. The supply footprints have been identified such that water can be provided to all households within the area in a sustainable manner and at the lowest possible cost (R/kl).

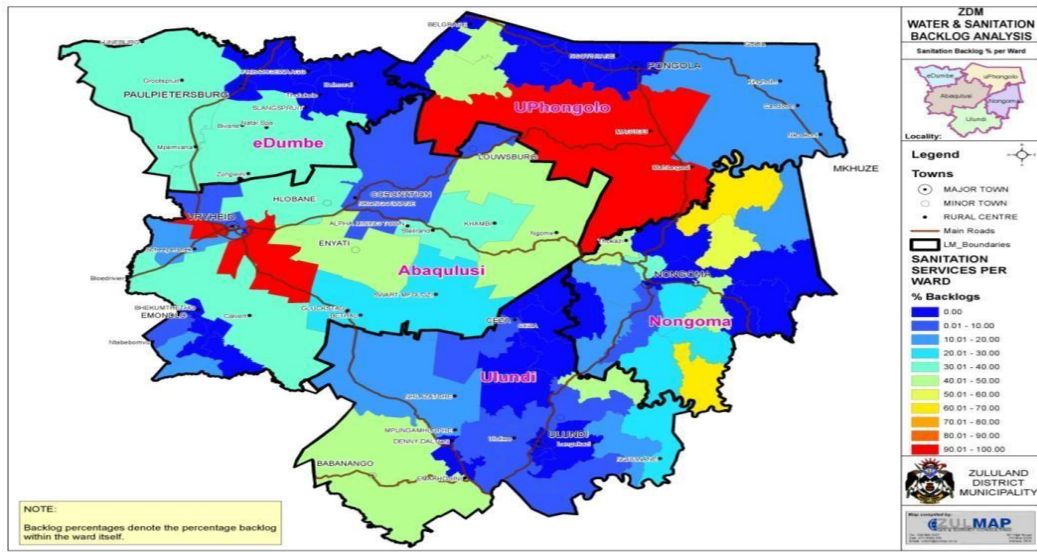
Table 55: Sanitation Backlogs

	Inadequate (Excl. Infills/Replacements)	VIP	Septic tank	Waterborne	TOTALS
		RDP	RDP	>RDP	
AbaQulusi LM	0	0	1035	14 965	16 000
eDumbe LM	0	2981	498	1 979	5 458
Nongoma LM	0	283	0	349	632
ULundi LM	0	635	0	5 277	5 912
uPhongolo LM	0	698	0	3 311	4 009
Total (urban)	-	4 597	1 533	25 881	32 011
AbaQulusi LM	8 098	22 597	424	0	31 119
eDumbe LM	1 288	10 629	266	0	12 183
Nongoma LM	10 755	32 989	0	0	43 744
ULundi LM	3 222	35 801	52	0	39 075
uPhongolo LM	7 223	17 951	336	0	25 510
Total (rural)	30 586	119 967	1 078	0	151 631
Total (households)	30 586	124 564	2 611	25 881	183 642

Source: ZDM WSDP, 2020

The table indicates sanitation backlog within the ZDM and in each of the local municipalities. While none of the urban settlements has inadequate access to sanitation, the situation in the rural areas is completely different. 30 586 rural households have inadequate access to sanitation. The majority of these are in Nongoma, Abaqulusi and uPhongolo Local Municipalities.

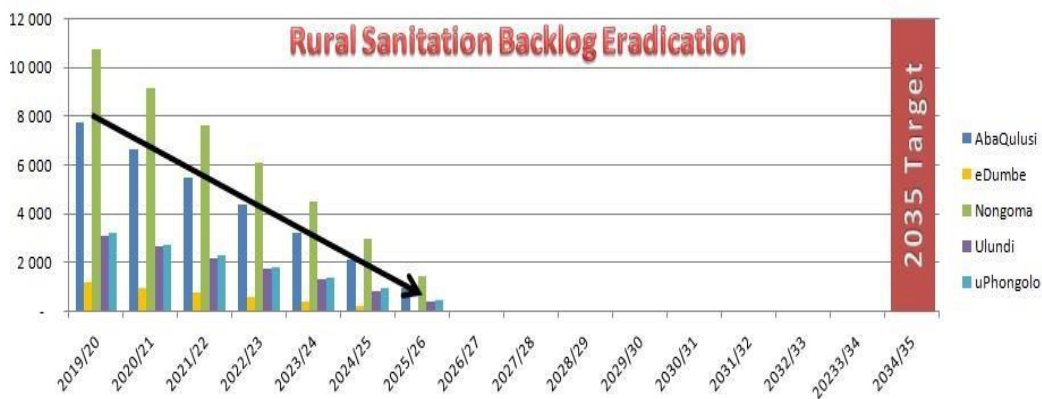
Map 6: Sanitation Backlog



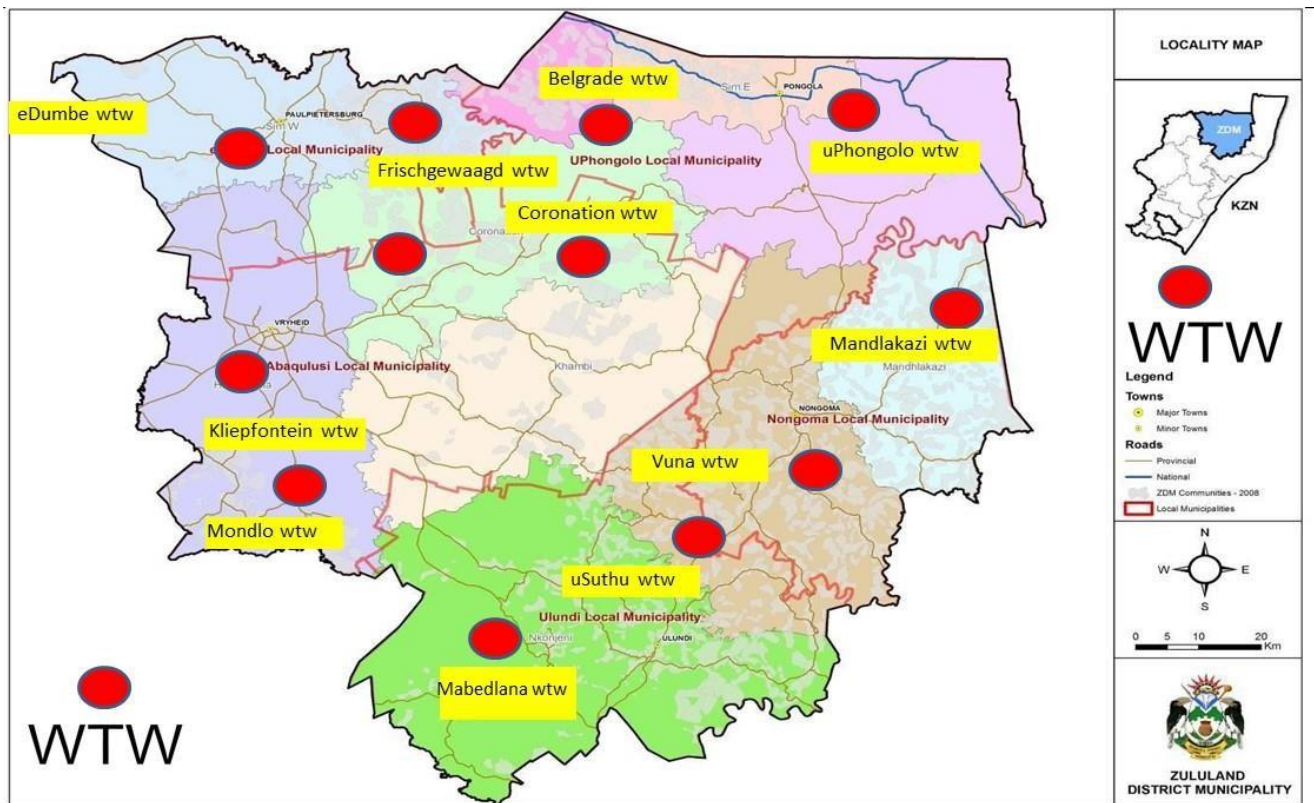
Source: ZDM WSDP, 2020

The figure below depicts the estimated time it will take to eradicate all sanitation backlogs below RDP standard if current Municipal Infrastructure Grant (MIG) funding allocations remains constant. With the 2035 goals in mind, the backlogs in rural sanitation should be eradicated by 2026. However, settlements are continuously expanding, and household growth will maintain an increase in the future.

Figure 4:: Rural Sanitation Backlog Eradication



Map 7: The Spatial Distribution of Water Treatment Works in Zululand.



The map above and the table below demonstrate the functional capacity of the water treatment works as a result of the protracted drought. It must be emphasised that these figures are as of November 2015.

Table 56: The Functional Capacity of the Water Treatment Works

LOCAL MUNICIPALITY	WATER TREATMENT FACILITY NAME	WATER SOURCE
eDumbe	eDumbe	eDumbe Dam
eDumbe	Frischgewaagd	uPhongolo River
Abaqulusi	Klipfontien	Klipfontein Dam
Abaqulusi	Mondlo	Mvunyana Dam
uPhongolo	Belgrade	Monzana Weir
Ulundi	Mabedlana	White Mfolozi
Nongoma (Usuthu)	Vuna/Vukwana	Vuna Dam
Nongoma (Mandlakazi)	Mandlakazi	Jozini
Nongoma	Usuthu	Black Mfolozi
uPhongolo	uPhongolo	uPhongolo River
Ulundi	Mabedlana	White Mfolozi
Abaqulusi	Khambi	Khambi
Abaqulusi	Coronation	Coronation Dam

Abaqulusi	eNyathi	Spring
RISK CATEGORY	MODERATE (25 – 50%)	LOW (>50%)

3.12 ELECTRICITY SERVICES

uPhongolo Municipality applies GRAP 109 for the INEP projects and therefore acts as an agent. There are no income and expenses that are recognised. The Municipality is an electricity/energy provider to its communities. However, electricity within the uPhongolo Municipality is sourced through connection to the Eskom grid or non- grid electricity.

3.12.1 Energy Sector Plan

The Municipality’s energy/electricity plan was adopted by Council in 2022/2023 financial year and a reviewed project list for 2022/2023 financial year will be submitted to ESKOM in due course. The energy/electricity plan is being implemented in terms of the said plan taking into cognisance the approved budget.

3.12.2 Operations and Maintenance Plan for Electricity

An Operations and Maintenance Plan for electrification has been drafted for implementation in 2022/2023.

3.12.3 Schedule 5.B Projects (Doe Funding)

In line with the Electricity/Energy Plan, the Municipality received funding for the implementation of electricity projects from the Department of Energy.

3.12.4 The Status, Backlogs, Needs and Priorities for Electricity/Energy Services

Whilst the rural areas within uPhongolo Municipality do not have adequate electricity, the urban areas enjoy abundant supply of electricity. This state of affairs has a negative bearing to the rural schools and healthcare facilities, for instance. However, new projects are being commissioned in uPhongolo. The projects are:

Table 57: Electricity Projects

Project Name		Status	Construction Start Date	Completion Dates
1 Pongola - Candover	132 kV line	EIAs expected in June 2018	2020	2021
2 Golela Border post	20 MVA 132 kV SS	Conceptual Stage	2023	2024
3 Tholulwazi	132/22 kV 20 MVA Est	Conceptual Stage	2023	2024

Table 58: INEP Projects

Electrification Projects (INEP)	Adjusted Budget 2020/2021	2021/2022	2022/2023
		7 000 000,00	15 000 000,00
Ntshiyangibone & Ereyini Ward 11 & 05	7 000 000,00	-	-
Esigungwini Electrification Ward 11	-	15 000 000,00	-
Madanyini, Mboloba, Sdakeni & Deckville Ward 09, 10, 02, 07 & 15	-	-	8 000 000,00
Klipwaal, emvunyaneni, Mavithi & Mdiyane Ward 04, 06, 11 & 03	-	-	-

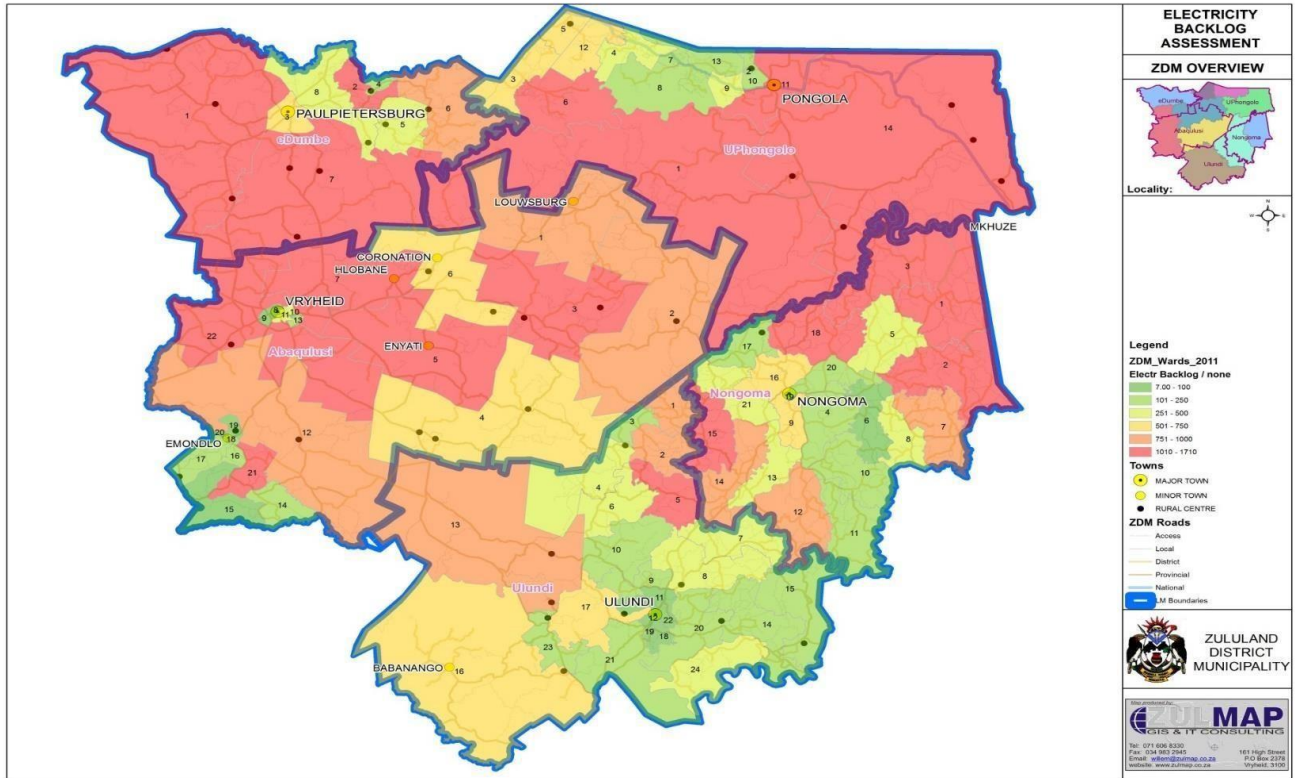
3.12.5 Electricity/Energy Backlogs

Energy provision focuses on rural backlogs as urban electricity is provided as part of municipal services. The details obtained for electricity provision and backlogs have been obtained from the Census 2011 figures, as can be seen in table below.

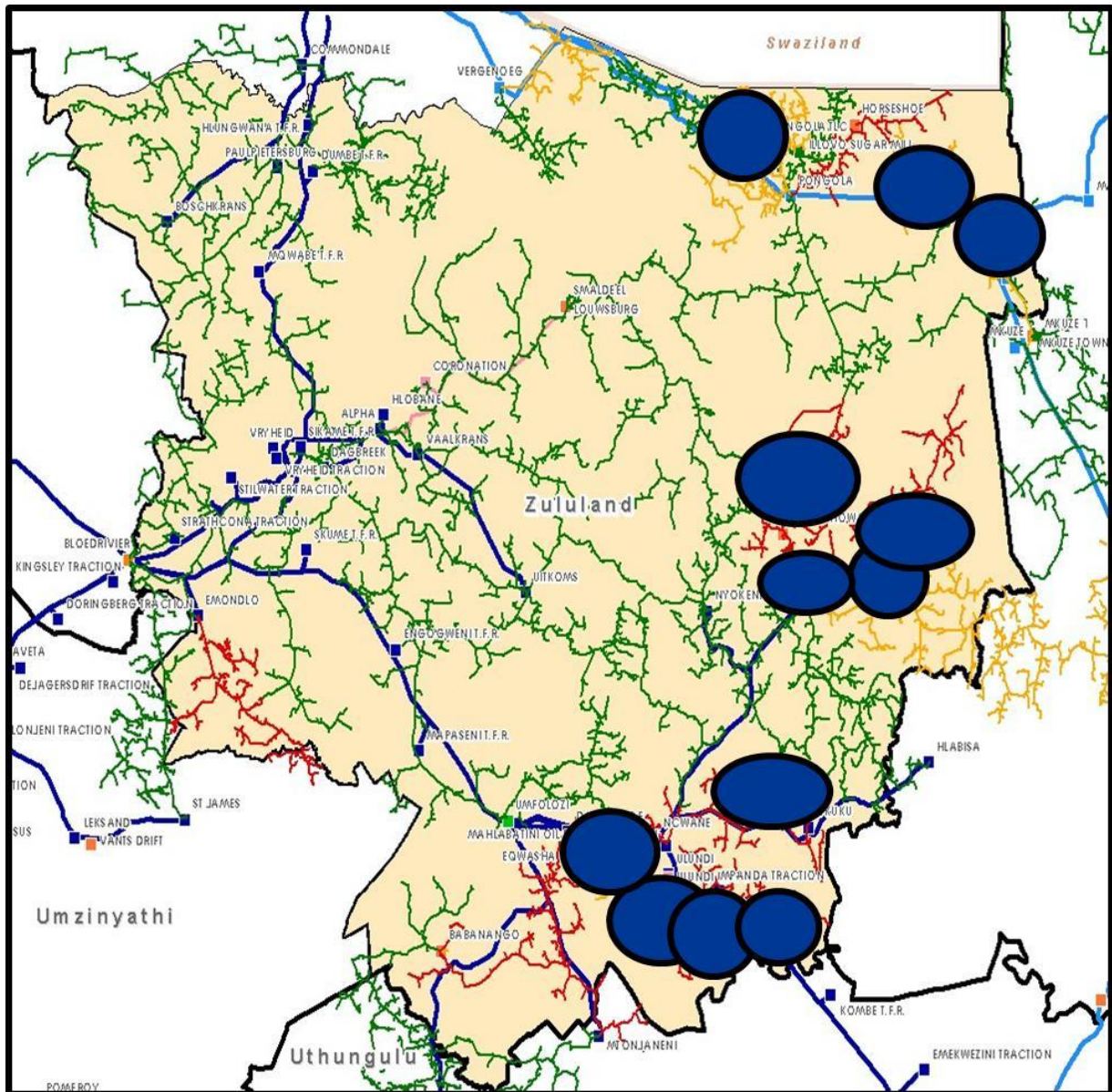
Table 59: Energy Backlogs Per Municipality

Total Electricity	No. of Households	No of Households Electrified	Percentage Backlog	Backlog Per LM
KZN263: Abaqulusi	43,299	31,223	12,076	28%
KZN261: eDumbe	16,138	10,127	6,011	37%
KZN262: uPhongolo	28,772	21,004	7,768	27%
KZN265: Nongoma	34,341	21,851	12,490	36%
KZN266: Ulundi	35,198	25,850	9,348	27%
Total	157,748	110,055	47,693	30%

Map 8: Electricity Backlog Assessment



Map 9: Zululand District Municipality Electricity Network Constraints



Source: Eskom (2019)

The projects set out by the Department of Energy have been implemented as follows:

- KwaMbhucu, Enkanjini and Emagiqweni – 304 connections;
- Ncontshane new RDP houses – 488 connections; and
- Ward 7 infills type 1 and 2 – 500 connections and will be completed in June 2018.

The Municipality has endured monetary losses due to the poor distribution of electricity through ageing infrastructure and poor maintenance. In an endeavour to mitigate this, the Municipality

appointed service providers in 2017 to assist with metre reading and metre sweeps will be conducted to determine metres that have been bypassed or bridged illegally.

3.12.6 Municipal Co-ordination of Development Activities

The Municipality has been successful in its endeavour to co-ordinate its developmental activities with relevant sector departments and service providers. The primary role of the Municipality is to facilitate the delivery of services to its communities. It is therefore imperative for the Municipality to understand the extent to which households in its area of jurisdiction have access to the various services that are essential for their livelihood including electricity.

3.13 WASTE MANAGEMENT (REFUSE COLLECTIONS, WASTE DISPOSAL AND RECYCLING)

Sustainable waste management practises are more than often faced with challenges and need to be reviewed on a continuous basis to address these challenges and mitigate any risks. Waste minimisation and diversion initiatives are key to decrease the amount of waste being disposed at the waste disposal facility in Wellington. The main objective of this section is to manage the waste generated in the municipal area, in compliance to the license conditions of its facilities and the National Norms and Standards.

Public open spaces in high density areas are more than often used as illegal dumping sites. Although basic refuse collection services are delivered in these areas, the increase in informal structures and the presence of backyard dwellers, contribute to waste not being disposed of in the appropriate manner. A lack of environmental, sanitation and waste awareness often influence the way communities manage their waste.

The Wellington Disposal Facility has limited airspace available and methods to extend the lifespan of the facility is currently investigated. A waste characterization study was performed to analyse the municipal waste stream, which will assist in the strategic planning to implement the best suitable plans.

3.13.1 Waste Collection Services

The Integrated Waste Management Planning forms a critical part of the framework for local government and needs to be undertaken in accordance with the roles and responsibilities as

prescribed for local government in the Constitution of the Republic of South Africa. The National Environmental Management: Waste Act 2008 (as amended by Act 26 of 2014) further describes the legal requirements for local government authorities to put in place Integrated Waste Management Plans with a view to inform planning and budgeting in respect of waste management within a particular Municipality.

The over-arching purpose hereof is to ensure that Waste Management Planning within the local municipalities is aligned with National Policy and Standards. Furthermore, it must be sustainable, practical, implementable and acceptable to all key role players and parties expected to implement the plan and that appropriate management frameworks and capacity are in place for the local municipality to discharge its responsibilities for delivery of waste management services. It follows, therefore, that uPhongolo Municipality is thus responsible for solid waste management within the municipality.

3.13.2 The Status Backlogs, Needs and Priorities for Solid Waste Collection, Removal and Disposal

Landfill sites are developed and managed by means of the Landfill Permit System, instituted in terms of the provisions of Section 20 of the Environment Conservation Act (ECA) (Act No. 73 of 1989), which requires that Minimum Requirements are implemented and enforced. The Act states that no person shall establish, provide or operate any disposal site without a permit issued by the Minister of Water and Environmental Affairs and subject to the conditions contained in such a permit. This applies to all new and operating sites. Un-permitted closed sites may be controlled in terms of Section 31A of the ECA.

The permit holder/landowner in the case of non-permitted sites is ultimately responsible and accountable for the landfill and any effect it may have on the receiving environment. He/she may appoint a Responsible Person to operate the site in accordance with the Minimum Requirements. The Responsible Person must be qualified to the satisfaction of the Department of Water and Environmental Affairs and must be capable of understanding and correctly applying the Minimum Requirements.

The Minimum Requirements for Waste Disposal by Landfill, second edition published by the Department of Water and Environmental Affairs in 1998, allows for different classes of landfill sites

based on size, type and potential threat to the environment. uPhongolo Municipality has a registered waste disposal facility which complies with the standards of the Department of Water and Environmental Affairs. There are 2 waste disposal/ landfill sites in the uPhongolo Municipality. uPhongolo Municipality's status and database of existing facilities is shown in the following table:

Table 60: Status and Database of Existing Facilities in uPhongolo Municipality

uPhongolo Disposal site/ Landfill	DWAF Permit status	Monthly waste disposed	Description of wastes disposed	Expected Lifespan	Prioritised in the IDP
uPhongolo Landfill	Permitted (GSB)	1058.8 tons	Domestic refuse	15 years	No
Belgrade Illegal Disposal Site	Not Permitted	2 tons	Domestic and garden refuse and builder's rubble	Unknown	

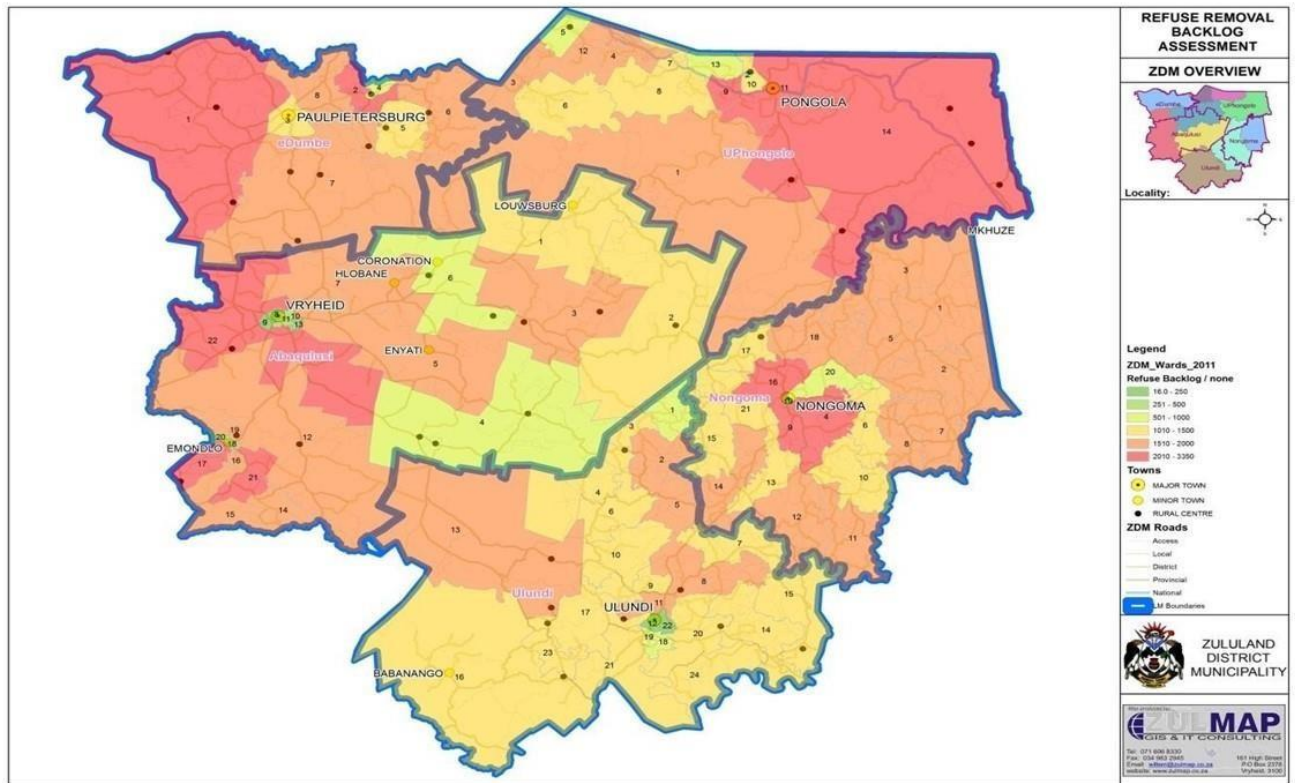
Table 61: Refuse Removal Backlogs Per Municipality

REFUSE	Total Households	No of H/H with refuse removal	No of H/H Backlog	% per LM	Backlog
KZN263: Abaqulusi	43,299	25,688	8,255	59.33%	
KZN261: eDumbe	16,138	12,738	3,640	78.93%	
KZN262: uPhongolo	28,772	22,245	3,868	77.31%	
KZN265: Nongoma	34,341	32,769	4,021	95.42%	
KZN266: Ulundi	35,198	28,309	8,367	80.43%	
Total	157,748	121,749	28,151	77.18%	

3.13.3 Refuse Removal Backlog Assessment

The Zululand District Municipality conducted a Waste Disposal Regionalisation Study in 2007 to investigate various options for resolving the issue illegal waste disposal sites that require closure owing to their illegality. Recommendations that emanate from the study include the regionalisation of waste disposal, which include regional waste disposal sites in Vryheid and Ulundi, with some sites being used as transfer stations. The map below indicates the solid waste refuse removal backlog spatially:

Map 10: Refuse Removal Backlog Assessment



3.13.4 Ownership of Waste Disposal Sites

uPhongolo Municipality owns two (2) waste disposal facilities namely: Mkhuze Disposal Site and uPhongolo Landfill Site. The former is utilised by Jozini Municipality whilst uPhongolo Municipality utilises the latter. There are discussions underway between Jozini and uPhongolo Municipalities with regard to the operation and lease agreement). In the circumstances, both landfill sites are operational and licensed accordingly.

3.13.5 The State of Waste Disposal Site

There are four important factors in this regard that have a direct impact on the state of waste disposal sites namely Engineering, Auditing, Lifespan and Licensing. Together these factors assist the Municipality to determine whether or not the state of the waste disposal site is conducive for and in compliant with the applicable legislation. It is worth noting that currently only the uPhongolo and Jozini Sites are operational and licensed to operate. However, uPhongolo Municipality only uses one

of the two sites since the other one is used by Jozini Municipality, having leased same to the latter Municipality.

3.13.6 Collection of Solid Waste Management

uPhongolo Municipality currently collects waste in Ncotshane Township, Belgrade, Golela and Magudu residential areas (semi-urban areas) as well as the uPhongolo Town and industrial areas. Waste disposed on a monthly basis consists of garden refuse, domestic waste, builders' rubble and sawdust.

The following tons of waste are produced in the following areas per day/week.

Table 62: Waste Produced and Collected

Area	Tons per Week
Belgrade	6 tons/week
uPhongolo	25 tons/day
Townships & Sugar Mill	4 tons/week

3.13.6.1 Solid Waste Challenges

- A need for infrastructural support such as a good road network and waste transport system.

3.13.6.2 Integrated Waste Management Plan

The municipality has a Draft Integrated Waste Management Plan in place. Currently, public participation process has started and will be tabled to Council when the public participation process has been concluded.

3.13.6.3 Progress of Implementation: Integrated Waste Management Plan

The Draft Integrated Waste Management Plan has an implementation plan in place with projects such as (i.e. operation of landfill site/s, waste collection, provision of waste bins and skips at strategic locations, compactor trucks and tractors, waste recycling, refuse bags, illegal dumping, etc.) are being

implemented. The Municipality has intentions to ensure that by-laws applicable for waste management were passed during 2022/2023 financial year.

3.13.6.4 Waste Diversion

uPhongolo Municipality has considered and recognised the immense potential value that can be derived from waste diversion. The Municipality has then decided to explore this potential by, amongst others, entering into agreement with Hlanganisani Izibi Waste Recycling. The essence of the agreement is to oversee the waste diversion program within uPhongolo and create employment opportunities for members of the local communities. It is envisaged that in line with the spirit of waste diversion, the following shall form part of the processes: waste recycling, waste reduction, waste reuse and separation of waste products. Waste diversion shall ensure a longer life term for the landfill site.

3.14 HOUSING

The Housing and Human Settlements Division of the Municipality is located in the Department: Community Development. It consists of two sections, namely Housing Projects and Technical Support Services and Rental Stock and Housing Demand and Operations.

3.14.1 Housing Administration

The Housing Administration Section is responsible for the management and maintenance of over 1000 rental units, the management of the housing demand data base (i.e. the waiting list for housing opportunities) and maintenance of basic services to informal settlements.

uPhongolo Municipality has completed its review for Housing Sector Plan dated March 2022/2023. The Housing Sector Plan (HSP) is a policy framework that undertakes a strategic analysis of housing issues and introduces a number of objectives, strategies and programmes to facilitate the development of sustainable human settlements. It is meant to guide the municipality in performing its functions and implementing its role as articulated in the National Housing Act, No. 107 of 1998 and in Section. The purpose and objectives of the HSP are:

- To ensure that there is a definite focus on human settlements in the IDP and provide for a link between integrated development planning and the practical delivery of housing;

- To facilitate the reduction of the housing backlog in line with norms and standards in the human settlements sector;
- To facilitate the development of sustainable human settlements;
- To provide greater spatial linkages between the spatial development framework and the physical implementation of projects on the ground;
- To provide a formal and practical method of prioritizing housing projects;
- To ensure the effective allocation of limited resources (specifically financial and human) to a large pool of potential development interventions; and
- To facilitate rapid and cost-effective release of land for human settlement development purposes.

The reviewed uPhongolo Housing Sector Plan was used by the Department of Human Settlements to assess projects and allocate funds in the short to medium term, as well as monitor progress against national housing targets. In addition, it will inform planning at a strategic level and facilitate alignment between bulk infrastructure development and housing delivery. The HSP will provide information on the programmes of the Department of Human Settlements available for delivery in the context of uPhongolo Municipality. The aim is to move beyond the provision of basic shelter towards achieving the broader vision of sustainable human settlements and efficient spatial systems.

The plan will need to be reviewed periodically to identify emerging gaps, update information and consider changes in the human settlements sector, emerging (new) human settlement needs in the uPhongolo Municipality, changes in development trends and progress made in the implementation of the plan.

3.14.2 UPhongolo Municipality as Housing Developer for Human Settlements

The constitutional responsibility for housing delivery lies with National and Provincial Government. However, section 9(2)(a) of the Housing Act provides for the participation by municipalities in national housing programmes by, amongst other things, acting as a developer in respect of the planning and execution of a housing development project, facilitating and supporting the participation of other role players in the housing development process, or administering any national housing programme in respect of its area of jurisdiction in accordance with section 10 of the Act. uPhongolo Municipality is thus the developer for human settlements in its area of jurisdiction and is dependent on bulk infrastructure that is planned, co-ordinated and implemented at the district level.

The uPhongolo Municipality intends to work towards capacitating itself to apply for Level 1 accreditation, to be able to inherit more functions with regards to housing and be provided with accreditation funding to administer those functions.

3.14.3 Housing Sector Plan

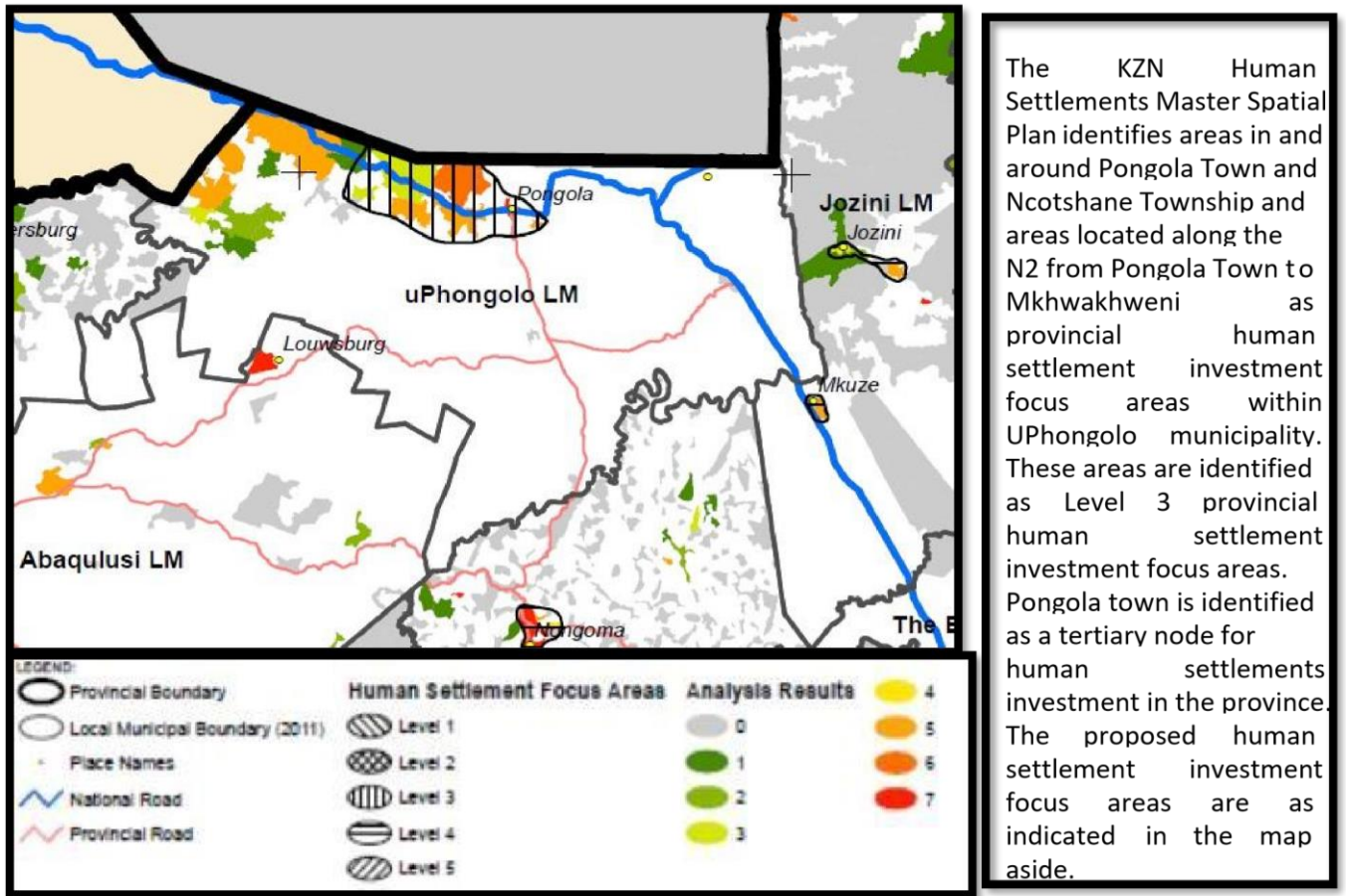
uPhongolo Municipality has completed its review for Housing Sector Plan dated March 2020.

3.14.4 Alignment of Housing Sector Plan to KZN Human Settlements Spatial Master Plan (2030)

The reviewed uPhongolo Municipality Housing Sector Plan, March 2020 is aligned with the KZN Human Settlements Spatial Master Plan. The KZN Provincial Master Spatial Plan aims to translate the Provincial Growth and Development Plan into a detailed implementation plan for assisting with the identification of suitable land for housing delivery in the province. It focuses on strategic goal 3 (Human and Community Development) and strategic objective 3.4 of the PGDP which talks to the promotion of sustainable human settlements. The plan broadly identifies focus areas for investment in human settlements in the province, in alignment with the Provincial Spatial Development Framework.

The plan identifies areas in and around Pongola Town and Ncotshane Township and areas located along the N2 from Pongola Town to Mkhwakhweni as provincial human settlement investment focus areas within uPhongolo municipality. These areas are identified as Level 3 provincial human settlement investment focus areas. Pongola town is identified as a tertiary node for human settlements investment in the province. It is noted that some areas within the municipality are not identified as provincial human settlement investment focus areas, but this does not mean that no human settlement development will be supported outside the identified focus areas. It is acknowledged that these areas also have communities in need of land for housing and that meet the norms and standards of the Department of Human Settlements.

Map 11: KZN MSP HS Investment Focus Areas



Source: uPhongolo Municipality Housing Sector Plan, March 2020

3.14.5 Housing Chapter Highlighting Housing Needs and Planned Projects

The uPhongolo HSP aims to serve as the “Housing Chapter” to be included in the municipality’s IDP. The preparation of such Housing chapter allows the uPhongolo LM to address the need for housing holistically in an integrated manner. The HSP aims to facilitate the creation of sustainable human settlements and provide a range of housing products in safe, accessible and affordable locations. Its objectives include:

- To respond to the housing need.
- To serve as a guiding framework for the planning and implementation of human settlement projects.
- To accelerate human settlement development in line with the national and provincial policy directives.

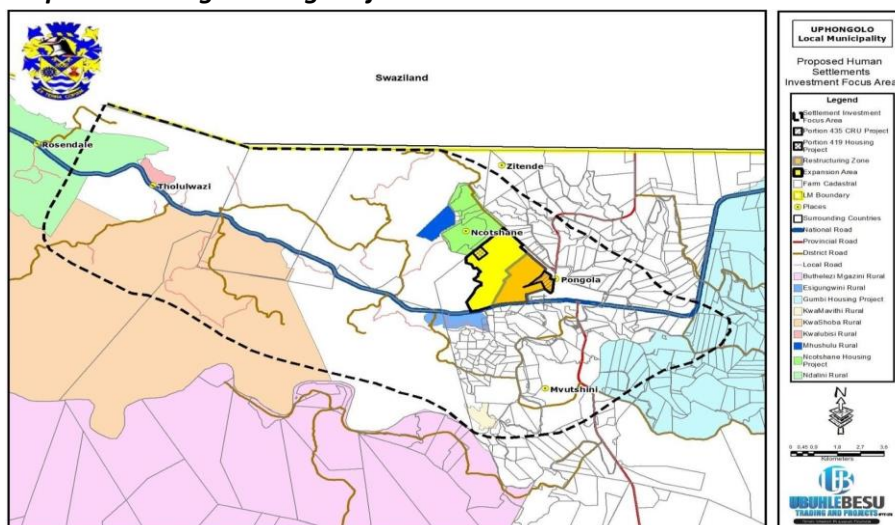
- To facilitate rapid and cost-effective release of land for human settlement development purposes.
- To build capacity for effective human settlement development.
- To embrace informality and work towards the eradication of slums
- To contribute towards spatial transformation and the creation of sustainable, integrated human settlements. The Housing Chapter provides guidelines that recommend the IDP processes and activities that form part of the analysis thereof. The guidelines include the following:

- ⇒ An analysis of service gaps and resource potentials;
- ⇒ A participatory-based community and stakeholder level analysis;
- ⇒ Cross-sectoral municipality-level analysis in respect of (a) economic, (b) environmental, (c) institutional, (d) spatial and (e) socio-economic matters;
- ⇒ The prioritisation of issues; and In-depth analysis of issues.

It is through this process that issues that affect development in the Municipality can be identified and explored. It is therefore safe to hold that the IDP has incorporated the Housing Chapter as recommended and envisaged by the Part 3 of the Housing Code.

3.14.6 Existing and Planned Housing Projects

Map 12: Existing Housing Projects



Source: uPhongolo Municipality Housing Sector Plan, March 2020

The table below provides the municipality’s human settlements development strategies. Development strategies provide a practical way of providing solutions to the identified priority or problem issues. The development strategies below are linked with the existing problems and the desired human settlements development objectives. To enable the best choice of solution, the development strategies have to be guided by the guiding principles enshrined in the housing policy and legislation and are congruent with the national and provincial human settlements strategies, projects, targets and priorities.

Table 63: Development Strategies

No.	PRIORITY ISSUE / FOCUS AREA	STRATEGIC GOAL / OBJECTIVE	DEVELOPMENT STRATEGIES / ACTIONS
1	Sustainable and integrated development	To facilitate spatial integration and the development of sustainable human settlements	<ul style="list-style-type: none"> ● Prioritise projects located within development nodes and along development corridors identified in the Spatial Development Framework ● Ensure effective and efficient processes in planning for sustainable human settlements. ● Ensure that housing development is economically, ● socially as well as financially affordable and sustainable ● Promote densification in human settlement projects. ● Promote diversification in housing typologies and encourage the development of mixed income housing. ● Promote inclusionary housing, whereby a proportion of market-related units within a new residential development is allocated to affordable units for low-income households.

2	Land identification and release	To ensure efficient identification, acquisition and release of land for human settlements development	<ul style="list-style-type: none"> ● Undertake a detailed land audit and create a database of all potential land based on the criteria defined in section. ● Identify suitable land for development of human settlements, in the short, medium or long term, with a particular focus on land around Pongola Town. ● Initiate and action any land acquisition and land release processes that may be required ● Undertake pro-active actions of making land ready for future housing development. ● Facilitate private public partnerships (PPPs) and negotiate with private landowners regarding land for strategic human settlement projects. ● Solicit the services of the Housing Development Agency for assistance with land acquisition
---	---------------------------------	---	--

Addressing this housing need requires a tailor-made, focused approach, one that uses one or a combination of the following three broad categories of housing delivery:

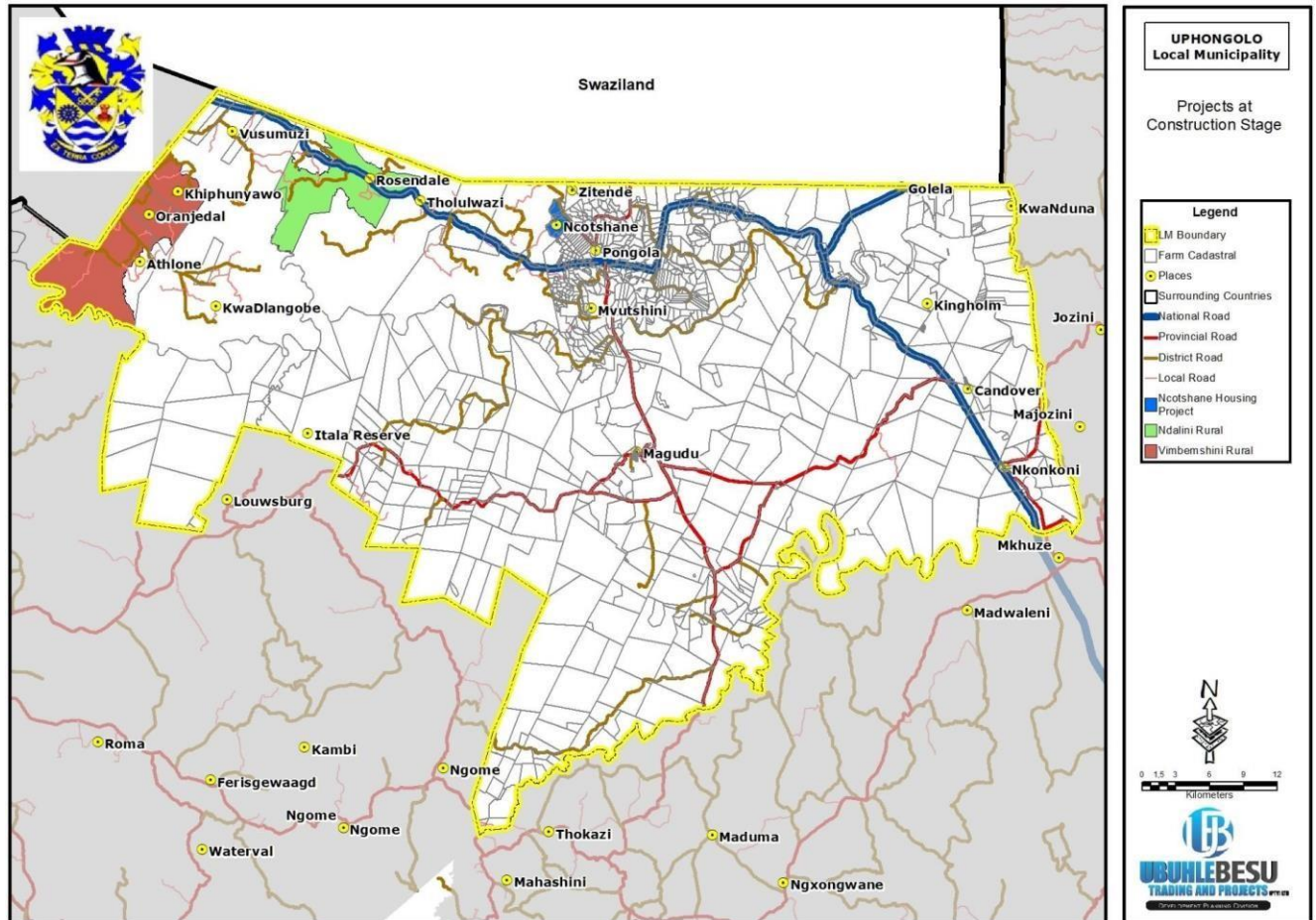
- To provide integrated, functional residential development that is complemented necessary social and economic amenities.
- The provision of tenure: The provision of tenure basically involves a Township Establishment process, which includes designing the layout, drafting the application and submitting it to Council, an EIA process, and surveying the township.
- The supply of essential services: The supply of essential services is an engineering aspect and involves the design and implementation of engineering services (water, sanitation, electricity and roads).
- The construction of top structures: The third component of housing and tenure delivery is the construction of top structures.

The Municipality's future housing projects go beyond the delivery of housing units and focus on the creation of sustainable communities and settlements. This includes improving access to basic services, social/public facilities and creating opportunities for economic development.

Table 64: Projects at Construction / Implementation Stage

PROJECT NAME	NO. OF UNITS	WARD	PROGRAMME	ESTIMATED BUDGET	2022/23	2023/24
KwaLubisi Rural Housing Project	500	7	Rural Housing	R55 473 500,00	✓	✓
Ndalini Rural Housing Project	1000	4	Rural Housing	R110 947 000,00	✓	✓
Vimbhemshini Rural Housing Project	1000	3	Rural Housing	R110 947 000,00	✓	✓
Ncotshane Housing Project	400	10	IRDP	R65 140 904,00	✓	✓

Map 13: Indicating Projects at Construction/Implementation Stage



Source: uPhongolo Municipality Housing Sector Plan, March 2020

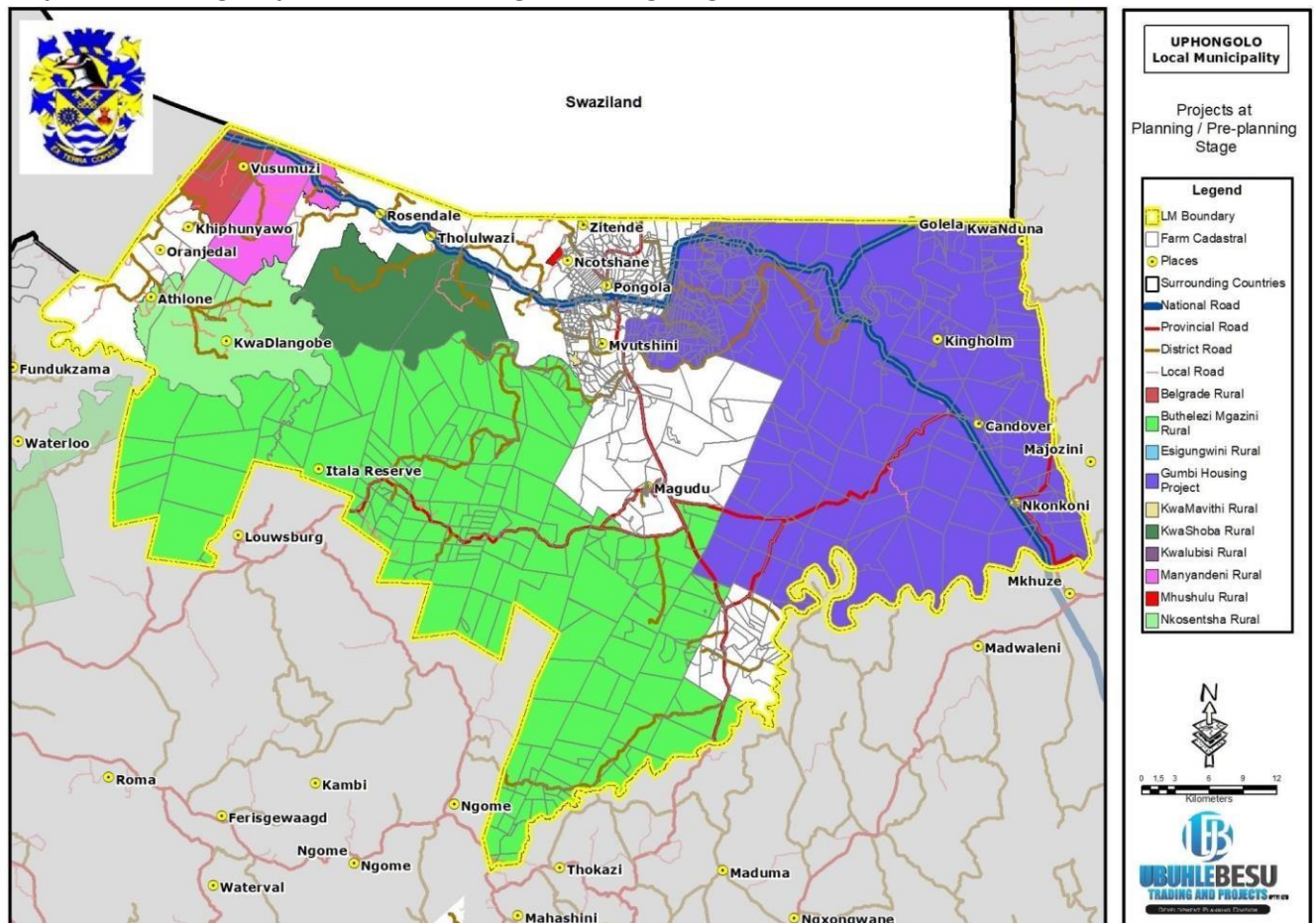
Table 65: Indicating Projects at Pre-Planning / Planning Stage

PROJECT NAME	NO. OF UNITS	WARD	PROGRAMME	ESTIMATED BUDGET	2022/23	2023/24
Belgrade Urban Housing Project	1000	5	IRDP	R162 852 260,00	✓	✓
Belgrade Rural Housing Project	1000	5	Rural Housing	R110 947 000,00	✓	✓
Sgungwini Urban Housing Project	500	11	IRDP	R81 426 130,00	✓	✓
Msuzwaneni Rural Housing Project	250	9	Rural Housing	R27 736 750,00	✓	✓
Mphafeni Rural Housing Project	250	9	Rural Housing	R27 736 750,00	✓	✓
Pongola Portion 435 CRU	500	10	Community Residential Units	R150 000 000,00	✓	✓
Magengeni Rural Housing Project	500	13	Rural Housing	R55 473 500,00	✓	✓
Ntshiyangibone Rural Housing Project	500	11	Rural Housing	R55 473 500,00	✓	✓
Mkhwakhweni Rural Housing Project	500	13	Rural Housing	R55 473 500,00	✓	✓
Mhushulu Rural Housing Project	500	13	Rural Housing	R55 473 500,00	✓	✓
Nkosentsha Rural Housing Project	1000	6	Rural Housing	R110 947 000,00	✓	✓
KwaShoba Rural Housing Project	1000	8	Rural Housing	R110 947 000,00	✓	✓
Buthelezi/Mgazini Rural Housing Project	1000	1	Rural Housing	R110 947 000,00	✓	✓
Manyandeni Rural Housing Project	1000	12	Rural Housing	R110 947 000,00	✓	✓
Ncotshane Section C Housing Project		10 & 2			✓	✓
Mdonini Rural Housing Project	250	9	Rural Housing	R27 736 750,00	✓	✓
Mahlangosi Rural Housing Project	686	14	Rural Housing	R76 109 642,00	✓	✓
Pongola Portion 419		10	IRDP		✓	✓
Mboloba Rural Housing Project	500	10	Rural Housing	R55 473 500,00	✓	✓
Mavithi Rural Housing Project	500	11	Rural Housing	R55 473 500,00	✓	✓
Mhushulu Rural Housing Project	500	13	Rural Housing	R55 473 500,00	✓	✓

Table 66: Indicating Pipeline Projects

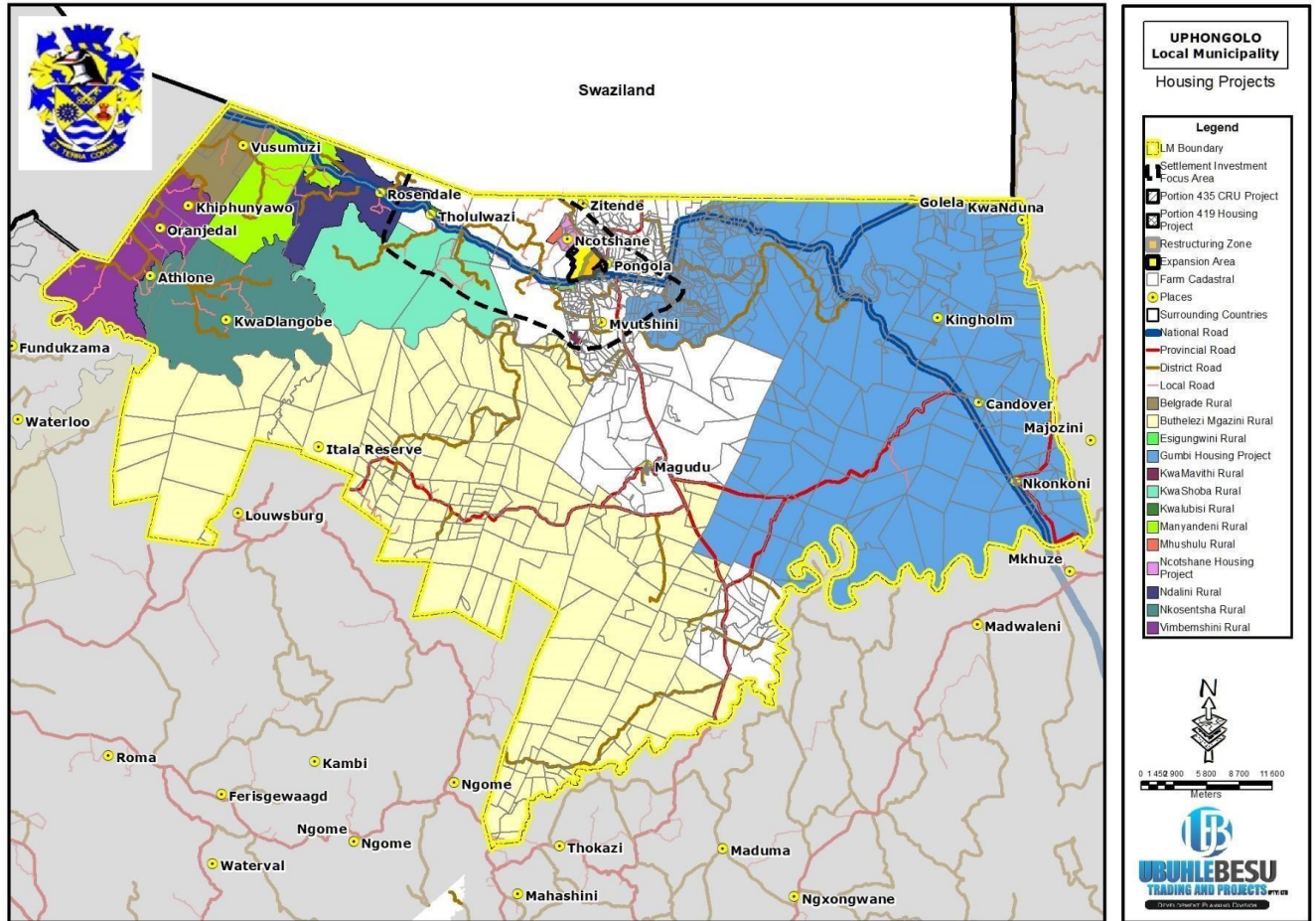
PROJECT NAME	NO. OF UNITS	WARD	PROGRAMME	ESTIMATED BUDGET	2022/23	2023/24
Pongola Town IRDP Housing Project	500	10	IRDP	R81 426 130,00	✓	✓
Pongola Town Social Housing Project	300	10	Social Housing	R120 000 000,00	✓	✓

Map 14: Indicating Projects at Pre-Planning / Planning Stage



uPhongolo Municipality Housing Sector Plan, March 2020

Map 15: Housing Projects



Source: uPhongolo Municipality Housing Sector Plan, March 2020

3.14.7 Level of Services and Backlogs

The uPhongolo Municipality Housing Vision:

“To have uPhongolo residents housed in sustainable settlements by improving quality of household life.”

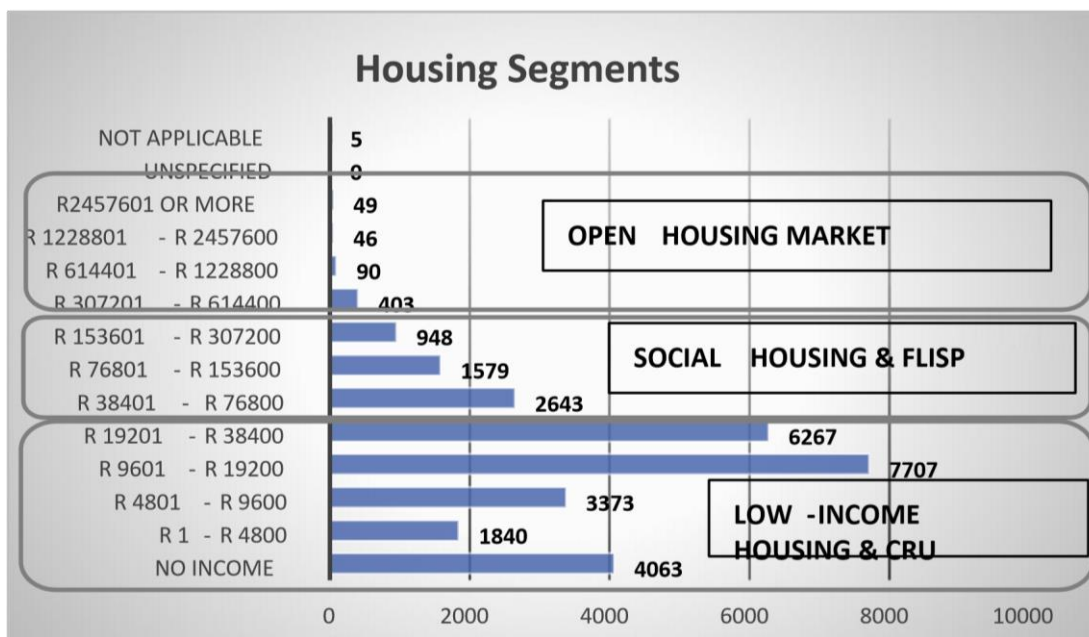
The vision, objectives and strategic interventions of uPhongolo Municipal Housing Plan respond to the housing needs within the Municipality. The Municipality has undertaken the development of sustainable human settlements with a broader spatial restructuring framework, incorporating the principles of the National Spatial Development Plan, and the National Urban Strategy. The Municipality has a Housing Sector Plan which is a working document that guides all other role-players to set in motion the process of housing delivery that will be able to:

- Quantify the housing needs;

- Identify the structures that need to be created to effectively address the housing need; and
- Identify housing projects, linked to actual needs, available resources and responsibilities of relevant role-players.

The Municipality will take into cognisance of the objectives of the Comprehensive Plan for the Development of Sustainable Human Settlements and the Guidelines for the Implementation of Labour-Intensive Infrastructure Projects under the Expanded Public Works Programme (EPWP) in all its Human Settlements projects. The Provincial Departments of Human Settlements must ensure that all municipalities align their human settlements projects in accordance with national targets that seek to achieve national priorities.

Graph 6: Potential Housing Demand per Market Category



Source: Statistics SA, Census 2011

The figure above provides an indication of the extent of housing need, based on the income eligibility criteria for subsidized housing as provided for in the National Housing Policy. It also goes further to indicate where such need exists, within the broad programmes available for housing delivery.

The graph shows that the households in the municipality generate extremely low annual incomes. A negative correlation exists between the number of households and the income levels; as the

income levels increase, the number of households within those high-income regions plummets substantially. It is anticipated that some of these would be incomes generated from social grants administered by government. This would signify the existence of welfare reliant communities. Approximately 23 250 households (80,13%) of households in uPhongolo Municipality are eligible for low cost housing subsidies based on income criteria. This includes about 4 063 (14%) of households who do not have access to disposable income at all.

5 170 (17.82%) qualifies for social housing, gap housing and the Finance Linked Individual Subsidy Programme (FLISP). While social housing caters for those in need of rental accommodation, FLISP requires an individual beneficiary to access mortgage bond from a financial institution or pay the balance of the value of the house themselves. It targets first time homebuyers earning R3 501 to R22 000 per month. It is noted however that the demand for the gap-housing product is difficult to estimate as it fluctuates with interest rate changes and employment levels and depends on the number of families who voluntarily choose to make longer-term financial commitments. The open housing market, which is provided for by the private sector, accounts for 2.03% of households.

From the above, it is apparent that there is a high proportion of households/individuals within the low-income categories that can qualify for fully subsidised housing (less than R3 500/month).

3.14.8 Housing Typology Based Demand Analysis

An analysis of the housing need in light of the existing housing typologies is provided below. The dwellings have been classified as follows:

- Formal dwellings - formal dwelling/house or brick/concrete block structure on a separate stand or yard or on a farm, Flat or apartment in a block of flats, Cluster house in complex, Townhouse (semi-detached house in a complex), Semi-detached house, Formal dwelling/house/flat/room in backyard, Room/flatlet on a property or larger dwelling/servants quarters/granny flat/cottage)
- Informal dwellings - Informal dwelling/shack in backyard, Informal dwelling/shack not in backyard (e.g. in an informal/squatter settlement or on a farm)
- Traditional dwellings - Traditional dwelling/hut/ structure made of traditional materials.

Other dwelling /Caravan/tent and other 2011 Census data, based on the 2016 municipal boundaries indicates that there are approximately 29 014 households in uPhongolo Municipality.

Approximately 84% reside in formal housing, 13% reside in traditional dwellings, 1% reside in informal dwellings and 2% reside in other forms of dwellings.

3.14.9 uPhongolo Municipality Housing Backlog

During the 2020 review process of uPhongolo Municipality Housing Sector Plan, the determination of housing need was undertaken using various methodologies, indicated in the HSP. The 2011 Census data and the 2016 Community Survey data have served as a primary basis in this regard, due to the unavailability of a housing needs register. Calculations and inferences made on the basis of this data suggest that the number of households that require housing within the uPhongolo Municipality is approximately 23 250, based on the income eligibility criteria and approximately 4689 based on dwelling type. The latter is based on households who occupy dwelling units described as informal dwellings, traditional dwelling units and rooms/flatlets located on backyards/larger dwellings and other.

It is apparent that a significant share of the population in uPhongolo currently resides in housing that is conventionally substandard and thus inadequate. Other factors such as income, dependencies, extended households also further accentuate the need for housing within the municipality.

The current backlog will be subject to change based on the number of housing projects within the municipality that are in the construction phase. This, coupled with all the projects that are currently in the planning / preliminary planning phase, would appear to eradicate the backlog in future if all the envisaged housing units are constructed in all projects. However, it is also noted that the demand for housing is not static, thus there needs to be continuous planning and delivery of housing. The table below shows uPhongolo Municipality housing backlog for all wards.

Table 67: Housing Backlog

WARD	TOTAL NUMBER OF HOUSEHOLDS	FORMAL	DWELLING CATEGORY			ESTIMATED BACKLOG (BASED ON DWELLING TYPE)	SUBSIDY ELIGIBILITY – INCOME < R 3 500.00 (LOW INCOME HOUSING & CRU)	SUBSIDY ELIGIBILITY – INCOME > R3 500 BUT < R22 000 (FLISP & SOCIAL HOUSING)
			TRADITIONAL	INFORMAL	CARAVA/TENT & OTHER			
Ward 1	2424	1705	637	37	38	712	1937	453
Ward 2	2266	2209	22	8	25	55	1662	555
Ward 3	1607	1161	421	4	19	444	1368	229
Ward 4	1728	1581	84	7	51	143	1416	288
Ward 5	1558	1382	134	22	18	174	1206	319
Ward 6	1529	1121	379	7	12	397	1290	214
Ward 7	933	859	50	6	14	70	761	155
Ward 8	1537	1207	292	7	30	329	1330	189
Ward 9	2176	1809	252	8	95	354	1781	379
Ward 10	2772	2466	218	28	22	267	2132	596
Ward 11	4741	3898	254	158	94	507	3865	693
Ward 12	1277	1074	159	11	30	200	979	270
Ward 13	1091	808	208	9	58	275	918	161
Ward 14	2604	1962	539	28	37	604	1974	535
Ward 15	774	614	139	2	17	159	631	137
Total	29014	23857	3788	342	559	4689	23250	5170

Source: uPhongolo Municipality Housing Sector Plan, March 2020

3.14.10 Mechanism for Coordination of Housing Developments with the Service Providers/Authorities

The Municipality has a mechanism in place to co-ordinate the housing developments with service providers in the entire Pongola area of jurisdiction. The table below lists the main role players and support institutions as well as their roles and responsibilities in ensuring effective housing delivery in uPhongolo Municipality.

Table 68: Main Role Players in uPhongolo Municipality Housing Delivery

Entity	Roles and Responsibilities
National Department of Human Settlements	<p>The national Department of Human Settlements is responsible for establishing and maintaining a sustainable national housing development process. It does this by developing policy and strategy, facilitation of all housing programmes, establishing a national funding framework for housing development, determining delivery goals, allocating the conditional grant funds for housing to provincial governments, and monitoring and evaluating the housing sector's performance. The following are priority focus areas that the Department has prioritized as per Outcome 8 (2014-2019 MTSF): Accelerated delivery of housing opportunities; Access to basic services; Efficient utilization of land for Human Settlements Development; An improved property market.</p>
KwaZulu-Natal Department of Human Settlements	<p>The provincial Department of Human Settlements is responsible for promoting, co-ordinating and implementing housing programmes within the framework of the national housing policy. Provinces are also responsible for approving housing subsidies and projects and for providing support to municipalities for housing development.</p>
uPhongolo Local Municipality	<p>The primary role of the uPhongolo municipality is to take all reasonable and necessary steps, within the framework of national and provincial legislation and policy, to ensure that the inhabitants within its area of jurisdiction have access to adequate housing. This includes planning, coordinating and facilitating appropriate housing development, in line with the priorities in the IDP. It should be noted that municipalities are able to be accredited and empowered to undertake housing functions similar to provincial government. The extent thereof is based on the level of accreditation.</p>
Zululand District Municipality	<p>The Zululand District Municipality does not have any legislated housing related powers but performs some functions, which have serious implications for the development of human settlements. This includes the provision of bulk infrastructure which is critical in housing projects. The district also assists by providing planning support.</p>
ESKOM uPhongolo Municipality Housing Settlements) Sector Plan	<p>Local (Human Eskom is responsible for the generation, distribution and provision of electricity.</p> <p>The norms and standards for the development of sustainable human settlement includes the provision of electricity. This establishes Eskom as a key role-player in the development of sustainable human settlement.</p>

<p>Department Of Economic Development, Tourism And Environmental Affairs EDTEA</p>	<p>is the provincial lead agent for environmental management and shares its powers with national government. All housing projects take place on land and in a particular environment, thus one of the mandates of EDTEA is to facilitate environmental impact mitigation and promote sustainable environmental management development. Environmental Impact Assessments (EIAs) are a tool used by government to assist in deciding whether projects, including housing projects, should go ahead or not. The EIA process involves making submissions and applications to the EDTEA. The applications can be for environmental exemption, basic assessment, scoping, full EIA applications, depending on the nature and context of the project. This process is one of the key milestones in housing projects.</p>
<p>Support Institutions in the Housing Delivery</p>	
<p>Entity</p>	<p>Roles and Responsibilities</p>
<p>Housing Development Agency</p>	<p>The Housing Development Agency is a national special purpose established in terms of the Housing Development Agency Act, No. 23 of 2008. It has two primary objectives that is to identify, acquire, hold, prepare, develop and release well-located land for human settlement; and to provide project delivery services in the form of planning, capacity support and capability, and project management. The HDA works on projects in particular areas at the specific request of provinces and local municipalities. Its strategic priorities include informal settlement upgrade, catalytic projects and housing delivery in mining towns.</p>
<p>National Home Builders Registration Council</p>	<p>The National Home Builders Registration Council (NHBRC) is a regulator body of the home building industry. Its goal is to assist and protect housing consumers who have been exposed to contractors who deliver housing units of substandard design, workmanship and poor-quality material. The NHBRC was established in 1998, in accordance with the provisions of The Housing Consumers Protection Measures Act (Act No. 95 of 1998). Its mandate is to protect the interests of housing consumers and to ensure compliance to regulated building industry standards. All home builders, regardless of the size or cost of the homes they build, must be registered with the NHBRC in terms of</p>
	<p>the law (Housing Consumers Protection Measures Act no 95 of 1998). Similarly, housing projects should be enrolled with the NHBRC for quality assurance purposes.</p>

<p>Social Housing Regulatory Authority</p>	<p>The Social Housing Regulatory Authority (SHRA) was established in terms of the Social Housing Act, No. 16 of 2008. The SHRA’s mandate is to capacitate, invest in and regulate the social housing sector. The intention of social housing is to deliver affordable rental housing for low to moderate income groups and to achieve spatial, economic and social integration of the urban environments. The Social Housing Investment Programme may invest in social housing projects or social housing institutions (SHIs) in accordance with the investment criteria set out in the social housing Regulations.</p>
<p>Ingonyama Trust Board</p>	<p>Ingonyama Trust Land is subject to the policies and legislation that governs all land administered by Ingonyama Trust Board. The trust holds the land on behalf of the members of communities that occupy and use the land and for the benefit, material welfare and social well-being of those communities. Section 2(5) provides that the trust may not ‘encumber, pledge, lease, alienate or otherwise dispose of’ any of its land or any real right to such land, without the prior written consent of the traditional or community authority concerned. Thus, the traditional authority can control the use to which their land is put. The effect of this is that, as landowner, the Trust enters into land use agreements, e.g., leases and the like, but it cannot do so unless and until it has the written consent of the relevant traditional authority. In some cases, the Ingonyama Trust leases the land, or makes it available, under an appropriate agreement to a traditional authority, who, in turn, sub-leases it to a third party (ibid). Effectively, this means that the Trust administers the land in uPhongolo for the benefit of the community, and the land may not be encumbered without the consent of the relevant traditional council. uPhongolo Municipality has extensive pieces of land under the ownership of the Ingonyama Trust, thus the Trust is a critical stakeholder in housing development.</p>

Table 69: uPhongolo Municipality Housing Forums Meetings Held in 2022/2023

Month	uPhongolo LM
FEBRUARY	04 February 2021
MAY	06 May 2021
AUGUST	05 August 2021
NOVEMBER	04 November 2021

3.14.11 Committed Funding for the Services in Support of Housing Projects

The Human Settlements projects have since been approved and budgeted for by the Department of Human Settlements while the District Municipality is also committing funds for the provision of bulk infrastructure.

3.15 FREE BASIC SERVICES AND INDIGENT SUPPORT

During 2021/2022 financial year, a number of households were provided with free basic electricity. Please refer to the APR-2021/2022.

COMPONENT C: ROAD TRANSPORT

3.16 ROAD AND INFRASTRUCTURE

3.16.1 Existing and Future Transport Infrastructure

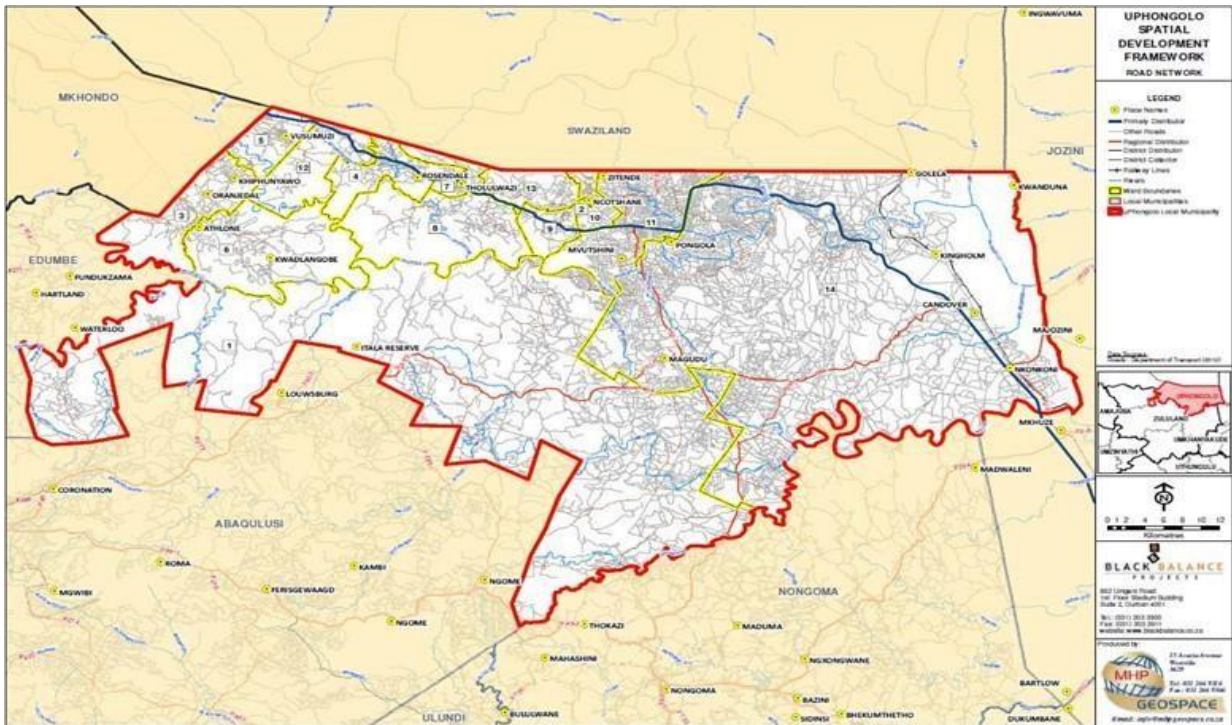
uPhongolo Municipality's transport infrastructure relates to both existing and future road network. Currently the existing road infrastructure is under pressure particularly from heavy vehicles. The responsibility between Local and District Municipalities as well as the KZN Department of Transport (DOT) for the provision and maintenance of roads provision still needs to be finalized and it has been flagged as a key development issue.

There are a number of roads in order of priority that are of strategic importance to the Municipality. The Municipality recognises that such roads should be prioritised for attention and has, to this end, earmarked the following road projects:

- **Nongoma uPhongola link road:** A section of this road between Nongoma and uPhongola (about 35km) need to be upgraded to blacktop.
- **Pongola Pedestrian Facilities:** These road safety improvements shall be implemented at a budgeted cost of R1,144,500.00 during the 2019/2020 financial year and R5 855,500.00 shall be spent on improving the same infrastructure in 2020/2021. (Source: SANRAL).
- **Kangela to Pongola:** Upgrading from single to dual carriageway road at a budgeted amount of R27,397,789.45 during 2018/2019 financial year. (Source: SANRAL).
- **Phongola to Mpumalanga Border:** Upgrading from single to dual carriageway road at a budgeted amount of R2,325,000.00 for design. (Source: SANRAL).

The South African National Roads Agency (SANRAL) together with the Department of Transport provides funding for roads infrastructure development. However, it is important to note that the actual funding does not get channelled through the Municipality as implementation of projects is done directly by the Agency and the Department themselves. The priorities from Municipalities that are identified in the IDP are however taken into cognisance in the Municipal funding process and implementation thereof.

Map 15: Depicting Municipal, Provincial and National Roads as per uPhongolo Spatial Development Framework



uPhongolo is traversed through three main movement routes namely the N2 which connects Pongola to Mkhondo (formerly Piet Retief) in the West and to Jozini in the South, the R66 which traverses the Ulundi Municipality from Mahlangasi in the South-East to Mvutshini in the North-East; the R69 stretching to South-West directly connecting Magudu to the Louwsburg in the South-West and the P293 and Ngome in the South, whilst the remainder of the municipality is serviced by gravel roads. Most of the settlement areas are reached via gravel roads from the N2, R66 and R69.

The Municipality has recognised the challenge of access to roads and the poor condition of some roads. There has been notable improvement to road conditions in ward 8 which will continue in the current IDP term. The tarring of roads in proximity to clinics and education facilities and extensive

future business developments in ward 11 is envisioned to boost the economy and attract investors to uPhongolo Municipality.

3.16.2 Existing and Future Transport Infrastructure

uPhongolo Municipality enjoys easy access to the N2 national road, which cuts through the Municipality adjacent to the established Pongola tertiary node. The N2 is a primary transportation corridor under the National Department of Transport that runs East-West through uPhongolo, linking the Municipality with other local municipalities and other regions within the province of KwaZulu-Natal. Similarly, the N2 links uPhongolo with Richards Bay and Durban, which provides major gateways to export markets. The N2 within this particular area still lacks the convenience provided by freeways since it comprises a 2-way single carriageway.

The Zululand District Municipality has initiated a Rural Roads Asset Management System (RRAMS) for all existing roads within its area of jurisdiction. This document presents herein a network level proposal for maintaining the roads in the Zululand district, through an assessment of the network based on methodical visual ratings of each road section. The document was submitted to each local municipality under the Zululand District Municipality's jurisdiction. The details furnished in the table below summarise the findings of this document in this regard.

Table 69: Estimated Roads Needs Per Municipality (ZDM Rural Roads Asset Management System [RRAMS])

Local Municipality	Type	Total length (km)	Estimated replacement value (Rmill)	Short-term intervention cost (Rmill)	Long-term intervention cost (Rmill)	General Condition
Abaqulusi	Paved poor	398.2	802.9	15.82	616.27	87% poor to very
	Unpaved	392		0.808	29.32	Fair to very poor
eDumbe poor	Paved	36.1	86.9	2.81	25.2	50% poor to very
	Unpaved	163.1		0.336	10.21	Fair to very poor
uPhongolo	Paved poor	43.79	112.4	5.65	32.65	44% poor to very
	Unpaved	236.6		0.495	17.11	Fair to very poor
Nongoma	Paved poor	14.7	33.2	1.46	7.78	50% Poor to very
	Unpaved	420.5		0.813	31.01	Fair to very poor
	Paved poor	91.2	199.9	7.08	50.19	50% Poor to very

Ulundi	Unpaved	461.5		1.02	30.64	Fair to very poor
Total	Paved	584	1,235.30	32.82	732.09	
	Unpaved	1,673.7		3.47	118.29	

ZDM GIS 2015

3.16.3 Rural Roads Backlogs (ZDM Rural Roads Asset Management System [RRAMS])

Rural access roads may be defined as those roads which do not qualify as district or higher order roads, but provide access from a proclaimed road to public infrastructure such as schools and clinics, or provide access to a settlement of a minimum of 50 persons or at least ten homesteads, allowing household access of no less than 1km walking distance. The total household backlog based on this criterion is approximately 28,151. The backlogs and estimated costs for new / refurbishment road infrastructure are presented in following table.

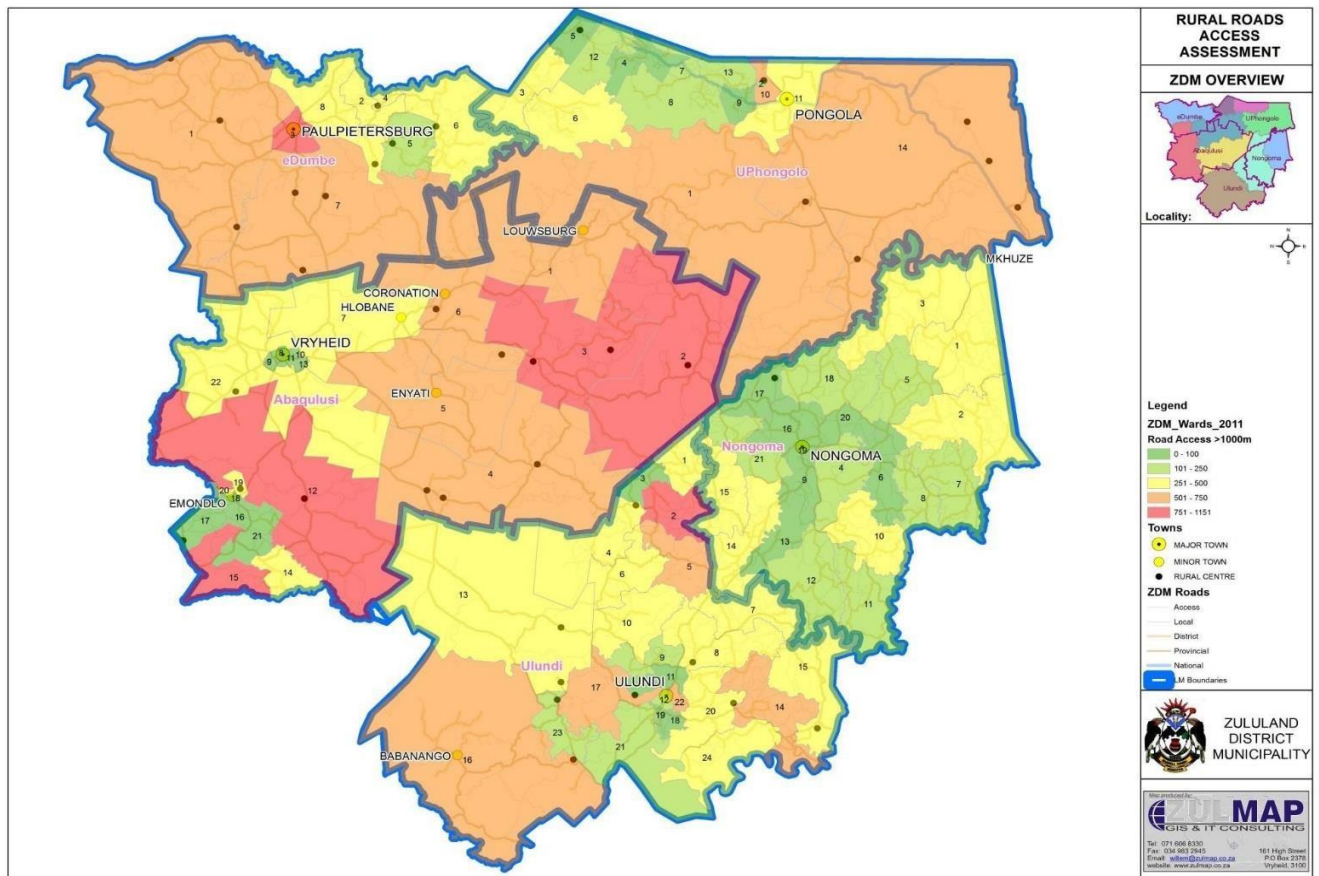
Table 70: Estimated Roads Needs Per Municipality

ROADS	Total Households	No of H/H with road access	No of H/H Backlog	% per LM	Backlog
KZN263: Abaqulusi	43,299	35,044	8,255	19.07%	
KZN261: eDumbe	16,138	12,498	3,640	22.56%	
KZN262: uPhongolo	28,772	24,904	3,868	13.44%	
KZN265: Nongoma	34,341	30,320	4,021	11.71%	
KZN266: Ulundi	35,198	26,831	8,367	23.77%	
Total	157,748	129,597	28,151	17.85%	

ZDM GIS 2015

The strategic goal of the development of a Rural Roads Asset Management System (RRAMS) for the Zululand District Municipal area is to ensure efficient and effective investment in rural roads through the very system and the collection of associated road and bridge inventory data condition assessments and traffic information. Improved data on rural roads will be instrumental in guiding infrastructure investment, improve accessibility to and mobility of rural communities.

Map 16: Access to Roads



3.16.4 Institutional Responsibility for Transport Infrastructure

The institutional responsibility for transport infrastructure is categorized as national, provincial and local on maps. The District Municipality is responsible for the provision and planning of public transport infrastructure. The responsibility between Local and District municipalities as well as the provincial Department of Transport (DOT) for road provision and maintenance still needs to be finalized and has been flagged as a key development issue.

3.16.5 Responsibility of the Provision of New Roads and Related Facilities

Indeed, uPhongolo Municipality does have plan in place for the provision of new roads and related facilities. In addition to the aforesaid plan, the Municipality has an Operational and Maintenance Plan for both existing and new roads and public transport facilities which include taxi ranks, bus stops and storm water drainage.

The IDP indicates that there is a plan in place for the provision of new roads and facilities as well as an Operational and Maintenance Plan for existing and new roads and public transport facilities.

COMPONENT D: DEVELOPMENT PLANNING AND LOCAL ECONOMIC DEVELOPMENT (LED)

INTRODUCTION

The Planning and Development Department includes Building Control, Land Surveying, Land Use Planning, Spatial Planning, Geographical Information Services, Environmental Management, Rural Development and Local Economic Development. The Department is responsible for sustainable and pro-active planning and compliance monitoring of the natural and built environment. The Department facilitates the physical, social and economic development and growth.

3.17 PLANNING AND DEVELOPMENT SERVICES

The Department: Planning and Development Services deals with spatial planning, geographical information services, building control, land use planning and surveying matters. The primary functions of Planning and Development Services are as follows:

3.17.1 Spatial Planning

The purpose of spatial planning is to provide a framework for the spatial vision and form of uPhongolo Municipality. The Spatial Development Framework (SDF) provides guidelines for future development and growth of the Municipal Area in a predictable manner to enhance the quality of life of its residents.

Spatial Planning is responsible for:

- Compiling, amending and/or reviewing a Spatial Development Framework;
- Preparing Local Spatial Development Frameworks for certain identified areas in uPhongolo Municipality;
- Developing policies and strategies guiding the long-term development of the Municipality;
- Commenting on land use applications and environmental processes; and
- Commenting on other local, provincial and national spatial policies, legislation and documents.

3.17.2 Geographical Information Systems (GIS)

The main purpose of the GIS is to provide and maintain Geographic Information System services and products for the department, provide GIS related guidance and support to managers and staff, and to take an active role in the development and maintenance of organisational Geographic Information System services.

3.17.2.1 Major Projects Completed

Major projects being undertaken by the section consists of:

- 2022 uPhongolo Spatial Development Framework (SDF) Review: The SDF review was conducted in 2022/2023 financial year and was duly compiled in terms of Section 26(e) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000). No SDF review occurred during 2020/2021. There were, nevertheless, SDF comments by MEC for Cogta which necessitated the need for the review which unfortunately could not be carried out owing to budgetary constraints. The SDF is envisaged to guide new investment, give effect to the priorities as stated in the Integrated Development Plan (IDP) and to identify priority areas for strategic intervention. It is planned that the SDF will be finalised and approved by Council in May 2023. Some of the GIS functions pertaining to the formulation of GIS is the spatial capturing of projects, undertake project co-ordinates and mapping of projects. During 2022/2023 financial year, the Municipality relied on the Zululand District Municipality GIS Unit to assist it with the services listed above.

3.17.3 Building Control

Municipalities are legally obligated to manage the way in which land within their area of jurisdiction is used and how buildings are erected. The Planning and Development Unit deals with the use of land while the Building Control Unit is supposed to attend to building activities, which entails new buildings, additions and alterations to existing buildings and temporary structures.

All municipalities administer the National Building Regulations and Building Standards Act, 1977 (Act 103 of 1977), the regulations embodied in the act and the South African Standard Code of Practice (SANS 10400 for the application of the regulations). The purpose thereof is to ensure that buildings are designed and constructed in such a manner that people can live, work and play in a healthy and safe built environment.

The National Building Regulations require that no person may erect, alter, add on or convert a building without the prior approval of the local authority.

Building plans are assessed against the requirements of the building standards regulations, any other applicable legislation, and 23 sections of the SANS 10400, that deal with various aspects of a building.

Upon the approval of building plans, the building inspectors carry out three mandatory inspections:

- The inspection of all foundation trenches and the positioning of the building on-site;
- The inspection of all new drainage installations; and
- On completion of a building a final inspection (completion) is carried out as no building may be occupied without an occupation certificate.

Prior to the issuing of the occupation certificate, the building inspector ensures compliance with the structural aspects, fire installation, health requirements, electrical installation, roads and stormwater requirements, drainage installation, energy efficiency of the structure and compliance with the approved building plan.

Furthermore, it is the responsibility of the building inspector to address illegal structures, unsafe structures, be a witness in court cases on behalf of Council, implement legal action when required, control building rubble, enhance public safety, assist the general public and professionals with information on building control issues and performs administrative tasks associated with these functions.

Local authorities act in the interest of the owner when carrying out the compulsory inspections and have no financial or any other interest in such buildings. For this reason, the owner of a building must appoint his/her own clerk of works to inspect and control the quality and workmanship of the building. There is thus no obligation on the Council's building inspectors to control the quality of workmanship and materials, but the owner must be informed by Council of poor-quality workmanship and/or materials when observed.

3.17.3.1 Building Control Statistics

Building plan applications, for various types of projects, were submitted for consideration over the year under review.

Table 71: Applications for Land Use Development

Applications for Land Use Development			
Detail	Formalisation of Townships	Rezoning	Building Control
	2022/2023	2022/2023	2022/2023
Planning applications received	N/A	3	61
Determination made in year of receipt	N/A	3	40
Applications withdrawn	N/A	N/A	6
Applications outstanding at year end	N/A	1	15

During 2022/2023 financial year, the Municipal Building Inspector was responsible for carrying out the building inspections throughout the Municipality. These include demolition inspections, beacon inspections, commencement/foundation inspections, drainage inspections, completion inspections as well as Certificate of Occupation inspections.

3.17.4 Land Use Planning Services

The Planning and Development Department is responsible for the Land Use Planning to ensure the orderly, sustainable development and management of the built environment within the uPhongolo Municipal area, through the creation of an enabling environment in order to give effect to the Municipality's vision:

“uPhongolo Municipality will ensure an inclusive socio- economy by providing quality services that yield a better life for all by 2035”.

Land-use planning refers to a wide range of activities that direct the future use of land and manage the current use thereof: to ensure the optimal use of land within a political, social, cultural, environmental and economic context.

The Department is mainly responsible for the processing of applications for land use changes (by means of rezoning, consent uses, departures, temporary departures, amendment of conditions of approval and removal of restrictive title conditions), as well as farm subdivisions, urban subdivisions and exempted subdivisions. The Department is further responsible for the scrutinising of building plans for compliance with zoning parameters and site dimensions, as well as attending to illegal land uses.

The most important instruments used in land use management is the Zoning Scheme Bylaw and the Bylaw on Municipal Land Use Planning. In order to comply with the provisions of new planning legislation, a new single zoning scheme for the whole of the uPhongolo Municipal area has been developed and adopted by Council. In addition, the process of drafting and the uPhongolo Bylaw on Municipal Land Use Planning has also been completed and approved by Council. Both these documents are being implemented.

3.17.4.1 Service Statistics

Table 72: Service Statistics - Land Use Planning & Surveying

Service Statistics – Land Use Planning and Surveying	
Applications	2022/2023
Simultaneous rezoning and subdivision (inclusive of township establishment)	0
Rezoning	3
Consent Uses	33
Temporary Departures	0
Removal of restrictive Title conditions	2
Amendment of Conditions of Approval	1
Farm Subdivisions	1
Urban Subdivisions	5
Exempted Subdivisions	5
Consolidations	6
Homeowners Association Constitution approval/amendments	0
Zoning determinations	0
Extension-of-time	0
Site Development plan approvals	4
House Shops	36
Departures	0
Building Plans approved	0

3.17.4.2 Major Projects Completed

In as far as the development of uPhongolo Municipality Single Land Use Scheme, the Municipality has progressed well and the Council has adopted the scheme for implementation. The implementation of the Planning Bylaws is in progress.

3.18 LOCAL ECONOMIC DEVELOPMENT (LED) SERVICES

The purpose of the Local Economic Development is to provide an enabling and conducive environment to grow the economy in order to create sustainable jobs and eradicate poverty. The unit consists of two sub-units namely Local Economic Development and Tourism.

The Local Economic Development Unit focuses on developing enabling policies and strategies, which inform the implementation of key initiatives, projects and programmes to grow the economy in our area. The adoption of the Local Economic Development Strategy aims to achieve a globally competitive and innovative municipality that provides economic opportunities for all its residents by 2035. The essence of this strategy is to place uPhongolo's economic development road that is inclusive and create a municipality that has a diversified and resilient economy, promoting spatial connectivity, and supportive economic and environmentally sustainable social eco-systems.

uPhongolo's roadmap towards an inclusive and sustainable economic growth whose core pillars are:

- Governance and institutions;
- Infrastructure;
- Partnerships; and
- Shared identity and social cohesion.

The Municipality continued to build on developing the strategic enablers to facilitate economic growth. This included:

- Promoting uPhongolo as an investment friendly destination that focuses on the development of priority sectors such as Agriculture, Informal Sector, Tourism, Manufacturing, Transport and Logistics through the establishment of a LED Forums and other partners to ease investment facilitation in uPhongolo;
- Upgrading and expansion of suitable infrastructure to small and informal businesses to grow Small Medium and Micro Enterprises (SMMEs) and broaden economic participation in uPhongolo;
- Strengthening existing strategic partnerships with the private sector and other spheres of Government to implement key skills development initiatives so that the unemployed can access meaningful employment;

-
- Facilitate access to finance and other business support for small businesses through the establishment of sustainable partnerships with other spheres of Government; and
 - Implementation of community-based tourism products to broaden participation and product diversification.

3.18.1 Local Economic Development Achievements

Below are some of the highlights we achieved during the 2022/2023 financial year:

- The review and implementation of LED Strategy;
- The implementation of EPW Policy;
- Providing a capacity building programme that focused on business support training for Informal traders to focus on enhancing the Informal Economy in uPhongolo.

Following the completion of Local Economic Development Strategy, the focus would be on articulating how this bold strategy would be implemented. The said implementation would largely depend on the integration of cross- functions within the Municipality, but also the extent to which the Municipality would rely on private sector and civil society organisations. The essence of this implementation plan are partnerships that work for the greater good of uPhongolo. The Unit would focus on the implementation of a number of priority projects:

- Investor Facilitation;
- Investment promotion;
- Infrastructure;
- Business and industrial parks;
- Small business linkages; and
- Skills development.

3.18.2 Local Economic Development Challenges

- Capacity challenges
- Limited access to economic data sources;
- Lack of sufficient built infrastructure to facilitate access to trading spaces;
- Too much red tape which prevents the acceleration of sustainable economic growth in the Municipality;
- External economic shocks because of the lack of a diversified economy;

- A need for locational branding and marketing to increase investment exists;
- Lack of affordable broadband, water security and electricity supply that is prone to sporadic interruptions are important to ensure large scale investment;
- Lack of relevant skills and high youth unemployment remain major risks; and
- Lack of a one stop business support service centre to serve investors and SMMEs.

3.18.3 EPWP Job Creation

The Expanded Public Works Program is a program designed to provide temporary work opportunities for the unemployed in order to make them more employable in the future. The Municipality obtained a conditional grant from the National Department of Public Works. The EPWP grant provides better quality reporting as per the targets set by Provincial Government. Through the EPWP, a total number of 99 job opportunities were created in 2022/2023 financial year.

The following table depicts the number of EPWP Projects and the number of jobs created through EPWP projects over the last three financial years.

Table 73: Job creation through EPWP Projects

Job creation through Expanded Public Works Programme (EPWP) Projects	
Details	Number of Jobs created through EPWP Projects
2021/2022	100
2022/2023	99

3.18.4 Tourism and Market Places

Tourism remains one of uPhongolo’s priority sectors as it continues to be a sector with significant low barriers which allow for entrepreneurship and particularly employment for the youth, women and other vulnerable groups. The Municipality’s institutional capacity and competencies demonstrate the significance of this sector as it contributes to local Gross Domestic Product.

The establishment of the uPhongolo Local Tourism Association marked the institutionalisation of uPhongolo as a tourist destination of choice and marketed as such. Unfortunately, due to the Covid-19 pandemic that resulted in the overall decline in tourism arrivals, the sector remains buoyant. uPhongolo Municipality will continue to focus on diversifying the area’s tourism product

offering and ensure that the Municipality provides a functional and enabling environment that will allow tourists to experience tourism excellence throughout the tourism value chain in uPhongolo.

3.18.4.1 Tourism Achievements

Below are some of the highlights the Municipality achieved during the 2020/2021 financial year:

- Provision LED and Tourism Events and platforms were held in collaboration with uPhongolo Municipality and sector departments;
- Facilitated business support.

3.18.4.2 Tourism Challenges

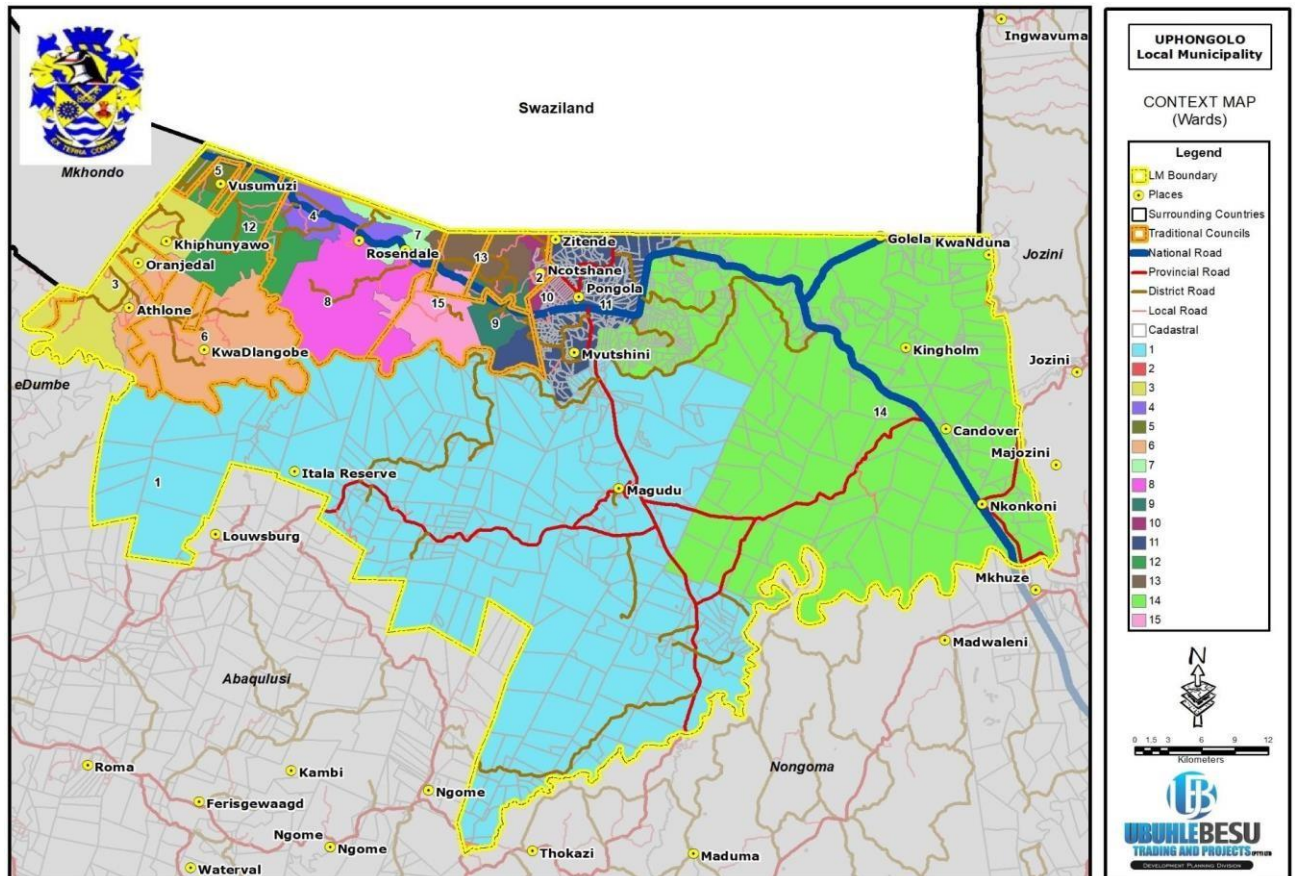
- Lack of transformation in the tourism industry;
- Limited access to relevant tourism economic data sources;
- The negative impact of the existing tourism flows on the destination;
- Insufficient tourism signage infrastructure to enhance the visitor's experience;
- Lack of sports tourism focus;
- Lack of focused events and meetings, incentives, conferences and exhibitions;
- Lack of support to diversify the tourism product offering in uPhongolo;

Lack of distinct brand differentiation to articulate uPhongolo's unique tourism offering.

3.19 RURAL DEVELOPMENT

The uPhongolo Municipality is one of five local municipalities situated on the south-east of the district which is Zululand District Municipality (DC26) in KwaZulu Natal Province. uPhongolo Municipal area covers 3 239 KM² and incorporates Pongola Town, Ncotshane and Belgrade, as well as areas under Traditional Councils namely, Ntshangase, Simelane, Ndlangamandla, Msibi, Sibiya and Gumbi. The population is estimated 127 238(2011 Census) It is strategically located along the N2, adjacent to the Swaziland Border and the Mpumalanga Province. It forms part of LEBOMBO SDI Corridor as a gateway to Swaziland and Mozambique using its Golela and Onverwacht border gates.

Map: uPhongolo Wards and Traditional Councils



Phongolo Municipality was established on the 5 December 2000 after Demarcation process and the local Government elections of that date. As such it encompasses the town of uPhongolo, Ncotshane, Belgrade, Golela, Magudu, Sugar Mill as well as Traditional Authority areas under Amakhosi namely; Gumbi, Ntshangase, Simelane, Ndlangamandla, sibiya and Mavuso. uPhongolo Municipality is made up of 15 wards.

In terms of section 21 of Local Government Municipal Demarcation Act 27 of 1998 the Municipal Demarcation Board has re-determined the Municipal boundaries. The Municipal landscape will therefore change after the Municipal elections in 2016. This will not only increase the population of uPhongolo Municipality but will also expand Municipal jurisdiction, this re-determination was formally gazetted by MEC in the Provincial Government Gazette No. 1042.

uPhongolo Municipality views rural development in a very serious light and, in doing so, endeavours to bring about targeted sustainable interventions in the rural communities of uPhongolo through:

- Skills development, targeting the youth and women;
- Facilitating access to financial assistance for rural learners to further their studies;
- Establishing food security within the municipal boundaries for the people in need; and
- Facilitating the work of the Department of Rural Development and Land Reform.

COMPONENT E: COMMUNITY AND SOCIAL SCIENCES

INTRODUCTION

This part of the report deals with library services, cemeteries and crematoria, community halls, facilities, and Thusong centres, services to childcare, aged care and social programmes rendered during the year under review.

3.20 LIBRARY SERVICES

UPhongolo Municipality has two libraries situated in the Pongola town and Ncotshane Township with one Mobile Library unit in Belgrade.

The role and objective of the libraries for the community of uPhongolo

The public Libraries are local gateway to knowledge, which provide lifelong learning and individual development. The strategic role being the provision of adequate library facilities in the community in order to provide up to date information for recreational and educational purposes both electronically and through books to ensure that the information needs of library users are fulfilled.

- To provide locals with the resources and services to meet their needs.
- To offer materials that will support and promote the development of a reading and learning culture
- To support formal and informal education
- To support and promote literacy campaigns

To provide a world class technological infrastructure that will ensure internet access for the library users and will allow the extensive use of electronic based information through cyber cafés and the use of Wi-Fi connectivity

Main services provided by Libraries

- Information resources
- Free internet access
- Computer facilities
- Recreational needs
- Educational needs
- Group activity room (Ncotshane Library)

Information Resources: Books, reference materials, newspapers, popular magazines, audio visuals materials.

Internet: Provides information to the users through free access to the internet.

Computer facilities: For the users to have access to use computers for typing needs, complete assignments and other projects.

Educational Needs: Study facilities, quiet space to sit and learn, Learners different study guides for all school subjects. Tertiary books, tertiary admission applications, bursaries applications. Beginners picture books and reading books.

Recreational needs: Magazines, fiction books, toys and board games, recreational holiday programs.

Group activity room: Bookings for public meetings and gaming purposes.

Holiday programs: These programs are conducted during school holidays to keep kids out of the streets fun activities such as painting, drawing, games reading activities.

UPhongolo Municipality Libraries bringing change to the communities:

- The library is a positive agency for change in the community as it provides a wide range of materials to support education and making information accessible to all;
- Brings economic and social benefit to the community; and
- Keep up to speed with current and local information to bring about issues in the community.

3.20.1 Service Statistics

UPhongo conducted has library members. Several library books were circulated and ICT computer usages.

Table 74: Service Statistics for Libraries

LIBRARY ACTIVITIES	Q1	Q2	Q3	Q4
Number of Promotions conducted	02	02	02	02
Number of new library members	24	26	75	45
Number of library displays theme done	08	08	08	08
Number of books circulated	654	799	938	748
Number of users who have access to the internet	610	715	635	722
Number of books received from the Depot	220	216	00	250
Number of people trained on computer skills	20	00	00	10

3.20.2 Service Delivery Levels

uPhongolo Library Services provides effective, efficient and quality informational, recreational and internet services to all library users in our communities within the framework of the norms and standards.

3.21 CEMETERIES AND CREMATORIA

uPhongolo Municipality has existing cemetery sites situated at Phongola, Ncotshane, Belgrade and Magudu. Clearly the Municipality requires more burial sites to cater for its dead. It is common cause that burial arrangements are closely bound with cultural and religious traditions. In most cases burial sites are needed in relatively proximity to settlements. According to the Zululand Cemeteries Master Plan approximately 700ha of land will be required in the Zululand District Municipality by the year 2020 to accommodate an estimated 800 000 cumulative deaths for that time. uPhongolo Municipality intends to develop its own cemetery plan which shall be budgeted for during 2022/2023 financial year.

3.21.1 The status, Backlogs, Needs and Priorities

In line with the information provided above, the status of cemeteries in uPhongolo Municipality is currently dire and requires timeous intervention in terms of identifying suitable land to cater for cemetery requirements. The table below shows the breakdown of the land needs as per Zululand District cemetery requirements:

Table 75: Estimated Cemetery Land Requirements (2020)

Municipality	Projected Population	Cumulative Deaths up to 2020	Recommended Land Required (ha)
EDumbe	67 583	52 723	46
UPongolo	113 149	88 274	78
Abaqulusi	230 191	179 558	156
Nongoma	253 114	197 479	171
Ulundi	366 677	286 044	249
ZDM	1 030 714	804 078	700

Source: Cemetery Master Plan

The Districts Cemetery Plan (2003) provides the following information:

- In the urban centres, cemeteries are provided by the Municipalities, who provide gravesites at specified tariffs and keep records of burials.
- Cemeteries are provided and maintained by some religious congregations such as the Anglican Church, Catholic Church, Lutheran Church and others.
- Where land is set aside for cemeteries on tribal land the cost of burial sites is included in the general fees payable to the tribal authority.
- In selected rural areas with a low population density, burials are allowed near family homesteads.
- On some commercial farms burial sites are provided for staff, but these provisions are now resisted by farmers as a result of the promulgation of the Extension of Security of Tenure Act.

An alternative to traditional burials which does not require land is cremation. However, there has been very low demand for cremations amongst the inhabitants of uPhongolo Municipality as a consequence of which there are at present no crematoria situated within the Zululand District.

3.22 COMMUNITY HALLS, FACILITIES AND THUSONG CENTRES

Thirteen (13) out of a total of fifteen (15) wards have a community hall/centre each in uPhongolo. This means that only two (2) still need to be provided with community halls. The wards that already have community are as follows:

- Magudu Community Hall in Ward 1;
- Prince Bekayiphi Community Hall in Ward 3;
- Waterbaas Community Hall in Ward 4;
- Belgrade Community Hall in Ward 5;
- KwaNkundla Community Hall in Ward 6;
- Sthambi Community Hall in Ward 7;
- Madanyeni Community Hall in Ward 9;
- Ncotshane Community Hall in Ward 10;
- Phongolo Golf Club in Ward 11.
- Manyandeni Community Hall in Ward 12;

- Princess Ladlula Community Hall in Ward 13;
- KwaGumbi Community Hall in Ward 14; and
- KwaShoba Community Hall in Ward 15.

Taking the list above it follows that only wards 2 and 8 are still to be provided with community halls/centres. The Multi-Purpose Thusong Centres are one-stop facilities that provide opportunities to access a compendium of government services to surrounding communities. These include social services, social pensions and grants, consumer protection and numerous municipal services. The municipal halls are also managed by the Community Services Department. There is a one stop Thusong Centre under construction in the node, unfortunately there was no plan for a retail centre to be accommodated in the centre. This will result in, particularly pensioners being paid but still have to travel to Pongola CBD for shopping activities. Given its current appearance, there is a lot that still need to be done for Godlwayo node to attract economic investors.

Belgrade settlement is situated approximately 50km west from uPhongolo. Belgrade is one of uPhongola nodes that provide some minimal services to a number of tribal areas which are located far from Pongola town. There are departments such as home affairs, transport, agriculture, with a Thusong Centre under construction, and a local clinic.

3.22.1 Service Statistics

The facilities are open for hire and service statistics are being developed for these facilities. Other relevant information includes the number of functions at the halls and Thusong Centres as reflected below.

Table 76: Town Halls, Community Halls and Thusong Centres

Facility	Community Halls and Thusong Centres
	Number of Functions Held in 2022/2023
Ward-1-Community Hall	22 times : war room meeting, workshop, training and traditional meetings
Ward-2-Community Hall	No Hall
Ward-3-Community Hall	The hall belongs to Inkosi
Ward-4-Community Hall	11 Times on war room meetings and 11 times for meetings and other programmes
Ward-5-Community Hall	21 times
Ward-6-Community Hall	17 times – war room, wedding, workshops and meetings
Ward-7-Community Hall	The hall belongs to Inkosi
Ward-8-Community Hall	No hall

Ward-9-Community Hall	No hall
Ward-10-Community Hall	164 times including skills training
Ward-11-Community Hall	16 times
Ward-12-Community Hall	21 times – war room and other programmes. Most of meetings are for Inkosi Ndlangamandla
Ward-13-Community Hall	11 times
Ward-14-Community Hall	12 times
Ward-15-Community Hall	No Hall

3.22.2 Service Delivery Levels

The Halls are used frequently, and this has an impact on the standard times of readiness in terms of minimum quality standards required at such facilities.

3.23 CHILD CARE, AGED CARE AND SOCIAL PROGRAMMES

The Community Services Department is responsible for poverty relief initiatives, support to vulnerable groups, including youth, gender, the elderly, the disabled, street people, alcohol harms reduction programme and the Early Childhood Development (ECD) Sector as well as the arts and culture and sports programme. It also manages the distribution of the grant in aid funds.

The strategic, programmatic focus of the section is to develop and establish social support networks and to develop and promote community livelihood strategies. The principles guiding the implementation of programmes and projects are based on labour-intensive job creation initiatives that sustain and support impoverished households.

The Early Childhood Development (ECD) is one of the programmes serviced by the Community Development Department as well as the facilitation of various community skills development workshops. The aim of the skills training is to empower unskilled and unemployed youth with skills so that they could immediately become employable and/or access employment opportunities.

COMPONENT F: ENVIRONMENTAL PROTECTION

INTRODUCTION

The natural environment supports all life on earth, but it is currently under severe threat due to human activities which are causing unprecedented climate change, habitat loss, alien species invasions and excessive pollution which have a significant impact on the health and functioning of our ecosystems.

If we are to continue to prosper and develop in a sustainable manner, it is vitally important that we take active measures to protect the environment. While environmental protection is the responsibility of all municipal line departments, uPhongolo Municipality does not have a division or unit that is especially dedicated to deal with Environmental Management. Currently, the Municipality is supported by the Zululand District Municipality in executing the health and safety functions related to this environmental management.

3.24 ENVIRONMENTAL MANAGEMENT (INCLUDING POLLUTION CONTROL)

The Environmental Management function is executed by the Planning and Development Department within the Municipality. Some of the functions include service delivery focus to ensure that residents enjoy an environment that is safe, not harmful to their wellbeing and is protected for future generations by protecting and enhancing the Municipality’s natural assets and by ensuring that the Municipality’s natural resources are utilised sustainably. It thus plays a proactive role in planning for sustainable development through several initiatives including the development of the Environmental Management Framework, the implementation of the Climate Change Adaptation Plan, by commenting on development applications and coordinating the Climate Partnership with other partners.

The Department further plays an active role in monitoring threats to the environment and ensuring compliance with environmental legislation. This entails the response to environmental pollution incidents, managing environmental emergency incidents in accordance with Section 30 of the National Environmental Management Act 107 of 1998, and executing the air quality management and noise control functions.

The Department plays a pivotal active role in the management of natural resources by implementing projects aimed at developing management plans for municipal conservation areas and conducting environmental awareness campaigns with schools and the public in general.

3.24.1 Service Statistics

Table 77: Environmental Management - Service Statistics

Environmental Management Service Statistics	
Description	2022/2023
Environmental Education and Awareness Events	N/A
Environmental Applications commented on	N/A
Land Use Applications commented on	N/A
Noise Exemptions issued	N/A
Noise Complaints attended to	N/A

Air Pollution Incidents attended to	N/A
Pollution Incidents attended to	N/A

COMPONENT G: SECURITY AND SAFETY

INTRODUCTION

This part of the report deals with the traffic, licensing, law enforcement, fire and disaster management services rendered for the year under review.

3.25 TRAFFIC, LICENSING AND LAW ENFORCEMENT

During 2022/2023 financial year, a large number of offences were dealt with. The main purpose of this section is not only to prosecute, but also to educate offenders. The main activities undertaken were:

- Apprehending offenders talking on cell phones while driving, red light and stop street violations, failure to wear seatbelts, excessive speeding, taxis, red and yellow line offences, illegal number plates and driving under the influence of alcohol – all of which have a propensity to contribute to a high rate of road accidents.
- Corrective measures taken, *inter alia*, include selective law enforcement on safety belts, cell phones, number plates and public transport;
- licence renewals; and
- learners' classes as well.

3.25.1 Service Statistics

Table 78: Traffic, Licensing and Law Enforcement Service Data

Traffic, Licensing and Law Enforcement Service Data		
Details	Number	2022/2023 Actual
Number of road traffic accidents during the year	137	137
Number of bylaw infringements attended	0	0
Number of traffic officers in the field on an average day	10	10

Details	Number	2022/2023 Actual
Number of traffic officers on duty on an average day	17	17

3.25.2 Service Delivery Levels

The mission of Traffic Services is to render an effective and high-quality service through a process of consultation and transparency in all facets of the traffic services, and in rendering a service to the community of uPhongolo and its visitors by ensuring the free flow of traffic and creating a safe environment.

3.26 FIRE AND DISASTER MANAGEMENT

3.26.1 Fire Services

The Fire Department is located under the Community Services Department and performs the following functions: *operations, training, support services, fire safety and disaster risk management.*

- The unit operates a 24-hour service and an emergency and which after hours being on standby, which responds to all incidents in the municipal area immediately with targeted predetermined response times.
- The uPhongolo Municipality facilitates the accredited and professional fire fighting training to all appointed Fire Service personnel. The continuous training objective is intended to improve the skills and development of the fire fighting personnel in order to provide a professional service to the communities who inhabit the Municipality. During the 2022/2023 financial year there was no training for employees. Fire Service Officials receive continuous training relating to the scope of the work they perform.
- A total number of 40 schools were recipients of the Fire and Life Safety Programme: Stop, Drop and Roll, Learn Not to Burn and Crawl Low under Fire. These programmes are aimed at fire and life safety within the communities.
- The Fire Service operates between 7am and 4pm and provides standby services with calls directed to the Emergency Control Centre and cell phones.

- Calls are normally received by the centre and, depending on the emergency, the relevant vehicles are dispatched to attend to the incidents. The incidents are not confined to fire calls only. Professionally trained fire-fighters responded to rescue and medical incidents and other special services calls such as flooding and so forth.
- Fire Safety focuses on risk, and building inspections, in compliance with the National Building Regulations and the Building Standards Act, and related bylaws.

3.26.2 Service Statistics

Table 79: Fire Service Data

Fire Service Data	
Detail	2022/2023 Actual
Total fires attended to in the year	21
Total of other incidents attended to in the year	42
Average turnout time – urban areas (minutes)	10mins
Average turnout time – rural areas	30mins
Firefighters in post at year end	0
Total fire appliances at year end	0

Table 80: Fire Safety – Activities/Inspections

Fire Safety Activities/Inspections	
Description	2022/2023 Actual
Fire safety inspections	40
Lectures and demonstrations (awareness campaigns)	40
Buildings plans scrutinised and approved	20
Events Management and risk visits	5

The following training was conducted and attended by fire service personnel:

3.26.3 Disaster Management

The Municipality renders relief services to fire victims by handing out food parcels and blankets. During 2022/2023 period, blankets and food parcels were handed out.

3.26.4 Service Delivery Levels

The fire service aims to attend to all emergencies within the prescribed attendance times as indicated in table above (depicting fire, safety activities or inspections).

COMPONENT H: SPORT AND RECREATION

INTRODUCTION

The sports activities and programmes fall under the Special Programmes and all the sports programmes were implemented.

3.27 SPORT GROUNDS AND HALLS

Sports fields and halls in uPhongolo were utilised for different recreational activities and for different sports codes.

3.27.1 Service Delivery Levels

The community of uPhongolo participated in sports and recreational activities in this year under review.

COMPONENT I: CORPORATE POLICY OFFICES AND OTHER SERVICES

INTRODUCTION

In terms of Section 4(2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000), a Municipal Council must, within the Municipality's financial and administrative capacity, and having regard for practical considerations:

- Exercise the Municipality's executive and legislative authority and use the resources of the Municipality in the best interests of the community;
- Provide, without favour or prejudice, democratic and accountable government;
- Encourage the involvement of the community;
- Strive to ensure that municipal services are provided to the community in a financially and environmentally sustainable manner;
- Consult the community on the level, quality, range and impact of municipal services and the available options for service delivery;
- Give members of the community equitable access to the municipal services to which they are entitled;
- Promote and undertake development in the Municipality;
- Promote gender equity in the exercise of the Municipality's executive and legislative authority;
- Promote a safe and healthy environment in the Municipality; and

-
- Contribute, together with other organs of state, to the progressive realisation of the fundamental rights contained in Sections 24, 25, 26, 27 and 29 of the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).

3.28 EXECUTIVE AND COUNCIL SUPPORT

A council must annually review:

- The needs of the community;
- Its priorities to meet those needs;
- Its processes for involving the community;
- Its organisational and delivery mechanisms for meeting those needs; and
- Its overall performance in achieving the objects of local government as set out in the Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).

In terms of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), the municipal council must elect a Mayor and other office-bearers. The Municipal Council may establish committees to assist the Municipal Council and/or the Mayor. The Mayor of uPhongolo Municipality, Cllr S.R. Mhlongo, and the Council have made substantial strides towards implementing the revised vision of uPhongolo throughout the operations of Council and the administration in the year under review.

3.28.1 Service Statistics

The Municipal Council adopted priorities for the Municipality, Mayor and other political structures to meet on a regular basis in order to ensure that decision-making takes place in an efficient and effective manner.

Regular performance reports in terms of the Performance Management System, together with monthly reports to the Mayoral Committee and Council, provide these structures with continuous information on progress made with the achievement of targets as well as the implementation of decisions taken by them.

Table 82: Service Statistics for the Executive and Council

Council and Committee Structures	No. of meetings
	2022/2023
Council	07
Special Council	09
Executive Committee	09
Corporate Services Portfolio Committee	07
Community Services Portfolio Committee	03
Finance Portfolio Committee	06
Development Planning & LED Services Portfolio Committee	02
Technical Infrastructure Portfolio Committee	03
Municipal Public Accounts Committee (MPAC)	05

3.28.2 Service Delivery Levels

All agendas are in terms of the approved Standard Operating Procedures of Administration distributed at least three calendar days before a meeting and in the case of minutes within five working days after the meeting was held.

3.28.3 Major Projects Completed

All Councillors were issued with electronic devices.

3.29 FINANCIAL SERVICES

The major key performance area is the focus on long-term financial sustainability. It is imperative that the generated revenue base is of such a nature that the Municipality is able to fund its short, medium- and long-term operations in order to ensure continuity and a financially sound and stable organisation. The major key functional areas that have been identified and linked to financial sustainability are revenue enhancement, credit control measures and expenditure management.

The ratios in terms of the collection of revenue have improved overall. There is a considerable amount of work to be done in order to bring the debtors' book of Council to an acceptable level. The gloomy economic conditions globally have also affected the consumers' ability to pay and most consumers are still recovering from the recessionary trends of the past few years.

3.29.1 Service Statistics

Table 83: Debt Recovery

Serial No.	Revenue Service	Debt Recovery					
		R'000					
		2021/2022			2022/2023		
Column Ref.	A	B	C	D	E	F	G
		Billed	Collected	% Collection Rate	Billed	Collected	% Collection Rate
1	Property Rates	R43 252 956	R24 719 893	57.15%	R45 570 560	R32 204 572	70.67%
2	Electricity	R46 907 012	R46 047 269	98.17%	R 45 695 926	R47 400 330	103.72%
3	Water	-	-	-	-	-	-
4	Sanitation	-	-	-	-	-	-
5	Refuse	R10 809 499	R-5 850 724	-54.13%	R10 820 849	R5 399 021	49.89%
	Totals	R100 969 467	R84 309 501	64.29%	R102 087 335	R85 003 923	94.84%

3.29.2 Service Delivery Levels

Service delivery levels are determined in the Standard Operating Procedures for every service rendered by this section. These standards are incorporated as key performance indicators in the Service Delivery and Budget Implementation Plan, thereby ensuring measurement and compliance to the set service standards.

3.29.3 Capital Expenditure

The municipality has spent 88.33% of the final adjustments budget on infrastructure projects for the year under review. The main capital projects are listed in the table below with their budgeted and actual expenditure information.

Table 84: Capital Expenditure 2022/2023- Financial Services

Capital Expenditure 2022/2023: Financial Services					
Serial No.	Capital Project Description	Original Approved Budget	Final Adjustments Budget	Actual Expenditure	% Variance Column C & D
Column Ref.	A	B	C	D	E
1	Computer Equipment	R500 000	R0.00	R867 331	-R867 331
2	Intangible Assets Insurance Module	-	-	-	-
3	Furniture and Equipment	R120 000	-	-	-
4	Air Conditioners	-	-	-	-
5	Other Capital Projects	R28 171 087	R48 687 580	R42 136 814	R6 550 766

	Total Capital Expenditure	R28 791 087	R48 687 580	R43 004 145	R5 683 435
--	---------------------------	-------------	-------------	-------------	------------

3.29.4 Major Projects Completed

.....

3.29.5 Operating Expenditure

Financial Services, as a support service, generated an operating surplus for the 2020/2021 financial year. The surplus, due to property rates revenue, is subsidising other community services operating at a loss.

Table 85: Total Revenue and Expenditure: Financial Services (Procurement Services Excluded)

Total Revenue and Expenditure: Financial Services (Procurement Services Excluded)						
Serial No.	Description	2021/2022 Actual Results	2022/2023			
			Original Approved Budget	Final Adjustments Budget	Actual Results	Positive / (Negative) % Variance Between Column D & E
Column Ref.	A	B	C	D	E	F
1	Total Revenue	R394 637 512	R327 948 705	R369 362 435	R353 505 022	(R15 875 413)
2	Total Operating Revenue	R394 637 512	R327 948 705	R369 362 435	R353 505 022	(R15 875 41)
3	Employee Related Costs	R115 509 265	R123 565 642	R133 000 337	R134 286 407	(R1 286 070)
4	Impairment Losses on Financial Assets	R33 732 889	R9 707 111	R9 707 111	R5 925 865	R3 781 246
5	Interest Paid	R1 7 37 255	R1 124 568	R1 476 421	R1 903 663	(R427 242)
6	Contracted Services	R51 414 470	R21 574 372	R39 021 533	R29 296 635	R9 724 898
7	Depreciation and Provisions	R28 023 906	R25 675 280	R25 675 280	R25 510 276	R165 004
8	Inventory	R14 705 586	R9 721 882	R14 963 715	R13 034 420	R1 929 295
9	Operational Costs	R53 053 487	R44 459 133	R40 909 606	R59 828 847	(R18 919 241)
10	Total Operating Expenditure	R390 130 718	R273 703 884	R300 000 990	R323 335 907	(R23 334 917)

11	Operating (Surplus) / Deficit	R4 460 201	R54 060 963	R69 141 587	R27 757 126	(41 384 461)
----	-------------------------------	------------	-------------	-------------	-------------	--------------

3.30 HUMAN RESOURCE SERVICES

The Municipality is committed to the principles of the employment equity legislation and will continue to strive to appoint suitably qualified applicants while ensuring that the workforce is representative of the clients it serves. The Municipality also recognises the skills that our internal staff possesses hence it has embarked on a process of promoting internal staff through advertising some posts internally.

The Unit also focussed on filling critical vacant positions as requested by different departments and by placing internal advertisements. The other focus at HR for the 2022/2023 financial year was to review and develop HR related policies.

The HR continuously plays a pivotal role in terms of the Extended Public Works Programme by creating all appointed EPWP employees on the HR/Payroll System.

The Municipality complied with the Employment Equity Act (EEA) by ensuring that the Employment Equity Report was prepared and electronically submitted to the Department of Labour in January 2023. The Workplace Skills Plan and Annual Report were also submitted in April 2023.

The Municipality prides itself with contributing positively to its vision by also cascading the tool for monitoring progress and staff performance to all staff members.

3.30.1 Service statistics

Table 86: Service Statistics for Human Resources Services

22 nd April annually	LGSETA	Workplace Skills Plan
22 nd April annually	LGSETA	Annual Training Report
30 June annually	Office of the Municipal Manager	A report on the numbers of employees that are appointed on the first three levels of management
14 th January annually	Department of Labour	Employment Equity Report
Monthly	Dep. of Local Government	Municipal Finance Management Programme Report

3.30.2 Service Delivery Levels

A significant number of job descriptions were developed, in the financial year 2022/2023.

3.30.3 Major Projects Completed

Corporate Service policies were reviewed, and job descriptions were developed.

3.31 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

The Information and Communication Technology Unit is responsible for the effective management and functional supervision of the following three sections:

- ICT Governance and Administration;
- Information Systems; and
- ICT Operations and Support.

During 2022/2023 the ICT Unit made significant progress to improve governance and service delivery to user departments. In the year under review, measures were taken to improve the management and control of the use of information and communication technology.

3.31.1 Service Statistics

Operationally the section provides continuous support for the development, enhancement and maintenance of more than 200 application systems and databases throughout the Municipality.

3.31.2 Operations and Support

This section is responsible for:

- Planning, implementing and managing the ICT operations environment;
- Providing facilities to ensure the secure and optimal availability of all ICT infrastructure; telecommunications systems and data;
- ICT service desk and support function; and
- All ICT hardware deployed within uPhongolo Municipality resides under this section.

3.32 PROPERTY SERVICES

Some of the functions of various tend to overlap with those of the property services which in turn contribute towards economic growth and development as well as social and community development.

This is achieved through making properties available through the sale or lease thereof, and thereby creating economic opportunities while also providing for the development and empowerment of the poor and most vulnerable. It further contributes to institutional transformation through the maintenance and development of office facilities and amenities that are required to render the necessary services.

The main objective of property services is to administer Municipality's property portfolio and to ensure that the property transactions are well administered, which would include the leasing and/or hiring immovable assets, the granting or obtaining of rights in properties as well as the alienation or acquisition thereof.

3.32.1 Service Delivery Levels

Service delivery levels are determined in the Standard Operating Procedures for every key activity or service being rendered by this section. These standards are incorporated as key performance indicators in the Service Delivery and Budget Implementation Plan, thereby ensuring measurement and compliance to the set service standards.

3.33 LEGAL SERVICES

Legal Services within the Municipality supports the Council and Administration with legal advice and support. In addition to general legal support, administering of own legislation, vetting of contracts and litigation management, the Legal Services Section oversees the outsourcing of legal services provided by the panel of attorneys appointed by the Municipality. The administration of property transactions which are governed in terms of the Asset Transfer Regulations also fall under the purview of Legal Services. Property transactions are administered in close co-operation and consultation with technical line departments in order to ensure that such transactions play a key role in the implementation of strategic goals that align with the constitutional duties of local government. The unit, therefore, does not only play a role in protecting the interests of the Municipality that pertain to legal matters, but also fulfil a facilitating role in furthering developmental goals such as the promotion of social and economic development through property transactions, in collaboration with other Departments of the Municipality.

3.33.1 Service Delivery Levels

uPhongolo Municipality uses the services of external service providers to assist the Municipality in administering its own legislation through the development and promulgation of new legislation as well

as the review of existing legislation. The Municipal Code encompasses all of the Municipality's own legislation and is constantly updated by the review of existing bylaws as well as the development of new bylaws in areas that require the necessary enforcement and control in order to promote and protect the interests of the community.

External legal service providers who provide a wide spectrum of general legal services such as representation in litigation, legal opinions, contracts and agreements are also used and in this way as it is ensured that the required performance was maintained by duly protecting the interests of the Municipality at all material times.

3.34 RISK MANAGEMENT SERVICES

The Risk Management Unit performs two main functions, the Integrated Risk Management (IRM) that is responsible for the risk management function at uPhongolo Municipality through a process of facilitation. Provision of advice pertaining to the Fraud Risk Management to all stakeholders, basing same on four pillars vis-à-vis Prevention, Detection, Investigation and Feedback with regards to lessons learned.

3.34.1 Major Projects Completed

A normal risk assessment for the Municipality was conducted and that included a risk mitigation plan.

3.35 PROCUREMENT SERVICES

The Supply Chain Management Unit resorts under the direct supervision of the Chief Financial Officer. The service delivery levels are determined in the Standard Operating Procedures for every service rendered by this division. A number of standard operating procedures were drafted, approved and rolled out to departments for implementation. This improved efficiencies and reporting requirements.

COMPONENT K: ANNUAL PERFORMANCE REPORT (APR) 2022/2023

Table 87: APR

Responsible Department	IDP Objectives	IDP REF No.	Strategy	Mscosa Project ref#	Project name (Mscosa)	Unit of Measure	Indicator	Current year					Original Budget	Final Revised Budget for the Year	Actual Budget Spent	Source of Funding	Award	POE
								Original Annual Target 2022/23	Revised Annual Target 2022/23	Actual Annual achievement	Performance Status	Measures to improve performance						
PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 2 : HUMAN RESOURCE DEVELOPMENT																		
NATIONAL KEY PERFORMANCE AREA : MUNICIPAL TRANSFORMATION AND INSTITUTIONAL DEVELOPMENT																		
OUTCOME 9 : DIFFERENTIATED APPROACH TO MUNICIPAL PLANNING AND SUPPORT																		
BACK TO BASICS: PILLAR 5 - BUILDING CAPABLE LOCAL GOVERNMENT																		
Corporate Services	Create a balance between employee productivity, welfare and capacity building	A1.1	Develop and Implement a Work Skills Plan	508, 450, 509, 511, 510	Staff & Cllr training	Number	Number of staff who completed training against Skills development plan (NQF rated / Short Courses)	80 Staff members who completed training(NQF rated/short courses) by 30 June 2023	40 Staff members who completed training(NQF rated/short courses) by 30 June 2023	44			1,5 Mil	1209 739	459 612	Opex-internal	All	Traning certificates

Corporate Services	Create a balance between employee productivity, welfare and capacity building	A1.1	Develop and Implement a Work Skills Plan	508,450,509,511,510	Staff & Cllr training	Number	Number of Cllrs who completed training (NQF rated / Short Courses) against the Skills development plan	29 Councilors who completed training (NQF rated/short courses) by 30 June 2023	29 Councilors who completed training (NQF rated/short courses) by 30 June 2023	15		Personal Development Plans to be prepared and implemented	1,5 Mil	1	209 739	459 612	Opex-internal	All	Training certificates
Office of the Municipal Manager	Promote quality service delivery through inclusive Performance Management System	A2.1	Cascade PMS to one lower level each year			Number	Number of Organisational performance reports submitted to Council (Council Agenda)	4 Organisational performance reports submitted to Council by 30 June 2023	4 Organisational performance reports submitted to Council by 30 June 2023	2		Regular reporting of performance against targets to be improved by planned PMS cascading to lower levels					Opex-internal	All	Council Agenda
Office of the Municipal	Promote quality service delivery	A2.1	Cascade PMS to one lower	1219	Performance /Audit	Number	Number of Performance committee meetings	4 Performance audit committ	4 Performance audit committ	4			200 000	80000	93015	Opex-internal	All	Attendance register and	

Manager	through inclusive Performance Management System		level each year		Committee			ee meetings by 30 June 2023	ee meetings by 30 June 2023								minutes of meeting	
Office of the Municipal Manager	Promote quality service delivery through inclusive Performance Management System	A2.1	Cascade PMS to one lower level each year			Number	Number of organogram levels performance monitored	Cascade PMS to top 3 organogram levels by 30 June 2023	Cascade PMS to top 3 organogram levels by 30 June 2023	1 & 2		PMS officer post to be filled so that the unit can function				Opex-internal	All	Signed performance agreements
Corporate Services	To provide an effective and efficient IT and Communication service to all Municipal units	A3.1	Safely provide access to email and internet to improve efficiency in operations .			Number	Number of ICT steering committee meetings held	4 ICT steering committee meetings held by 30 June 2023	4 ICT steering committee meetings held by 30 June 2023	4						Opex-internal	All	Attendance Register and minutes
Corporate Services	To provide an effective and efficient IT and Communication service	A3.1	Safely provide access to email and internet to improve efficiency			Number	Number of Monthly IT back-ups stored offsite	12 Monthly IT back-ups stored offsite by	12 Monthly IT back-ups stored offsite by	12						Capex-Own	All	IT back-up reports

	to all Municipal units		in operations					30 June 2023	30 June 2023									
Corporate Services	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	A4.1	Apply previously disadvantaged people concepts to address the demographic gaps and past injustices			Number	Number of women appointed in S54, S56 posts or middle mng level	1 Woman appointed in s54,s56 posts or middle management level by 30 June 2023	1 Woman appointed in s54,s56 posts or middle management level by 30 June 2023	2						Opex-internal	All	Appointment letters
Corporate Services	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	A4.4	All critical posts to be filled within 3 months			Number	Number of vacant posts filled.	21 vacant positions filled by 30 June 2023	22 vacant positions filled by 30 June 2023	36						Opex-internal	All	Appointment letters

Corporate Services	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	A4.4	All critical posts to be filled within 3months			Number	Average turn-around time to finalise the appointment (Advertisement to Appointment)	90 days to finalise the appointment (Advertisement to Appointment) by 30 June 2023	90 days to finalise the appointment (Advertisement to Appointment) by 30 June 2023	84 (Average)					Opex-internal	All	Advert date to appointment date duration calculation per post averaged for all posts	
Corporate Services	To promptly employ a highly effective workforce which is a representative of the Municipalities demographic profile.	A4.3	Implement retention measures to all critical posts to reduce loss of skills.			%	Vacancy rate kept below 10%	Vacancy rate kept below 10% by 30 June 2023	Vacancy rate kept below 10% by 30 June 2023	31% (average)		Organogram to be reviewed during the year and filling of critical posts to be undertaken			Opex-internal	All	Organogram vs Payroll report & Calc	
Corporate Services	To improve Citizens Skills levels and Education	A5.1	Review Bursary Policy and align with government priorities	1177	Community Bursary/ Study assistance	%	% bursary /learnership Budget amount spent	95%-100% bursary /learnership Budget amount	95%-100% bursary /learnership Budget amount	21%		Awarding of bursaries to be done during the	700 000,00	300000	63581	Opex-internal	All	Expenditure report - S71

								spent by 30 June 2023	spent by 30 June 2023			tertiary instituti ons' registra tion period							
Corporate Services	Ensure Institutiona l of Batho Pele Culture and Principles	A6. 1	Increase sensitivity of governme nt administra tors to the aspiration s of citizens through bi- annually awareness sessions on BP			Number	Number of Batho pele awareness campaigns conducted	1 Batho pele awarene ss campaign gs conduce d by 30 June 2023	1 Batho pele awarene ss campaign gs conduce d by 30 June 2023	1							Opex- intern al	All	Attenda nce register
Office of the Municip al Manage r	To Promote Access to Informatio n and Accountabil ity	A7. 3	Facilitate compilatio n of an Annual Report	894	Annual Report prepar ation	Date	Date draft Annual report submitted.	Draft Annual Report for 2021/22 Financial year submitte d by 31 January 2023	Draft Annual Report for 2021/22 Financial year submitte d by 31 January 2023	30-Jan			400 000,00	160000	325000		Opex- intern al	All	Council resolutio n

Corporate Services	Ensuring compliance with the Occupational Health and Safety Act and Compensation for occupational injuries and diseases	A8.2	Develop Occupational Health and safety Guidelines	512	OHS	Number	Number of site inspections for OHS Compliance	40 site inspections for OHS compliance by 30 June 2023	40 site inspections for OHS compliance by 30 June 2023	41			72657	1200	Opex-internal	All	Inspection form	
PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 3: HUMAN AND COMMUNITY DEVELOPMENT													GOAL 4: STRATEGIC INFRASTRUCTURE					
NATIONAL KEY PERFORMANCE AREA : BASIC SERVICE DELIVERY & INFRASTRUCTURE																		
OUTCOME 9 : IMPROVED ACCESS TO BASIC SERVICES																		
BACK TO BASICS: Pillar 2 - DELIVERING BASIC SERVICES																		
Technical Services	Ensure provision of Electricity/ alternative energy in a sustainable manner	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.		Electricity provision	Number	Number of new consumer units with access to electricity (Eskom ari)	500 of new consumer units with access to electricity (Eskom area) by 30 June 2023	150 of new consumer units with access to electricity (Eskom area) by 30 June 2023	Nil (MV line upgrade in progress)	MV line upgrade to be finalised soon before additional connections can be done	8 Mil	4729783	4729783	DOE	09, 10, 02, 07 & 15	Completion certificate	

Technical Services	Ensure provision of Electricity/ alternative energy in a sustainable manner	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	Electricity provision	Number	Number of existing Households with access to electricity	26965 Households with access to electricity by 30 June 2023	27069 Households with access to electricity by 30 June 2023	26717	New electrification projects planned for 23/24 will be implemented which will help increase with the access rate					All	Census data plus completed project after
Technical Services	Ensure provision of Electricity/ alternative energy in a sustainable manner	B1.1	To provide an efficient and cost effective electricity distribution or alternative energy to all mandated areas in Phongolo.	Electricity provision	%	Percentage of Households with access to electricity	88% Households with access to electricity by 30 June 2023	79% Households with access to electricity by 30 June 2023	78,1%	New electrification projects planned for 23/24 will be implemented which will help increase with the					All	Census data plus completed project after

											access rate						
Community Services	To control waste management including water contamination	B3.3	Ensure that all refuse is timeously removed from source to waste management centre	784	Refuse collection	Number	Number of Households with access to refuse removal at least once per week	4550 Households with access to refuse removal at least once per week by 30 June 2023	4550 Households with access to refuse removal at least once per week by 30 June 2023	4431	The Service Delivery Improvement Plan will be reviewed with new areas where billing for refuse can be done and such plan will be monitored regularly				Opex-internal	All	Billing report or refuse collection report
Community Services	To control waste management including water	B3.3	Ensure that all refuse is timeously removed	784	Refuse collection	%	% Households with access to refuse removal at	15% Households with access to refuse	15% Households with access to refuse	13%	The Service Delivery Improvement				Opex-internal	All	Billing report or refuse collection report

	contaminat ion		from source to waste managem ent centre				least once per week	removal at least once per week by 30 June 2023	removal at least once per week by 30 June 2023		Plan will be reviewe d with new areas where billing for refuse can be done and such plan will be monitor ed regularl y					over census data	
Plannin g & Develop ment & LED	To provide safe, adequate and habitable housing that is closer to amenities	B4. 2	Improve communit y standard of living through accelerate d developm ent of houses in rural areas through improved		RDP houses	Number	Number of new housing units completed	300 new RDP housing units complete d by 30 June 2023	300 new RDP housing units complete d by 30 June 2023	245	Two Phase 2 RDP house projects have been approve d and constru ction has started				Capex - grant DHS	3,4 &5	Progress Report /Comple tion Certificat e

			intergover nmental relations with the Departme nt of Human Settlemen ts								which will monitor ed regularl y in terms of plans						
Technic al Services	Ensure the optimal use, maintenanc e and equitable developme nt of communal and Public Facilities	B5. 2	Improve Access to Communit y Amenities and infrastruct ure	1185	Sport Facility constr uction	Number	Number of Multipurpos e Sport fields completed	1 Multipur pose Sportfiel ds complete d by 30 June 2023	1 Multipur pose Sportfiel ds complete d by 30 June 2023	Nil (Progre ss 91%)	Additional funding to be used to finalise the two major remaini ng items	8,88 Mil	5480202	6623152		11	Completi on certificat e/ Project closeout report
Technic al Services	Ensure the optimal use, maintenanc e and equitable developme nt of communal and Public Facilities	B5. 2	Improve Access to Communit y Amenities and infrastruct ure	22413	Constr uction of multip urpose centre	Number	Number of multipurpos e centere constructed and completed	1 Multipur pose centre construct ed and complete d by 30 june 2023	1 Multipur pose centre construct ed and complete d by 30 june 2023	Nil (Progre ss 30%)	Project to be monitor ed regularl y and any delays by contract ors to be penalise	7,34 Mil	6184925	9067429		8	Completi on certificat e/ Project closeout report

											d. Steel works has been ceded to specialist.						
Technical Services	Ensure the optimal use, maintenance and equitable development of communal and Public Facilities	B5.2	Improve Access to Community Amenities and infrastructure	1188	Tar road construction	Number	Kms of new Tar roads constructed	0,8 Kms of new Tar roads constructed by 30 June 2023	0,8 Kms of new Tar roads constructed by 30 June 2023	1,745km		6,7 Mil	10 515 230,00	11 966 505,00	capex	5	Completion certificate/ Project closeout report
Technical Services	Ensure the optimal use, maintenance and equitable development of communal and Public Facilities	B5.2	Improve Access to Community Amenities and infrastructure	11322	Sport Facility construction	Number	Number of Sport fields completed	2 Sportfield completed by 30 June 2023	3 Sportfield completed by 30 June 2023	Nil (Ward 8, procurement stage, Ward 9- project on hold, Ward 4- procur	Ward 9 project to resume construction once investigation is finalied. All projects to be awarded	2,4 Mil	6 086 565,00	386 028,26	capex	8 &9	Completion certificate/ Project closeout report

	targeted marketing							to Pongola by 30 June 2023	to Pongola by 30 June 2023									
Community Services	To promote arts and cultural services	C3.1	Development of Arts and Culture Strategy	22542, 22547, 22543	Cultural	Number	Number of Cultural events held	1 Cultural events (Reed dance) held by 30 June 2023	1 Cultural events (Reed dance) held by 30 June 2023	1			400 000,00	896252	896251	Opex-internal	All	Attendance Register and relevant report/photos
Planning & Development & LED	Creation of sustainable jobs	C4.1	Create employment opportunities through labour intensive schemes	972, 11493	EPWP job creation	Number	No. of jobs created through municipality's LED initiatives including capital projects & EPWP	120 jobs created through municipality's LED initiatives including capital projects & EPWP by 30 June 2023	120 jobs created through municipality's LED initiatives including capital projects & EPWP by 30 June 2023	99 (average)		To plan and implement new programs that will create more job opportunities in 23/24	2 978 000,00	2 978 000,00	2 978 000,00	Opex_Grant DPW	All	Payroll reports
Office of the Municipal	Mitigate the HIV epidemic and	C6.3	To develop and implement	932	HIV/AIDS aware	Number	Number of HIV / AIDS events held	4 HIV / AIDS events held by	4 HIV / AIDS events held by	3		To partner with other	100 000,00	0,00	0,00	opex - internal	All	Attendance Register, Minutes

Manager	promote positive living		t programmes that target high risk groups		ness events			30 June 2023	30 June 2023			key stakeholders with sufficient funds and human resources when implementing special programs in 23/24					of meetings, Reports/ Photos
Office of the Municipal Manager	Mitigate the HIV epidemic and promote positive living	C6.2	Participate in Sukhumasakhe programs		Sukuma Sakhe coordination	Number	Number of Local Task Team (LTT) meeting conducted	10 Local Task Team (LTT) meeting conducted by 30 June 2023	10 Local Task Team (LTT) meeting conducted by 30 June 2023	3		To develop schedule of meetings and regularly notify members of meeting dates			opex - internal	All	Attendance register/ Minutes of meeting
Office of the Municipal Manager	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting	1217	Elderly Support & events	Number	Number of elderly supported basic necessities	150 elderly supported basic necessities	90 elderly supported basic necessities	90					opex - internal	All	Attendance register/ Report

Manager			the special groups.					es by 30 June 2023	es by 30 June 2023									
Office of the Municipal Manager	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting the special groups.	1217	Eldertly Support & events	Number	Number of elderly programmes /activities conducted	2 elderly programmes /activities conducted by 30 June 2023	2 elderly programmes /activities conducted by 30 June 2023	0		To partner with other key stakeholders with sufficient funds and human resources when implementing special programs in 23/24	150 000,00	0,00	11 777,00	opex - internal	All	Attendance register/ Minutes of meeting
Office of the Municipal Manager	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting the special groups.	944	Women & Children	Number	Number of Women programmes /activities conducted	2 Women programmes /activities conducted by 30 June 2023	1 Women programmes /activities conducted by 30 June 2023	0		To partner with other key stakeholders with	150 000,00	401409,00	397 146,00	opex - internal	All	Attendance register/ Minutes of meeting / Report

								June 2023	June 2023			sufficient funds and human resources when implementing special programs in 23/24						
Office of the Municipal Manager	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting the special groups.	944	Women & Children	Number	Number of Children e /activities programmes /activities conducted	2 Children programmes /activities conducted by 30 June 2023	2 Children programmes /activities conducted by 30 June 2023	1		To partner with other key stakeholders with sufficient funds and human resources when implementing special programs in 23/24	150 000,00	401409,00	397 146,00	opex - internal	All	Attendance register/ Minutes of meeting / Report

Office of the Municipal Manager	Ensure needs of Special groups are addressed	C7.1	Develop and implement projects targeting the special groups.	895	People living with Disability	Number	Number of programmes /activities conducted for People with Disability	4 programmes /activities conducted for People with Disability by 30 June 2023	2 programmes /activities conducted for People with Disability by 30 June 2023	1	To partner with other key stakeholders with sufficient funds and human resources when implementing special programs in 23/24	150 000,00	29000,00	293 863,00	Opex - internal	All	Attendance register/ Minutes of meeting / Report
Community Services	To ensure Safer, effective and efficient system for all	C9.2	Efficient vehicles and driver licensing services.		Issuing of Learner Drivers License	Number	Number of Learners License Examined	880 Learners Licence Examined by 30 June 2023	880 Learners Licence Examined by 30 June 2023	1440					Opex-internal	All	Register, License-PRO Reports and Monthly Report
Community Services	To ensure Safer, effective and efficient	C9.3	Monitor and assess driver fitness and Vehicle roadworth		Road safety campaigns	Number	Number of road safety campaigns	10 Road safety Campaigns done by 30	10 Road safety Campaigns done by 30	11					Opex-internal	All	Attendance Register/ Report and Photos

	system for all		ness through Road blocks					June 2023	June 2023										
Community Services	To ensure Safer, effective and efficient system for all	C9.3	Monitor and assess driver fitness and Vehicle roadworthiness through Road blocks		Conduct Multi Disciplinary Road Blocks	Number of Multi-Disciplinary Roadblocks	20	20	29								Opex-internal	Register, Road block Reports	
PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 6 : GOVERNANCE AND POLICY																			
NATIONAL KEY PERFORMANCE AREA : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT																			
OUTCOME 9 : IMPROVED MUNICIPAL FINANCIAL AND ADMINISTRATIVE CAPABILITY																			
BACK TO BASICS: PILLAR 4 SOUND FINANCIAL MANAGEMENT																			
MUNICIPAL FINANCIAL VIABILITY & FINANCIAL MANAGEMENT																			
Budget and Treasury Office	To apply good financial management in dealings with municipal finances	D1.1	Develop and implement measures to expand revenue base and generation.			%	% Revenue Growth - (Period under review's Total Revenue - previous period's Total Revenue)/	2%-5% Revenue Growth by 30 June 2023	2%-5% Revenue Growth by 30 June 2023	3%			327 984 705	369 362 435	353 505 022		Mix sources	All	S 71 report table (c3 monthly budget statement

							previous period's Total Revenue) x 100 - year-on-year or quarter-to-quarter											
Budget and Treasury Office	To apply good financial management in dealings with municipal finances	D1 .1	Develop and implement measures to expand revenue base and generation.			%	Actual Operating Revenue / Budget Operating Revenue x 100	95% - 100% Actual Operating Revenue over Budgeted Operating revenue by 30 June 2023	95% - 100% Actual Operating Revenue over Budgeted Operating revenue by 30 June 2023	97%			336 002 802	369 362 435	353 505 022	Mix sources	All	S 71 report table (c4 monthly budget statement and table c4
Budget and Treasury Office	To apply good financial management in dealings with municipal finances	D1 .2	To control and account for all Municipal expenditure			%	% staff cost over OPEX incurred - Remuneration (Employee Related Costs and Councillors' Remuneration	25 - 40% staff cost over OPEX incurred by 30 June 2023	25 - 40% staff cost over OPEX incurred by 30 June 2023	42%		The short-term contracts will not be renewed, a review of posts	123 565 642	133 000 337	134 286 407	Mix sources	All	S 71 report table c4

							on) /Total Operating Expenditure x100				will be conduct ed.							
Budget and Treasur y Office	To apply good financial manageme nt in dealings with municipal finances	D1 .2	To control and account for all Municipal expenditu re			%	% CAPEX BUDGET SPENT - Actual capital Expenditure / Budget Capital Expenditure x 100	95%- 100% CAPEX BUDGET SPENT by 30 June 2023	95%- 100% CAPEX BUDGET SPENT by 30 June 2023	88%	To follo w- up with dep arte men t on fun ds whi ch wer e gaze tted but not pro vide d	28 791 088,00	48 252 986	37 753 701	Mix source s	All	S 71 report table c5	
Technic al Services	To apply good financial manageme nt in dealings	D1 .2	To control and account for all Municipal			%	% MIG BUDGET SPENT - Actual Expenditure / MIG	95%- 100% MIG BUDGET SPENT by 30	95%- 100% MIG BUDGET SPENT by 30	100%		30 294 550,00	30 294 550	30 294 550	Grant _MIG	All	S 71 report table c5	

	with municipal finances		expenditure				Budget Expenditure x 100	June 2023	June 2023									
Technical Services	To apply good financial management in dealings with municipal finances	D1 .2	To control and account for all Municipal expenditure			%	% Electricity Grant (INEP) BUDGET SPENT - Actual INEP Expenditure / INEP Budget Expenditure x 100	95%-100% Electricity Grant (INEP) BUDGET SPENT by 30 June 2023	95%-100% Electricity Grant (INEP) BUDGET SPENT by 30 June 2023	100%			8 000 000,00	4 729 783	4 729 783	Grant _INEP	8	S 71 report table c5
Corporate Services	To apply good financial management in dealings with municipal finances	D1 .2	To control and account for all Municipal expenditure	508, 450, 509, 511, 510	Staff & Cllr training	%	% of budget spent on implementation of WSP	95%-100% Work Skills Plan Budget Spent	95%-100% Work Skills Plan Budget Spent	36,70%		New training programs to be implemented in 23/24 for employees and unemployed people	1,5 Mil	1 209 739	459 612	Opex-internal	All	S 71 report
Budget and Treasury Office	To apply good financial management in dealings	D1 .2	To control and account for all Municipal			%	% OPEX Budget spent - Actual Operating Expenditure	95% - 100% OPEX Budget spent by	95% - 100% OPEX Budget spent by	105%		More budget control measures to be implemented	273 703 884	300 000 990	323 335 907	Mix sources	All	S 71 report table c4

	with municipal finances		expenditure				/ Budgeted Operating Expenditure x 100	30 June 2023	30 June 2023			ented from financial system as well as in the process flow						
Budget and Treasury Office	To apply good financial management in dealings with municipal finances	D1 .3	Develop and implement measures to reduce the level of debt owed to the municipality			%	% Collection Rate - (Gross Debtors Opening Balance + Billed Revenue - Gross Debtors Closing Balance - Bad Debts Written Off)/Billed Revenue x 100	93%-95% Collection Rate by 30 June 2023	93%-95% Collection Rate by 30 June 2023	85%		Indigent Register to be fully implemented and old uncollectable debt, to be written off					All	section 71 report
Budget and Treasury Office	To apply good financial management in dealings with municipal finances	D1 .3	Develop and implement measures to reduce the level of debt owed to			%	% of outstanding service debtors to annual revenue from services	0% -26% of outstanding service debtors to annual revenue from	0% -26% of outstanding service debtors to annual revenue from	351%		Indigent Register to be fully impl					All	section 71 report

			the municipality					services by 30 June 2023	services by 30 June 2023			eme nte d and old unc olle ctible deb t, to be writ ten off						
Budget and Treasury Office	To apply good financial management in dealings with municipal finances	D1 .4	Improve cash and debtors management			Number in months	Cash / Cost Coverage Ratio in Months - ((Cash and Cash Equivalents - Unspent Conditional Grants - Overdraft) + Short Term Investment) / Monthly Fixed Operational Expenditure excluding	1 - 3 Cash / Cost Coverage Ratio in Months by 30 June 2023	1 - 3 Cash / Cost Coverage Ratio in Months by 30 June 2023	0		Regular cashflow projection and management to be undertaken					All	Section 71 report/ Circular 71 Template report

							(Depreciation, Amortisation, Provision for Bad Debts, Impairment and Loss on Disposal of Assets)										
Budget and Treasury Office	To apply good financial management in dealings with municipal finances	D1 .4	Improve cash and debtors management			Number	Debt coverage rate - (Total operating revenue less operating grants)/ Debt service payment	30 x to 40 times Debt coverage rate by 30 June 2023	30 x to 40 times Debt coverage rate by 30 June 2023	87 x						Opex-internal	All Expenditure report - S71
Budget and Treasury Office	To enforce a fair and legislatively compliance SCM policy	D2 .2	Apply fairness, equity, competitiveness, transparency & cost effectiveness principles in obtaining			Number	Number of Quarterly report on the implementation of SCM policy reported to Council	4 report on the implementation of SCM policy reported to Council by 30 June 2023	4 report on the implementation of SCM policy reported to Council by 30 June 2023	2		Compliance checklist to be developed and implemented				Opex-internal	All Council resolution noting deviations

			goods and services.														
Budget and Treasury Office	To budget and report on all Municipal financial transactions according to legislation	D3.1	Ensure that budget is informed by the IDP			Date	Date Final Budget approved by Council	Final Budget approved by Council on or before 31 May 2023	Final Budget approved by Council on or before 31 May 2023	31-May						Opex-internal	All Council resolution on draft and final budget
Corporate Services	To ensure that assets are properly safeguarded, maintained and accounted for in the Municipal records	D4.4	Establish own fleet with effective tracking system			Number	Number of Fleet Management Report prepared	12 Fleet Management Reports prepared by 30 June 2023	12 Fleet Management Reports prepared by 30 June 2023	12						Opex-internal	All Monthly Fleet Report signed by SCM Manager and CFO
PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 6 : GOVERNANCE AND POLICY									PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 3 : HUMAN AND COMMUNITY DEVELOPMENT								
NATIONAL KEY PERFORMANCE AREA : GOOD GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS																	
OUTCOME 9 : DEEPEN DEMOCRACY THROUGH A REFINED WARD COMMITTEE SYSTEM																	
BACK TO BASICS: PILLAR 1: PUTTING PEOPLE FIRST & PILLAR 3: GOOD GOVERNANCE																	
GOOG GOVERNANCE, COMMUNITY PARTICIPATION AND WARD COMMITTEE SYSTEMS																	

Office of the Municipal Manager	Promote good governance, accountability and transparency	E1.1	Promotion of effective, timeous, and efficient communication with both internal and external stakeholders		Number	Number of Council meetings held	4 Council Meetings held by 30 June 2023	4 Council Meetings held by 30 June 2023	17						Opex-internal	All	Attendance register
Office of the Municipal Manager	Promote good governance, accountability and transparency	E1.2	Monitor and improve internal Control & risk management processes		Percentage	% Audit plan Implemented or achieved	100% Audit plan Implemented or achieved by 30 June 2023	100% Audit plan Implemented or achieved by 30 June 2023	100%						Opex-internal	All	Progress report
Office of the Municipal Manager	Promote good governance, accountability and transparency	E1.2	Monitor and improve internal Control & risk management processes	703	External audit	Type of audit opinion received - clean audit best, unqualified acceptable) Prior year AFS	To achieve and maintain a clean or unqualified audit by 30 June 2023	To achieve and maintain a clean or unqualified audit by 30 June 2023	Unqualified			1 565 217	1 565 217	2 379 976	Opex-internal	All	Audit report

Office of the Municipal Manager	Placing the primary focus on addressing the needs of communities within the municipality	E 2.2	Ward committees supported and capacitated to ensure functionality	657	Ward Committees	Number	Number of ward committee meetings held	180 ward committee meetings held for the year ended 30 June 2023	180 ward committee meetings held for the year ended 30 June 2023	180			2 160 000	2 640 000	2 622 000	Opex-internal	1 to 15	Attendance Register
Corporate Services	Placing the primary focus on addressing the needs of communities within the municipality	E 2.4	Monitor customer complains & provide feed back			Number	Number of report on complaints/compliments	4 report on complains/compliments by 30 June 2023	4 report on complains/compliments by 30 June 2023	4						Opex-internal	All	Report on public complains / compliments
Corporate Services	To ensure effective and efficient administration complying with its Legal Mandates	E4. 2	Strengthen Council Oversight through training on Legislation and Policies	508, 450, 509, 511, 510	Staff & Cllr training	Number	Number of Cllrs who attended training (NQF rated / Short Courses) against the Skills development plan	29 Councilors to attending training(NQF rated/short courses) by 30	29 Councilors to attending training(NQF rated/short courses) by 30	23		Personal Development Plans to be prepared and implemented	1,5 Mil	1 209 739	459 612	Opex-internal	All	Training certificates

								June 2023	June 2023								
Office of the Municipal Manager	To ensure effective and efficient administration complying with its Legal Mandates	E4.3	Development of an organisational strategic planning document	910, 911, 914	Strategic Planning	Date	Date Strategic Planning sessions held	Strategic planning session held on or before 31 March 2023	Strategic planning session held on or before 31 March 2023	17-Apr-23	Arrange ments for Strategic Plannin g to be started early in January of each year	533 250,00	533 250,00	765118	Opex-internal	All	Attenda nce register
Office of the Municipal Manager	To promote a municipal governance system that enhances and embraces the system of participatory Governanc e	E5.1	Facilitate the functionality of Ward Committees through continuous public participation			Number	Number of ward community meetings held	60 ward community meetings held by 30 June 2023	60 ward community meetings held by 30 June 2023	110					Opex-internal	1 to 15	Attenda nce Register and minutes

Planning & Development & LED	To promote a municipal governance system that enhances and embraces the system of participatory Governance	E5.2	Development of a Credible Integrated Development plan within prescribed legislative guidelines	369	Development and Review of Integrated Development Plan (IDP)	%	% of IDP credibility score obtained from Cogta IDP assessment	70% or > IDP credibility score achieved for the IDP assessment by Cogta by 30 June 2023	70% or > IDP credibility score achieved for the IDP assessment by Cogta by 30 June 2023	79%			869 565,00	0,00	0,00	OPEX-Own funding	All	IDP / Mng Planning & Housing
Office of the Municipal Manager	To promote and foster sound internal and external communication	E6.2	Facilitate functionality of IGR Structures			Number	Number of IGR meetings attended	4 IGR meetings attended by 30 June 2023	4 IGR meetings attended by 30 June 2023	0		To attend all IGR meeting with proper invitation				Opex-internal	All	attendance register
Office of the Municipal Manager	To ensure that the risk maturity of the organisation is at an enabled level	E7.1	Risk assessment annually with implementation, monitoring continuous improvement			Date	Date of Annual Risk Assessments done (Operational, fraud and IT)	Annual risk assessment conducted by 30 June 2023	Annual risk assessment conducted by 30 June 2023	29-May						Opex-internal	All	Attendance register

			ent and on-going review																
PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 5 : ENVIRONMENTAL SUSTAINABILITY									PROVINCIAL GROWTH & DEVELOPMENT STRATEGY (PGDS) GOAL 7: SPATIAL EQUITY										
NATIONAL KEY PERFORMANCE AREA : CROSS CUTTING INTERVENTION																			
OUTCOME 9 : SINGLE WINDOW OF CO-ORDINATION ; ACTIONS SUPPORTIVE OF HUMAN SETTLEMENT OUTCOME																			
BACK TO BASICS: PILLAR 2 - DELIVERY BASIC SERVICES																			
Community Services	Promote the Environment Conservation and management to ensure that adverse environmental impacts is prevented and mitigate	F1.3	To conduct environmental awareness campaigns to communities.			Number	Number of Waste & Environmental Operations/Awareness	4 Waste and Environmental Management Operations / Awareness by 30 June 2023	4 Waste and Environmental Management Operations / Awareness by 30 June 2023	4							Opex-internal	All	Attendance Register/ Report and Photos

Planning & Development & LED	Promote the Environment Conservation and management to ensure that adverse environmental impacts is prevented and mitigate	F1.4	Review and enforce Environmental By-laws.		By-law development	Date	Date Environmental Management By-law adopted by Council	Date Environmental Management By-law adopted by Council on or before 30 June 2023	Date Environmental Management By-law adopted by Council on or before 30 June 2023	Nil		To engage the Department of Cogta for assistance in finalising the By-law				Opex-internal	All	IDP / Mng Planning & Housing
Community Services	Provide disaster management and emergency services	F2.1	To develop and implement a disaster management plan and fire services Plan		Conduct and Facilitate Fire and Emergency Drills	Number	Number of fire and rescue inspections conducted in buildings	40 fire and rescue inspections conducted in buildings by 30 June 2023	40 fire and rescue inspections conducted in buildings by 30 June 2023	55						Opex-internal	All	Reports
Planning & Development & LED	To plan areas for future development and	F3.1	Review the Spatial Development Plan		Development of SDF	Date	Date SDF Is adopted by Council	SDF adopted by Council by 30	SDF adopted by Council by 30	31-May						Opex-internal	All	Council Resolution & approved SDF

	formalisati on							June 2023	June 2023									
--	-------------------	--	--	--	--	--	--	--------------	--------------	--	--	--	--	--	--	--	--	--



CHAPTER FOUR

Organisational Development (Performance Report Part 2)



COMPONENT A: INTRODUCTION TO THE MUNICIPAL PERSONNEL

The organisational structure is reviewed annually and has been set out into six (6) effective departments in order to achieve the Municipality’s objectives. There are a number of vacancies that require personnel within the Municipality. However, departments tend to struggle with filling certain positions owing to budgetary constraints that are being overcome by reviewing the organogram and budget. Whereas the Municipality must take cognisance of the threshold of 40% that must not be exceeded for personnel placement in terms of the MFMA.

One major role that the Human Resources is tasked with within the Municipality is to ensure that employees are looked well after and that their morale is enhanced on a continuous basis. The following programmes were implemented in the 2022/2023 financial year and are implemented annually:

Training of employees and Councillors as per the Council approved Workplace Skills Plan (WSP);

- Employee Wellness ;
- Employee Assistance Program; and
- Employee Performance Management.

STAFF COMPLIMENT: The total number of employees at the end of June 2023 financial year was 289 permanent employees including the new appointment. The total number of temporal employees was 130 including the EPWP and traffic wardens (PCP).

4.1 EMPLOYEE TOTALS, TURNOVER AND VACANCIES

Table 88: Employee Totals, Turnover and Vacancies

Employees					
Description	Year – 2021/2022	Year 2022/2023			
	Employee No.	Approved Posts No.	Employees No.	Vacancies No.	Vacancies %
Water		0	0	0	0
Wastewater (Sanitation)		N/A	N/A	N/A	N/A
Office of the Municipal Manager		22	22	11	
Corporate Services		53	53	20	
Planning, LED and Housing		10	10	7	
Community Services		134	134	70	

Environmental Protection		N/A	N/A	N/A	N/A
Technical Services		43	43	36	
Budget and Treasury		27	27	8	
Totals		289	289	152	

Vacancy Rate: The posts for the 2022/2023 financial year were according to the approved organogram for the municipality. The actual positions filled are indicated in table below.

Table 89: Number of Filled Positions per Functional Level

Vacancy Rate: Year 2022/2023			
Designation	Total Approved Posts No.	*Vacancies (Total time that vacancies exist using fulltime equivalents) No.	*Vacancies (as a proportion of total posts in each category) %
Municipal Manager	1	0	0
CFO	1	0	0
Other S56 Managers (excluding Finance Posts)	4	0	0
Other Middle Managers (Finance Posts)	1	0	0
Police Officers (Traffic Officers)		0	10
Fire fighters	10	0	6
Senior management Levels 15 (excluding Finance Posts)	17	0	5
Senior management Levels 15 (Finance Posts)	3	0	1
Highly skilled supervision: Levels 14 (excluding Finance Posts)	13	0	4
Highly skilled supervision: Levels 14 (Finance Posts)	6	0	0
Total	62	0	26

Turnover Rate: Strategies are in place to improve work performance and reduce turnover. Municipal staff turnover is reflected on the table below.

Table 90: Turnover Rate

TURN-OVER RATE				
Details	Total Appointment (Permanent) as of beginning of Financial Year	Total Temporal	Terminations during the Financial Year	Turn-over Rate
Year - 2022/2023	34	5	13 -Permanent 53 -Temporal	
*Divide the number of employees who have left the organization within a year, by total number of employees who occupied posts at the beginning of the year. 14/256*100				

COMPONENT B: MANAGING THE MUNICIPAL WORKFORCE

Section 67 of the MSA states that "A municipality, in accordance with applicable law and subject to any applicable collective agreement, must develop and adopt appropriate systems and procedures, consistent with any uniform standards prescribed in terms of section 72(l) (c), to ensure fair, efficient, effective and transparent personnel administration in accordance with the Employment Equity Act 1998." This component cites the range of workforce management and progress made in the development of workforce policies and management practices during 2021/2022 financial year.

4.2 POLICIES

Table 91: HR Policies and Plans

Name of Policy	% Completed	% Reviewed	Date Adopted by Council or Comment on Failure to Adopt
Records Management Policy	100	100	Adopted
Scarce & Critical Skills Retention Policy	100	100	Adopted
Recruitment & Selection Policy	100	100	Adopted
Learnership Policy	100	100	Adopted
HIV & AIDS Policy	100	100	Adopted
Internal Transfer Policy	100	100	Adopted
Employee Wellness Policy	100	100	Adopted
Leave Policy	100	100	Adopted
Annual Leave	100	100	Adopted
Family Responsibility Leave	100	100	Adopted
Maternity Leave	100	100	Adopted
Paternity Leave	100	100	Adopted
Sick Leave	100	100	Adopted
Study Leave	100	100	Adopted
Unpaid Leave	100	100	Adopted
Subsidized Motor Vehicle Policy	100	100	Adopted
Skills Development Policy	100	100	Adopted

Sexual Harassment Policy	100	100	Adopted
Occupational Health & Safety Policy	100	100	Adopted
Experiential Training Policy	100	100	Adopted
Housing Allowance	100	100	Adopted
Protective Clothing	100	100	Adopted
Acting Allowance	100	100	Adopted
Bursary Policy	100	100	Adopted
Induction Policy	100	100	Adopted
Internal Transfer	100	100	Adopted
Probation Policy	100	100	Adopted
Stuff Appointment	100	100	Adopted
Termination of Service Policy	100	100	Adopted

4.3 INJURIES, SICKNESS AND SUSPENSIONS

Table 92: Injuries, Sickness and Suspensions

Type of Injury	Injury Leave Taken Days	Employees using Injury Leave No.	Proportion employees using Sick Leave %	Average Injury Leave per employee Days	Total Estimated Cost R'000
Required Basic Medical Attention Only	0	0	0	0	0
Temporary Total Disablement	0	0	0	0	0
Permanent Disablement	0	0	0	0	0
Fatal	0	0	0	0	0
Total	0	0	0	0	0

Table 93: Number of Days and Cost of Sick Leave

Number of days and Cost of Sick Leave (excluding injuries on duty)						
Salary band	Total sick leave	Proportion of sick leave without medical certification	Employees using sick leave	Total employees in post*	Average sick leave per employee	Estimated Cost
	Days	%	No.	No.	Days	R'000
Lower skilled (Levels 1-2)	162	0	14	14	14	R76727.4
Skilled (Levels 3-5)	83	9	38	38	38	R261 181.76
Highly skilled production (Levels 6-8)	238	8	31	31	31	R346 925.81
Highly skilled supervision (Levels 9-12)	23	0	5	5	5	R91770.77
Senior management (Levels 13-15)	0		0	0	0	R0.00
MM and S57	0	0	0		0	R0.00
Total	506		88	88	88	R776 605.74
*Number of employees in post at the beginning of the year						
*Average is calculated by taking in column 2 divided by total employees in column 5						

Table 94: Number and Period of Suspensions

Number and Period of Suspensions				
Position	Nature of Alleged Misconduct	Date of Suspension	Details of Disciplinary Action taken, or Status of Case and Reasons why not Finalised	Date Finalised
Secretary Technical	failure to comply with lawful instruction	2021/05/13		Case pending
Meter Reader	Failure to perform assigned primary duties, absenteeism, misusing municipal resource	021/04/14		Case pending

Table 95: Disciplinary Action Taken on Cases of Financial Misconduct

Disciplinary Action Taken on Cases of Financial Misconduct			
Position	Nature of Alleged Misconduct and Rand value of any loss to the municipality	Disciplinary Action Taken	Date Finalized
N/A	N/A	N/A	N/A

4.4 PERFORMANCE REWARDS

Table 96: Performance Rewards by Gender

Performance Rewards By Gender					
Designations	Beneficiary profile				
	Gender	Total number of employees in group	Number of beneficiaries	Expenditure on rewards Year 1 R' 000	Proportion of beneficiaries within group %
Lower skilled (Levels 1-2)	Female	20	9		45%
	Male	30	12		
Skilled (Levels 3-5)	Female				
	Male				
Highly skilled production (levels 6-8)	Female				
	Male				
Highly skilled supervision (levels 9-12)	Female				
	Male				
Senior management (Levels 13-15)	Female				
	Male				
MM and S57	Female				
	Male				
Total		50	21		
<i>Has the statutory municipal calculator been used as part of the evaluation process?</i>					Yes/No
<p><i>Note: MSA 2000 S51(d) requires that ... 'performance plans, on which rewards are based should be aligned with the IDP'... (IDP objectives and targets are set out in Chapter 3) and that Service Delivery and Budget Implementation Plans (developed under MFMA S69 and Circular 13) should be consistent with the higher level IDP targets and must be incorporated appropriately in personal performance agreements as the basis of performance rewards. Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i></p>					T 4.4.1

COMPONENT D: MANAGING THE WORKFORCE EXPENDITURE

Section 68 of the MSA requires municipalities to develop their human resource capacity to a level that enables them to perform their functions and exercise their powers in an economical, effective, efficient and accountable way.

4.5 SKILLS DEVELOPMENT AND TRAINING

In accordance with the Government: Municipal Finance Management Act, Act 53 of 2003 and National Treasury: Competency Regulations, uPhongolo Municipality's financial competency development is as detailed in Table 4.7. The Municipality has built capacity in the management and finance departments, improving competency and performance in the functional areas.

Table 97: Progress Report on Financial Competency Development in uPhongolo Municipality

Skills Matrix														
Management level	Gender	Employees in post as at 30 June Year 0	Number of skilled employees required and actual as at 30 June 2023											
			Learnerships			Skills programmes & other short courses			Other forms of training			Total		
			No.	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0	Year 0 Target	Actual: End of Year -1	Actual: End of Year 0
MM and s57	Female		5							0	1			1
	Male		5							1	2		1	2
Councillors, senior officials and managers	Female		2							3	3		3	3
	Male		3							4	4		4	4
Technicians and associate professionals*	Female		4							2	2		2	2
	Male		8							8	9		8	9
Professionals	Female		8							6	6		6	6
	Male		6							2	2		2	2
Sub total	Female		19							11	12		11	12
	Male		22							15	17		15	17
Total		0	82	0	0	0	0	0	0	52	58	0	52	58

*Registered with professional Associate Body e.g CA (SA)

T 4.5.1

Table 98: Financial Competency Development for 2022/2023

Financial Competency Development: Progress Report*						
Description	A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c))	B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c))	Consolidated: Total of A and B	Consolidated: Competency assessments completed for A and B (Regulation 14(4)(b) and (d))	Consolidated: Total number of officials whose performance agreements comply with Regulation 16 (Regulation 14(4)(f))	Consolidated: Total number of officials that meet prescribed competency levels (Regulation 14(4)(e))
Financial Officials						
<i>Accounting officer</i>	0	0	0	0	0	0
<i>Chief financial officer</i>	0	0	0	0	0	0
<i>Senior managers</i>	0	0	0	0	0	0
<i>Any other financial officials</i>	0	0	0	0	0	0
Supply Chain Management Officials						
<i>Heads of supply chain management units</i>	0	0	0	0	0	0
<i>Supply chain management senior managers</i>	0	0	0	1	1	1
TOTAL	0	0	0	1	1	1

* This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007)

T 4.5.2

Table 99: Skills Development Expenditur

Skills Development Expenditure										
Management level	Gender	Employees as at the beginning of the financial year	Original Budget and Actual Expenditure on skills development 2022/2023							
			Learnerships		Skills programmes & other short courses		Other forms of training		Total	
		No.	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual	Original Budget	Actual
MM and S57	Female						10	20	10	20
	Male						20	25	20	25
Legislators, senior officials and managers	Female									
	Male									
Professionals	Female									
	Male									
Technicians and associate professionals	Female									
	Male									
Clerks	Female									
	Male									
Service and sales workers	Female									
	Male									
Plant and machine operators and assemblers	Female									
	Male									
Elementary occupations	Female									
	Male									
Sub total	Female						10	20	10	20
	Male						20	25	20	25
Total		0	0	0	0	0	30	45	30	45
*% and *R value of municipal salaries (original budget) allocated for workplace skills plan.									%*	*R
T4.5.3										

Table 100: Training Received During 2022/2023 Financial Year and Development Expenditure

Training	Number of People Trained		Amount
	Females	Males	
Legislators, senior officials and managers: Computer Training	10	19	R 108 387.00
Professionals: Recruitment and Selection	5	13	R25 000.00
Municipal Finance Management Programme	11	9	R293 889.76
Clerks: Report Writing	14	1	R33 810.00
Elementary Occupation: Environmental Practice	11	36	R172 011.25
TOTAL	51	78	R633 098.01

Table 101: Number of Employees Whose Salaries Were Increased Due to Their Positions Being Upgraded

Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Upgraded		
Beneficiaries	Gender	Total
Lower skilled (Levels 1-2)	Female	0
	Male	0
Skilled (Levels 3-5)	Female	0
	Male	0
Highly skilled production (Levels 6-8)	Female	0
	Male	0
Highly skilled supervision (Levels9-12)	Female	0
	Male	0
Senior management (Levels13-16)	Female	0
	Male	0
MM and S 57	Female	0
	Male	0
Total		0
<i>Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column (as illustrated above).</i>		<i>T 4.6.2</i>

Table 102: Employees Whose Salary Levels Exceed

Employees whose Salary levels exceed the grade determined by Job Evaluation				
Occupation	Number of employees	Job evaluation level	Remuneration level	Reason for deviation
N/A	N/A	N/A	N/A	N/A

Table 103: Employees Appointed to Posts Not Approved

Employees appointed to posts not approved				
Department	Level	Date of appointment	No. appointed	Reason for appointment when no established post exists
N/A	N/A	N/A	N/A	N/A



CHAPTER FIVE

Financial Performance



COMPONENT A: STATEMENTS OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE

Financial performance of uPhongolo Municipality is analysed using the following 3 main components in this chapter (5) namely:

- Component A: Statement of Financial Performance
- Component B: Spending Against Capital Budget
- Component C: Other Financial Matters

5. FINANCIAL PERFORMANCE:

Table 104: Financial Performance of Operational Services

Description	Original Budget	Final Budget	Actual Income & Expenditure	Variance	Actual Income As % Of Final Budget
Financial Performance					
Revenue from exchange transactions					
Service Charges	59 382 024	59 382 024	56 516 775	(2 865 249)	95.10
Licenses and permits	2 017 233	2 017 233	1 718 051	(299 182)	85.10
Rental income	659 968	659 968	500 849	(159 119)	75.89
Interest on Investments	1 587 678	2 022 075	2 449 102	427 027	121.10
Interest on Outstanding Debtors	2 607 146	1 471 151	828 482	(642 669)	56.30
Operating Revenue	2 989 451	4 923 368	5 387 349	463 981	109.42
Construction contract revenue	-	-	5 752 895	5 752 895	100
Agency Services	-	-	948 852	948 852	100
Gains on disposal of assets	219 858	-	-	-	-
Total revenue from exchange transactions	69 463 358	70 475 819	74 102 355	3 626 536	105.10
Taxation revenue					
Property Rates	45 592 637	45 592 637	45 570 560	(22 077)	99.90
Government Grants	209 936 000	250 301 269	232 155 470	(18 145 799)	92.70
Traffic fines	2 992 710	2 992 710	1 681 100	(1 311 610)	56.17
Total revenue from non-exchange transactions	258 521 347	298 886 616	279 407 130	(19 479 486)	93.40
Contributions from reserves					
Total revenue	327 984 705	369 362 435	353 509 485	(15 852 950)	95.70
Description	Original Budget	Final Budget	Actual Income & Expenditure	Variance	Actual Income As % Of Final Budget
Expenditure					

Employee Costs	(113 137 366)	(122 197 060)	(124 087 557)	(1 890 497)	101.55
Remuneration of Councillors	(10 428 276)	(10 803 277)	(11 228 161)	(424 884)	103.00
Depreciation & Asset Impairment	(25 675 280)	(25 675 280)	(25 372 447)	302 833	98.82
Debt Impairment	(9 707 111)	(9 707 111)	(5 925 865)	3 781 246	61.05
Finance Charges	(1 124 568)	(1 476 421)	(1 903 663)	(427 242)	128.00
Bulk Purchases	(37 875 896)	(35 246 987)	(35 985 209)	(738 222)	102.09
Debtors written-off	-	-	(11 811 690)	(11 811 690)	100.00
Operational Cost	(75 755 387)	(94 894 854)	(102 364 465)	(7 469 611)	107.87
Total Expenditure	(273 703 884)	(300 000 990)	(324 431 952)	(24 430 962)	108.14
Surplus/(Deficit)	54 280 821	69 361 445	29 077 533	(40 283 912)	41.92
Fair value adjustments	0	0	1 743 618	1 743 618	100.00
Actuarial losses	(219 858)	(219 858)	(3 804 909)	(3 585 051)	100.00
Loss on disposal of assets	-	-	(350 698)	(350 698)	100.00
Surplus/(Deficit) After Operating Surpluses	54 060 963	69 141 587	26 665 544	(42 476 043)	38.57
Surplus for the financial year	54 060 963	69 141 587	27 757 126	(41 384 461)	40.15

5.2 GRANT PERFORMANCE

Table 105: Grant Performance					
Grant name	2021/2022	2022/2023			Variance of Final
		Original budget	Adjustment budget	Actual	Spent %
NATIONAL	224 235 000	215 664 000	227 693 783	227 693 783	100.00
Equitable Share	153 601 000	169 597 000	169 597 000	169 597 000	100.00
Municipal Infrastructure Grant	34 732 000	31 889 000	31 889 000	31 889 000	100.00
Integrated National Electrification Programme	15 000 000	8 200 000	4729 783	4 279 783	100.00
Finance Management Grant	2 900 000	3 000 000	3 000 000	3 000 000	100.00
Expanded Public Works Programme Grant	2 504 000	2 978 000	2 978 000	2 978 000	100.00
Municipal Emergency Housing Grant	15 498 000	0	15 500 000	15 500 000	100.00
PROVINCIAL	55 729 647	2 475 417	11 790 985	11 052 347	93.74
Human Settlement-Housing Grant	43 371 320	0	1 640 041	1 640 041	100.00
Community Libraries Grant	484 000	508 000	508 000	508 000	100.00
Provincialization of Libraries Grant	1 871 000	1 964 000	1 964 000	1 964 000	100.00
Integrated Economic Development Plan	1 500 000	0	1 003 108	727 600	72.53
Koppie-Allen Guesthouse	2 500 000	0	675 836	675 836	100.00
Belgrade Fitness Centre		0	6 000 000	5 991 870	99.86
Sub Rant Facility Grant	3 417	3 417	3 417	0	0.00
	279 964 647	218 139 417	242 954 985	232 216 347	95.58

5.3 GRANTS RECEIVED

Table 106: Grants Received From Sources Other Than Division of Revenue Act (DoRA)						
Details of Donor	Actual Grant Year - 1	Actual Grant Year 0	Year 0 Municipal Contribution	Date Grant terminates	Date Municipal contribution terminates	Nature and benefit from the grant received, include description of any contributions in kind
Parastatals						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
Foreign Governments/Development Aid Agencies						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
Private Sector / Organisations						
A - "Project 1"						
A - "Project 2"						
B - "Project 1"						
B - "Project 2"						
<i>Provide a comprehensive response to this schedule</i>						<i>T 5.2.3</i>

5.4 ASSET MANAGEMENT

Table 107: Repairs and Maintenance Expenditure: 2022/2023

	2021/2022	2022/2023			Variance
		Original Budget	Adjustment Budget	Actual	Spent %
Repairs and maintenance expenditure	(14 705 586)	(9 721 882)	(15 017 780)	(13 034 420)	86.79

5.4 FINANCIAL RATIOS FOR 2022/2023

Asset Management: The capital expenditure to total expenditure ratio was 10.42%. The norm for this ratio ranges between 10%-20%. Although the ratio was above 10% and it doesn't reflect low spending on infrastructure and does not hold potential risk to service delivery, It does hold financial sustainability risk because the infrastructure does not include economic (revenue generating) and social type infrastructure.

Table108: Asset Register as at 30 June 2022

Details	Carrying Amount – 30-Jun-2023	Carrying Amount – 30-Jun-2022	% Change
Land	71 302 265	71 302 265	0.00
Buildings	132 959 073	118 347 426	12.35
Infrastructure	136 286 241	137 580 732	-0.95
Solid Waste	8 234 317	9 100 596	9.52
Other PPE	24 681 358	26 179 216	5.72
Total PPE	373 463 254	362 510 235	2.98

The table above indicates the asset value per the asset register grew by 2.98% between 01 July 2022 and 30 June 2023. The largest growth was in buildings which had a 12.35% increase. The second largest growth was on solid waste with an increase of 9.52%.

The repairs and Maintenance ratio was 2.98%. This ratio was below the norm which is 8% and is an indication that sufficient monies are not being spent on repairs and maintenance to the extent that it could decrease impairment of useful assets.

The municipality ensured that all previous year fixed asset errors were addressed with the assistance of EAMS Trading who was appointed to compile the 2022/23 Fixed Asset Register. The terms of reference included the following:

- Physical verification of all movable assets;
- Physical verification of infrastructure (immovable) assets;
- Review of assets under construction (AUC), analysis of 2022/23 capital expenditure and WIP completed during the 2021/22 financial year;
- Unbundling of infrastructure assets acquired (WIP completed) as required by GRAP17;
- Review of remaining useful lives (RUL) of infrastructure and movables assets;
- Identification and review of possible impairment of infrastructure and movable assets;
- Implementation and review of disposal during the 2022/23 financial year;
- Perform the depreciation charge calculation for the 2022/23 financial year;
- Provide journals, disclosure notes and annexures in the annual financial statements and accounting policies;
- Respond to all relevant GRAP asset audit queries; and
- The net movement in the carrying amount of Property Plant and Equipment

Debtors Management: The collection ratio was 93.43% and below the norm of 95%. This ratio indicates the collection rate which is the level of payment by debtors. This is an indication that revenue collection of the municipality requires urgent attention and corrective measures should be implemented.

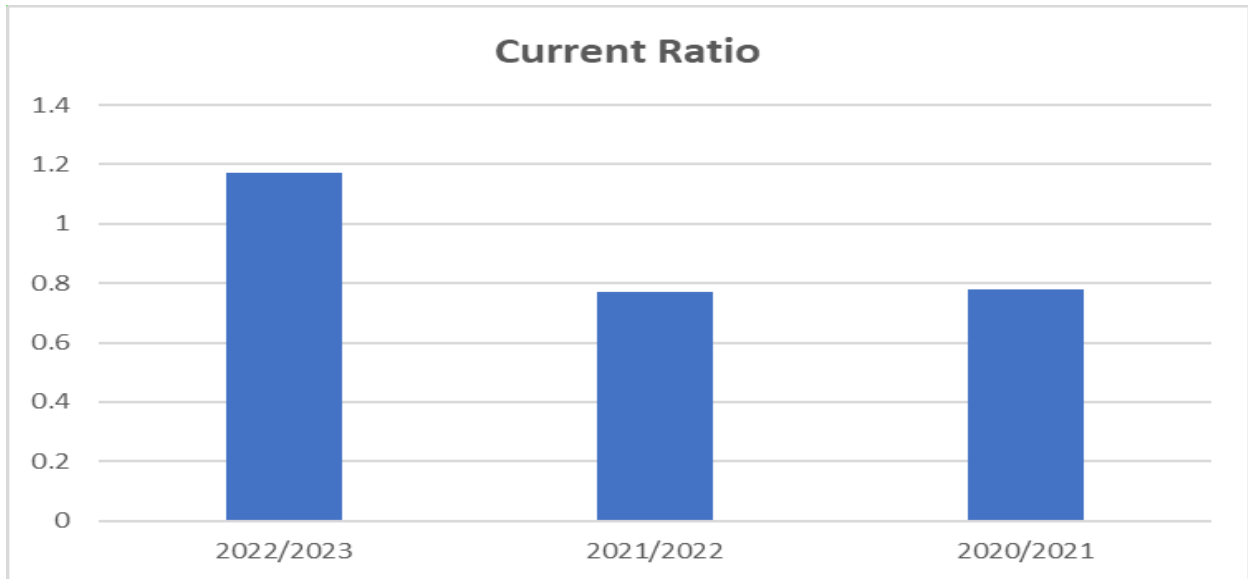
Liquidity Management: The cash /cost coverage ratio indicated that the municipality's ability to meet its monthly fixed operational commitments from cash and short-term investments without collecting additional revenue during the month. Our ratio was 0 months and the norm is 1- 3 months.

The Current Ratio was used to assess the municipality's ability to pay back its short-term liabilities with its short-term assets which is cash, inventory and receivable.

FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

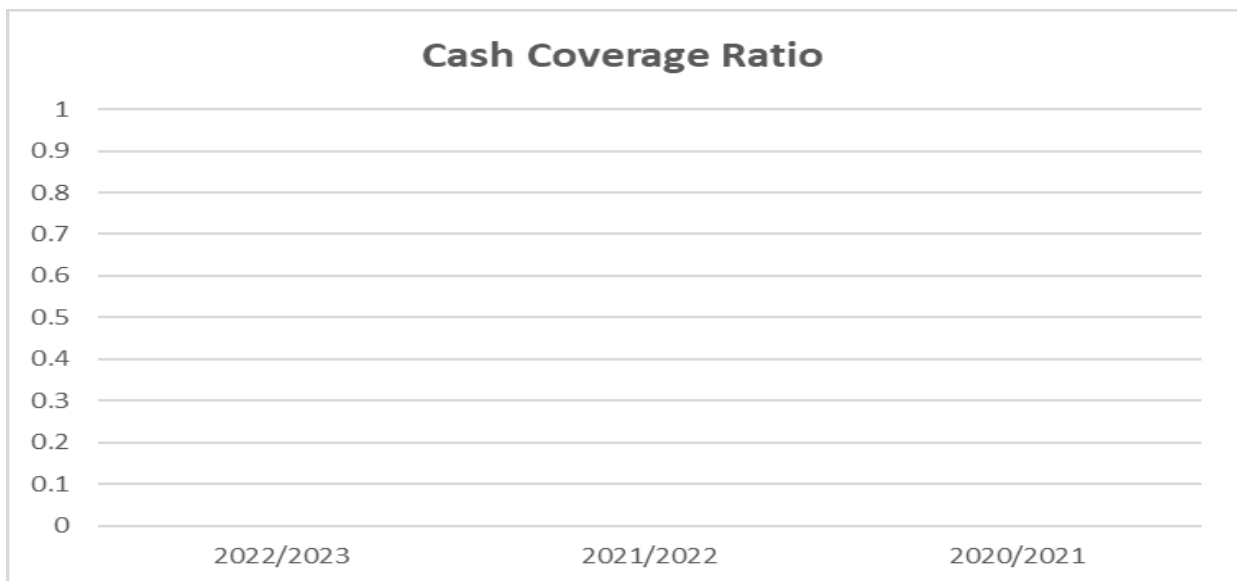
LIQUIDITY RATIO

Figure: Current Ratio



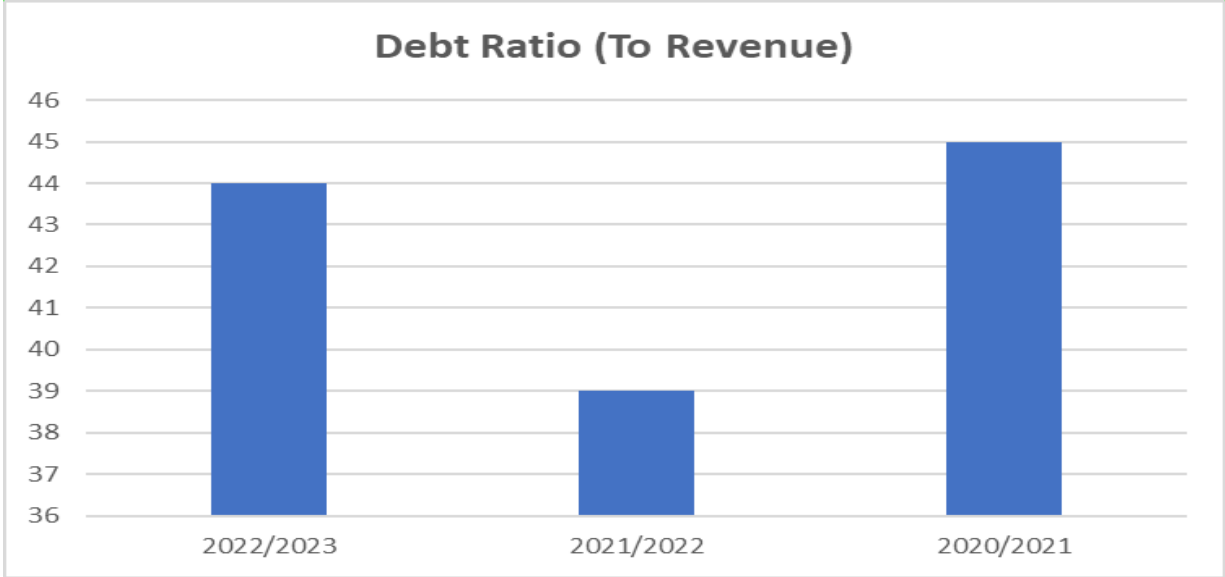
The cash position was achieved with the current ratio of 1.71:1 while it was 0.94:1 in 2022/23; 0.77:1 in 2021/22 and 78:1 in 2020/21. The municipality was still facing poor collection of debtors which resulted in a huge (5 million) impairment of debtors. However, the municipality is in a position to operate for the foreseeable future.

Figure: Cost Coverage Ratio



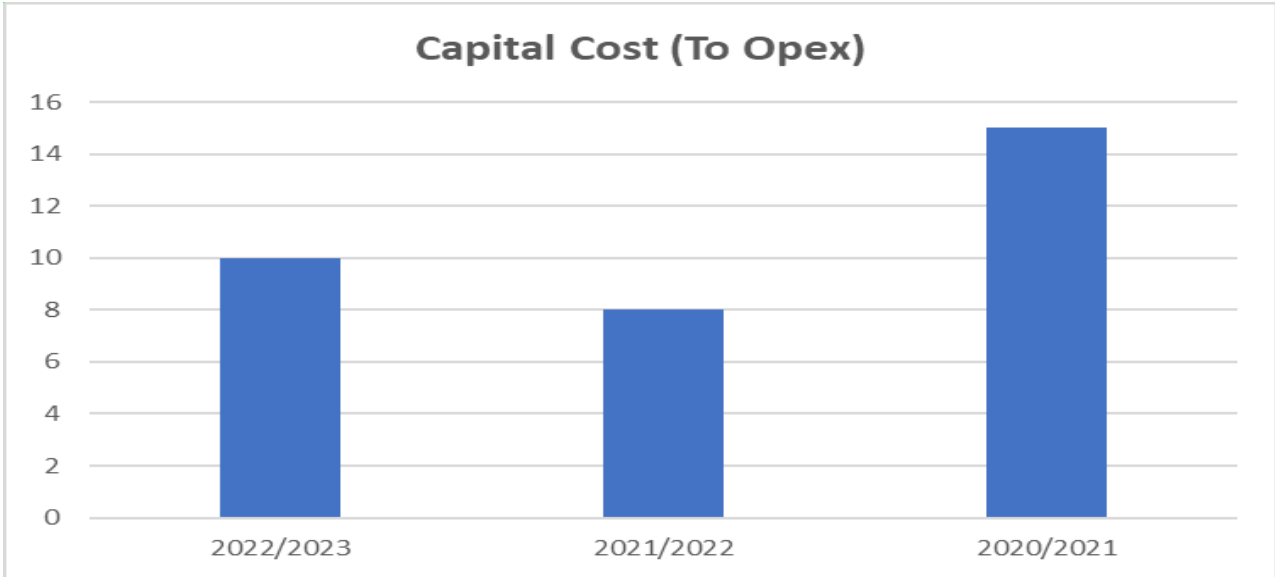
The cost coverage ratio for the year was 0 months in 2022/2023, 0 months in 2021/22, and 0 months in 2020/21. The norm for cash/ cost coverage ratio is 1-3 months. The municipality was still facing cash flow issues due to the slow collection of municipal services.

Figure: Debt Ratio



The debt ratio (to revenue) was at 44% in 2022/2023 while it was 46% in 2021/22, and 45% in 2020/21. Management applied and influenced sound financial and good governance principles. The norm for cash/ cost coverage ratio is 45% or less.

Figure: Capital Cost



The capital cost coverage ratio for 2022/23 was at 10%, 2021/222 was at 8%, and 200/21 was at 15%. The norm for the capital cost ratio is 6%-8%. The municipality properly maintained the finance charges, by ensuring timely payment of creditors to avoid penalties on late payment.

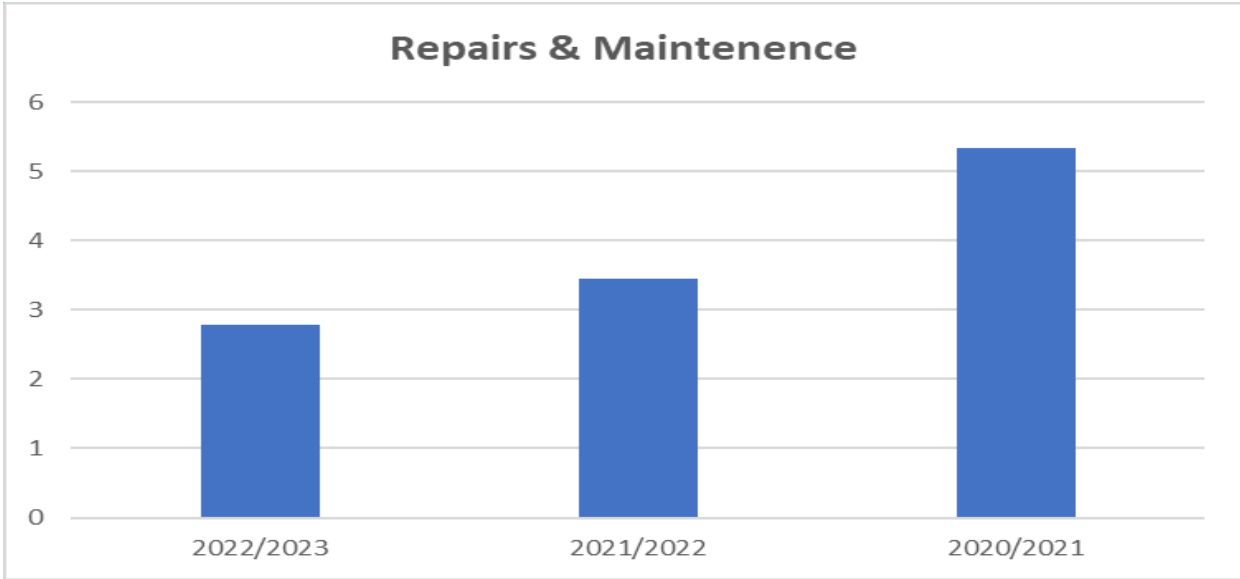
EXPENDITURE MANAGEMENT

Figure: Employee Related Costs



The employee-related cost is sitting at 41.53% for the year while it was 29.61% in 2021/22, and 37.11% in 2010/21. The norm for the employee-related cost ratio is 25%-40% of the total operational expenditure. The municipality did not properly maintain the staff cost in the 2022/23 financial year.

Figure: Repairs and Maintenance



The repairs and maintenance ratio is sitting at 2.79% in 2022/23, 3.45% in 2021/22, and 5.34% in 2020/21. The norm for repairs and maintenance ratio is 6%-8% of the total net carrying amount of the PPE plus Investment Property. The municipality is properly maintaining its assets in the 2022/23 financial year.

COMPONENT B: SPENDING AGAINST CAPITAL BUDGET

During the 2022/2023 financial year, the capital expenditure was 88.33% of the Capital budget. 86.54% was grant-funded and 13.46% was funded by internal funds. Capital grants were received from the Municipal Infrastructure Grant (MIG) and the Sports and Recreation Department. Some capital projects were new projects, thus roads, community centers, and Sports fields, and were funded by MIG.

CAPITAL EXPENDITURE

About 88.33 of the capital budget was spent during the year under review. Measures and mechanisms have been put in place to address this matter going forward.

SOURCES OF FINANCE

Most of the capital projects are financed with the grants received from MIG and Sport grant. The total capital grants received amounted to R30.2 million. Funding for the Plant and motor vehicles is from financial institutions in the form of loans/instalment sale agreements. There are no outstanding loans as at 30 June 2023.

BASIC SERVICE AND INFRASTRUCTURE BACKLOGS – OVERVIEW

The need and cost of backlogs are the result of migration into an area: migration out of an area: the trend towards disaggregation of families into more than one housing unit: and the cost of renewing and upgrading core infrastructure.

Table 109: Service Backlogs as at 30 June 2023

	Service level above minimum standard		Service level below the minimum standard	
	No of Households	%	No of Households	%
		Households		Households
Electricity	30592	73	7 768	17
Refuse	5 563	19.34	1 201	4.17
Water (ZDM)	15026	52%	13746	48%
Sanitation (ZDM)	12334	43%	16438	57%

The vision of the municipality is to ensure an inclusive socio-economy by providing quality services that yield a better life for all by 2035. The current challenges that the Community of uPhongolo faces when it comes to infrastructure and basic services were inherited from the pre-1994 era.

It is a challenge that the municipality has been working hard to overcome and is close to addressing some of the backlogs. Electricity currently has a backlog of less than 15% which is a good improvement. Other community infrastructure is also being addressed on a yearly basis and below is a list of projects planned for the next three years.

BASIC SERVICE AND INFRASTRUCTURE BACKLOGS- OVERVIEW

The vision of the municipality is to ensure an inclusive socio-economy by providing quality services that yield a better life for all by 2035. The current challenges that the Community of uPhongolo faces when it comes to infrastructure and basic services were inherited from the pre-1994 era.

It is a challenge that the municipality has been working hard to overcome and is close to addressing some of the backlogs. Electricity currently has a backlog of less than 15% which is a good improvement. Other community infrastructure is also being addressed on a yearly basis and below is a list of projects planned for the next three years.

Table 110: Projects Planned for the Next Three Years

ITEM DESCRIPTION	APPROVED FINAL BUDGET 2022/23	ESTIMATED BUDGET 2023/24	ESTIMATED BUDGET 2024/25
Infrastructure Assets	27 403 782.61	28 532 217.39	29 708 565.22
Multipurpose Sports Centre in Ward 11	6 206 868.57	-	-
Ward 8 Sportsfield	8 285 739.80	-	-
Ward 8 Multi-Purpose Centre	6 819 060.82	-	-
Kwatengizwe Sports Facility Ward 4	598 408.08	-	-
Mbube/Nkuzane Area Sportfield	1 524 074.33	-	-
Ward 1 Moresson Gravel Roads	3 969 559.02	-	-
MIG Various Projects	-	28 532 217.39	29 708 565.22
Public Safety	1 200 000.00	-	-
Fencing of Traffic Offices	1 200 000.00	-	-
Community Services	300 000.00	-	-
Community Halls Chairs	100 000.00	-	-
Corporate Services	527 000.00	-	-
Desktop and laptops for the advertised posts	210 800.00	-	-
Replacement of computers of the existing employees	316 200.00	-	-
Total Capital Budget	29 558 782.61	28 532 217.39	29 708 565.22

COMPONENT C: CASHFLOW MANAGEMENT AND INVESTMENTS

Table 111: Cash Flow Outcomes

Description	2021/2022	2022/2023		
		Original budget	Adjustment Budget	Actual
Cash flow from operating activities				
Receipts				
Cash receipts from customers and others	89 450 951	85 648 582	87 582 499	93 409 774
Government grants	279 461 230	209 936 000	242 024 654	230 596 930
Interest income	1 301 061	1 587 678	2 022 075	2 449 102
	370 213 242	297 172 260	335 629 228	326 455 806
Payments				
Employee costs	(104 126 162)	(117 029 299)	(114 536 946)	(124 907 935)
Suppliers	(211 065 786)	(127 357 362)	(160 216 688)	(155 781 108)
Interest paid	(289 357)	(1 124 568)	(181 754)	(97 199)
Remuneration of Councillors	(10 277 654)	(10 428 276)	(10 803 277)	(11 228 161)
	(325 758 959)	(255 939 505)	(285 738 656)	(292 014 403)
Net cash flow from operating activities	44 494 816	41 232 755	49 890 572	34 441 403
Cash flows from investing activities				
Purchase of property plant and equipment	(35 592 198)	(36 742 550)	(56 288 550)	(37 753 701)
Proceeds from the sale of property plant and equipment	21 002	-	-	
Net cash flow from investing activities	(35 571 196)	(36 742 550)	(56 288 550)	(37 753 701)
Cash flows from financing activities				
Movements in long-term loans	(2 110 116)	(3 841 667)	(1 235 113)	(1 255 367)
Net cash flows from financing activities	6 813 504	(3 841 667)	(1 235 113)	(1 255 367)
Net decrease in cash and cash equivalents	3 659 807	648 538	(7 633 091)	(4 568 516)
Cash and cash equivalents and the beginning of the year	10 473 311	3 000 000	10 432 778	10 432 778
Cash and cash equivalents and the end of the year	3 659 807	3 648 538	2 799 687	5 864 260

There was a significant decrease in the cash balance at year end which amounted to 5.9 million. This was mainly done through the implementation of a proper creditor payment policy and cashflow projection.

BORROWINGS AND INVESTMENTS

The municipality had a loan with Standard Bank for the purchase of property, plant and equipment.

Table 112: Actual Cash Held as At Year End

Account Number / Description	Bank Statement Balances	
	30 June 2023	30 June 2022
First National Bank- 62027530858 (Primary Bank Account)	3 527 774	10 223 654
First National Bank-62375342377	2 100 586	94
First National Bank-62377992104	11 716	182
First National Bank-62389585286	895	895
First National Bank-62389586507	8 223	7 946
First National Bank-62404561377	132 505	87
First National Bank-62404287345	-	7 737
First National Bank-62658357001	5 374	5 192
First National Bank-62305239718	4 753	91 563
First National Bank-74275780911	55 247	51 696
First National Bank-62596797559	1 183	1 183
First National Bank-62253771896	-	3 025
First National Bank-62230436405	22	22
Cash on hand	1 716	1 717
Receipt recognised but not yet reflecting on the B/S	14 266	37 783
Total	5 864 260	10 432 776

The actual cash held at year-end was R5.9 million in the 2022/23 financial year, this shows a decrease of R4.7 million compared to the 2021/22 actual cash held at year-end of R10.4 million.

PUBLIC-PRIVATE PARTNERSHIPS: The Municipality does not have any Public Private Partnership agreements in place.

COMPONENT D: OTHER FINANCIAL MATTERS

SUPPLY CHAIN MANAGEMENT

The municipality has a fully functioning SCM Unit which is under the management of the CFO. The unit has 5 officials. All the SCM Committees have been established and are functioning properly in the implementation of the SCM.

GRAP COMPLIANCE

The municipality has fully implemented the Standards of GRAP (Generally Recognised Accounting Practice) in accordance with the MFMA and Directive 5 issued by the Accounting Standards Board (ASB) and did not deviate from any standards. The municipality appointed EAMS Trading for assistance with the asset register to ensure that it complies 100% with GRAP requirements for this financial year.



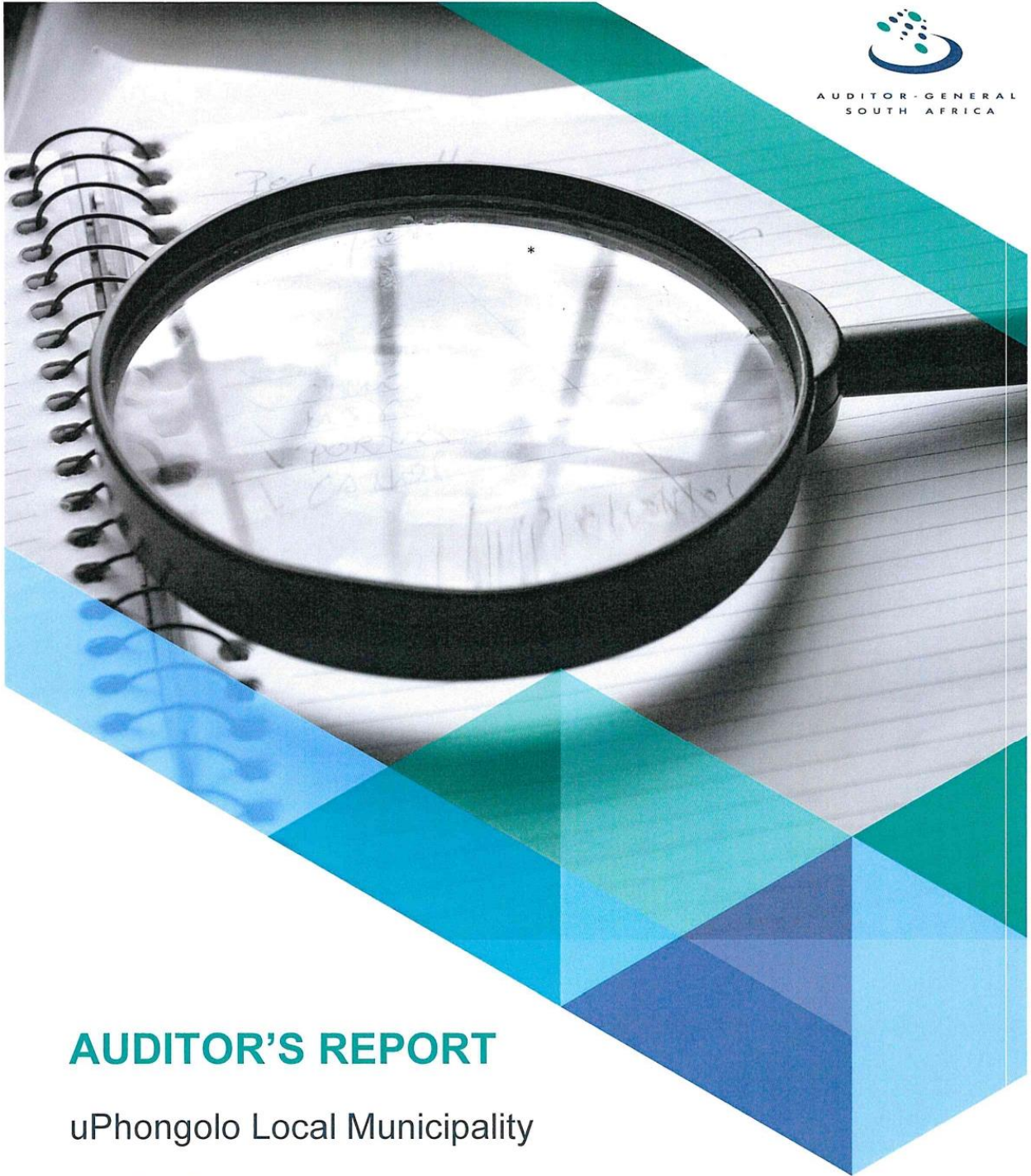
CHAPTER SIX

Auditor General's Report





AUDITOR-GENERAL
SOUTH AFRICA



AUDITOR'S REPORT

uPhongolo Local Municipality

2022-23

Date: 30 January 2023

Report of the auditor-general to the KwaZulu-Natal Provincial Legislature and the council of uPhongolo Local Municipality

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the uPhongolo Local Municipality 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 the uPhongolo Local 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 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.

Emphasis of matters

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

Restatement of corresponding figures

7. As disclosed in note 42 to the financial statements, the corresponding figures for 30 June 2022 were restated as a result of errors in the financial statements of the municipality at, and for the year ended, 30 June 2023.

Material impairment – Receivables from exchange and statutory receivables from non-exchange transactions

8. As disclosed in note 7 to the financial statements, statutory receivables from non-exchange transactions were impaired by a total of R147,38 million (2021-22: R132,97 million) as recoverability of these debts was doubtful.
9. As disclosed in note 9 to the financial statements, receivables from exchange transactions were impaired by a total of R129,76 million (2021-22: R138,24 million) as the recoverability of these debts was doubtful.

Electricity losses

10. As disclosed in note 33 of the financial statements, electricity distribution losses of 21% (2021-22: 19%) amounting to R7,69 million (2021-22: R6,99 million) were incurred during the year under review. These losses are due to technical losses and illegal connections.

Other matter

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

Unaudited disclosure notes

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

Responsibilities of the accounting officer for the financial statements

13. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and the Dora and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
14. 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

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 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 presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.
18. I selected the following key performance area presented in the annual performance report for the year ended 30 June 2023 for auditing. I selected a key performance area 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
KPA 2: Basic service delivery and infrastructure	XX – XX	Provide access to comprehensive basic services and infrastructure

19. I evaluated the reported performance information for the key performance area 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 on its mandate and key performance area.
20. 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 key performance area

- 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 any over and underachievement of targets and measures taken to improve performance.

21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

22. I did not identify any material finding on the reported performance information for the selected key performance area.

Other matter

23. I draw attention to the matter below.

Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and includes measures taken to improve performance.

Report on compliance with legislation

25. 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.

26. 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.

27. 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.

28. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

29. 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 cash flow statement and other disclosures identified by the auditors in the submitted financial statements were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

30. Money owed by the municipality was not always paid within 30 days as required by section 65(2)(e) of the MFMA.

31. Reasonable steps were not taken to prevent unauthorised expenditure amounting to R32,4 million as disclosed in note 46 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed unauthorised expenditure was caused by overspending on debt impairment and general expenditure.

32. Reasonable steps were not taken to prevent irregular expenditure amounting to R732 248 as disclosed in note 48 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA.

Other information in the annual report

33. 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 key performance area presented in the annual performance report that has been specifically reported on in this auditor's report.

34. 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.

35. 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 key performance area presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

36. I did not receive the other information prior to the date of this report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

37. 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.
38. The matters reported below are limited to the significant internal control deficiencies that resulted in material findings on compliance with legislation included in this report.
39. The accounting officer did not exercise adequate oversight responsibility regarding compliance with legislation relating to expenditure management.
40. Senior management did not implement adequate review and monitoring controls to support credible and reliable financial reporting.

Material irregularities

41. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities identified during the audit

Unauthorised use of the Integrated National Electrification Grant

42. The municipality did not comply with section 65(2)(a) of the MFMA which requires that the accounting officer must take all reasonable steps to ensure that the municipality has and maintains an effective system of expenditure control, including procedures for the approval, authorization, withdrawal, and payment of funds.
43. Two payments were made to a supplier on 31 August 2021 for two invoices submitted for payment totaling R3,34 million. The invoices related to non-existent projects in ward 4 and the cost of a voltage regulator that was charged for by the supplier but not delivered to the ward 8 project.
44. The accounting officer was notified of the material irregularity on 15 February 2023 and invited to make a written submission on actions taken or to be taken to address the matter.
45. The following actions have been taken in addressing the matter:
- senior officials were subjected to an internal disciplinary process with the municipal manager and chief financial officer resigning before the process could be completed.
 - the matter was reported to the South African Police Services.
 - Civil Proceedings for recovery for the expenditure from the parties involved in the irregular transactions are in progress.
46. I will follow up on the implementation of the actions during the next audit.

Overpayment to a contractor for Emkhiwaneni sports field project

47. The municipality did not comply with Section 65(2)(a) of the MFMA which requires that the accounting officer must for the purpose of subsection (1) take all 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 contractor on the Emkhiwaneni Sport Field in ward 9 was overpaid by an amount of R4,51 million. This overpayment is included in the construction costs incurred to 30 June 2022. The reported stage of completion of the project did not agree with costs incurred until 17 August 2021, as work that had been paid for, at that point in time, had either not commenced or was not complete. The payment for work that had not yet been performed by the contractor was assessed as amounting to R4,51 million.
49. The accounting officer was notified of the material irregularity on 15 February 2023 and invited to make a written submission on actions taken or to be taken to address the matter.
50. The following actions have been taken in addressing the matter:
- senior officials were subjected to an internal disciplinary process with the municipal manager and chief financial officer resigning before the process could be completed.
 - the matter was reported to the South African Police Services.
 - Civil Proceedings for recovery for the expenditure from the parties involved in the irregular transactions highlighted are in progress.
51. I will follow up on the implementation of the actions during my next audit.

Auditor - General

Pietermaritzburg

30 January 2024



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 key performance area 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's 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.

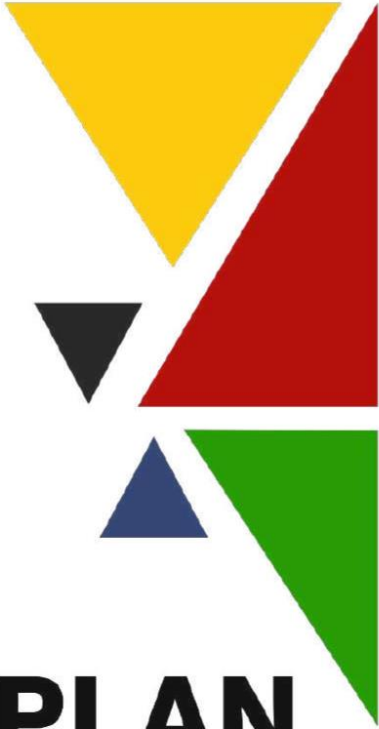
I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate 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	<p>Section 1 - Paragraph (a), (b) & (d) of the definition: irregular expenditure,</p> <p>Section 1 - Definition: service delivery and budget implementation plan,</p> <p>Sections 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), 15, 24(2)(c)(iv), 29(1),</p> <p>Sections 29(2)(b), 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), 32(2)(b),</p> <p>Sections 32(6)(a), 32(7), 53(1)(c)(iii), 54(1)(c), 62(1)(d), 62(1)(f)(i),</p> <p>Sections 62(1)(f)(ii), 62(1)(f)(iii), 63(1)(a), 63(2)(a), 63(2)(c), 64(2)(b),</p> <p>Sections 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), 65(2)(a), 65(2)(b), 65(2)(e),</p> <p>Sections 72(1)(a)(ii), 112(1)(j), 116(2)(b), 116(2)(c)(iii), 117, 122(1),</p> <p>Sections 122(2), 126(1)(a), 126(1)(b), 127(2), 127(5)(a)(i), 127(5)(a)(ii),</p> <p>Sections 129(1), 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), 170,</p> <p>Sections 171(4)(a), 171(4)(b)</p>
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	<p>Regulations 5, 12(1)(c), 12(3), 13(b), 13(c), 13(c)(i), 16(a), 17(1)(a),</p> <p>Regulations 17(1)(b), 17(1)(c), 19(a), 21(b), 22(1)(b)(i), 22(2), 27(2)(a),</p> <p>Regulations 27(2)(e), 28(1)(a)(i), 28(1)(a)(ii), 29(1)(a), 29(1)(b),</p> <p>Regulations 29(5)(a)(ii), 29(5)(b)(ii), 32, 36(1), 36(1)(a), 38(1)(c),</p> <p>Regulations 38(1)(d)(ii), 38(1)(e), 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43,</p> <p>Regulations 44, 46(2)(e), 46(2)(f)</p>
Municipal Systems Act 32 of 2000	<p>Sections 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), 29(3)(b), 34(a), 34(b),</p> <p>Sections 38(a), 41(1)(a), 41(1)(b), 41(1)(c)(ii), 42, 43(2), 56(a), 57(2)(a),</p> <p>Sections 57(4B), 57(6)(a), 66(1)(a), 66(1)(b), 67(1)(d), 74(1)</p>

Legislation	Sections or regulations
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)



AG ACTION PLAN

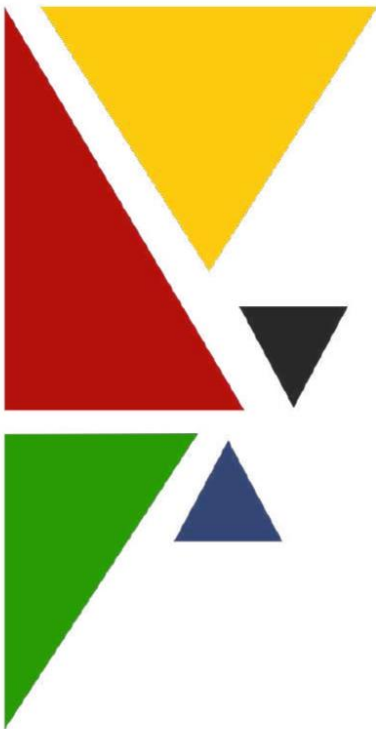


Table 113: Management action plan for the year ending 30 June 2023



APPENDICES



APPENDIX -A- : COUNCILLORS, COMMITTEES ALLOCATED AND COUNCIL ATTENDANCE

Councillor	Gender	Affiliation	Ward/PR
Cllr Velephi M Sikhosana	Female	IFP	02
Cllr Kwenzakakufani E Nxumalo	Male	IFP	10
Cllr Bhekinkosi J Thwala	Male	IFP	04
Cllr Benson E S Ntshangase	Male	IFP	09
Cllr Joseph B Ngema	Male	DA	PR
Cllr Bhaliya R Shongwe	Male	IFP	PR
Cllr Nelisiwe P Van Zuydam	Female	ANC	PR
Cllr Sbusiso R Mhlongo	Male	IFP	PR
Cllr Mthatshelewa Mthembu	Male	IFP	01
Cllr Cynthia N Mavundla	Female	IFP	03
Cllr Ndukisebandla P Mavuso	Male	IFP	05
Cllr Thembokuhle A Ntshangase	Male	IFP	07
Cllr Sipho A Xulu	Male	IFP	08
Cllr Zuzile Z Buthelezi	Female	IFP	11
Cllr Mthokozeni G Ndlangamandla	Male	IFP	12
Cllr Fano S Masango	Male	IFP	13
Cllr Mxolisi P Mafuleka	Male	IFP	14
Cllr Phumzile Masuku	Female	IFP	15
Cllr Thulebuka D Buthelezi	Male	IFP	PR
Cllr Xolani H Dhlamini	Male	ANC	06
Cllr Nkosinathi T Gumbi	Male	ANC	PR
Cllr Nqompo A Nkosi	Male	ANC	PR
Cllr Zamokuhle B Motha	Male	ANC	PR
Cllr Zanele S Khumalo	Female	ANC	PR
Cllr Nkosingiphile G Ncube	Female	ANC	PR
Cllr Celiwe M Nxumalo-Sibiya	Female	ANC	PR
Cllr Mthethephi T Msibi	Female	EFF	PR
Cllr Sindisiwe V Dlamini-Nkambule	Female	NFP	PR
Cllr Great L Sibiya	Male	NFP	PR

APPENDIX B-1: RECORD OF ATTENDANCE AT COUNCIL MEETINGS FOR 2022/2023

Councillor Details	28 July 2022 (Spcl)	23 August 2022 (Spcl)	31 August 2022	08 Sept 2022 (Spcl)	21 Sept 2022 (Spcl)	26 Oct 2022 (Spcl)	05 Dec 2022	22 Dec 2022 (Spcl)	30 Jan 2023 (Spcl)	02 Feb 2023	07 Feb 2023	14 Feb 2023 (Spcl)	27 Feb 2023	17 Mar 2022 (Spcl)	30 Mar 2023	31 May 2023	13 June 2023 (Spcl)	28 June 2023	Total
Cllr Velephi M Sikhosana	X	√	√	√	x	√	X	x	x	x	x	X	x	x	√	√	√	√	08
Cllr Kwenzakakufani E Nxumalo	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
Cllr Bhekinkosi J Thwala	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
Cllr Benson E S Ntshangase	√	√	√	x	√	√	√	√	√	√	√	√	√	√	√	√	√	√	17
Cllr Joseph B Ngema	√	x	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	17
Cllr Bhaliya R Shongwe	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
Cllr Nelisiwe P Van Zuydam	√	√	√	√	√	√	√	√	x	√	x	X	x	√	√	x	x	√	13
Cllr Sbusiso R Mhlongo	√	√	√	x	√	√	√	x	√	√	x	X	x	x	√	√	√	√	12
Cllr Mthatshelwa Mthembu	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
Cllr Cynthia N Mavundla	√	√	√	√	x	√	√	x	√	√	√	√	√	x	√	√	√	√	15
Cllr Ndukisebandla P Mavuso	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
Cllr Thembokuhle A Ntshangase	√	√	√	√	√	√	√	√	√	√	√	√	x	√	√	√	√	√	17

ClIr Sipho A Xulu	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
ClIr Zuzile Z Buthelezi	√	√	√	√	√	√	√	√	√	√	√	√	√	x	x	√	√	√	16
ClIr Mthokozeni G Ndlangamandla	√	√	√	√	√	√	x	√	√	√	√	√	√	√	√	√	√	√	17
ClIr Fano S Masango	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	x	17
ClIr Mxolisi P Mafuleka	√	√	√	√	√	√	√	√	√	√	√	√	√	√	x	√	√	√	17
ClIr Phumzile Masuku	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	x	√	17
ClIr Thulebuka D Buthelezi	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	17
ClIr Xolani H Dhlamini	x	√	√	√	√	√	√	√	√	√	√	x	√	√	√	√	√	√	17
ClIr Nkosinathi T Gumbi	√	√	√	√	√	√	√	√	√	√	√	√	√	x	√	√	√	√	17
ClIr Nqompo A Nkosi	√	√	√	√	x	√	√	√	√	√	√	√	√	√	√	√	√	√	17
ClIr Zamokuhle B Motha	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
ClIr Zanele S Khumalo	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
ClIr Nkosingiphile G Ncube	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18
ClIr Celiwe M Nxumalo-Sibiya	√	√	√	√	√	√	√	x	x	√	√	√	√	√	√	√	√	√	16
ClIr Mthethephi T Msibi	√	x	√	√	√	√	x	√	√	√	√	√	√	x	x	√	√	√	14

Cllr Sindisiwe V Dlamini-Nkambule	√	√	√	√	√	√	√	√	√	√	√	x	√	√	√	√	√	√	17
Cllr Great L Sibiya	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	18

APPENDIX B-2: RECORD OF ATTENDANCE-EXCO MEETINGS FOR 2022/2023																	
Councillor Details	12 Aug 2022 (virtual)	24 Aug 2022	08 Sep 2022 (Spcl)	29 Sep 2022	26 Oct 2022 (Spcl)	01 Nov 2022	24 Nov 2022	02 Dec 2022 (Spcl)	05 Dec 2022 (Spcl)	22 Dec 2022 (Spcl)	27 Feb 2023 (virtual)	17 Mar 2023 (Spcl)	23 Mar 2023	30 Mar 2023 (Spcl)	26 May 2023	21 June 2023	TOTAL
Cllr Velephi M Sikhosana	√	√	√	x	√	√	x	x	x	x	√	√	√	√	√	√	11
Cllr Bhekinkosi J Thwala	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	16
Cllr Bhaliya R Shongwe	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√	16
Cllr C M Nxumalo-Sibiya	√	√	x	√	x												03
Cllr Sbusiso R Mhlongo	√	√	x	x	√	x	√	√	√	√	x	x	√	√	√	√	11
Cllr N P van Zuydam						√	√	√	√	√	x	√	√	√	x	√	09

APPENDIX B-3: RECORD OF ATTENDANCE- CORPORATE SERVICES PORTFOLIO COMMITTEE MEETINGS FOR 2022/2023

Councillor Details	12 July 2022	21 July 2022 (Spcl)	11 Aug 2022	10 Oct 2022	14 Nov 2022	13 Feb 2023	14 Mar 2023	13 April 2023	11 May 2023	23 May 2023	14 June 2023	TOTAL
Cllr Velephi M Sikhosana	√	√	√	√	x	√	X	x	√	√	x	07
Cllr Bhekinkosi J Thwala	√	√	√	√	x	√	√	√	√	√	√	10
Cllr Bhaliya R Shongwe	x	x	√	√	√	√	√	√	√	√	√	09
Cllr Z S Khumalo	x	x	√	√	√	√	√	√	√	√	√	09
Cllr X H Dhlamini	√	√	√	√	√	√	√	√	√	√	x	10
Cllr J B Ngema	√	√	√	√	√	√	√	x				07
Cllr B E S Ntshangase	√	√	√	√	√	√	√	X	√	x	√	09
Cllr M T Msibi									√	√	x	02

APPENDIX B-4: RECORD OF ATTENDANCE- PLANNING, HOUSING AND LOCAL ECONOMIC DEVELOPMENT PORTFOLIO COMMITTEE MEETINGS FOR 2022/2023

Councillor Details	12 Oct 2022	Mar 2023	19 April 2023	06 June 2023 (Virtual)	TOTAL
Cllr V M Sikhosana	√	√	x	√	03
Cllr B J Thwala	√	x	√	x	02
Cllr M G Ndlangamandla	√	√	√	x	03
Cllr N P Mavuso	x	√	√	√	04
Cllr Z B Motha	√	√	√	√	04
Cllr T D Buthelezi	√	√	x	x	03
Cllr T A Ntshangase	√	√	√	√	04

APPENDIX B-5: RECORD OF ATTENDANCE- TECHNICAL SERVICES PORTFOLIO COMMITTEE MEETINGS FOR 2022/2023

Councillor Details	21 July 2022	04 Nov 2022	15 Mar 2023	20 April 2023	13 June 2023	TOTAL
Cllr B J Thwala	√	√	√	√	√	05
Cllr N P Mavuso	x	√	√	√	√	04
Cllr F S Masango	x	√	√	√	√	04
Cllr P Masuku	√	√	√	√	x	04
Cllr S A Xulu	√	√	√	√	√	05
Cllr N G Ncube	√	√	√	√	√	05
Cllr S Mhlongo	x	√	√	√	√	04

APPENDIX B-6: RECORD OF ATTENDANCE- COMMUNITY SERVICES PORTFOLIO COMMITTEE MEETINGS FOR 2022/2023

Councillor Details	18 July 2022	15 Sep 2022	08 Nov 2022	20 Feb 2023	05 April 2023	12 June 2023	TOTAL 04
Cllr B R Shongwe	√	√	√	√	√	√	06
Cllr C N Mavundla	√	√	x	√	√	√	05
Cllr M Mthembu	√	√	√	√	√	√	06
Cllr M P Mafuleka	√	√	√	√	√	√	06
Cllr N P van Zuydam	√	√	√	x	x	x	04
Cllr S V Dlamini-Nkambule	√	√	√	√	x	√	05
Cllr N T Gumbi	x	√	√	x	x	√	03

APPENDIX B-7: RECORD OF ATTENDANCE- FINANCE PORTFOLIO COMMITTEE MEETINGS FOR 2022/2023

Councillor Details	20 July 2022	17 Aug 2022	Sep 2022	29 Sep 2022	24 Oct 2022	18 Nov 2022	25 Jan 2023	16 Feb 2023	16 Mar 2023	28 Mar 2023 (Spcl)	20 April 2023	18 May 2023	25 May 2023	15 June 2023	TOTAL
Cllr Velephi M Sikhosana	√	x	√	x	√	x	x	x	√	√	x	√	√	√	08
Cllr Bhokinkosi J Thwala	√	√	√	√	√	√	√	√	√	√	√	√	√	√	14
Cllr Cynthia N Mavundla	√	√	√	√	√	√	√	x	x	√	√	√	√	x	11
Cllr Z Z Buthelezi	√	√	√	√	√	√	√	√	√	x	√	x	x	x	10
Cllr B E S Ntshangase	√	x	√	√	x	x	√	√	√	√	x	√	√	√	10
Cllr C M Nxumalo-Sibiya	√	√	√	√	√	x	√	x	√	x	√	√	x	√	10
Cllr G L Sibiya	√	√	X	X	√	√	√	√	√	√	√	√	√	√	12
Cllr N A Nkosi	x	√	√	√	√	x	√	√	x	√	√	√	x	√	10

APPENDIX B-8: RECORD OF ATTENDANCE- MPAC PORTFOLIO COMMITTEE MEETINGS FOR 2022/2023										
Councillor Details	30 Aug 2022	18 Nov 2022 (Spcl)	Oct 2022	02 Dec 2022	01 Feb 2023	27 Feb 023	29 & 30 Mar 2023	30 May 2023	27 June 2023	TOTAL
Cllr M T Msibi	x	√	√	x	x	√	√			
Cllr N T Gumbi	√	x	√	x	√	√	√	√	x	04
Cllr N P Mavuso	x	√	√	√	√	√	√	√	x	04
Cllr T D Buthelezi	√	√	√	√	√	√	√	x	√	03
Cllr M G Ndlangamandla	√	√	√	x	x	√	√	x	√	04
Cllr C N Mavundla	X	x	√	√	√	√	√	√	√	04
Cllr B E S Ntshangase	√	√	√	√	√	√	√	x	√	03
Cllr J B Ngema								√	√	

APPENDIX G: REPORT OF THE AUDIT AND PERFORMANCE AUDIT COMMITTEE TO THE COUNCIL OF UPHONGOLA MUNICIPALITY FOR THE 2022/23 FINANCIAL YEAR

The uPhongola Municipality's Audit and Performance Audit Committee (AUDCOM) is pleased to present their report to the Council for the year ended 30 June 2023.

Audit and Performance Audit Committee Mandate

The uPhongola Municipality established an Audit Committee in terms of section 166 of the Municipal Finance Management Act (MFMA) and section 14(2)(c) of the Local Government Municipal Planning and Performance Regulations, 2001 (Regulations). Consideration has also been given to Circular No. 65 issued by the National Treasury in November 2012 as well as the recommendations contained in the King Report on Governance for South Africa 2016 (King IV).

Role of the Audit and Performance Audit Committee

The role of the Audit and Performance Audit Committee is to assist the uPhongola Municipality and officials in achieving their strategic goals and objectives, by helping to maintain effective internal controls; effective risk management, accurate financial reporting and corporate governance principles, compliance with applicable legal and regulatory requirements, and other such duties as may be directed by the Council and the Accounting Officer.

The Audit and Performance Audit Committee does not assume the functions of management which remain the responsibility of the Accounting Officer, Council and the delegated officials.

Members and attendance at meetings

The uPhongola Council appointed Four (4) independent, external members as 30 June 2023 which are Mr BB Mdletshe (Chairperson) with effect from 12 August 2021, Mrs NT Mkhwanazi with effect from 4 June 2019, Mr VV Sibiyi and Mr PL Buthelezi with effect from 8 March 2022. Members have attended scheduled meeting during their period in line with their respective appointment dates.

The Audit and Performance Audit Committee meetings were held on the following date

- 29 August 2022 attended by Mr BB Mdletshe, Mr VV Sibiyi and Mr PL Buthelezi, Mrs NT Mkhwanazi.
- 29 November 2022 attended by Mr BB Mdletshe, Mr VV Sibiyi and Mr PL Buthelezi.
- 31 March 2023 attended by Mr BB Mdletshe, Mrs NT Mkhwanazi, Mr VV Sibiyi and Mr PL Buthelezi.
- 27 June 2023 attended by Mr BB Mdletshe, Mr VV Sibiyi and Mr PL Buthelezi.

Key Senior Management positions were filled during the year under review which created stability in the Municipality and improved support to the audit and and performance audit committee.

Audit Committee Responsibility

The legal responsibilities of Audit and Performance Audit Committee are set out in terms of section 166 of the MFMA and operate within the terms of the Audit and Performance Audit Committee Charter as approved by the Council.

In the conduct of its duties, the Audit and Performance Audit Committee has performed the following statutory duties relating to the year ended 30 June 2022:

1. *Reviewed internal financial controls and internal audit*

The internal audit function was in-sourced and it was operational for the financial year, completing the majority of the approved audit plan. The Audit and Performance Audit Committee noted and appreciated the work done by the in-sourced Internal Audit Unit. During the period under review the Internal Audit Charter and Internal Audit Plan was approved by Audit and Performance Audit Committee.

The internal audit plan for 2022/2023 took into consideration the critical risks of the operations of the Municipality, addressed the findings of the Auditor-General and Internal Audit from the audit of the previous financial year, and was prepared for a period of 3 years.

Internal audit reports included recommendations to improve internal controls together with agreed management action plans to resolve the issues reported on. Areas of concern with a high risk rating were discussed with management and the risks were verified with various departments. Audit and Performance Audit Committee recommended that management and Internal Audit focus on identifying the root causes of the issues highlighted, and that they ensure that an implementation date is included in the management response.

The Audit and Performance Audit Committee expressed concern at the number of instances where audit findings were repeated, particularly with regards to Performance Management. The Audit and Performance Audit Committee also expressed concern at the delay experienced in obtaining management comment on some of the Internal Audit reports, and urged management to address this. The Audit and Performance Audit Committee urged management to provide detailed responses to audit findings which clearly outline the corrective action to be taken with clear timelines.

The Audit and Performance Audit Committee reviewed and commented on the audit action plans for 2022/23 to address internal as well as external audit findings. The Committee monitored management progress against this plan on a quarterly basis and the Internal Audit provided independent assurance on completed action plans. The Audit and Performance Audit Committee will continue to monitor progress against the plan in response to audit findings at each of its future meetings.

Management is required to implement appropriate systems of internal controls and/or corrective action to address the identified weaknesses and possible irregularities. Although there are controls in place, the existing systems and procedures require enhancement and continued monitoring in particular IT, Fleet and Traffic Management.

The Audit and Performance Audit Committee has expressed concern that the internal control environment is not yet fully effective to ensure clean administration, based mainly on the internal and external audit findings as well as the inadequate progress made to implement corrective actions.

2. Risk Management

Internal Audit does not assume the functions, systems and processes of risk management but assists Council and management in the monitoring of risk management in the Municipality, through its own assurance processes and the progress of the different departments in the Municipality in managing their risk.

Risk management is the identification, assessment, and prioritization of risks and the application of resources to minimize, monitor, and control the probability and/or impact of the risks.

The Audit and Performance Audit Committee is responsible for oversight of the internal and external auditors as well as financial reporting. Because the assessment of internal controls over financial reporting is risk-based, the Audit and Performance Audit Committee is responsible for overseeing management's risk framework and policies and discussing the Municipality's key risk exposures with management.

As part of the annual risk review, management identified current controls that may be in place to mitigate risks identified, as well as possible action plans to be implemented to improve the mitigation of risk. These risks were logged onto a risk register, which formed the basis of the risk based internal audit plan approved by Audit and Performance Audit Committee.

Audit and Performance Audit Committee noted the updated risk registers and the establishment of the Municipal Risk Management Committee and expressed its appreciation for the effort made in progressing this function. Audit and Performance Audit Committee recommended that the external Risk Chairperson or Champion be employed by the municipality. During the FY 2022/23 at its meetings the Audit and Performance Audit Committee made suggestions that each Municipal Department identifies their Departmental Risk Champion to assist the Directors in managing the risk at Departmental level.

3. Review of the financial statements

The financial statements for the financial year ending 30 June 2023 were prepared and submitted to the Auditor General on the 31st August 2022. Meeting was held to review draft AFS 2022/23 but we could not confirm that they were in line with the applicable GRAP standards and guidance contained in various MFMA circulars and current legislation. The Audit and Performance Audit Committee evaluated the unaudited financial statements on 29 August 2023 for reasonableness, completeness and accuracy and considered the efficiency and effectiveness of internal controls over the preparation and reporting. The Audit and Performance Audit Committee also considered

an Internal Audit report on the review of the financials and all supporting working papers as per MFMA circular 50.

4. *The credibility, reliability and accuracy of financial reporting and information as well as accounting policies*

Regular management reports were reviewed by the Audit and Performance Audit Committee. These included debtors age analyses, income and expenditure reports, budget and variance reports and mid-year interim financial statements. Audit and Performance Audit Committee agreed to follow the MFMA calendar with regards to Sec 52(d) and Section 72 reports. Several pertinent matters were raised with management who in turn furnished satisfactory answers. In many instances suggestions, recommendations, and/or requests from the Audit and Performance Audit Committee were implemented by management.

Information furnished by the Internal Audit and Management has allowed the Audit and Performance Audit Committee to form an opinion that the Municipality's system of internal financial control was effective and formed a basis for the preparation of reliable financial statements. However, the Municipality's system of internal financial controls and reporting is not yet fully effective and there is room for improvement to achieve overall clean administration.

Some of the key challenges for the Municipality continue to be:

- Debt collection;
- Electricity losses;
- Irregular, fruitless and wasteful expenditure and the investigation thereof. The overall consequence management is not yet evident and Audit and Performance Audit Committee recommends that Council take action;
- Supply Chain Management.
- Traffic Management
- Asset Management

5. *Performance Management*

The Audit and Performance Audit Committee also serves as the Performance Audit Committee. Internal Audit reviewed the Municipality's performance and tabled reports at all ordinary meetings of Audit and Performance Audit Committee. The Audit and Performance Audit Committee noted with concern the shortcomings highlighted in the Internal Audit reports and urged management to address them. Audit and Performance Audit Committee commended the municipality on completing the evaluation of the performance of the Sec 57 employee and Audit and Performance Audit Committee is pleased that the reviews for the 2022/2023 financial year were completed by the end of the financial year..

The Audit and Performance Audit Committee is of the view that the monitoring function of the Performance Management System could improve and Executive Directors must take ownership of their scorecards. The Audit and Performance Audit Committee noted the filling of the key positions

of Section 56/7 employees during the financial year and it looks forward to improved performance of the Municipality as a result.

6. *Effective Governance*

The Audit and Performance Audit Committee fulfils an oversight role regarding the Municipality's governance processes. It is responsible for ensuring that the internal audit function is independent and has the necessary resources, standing and authority to enable it to discharge its duties. Furthermore, it oversees cooperation between the internal and external auditors, and serves as a link between the Council and these functions.

The internal and external auditors have unlimited direct access to the Audit and Performance Audit Committee, primarily through its Chairperson. The Mayor and the Chairperson of the Municipal Public Accounts Committee (MPAC), and representatives from COGTA, Provincial Treasury and the Auditor-General have a standing invitation to attend Audit and Performance Audit Committee meetings. The Audit and Performance Audit Committee is not aware of any matters referred to them by Council.

7. *Compliance with Legislation*

The Audit and Performance Audit Committee has noted instances of non-compliance with policies and procedures, MFMA and SCM Regulations, and these have been brought to the attention of management. The progress to move to full compliance by means of comprehensive checklists will be monitored on a quarterly basis.

8. *Key issues dealt with and recommendations*

- Management should ensure that credible, reliable and accurate financial and performance information is submitted on a timely basis to the Audit and Performance Audit Committee for review. In this regard the Municipal Manager should ensure that Audit and Performance Audit Committee agenda packs contain complete, credible and accurate information, including interim Financial Statements.
- Although internal controls are in place, the Audit and Performance Audit Committee requested that there must be consequences for non-adherence with internal controls and non-compliance with laws and regulations.
- The Municipal Manager should ensure that recommendations of internal and external audit are implemented as per the action plans and report on progress on a quarterly basis. This should assist to obtain a clean audit.
- The Council should monitor progress of the performance against planned objectives on a monthly basis to improve on the actual achievements based on adequate supporting documentation.
- To ensure combined assurance the resolutions of management meetings, MPAC meetings, Council meetings and those of Audit and Performance Audit Committee should be standard agenda items of meetings of any of the structures above.

9. Conclusion

The Audit and Performance Audit Committee confirms its commitment to assist Council to make significant progress towards clean administration and also wishes to thank Council and management for its support, and the teams from internal and external audit for their contributions.

On behalf of the Audit and Performance Audit Committee



.....

Mr BB Mdlletshe (Chairperson)

Audit and Performance Audit Committee

APPENDIX G: AUDIT COMMITTEE REPORT AND RECOMMENDATIONS 2022/2023

Date of Audit Committee Meeting	Audit Committee Recommendations during year 2022/2023 Financial Period	Recommendations Implemented (Yes/No)
29-Aug-22		
	The Audit committee recommended that the MSCOA be made a standing item in MANCO meetings.	No
	The Audit committee recommended that the findings raised by the Internal Auditors on the 2022/2023 draft annual financial statements be rectified prior to the submission to Auditor General.	Yes
	Audit committee recommended that Internal Audit Unit reports be specific in terms of the applicable sections when referring to policies , legislation and other relevent frameworks.	Yes
	Audit committee recommended to management that they must draft the relevant HR policies that were non existent then escalate them to the labour forum and ultimately to council for adoption.	Yes
	The Audit Committee recommended that the investigations of unauthorised, irregular , fruitless and wasteful expenditure be prioritised since it will also have a negative effect on the outcome of the audit.	Yes
29-Nov-22		
	The Audit Committee recommended that the vacant positions for senior management be filled urgently to fast track service delivery and be apprised in the next meeting on the progress made to fill the vacant positions.	Yes
	The audit committee recommended that the finance department take into account the deficiencies identified on the internal audit's waste management report when making the provision on rehabilitation of the landfill site on the 2022/ 2023 annual financial statements.	Yes
	The audit committee expressed concerns on the action dates provided by managemen in audit action plan which were not specific in terms of start date and end date. It was recommended that the action dates be revised to provide a specfic dates for implementation of the action plans inorder to rectify deficiencies identified in the Auditor Generals report to avoid repeat findings.	Yes
	The audit committee recommended that internal audit conduct a follow up review to determine if correct allocation of waste deposit revenue is done.	Yes
	The audit committee recommended that the IT follow-up audit be prioristed and budget be allocated accordingly.	Yes

31st March 2023	Municipal Manager must provide the status quo to the audit committee on the dispute between Municipality and Traffic Management Electronic System Service Providers which prevented the municipality from accessing and as well the files.	Yes
	Audit committee recommended that The Municipal Manager should intervene and resolve the issue of poor submission of performance information reports by departments.	No
	Audit Committee recommended that internal audit should check whether the vehicles which could not be physically verified as per internal audit fleet management report are still registered under the name of the municipality in the traffic section.	Yes
	Audit Committee recommend that the internal audit must provide follow up summary on the status on resolving of the findings that were raised by internal audit in the fleet management report.	Yes
	Audit committee recommended that the CFO conduct the necessary investigation regarding the payment of R2 569 879.67 without signatures of senior management noted by internal audit in the DORA and Budget Management Report.	Yes
27-Jun-23	Management to provide feedback on the vehicles written off but still appearing on the Fixed Asset Register and The truck that was sent to Mpangeni for repairs in the 2021/2022 financial year and has not been either repaired nor returned to the municipality to date.	Yes
	Management to provide feedback on the progress of disposal of the redundant asset.	Yes

APPENDIX H: LONG TERM CONTRACTS (20 LARGEST CONTRACTS ENTERED INTO DURING YEAR 2022/2023)				
Name of Service Provider (Entity or Municipal Department)	Description of Services Rendered by the Service Provider	Start Date of Contract	Expiry date of Contract	Contract Value
Ezinhle Supplies & Constructors	Construction Of Ward 8 Multi-Purpose Centre	10-Nov-22	9-Nov-23	15 970 487,67
Dlv Project Managers/Hia International Security	Constuction Of Emergency Housing Project	1-Nov-22	31-May-23	15 362 510,79
Afi Consult	Belgrade Bus Road Phase 2	8-Jul-22	30-May-23	11 844 467,94
Sizowakha Security And Cleaning Services	Vip Security Services	1-Dec-22	30-Nov-25	6 036 120,00
Emalangen Technologies	Installation of Network Infrastructure and Data Solutions	1-Jul-22	30-Jun-25	4 185 646,88
Isando Strutral Engineering	Institutional Technical Capacity Support For Infrastructure Projects	25-Aug-22	31-Aug-25	3 376 200,00
SITA	Commercial Printing, Service Desk, Incident and Management, Incident Management,	1-Jul-22	30-Jun-25	2 636 061,27
Lateral Unision Insurance Brokers	Short Term Insurance	11-Oct-22	10-Oct-25	2 614 006,55
Fma Engineers	Ward 8 Multi-Purpose Centre	10-Nov-22	9-Nov-23	2 281 878,53
Zondi & Associates	Panel To Render Legal Services	1-Jul-22	30-Jun-25	2 212 521,64
Bpg Mass Appraisal	Valuation Roll	1-Mar-23	30-Jun-29	1 978 475,00
Mbalizama	Rehabilitation Of Klasie Havenga Street	15-Mar-23	15-Jun-23	1 199 814,55
Zuma & Partners Incorporate	Panel To Render Legal Services	1-Jul-22	30-Jun-25	1 198 681,60
Hlela Attorneys	Panel To Render Legal Services	1-Jul-22	30-Jun-25	1 144 539,34
Bi Infrastructure	Designing And Maintained Landfill Site	5-May-23	30-Jun-23	1 000 000,00
Ntwenhle Business Venture	Ncotshane Stormwater Drainage, Area 5	21-Apr-23	20-Oct-23	849 611,52
Inkazimulo Consulting	Sourcing of Funds And Provisioning of Training And Development Services	8-Aug-22	31-Jul-23	480 127,17
Sengwayo	Panel to Render Legal Services	1-Jul-22	30-Jun-25	427 789,51
Sparks & Ellis	Traffic Uniforms	27-Feb-23	26-Feb-26	383 976,95
Ntombela Fw Attorneys	Disciplinary Hearing	1-Jul-22	31-Oct-22	340 370,00

APPENDIX I: PUBLIC PRIVATE PARTNERSHIPS ENTERED INTO DURING YEAR 0					
Name and Description of Project	Name of Partner(s)	Initiation Date	Expiry date	Project manager	R' 000 Value 2022/23
N/A	N/A	N/A	N/A	N/A	N/A
					<i>T H.2</i>

APPENDIX J: DISCLOSURE OF FINANCIAL INTERESTS

Period 1 July 2021 to 30 June 2023

Position	Name	Description of Financial interests* (Nil / Or details)
(Executive) Mayor		Nil
Member of MayCo / Exco		Nil
		Nil
		Nil
		Nil
		Nil
		Nil
		Nil
		Nil
		Nil
		Nil
Councillor		Nil
		Nil
		Nil
		Nil
		Nil
		Nil
		Nil
Municipal Manager		
Chief Financial Officer		
Deputy MM and (Executive) Directors		Nil

** Financial interests to be disclosed even if they incurred for only part of the year. See MBRR SA34A TJ*

APPENDIX K1: REVENUE PERFORMANCE BY VOTE

APPENDIX K1: REVENUE PERFORMANCE BY VOTE						
						R' 000
Vote Description	Year 2021/2022	Current: Year 2022/2023		Year 2021/2022 Variance		
	Actual	Original Budget	Adjusted Budget	Actual	Original Budget	Adjustments Budget
Executive & Council	14 795 531,00	14 966 033,00	14 966 033,00	14 966 033,00	-	-
Municipal Manager	16 727 139,00	23 354 095,00	23 354 095,00	23 354 095,00	-	-
Budget and Treasury	82 635 523,00	62 815 996,00	65 184 310,00	65 763 128,00	0,04	0,01
Property Services	9 361 546,00	14 275 429,00	14 275 429,00	14 178 587,00	-	-
Corporate Services	23 069 724,00	30 600 368,00	30 600 368,00	31 025 184,00	0,01	0,01
Community & Social Services	13 143 627,00	24 297 187,00	24 297 187,00	24 108 837,00	-0,01	-0,01
Housing	-	-	-	-	-	-
Sport & Recreation	8 522 840,00	3 988 513,00	20 932 513,00	9 786 559,00	0,59	-1,14
Public Safety	37 902 245,00	21 433 743,00	36 931 864,00	35 216 375,00	0,39	-0,05
Planning & Development	56 502 358,00	58 825 243,00	59 828 351,00	59 552 958,00	0,01	-0,00
Road Transport	21 943 432,00	11 312 236,00	11 312 236,00	11 068 115,00	-	-
Electricity	45 432 429,00	49 682 520,00	52 826 525,00	49 970 362,00	0,01	-0,06
Waste Management	10 733 839,00	11 051 723,00	12 051 723,00	11 722 872,00	0,06	-0,03
Other	1 721 666,00	1 381 619,00	2 801 801,00	2 796 380,00	0,51	-0,00
						-
						-
Total Revenue by Vote	342 491 899,00	327 984 705,00	369 362 435,00	353 509 485,00	1,62	-1,26
<i>Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A3</i>						T K.1

APPENDIX K2: REVENUE COLLECTION PERFORMANCE BY SOURCE
R '000

Description	Year 2021/2022	Year 2022/2023			Year 2021/2022 Variance	
	Actual	Original Budget	Adjustments Budget	Actual	Original Budget	Adjustments Budget
Property rates	43 252 956,00	31 914 846,00	45 592 637,00	45 593 144,00	0,30	0,00
Service Charges - electricity revenue	46 907 012,00	43 662 313,00	48 513 681,00	46 058 897,00	0,05	-0,05
Service Charges - water revenue	-	-	-	-	-	-
Service Charges - sanitation revenue	-	-	-	-	-	-
Service Charges - refuse revenue	12 215 760,00	5 434 172,00	10 868 343,00	10 437 798,00	0,48	-0,04
Service Charges - other	-	-	-	-	-	-
Rentals of facilities and equipment	620 666,00	626 969,00	659 968,00	333 894,00	-0,88	-0,98
Interest earned - external investments	1 301 061,00	1 587 678,00	2 022 075,00	2 449 102,00	0,35	0,17
Interest earned - outstanding debtors	19 194 257,00	2 607 146,00	1 471 151,00	828 482,00	-2,15	-0,78
Dividends received	-	-	-	-	-	-
Fines	2 136 960,00	1 187 946,00	2 992 710,00	1 267 434,00	0,06	-1,36
Licences and permits	9 143 218,00	2 017 232,00	2 017 233,00	1 721 276,80	-0,17	-0,17
Agency services	55 326,00	1 282 747,00	1 350 260,00	923 875,00	-0,39	-0,46
Transfers recognised - operational	212 086 892,00	179 641 450,00	197 932 719,00	200 302 379,75	0,10	0,01
Other revenue	763 411,00	1 967 647,00	3 573 108,00	1 579 437,25	-0,25	-1,26
Gains on disposal of PPE	-	-	219 858,00	-	-	-
Actuarial Gain	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)	340 871 519,00	271 930 146,00	317 213 743,00	311 495 719,80	0,13	-0,02

Variations are calculated by dividing the difference between actual and original/adjustments budget by the actual. This table is aligned to MBRR table A4.

T K.2

APPENDIX L:CONDITIONAL GRANTS: EXCLUDING MIG						R' 000
Details	Budget	Adjustments Budget	Actual	Variance		
				Budget	Adjustments Budget	
CAPITAL CONDITIONAL GRANTS						
<i>Municipal Infrastructure Grant</i>						
<i>Integrated National Electrification Programme Grant</i>	-	4 729 783,00	4 729 783			-
<i>Sub-Rank Facility Grant (ROLL OVER)</i>	-	3 417,40				-
<i>Belgrade Fitness Centre</i>	-	16 944 000,00	5 991 870			
OPERATIONAL CONDITIONAL GRANTS						
Finance Management Grant	3 000 000	3 000 000	3 000 000	0%		-
Provincialisation of Libraries Grant	1 964 000	1 964 000	1 964 000	0%		-
Library Community Services Grant	508 000	508 000	508 000	0%		-
Expanded Public Works Programme Grant	2 978 000	2 978 000	2 978 000	0%		-
Koppie-Allien Guest House	-	675 835,73	675 836			-
Human Settlement	-	1 640 040,35	1 640 040			-
Municipal Emergency Housing Grant	-	15 500 000	15 500 000			
Integrated Spatial Development Economic Plan	-	1 003 108,00	727 600			
Total	8 450 000	47 943 076	36 987 529	338%		-
<p><i>* This includes Neighbourhood Development Partnership Grant, Public Transport Infrastructure and Systems Grant and any other grant excluding Municipal Infrastructure Grant (MIG) which is dealt with in the main report, see T 5.8.3. Variances are calculated by dividing the difference between actual and original/adjustments budget by the actual. Obtain a list of grants from national and provincial government.</i></p>						T L

APPENDIX M1: CAPITAL EXPENDITURE - NEW ASSETS PROGRAMME*							
R '000							
Description	Year 2021/2022	Year 2022/2023			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2023/2024	2024/2025	2025/2026
Capital expenditure by Asset Class							
Infrastructure - Total	17 320	14 073	16 700	19 534	27 407	28 539	–
Infrastructure: Road transport - Total	17 320	14 073	16 700	19 534	27 407	28 539	–
<i>Roads, Pavements & Bridges</i>	15 528 154	6 733 129	10 515 230	11 272 303	27 407 087	28 538 826	0
<i>Storm water</i>	1 791 793	7 339 861	6 184 925	8 261 219			
Infrastructure: Electricity - Total	–	–	–	–	–	–	–
<i>Generation</i>							
<i>Transmission & Reticulation</i>	0	0	0	0	0	0	0
<i>Street Lighting</i>							
Infrastructure: Water - Total	–	–	–	–	–	–	–
<i>Dams & Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	–	–	–	–	–	–	–
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	–	–	–	–	–	–	–
<i>Waste Management</i>					0		
<i>Transportation</i>			0		0	0	
<i>Gas</i>							
<i>Other</i>							
Community - Total	24 735	14 718	34 962	16 803	9 769	16 481	–
<i>Parks & gardens</i>					0		
<i>Sportsfields & stadia</i>	12 477 527	1 476 671	19 925 353	4 350 253	0	8 881 739	0
<i>Swimming pools</i>							
<i>Community halls</i>	5 355 229	11 421 427	7 055 739	6 953 554	712 145	330 355	0
<i>Libraries</i>					0		
<i>Recreational facilities</i>	0	0	0	0	0		
<i>Fire, safety & emergency</i>					0		

Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries					0	0	0
Social rental housing							
Other	6 901 769	1 820 000	7 980 435	5 499 125	9 056 522	7 268 696	0
<i>Table continued next page</i>							

APPENDIX M2: – CAPITAL EXPENDITURE-NEW ASSETS PROGRAMME							
R '000							
Description	Year 2021/2022	Year 2022/2023			Planned Capital expenditure		
	Actual	Original Budget	Adjustment Budget	Actual Expenditure	2023/2024	2024/2025	2025/2026
Capital expenditure by Asset Class							
Infrastructure - Total	17 320	14 073	16 700	19 534	407	539	–
Infrastructure: Road transport - Total	17 320	14 073	16 700	19 534	407	539	–
<i>Roads, Pavements & Bridges</i>	15 528 154	6 733 129	10 515 230	11 272 303	27 407 087	28 538 826	0
<i>Storm water</i>	1 791 793	7 339 861	6 184 925	8 261 219			
Infrastructure: Electricity - Total	–	–	–	–	–	–	–
<i>Generation</i>							
<i>Transmission & Reticulation</i>	0	0	0	0	0	0	0
<i>Street Lighting</i>							
Infrastructure: Water - Total	–	–	–	–	–	–	–
<i>Dams & Reservoirs</i>							
<i>Water purification</i>							
<i>Reticulation</i>							
Infrastructure: Sanitation - Total	–	–	–	–	–	–	–
<i>Reticulation</i>							
<i>Sewerage purification</i>							
Infrastructure: Other - Total	–	–	–	–	–	–	–
<i>Waste Management</i>					0		
<i>Transportation</i>			0		0	0	
<i>Gas</i>							
<i>Other</i>							

		14			9	16	
Community - Total	24 735	718	34 962	16 803	769	481	-
Parks & gardens					0		
Sportsfields & stadia	12 477 527	1 476 671	19 925 353	4 350 253	0	8 881 739	0
Swimming pools							
Community halls	5 355 229	11 421 427	7 055 739	6 953 554	712 145	330 355	0
Libraries					0		
Recreational facilities	0	0	0	0	0		
Fire, safety & emergency					0		
Security and policing							
Buses							
Clinics							
Museums & Art Galleries							
Cemeteries					0	0	0
Social rental housing							
Other	6 901 769	1 820 000	7 980 435	5 499 125	9 056 522	7 268 696	0
<i>Table continued next page</i>							
<i>Table continued from previous page</i>							

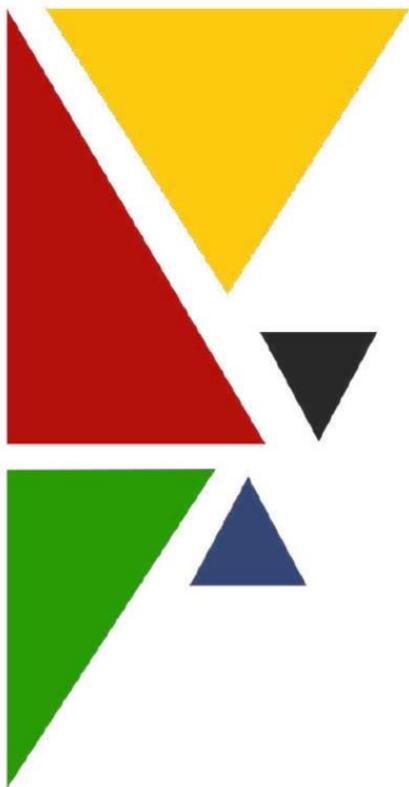
APPENDIX N: CAPITAL PROGRAMME BY PROJECT: YEAR 2022/2023

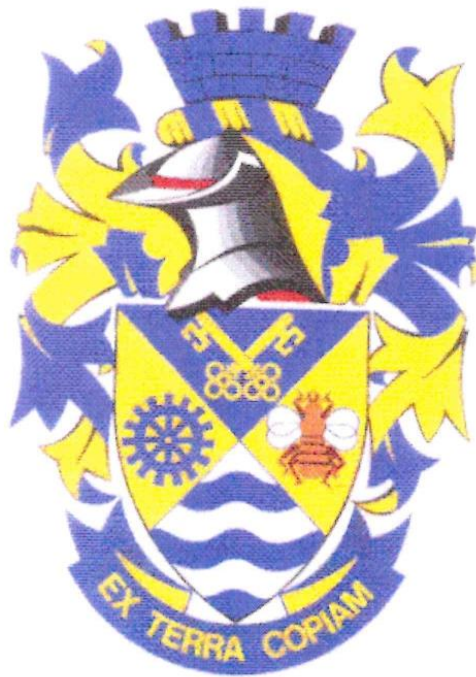
R

Capital Project	Ward	Original Budget	Adjustment Budget	Actual	Variance (Act - Adj) %	Variance (Act - OB) %
MUNICIPAL MANAGER 1						
FURNITURE AND COMPUTERS				-	#DIV/0!	#DIV/0!
COUNCIL'S EXPENSES 2						
Video Camera		-				
ELECTRICITY 30						
Transformer						
Cable locator				772 000,00		
TRAFFIC						
Fencing of Traffic Offices		1 200 000	-		#DIV/0!	#DIV/0!
Speed Cameras		128 000	-	-	#DIV/0!	#DIV/0!
Fire Arms		200 000	-	76 804,40	100%	-160%
SPORT & RECREATION 20						
Sport Facilities		-		-	#DIV/0!	#DIV/0!
Belgrade Fitness Center			6 000 000	5 991 870,00		
CORPORATE SERVICES 4						
Desktop and laptops for the advertised posts		200 000	-	442 057,16	100%	55%
Replacement of computers of the existing employees		300 000	-	425 273,74		
Generator				2 166 900,00		
Projectors and Roof /Wall mount		90 000				
Tender Box		30 000				
TECHNICAL SERVICES						
MIG Projects		26 343 087	28 947 334	28 411 661,96		
COMMUNITY SERVICES 13						
Boreholes for Ntshiyangibone and Ward 13 Community Halls		200 000	-	-		
Community Halls Chairs		100 000	-	-		
"Project B"		28 791 087	34 947 334	38 286 567	9%	25%



AUDITED ANNUAL FINANCIAL STATEMENT





uPHONGOLO Local Municipality
Annual Financial Statements
for the year ended 30 June 2023

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

General Information

Legal form of entity	Service delivery: electricity, waste management and general services
Members of Council	
Mayor	Cllr VM Sikhosana
Deputy Mayor	Cllr BJ Thwala
Speaker	Cllr KE Nxumalo
EXCO Member	Cllr BR Shongwe
EXCO Member	Cllr SR Mhlongo
EXCO Member	Cllr NP Van Zuydam
Chief Whip	Cllr BES Ntshangase
Other Councillors	Cllr JB Ngema- MPAC Chair Cllr MB Mthembu Cllr SA Xulu Cllr MP Mafuleka Cllr NP Mavuso Cllr MG Ndlangamandla Cllr CN Mavundla Cllr ZS Khumalo Cllr ZZ Buthelezi Cllr TA Ntshangase Cllr NG Ncube Cllr CM Nxumalo-Sibiya Cllr NT Gumbi Cllr GL Sibiya Cllr SV Dlamini-Nkambule Cllr TD Buthelezi Cllr FS Masango Cllr NA Nkosi Cllr ZB Motha Cllr P Masuku Cllr MT Msibi Cllr XH Dhlamini
Grading of local authority	Grade 2
Municipal Manager	Mr MB Khali
Chief Financial Officer	Mr KWG Ngcobo
Registered office	61 Martin Street Pongola 3170
Postal address	PO Box 191 Pongola 3170
Bankers	First National Bank, Standard Bank, Absa Bank and Nedbank
Auditors	Auditor General South Africa

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 12
Accounting Policies	13 - 38
Notes to the Annual Financial Statements	39 - 78

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

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 30th of June 2023 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.

I, **MB Khali** as the Accounting Officer acknowledge that I am 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 me to meet these responsibilities, I have 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.

I am 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.

I have reviewed the municipality's cash flow for the period ended 30th of June 2023 and, in the light of this review and the current financial position, I am 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 its clients and state grants 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 intention nor the need to liquidate or curtail materially the scale of the municipality.

The External Auditors are responsible for independent reviewing and reporting on the municipality's annual financial statements. The annual financial statements will be examined by External Auditors.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 29 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 5 to 78, were approved by the Accounting Officer on 31st of August 2023 and were signed on its behalf by:



Mr MB Khali
Municipal Manager

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Statutory receivables from non-exchange transactions	7	16 607 899	16 216 817
VAT receivable	8	3 804 726	1 637 475
Receivables from exchange transactions	9	13 952 009	13 764 974
Cash and cash equivalents	10	5 864 260	10 432 775
		40 228 894	42 052 041
Non-Current Assets			
Investment property	2	65 220 998	63 477 380
Property plant and equipment	3	373 463 252	362 510 235
Intangible assets	4	747 117	1 284 222
Heritage assets	5	70 945	70 945
		439 502 312	427 342 782
Non-Current Assets		439 502 312	427 342 782
Current Assets		40 228 894	42 052 041
Total Assets		479 731 206	469 394 823
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	17	32 139 272	41 718 777
Consumer deposits	18	2 842 007	2 862 261
Trade and other payables from non-exchange transactions	12	287 056	8 891 255
Provisions: current portion	14	1 685 218	1 405 035
Long service award - current portion	15	506 343	34 560
Employee benefits obligation - current portion	6	265 262	279 697
Long term loans- current portion	16	-	1 235 113
		37 725 158	56 426 698
Non-Current Liabilities			
Other financial liabilities	13	341 542	341 542
Employee benefit obligation: non-current portion	6	2 308 136	2 916 457
Provisions: non-current portion	14	9 366 024	9 879 576
Long service award: non-current portion	15	5 430 577	1 934 942
		17 446 279	15 072 517
Non-Current Liabilities		17 446 279	15 072 517
Current Liabilities		37 725 158	56 426 698
Total Liabilities		55 171 437	71 499 215
Assets		479 731 206	469 394 823
Liabilities		(55 171 437)	(71 499 215)
Net Assets		424 559 769	397 895 608
Accumulated surplus		424 559 769	397 895 608
Total Net Assets		424 559 769	397 895 608

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand

	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	56 516 775	57 716 511
Construction contract revenue	53	5 752 895	55 264 482
Rental of facilities and equipment	20	500 849	619 975
Interest received (trading)	23	828 482	19 194 257
Agency services	54	948 852	955 326
Licence and permits	22	1 718 051	1 437 218
Operational revenue	24	5 387 349	671 874
Interests earned from current assets	25	2 449 102	1 301 061
Total revenue from exchange transactions		74 102 355	137 160 704
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	45 570 560	43 252 956
Transfer revenue			
Government grants & subsidies	27	232 155 470	212 086 892
Fines, Penalties and Forfeits	21	1 681 100	2 136 960
Total revenue from non-exchange transactions		279 407 130	257 476 808
Total revenue		353 509 485	394 637 512
Expenditure			
Employee related costs	28	(124 087 557)	(105 231 611)
Remuneration of councillors	29	(11 228 161)	(10 277 654)
Depreciation and amortisation	30	(25 372 447)	(28 023 906)
Finance costs	31	(1 903 663)	(1 737 255)
Debt Impairment	32	(5 925 865)	(33 732 889)
Construction contract expenditure	53	(5 752 895)	(55 264 482)
Debtors written-off	55	(11 811 690)	-
Bulk purchases	33	(35 985 209)	(36 689 378)
Operational costs	34	(102 364 465)	(119 173 543)
Total expenditure		(324 431 952)	(390 130 718)
Operating surplus		29 077 533	4 506 794
Fair value adjustments	35	1 743 618	1 620 380
Actuarial losses	52	(3 804 909)	(1 519 622)
Loss on disposal of capital assets		(350 698)	(147 351)
		(2 411 989)	(46 593)
Surplus for the year		26 665 544	4 460 201

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	393 227 699	393 227 699
Adjustments		
Correction of prior period errors 42	207 708	207 708
Balance at 01 July 2021 as restated*	393 435 407	393 435 407
Restated balance	393 435 407	393 435 407
Surplus for the year	4 460 201	4 460 201
	-	-
Restated* Balance at 01 July 2022	397 895 608	397 895 608
Surplus for the year	26 665 544	26 665 544
Total changes	26 665 544	26 665 544
Balance at 30 June 2023	424 559 769	424 559 769

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Cash Flow Statement

Figures in Rand

	Note(s)	2023	2022 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		93 409 774	89 450 951
Grants		230 596 930	279 461 230
Interest income		2 449 102	1 301 061
		<u>326 455 806</u>	<u>370 213 242</u>
Payments			
Employee costs		(124 907 935)	(104 126 162)
Suppliers		(155 781 108)	(211 065 786)
Finance costs		(97 199)	(289 357)
Remuneration of councillors		(11 228 161)	(10 277 654)
		<u>(292 014 403)</u>	<u>(325 758 959)</u>
Total receipts		326 455 806	370 213 242
Total payments		(292 014 403)	(325 758 959)
Net cash flows from operating activities	37	34 441 403	44 454 283
Cash flows from investing activities			
Purchase of property plant and equipment	3	(37 753 701)	(35 592 198)
Proceeds from sale of property plant and equipment	3	-	21 002
Net cash flows from investing activities		(37 753 701)	(35 571 196)
Cash flows from financing activities			
Movement in other liability 3		(1 255 367)	(2 110 116)
Net increase/(decrease) in cash and cash equivalents		(4 568 516)	6 772 971
Cash and cash equivalents at the beginning of the year		10 432 776	3 659 807
Cash and cash equivalents at the end of the year	10	5 864 260	10 432 778

* See Note 42

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
--	-----------------	-------------	--------------	------------------------------------	--

Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	59 382 024	-	59 382 024	56 516 775	(2 865 249)	Ref to note 51
Construction contract revenue	-	-	-	5 752 895	5 752 895	
Rental of facilities and equipment	659 968	-	659 968	500 849	(159 119)	
Interest received (trading)	2 607 146	(1 135 995)	1 471 151	828 482	(642 669)	
Agency services	-	-	-	948 852	948 852	
Licence and permits	2 017 233	-	2 017 233	1 718 051	(299 182)	
Operational revenue	2 989 451	1 933 917	4 923 368	5 387 349	463 981	
Interests earned from current assets	1 587 678	434 397	2 022 075	2 449 102	427 027	
Gains on disposal of assets	219 858	(219 858)	-	-	-	
Total revenue from exchange transactions	69 463 358	1 012 461	70 475 819	74 102 355	3 626 536	

Revenue from non-exchange transactions

Property rates	45 592 637	-	45 592 637	45 570 560	(22 077)	
Government grants & subsidies	209 936 000	40 365 269	250 301 269	232 155 470	(18 145 799)	
Fines, Penalties and Forfeits	2 992 710	-	2 992 710	1 681 100	(1 311 610)	
Total revenue from non-exchange transactions	258 521 347	40 365 269	298 886 616	279 407 130	(19 479 486)	

Total revenue	327 984 705	41 377 730	369 362 435	353 509 485	(15 852 950)	
----------------------	--------------------	-------------------	--------------------	--------------------	---------------------	--

Expenditure

Employee related costs	(113 137 366)	(9 059 694)	(122 197 060)	(124 087 557)	(1 890 497)	
Remuneration of councillors	(10 428 276)	(375 001)	(10 803 277)	(11 228 161)	(424 884)	
Depreciation and amortisation	(25 675 280)	-	(25 675 280)	(25 372 447)	302 833	
Finance costs	(1 124 568)	(351 853)	(1 476 421)	(1 903 663)	(427 242)	
Debt impairment	(9 707 111)	-	(9 707 111)	(5 925 865)	3 781 246	
Debtors written-off	-	-	-	(11 811 690)	(11 811 690)	
Bulk purchases	(37 875 896)	2 628 909	(35 246 987)	(35 985 209)	(738 222)	
Construction contract expenditure	-	-	-	(5 752 895)	(5 752 895)	
Operational expenditure	(75 755 387)	(19 139 467)	(94 894 854)	(102 364 465)	(7 469 611)	
Total expenditure	(273 703 884)	(26 297 106)	(300 000 990)	(324 431 952)	(24 430 962)	
Operating surplus	54 280 821	15 080 624	69 361 445	29 077 533	(40 283 912)	
Fair value adjustments	-	-	-	1 743 618	1 743 618	
Actuarial losses	(219 858)	-	(219 858)	(3 804 909)	(3 585 051)	
Loss on disposal of capital assets	-	-	-	(350 698)	(350 698)	
	(219 858)	-	(219 858)	(2 411 989)	(2 192 131)	

Surplus before taxation	54 060 963	15 080 624	69 141 587	26 665 544	(42 476 043)	
--------------------------------	-------------------	-------------------	-------------------	-------------------	---------------------	--

(Deficit) surplus for the year	54 060 963	15 080 624	69 141 587	26 665 544	(42 476 043)	
---------------------------------------	-------------------	-------------------	-------------------	-------------------	---------------------	--

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Statutory receivables from non-exchange transactions	21 231 781	(7 191 393)	14 040 388	16 607 899	2 567 511	Ref to note 51
VAT receivable	16 558 187	(11 096 062)	5 462 125	3 804 726	(1 657 399)	
Receivables from exchange transactions	20 786 168	(7 040 460)	13 745 708	13 952 009	206 301	
Cash and cash equivalents	15 652 345	(12 852 659)	2 799 686	5 864 260	3 064 574	
	74 228 481	(38 180 574)	36 047 907	40 228 894	4 180 987	
Non-Current Assets						
Investment property	61 270 000	2 207 380	63 477 380	65 220 998	1 743 618	
Property plant and equipment	408 704 911	(26 906 022)	381 798 889	373 463 252	(8 335 637)	
Intangible assets	2 433 073	(1 541 005)	892 068	747 117	(144 951)	
Heritage assets	70 945	-	70 945	70 945	-	
	472 478 929	(26 239 647)	446 239 282	439 502 312	(6 736 970)	
Current Assets	74 228 481	(38 180 574)	36 047 907	40 228 894	4 180 987	
Non-Current Assets	472 478 929	(26 239 647)	446 239 282	439 502 312	(6 736 970)	
Total Assets	546 707 410	(64 420 221)	482 287 189	479 731 206	(2 555 983)	
Liabilities						
Current Liabilities						
Finance lease obligation	1 044 210	(93 097)	951 113	-	(951 113)	
Trade and other payables from exchange transactions	21 507 066	(6 558 315)	14 948 751	32 139 272	17 190 521	
Consumer deposits	2 289 397	698 803	2 988 200	2 842 007	(146 193)	
Trade and other payables from non-exchange transactions	-	-	-	287 056	287 056	
Provisions: current portion	2 456 579	(2 152 514)	304 065	1 685 218	1 381 153	
Long service award - current portion	-	-	-	506 343	506 343	
Employee benefits obligation - current portion	-	-	-	265 262	265 262	
	27 297 252	(8 105 123)	19 192 129	37 725 158	18 533 029	
Non-Current Liabilities						
Other financial liabilities	341 542	-	341 542	341 542	-	
Employee benefit obligation: non-current portion	-	3 196 154	3 196 154	2 308 136	(888 018)	
Provisions: current portion	11 501 928	592 416	12 094 344	9 366 024	(2 728 320)	
Long service award: non-current portion	-	3 002 215	3 002 215	5 430 577	2 428 362	
Other liability 3	7 356 343	(4 344 515)	3 011 828	-	(3 011 828)	
	19 199 813	2 446 270	21 646 083	17 446 279	(4 199 804)	
	27 297 252	(8 105 123)	19 192 129	37 725 158	18 533 029	
	19 199 813	2 446 270	21 646 083	17 446 279	(4 199 804)	
Total Liabilities	46 497 065	(5 658 853)	40 838 212	55 171 437	14 333 225	
Assets	546 707 410	(64 420 221)	482 287 189	479 731 206	(2 555 983)	

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Liabilities	(46 497 065)	5 658 853	(40 838 212)	(55 171 437)	(14 333 225)	
Net Assets	500 210 345	(58 761 368)	441 448 977	424 559 769	(16 889 208)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	500 210 345	(58 761 368)	441 448 977	424 559 769	(16 889 208)	

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	85 648 582	1 933 917	87 582 499	93 409 774	5 827 275	Ref to note 51
Grants	209 936 000	36 088 654	246 024 654	230 596 930	(15 427 724)	
Interests income	1 587 678	434 397	2 022 075	2 449 102	427 027	
	297 172 260	38 456 968	335 629 228	326 455 806	(9 173 422)	
Payments						
Employee costs	(117 029 299)	2 492 353	(114 536 946)	(124 907 935)	(10 370 989)	
Suppliers	(127 357 362)	(32 859 326)	(160 216 688)	(155 781 108)	4 435 580	
Finance costs	(1 124 568)	942 823	(181 745)	(97 199)	84 546	
Remuneration of Councillors	(10 428 276)	(375 001)	(10 803 277)	(11 228 161)	(424 884)	
	(255 939 505)	(29 799 151)	(285 738 656)	(292 014 403)	(6 275 747)	
Total receipts	297 172 260	38 456 968	335 629 228	326 455 806	(9 173 422)	
Total payments	(255 939 505)	(29 799 151)	(285 738 656)	(292 014 403)	(6 275 747)	
Net cash flows from operating activities	41 232 755	8 657 817	49 890 572	34 441 403	(15 449 169)	
Cash flows from investing activities						
Purchase of PPE	(36 742 550)	(19 546 000)	(56 288 550)	(37 753 701)	18 534 849	
Cash flows from financing activities						
Movements in other liabilities	(3 841 667)	2 606 554	(1 235 113)	(1 255 367)	(20 254)	
Net cash flows from financing activities	(3 841 667)	2 606 554	(1 235 113)	(1 255 367)	(20 254)	
Net increase/(decrease) in cash and cash equivalents	648 538	(8 281 629)	(7 633 091)	(4 568 518)	3 065 426	
Cash and cash equivalents at the beginning of the year	3 000 000	7 432 778	10 432 778	10 432 778	-	
Cash and cash equivalents at the end of the year	3 648 538	(848 851)	2 799 687	5 864 260	3 065 426	

uPHONGOLO Local Municipality

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 GRAP, in accordance with section 122 (3) of the MFMA" or "The annual financial statements have been prepared in accordance with GRAP, issued by the ASB in accordance with section 89(1) of the PFMA

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.

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

The municipality changes an accounting policy only if the change:

- (a) Is required by a standard of GRAP or
- (b) Results in the financial statements providing reliable and more relevant information about the effects of transaction, other events or conditions on the performance or cash flow.

The following GRAP standards have been approved and effective to the municipality:

GRAP 1 Presentation of Financial Statements
GRAP 2 Cash Flow Statements
GRAP 3 Accounting Policies , Changes in Accounting Estimates and Errors
GRAP 4 The effects of Changes in Foreign Exchange Rates
GRAP 5 Borrowing costs
GRAP 9 Revenue from Exchange Transactions
GRAP 10 Financial Reporting in Hyperinflationary Economies
GRAP 11 Construction Contracts
GRAP 12 Inventories
GRAP 13 Leases
GRAP 14 Events After Reporting Date
GRAP 16 Investment Property
GRAP 17 Property, Plant and Equipment
GRAP 18 Segment Reporting
GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
GRAP 20 Related Party Disclosures
GRAP 21 Impairment of Non-cash-generating Assets
GRAP 23 Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements
GRAP 25 Employee benefits
GRAP 26 Impairment of Cash-Generating Assets
GRAP 31 Intangible Assets
GRAP 34 Separate Financial Statement
GRAP 103 Heritage Assets
GRAP 104 Financial Instruments
GRAP 108 Statutory Receivables
GRAP 109 Accounting by Principals and Agents

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

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

GRAP 1 Presentation of Financial Statements - effective date not yet stated.
GRAP 103 Heritage Assets - effective date not yet stated.
GRAP 104 Financial Instruments (amendments) - effective date 1 April 2025.
Guideline The application of materiality to financial statement

Impact on the municipality's financial statements once implemented:

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

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 Expenditure

Expenditure is recognised on an accrual basis.

1.4 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Depreciation/Amortization and Impairment testing

As described in the accounting policy disclosure relating to PPE and intangible assets with definite useful lives, the municipality depreciates/amortises the aforementioned assets over their estimated useful lives, taking into account the residual values of the assets at the end of their useful lives. The useful lives and residual values of the assets are based on industry knowledge.

The depreciation/amortization period and the depreciation/amortization method for intangibles assets are reviewed at each reporting date.

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 municipality assesses at each reporting date whether there is any indications of impairment. If any such indications exist, the municipality conducts an impairment test.

Useful lives and residual value of Property, Plant and Equipment (PPE) and Intangible assets:

The municipality assesses at each reporting date whether there is any indication that the municipality expectations on 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.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Employee benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality 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 6 & 15.

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.

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.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal.

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

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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property plant and equipment (continued)

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.

The costs shall 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 are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Landfill sites	Straight-line	20-25 years
Buildings		
• Parkhomes	Straight-line	05-10 years
• Residential	Straight-line	10-33 years
• Ablutions	Straight-line	25-50 years
• Car ports	Straight-line	15-30 years
• Community halls	Straight-line	25-50 years
• Testing centre	Straight-line	25-50 years
• Libraries	Straight-line	25-50 years
• Sport fields	Straight-line	25-50 years
• Creches	Straight-line	24-50 years
• Store rooms	Straight-line	25-30 years
Electricity		
• Cables	Straight-line	25-45 years
• Panels	Straight-line	03-14 years
• Fencing	Straight-line	10-25 years
• High mast lights	Straight-line	15-25 years
• Overheads lines	Straight-line	20-30 years
• Meters	Straight-line	20-30 years
• Substation equipment indoors	Straight-line	30-40 years

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property plant and equipment (continued)

• Substation equipment outdoors	Straight-line	20-30 years
• Switchgears	Straight-line	20-30 years
• Substation	Straight-line	20-30 years
• Transformers	Straight-line	25-50 years
Roads		
• Traffic calming	Straight-line	10-30 years
• Roads barriers	Straight-line	10-30 years
• Kerb & channels	Straight-line	40-50 years
• Roads asphalt surfaces	Straight-line	30-50 years
• Road asphalt surfaces	Straight-line	10-22 years
• Road gravel surfaces	Straight-line	03-25 years
• Pedestrians footpaths	Straight-line	13-30 years
• Roads streetlights	Straight-line	25-40 years
• Traffic lights	Straight-line	15-20 years
• Traffic signs	Straight-line	05-15 years
• Culverts	Straight-line	25-40 years
• Drains concrete	Straight-line	25-50 years
• Roads	Straight-line	10-20 years
Furniture and fittings		
• Air conditioners	Straight-line	03-30 years
• Office equipment	Straight-line	05-30 years
• Other furniture	Straight-line	05-30 years
• Paintings, sculptures and ornaments	Straight-line	05-10 years
Transport assets		
• Motor vehicles	Straight-line	04-30 years
• Trailers & accessories	Straight-line	05-30 years
• Trucks	Straight-line	05-30 years
Other machinery and equipment		
• Audio visual equipment	Straight-line	05-30 years
• Domestic equipment	Straight-line	03-30 years
• Electric wire and power distribution	Straight-line	03-12 years
• Farm or agricultural equipment	Straight-line	05-33 years
• Gardening equipment	Straight-line	02-33 years
• Irrigation equipment	Straight-line	10-15 years
• Kitchen appliances	Straight-line	05-25 years
• Medical and allied equipment	Straight-line	05-25 years
• Photographic equipment	Straight-line	05-10 years
• Radio equipment	Straight-line	05-25 years
• Roads equipment	Straight-line	03-30 years
• Security equipment	Straight-line	05-30 years
• Survey equipment	Straight-line	03-12 years
• Telecommunication equipment	Straight-line	05-11 years
• Workshop equipment	Straight-line	05-30 years
Computer equipment		
• Computer hardware	Straight-line	04-25 years
• Computer network	Straight-line	05-10 years
Solid waste disposal		
• Bins containers	Straight-line	10-15 years

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 revised to accommodate the changed pattern. Such a change, is accounted for as a change in an accounting estimate.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.6 Property plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations on 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 municipality assesses at each reporting date whether there is any indications of impairment. If any such indications exist, the municipality conducts an impairment test.

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.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.8 Intangible assets

An asset is identifiable if it either:

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

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.

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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.8 Intangible assets (continued)

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
Licence	Straight-line	2-30 years
Computer software	Straight-line	2-30 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

The municipality assesses at each reporting dates whether there is any indications of impairment. If any such indications exists, the municipality conducts an impairment test.

1.9 Heritage assets

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

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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.9 Heritage assets (continued)

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

Subsequent measurement

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

Impairment

The municipality assesses at each reporting date whether there is an indication of impairment. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the 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 municipality and a financial liability or a residual interest of another municipality.

A financial asset is:

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

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

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

Classification

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

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

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

Class	Category
Long-term loans	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at cost

Initial recognition

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Financial instruments (continued)

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

Initial measurement of financial assets and financial liabilities.

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

Subsequent measurement of financial assets and financial liabilities.

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

- Financial instruments at amortised cost
- Financial instruments at cost

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

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

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost

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

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

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.10 Financial instruments (continued)

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

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognises the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Statutory receivables from non exchange transactions

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Other charges

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

Impairment losses

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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.11 Statutory receivables from non exchange transactions (continued)

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

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

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

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

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

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

Derecognition

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

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

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

1.12 Tax

The uPhongolo Local municipality is exempt from tax in terms of section 10(1)(a) of the Income Tax Act.

1.13 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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.13 Leases (continued)

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.

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.

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.

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.

1.14 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term "contractor" thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The municipality assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by .

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.15 Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

Cash and cash equivalents comprise bank balances, cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which are available on demand.

Some equity investments are included in cash equivalents when they are, in substance, cash equivalents.

1.16 Impairment of 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 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.

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. 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.

Designation

Asset are designated as non-cash-generating or cash-generating based on the municipality's objective of using the asset. Asset can either be used with the objective of generating a commercial return or delivering services

The assessment of a municipality's objective of using the asset is performed at initial recognition, based on management's expected use of the asset over its useful life. Subsequent to initial recognition and designation, a municipality shall redesignate an asset, if there has been a change in a municipality's expected use of the asset that is expected to result in positive cash flows that are significantly higher than the cost of the asset.

Identification

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.16 Impairment of cash-generating assets (continued)

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

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

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

1.17 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.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present

- It does not have the power to determine the significant terms and conditions of the transaction,
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit, and
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.17 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.

1.18 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employee.

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 municipality, 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 municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, 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 municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- a municipality'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 a municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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 services.

Short-term employee benefits include items such as:

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

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

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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

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

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

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 municipality 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.

Defined contribution plans

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

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

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

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

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.

Retirement Funds

The municipality contributes towards retirement benefits of its employees to the following funds:

- The Natal Joint Municipal Pension Fund;
- Government Employees Pension Fund;

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.18 Employee benefits (continued)

Municipal Gratuity Fund;
Municipal Employee Pension Fund.
Super Annuation Fund
KwaZulu Natal Retirement Fund

Post employment medical care benefit.

The municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement of post-medical benefits is based on employees remaining in service up to the retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over the period of employment. Post employment medical care benefits are accounted for in accordance to GRAP 25.

1.19 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.

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.

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 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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

1.20 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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.20 Commitments (continued)

- 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.

1.21 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

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

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

Interest

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

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

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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.21 Revenue from exchange transactions (continued)

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.22 Receivables 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.

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.

Recognition

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

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

Measurement

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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.22 Receivables from non-exchange transactions (continued)

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

Property rates

The municipality recognises property rates in terms of the Municipal Property Rates Act and the municipal rates policy.

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met. The taxable event for property tax is the passing of the date on which the tax is levied.

Transfers

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

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

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

Government grants

Grants and donations received, or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is no corresponding liability in respect of the related conditions. Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, the liability is transferred to revenue as and when the conditions attached to the grant are met.

Unconditional grants are recognised as revenue in full when the asset is recognised, at an amount equal to their fair value of the asset received.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.23 Investment income

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

1.24 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.

1.25 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003).

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.25 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 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 recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.27 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 unauthorised expenditure. Irregular expenditure is accounted for as an expense in the statement of financial performance.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned before year end and/or before the finalisation of financial statements must also be recognised appropriately recognised in the irregular expenditure register. In such an instance, no further actions also required with the exception of updating the note to the financial statement.

Irregular expenditure that was incurred and identified during the current financial year and for which will be condoned at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law.

Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register

1.28 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.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Identification of segment

The municipality is organised and reports to management on the basis of three major functional areas: Finance & Admin, Community & Public Safety and Planning & Development. The segments were organised around the type of goods and services delivered. Management uses these same segments for determining strategic objectives. Supporting services segment was aggregated for reporting purposes.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.28 Segment information (continued)

The identification of these segments is consistent with the functional classification of local government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The necessary information is not available and the cost to develop it would be excessive.

Aggregated segments

Support services segment was aggregated as a practical limit has been reached beyond which segment information becomes too detailed. Management is of the view that such additional detailed segments are not useful and relevant.

Types of goods and/or services by segment

These reportable segments as well as the goods and/or services for each segment are set out below:

Finance & administration	Provision of support services
Community & public safety	Provision of community facilities, refuse removal & protection services
Planning & development	Economic and infrastructure development

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.

Information about geographical areas

The municipality's operations are in the KwaZulu-Natal Province.

Separate financial and other relevant information on geographical areas in which the municipality operates is not available. The cost to develop the necessary information would be excessive.

1.29 Budget information

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2022/07/01 to 2023/06/30.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Reasons were provided for variance more than 5%, as these were considered material.

1.30 Related parties

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.30 Related parties (continued)

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities under the control of Council are considered to be related parties.

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.

Only transactions with related parties that are not at arm's length or not in the ordinary course of business are disclosed.

1.31 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.

1.32 Value Added Tax

Recognition of asset and liability

The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

1.33 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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.33 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.

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized 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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Accounting Policies

1.33 Impairment of non-cash generating assets (continued)

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.

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

Redesignation

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

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

2. Investment property

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Vacant land	65 220 998	-	65 220 998	63 477 380	-	63 477 380

Reconciliation of investment property - 2023

	Opening balance	Fair value adjustments	Total
Vacant land	63 477 380	1 743 618	65 220 998

Reconciliation of investment property - 2022

	Opening balance	Additions	Fair value adjustments	Total
Vacant land	61 270 000	587 000	1 620 380	63 477 380

Pledged as security

No investment property were pledged as security.

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.

Details of valuation

The effective date of the valuations was Friday, 30 June 2023. The valuations were performed by an independent valuer, Mr WF Hamilton, of BPG Mass Appraisals (Pty) Ltd. BPG Mass Appraisals (Pty) Ltd are not connected to the municipality and have recent experience in location and category of the investment property being fair valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

uPHONGOLO Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements
Figures in Rand

3. Property plant and equipment

	2023			2022		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	71 302 265	-	71 302 265	71 302 265	-	71 302 265
Buildings	173 917 532	(40 958 460)	132 959 072	153 970 826	(35 623 400)	118 347 426
Infrastructure	249 873 980	(113 587 740)	136 286 240	236 734 020	(99 153 288)	137 580 732
Solid waste	8 853 328	(619 010)	8 234 318	9 601 867	(501 271)	9 100 596
Other PPE	56 073 027	(31 391 670)	24 681 357	53 891 038	(27 711 822)	26 179 216
Total	560 020 132	(186 556 880)	373 463 252	525 500 016	(162 989 781)	362 510 235

uPHONGOLO Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements
Figures in Rand

3. Property plant and equipment (continued)
Reconciliation of property plant and equipment - 2023

	Opening balance	Additions	Disposals	Change in estimates	Depreciation	Impairment loss	Total
Land	71 302 265	-	-	-	-	-	71 302 265
Buildings	118 347 425	20 064 660	(117 953)	-	(4 163 032)	(1 172 027)	132 959 073
Infrastructure	137 580 710	13 140 008	-	-	(14 215 163)	(219 314)	136 286 241
Solid waste	9 100 595	866 932	-	(1 615 471)	(117 739)	-	8 234 317
Other equipment	26 179 218	3 682 976	(232 745)	-	(4 495 513)	(452 578)	24 681 358
	362 510 213	37 754 576	(350 698)	(1 615 471)	(22 991 447)	(1 843 919)	373 463 254

Reconciliation of property plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	71 302 265	-	-	-	-	71 302 265
Buildings	110 460 980	15 940 748	-	(4 129 392)	(3 924 910)	118 347 426
Infrastructure	137 898 479	13 983 123	-	(14 300 891)	-	137 580 732
Solid waste	9 085 487	132 848	-	(117 739)	-	9 100 596
Other PPE	25 823 355	5 535 479	(168 350)	(5 001 106)	(10 159)	26 179 219
	354 570 566	35 592 198	(168 350)	(23 549 128)	(3 935 069)	362 510 238

Reconciliation of Work-in-Progress 2023

	Included within Infrastructure	Included within Community	Total
Opening balance	23 152 551	22 314 471	45 467 022
Additions/capital expenditure	13 234 940	20 064 660	33 299 600
Assets disposal	-	(117 953)	(117 953)
	36 387 491	42 261 178	78 648 669

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Included within Community	Total
Opening balance	14 461 235	22 617 873	37 079 108

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
3. Property plant and equipment (continued)		
Additions/capital expenditure	13 718 027	15 921 248
Impairment	-	(3 924 910)
Transferred to completed items	(5 026 711)	(17 326 451)
	23 152 551	45 467 022
Expenditure incurred to repair and maintain property, plant and equipment		
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Municipal houses & IT	722 047	550 039
Infrastructure maintenance	10 272 495	12 530 433
Fleet & other assets	2 039 877	1 625 112
	13 034 419	14 705 584

Projects taking longer to complete

1. Construction of Emkhiwaneni sportfield ward 09

The project was halted and referred to the municipal attorneys for investigation which resulted in an impairment of R3 942 910. It was suspected that the actual work done and the cumulative expenditure did not correlate.

2. Emgome (Emdonini) community hall ward 9

The project was halted and impaired by an amount of R265 674 to take into account the deterioration on the structure. The service provider could not finish the project.

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.

uPHONGOLO Local Municipality
Annual Financial Statements for the year ended 30 June 2023
Notes to the Annual Financial Statements
Figures in Rand

4. Intangible assets

	2023		2022			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 958 065	(2 210 948)	747 117	3 061 310	(1 777 088)	1 284 222
Reconciliation of intangible assets - 2023						
Computer software				Opening balance	Amortisation	Total
				1 284 222	(537 105)	747 117
Reconciliation of intangible assets - 2022						
Computer software				Opening balance	Amortisation	Total
				1 823 904	(539 682)	1 284 222

Pledged as security

No intangible assets were pledged as security.

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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

5. Heritage assets

	2023			2022		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Work of arts	23 996	-	23 996	23 996	-	23 996
Other Heritage Assets	46 949	-	46 949	46 949	-	46 949
Total	70 945	-	70 945	70 945	-	70 945

Reconciliation of heritage assets 2023

	Opening balance	Total
Work of arts	23 996	23 996
Other Heritage Assets	46 949	46 949
	70 945	70 945

Reconciliation of heritage assets 2022

	Opening balance	Total
Work of arts	23 996	23 996
Other Heritage Assets	46 949	46 949
	70 945	70 945

Pledged as security

No heritage assets pledged as security.

6. Employee benefit obligation

Defined benefit plan

Medical Benefits:

An actuarial valuation has been performed by One Pangaea & Solutions to ascertain the municipality's liability in respect of the benefits to eligible beneficiaries who were employed by the municipality on the old conditions of service and have already retired.

The actuarial valuation is performed every year.

2023	Opening balance	Service cost	Interest cost	Benefit payments	Actuarial (gain)/loss over the financial year	Total
Non-current portion	3 196 154	-	338 639	(548 770)	(677 887)	2 308 136
Current portion	-	-	-	265 262	-	265 262
Subtotal	3 196 154	-	338 639	(283 508)	(677 887)	2 573 398
	3 196 154	-	338 639	(283 508)	(677 887)	2 573 398
2022	Opening balance	Service cost	Interest cost	Benefit payments	Actuarial (gain)/loss over the financial year	Total

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

					2023	2022
6. Employee benefit obligation (continued)						
Non-current portion	2 090 106	-	170 014	(528 962)	1 185 299	2 916 457
Current portion	-	-	-	279 697	-	279 697
Subtotal	2 090 106	-	170 014	(249 265)	1 185 299	3 196 154
	2 090 106	-	170 014	(249 265)	1 185 299	3 196 154

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Opening balance	(3 196 154)	(2 090 106)
Interest costs	(338 639)	(170 014)
Benefits paid	262 744	255 159
Actuarial gain/(loss)	698 651	(1 191 193)
	(2 573 398)	(3 196 154)

Net expense recognised in the statement of financial performance

Interest cost	(338 639)	(170 014)
Actuarial (gains) losses	698 651	1 191 193
	360 012	1 021 179

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.83 %	11.08 %
Health care cost inflation	8.08 %	8.77 %
Change in the mortality assumption	7.13 %	7.71 %
Consumer price inflation	6.58 %	7.27 %
Net discount rate	3.47 %	2.12 %
1% increase discount rate in employer's accrued liability	2 391 841	2 946 972
1% increase in the discount rate	7.06 %	7.80 %
1% decrease discount rate in employer's accrued liability	2 781 565	3 484 632
1% decrease in the discount rate	6.59 %	9.03 %
1% increase medical inflation rate in employer's accrued liability	2 800 869	3 505 442
1% decrease in the medical inflation rate	7.80 %	8.47 %
1% decrease medical inflation rate in employer's accrued liability	2 372 692	2 925 518
1% increase in the medical inflation rate	8.84 %	9.68 %

Amounts for the current and previous four years are as follows:

	2023	2022	2021	2020	2019
Present value of funded obligations	2 573 398	3 196 154	2 090 106	1 972 225	2 120 383

Benefits

The municipality has been unsuccessful in obtaining the necessary information to support proper defined plan accounting due to restrictions imposed by the multi employer plan. As a result of the restrictions, some of the entities defined benefit plans have not been treated as defined contribution plans as defined by GRAP 25, but are rather accounted for as defined contributions plans. This is in line with the GRAP 25 exemption which states that where information required for proper defined benefit plan accounting is not available in respect of multi employer state plans, these should be accounted for as defined contributions plan.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

6. Employee benefit obligation (continued)

Pension benefits

The municipality's personnel are members of one of the pension funds listed below:

-KwaZulu Natal Joint Municipal Pension Fund

-KwaZulu Retirement Fund

-Municipal Gratuity Fund

-Municipal Employees Pension Fund

-Government Employees Pension Fund

-Super Annuation fund

As the aforementioned funds are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined. Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to users of the municipality's financial statements. As the required disclosure information cannot be obtained, the funds are all treated as defined contribution plans, an independent valuer carries out a statutory valuation of the NJMPF on a triennial basis and interim valuation on an annual basis.

Super Annuation fund : The interim valuation carried out on the Super Annuation Fund as at March 2016 reflected the following:

-The memorandum account in respect of the pensioners was fully funded.

-The ability in respect of active members was 100% funded.

Retirement and Provident Fund: The latest statutory valuation on the Retirement/Provident Fund (defined contribution) as at 30 June 2023 revealed the following: The memorandum account in respect of the pensioners was fully funded.

The ability in respect of active members was 100% funded.

7. Statutory receivables from non-exchange transactions

Fines	13 794 181	12 360 431
Property rates	150 189 679	136 823 691
Impairment-Property Rates	(135 171 852)	(121 783 280)
Impairment-Traffic Fines	(12 204 109)	(11 184 025)
	16 607 899	16 216 817

Property rates: Ageing

Current (0-30 days)	9 180 408	8 175 241
31-60 days	2 502 910	2 342 911
61-90 days	2 352 304	2 227 825
91-120 days	2 341 174	2 146 788
121 + days	133 812 883	121 930 926
	150 189 679	136 823 691

Traffic fines: Ageing

Current (0-30 days)	699 750	451 900
31-60 days	-	239 850
61-90 days	-	172 150
91-120 days	-	202 060
121+ days	13 094 431	11 294 471
	13 794 181	12 360 431

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

7. Statutory receivables from non-exchange transactions (continued)

Statutory receivables general information

Statutory receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R7 118 834 (2022: R9 612 307) were past due but not impaired.

The total amounts past due but not impaired is as follows:

Property rates	7 118 834	9 612 307
Reconciliation of provision for impairment of statutory receivables from non-exchange transactions		
Opening balance	(132 967 306)	(116 363 981)
Contribution to allowance	(14 408 655)	(16 603 325)
	(147 375 961)	(132 967 306)

Statutory receivables general information

Transaction(s) arising from statute

Traffic fines

The two types of traffic fines that are issued are:

1) Traffic fines issued in terms of the Administrative Adjudication of Road Traffic Offences Act (AARTO Act).

2) Traffic fines issued in terms of the Criminal Procedures Act.

Property rates

The Municipal Property Rates Act No. 06 of 2004 governs property rates billed. The Act regulates, the power of the municipality to impose rates on properties; to exclude certain properties from rating in the national interest; to make provisions for the municipality to implement a transparent and fair system of exemptions, reductions and rebates through the municipalities rating policy, making provisions for fair and equitable valuation methods of properties; to make provisions for objections and appeals.

Determination of transaction amount

Traffic fines

Traffic fines are issued in terms of the AARTO Act by way of notices to offenders which specify the value of the fine that must be paid, along with any discount that can be applied if the fine is paid within a specific period of time.

Traffic fines issued in terms of the Criminal Procedures Act are usually issued by way of notice to offenders, and can:

(a) indicate the value of the fine to be paid, and that certain reductions could be made to the value of the fine payable and how, or the circumstances under which, such reductions can be applied, or

(b) indicate that the offender must appear in Court on a specified date (in these instances, the value of the fine may or may not be indicated but this is often only determined after a separate legal process).

Property rates

Property rates are levied in terms of the municipality's property rates policy, which is aligned to the Municipal Property Rates Act No. 6 of 2004.

The amount of rates levied by the municipality on properties, is the amount in the Rand

a) On the market value of the property;

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

7. Statutory receivables from non-exchange transactions (continued)

b) In the case of public service infrastructure, on the market value of the public service infrastructure less 30% of that value as contemplated in section 17(1)(a) of the Municipal Property Rates Act of 2004 or on such a lower percentage as the minister determines in terms of section 17(4) of the Municipal Property Rates Act of 2004;

c) In the case of property to which section 17(1) (h), of the Municipal Property Rates Act of 2004, applies on the market value of the property less the amount stated in that section, or on such amount as the Minister may determine

Refer to Note 26 for rate randage.

8. VAT receivable

VAT	3 804 726	1 637 475
-----	-----------	-----------

The municipality accounts for VAT on the accrual basis. The municipality is liable to account for VAT at the standard rate of 15 % in terms of Section 7(1)(a) of the VAT Act in respect of goods or services, except where supplies are specifically zero rates in terms of Section 11, exempted in terms of Section 12 of the VAT Act. The municipality accounts for VAT on monthly basis.

9. Receivables from exchange transactions

Gross balances

Electricity	15 087 051	16 791 455
Refuse	124 455 433	130 845 295
Other	4 168 182	4 369 671
	143 710 666	152 006 421

Less: Allowance for impairment

Electricity	(6 641 437)	(7 982 870)
Refuse	(120 457 861)	(127 230 774)
Other	(2 659 359)	(3 027 803)
	(129 758 657)	(138 241 447)

Net balance

Electricity	8 445 614	8 808 585
Refuse	3 997 572	3 614 521
Other	1 508 823	1 341 868
	13 952 009	13 764 974

Electricity

Current (0 -30 days)	9 344 378	9 371 533
31 - 60 days	306 987	492 443
61 - 90 days	267 330	359 788
91 - 120 days	223 523	367 739
121 - 365 days	4 944 833	6 199 952
	15 087 051	16 791 455

Refuse

Current (0 -30 days)	2 955 620	1 559 608
31 - 60 days	1 242 925	1 315 896
61 - 90 days	1 238 790	1 303 054
91 - 120 days	1 228 038	1 296 344
121 - 365 days	117 790 060	125 370 393

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
9. Receivables from exchange transactions (continued)	124 455 433	130 845 295
Other (specify)		
Current (0 -30 days)	30 383	214 487
31 - 60 days	525 715	15 442
61 - 90 days	106 928	120 689
91 - 120 days	67 054	29 886
121 - 365 days	3 438 102	3 989 167
	4 168 182	4 369 671
Reconciliation of allowance for impairment		
Balance at beginning of the year	(138 241 447)	(121 177 899)
Contributions to allowance	8 482 790	(17 063 548)
	(129 758 657)	(138 241 447)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R3 198 485 (2022:R5 741 084) were past due but not impaired.

The total amounts past due but not impaired is as follows:

Electricity	1 205 121	2 054 968
Refuse	646 301	2 744 228
Other	1 347 063	941 888

10. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 717	1 717
Bank balances	3 527 774	10 261 465
Short-term deposits	2 334 769	169 593
	5 864 260	10 432 775

The municipality had the following bank accounts

Account number	Bank statement balances		Cash book balances	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
FNB - 62027530858	3 527 774	10 223 654	3 527 774	10 223 654
FNB - 62375342377	2 100 586	94	2 100 586	94
FNB - 62377992104	11 716	182	11 716	182
FNB - 62389585286	895	895	895	895
FNB - 62389586507	8 223	7 946	8 223	7 946
FNB - 62404561377	132 505	87	132 505	87
FNB - 62404287345	-	7 737	-	7 737
FNB - 62658357001	5 374	5 192	5 374	5 192
FNB - 62305239718	4 753	91 563	4 753	91 563
FNB - 74275780911	55 247	51 696	55 247	51 696
FNB - 62253771896	-	3 025	-	3 025
FNB - 62230436405	22	22	22	22
FNB - 62596797559	1 183	1 183	1 183	1 183
Cash on hand	-	-	1 716	1 717
Receipt recognised but not yet reflecting on the B/S	-	-	14 266	37 783
Total	5 848 278	10 393 276	5 864 260	10 432 776

Restricted cash balances

Government grants & subsidies	287 056	8 891 255
-------------------------------	---------	-----------

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

10. Cash and cash equivalents (continued)

This funds are restricted for utilisation on capital and/ operational project agreed on. Refer to Note 12.

11. Operating lease commitments

Present value of minimum lease payments due

- within one year	3 567 907	2 245 957
- in second to fifth year inclusive	3 424 879	4 171 748
	6 992 786	6 417 705

The municipality leased twenty (20) motor vehicles from RIS Vehicle Hire (Pty) Ltd from 01 June 2022 to 31 May 2025. Thirty six (36) monthly lease instalments of R310 000.00 in total are payable monthly for the entire lease period. The municipality has no option to either acquire the motor vehicles at fair value or not at the end of the lease term as this is a operational lease.

12. Trade and other payables from non-exchange transactions

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Belgrade Fitness Centre	8 130	6 000 000
Integrated National Electrification Programme	-	-
Sub Rank Facility Grant	3 417	3 417
Integrated Spatial Economic Development Grant	275 508	1 003 108
Human Settlement Housing Grant	-	759 111
Integrated National Electrification Programme	-	449 783
Koppie-Allen Guesthouse Project	-	675 836
	287 056	8 891 255

13. Other financial liabilities

Designated at fair value

Other financial liability	341 542	341 542
---------------------------	---------	---------

14. Provisions

Reconciliation of provisions 2023

	Opening Balance	Additions	Change in provision	Current year interest	Other change in provision	Total
Non current: Environmental rehabilitation	9 879 576	-	(1 615 471)	1 227 311	(125 392)	9 366 024
Current: Environmental rehabilitation	1 227 311	-	-	-	125 392	1 352 703
Current: Bonuses	177 724	154 791	-	-	-	332 515
	11 284 611	154 791	(1 615 471)	1 227 311	-	11 051 242

Reconciliation of provisions - 2022

	Opening Balance	Additions	Other change in provision	Total
Environmental rehabilitation	8 763 664	1 238 035	(122 123)	9 879 576
Current: Environmental rehabilitation	1 105 188	-	122 123	1 227 311
Current Bonuses	514 399	(336 675)	-	177 724
	10 383 251	901 360	-	11 284 611

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

14. Provisions (continued)

Non-current liabilities	9 366 024	9 879 576
Current liabilities	1 685 218	1 405 035
	11 051 242	11 284 611

Bonus provision: The bonus provision is to provide for performance bonuses of the section 55 & 56 employees. Performance bonuses are paid one year in arrears as the assessment of eligible employee takes place after year end.

Rehabilitation of landfill site

Landfill Site: The rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal at the time of closure. The value of the provision is based on the present value of the expected future costs to rehabilitate the site.

Rehabilitation costs were calculated based on the following assumptions:

Assumptions.	Percentage	Percentage
Consumer price inflation (C)	7.39%	7.23%
Discount rate	12.62%	11.05%
Net discount rate	4.87%	3.56%

The landfill site is 5 hectares and area expected to be rehabilitated is 3 hectares. The estimated closure date is 15 September 2034. The municipality has an obligation to rehabilitate the landfill site at the end of the usage period of 11 years. The value of the provision is created for the rehabilitation of the current operation site at the future estimated time for closure. The value of the provision is based on the expected future cost to rehabilitate the discount back to the reporting date at the cost of capital, which is 4.87%. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purpose. The municipality estimates the useful life and makes assumption as to the useful life of the assets, which influence the provision for future costs.

15. Long service award

Employee who achieve 05 years' service has a choice of 05 days paid leave (once off) or encashment of leave.
Employee who achieve 10 years' service has a choice of 10 days paid leave (once off) or encashment of leave.
Employee who achieve 15 years' service has a choice of 20 days paid leave (once off) or encashment of leave.
Employee who achieve 20 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
Employee who achieve 25 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
Employee who achieve 30 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
Employee who achieve 35 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
Employee who achieve 40 years' service has a choice of 30 days paid leave (once off) or encashment of leave.
Employee who achieve 45 years' service has a choice of 30 days paid leave (once off) or encashment of leave.

The above-mentioned leave is granted in addition to the annual leave entitlement and maximum accumulated granted in terms of the National Conditions of Service. The leave may be taken, converted to cash fully or partially or accumulated. The leave is only applicable to those employees who have achieved the stated years of service after the effective date of these conditions.

The provision is an estimate of the long service award based on the monthly salaries rate at 30 June 2023. It has been assumed that the staff turnover rate will be insignificant based on historical data.

The valuation of the liability was performed in line with GRAP 25: Employee benefits, by One Pangea Expertise and Solutions as at 30 June 2023.

The actuarial valuation is performed every two years

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

15. Long service award (continued)

2023	Opening balance	Service cost	Interest cost	Benefit payments	Actuarial (gain)/loss	Total
Non-current portion	1 969 502	158 270	240 514	(1 441 269)	4 503 560	5 430 577
Current portion	-	-	-	506 343	-	506 343
Subtotal	1 969 502	158 270	240 514	(934 926)	4 503 560	5 936 920
	1 969 502	158 270	240 514	(934 926)	4 503 560	5 936 920
2022	Opening balance	Current service cost	Current interest cost	Benefit payments	Actuarial (gain)/loss	Total
Non-current portion	1 633 076	141 879	172 696	(84 776)	72 067	1 934 942
Current portion	-	-	-	34 560	-	34 560
Subtotal	1 633 076	141 879	172 696	(50 216)	72 067	1 969 502
	1 633 076	141 879	172 696	(50 216)	72 067	1 969 502

Changes in the present value of the long-service obligation are as follows:

Opening balance	(1 969 502)	(1 633 076)
Service cost	(158 270)	(141 879)
Interest cost	(240 514)	(172 696)
Actuarial gain/(loss)	(4 503 560)	(331 326)
Benefits paid	934 926	309 475
	(5 936 920)	(1 969 502)

Net expense recognised in the statement of financial performance

Service cost	(158 270)	(141 879)
Interest cost	(240 514)	(172 696)
Actuarial gain/(loss)	(4 503 560)	(331 326)
	(4 902 344)	(645 901)

Principal actuarial assumption used

Discount rate	12.52 %	12.32 %
Salary inflation rate	8.14 %	8.82 %
Net discount rate	4.05 %	3.22 %

	2023	2022
1% increase discount rate on employer's accrued liability	5 584 815	1 969 502
1% increase in the salary increase rate	6 343 822	1 968 502
1% decrease discount rate in employer's accrued liability	6 330 883	1 993 851
1% decrease in the salary increase rate	5 568 132	1 779 186

16. Long term loan

Current Liabilities	-	1 235 113
---------------------	---	-----------

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

16. Long term loan (continued)

The Municipality had a loan with Standard Bank for the purchase of property, plant and equipment. The loan bears an interest average effective borrowing rate of 7.38% per annum. The loan was repayable on a semi-annual basis with final payment made on 30 June 2023. Property, plant and equipment with a combined carrying value of R1 698 722.14 were pledged as security.

17. Trade and other payables from exchange transactions

Trade payables	8 710 132	19 781 829
Retentions	9 192 471	8 505 189
Staff leave accrual	7 310 438	7 291 060
Payroll deductions	3 742 417	3 697 564
Debtors with credit balance	3 183 814	2 443 135
	32 139 272	41 718 777

18. Consumer deposits

Electricity	2 842 007	2 862 261
-------------	-----------	-----------

19. Service charges

Sale of electricity	45 695 926	46 907 012
Refuse removal	10 820 849	10 809 499
	56 516 775	57 716 511

20. Rental of facilities and equipment

Rental of facilities	500 849	619 975
----------------------	---------	---------

21. Fines, Penalties and Forfeits

Traffic Fines	1 681 100	2 136 960
---------------	-----------	-----------

22. Licence and permits

Licence and permits	1 718 051	1 437 218
---------------------	-----------	-----------

23. Interest received (trading)

Interest charged	828 482	19 194 257
------------------	---------	------------

24. Operational revenue

Electricity connection and reconnections fees	161 581	38 889
Tender document fees	13 869	44 033
Certificate clearance and validation	1 878	6 533
Dumping fees	18 744	102
Other	2 632 744	582 317
CETA Refunds	424 816	-
KZN Transport Refunds	1 133 717	-
Cleanest town award	1 000 000	-
	5 387 349	671 874

25. Interests earned from current assets

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
25. Interests earned from current assets (continued)		
Interest revenue		
Bank Accounts	303 712	1 032 612
Short-term Investments and Call Accounts	2 145 390	268 449
	2 449 102	1 301 061
26. Property rates		
Rates levied		
Residential	12 242 162	11 401 844
Commercial	15 048 124	14 380 402
Public benefits organisations	593 427	566 237
Agricultural property	6 420 324	6 121 917
Vacant land	872 506	777 223
Public services infrastructure	181 815	173 485
Public services purposes	11 757 220	11 374 463
Property exclusion rebate	(826 220)	(856 751)
Property reduction rebate	(718 798)	(685 864)
	45 570 560	43 252 956
Property rates randages		
Residential Property	0.01798381	0.01716012
Business and Commercial Property	0.02247976	0.02145016
Industrial property	0.02247976	0.02145016
Vacant Land	0.02247976	0.02145016
Agricultural Property	0.00449595	0.00429003
Mining Property	0.02247976	0.02145016
Unauthorized Development	0.05395143	-
Public Service Infrastructure	0.00449595	0.00429003
Public Benefit Organisation	0.00449595	0.00429003
Public Service Purpose	0.02247976	0.02145016
Valuations		
Residential	832 973 000	811 478 000
Commercial	647 999 000	647 580 000
Public service purposes	574 259 800	537 878 000
Municipal	42 175 500	41 355 500
Small holdings and farms	1 433 699 000	1 433 699 000
Other	229 625 000	274 328 300
	3 760 731 300	3 746 318 800
Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2022. Rebates of R60 000.00 are granted to residential and 30% to public services infrastructure. Rates are levied on a monthly basis on property owners.		
Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.		
27. Government grants & subsidies		
Operating grants		
Equitable share	169 597 000	153 601 000
Expanded Public Works Programme Grant	2 978 000	2 504 000
Financial Management Grant	3 000 000	2 900 000
Provincialisation of Libraries Grant	1 964 000	1 871 000
Community Libraries Services Grant	508 000	484 000
Municipal Infrastructure Grant	1 594 450	1 486 600

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
27. Government grants & subsidies (continued)		
Integrated Spatial Development Economic Plan	727 600	496 892
Municipal Emergency Housing Grant	15 500 000	15 498 000
	195 869 050	178 841 492
Capital grants		
Municipal Infrastructure Grant	30 294 550	33 245 400
Belgrade Fitness Centre Grant	5 991 870	-
	36 286 420	33 245 400
	232 155 470	212 086 892
Equitable Share		
Current-year receipts	169 597 000	153 601 000
Conditions met - transferred to revenue	(169 597 000)	(153 601 000)
	-	-
No conditions had to be met for this grant in the financial year.		
Municipal Infrastructure Grant		
Current-year receipts	31 889 000	34 732 000
Conditions met - transferred to revenue	(31 889 000)	(34 732 000)
	-	-
This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of the community within the municipal boundaries. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.		
Finance Management Grant		
Current-year receipts	3 000 000	2 900 000
Conditions met - transferred to revenue	(3 000 000)	(2 900 000)
	-	-
The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.		
Expanded Public Works Programme Grant		
Current-year receipts	2 978 000	2 504 000
Conditions met - transferred to revenue	(2 978 000)	(2 504 000)
	-	-
The Expanded Public Works Programme is a special performance based incentive provided to municipalities that contribute to the employment creation efforts of the EPWP through the employment of previously unemployed people. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.		
Integrated Spatial Development Economic Plan Grant		
Balance unspent at the beginning of the year	1 003 108	500 000

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
27. Government grants & subsidies (continued)		
Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	(727 600)	(496 892)
	275 508	1 003 108

The purpose of this grant is to develop an Integrated Spatial Development Plan for the municipality. Some conditions of this grant are still to be met (refer to note 12). No funds were withheld or surrendered as at the 30th of June 2023.

Community Libraries Grant

Current-year receipts	508 000	484 000
Conditions met - transferred to revenue	(508 000)	(484 000)
	-	-

This grant is used to pay salaries for Cyber Cadets and subsidise operational costs associated with libraries. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.

Sub-Rank Facility Grant

Balance unspent at the beginning of the year	3 417	3 417
--	-------	-------

The purpose of this grant is to construct the Sub-Rank facility in Pongola Town. The conditions of this grant were not met (refer to note 12). No funds were withheld or surrendered as at the 30th of June 2023.

Provincialisation of Libraries Grant

Current-year receipts	1 964 000	1 871 000
Conditions met - transferred to revenue	(1 964 000)	(1 871 000)
	-	-

The purpose of this grant is to subsidise operational costs associated with libraries. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023.

Belgrade Fitness Center

Balance unspent at the beginning of the year	6 000 000	-
Current-year receipts	-	6 000 000
Conditions met - transferred to revenue	(5 991 870)	-
	8 130	6 000 000

The grant intends to promote and develop the sport and recreational activities within the municipality. Some conditions of this grant are still to be met (refer to note 12). No funds were withheld or surrendered as at the 30th of June 2023.

Municipal Emergency Housing Grant

Current-year receipts	15 500 000	15 498 000
Conditions met - transferred to revenue	(15 500 000)	(15 498 000)
	-	-

The purpose of this grant is provide emergency housing to the community of uPhongolo. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
28. Employee related costs		
Salaries and wages	83 895 209	71 302 453
Once-off allowance	77 333	830 000
Performance and other bonus	5 829 182	4 776 394
Medical aid - company contributions	3 848 736	3 591 661
UIF- company contributions	662 497	559 314
WCA	1 029 311	491 785
SDL	1 049 481	879 144
Standby allowance	1 222 718	1 760 664
Leave payout	2 638 146	1 560 696
Shift allowance	92 799	-
Remote allowance	152 629	140 649
Group Life Insurance- company contributions	-	3 390
Pension and provident fund	10 215 542	9 057 405
Car allowances	7 441 891	5 698 867
Overtime payments	3 397 651	2 619 579
Long-service awards	158 270	1 108 636
Acting allowances	888 176	391 508
Cellphone allowance	1 385 199	376 227
Housing benefits and allowances	62 730	50 341
Industrial Council	40 057	32 898
	124 087 557	105 231 611

Remuneration of Municipal Manager: MB Khali

Annual Remuneration	1 061 252	562 484
Allowances	394 478	208 474
Leave Payout	85 219	-
Contributions to UIF, Medical, Pension Funds & SDL	15 523	7 382
	1 556 472	778 340

Mr. MB Khali was appointed on acting capacity from the 14th of December 2021, he was subsequently appointed as the Municipal Manager effective from the 01st of August 2022.

Remuneration of Former Municipal Manager: WM Nxumalo

Annual Remuneration	11 596	773 069
Allowances	15 255	168 922
Leave Payout	249 757	-
Contributions to UIF, Medical, Pension Funds & SDL	2 813	7 809
	279 421	949 800

Mr. WM Nxumalo was suspended on the 14th of December 2021, he subsequently resigned on the 23rd of March 2022.

Remuneration of Chief Financial Officer: KWG Ngcobo

Annual Remuneration	715 835	-
Allowances	312 633	-
Contributions to UIF, Medical, Pension Funds & SDL	9 123	-
	1 037 591	-

Mr. KWG Ngcobo was appointed as the CFO from the 01st of September 2022.

Remuneration of Former Chief Financial Officer: JV Nkosi

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023 2022

28. Employee related costs (continued)

Annual Remuneration	10 698	713 180
Allowances	15 255	185 295
Leave Payout	255 311	-
Contributions to UIF, Medical, Pension Funds & SDL	2 813	8 735
	284 077	907 210

Mr. JV Nkosi was suspended on the 14th of December 2021, he subsequently resigned on the 23rd of March 2022.

Remuneration of Acting Chief Financial Officer: SF Mkhize

Acting Allowance	15 403	50 275
Other Allowances	28 800	131 549
	44 203	181 824

Mr. SF Mkhize was appointed to act as the CFO from the 14th of December 2021 to 31st of August 2022. He was paid the acting allowance for the period served.

Remuneration of Director Planning and Economic Development: MVM Mbatha

Annual Remuneration	868 523	634 730
Allowance	390 796	280 989
Contributions to UIF, Medical and Pension Funds	11 464	8 379
	1 270 783	924 098

Mr MVM Mbatha was appointed on the 01 September 2021.

Remuneration of Director Community Services: BA Mkhonza

Annual Remuneration	488 178	705 256
Allowance	39 275	235 190
Contributions to UIF, Medical and Pension Funds	5 923	9 814
Leave Payout	95 284	-
	628 660	950 260

Mr. BA Mkhonza was appointed on the 01st of September 2021, and he was suspended on the 08th of April 2022 and subsequently resigned on the 23 August 2022. Director Planning & Economic Development (Mr MVM Mbatha) was appointed to act on Director Community Services position until March 2023.

Remuneration of Acting Director Corporate Services: Miss SSP Xaba

Annual Remuneration	24 264	23 104
Allowance	27 168	58 800
	51 432	81 904

Miss SSP Xaba was appointed on an acting capacity from 05th of December 2022 to 04th of March 2023. She was paid the acting allowance for the period served. SSP Xaba was subsequently appointed on a permanent bases from the 20th of March 2023.

Remuneration of Director Corporate Services: Mr BA Mkhonza

58

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

28. Employee related costs (continued)

Annual Remuneration	-	141 051
Car Allowance	-	62 442
Contributions to UIF, Medical and Pension Funds	-	1 804
Leave payout	-	136 748
	-	342 045

Mr. BA Mkhonza resigned on the 31st of August 2021, and he was subsequently appointed as Director Community Services from the 01st of September 2021.

Remuneration of Director Technical Services: Miss NR Msimango

Leave payouts	-	139 451
---------------	---	---------

Miss NR Msimango was dismissed on the 24th of June 2021. Mr. JV Nkosi was subsequently appointed to act on Director Technical, no allowance were paid for his acting.

Remuneration of Acting Chief Financial Officer: TI Khanye

Acting Allowance	-	23 104
Other Allowances	-	58 800
	-	81 904

Mr. TI Khanye was appointed to act as the CFO from the 01st of July 2021 to 30th of September 2021. He was paid the acting allowance for the period served.

Remuneration of Director Community Service: BCX Dladla

Annual Remuneration	243 384	-
Other Allowances	106 295	-
Contributions to UIF, Medical and Pension Funds	3 329	-
	353 008	-

Mr. BCX Dladla was appointed as the Director Community Services from the 20th of March 2023.

Remuneration of Director Technical Services: M Buthelezi

Annual Remuneration	209 978	-
Other Allowance	91 706	-
Contributions to UIF, Medical and Pension Funds	2 909	-
	304 593	-

Mr. M Buthelezi was appointed as the Director Technical Services from the 01st of April 2023.

Remuneration of Acting Director Technical Services: GM Simelane

Annual Remuneration	24 264	-
Allowances	32 353	-
	56 617	-

Mr. GM Simelane was appointed on an acting capacity from the 05th of December 2022 to the

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

28. Employee related costs (continued)

04th of March 2023. He was paid the acting allowance for the period served.

Remuneration of Director Corporate Services: SSP Xaba

Annual Remuneration	243 384	-
Allowances	106 295	-
Contribution to SDL	3 351	-
	353 030	-

Miss SSP Xaba was appointed as the Director Corporate Services from the 20th of March 2023

29. Remuneration of councillors

Item description	Basic Salary	Other benefits	2023
Mayor	915 386	53 789	969 175
Deputy Mayor	528 999	49 926	578 925
Speaker	310 367	148 888	459 255
Chief Whip	282 081	142 382	424 463
MPAC Chair	325 571	111 838	437 409
Executive Committee	908 320	317 532	1 225 852
Other Councillor's	5 458 367	1 674 716	7 133 083
	8 729 091	2 499 071	11 228 162

Item description	Basic Salary	Other benefits	2022
Mayor	697 254	51 687	748 941
Deputy Mayor	381 710	48 532	430 242
Speaker	333 685	96 460	430 145
Chief Whip	229 268	31 049	260 317
MPAC Chair	269 224	78 977	348 201
Executive Committee	888 160	331 466	1 219 626
Other Councillors	5 126 125	1 714 057	6 840 182
	7 925 426	2 352 228	10 277 654

In-kind benefits

The municipality had a change in Council Structure after the Local Government election held on the 1st of November 2021. Municipality has 29 Councillors, both Mayor and Deputy Mayor are full-time Councillors. The Speaker and the Executive Committee Members are part-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor, Deputy Mayor and Speaker each have the use of separate council owned vehicles for official duties.

The Mayor, Deputy Mayor and Speaker each have full-time contracted bodyguards.

30. Depreciation, amortisation and impairment

Property plant and equipment	24 835 342	27 484 223
Intangible assets	537 105	539 683
	25 372 447	28 023 906

31. Finance costs

Loan and penalty fees	97 199	289 357
Landfill - capitalised	1 227 311	1 105 188
Actuarial interest cost	579 153	342 710

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
31. Finance costs (continued)		
	1 903 663	1 737 255
32. Debt impairment		
Debt impairment- receivables from non-exchange and exchange transactions	5 925 865	33 732 889
33. Bulk purchases		
Electricity - Eskom	35 985 209	36 689 378
Electricity losses		
Units purchased	23 333 619	26 723 796
Units sold	(18 333 544)	(21 562 328)
Total loss	5 000 075	5 161 468
Electricity losses in Rands comprises of:		
Electricity losses	7 686 015	6 986 422
Percentage Loss:		
Electricity losses	21 %	19 %
<p>The municipality purchased 23 333 619 (2022: 26 723 796) from Eskom and unit sold was 18 333 544 (2022: 21 562 328) to customers. This represents a loss of 5 000 075 units (2022: 5 161 468) which equates to R7 686 015 (2022: R6 986 422) and translates to a percentage of 21% (2022:19%) electricity losses as a result of technical losses and illegal connections</p>		
34. Operational costs		
Advertising	484 788	1 169 689
Auditors remuneration	2 068 872	1 992 679
Bank charges	187 331	330 218
Consulting and professional fees	406 962	1 957 449
Entertainment	578 912	73 517
EPWP & Town Beautification	209 469	160 228
Insurance	999 770	1 507 884
IT Audit	492 800	-
License fees	2 189 943	1 420 862
Fuel and oil	6 090 927	3 500 516
Printing and stationery	890 032	586 106
Public participation	1 399 064	1 574 076
Repairs and maintenance	13 034 420	14 705 586
Social relief	1 403 926	1 023 654
Contracted services	29 312 722	51 414 470
Subscriptions and membership fees	1 328 626	1 208 830
Telephone and fax	955 017	1 285 785
Training	2 243 256	796 807
Travel - local	3 945 861	4 763 683
Refuse	1 204 567	1 079 507
Title deed search fees	2 622 000	1 377 600
Other expenses	30 315 200	27 244 397
	102 364 465	119 173 543

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
35. Fair value adjustments		
Investment property (Fair value model)	1 743 618	1 620 380
36. Auditors' remuneration		
Fees	2 068 872	1 992 679
37. Cash generated from operations		
Surplus	26 665 544	4 460 201
Adjustments for:		
Loss on sale of assets and liabilities	-	147 351
Finance cost	1 806 464	342 710
Actuarial losses added back	3 804 909	1 522 170
Depreciation	25 372 447	28 023 906
Fair value gain	(1 743 618)	(1 620 380)
PPE disposal	350 698	-
Other non-cash items	(1 360)	(148 433)
Correction of error (Note 42)	-	1 628 464
Movements in provision:		
Movement in LSA	(776 656)	336 077
Movement in PEMA	(262 744)	-
Movements in bonuses	154 791	(336 675)
Changes in working capital:		
Receivables from exchange transactions	(187 035)	(3 783 423)
Statutory receivables from non-exchange transactions	(391 082)	(3 829 595)
Other assets	-	(91 537)
Trade and other payables from non-exchange transactions	(8 604 199)	8 387 838
Trade and other payables from exchange transactions	(9 579 505)	6 032 196
Movement in VAT	(2 167 251)	3 383 413
	34 441 403	44 454 283

38. Commitments

2022/2023	Community Assets	Infrastructure Assets	Plant & Machinery	Total
Commitments for the acquisition of property, plant and equipment	-	-	185 100	185 100
Commitments to construct or develop property, plant and equipment	13 493 015	47 634 588	-	61 127 603
	13 493 015	47 634 588	185 100	61 312 703
2021/2022	Community Assets	Infrastructure Assets	Plant & Machinery	Total
Commitments for the acquisition of property, plant and equipment	-	-	16 276 800	16 276 800
Commitments to construct or develop property, plant and equipment	12 463 575	10 154 891	-	22 618 466
	12 463 575	10 154 891	16 276 800	38 895 266

The committed expenditure has been disclosed exclusive of VAT. These committed capital expenditure relates only to property, plant and equipment. This commitments will financed through government grant and internal revenue.

39. Contingencies

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023 2022

39. Contingencies (continued) Contingent liabilities

Pongola advertiser suing the municipality	-	141 163
Bongani Sielency Qwabe suing the municipality	87 830	77 383
	87 830	218 546

The municipality lost the case against Pongola advertiser and paid the amount of R141 163.

Contingent assets

Elam investments-payment made for accommodation during SALGA games	164 840	164 840
Sehla JV	4 513 647	-
	4 678 487	164 840

40. Related parties

Relationships
Key management personnel
Councillors
Senior Managers

Refer to Remuneration of Councillors note 29
Refer to Employee Related Cost note 28

There were no related party transactions that were not at arms length during the financial period.

41. Change in estimate Property plant and equipment

During the current financial year, the municipality performed the conditional assessments on assets and valuation on landfill site. With assets that were nearing their useful lives or that had impairment indicators, the remaining useful life was adjusted to take into account the current situation. The result of adjustment in change in expected depreciation. In the current year, the depreciation increase/ decreased by R698 721.27 and in future years the depreciation will increase/ decrease by the same amount.

The result of adjustment in change in expected provision. In the current year, the provision for landfill site decreased by R1 615 471.00 and it is impracticable to estimate the future implication of this change in estimate.

42. Prior period errors

Certain comparative figures have been restated due to errors, reclassification and change in accounting policies identified in the current year. The effects of the restatement are as follows:

Accumulated surplus

Audited balance	399 316 364
Reversal of amnesty granted	(21 416)
Movements in VAT accounts	77 600
Reversal of Wesbank loan debtor	(91 537)
Reversal of Belgrade refuse billing	(1 617 200)
Reversal of electricity internal billing	(177 136)
Reversal of electricity interest internal billing	(338 114)
De-recognition of a written-off motor vehicle	40 533
Reversal of ncorrect invoices	(1 313 710)
Recognition of ommitted payments	525 896
Correction of an understated LSA	349
Reversal of incorrect Belgrade refuse billing	1 406 261
Recognition of Grap 11 transactions-Revenue	55 264 484
Recognition of Grap 11 transactions-Expenditure	(55 264 482)
Reversal of overstated revenue	691
Correition of Wesbank refund misallocation	91 537
Amnesty granted	21 416

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

42. Prior period errors (continued)		
Reclassification of in-kind services		(1 023 654)
Reclassification of in-kind services, recognition and derecognition of invoices		1 040 807
Reversal of overstated actuarial loss		(2 548)
Recognition of loss in capital assets		(40 533)
		397 895 608
Operational revenue		
Audited balance		1 718 737
Reversal of Wesbank refund misallocation		(91 537)
Reclassification of Agency fees		(955 326)
		671 874
Agency Services		
Audited balance		-
Reclassification of Agency fees		955 326
		955 326
Surplus for the year		
Audited balance		6 088 665
Net movements		(1 628 464)
		4 460 201
Long- service awards		
Audited balance		1 969 153
Correction of overstated actuarial gains/ losses		349
		1 969 502
VAT Payable/ Receivables		
Audited balance		1 559 772
Movement within VAT input and output		77 703
		1 637 475
Rental of facilities and equipment		
Audited balance		620 666
Reversal of overstated revenue		(691)
		619 975
Trade and other payables from exchange transactions		
Audited balance		42 506 604
Incorrect invoice reversals		(1 317 618)
Recognition of omitted invoice		15 139
Recognition of omitted medical aid for pensioners		514 652
		41 718 777
Construction contract revenue and expenditure		
Audited Balance		-
Reclassification of GRAP 11 projects-INEP		12 652 362
Reclassification of GRAP 11 projects-HS		42 612 120
		55 264 482

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

42. Prior period errors (continued)

Operational costs	
Audited balance	118 079 315
Movements in other payments	70 574
Reclassification of social relief expenditure	1 023 654
	119 173 543
Statutory receivables from non-exchange transactions	
Audited balance	16 238 233
Reclassification of internal billing	(21 416)
	16 216 817
Receivables from exchange transactions	
Audited balance	15 897 424
Reversal of refuse billing	(1 617 200)
Reversal of electricity internal billing	(177 136)
Reversal of electricity interest internal billing	(338 114)
	13 764 974
Service charges	
Audited balance	59 122 772
Reversal of Belgrade refuse billing 21-22	(1 406 261)
	57 716 511
Transfers and Subsidies	
Audited balance	1 023 654
Reclassification of social relief expenditure	(1 023 654)
	-
Debt Impairment	
Audited balance	33 711 473
Amnesty granted	21 416
	33 732 889
Other current assets	
Audited balance	91 537
Reallocation of Wesbank refund	(91 537)
	-
Employee benefit obligation: non-current porion	
Audited balance	3 196 154
Reclassification of current obligation	(279 697)
	2 916 457
Employee benefits obligation - current portion	
Audited balance	-
Reclassification of current obligation	279 697
	279 698

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	2023	2022
42. Prior period errors (continued)		
Property plant and equipment		
Audited balance	362 550 768	
de-recognition of a written-off motor vehicle	(40 533)	
	362 510 235	
Long service award: non-current portion		
Audited balance	1 969 502	
Reclassification of Long Service Award current portion	(34 560)	
	1 934 942	
Long service award: current portion		
Audited balance	-	
Reclassification of Long Service Award current portion	34 560	
	34 560	
Provisions: non - current portion		
Audited balance	11 106 887	
Reclassification of current year provision	(1 227 311)	
	9 879 576	
Provisions: current portion		
Audited balance	177 724	
Reclassification of current year provision	1 227 311	
	1 405 035	

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

43. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Consumer deposits	2 842 007	2 862 261
Trade payables from exchange transactions	32 139 272	41 718 777
Current portion of loans	-	1 235 113
	34 981 279	45 816 151

The municipality objective when managing its capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The capital structure of the municipality consist of debt, which includes borrowings (excluding derivative financial liabilities) disclosed in note 13 and 16, cash and cash equivalents in note 10 and equity as disclosed in statement of financial position. There are no externally imposed capital requirements. There have been no changes on what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements for the previous year.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2023	2022
Cash and cash equivalents	5 864 260	10 432 776
Receivables from exchange transactions	13 952 009	13 764 974
	-	-

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

44. Going concern

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.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

44. Going concern (continued)

In assessing the going concern, management noted some regression on ratios. However, the management is comfortable with the municipality's ability to continue operating as a going concern.

The following measures are being implemented by management to improve the municipality's cash flow going forward:

- Implementation of cost cutting measures
- Strict monitoring of the credit control and debt collection policy

Although there are some negative financial indicators, the municipality continues to adopt the going concern assumption as it is management's view that the municipality will continue to operate in its present form for the foreseeable future.

45. Events after the reporting date

The UIFW expenditure as per below notes was written-off by Council on the 28th of August 2023.

46. Unauthorised expenditure

Opening balance as previously reported	77 328 898	34 216 465
Employee related costs	1 890 497	1 793 986
Remuneration of Councillors	424 884	118 216
Debt impairment	-	23 256 073
Depreciation and amortisation	-	288 009
Debtors written-off	11 811 690	-
Finance charges	427 242	1 237 255
Operational expenditure	7 469 611	14 789 906
Construction contract expenditure	5 752 895	-
Actuarial losses	3 585 051	1 522 170
Loss on disposal of assets	350 698	106 818
Bulk Purchases	738 222	-
Less: Amount written-off by Council	(77 328 898)	-
Closing balance	32 450 790	77 328 898

The above unauthorised expenditure within the votes was as a result of year-end accounting transactions exceeding the allocated budget. This unauthorised expenditure will be tabled in the adjustment budget when the annual report is tabled in accordance with Section 23(6) of the budget and reporting regulations.

47. Fruitless and wasteful expenditure

Opening balance as previously reported	8 483 565	621 650
Add: Current year	100 593	7 861 915
Less: Amount written-off by Council	(626 379)	-
Closing balance	7 957 779	8 483 565

The fruitless and wasteful expenditure incurred during the current year has been presented to the Council. Investigation was conducted for prior years fruitless and wasteful expenditure, some were written-off as irrecoverable while some are under the process of recovering.

Fruitless and wasteful expenditure relates to interest, penalties on late payments and invalid payments made.

Details of fruitless and wasteful expenditure

	Disciplinary steps taken/criminal proceedings		
Interest on late payments	Reported to council	30 543	33 092
invalid payments made	Under investigation	-	7 828 823
SARS penalty on incorrect refunds	Reported to council	70 050	-

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

47. Fruitless and wasteful expenditure (continued)

	100 593	7 861 915
--	---------	-----------

48. Irregular expenditure

Opening balance as previously reported	68 461 705	43 848 435
SCM processes not followed	732 248	23 277 364
Recruitment and selection process not followed	-	1 335 906
Less: Amount written-off by Council	(53 994 902)	-
Closing balance	15 199 051	68 461 705

Incidents/cases identified/reported in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
SCM processes not followed	Reported to council	732 248
Recruitment and selection process not followed	Reported to council	-
	732 248	24 613 270

The figures reported above are inclusive of VAT.

Investigation was conducted for prior years irregular expenditure, some were written-off as irrecoverable while some are under the process of recovering.

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	1 338 626	1 208 830
Amount paid - current year	(5 000)	(1 208 830)
	1 333 626	-

Audit fees

Opening balance	-	4 686
Current year subscription / fee	2 379 976	970 068
Amount paid - current year	(2 379 976)	(970 068)

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

49. Additional disclosure in terms of Municipal Finance Management Act (continued)

Amount paid - previous years - (4 686)

- -

PAYE and UIF

Opening balance	1 391 383	-
Current year subscription / fee	20 462 410	16 971 330
Amount paid - current year	(20 356 710)	(15 579 947)
Amount paid - previous years	-	-
	1 497 083	1 391 383

Pension and Medical Aid Deductions

Opening balance	1 710 594	-
Current year subscription / fee	22 712 045	20 339 589
Amount paid - current year	(22 354 412)	(18 628 995)
Amount paid - previous years	-	-
	2 068 227	1 710 594

VAT

VAT receivable/ (payables)	3 804 726	1 637 475
----------------------------	-----------	-----------

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.:

30 June 2023	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SR Mhlongo	14 780	202 904	217 684
Cllr CN Nxumalo-Sibiya	1 717	67 167	68 884
Cllr BES Ntshangase	638	30 174	30 812
Cllr CN Mavundla	1 933	13 258	15 191
Cllr JB Ngema	638	24 038	24 676
Cllr MP Mafuleka	395	13 180	13 575
Cllr KE Nxumalo	599	-	599
	20 700	350 721	371 421

30 June 2022	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SR Mhlongo	7 096	185 056	192 152
Cllr CN Nxumalo-Sibiya	2 367	72 448	74 815
Cllr BES Ntshangase	1 061	27 200	28 261
Cllr CN Mavundla	2 014	25 389	27 403
Cllr JB Ngema	993	21 132	22 125
Cllr MP Mafuleka	588	11 521	12 109
Cllr KE Nxumalo	572	-	572
	14 691	342 746	357 437

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

50. 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 and includes a note to the annual financial statements.

Section 36 Deviations

SCM Regulation36(1)(a)(i)-Emergency	1 021 655	14 107 878
SCM Regulation36(1)(a)(ii)-Single provider only	332 084	48 747
SCM Regulation36(1)(a)(v)-Impractical to follow the procurement processes	600 324	5 256 658
	1 954 063	19 413 283

51. Budget differences

Material differences between budget and actual amounts

Reason were provided for variance more than 5%, as these were considered material.

Statement of Financial Performance:

Construction contract revenue: This was budgeted for under transfers and subsidies.

Rental of facilities and equipment: The decrease was due to slow demand on municipal premises available for rental.

Interest on receivables: The budget was overstated.

Agency fees: This was budgeted for under operational revenue.

Licenses and permits: The decrease is due to lower demand.

Operational revenue: The increase is due to LG SETA refunds and cleanest town award received.

Interest earned from current assets: The increase was due to change in investment method.

Loss on disposal: No disposal were anticipated during the final budget preparation.

Government grants and subsidies: decrease is due to DSR grant not received and classification of construction contract revenue budgeted under grants.

Fines, penalties and forfeits: The decrease is due improvement on compliance with road regulations.

Finance costs: The budget was understated.

Debt impairment: This was due to the implimentation of the indigent thus there were less debtors to be impaired.

Debtors written-off: This was budgeted for under debt impairment, and the implimentation of the indigent register.

Operational expenditure: The increase was due to high legal cost, security demand and new fleet bought.

Construction contract expenditure: This items were budgeted as operational cost and later reclassified.

Fair value adjustment: The budget was understated.

Actuarial losses: The municipality anticipated lower losses on actuarial evaluation.

Statement of Financial Position

Statutory receivable from non-exchange: More less payments were recieved than anticipated.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023

2022

51. Budget differences (continued)

VAT Receivable: More refunds were received from SARS than anticipated.

Cash and cash equivalents: This was due to the VAT refunds received from SARS than anticipated.

Finance lease obligation: There were no payments made during the financial period.

Trade and other payables from exchange transaction: This was due to cashflow problems.

Trade and other payables from non-exchange transaction: There were 3 conditionals grants that were not fully spent by year end.

Employee benefit obligations: The figures are based on the expect valuations thus cannot budget for it.

Provisions: The landfill is based on the actuarial valuer's valuation thus can not budget for it.

Long-service award: The figures are based on the expect valuations thus cannot budget for it

Statement of cash flows

Sale of goods and services: This was to the implementation of the revenue enhancement strategy.

Grants: This was because the INEP grant was withheld, and there were 3 unspent conditional grants.

Interest income: This was a result of change in investment method.

Finance Costs: Interest associated with the expects valuations was less than budgeted.

Cash and cash equivalents: This was due to the VAT refunds received from SARS than anticipated

52. Actuarial losses

Losses from a change in fair value from employee benefit obligations	698 651	(1 191 193)
Losses from a change in fair value from long service awards	(4 503 560)	(328 429)
	(3 804 909)	(1 519 622)

53. Construction contracts

Construction contract revenue

Integrated national electrification programme	4 112 855	12 652 362
Human Settlement Grant	1 640 041	42 612 119
	5 752 896	55 264 481

Construction contract expenditure

Integrated national electrification programme	(4 112 855)	(12 652 362)
Human Settlement Grant	(1 640 041)	(42 612 119)
	(5 752 896)	(55 264 481)

Construction contract narrations

Human Settlement Grant

This grant relates to the implementation and provision of housing projects to the needy communities. The conditions of this grant have been met. No funds were withheld or surrendered as at the 30th of June 2023. This grant is accounted for in terms of GRAP 11.

Balance unspent at the beginning of the year	759 111	-
Current-year receipts	880 930	43 371 230

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

2023 2022

53. Construction contracts (continued)

Conditions met - transferred to revenue	(1 640 041)	(42 612 119)
	-	759 111

Integrated National Electrification Programme Grant

The purpose of the grant is to address the electrification backlog of permanently occupied dwellings and the installation of bulk infrastructure in order to improve quality of supply. Some conditions of this grant were not met, hence funds were withheld by funder due to slow spending on agreed projects as at the 30th of June 2023. This grant is accounted for in terms of GRAP 11. The transactions for this grant are disclosed exclusive of VAT as per National Treasury guidelines.

Balance unspent at the beginning of the year	449 783	-
Current-year receipts	8 200 000	15 000 000
Conditions met - transferred to revenue	(4 729 783)	(14 550 217)
Funds withheld by funder	(3 920 000)	-
	-	449 783

54. Agency services

Services Provided	948 852	955 326
-------------------	---------	---------

The municipality is the party to a principal-agent arrangement.

Department of Transport

The agreement requires the municipality to perform all the testing functions on behalf of the department which consist of driving licence test center functions. The municipality is an agent to the agreement as they are responsible for performing testing functions (testing functions, learners, vehicle registration, etc) on behalf of the Department. Thus a principal agent arrangement exist. The municipality is the agent in term of GRAP 109.

The municipality as an agent

The aggregate amount of revenue recognised as a result of functions performed is R948 852 (2022: R955 326).

Department of Tourism

The municipality was required to upgrade the Koppie-Allen Guesthouse used for booking by tourist visiting uPhongolo territory. This grant is accounted for in terms of GRAP 109, therefore the expenditure and revenue is not recognised in the books of the municipality.

Koppie-Allen guesthouse funding	2023	2022
Balance unspent at the beginning of the year	675 836	-
Current-year receipt	-	2 500 000
Conditions met	(675 836)	(1 824 164)
	-	675 836

55. Debtors written-off

Debtors written-off		
Indigent write-off	11 811 690	-

The municipality developed and approved the indigent register. Above-mentioned debtors were written-off after being assessed as indigent household.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information

Identification of segments

The municipality is organised and reports to management on the basis of three functional segments.

To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance.

The three functional segments comprise of:

- Community and public safety which includes community and social services, sport and recreation, waste management, and public safety,
- Planning and development services which includes planning and development, technical services, and housing services; and
- Finance and Admin services which includes finance, governance and administration.

Basis of measurement and aggregation

The uPhongolo local municipality has 15 wards within its jurisdiction. The aggregation of these segments is consistent with the functional classification in compliance with MSCOA.

Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units

The functional classification considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes

Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued) 2023

	Finance & Admin	Community & Public Safety	Planning & Development	Total
Revenue				
Revenue from exchange transactions				
Service charges	-	10 820 849	45 695 926	56 516 775
Rental of facilities and equipment	-	500 849	-	500 849
Interest received (trading)	828 482	-	-	828 482
Licence and permits	-	1 718 051	-	1 718 051
Operational revenue	4 204 855	998 859	183 635	5 387 349
Interests earned from current assets	2 449 102	-	-	2 449 102
Revenue from non-exchange transactions	-	-	-	-
Property rates	45 570 560	-	-	45 570 560
Government grants and subsidies	103 903 065	59 790 563	68 461 842	232 155 470
Fines, penalties and forfeits	-	1 681 100	-	1 681 100
Construction contract revenue	-	-	5 752 895	5 752 895
Agency services	-	948 852	-	948 852
Total segment revenue	156 956 064	76 459 123	120 094 298	353 509 485
Expenditure				
Employee related costs	51 348 469	50 603 621	22 135 467	124 087 557
Remuneration of councillors	11 228 161	-	-	11 228 161
Depreciation, amortisation and impairment	4 545 722	3 241 141	17 585 584	25 372 447
Finance costs	676 352	1 227 311	-	1 903 663
Debt impairment	2 919 821	2 864 032	142 012	5 925 865
Debt written-off	-	11 811 690	-	11 811 690
Bulk purchases	-	-	35 985 209	35 985 209
Operational costs	58 125 599	21 453 287	22 785 579	102 364 465
Fair value adjustments	(1 743 618)	-	-	(1 743 618)
Construction contract expenditure	-	-	5 752 895	5 752 895
Actuarial losses	3 804 909	-	-	3 804 909
Loss on disposal of capital assets	350 698	-	-	350 698

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	Finance & Admin	Community & Public Safety	Planning & Development	Total
56. Segment information (continued)				
Total segment expenditure	131 256 113	91 201 082	104 386 746	326 843 941
Total segmental surplus/(deficit)				26 665 544
Assets				
Current assets	-	-	-	-
Statutory receivables from non-exchange transactions	15 017 827	1 590 072	-	16 607 899
VAT receivable	3 804 726	-	-	3 804 726
Receivables from exchange transactions	1 508 823	3 997 572	8 445 614	13 952 009
Cash and cash equivalents	5 864 260	-	-	5 864 260
Non-current assets	-	-	-	-
Investment property	65 220 998	-	-	65 220 998
Property, plant and equipment	66 282 518	108 582 337	198 460 586	373 325 441
Intangible assets	747 117	-	-	747 117
Heritage assets	70 945	-	-	70 945
Total assets	158 517 214	114 169 981	206 906 200	479 593 395
Additions to non-current assets				37 754 576
Total additions				37 754 576
Liabilities				
Current liabilities	-	-	-	-
Trade and other payables from exchange transactions	22 946 801	-	9 192 471	32 139 272
Consumer deposits	2 842 007	-	-	2 842 007
Trade and other payables from non-exchange transactions	-	-	287 056	287 056
Provision for bonuses	332 515	-	-	332 515
Non-current liabilities	-	-	-	-
Other financial liabilities	341 542	-	-	341 542
Employee benefits obligations	2 573 398	-	-	2 573 398
Provisions	-	10 718 727	-	10 718 727
Long service awards	5 936 920	-	-	5 936 920
Total segment liabilities	34 973 183	10 718 727	9 479 527	55 171 437

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

56. Segment information (continued) 2022

	Finance & Admin	Community & Public Safety	Planning & Development	Total
Revenue				
Revenue from exchange transactions	-	-	-	-
Service charges	-	10 809 499	46 907 012	57 716 511
Rental of facilities & equipment	619 975	-	-	619 975
Construction contract revenue	-	-	55 264 482	55 264 482
Interest received (trading)	9 277 236	8 877 978	1 039 043	19 194 257
Licence & permits	-	1 437 218	-	1 437 218
Operational revenue	671 874	-	-	671 874
Agency services	-	955 326	-	955 326
Interests earned from current assets	1 301 061	-	-	1 301 061
Revenue from non-exchange transactions	-	-	-	-
Property rates	43 252 956	-	-	43 252 956
Government grants & subsidies	156 501 000	17 853 000	37 732 892	212 086 892
Fines, penalties & forfeits	-	2 136 960	-	2 136 960
Total segment revenue	211 624 102	42 069 981	140 943 429	394 637 512
Municipality's revenue				394 637 512
Expenditure				
Employee Related Cost	39 098 222	45 997 553	20 135 836	105 231 611
Remuneration of Councillors	10 277 654	-	-	10 277 654
Depreciation, Amortisation & Impairment	16 685 953	703 444	10 634 509	28 023 906
Finance Costs	1 737 255	-	-	1 737 255
Debt Impairments	15 364 761	17 375 221	992 907	33 732 889
Bulk Purchases	-	-	36 689 378	36 689 378
Construction contract expenditure	-	-	55 264 482	55 264 482
Operational Cost	73 396 335	21 129 350	24 647 858	119 173 543
Fair Value Adjustments	(1 620 380)	-	-	(1 620 380)
Actuarial losses	1 519 622	-	-	1 519 622
Loss on disposal of capital assets	147 351	-	-	147 351
Total segment expenditure	156 606 773	85 205 568	148 364 970	390 177 311
Total segmental surplus/(deficit)				4 460 201

uPHONGOLO Local Municipality

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand

	Finance & Admin	Community & Public Safety	Planning & Development	Total
56. Segment information (continued)				
Assets				
Current assets	-	-	-	-
Statutory receivables from non-exchange transactions	14 702 298	1 514 519	-	16 216 817
Receivables from exchange transactions	1 341 868	3 614 521	8 808 585	13 764 974
Cash & cash equivalents	10 432 775	-	-	10 432 775
VAT Receivable	1 637 475	-	-	1 637 475
Non-current assets	-	-	-	-
Investment property	63 477 380	-	-	63 477 380
Property, plant & equipment	188 207 702	70 064 559	104 237 974	362 510 235
Intangible assets	1 284 222	-	-	1 284 222
Heritage assets	-	70 945	-	70 945
Total segment assets	281 083 720	75 264 544	113 046 559	469 394 823
Additions to non-current assets				35 592 198
Total additions				35 592 198
Liabilities				
Current Liabilities	-	-	-	-
Trade & other payables from exchange transaction	41 718 777	-	-	41 718 777
Consumer deposits	2 862 261	-	-	2 862 261
Trade & other payables from non-exchange transactions	3 417	6 759 111	2 128 727	8 891 255
Provisions	177 724	-	-	177 724
Long term loans-current portion	1 235 113	-	-	1 235 113
Non-Current Liabilities	-	-	-	-
Other financial liabilities	341 542	-	-	341 542
Employee benefit obligation	3 196 154	-	-	3 196 154
Provision	-	11 106 887	-	11 106 887
Long-service awards	1 969 502	-	-	1 969 502
Total segment liabilities	51 504 490	17 865 998	2 128 727	71 499 215
Total liabilities as per Statement of financial Position				71 499 215