

Kgatelopele Local Municipality



Re gatela Pele” “We moving Forward” “Ons gaan Vorentoe”

DRAFT ANNUAL REPORT

2021/2022 FINANCIAL YEAR

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LIST OF ABBREVIATIONS AND DEFINITIONS

ACIP	Accelerated Com. Infrastructure Programme
AMP	Asset Management Plan
BDS	Blue Drop System
CRC	Current Replacement Cost
CRR	Cumulative Risk Ratio
CRU	Community Residential Units
DRC	Depreciated Replacement Cost
DWQ	Drinking Water Quality
DWS	Department of Water and Sanitation
EIA	Environmental Impact Assessment
EMS	Environmental Management Services
EPHP	Enhanced People's Housing Process
EPWP	Expanded Public Works Programme
GAMAP	General Accepted Municipal Accounting Practice
GDIP	Green Drop Improvement Plan
GDPR	Regional Gross Domestic Product
GDS	Green Drop System
HIV	Human Immunodeficiency Virus
IAMP	Immovable Asset Management Programme
IDP	Integrated Development Plan
ILI	Infrastructure Leakage Index
ISP	Internal Strategic Perspective
LED	Local Economic Development
MIG	Municipal Infrastructure Grant
MI	Mega Litre
MI/a	Mega Litre per Annum
MTEF	Medium-Term Expenditure Framework
NGO	Non-governmental organization
NRW	Non-Revenue Water
NWRS	National Water Resource Strategy
PDA	Previously Disadvantage Area
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
RUL	Remaining Useful Life
SANS	South African National Standard
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Chain Management
SDBIP	Service Delivery and Budget Implementation Plan
SDF	Spatial Development Framework
VAT	Value Added Tax
WDM	Water Demand Management

Chapter 1

CHAPTER 1- MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

COMPONENT A: MAYOR'S FOREWORD



The new council was elected during local elections on the 01st November 2021, the number of wards has increased from 4 to 6 wards, number of PRs from 3-5 consuming of 11 councillors in total thus council moved from a plenary to a Collective Executive with ward participating system council as per section 8(c) of the Municipal Systems Act No. 117 of 1998.

Due to the suspension of the Municipal Manager the municipality was not operating effectively, however with assistance from the District Municipality by appointing an Acting Municipal Manager the municipality's day to day running became more effective.

Council committees has been established as per Section 79 of the Local Government Municipal Structures Act 117 of 1998., all committees are functioning well, the Executive Committee membership is as per political party representation proportion. The Office of the Speaker did well in the establishment of ward committees in all wards, reports are being submitted on a monthly base.

A few highlights on programmes which unfolded in the mayoral office for this year was, World Aids Day this programme was hosted in conjunction with Kgatelopele Social Development Forum, Department of Health and our mining Stakeholders. The Mental Health Outreach programme to the **class of 2022**, Kgatelopele Youth Development Forum together with the Mayor's office hosted a mental health programme to matriculants where various motivational speakers including council and the department of social development formed part. Youth Day celebration took place in Lime Acres the objective this year was to encourage participation in sports to curb the abuse of substance and drugs amongst young people, Lime Acres Sports Association hosted soccer tournament motivational speakers were invited as guest speakers.

We are faced with a serious challenge of **theft and vandalism** to municipal assets, this has a big impact on service delivery greatly in our electrical unit. Replacement of High Mast, Kgatelopele Local Municipality have Implemented 2 projects, which one reached practical completion in the greater Danielskuil area.

Engineering Aces was appointed by Kgatelopele Local Municipality to provide professional civil engineering services for the construction of a Sports Facility in Tlhakatlou township in Danielskuil the project has not been finalized yet.

Internal Roads upgraded from gravel to paved roads, due to storm water this project is partially completed.

I would like to thank the administration for their continues effort in promoting Good Governance and service delivery.

I thank you,

Mayor Irene Williams

COMPONENT B: EXECUTIVE SUMMARY

1.1 MUNICIPAL MANAGER'S OVERVIEW



It is this time of the year that legislation required us to provide an overview of the financial year that is behind us. I was appointed as from the 1 August 2022 and therefore this report reflects the performance of Kgatelopele Local Municipality for the period 1 July 2021 to 30 June 2022. The Annual Report is prepared in terms of Section 121(1) of the Municipal Finance Management Act (MFMA), in terms of which the Municipality must prepare an Annual Report for each financial year. This Annual Report provide a detail overview of the Municipality's performance but also provide some details of solutions for future development.

Rates and taxes remain the municipality's main source of revenue in relation to billing, followed by electricity during peak season, which is over autumn and winter.

The collection rate remains below the National Treasury norm of 95% which the municipality is working on addressing the low collection in ensuring we become a financial sustainable municipality. To ensure an effective credit control, we have set up a committee consist of various employees to develop a strategy as to increase our collection by the May 2023 to 60% and by the end of June 2023 to 85%.

To ensure the effectiveness and efficiency of the skills that we had within the Municipality, my office has done a skills and qualification audit and realign an organogram who will be placed in front of the Council for adoption in February 2023.

The realignment and the placement with staff will be inline of their qualifications and experience and to ensure that the performance of the Municipality are been enhance.

Despite the disclaimer, I have extended the contract of CCG to ensure that a audit implementation plan be developed so that we could address most of the misstatements.

The planning and budgeting process of the municipality was steered through the implementation of the process plan for Integrated Development Plan, Budget, Performance Management and Human Resources approved by Council.

The application of sound budget and financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

Eskom's loadshedding negatively impact our objectives to provide a sustainable service to our community. Therefore, it has become prudent that the Council must look at the provision of alternative renewable energy to ensure sustainable service delivery. On the other side the municipality sit with the challenges of vandalism of our infrastructure and cable theft.

Thank you to all employees, management and Council for the commitment and hard work during the year in review. Also thank you the Greater Kgatelopele community for their continued involvement in the affairs of Council and who continued to honour their municipal commitments through trying times, it is truly appreciated.

Thank you!

Adv. Willie Blundin

Municipal Manager

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.2.1 DEMOGRAPHICS PROFILE

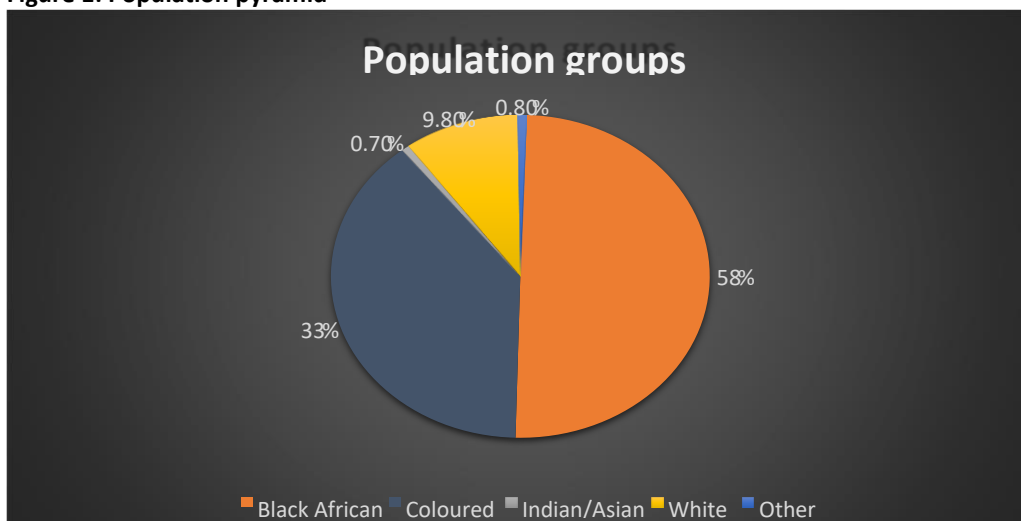
Kgatelopele Local Municipality falls under ZF Mgcawu District Municipality. The municipality is bordered by Ga-Segonyana LM on the north, on the west it is Tsantsabane LM, east it is Dikgatlong LM and south it is Siyancuma LM. The municipal area is divided into 6 wards and has 2 towns which are Daniëlskuil and Lime Acres. The administrative town of the municipality is Daniëlskuil. Kgatelopele Local Municipality consist of Daniëlskuil, Kuilsville, Tlhakatlou, Lime Acres and the surrounding farms. The municipality's name Kgatelopele, is a Setswana name which means moving forward. The municipality is situated 154 km west of Kimberley and 91 km to Kuruman.

The Kgatelopele Local Municipality has a total population of 20691, 52.5% of the population being male, while 47.5% are female as per census Statistics for 2016. The population growth rate has been 3.49% between 2011 and 2016. The municipality has 6206 households, with 3.49% of households being female-headed (Stats SA, Census, 2011 and 2016). The average household size is 3.5. The majority of people residing in the municipal area are Black Africans, followed by Coloured people. The two least represented racial groups are Whites and Indian/Asians. The most commonly spoken language is Afrikaans at 58%, followed by Setswana at 33%.

1.2.3 AGE GROUPS

The majority of people residing in the Kgatelopele Local Municipality are children of 0 – 4 years old, followed by those in the 15 – 34 years old group and from this group we have a total number of 5202 persons aged 20 years + who have completed their Grade 12 and this indicated that more programmes or projects need to be more responsive to the needs of children and young people. The population of the municipality resembles that of most developing nations, where there are high birth rates, slow growth rates and a population with a short life expectancy.

Figure 1: Population pyramid

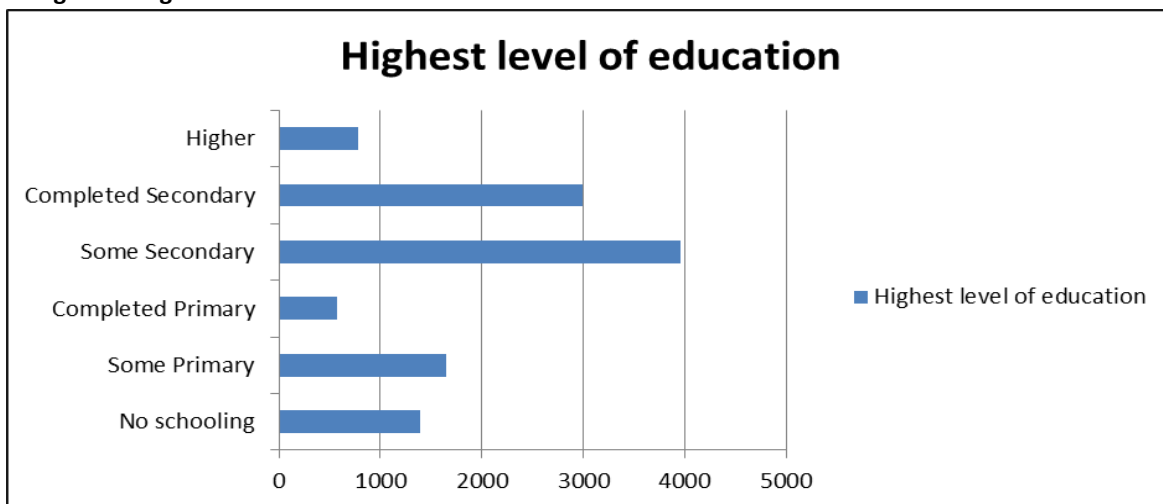


SOCIAL ECONOMICS ANALYSIS

1.2.4 EDUCATIONAL LEVEL

The majority of people in the municipal area has some secondary education and has completed their secondary schooling. There are those that have no schooling, some primary and others completed primary schooling and this means that these people did not receive their senior certificate, which limits their chances of getting a decent job or employment opportunities. The numbers of those who completed secondary school and got a higher education is high, so there is a large capacitated workforce to contribute to the economy of the municipality or the region.

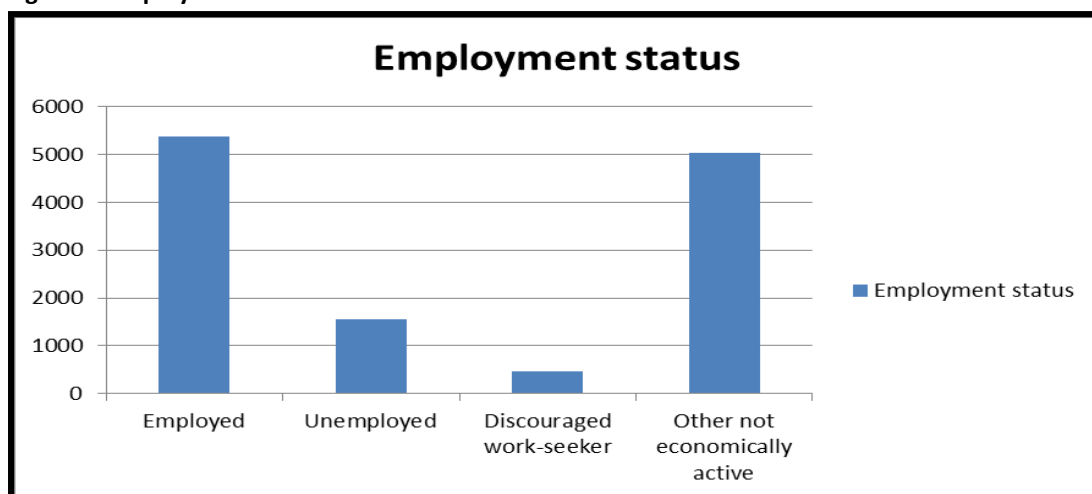
Figure 2: High level of education



1.2.5 EMPLOYMENT LEVELS

The number of those economically active is slightly greater than those not economically active, hence the dependency ratio of 50.6% which is very high. Stats SA (2016) indicates that the unemployment rate is at 22.3% while 29.1% of the total unemployed people are young people. There is need to address the challenges of those not employed particularly the youth.

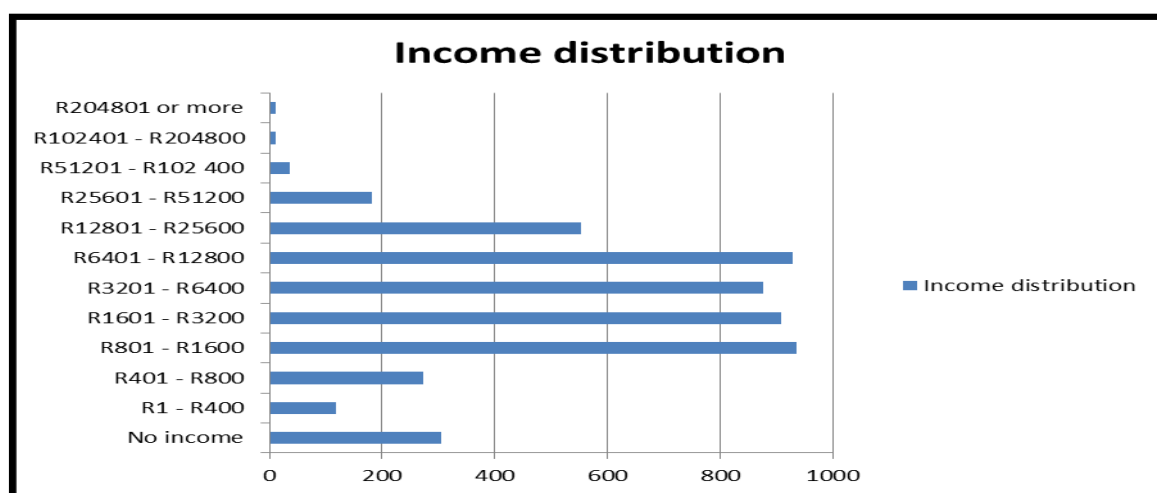
Figure 3: Employment status



1.2.6 INCOME DISTRIBUTION

The income distribution of the municipality shows a very interesting pattern given the education levels in the municipality. A large number of people in the municipal area receive income above the poverty line (large capacitated workforce). It is of great concern from a municipal perspective for those who have no income at all. This income group may most likely be highly depended on government grants and are thus not able to spend money in the municipal area or pay their rates.

Figure 4: Income distribution



1.2.7 SOCIAL INFRASTRUCTURE

Historically, the institutions which were most valued by society - such as institutions of learning, worship, exchange, markets and universities - served as the key structuring elements of settlements. The siting of these, in turn, formed the basis for the locational choices of other.” (Redbook, 2000:6).

The residents have access to the following facilities:

Ward	Educational	Health service	Recreational/community facility	Safety
1	Primary school	-	Community hall	-
2	High school	-	-	-
3	High school and primary	Clinic	Club, swimming pool	Police station
4	-	-	Community hall	-
5	2 Primary school	Clinic	Recreational club and swimming pool	Police station
6	1 Primary school	-	Recreational club and swimming pool	Police station

Access to schools, government facilities/services is at the heart of settlements that perform well. These facilities give residents options and do not restrict how they live. The facilities or services offered contribute to the human development of the residents. It is clear that there are limited options for the residents, as there is not a diverse range of social services/facilities that are available to them to use.

1.2.8 GEOLOGY AND SOIL

There are two different surface geology types in Kgatelopele local municipality. These are sedimentary rocks and/or soil (karoo sediments), folded sedimentary and volcanic rocks (ZF Mgcawu district, 2008). The mineral types that are found in this municipal area include limestone and asbestos. Red, massive or weakly structured soils with high base status (association of well drained lixisols, camisoles', luvisols); red, yellow and greyish excessively drained sandy soils (arenosols). these soils are also very prone to wind erosion. Soils with minimal development, usually shallow on hard or weathering rock, with or without intermittent diverse soils (association of leptosols, regosols, calsisols and durisols. in addition, one or more of cambisols and luvisols may be present (dominant soil type) rocks with limited soils (association of leptosols, regosols, durisols, calsisols and plinthosols). this soil type, which is found in the area, is prone to sand erosion.

1.3 SERVICE DELIVERY OVERVIEW

1.3.1 WATER

Section 27(1)(b) of the Bill of Rights provides that 'everyone has the right to have access to sufficient water', and section 27(2) obliges the state to take reasonable legislative and other measures, within its available resources, to achieve the progressive realization" of everyone's right of access to sufficient water" (Basic Sanitation Guideline in South Africa, 2011: 20). A Water Services Authority (WSA) refers to a municipality's responsibility to ensure access to water services. WSAs derive their authority from the Municipal Structures Act. The water service authority is the Kgatelopele Local Municipality.

Chapter 4 of the National Development Plan (NDP) envisages a South Africa that recognizes the importance of secure and equitable access to water and sanitation as catalysts for socioeconomic development. In line with this vision, over the medium term, the Municipality seeks to focus on developing and investing in water infrastructure, improving planning in and regulation of the water sector, and monitoring and protecting Danielskuil's water resources as the main source of supply in the area.

The following key performance activities were used to evaluate the Unit's performance during the 2021/22 fiscal year:

- Sewer Blockages (Reticulation lines),
- Water Meters,
- Water Quality,
- Maintenance of Sewer Pumpstations,
- Drains.

Water Meters

Both traditional and prepaid meters have been put in Kgatelopele Local Municipality's inhabitants as of late. By putting in place these prepaid meters, the municipality hopes to cut down on water losses while also making it easier for homeowners to keep track of their water usage and pay their bills.

Water Quality

It is impossible to overstate the significance of having access to clean water because a lack of it may lead to many health-related problems. The city collects water samples every month and sends them to a lab for analysis in an effort to guarantee that all inhabitants have access to safe water. The municipality has regularly complied with the requirements of South African National Standard (SANS) 241-1:2015 over the years, using the 19 sample locations that have been designated.

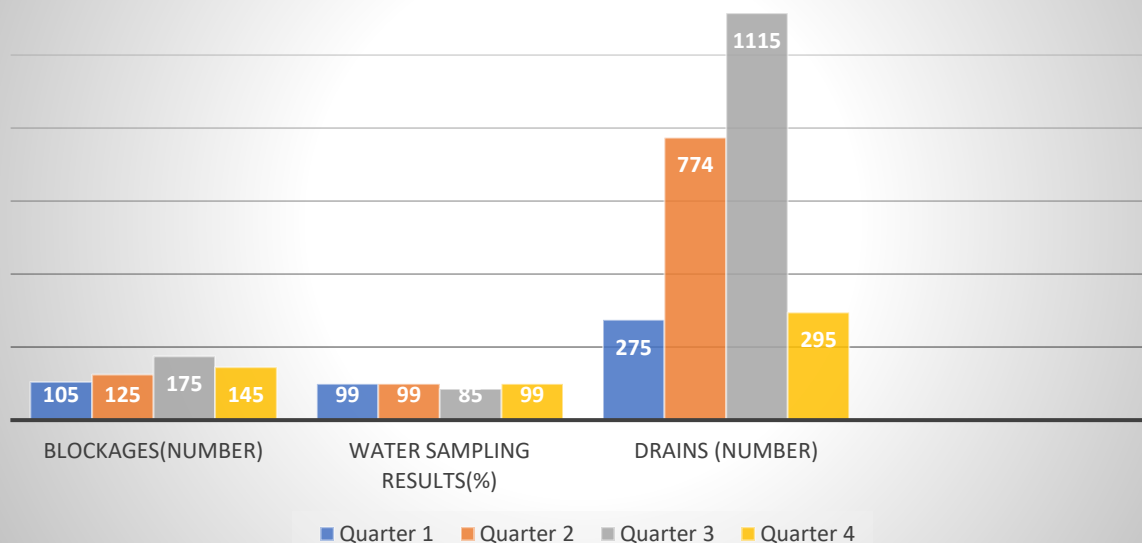
The acceptable drinking water quality is described in this section of SANS 241 in terms of microbiological, physical, aesthetic, and chemical factors. A lifetime consumption of water that conforms with this section of SANS 241 is considered to constitute an acceptable health risk. For this reason, the municipality received the famous Blue Drop accreditation, making it the best performer in the province in terms of the provision of drinking water with a compliance rate of 99.9%. By putting procedures in place for monthly reporting of its water quality data on the Regulatory Information System (IRIS), the Municipality hopes to obtain that status once more.

Sewage blockages

There are now 10 sewer pumpstations in the Municipality that feed into the main line that directs water to the oxidation pond. In Kgatelopele, which has a population of 20,000, 11,000 houses have access to waterborne sanitation facilities. Approximately 560 recorded cases of sewage line blockages were reported during the fiscal year 2021–2022. This indicates that over the fiscal year, there were, on average, 47 blockages each month that required attention. Sewer obstructions come in two varieties: Blockages in the main sewer line and the private pipe that connects your house to the main line of sewage. According to tradition, the Municipality often responds to obstructions related to the aforementioned circumstance.

Figure 5: Performance overview

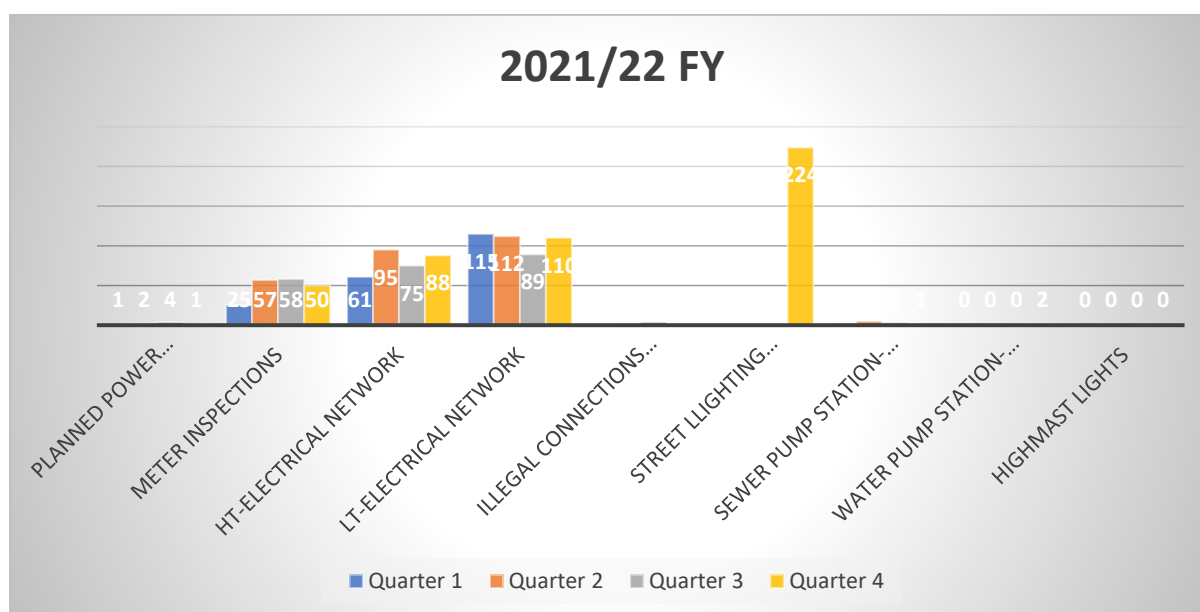
2021/22 PERFORMANCE OVERVIEW



1.3.2 ELECTRICITY

The existing 22kV Daniëlskuil, Kuilsville and Tlhakalatlou under the Kgatelopele Municipality's main intake is at the Ouplaas 88/22kV Substation, as the existing 22kV infrastructure does not have adequate capacity to accommodate any further development within Kgatelopele Municipality. Development in Daniëlskuil constitutes of mostly domestic/residential and commercial expansion because of the mining activities in the surrounding area of the town.

The Ouplaas Substation consists of 2 x 10 MVA 132k/22kV transformers which supply the Kgatelopele Municipality via the Daniëlskuil 22kV feeder (at an NMD of 5MVA) and the Idwala Lime Mine (at NMD 15MVA). The MV & LV network being supplied by the Ouplaas Substation via the Daniëlskuil 22kV feeder. The Daniëlskuil 22kV feeder supplies 3578 customers, of which are made up of residential customers, local business customers and other customers (clinics, libraries, municipal offices etc.)



Electricity supplier to households:

The municipal area's official settlements are all connected to the power grid. 232 houses with traditional meters and 3289 with pre-paid meters have access to power. There is no access to power in informal communities.

Electricity unit is facing the following challenges:

- Cable theft & vandalism of pillar boxes,
- By-passing of electrical meters & aged infrastructure,
- Insufficient budget to undertake consistent maintenance,
- insufficient supply from ESKOM, un-firm electrical capacity in our substation,
- high electricity loss due to aged infrastructure & theft of electricity (by-pass)
- Vandalism of electrical assets & network and skills shortage.
- Increasing cost of electricity supply

Local Municipality efforts in trying to ensure suitable provision of electricity services includes the following initiatives:

The Electrical Master Plan that will be developed during the 2021/22 Financial year in order to guide the implementation of the electrical projects.

3524 households are connected to electricity and a total number of 3289 households have been registered for prepaid meters and 235 conventional meters for use of electricity as a source of energy for lighting this initiative was introduced in order to test its feasibility.

The following outlines the Units' performance in terms of;

- Planned power outages
- Meter inspections
- HV-electrical network
 - Replacement of drop-out fuses.
 - Repair broken jumpers and replace PG clamps.
 - Repair broken lines.
- LV-electrical network
 - Cut tree branches from conductors.
 - Repair underground distribution cable faults.
 - Repair ABC cable faults.
 - Repair service cables faults.
 - Households service problems.
- Illegal connections inspections
 - Inspection of illegal supply to informal settlements
- Street lighting
 - Repair of street lights and highmast lights
- Sewer pump stations-repairs
 - Reset circuit breakers
 - Cleaning panels
 - Replacement of level switches
- Water pump stations-repairs
- Inspection and cleaning of panels

1.4 FINANCIAL HEALTH OVERVIEW

1.4.1 EXPENDITURE

In the 2021/22 financial year the municipality remains committed to this objective, to ensure creditors are paid within 30 days. We need to start prioritising expenditure and reduce the nice to have expenditure. Expenditure should be incurred in a manner where service delivery is prioritised.

Creditors analysis

The following information provides an understanding of the municipality's outstanding creditors as at 30 June 2022.

Total outstanding creditors was R 26 360 00 end June 2022.

NC086 Kgatelopele - Supporting Table SC4 Monthly Budget Statement - aged creditors - Q4 Fourth Quarter

Description	NT Code	Budget Year 2021/22									Prior year totals for chart (same period)
		0 - 30 Days	31 - 60 Days	61 - 90 Days	91 - 120 Days	121 - 150 Days	151 - 180 Days	181 Days - 1 Year	Over 1 Year	Total	
R thousands											
Creditors Age Analysis By Customer Type											
Bulk Electricity	0100	2,176	600	-	1,840	-	-	1,973	-	6,590	6,590
Bulk Water	0200	-	-	-	-	-	-	-	-	-	-
PAYE deductions	0300	-	-	-	-	-	-	-	-	-	-
VAT (output less input)	0400	-	-	-	-	-	-	-	-	-	-
Pensions / Retirement deductions	0500	-	-	-	-	-	-	-	-	-	-
Loan repayments	0600	-	-	-	-	-	-	-	-	-	-
Trade Creditors	0700	803	31	-	113	6	-	29	7,832	8,814	8,814
Auditor General	0800	163	-	-	2,611	1,352	-	3,805	1,871	9,803	9,803
Other	0900	648	-	48	154	304	-	-	-	1,153	1,153
Total By Customer Type	1000	3,790	631	48	4,717	1,663	-	5,808	9,704	26,360	26,360

Below are the top three creditors for the municipality have to date.

- Department of Safety
- Auditor General
- Eskom

Repairs and Maintenance

The main cost drive over the quarter was the repairs of the council sewerage truck and the rental of another while awaiting repairs. The municipality currently does not have maintenance plans, all maintenance is reactive and not plan and scheduled.

Sum of Debit	Column Labels											Grand Total	
	2021					2022							
	Qtr3		Qtr4		Qtr1		Qtr2						
	Jul	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		
Row Labels													
Community Halls and Facilities	R	552,72			R 14 040,00	R 1 040,00			R 26 477,00	R 21 089,00		R -	R 63 198,72
Electricity	R	2 900,00	R 33 025,57	R 21 500,00	R 71 518,10	R 168 780,84		R 6 310,00		R 116 100,60		R -	R 420 135,11
Finance	R	48 697,00			R 1 500,00						R 2 113,00	R 340,00	R 52 650,00
Information Technology	R	-						R 32 712,90				R 4 806,94	R 37 519,84
Maintenance of buildings	R	632,18					R 343,48					R -	R 975,66
Mayor and Council	R	-					R 24 383,44		R 12 269,42	R 21 600,00		R -	R 58 252,86
Recreational Facilities	R	-	R 6 950,00				R 490,40	R 759,63			R 4 271,00	R -	R 12 471,03
Road and Traffic Regulation	R	-			R 6 392,00							R 9 660,00	R 16 052,00
Sewerage	R	14 005,00	R 2 280,00		R 37 600,00	R 21 669,00		R 94 811,42	R 116 146,90	R 18 120,00	R 25 541,00	R -	R 330 173,32
Solid Waste Removal	R	39 020,00	R 601,00	R 646 340,00	R 75 880,00	R 201 878,73	R 68 840,00	R 52 735,44	R 33 734,16	R 52 226,22		R 28 280,02	R 1 199 535,57
Water Distribution	R	-		R 21 330,00	R 30 000,00	R 30 075,00		R 6 640,00		R 1 983,87		R 3 400,00	R 93 428,87
Grand Total	R	105 806,90	R 42 856,57	R 689 170,00	R 236 930,10	R 423 443,57	R 94 057,32	R 193 969,39	R 188 627,48	R 231 119,69	R 31 925,00	R 46 486,96	R 2 284 392,98

Contractual Commitments

On average our contractual agreements are R 6 350 307 a month, this excludes the cost for repairs and maintenance and other operational cost.

CONTARCT NAME
Landfill site management
Security Services
Prepaid Vending
Water sample testing
IMIS
Inside Data
Fuel
Telkom
Eskom
Salaries

Recommendation

Implementation of improved controls such as cashflow forecasting has assisted the municipality in better planning for expenditure it wishes to incur. A drastic reduction in expenditure is needed to ensure the municipality remains financially stable again.

One of the biggest cost drivers is the aging infrastructure which needs to be refurbished, replaced or upgraded. The municipality is not in the position to undertake capital projects that are not funded by our infrastructure grants due to our cashflow and collection ability. The implementation of a maintenance plan for infrastructure will aid the municipality in reducing the reactive repairs which are costly.

1.4.2 GRANTS AND SUBSIDIES

The capital budget has adjusted upwards due to the rollover for conditional grant, Municipal Infrastructure Grant that was approved. This has been adjusted upwards in the adjustment budget for 2021/22.

The municipality has maintained all grant deposits in separate call accounts with withdrawals only being made when the grant expenditure is approved by the acting municipal manager and acting chief financial officer.

Operational Grant Spending:

GRANT NAME	ALLOCATION	TOTAL SPENT	TOTAL REMAINING	% SPENT
FMG	R 2 850 000	R 2 850 000	R 0.00	100%
LIBRARY	R 1 000 000	R 1 000 000	R 0.00	100%
EPWP	R 1 075 000	R 1 075 000	R 0.00	100%

Finance Management Grant

- The grant shows a percentage spent of 100% expenditure

Library Grant

- The grant shows a percentage spent of 100%
- The library remains dependant on the municipality for additional funding as the allocation does not cover the total cost.

EPWP Grant

- The grant performed at 100%
- Grant is used for municipal property

Capital grant spending

GRANT NAME	ALLOCATE RECEIVED	TOTAL SPENT	TOTAL REMAINING	% SPENT
MIG	R 56 299 786	R 43 709 040.18	R 12 590 745.82	78%
EE&DM	R 3 000 00	R2 682 581.44	R 317 418.56	89%
WSIG	R 11 548 343	R 11 156 125.95	R 392 217.05	97%
RBIG	R 62 367 000	R 0.00	R 0.00	0%
Disaster	R 1 839 000	R 1 837 543.21	R 1 465.79	99%

Capital grant expenditure has a decline in performance as at end June 2022, the following reasons contribute to the performance

- RBIG – the municipality received the allocation that were allocated for the RBG grant from National Treasury but the business plan for project needs to be approved first before the money is used
- The municipality need to apply for roll over for all grants not spent 100% due date is on the 31 August 2022

Interest received for 2021/2022

Bank Description	Balance	Interest Received
Main Account	113 334,50	39 251,47
MIG	12 590 745,82	300 754,48
Energy	317 416,56	15 039,02
EPWP	5 000,00	1 962,12
Equitable Share	2 000,00	92 685,50
FMG	5 000,00	8 427,71
Library	5 000,00	4 781,81
WSIG	392 217,05	80 029,94
Traffic	4 218,62	89,12
Disaster	1 465,79	16 983,61
RBIG	62 367 000,00	820 971,75
	75 803 398,34	1 380 976,53

Total interest received at 30 June 2022 from bank confirmation R 1 380 976.53

1.5 Organisational Development Overview

1.5.1 ORGANISATIONAL STRUCTURE

The municipality is made up of the following key departmental sections and all the departments has a section 56&57 manager (senior Management) Excluding Mayor's office which is council. The Accounting Officer reports to Council and ensures a credible, efficient, effective and economical institution. Based on good ethical conduct and responsive to community needs.

- Mayor's Office
- Municipal Manager's Office
- Budget and Treasury (finance)
- Corporate Services
- Technical and Infrastructure

1.5.2 HUMAN RESOURCE MANAGEMENT

Human resource management is a strategic approach to nurturing and supporting employees and ensuring a positive workplace environment. Its functions vary across different businesses and industries, but typically include recruitment, compensation and benefits, training and development, and employee relation.

Skills development and Training

The skills development Act aims to expand the knowledge and competencies of the labour force in order to improve productivity and employment.

The Workplace Skills Plan and Annual Training Report were submitted on the 30 April 2020 to LGSETA to ensure the municipality reports the Annual Training of 2020/2021 on the education and training interventions that were delivered in the previous year and also consists of all training attendance registers, proof of expenditure, training providers used and the purpose of the Work skills plan for 2019/2020 is based on the skills needs of the organisation at large that serves to put in place the training requirements of the municipality and the amount of funding needed in terms of the upcoming year 2021/2022.

The benefit of skills development is it enhances improvement in the quality of life of workers. It encourages ongoing skills and development, learning, and the acquisition of new skills and work experience.

There is a table to illustrate the number of trainings held in the period of 2021/2022 financial year for employees of municipality. The attendance of the training committee is also provided which states all the members of committee.

Recruitment and Post and Qualification

The municipality takes recruitment seriously and believes in providing quality service delivery to the community, hence it conducts employee qualification verification to ensure there is transparency and good governance in the institution. The Accounting Officer conducted a skills and qualification audit and realign an organogram.

The importance of recruitment

Recruitment helps divide applications into categories of under-qualified and over -qualified. This helps streamline the process, making it easier to shortlist people who would be perfect for the job and would help the company grow

Vacant posts and new appointments

During 2021/22 financial year new appointments were placed as there was a huge number of resignations made by employees. The suspension of municipal manager caused instability in the municipality as a few officials were also suspended which led to vacant positions. The municipality received assistance from District office where they delegated an acting municipal manager to provide leadership. The acting municipal manager filled in a portion of vacant positions in the organogram.

1.6 AUDITOR GENERAL REPORT 2021/2022

Comments of Auditor General

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 identified by auditors in the submitted financial statement were adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements received a disclaimer audit opinion.

Sufficient appropriate audit evidence could not be obtained that the 2020/21 annual report was tabled in the municipality council after the end of the financial year, as required by section 127(2) of the MFMA.

Internal Controls

The matters that were all limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion, the findings on the annual performance report and the findings on compliance with the legislation included in this report.

There was insufficient review at the appropriate levels of the financial statements and the annual performance report before submission for audit.

Leadership compiled an action plan based on the audit report findings; however, they did not adequately monitor the existing action plan. This resulted in material findings reoccurring in the current financial year.

Root causes for stagnation in audit outcomes	Impact
Accounting officer and senior management did not have adequate controls in place to effectively process transactions and achieve positive audit outcomes	Material misstatements due to ineffective controls
Audit action plan developed was not monitored for implementation to address prior year findings resulting in repeat material misstatements in the current year.	The control environment was not reinforced to prevent repeat material misstatements in the annual financial statements, performance reports and areas of legislation scoped for audit.
No consequence management implemented by leadership which creates a culture that poor performance is acceptable and tolerated.	Inadequate control environment over daily to year-end controls, regular reconciliations between underlying information and reports for all material municipal processes

Chapter 2

CHAPTER 2- GOVERNANCE

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

The municipality has a political and administrative component, the section below will give an analysis of the two and how they operate in making sure that the developmental mandate is achieved. The Municipal Elections took place on 01 November 2021 where different political organizations elected its representatives to contest into the elections for the next 5 years, and different organizations did part take and the outcome of the elections came out different whereby the then regime (ANC) which led Kgatelopele Council for the past years formed a collision with newly formed political organization known as Patriotic Alliance (PA) , Democratic Alliance (DA) has 2 seats ,whereas Economic Freedom Fighter (EFF) and Freedom Front Plus (FFP) has obtained 1 seat and the new regime was then inaugurated into office to take over the Municipal Council for a Period of five (5) years. The council has changed from the original council elected in November 2021 Elections, as a result some councillors resigned and were replaced. The Municipality is currently running the political structures of the Municipality in collision between African National Congress (ANC) and Patriotic Alliance (PA).

2.1 POLITICAL COMPOSITION OF COUNCIL

The municipality is led by a Council, which performs both legislative and executive function.

The Council for the 2021/22 financial year was led by the Hon. Mayor Cllr I. Williams.

KGATELOPELE LOCAL MUNICIPALITY COUNCIL: COLLECTIVE EXECUTIVE COUNCIL, WARD PARTICIPATARY SYSTEM

NO	NAME & SURNAME	POSITION	POLITICAL PARTY	WARD/PR	GENDER
1.	Irene Nona Williams	Mayor	African National Congress (ANC)	Ward 5 Cllr	Female
2.	Mosala George Leutlwetse	Speaker	African National Congress (ANC)	Ward 1 Cllr	Male
3.	Ronell Haai	Council Whip	African National Congress (ANC)	Ward 2 Cllr	Female
4.	Jan Slinger	Council member	African National Congress (ANC)	Ward 4 Cllr	Male
5.	Denys Pienaar	Council member	African National Congress (ANC)	Ward 6 Cllr	Male
6.	Anna Van Zyl	Institutional Committee Chairperson	Democratic Alliance (DA)	Ward 3 Cllr	Female
7.	Dorcas Burger	Council member	Democratic Alliance (DA)	PR Cllr	Female
8.	Frikkie Sebelego	Technical, Infrastructure & Community Services Chairperson	Patriotic Alliance (PA)	PR Cllr	Male
9.	Sylvia Edwards resigned and replaced by Cllr Tiffany Harmse	Municipal Public Accounts Committee (MPAC) Chairperson	Patriotic Alliance (PA)	PR Cllr	Female
10.	François Maritz	Council member	Freedom Front Plus (FFP)	PR Cllr	Male
11	Patience Leburu	Council member	Economic Freedom Fighters (EFF)	PR Cllr	Female
	Total No of Cllrs: 11				4x Female 7x Male

2.1.1 COUNCIL MEETINGS

The following reflect the number of Council meetings that took place in the year 2021/2022:

(03) Normal Council Meetings

(06) Special Council Meetings

2.1.2 PORTFOLIO AND COMMITTEES / SECTION 79 & 80 COMMITTEES

Council has also established committees to ensure its effectiveness in terms of Section 79 and 80 of the Municipal Structures Act 1998.

- Finance Committee
- Institutional Committee
- Technical Committee
- Audit, Risk and Performance Committee
- MPAC

2.1.3 DIRECTORATES

Technical, infrastructure and Community services Directorate

This directorate's main functions are to see to it that residents have basic services. The Unit headed by the Technical and Community Services Manager. The unit is responsible for:

- Basic Services
- Management & Maintenance of all infrastructure
- MIG Projects
- Coordinating the building of houses
- Library services
- Housing administrator
- Traffic services
- Town Planning, Land Use Management and the SDF
- Waste management

Financial Management Directorates

This directorate is responsible for the financial management of the municipality, putting systems in place for proper financial management and managing the inflow and outflow of money in the municipality. This Unit has been headed by Chief Financial Officer. The Unit is responsible for the following:

- Financial systems
- Budget and treasury
- Revenue/Income
- Expenditure
- Assets Management

Corporate services Directorates

This directorate is responsible for the administration of the municipality. The Unit is led by the Senior Admin, Compliance, Legal and Head of Corporate. The Unit is responsible for the following:

- Human resources
- Legal matters
- Compiling of all contracts.
- Information and Communication Technology
- Fleet management
- Administration and Registry
- Communications and Customer Care

2.2 ADMINSTRATIVE GOVERNANCE

The Municipal Finance Management Act section 60 (b) states that the Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with Act to political structures; political office bearer, and any entity under the sole or shared control of the municipality. Top level structure



COMPONENT B: INTERGOVERNMENTAL RELATIONS

2.3 INTERGOVERNMENTAL RELATIONS

There is a need to coordinate and integrate activities of government in delivering services to the communities and that forms the basis because intergovernmental relation is crucial. The need for the three spheres of government to work together is a Constitutional obligation reconfirmed by various pieces of legislations. The Intergovernmental Fiscal Relation Act, of 1997, Section 4, provides that all spheres of government to facilitate coordination in the implementation of policy and legislation in cooperate with one another in mutual trust and good faith by.

- Fostering friendly relations
- Assisting and supporting one another
- Informing one another of; and consulting one another on matters of common interest
- Coordinating their actions and legislation with one another
- Adhering to agreed procedures; and
- Avoiding legal proceedings against one another

Kgatelopele Local Municipality is instrumental in the process of Intergovernmental relations by participating in various legislated forums i.e., District Intergovernmental Forum and Premiers Intergovernmental Forum, and attendance hereby attested.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

2.4 WARD COMMITTEES

The Constitution of South Africa affirms the right of public involvement in legislative and development policy. The intention is to allow communities and other non-state sectors another platform with which to engage the State other than through political representatives elected through the ballot. The concept of ward committees is meant to speak to this need. Section 152 (1) of the Constitution enjoins local governments 'to encourage the involvement of communities and community organizations in the matters of local government.' (Republic of South Africa, 1996). The establishment of ward committees is provided for in Chapter 4 of the

Municipal Structures Act of 1998. According to the Act, ward committees should be established in each ward of a Category A or Category B municipality. The Municipal Systems Act of 2000 elaborates further on the issue of community participation in municipal affairs and encourages municipalities to establish alternative forums where no municipal structures for community participation exist. An important provision of the Act is that these forums are to be representative of the different interests within communities.

2.4.1 WARD COMMITTEE ATTENDANCE DATES AND VENUE

Due to Covid-19 pandemic lockdown regulation the ward meetings could not take place as scheduled. Block meetings could be utilized to ensure Covid-19 lockdown regulations are observed. Meeting did not reach quorum so some could not sit. The following meeting are for the newly appointed Executive Council.

NO	Scheduled Meetings	Dates	Venues	Time
1.	Ward 1	21 February 2022	Tlhakatlou Hall	17:00
2.	Ward 2	22 April 2022 20 June 2022	Smirna Church	17:00
3.	Ward 3	17 February 2022 09 March 2022 12 April 2022 28 April 2022	Kgatelopele Tourism Centre (1933)	17:00
4.	Ward 4	21 February 2022 23 March 2022 19 May 2022 16 June 2022	Kuilsville Hall	17:00
5.	Ward 5	18 March 2022 25 April 2022 16 May 2022 13 June 2022	Church Park	17:00
6.	Ward 6	16 March 2022 21 April 2022	Roman Catholic church / Shaleje Hall	17:00

2.5 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
Were the indicators communicated to the public?	Yes
Were the four quarter aligned reports submitted within stipulated time frames?	Yes
* Section 26 of Municipal Systems Act 2000	T 2.5.1

COMPONENT D: COPORATE GOVERNANCE

The national and provincial governments must by agreement assist municipalities in building the capacity of municipalities for efficient, effective and transparent financial management. They must support the efforts of municipalities to identify and resolve their financial problems.

National and provincial departments and public entities must:

- In their fiscal and financial relations with the local sphere of government, promote cooperative government in accordance with Chapter 3 of the Constitution.
 - Promptly meet their financial commitments towards municipalities.
 - Provide timely information and assistance to municipalities to enable municipalities.
 - To plan properly, including in developing and revising their integrated development plans.
 - To prepare their budgets in accordance with processes set out in Chapter 4 of the Local Government Municipal Finance Management Act.
- Comply with the Public Finance Management Act, the annual Division of Revenue Act and the Intergovernmental Fiscal Relations Act, 1997.

2.6 RISK MANAGEMENT

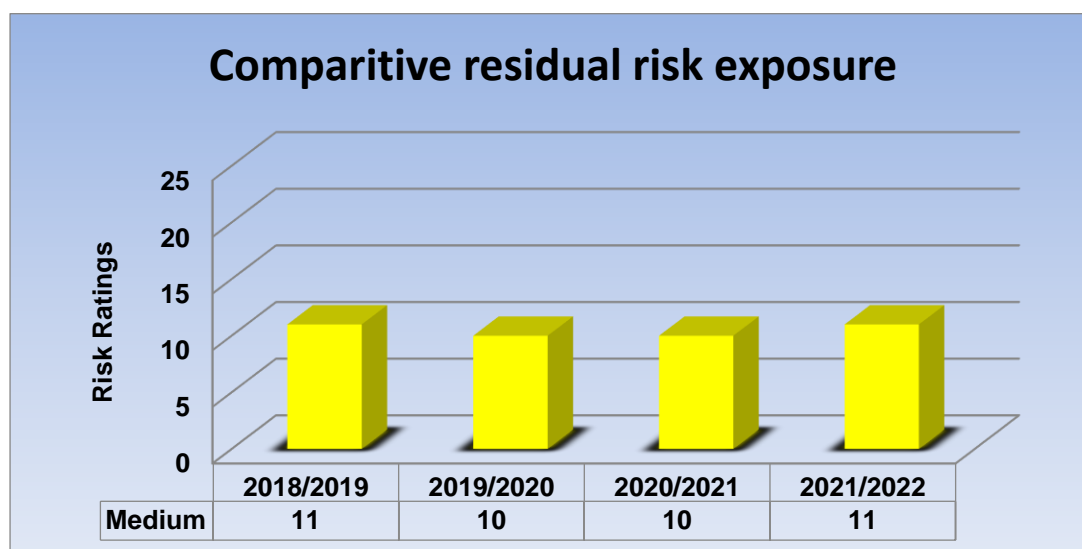
Section 62 of the Municipal Finance Management Act requires the Accounting Officer to take all reasonable steps to ensure that the Municipality has, and maintains, effective, efficient and transparent systems of financial and risk management, internal control, internal audit as well as the effective, efficient and economical use of the resources of the Municipality. Risk Management is a logical and systematic process of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating risks associated with any activity, function or process, in a way that enables an organization to minimize losses and maximize opportunities. Strategic and operational risk assessment are done in quarterly basis by Management and departmental officials. The participants for operational risk assessment sessions were senior managers and extended managers and lower official where possible. The focus was on progress to date on mitigation strategies, emerging risk for the institution and the way forward to improve on what has been done.

2.6.1 THE ROLE/FUNCTION OF RISK MANAGEMENT

The risk management function within the municipal manager environment is a critical component of strategic management. Risk management must be able to influence Strategy in relation to the major risks that that the municipality is facing and must be informed by the extent of its risk exposure, be it financial, reputational or operational in nature. With the modern-day economic uncertainties that directly and indirectly impact on the municipality 's own business environment, risk management plays a crucial role in the identifying both risks and opportunities that are present and to take a strategic position in minimizing the said risks and maximizing present opportunities for the benefits of the Kgatelopele Local Municipality. The role of the Risk Management unit is to provide the municipality with the expertise and support for institutionalizing ERM and thereby embedding a risk intelligent culture.

Furthermore, the graph below depicts the comparative residual risk exposure between the previous and current financial year:

Comparative residual risk exposure



As indicated in graph the residual risk exposure for the municipality analyzed for every new financial year, was rated at a **medium** level, rating 11 for the 2018/2019, at **medium** level for 2019/2020 and 2020/2021, rating at 10 respectively. Currently the risk exposure is **at medium** level, rating 11 for 2021/2022 financial year. This indicates that the controls environment and the maturity level of the municipality has regress and has not been maintained and improved.

2.6.2 GOVERNANCE

During the 2021/22 reporting period, the municipality has a functional Risk Management Unit as well as a functional Audit, Performance and Risk Management Committee which has held 4 meetings during the year. The municipality maintains the following Risk Management Policies and plan:

- Risk Management Policy;
- Risk Management Strategy;
- Audit, Performances and Risk Committee Charter;
- Anti-Fraud and Corruption Policy;
- Standard Operating Procedures Occupational Health and Safety;
- Risk identification Process
- Risk Management Implementation Plan;

2.6.3 RISK ASSESSMENTS

It is a fact that municipalities do not operate in a risk-free-environment. The main purpose of the risk assessment is therefore to help the municipality to identify and prioritize risks that will impede attainment of goals and objectives.

The municipality maintains a Strategic Risk Register, departmental Operational Risk Register.

For a new financial year, 2021-2022, the municipality identified Strategic Risks, departmental Operational Risks, Mscoa risks as well as COVID-19 risks. In total, 131 operational risk profile has been identified includes IT, Fraud, Mscoa, Covid-19 and 16 strategic risk.

Based on the risk ratings, risks have been prioritized as follows:

Risk ranking	Risk priority
1 – 7	Low
8 – 14	Medium
15 – 25	High

Strategic Risk Profile for the period 2022/22
Strategic Risk Exposure



As per the risk assessment, Kgatelopele Local Municipality was rated as a Medium risk institution which implies that the risk profile is at a moderate level.

The strategic risk before controls for quarter 1,2,3 and q4 was rated at an average of 22 respectively , which is a high priority, whereas after controls was rated at an average of 12,12,10 and 11 for quarter 2 -4, respectively, which is at a moderate level. The average rate for residual risk has increase in quarter 4, which implies that the internal controls have not being maintained.

Even if the controls are not yet tested for effectiveness it is important that the Management monitors the current controls and ensure implemantation of the agreed management actions.

Furthermore, at the residual risk exposure, the following are top institution priority risks that we would recommend the Municipality to take note of without necessarily implying that other risks falling outside the tolerance level need not attention:

- Administration instability due to suspension of Section 56 manager and resignation of section 57 managers
- Failure to produce credible Annual Financial Statements as per compliance date,
- Late payments of creditors
- Incorrect billing increasing the loss of revenue
- Irregular, unauthorized, wasteful and fruitless expenditure,
- Improper appointments of personnel,
- Inadequate implementation of Performance Management System for employees other than Senior Managers

- Projects may not be completed as stipulated in Municipal Integrated Development Plan (IDP)
- Accountability over IT
- Critical vacant positions not timeously filled

In the context of risk assessment, it is been observed that political stability, social stability and economic stability and growth are key determinant which affect the institution's objectives.

The above Strategic risks have the potential to undermine the effective, efficient and economical achievement of municipal strategic objectives; including the potential to miss out on opportunities to effectively, efficiently and economically optimize when pursuing municipal strategic objectives.

Operational Risk Profile for the period 2021/22

Operational Risk Exposure

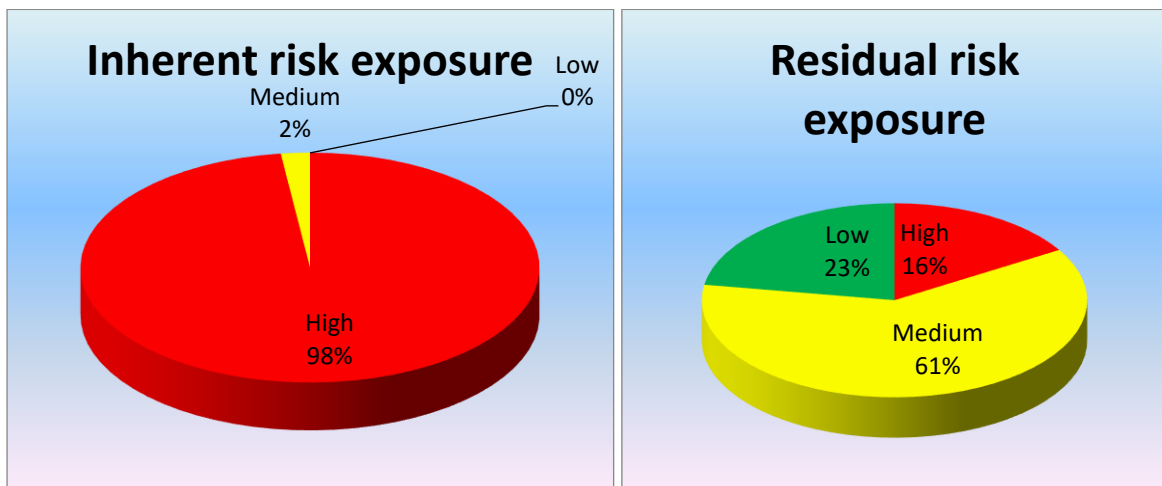


institution which implies that the risk profile is at a moderate level. The overall operational risk before controls was rated at an average of 20,20,19,20 for q1 – q4 which is a high priority, whereas overall operational risks after controls was rated at an average of 11,11,11,10 for quarter 1 - 4 which is at a moderate level. In light of this, the municipality is unlikely to achieve its service delivery objectives effectively.

Management needs to ensure actions to improve the management of risk are rigorously monitored and reported to the relevant structures. Even if the controls are not yet tested for effectiveness it is important that the Management monitors the current controls and ensure implementation of the agreed management action. Below are the top 10 operational risks:

- Insufficient reliable information for KPI verification
- Over/under payment of service providers and staff
- Lack of stock control
- Vandalisation of solar street lights
- Under utilization of traffic services e.g. law enforcement.
- Stormwater challenges and flooding
- Correct tender process might not be followed
- No individual quarterly performance assessment conducted by Supervisors,
- Collusion/Difference between customers' accounts issued and account data movement.
- Delays in handling of community complains

Overall risk exposure for the period 2021/22



Internal controls are adequate

A residual risk is the level of risk remaining after management has indicated measures in place to minimize the likelihood of occurrence or the impact in the event the risk materializes. It is worth noted that the current controls implemented are adequate and effectiveness needs to be improved to enhance the internal controls of the Municipality.

It is recommended that on monthly basis during the review of the risk registers, controls should be maintained and regularly monitored to ensure that the Municipality is able to further mitigate its risks.

Overall, Risk assessment is key to the municipalities' improvement on the control environment. The municipality need obtain sufficient evidence that risks are being managed even though the risk assessment process itself did not meet all the requirements. The risk assessment is important though because without it there is a danger that significant issues may be overlooked.

The municipality needs to ensure that monitoring of internal controls is performed to provide necessary support for management and others who are charged with governance, to be confident that internal controls are operating as intended at any point in time.

2.7 ANTI-CORRUPTION AND FRAUD

Section 83(c) of the MSA refers to the implementation of effective bidding structures to minimize the possibility of fraud and corruption and the Municipal Finance Management Act (MFMA), section 112(1) (m)(i) identifies supply chain measures to be enforced to combat fraud and corruption, favoritism and unfair and irregular practices. Section 115(1) of the MFMA states that the Accounting Officer must take steps to ensure mechanisms and separation of duties in a supply chain management system to minimize the likelihood of corruption and fraud. The Anti-Fraud and Corruption Policy was developed and it outlines the municipality's commitment to the reduction and possible eradication to fraud and misconduct. The policy is established to facilitate the development of controls which will assist in the prevention and detection of fraud and corruption as well as to provide guidelines as to how instances of fraud and corruption could be identified and gives effect to various legislative instruments.

Legislative instruments include various acts such as the Constitution, Protected Disclosure Act, Prevention and Combating of Corrupt Activities, MFMA, Municipal Systems Act and Schedule 1 and 2 of the Municipal Systems Act. The policy sets out a stance with regard to fraud and corruption as well reinforcing existing legislation aimed at preventing, reacting and reducing the impact of fraud and corruption. The policy was successfully work shopped with the municipal staff members. All employees were also required to declare under oath their direct and indirect business interests. The principle is for employees to abide by the principles of local government and foster an environment, where all employees and councillor's shall strive for the ultimate eradication of fraud, corruption, theft and maladministration by means of the application of the full spectrum of both pro-active and reactive measures at their disposal. Consistent with such an Act, the municipality has the responsibility to take reasonable steps to ensure that "whistle Blowers" who disclose such information are protected from any reprisals as a result of such disclosure.

2.7.1 ANTI-CORRUPTION AND FRAUD POLICY

The primary objective of the Policy is to prevent fraudulent conduct before it occurs by encouraging a culture within the municipality where all employees, members of the public and other stakeholders continuously behave with and promote integrity in their dealings with or on behalf of the municipality. Fraud represents a significant potential risk to the municipality's assets and reputation. Fraud represents a significant potential risk to the municipality's assets and reputation. The principle of the strategy is for employees to abide by the principles of local government. The policy also aims to develop and foster an environment, where all employees and councilors shall strive for the ultimate eradication of fraud, corruption, theft and maladministration by means of the application of the full spectrum of both pro-active and reactive measures at their disposal.

Consistent with such an Act, the municipality has the responsibility to take reasonable steps to ensure that “whistle Blowers” who disclose such information are protected from any reprisals as a result of such disclosure.

2.7.2 WHISTLE BLOWING ACT

The whistle blowing act further-more aims to provide avenues for staff to raise concerns and receive feedback on any action taken, inform staff on how to take the matter further if they are dissatisfied with the response and re-assure staff they will be protected from abuse and victimization for blowing the whistle in good faith. The policy contains detailed procedures that should be followed when employees, councilors, service providers and members of the public should they wish to report fraud and corruption allegations. The policy included Whistle Blowing Act, as it is designed to make it clear that the Kgatelopele Local Municipality is committed to fighting Fraud and Corruption whether the perpetrators are internal and external. Enforcing whistle blowing act is part of the municipality commitment towards a culture of accountability, transparency, excellence and efficiency the Protected Disclosure Act 26 of 2000 provides protection to employees who make disclosures in good faith.

2.7.3 ANTI-FRAUD AND CORRUPTION

Fraud and Corruption represent a significant potential risk to the Municipality’s’ assets, service delivery efficiency and reputation. The Municipality will not tolerate corrupt or fraudulent activities, whether internal or external to the institution and will vigorously pursue and prosecute any parties which engage in such practices or attempt to do so by all legal means available.

For the year 2021-2022 FY, they hasn’t been any cases reported or referred to the Risk Unit

2.8 SUPPLY CHAIN MANAGEMENT

2.8.1 IMPLEMENTATION OF SCM PROCESS

Integrated Supply Chain Management aims to add value at each stage of the process, from demand of goods and services to their acquisitions and managing the logistics process.

2.8.2 DEMAND MANAGEMENT

The procurement plan for 2021/2022 has been developed and approved by the Accounting Officer. The goods and services above R200 000.00 (vat inclusive) are procured according to the procurement plan.

2.8.3 BIDS (procurement above R 200 000 00)

The following tables gives information on all the tender process undergone by the municipality in the 2021/2022 financial year.

SUPPLY AND DELIVERY OF VIBRATION ROLLER AND VIBRATORY RAMMER

NO	BIDS RECEIVED	TENDER AWARDED TO	AWARDED AMOUNT
01	<ul style="list-style-type: none">▪ FE INDUSTRIAL SUPPLIES▪ BAROLONG BAKERY AND PROJECTS▪ MASICEBISE BUSINESS SOLUTIONS▪ LAM HOLDINGS▪ ELB EQUIPMENT HOLDINGS▪ BASADIZI PLANT HIRE AND SUPPLY▪ ARNOZA TRADING▪ N. WILLIAMS AND ASSOCIATES▪ BEST ENOUGH TRADING AND PROJECTS▪ NEWGEN PUMPS AND VALVES	BEST ENOUGH TRADING AND PROJECTS	R 439 856.53

SUPPLY AND DELIVERY OF SECURITY SERVICES FOR 36 MONTHS

NO	BIDS RECEIVED	TENDER AWARDED TO	AWARDED AMOUNT
02	<ul style="list-style-type: none"> ▪ INKAZILUMA 23 ▪ ESPERANCA CONSULTING SERVICES ▪ MASICEBISE BUSINESS SOLUTIONS ▪ BIG BROTHER PROJECTS AND SECURITY ▪ AOBAKWE SECURITY AND GARDENING ▪ VIMTSIRE PROTECTION SERVICES ▪ BAFAZI SECURITY SERVICES ▪ RANDOM SEARCH TRADING ▪ JACKLIFFY TRADING ▪ SAFETY AND SECURITY SERVICES ▪ TSABENG SECURITY SERVICE ▪ CALVIN & FAMILY SECURITY SERVICES ▪ AFRO POWER 69 GENERAL TRADING ▪ SHAMCOR SECURITY SERVICES ▪ PHIRIPHIRI SECURITY SERVICES ▪ LANDILE SECURITY ▪ SEGOLOBE SECURITY ▪ DEFENSOR SECURITY ▪ MANYANGAN SECURITY SERVICES ▪ DIKGABISO SECURITY AND TRADING ▪ KOPANYETSO SECURITY SERVICES ▪ SOTHEMBELA SECURITY SERVICES AND TRADING ▪ DIMAMA AND SONS CONSTRUCTION ▪ JIO SECURITY AND PROJECTS 	MASICEBISE SECURITY SERVICES	R 7 723 899.74

MANAGEMENT OF LANDFILL SITE

NO	BIDS RECIEVED	TENDER AWARDED TO	AWARDED AMOUNT
03	<ul style="list-style-type: none"> ▪ SIYAZAMA HOLDING ▪ SELEMA PHAWT HIRE CONSTRUCTION ▪ AQUA TRANSPORT AND PLANT HIRE ▪ TAANIL CONSTRUCTION ▪ KHABOKEDI WASTE MANAGEMENT ▪ ALSC KHUMO BUSINESS ENTERPRISE ▪ MUSENGA MM LOOTS 	<ul style="list-style-type: none"> ▪ TAANIL CONSTRUCTION 	R 7 735 712..50

PROVISION OF SHORT-TERM INSURANCE

NO	BIDS RECEIVED	TENDER AWARDED TO	AWARDED AMOUNT
04	<ul style="list-style-type: none"> • LATERAL UNISON INSURANCE BROKERS • MPUMELELO LIMITED 314 • AON SOUTH AFRICA • SILVER LAKE TRADING 305 • KUNENE MAKORO RISK SOLUTIONS 	LATERAL UNISON INSURANCE BROKERS	R 499 979.00

CONSTRUCTION OF SOLID WASTE DISPOSAL

NO	BIDS RECEIVED	TENDER AWARDED TO	AWARDED AMOUNT
05	<ul style="list-style-type: none"> ▪ TAANIL CONSTRUCTION 	<ul style="list-style-type: none"> ▪ TAANIL CONSTRUCTION 	R 53 931 934.10

COMPILATION OF ANNUAL FINANCIAL STATEMENT (AFS)

NO	BIDS RECEIVED	TENDER AWARDED TO	AWARDED AMOUNT
06	<ul style="list-style-type: none"> ▪ MUBESKO AFRICA ▪ IMANI BUSINESS ADVISORY SERVICES ▪ CCG SYSTEMS ▪ SHUMBA INC ▪ WEST RAND CONSULTING ▪ NGUBANK ▪ PROTEA CONSULTING ▪ RAIN CHARTERED ACCOUNTANTS ▪ MMFAS CHARTERED ACCOUNTANTS ▪ DOMINUS CONSULTING 	<ul style="list-style-type: none"> ▪ CCG SYSTEMS 	R 1 499 088.25

COMPILATION OF GRAP COMPLIANT ASSETS REGISTER

NO	BIDS RECIEVED	TENDER AWARDED TO	AWARDED AMOUNT
07	<ul style="list-style-type: none"> ▪ SMEC SOUTH AFRICA ▪ WEST RAND CONSULTING ▪ PMT MANAGEMENT CONSULTING ▪ INFRATEC CONSULTING ▪ SHUMBA INC ▪ AFROCENTRICS PROJECTS AND SERVICES ▪ SDM ASSET MANAGEMENT ▪ CCG SYSTEMS ▪ NGUBANE ▪ TSHOLO MUBESKO CONSORTIUM ▪ PROTEA CONSULTING ▪ BOTLHALE CONSULTING ▪ RAKOMA ▪ EMS ▪ DOMINUS CONSULTING 	<ul style="list-style-type: none"> ▪ INFRATEC CONSULTING (PTY) LTD 	R 4 641 578.00

2.8.4 IRREGULAR EXPENDITURE

PERIOD	AMOUNT
July 2021 to June 2022	R 1 144 564.00

2.8.5 CONTRACTS MANAGEMENT

Contracts Register is updated on a quarterly basis, and finalization is done at the end of each financial year.

2.8.6 COMPLIANCE AND REPORTING

Insufficient supporting documents from the bidders the unit has been experiencing the issue of service providers who are reluctant to register on the National Treasury's Central Supplier Database (CSD), and also the slow internet when the SCM Unit is helping local suppliers to register on the CSD. Order printers that are not functioning, recommends the purchase of new order printer. Lack of complying with SCM processes by other units and recommends that all procurement should be centralized to the SCM Unit.

Order Processing

To be done at least 3 days so that SCM can be afforded the time and space to attend to other daily office operations such as reports, bookings, sourcing quotations etc. Officials come daily with isolated individual requests with expectation of the SCM officials to stop execution of service to attend to their issues. This clashes with our flow of work and results in pile-ups and disagreements between employees.

Records management

All Tender documents and Quotation documents are stored in the lockable filing cabinet. The Register has been implemented for all the documents that were issued.

SCM information on website

Reports on SCM and bid invitations were also available on the municipality's official website at www.kgatelopele.gov.za. Challenges were being experience during the year on the issue of the website being down and as a result not all the information pertaining to SCM was uploaded. The administration is currently looking at resolving the matter by training and capacity building initiatives.

2.9 WEBSITES

Kgatelopele Municipality has a website which is available and accessible to all who has internet access. The website link to access the website is www.kgatelopele.gov.za. All information about Kgatelopele Local Municipality is placed on the municipality website. For enquiries, reporting and complaints the tab “CONTACT US” can be clicked on and an email will be sent automatically to the Customer care and Reception department, Thus, the community can enter: His/her name and surname as well as email and contact number. Customer care will respond back and also capture one’s enquiries. All Documents or Reports are found under the tab All Tender and Bids documents will be placed under Supply Chain Tenders as well as the municipality policies with other options/tabs as well for each department.

Kgatelopele Local Municipal website is available accessible and to all who has internet access:

- Website: www.kgatelopele.gov.za
- Email: customercare@kgatelopele.gov.za

2.10 MUNICIPAL BY-LAWS

Bylaws are a type of law and specifically a type of legislation made by a municipal council rather than the other two spheres of government (i.e. provincial and national government). Bylaws as legislation must be distinguished from common law. Like all legislation bylaws are – made by a legislature (your municipal council) and intended to comprehensively regulate a particular situation (such as, street trading).

2.11 PUBLIC SATISFACTION ON MUNICIPAL SERVICES

Public Satisfaction Municipal survey was not undertaken by the municipality but Petra diamonds conducted a survey in 2021-2022 FY. Refer to Annexure D

Chapter 3

CHAPTER - 3 SERVICE DELIVERY PERFORMANCE

COMPONENT A: BASIC SERVICES

3.1 WATER PROVISION

Water is currently extracted from three boreholes and pumped into two reservoirs situated on the hill towards the Northern most side of Danielskuil. These two reservoirs are commonly described as the Old (3.5 megalitres) and New (4 megalitres) reservoirs and their combined capacity is 7.5 megalitres. The former is made of concrete and it was constructed in the early nineteen seventies (approximately 50 years old). It was sealed in 1986, and was rehabilitated in 2000 which included the installation of a Geotextile lining. The New Reservoir is made of steel and it was constructed in 2016. The Municipality supplies portable water to the community through the use of municipal boreholes. The breakdown of the existing boreholes and their status are as follows: Number of Municipal boreholes- Four (4), namely:

- Danlime 1 standby pump
- Danlime 1 main pump
- Danlime 2
- Tlhakalatlou borehole

Number of boreholes in use-2

- Danlime 1 standby pump
- Danlime 2

Reasons for non-functionality of boreholes:

- Tlhakalatlou Borehole- Vandalism
- Danlime 1 main Pump- Mechanical faults
-

Current Levels of Boreholes (As of June 2021)

NAME OF BOREHOLE	TOTAL DEPTH OF BOREHOLE (Meters)	DIP METER LEVEL (Meters)	CURRENT WATER LEVEL (Meters)
DANLIME 1	60m	12m	42m
DANLIME 2	50m	9m	41m
TLHAKALATLOU NEW BOREHOLE	34m	13m	21m

3.1.1 SANITATION/SEWER SERVICES

The following key performance activities were used to evaluate the Unit's performance during the 2021/22 fiscal year:

- Sewer Blockages (Reticulation lines),
- Water Meters,
- Water Quality,
- Maintenance of Sewer Pumpstations,
- Drains

3.1.2 SEWER BLOCKAGES (RETICULATION LINES)

There are now 10 sewer pumpstations in the Municipality that feed into the main line that directs water to the oxidation pond. In Kgatelopele, which has a population of 20,000, 11,000 houses have access to waterborne sanitation facilities. Approximately 560 recorded cases of sewage line blockages were reported during the fiscal year 2021–2022. This indicates that over the fiscal year, there were, on average, 47 blockages each month that required attention.

Sewer obstructions come in two varieties: Blockages in the main sewer line and the private pipe that connects your house to the main line of sewage. According to tradition, the Municipality often responds to obstructions related to the aforementioned circumstance.

3.1.3 FOREIGN OBJECTS

Items flushed down the toilet are the primary cause of sewage backups. Our major sewer pipes become blocked as a result of stones getting inside.

Although most people are aware of the negative effects of flushing foreign things down the toilet, additional awareness campaigns and activities need to be held to remind the community on a regular basis. There are several causes for blockages, however the following are the primary offenders:

- Cat litter;
- Oil and Grease;
- Clip-on toilet freshener holders;
- Diapers and baby wipes;
- Menstrual pads,
- tampons, and sanitary napkins;
- Children's toys;
- Cotton balls;
- Hair;

3.1.4 WATER QUALITY

The importance of access to clean water cannot be over emphasized, as the absence of that can result to a lot of health-related challenges. In a bid to ensure that all residents receive clean water, the municipality takes water samples on a monthly basis and they are sent to the laboratory for analysis. With 19 sampling points identified, the municipality has, throughout the years, consistently complied with the provisions of South African National Standard (SANS) 241-1: 2015. This part of SANS 241 specifies the acceptable quality of drinking water, defined in terms of microbiological, physical, aesthetic and chemical determinants. Water that complies with this part of SANS 241 is deemed to present an acceptable health risk for lifetime consumption. It is for this reason that the municipality was awarded the prestigious Blue Drop status with 99.9% compliance making the municipality the top performer in the province, with regards to the provision of drinkable water. No audit has been done by DWS in the 2021/22 FY. The reported results are the results reflected on the DWS Integrated Regulatory Information System (IRIS). No blue drop score available for 2021/22 FY.

3.1.5 DRAINS

The Municipality currently has approximately over 300 households that are not connected to the main sewer line and instead making use of septic tanks. This requires the Municipality to ensure that the drains are emptied out daily through the two Sewer Trucks that the Municipality currently has. During the 2019/20 Financial year, the Municipality was able to register a Sewer Reticulation Project with the Department of Water and Sanitation with the intention of connecting households that are making use of septic tanks to the main sewer network. The project is valued at an amount of R 36 000 000.00 and earmarked to be implemented during the 2021/22 Financial year as per the indication received from the Sector Department. The Unit has been performing above average during the financial year with a good turn-around time in terms of addressing complaints in Medium to Long-Term Plans.

- Water Services Development Plan
- Water Resource Strategy
- Water & Sanitation Master Plan

KEY ACTIVITIES	OVERVIEW
BLOCKAGES	Blockages in our sewer lines have become a very common challenge. This is mostly due to foreign objects that are disposed either in the manholes or even through the internal residential sewer networks. Blockages often lead to sewer overflows through our manholes and can even cause the sewer pumps to malfunction and lead to costly breakages. The Technical Department as well as the Communications Unit have made use of the different platform of media and social networks to educate and bring awareness to our local community with regards to challenges that lead to blockages. Aged asbestos pipes reticulating the sewage also poses a problem
WATER METERS AND GATE VALVES	In the previous financial year the Municipality introduced a project to eradicate the conventional meters by replacing them with water prepaid meters. This project was initiated primarily to benefit indigents in order to eliminate the challenges of water losses and high bills for consumers as a result of not adequately monitoring of water consumption. Kgatelopele Local Municipality is reliant on ground water as its source and as a result, the conservation and monitoring of water consumption is a critical key focus area.
WATER SAMPLES TAKEN	Water samples are taken on a monthly basis at different sampling points in order to ensure compliance of our water quality with SANS 241:2015.
DRAINS/SEPTIC TANKS	A total of approximately 400 households are still making use of septic tanks in the Kgatelopele jurisdiction. The demand of servicing all the registered septic tanks remains to be a challenge for the Municipality due to its limited resources and dilapidated honey sucker fleet. As a long-term solution, the Municipality has been able to successfully register a sanitation project to with a scope to connect the above-mentioned households to the existing sewer network through the assistance of the Department of Water and Sanitation.
PIPE BURSTS	The Municipality has responded and repaired a total of 30 pipes bursts incident during the financial year. These pipe bursts were mostly from the underlying asbestos pipes that still form part of our water reticulation system. The refurbishment of water infrastructure project is also currently in the pipeline after the eradication of sewer challenges in our community

3. 2 ELECTRICITY

The Electrical section falls within the Technical Services Directorate and is responsible for the provision of quality and sustainable electrical services to all customers within the Kgatelopele electrical distribution area. The functions of the electricity unit are to maintain the electrical infrastructure, monitor implementation of electrical projects, upgrading of dilapidated electricity infrastructure, reduction of electricity losses and improve quality of supply.

3.2.1 DANIELSKUIL DISTRIBUTION NETWORK

The existing 22kV Daniëlskuil, Kuilsville and Tlhakatlou under the Kgatelopele Municipality's main intake is at the Ouplaas 88/22kV Substation, as the existing 22kV infrastructure does not have adequate capacity to accommodate any further development within Kgatelopele Municipality. Development in Daniëlskuil constitutes of mostly domestic/residential and commercial expansion because of the mining activities in the surrounding area of the town.

The Ouplaas Substation consists of 2 x 10 MVA 132k/22kV transformers which supply the Kgatelopele Municipality via the Daniëlskuil 22kV feeder (at an NMD of 5MVA) and the Idwala Lime Mine (at NMD 15MVA). The figure 1 below is the MV & LV network being supplied by the Ouplaas Substation via the Daniëlskuil 22kV feeder. The Daniëlskuil 22kV feeder supplies ±3578 customer, of which are made up of residential customers, local business customers and other customers (clinics, libraries, municipal offices etc.)

3.2.2 ESKOM DISTRIBUTION SUPPLY

Kgatelopele Municipality is and has been supplied by Eskom at a Medium voltage supply of 22kV from Ouplaas 88/22kV substation. The municipality is currently being supplied from a single source POS i.e. no premium supply, and that would usually translate to the fact that any loss of supply from Ouplaas substation, whether through planned or unplanned outages will leave the municipality without any alternative form of electrical supply to its domestic, industrial and other customers. Due to vandalism the power stations are being damaged hence, municipality will increase security to monitor the power station. Furthermore, this loss of supply will also leave the municipality with the inability of being unable to maintain reliability and continuity of supply and that means loss of revenue to the municipality.

3.2.3 REPLACEMENT OF HIGH MAST

For the 2021-22 Financial Year Kgatelopele Local Municipality Implemented 2 Projects, which one reached practical completion in the greater Danielskuil area.



The implemented project entails the following:

Project 1

Contractor: Phepeneng Projects Management and Construction

- Replacement of existing 400w LED High Mast (Tlhakalatlou, Kuilsville, Maranteng) with 200w x 5 x 6
- Replacement of existing 1000w Son-T (HPS) High Mast (Tlhakalatlou, Kuilsville, Maranteng) with 400w x 4 x 6
- Replacement of existing 400w Son-T (HPS) High Mast (Tlhakalatlou, Kuilsville, Maranteng) with 200w x 6 x 6

Project 2

Contractors: Sivtech Engineering Cc & Newgen Pumps & Valves (Pty)Ltd

- Replacement of existing 125w Mercury Vapor Street Lights with 50w 224
- Replacement of 50kw Franklin Water Pump with a 37kw Frankline Water pump at Damline 2

The new substituted fittings are more energy efficient and provides a longer life span; thus, less maintenance.

FINANCIAL PROJECTIONS

Kgatelopele Local municipality received R3 000 000.00 for the 2021-22 financial year, the allocation was shared amongst the two (02) projects: The High mast lighting project and the Street light project. The high mast light project, was a multiyear project which over lapped in the 2021-22 FY.

The outstanding balance was paid out to the service providers in the 2021-22 Financial Year when, the project reached practical completion. The municipality will apply for rollover in order to finalize the implementation of the project by skilling and educating the community about the EEDSM grant and ways of efferently saving energy. The Rollover application value is R315 153.73 for the 2021-22 FY.



Highmast lights in Tlhakatlou



Highmast lights in Maranteng



Removal of 125w light



Replace light with 50w LED Light



Removal of pump and valve



Replacement of Pump 1

3.3 WASTE MANAGEMENT

Section 84(1)E of the Municipal Structures Act (117 of 1998) mandate the Waste Management section of Kgatelopele Local Municipality to make provision for the collection and disposal of waste from the community and this includes; determining and implementing its Waste Management Strategy i.e. refuse collection, waste recycling, transportation, disposal etc.; regulating the disposal of waste within its area of jurisdiction; establishing, operating and controlling waste disposal facilities including waste transfer .

In order to achieve its legislative mandate, the section is subdivided into the following functional categories, namely:

- Refuse removal services

- Street Cleaning & litter-Picking
- Illegal Dumping Removal
- Waste Minimization
- Landfill site Operations & Management

Since protecting the environment is one of the Municipality's strategic goals, disposing of garbage in an ecologically sustainable way is crucial. The Municipality started using in-house trash during the latter quarter of the fiscal year. For this, the Municipality makes use of a dump site. This role is crucial since it protects the natural environment's honor in addition to improving the aesthetics of the local community. Due to this, it is the Municipality's obligation to organize awareness campaigns and instructional sessions for those who utilize their own disposal sites. This is crucial in order to inform them about the need to dispose of particular goods privately, such as batteries and medical waste, which can be harmful to the environment.

Daily street cleaning operations are conducted in residential regions' major streets and the CBD. Residential cleaning is done in coordination with the Community Workers Program.

Construction of new landfill site

The Kgatelopele Municipality proposed to close its existing, landfill site and find a suitable site for the establishment of a new landfill site at Daniëlsskui for the disposal of General Urban waste.

The Department of Water and Sanitation (DWS) has set out minimum requirements by which a landfill must be designed and operated. The requirements are aimed at protecting the public and environment from the impacts of bad waste management.

The proposed solid waste disposal site is situated approximately 3.5km along the D3399 gravel road linking Daniëlsskui to Koopmansfontein on the remainder of Erf 1 Daniëlsskui. the scope of the project involves:

- Construction Of Landfill Site & Leachate Ponds
- Construction of Water Distributing Network and Connection
- Construction Of Weigh Bridge Structure H Building Works
- Construction Of Roads & Storm Water
- Fencing
- Closing Of Existing Landfill Site

COMPONENT B: ROADS

Internal Road upgraded from gravel to paved roads

This project proposal sprouts from a presentation done to Kgatelopele Local Municipality by Mr. B Bensley on 12 June 2014. This project will consist of the design, construction, and project management of existing and new road infrastructure in various areas of Danielskuil. The current condition of roads and the type of road were used as criteria to identify which roads need to be upgraded/repared. Roads were identified that handle the most vehicular traffic and that leads to community services. Since the community is involved in the areas it is thus important that those areas are safe to access. Currently the road surfacing in the study area consists of Flexible sealed roads, Interlocking paving roads and gravel roads. Drawing A" shows indicate the type of road surfacing for the various roads in Danielskuil. This drawing formed the basis in the decision of which roads need upgrading and which need to be reconstructed due to their current state. However, following excessive rains received since January 2021, localised flooding has occurred in a portion of Kuilsville, upstream of Industrial Road which are currently being constructed (See Annexure B). In order to resolve the stormwater challenges and to protect the newly constructed infrastructure Kgatelopele Local Municipality humbly requests the assistance of the Department of Water and Sanitation for Budget Maintenance on this project, in order to construct a formal stormwater channel in Industrial Road to drain stormwater from the lower lying areas where flooding occurs. There are existing stone pitched storm water channels in Pienaar- and De Koker Streets which drain towards an informal channel in Mac Kenzie Street. The informal storm water channel in Mackenzie Street gravitates towards the intersection of Mac Kenzie Street and Industrial Road which is a low point within Kuilsville. The Storm Water dams at this point there is no exit for the storm water. See Figure 2 for an illustration of the existing storm water layout.



Figure 2: Kuilsville: Existing Storm Water Layout

Currently there is no exit for the storm water in Industrial Road and the informal storm water channel in MacKenzie Street has been partially closed by the residents staying on the eastern side of the street in order to access their yards. This results in the water damming up in De Koker and Pienaar Streets respectively and flooding the houses in the vicinity. Taking the stormwater crisis into consideration the Kgatelopele Local Municipality request omitting the construction of Aster Street from the original scope and rather concentrate on constructing stormwater infrastructure in Industrial Road.



COMPONENT C: PLANNING AND DEVELOPMENT

3.4 PLANNING AND DEVELOPMENT

3.4.1 TOWN PLANNING

The Town Planning Unit is responsible for the management of the key performance areas associated with the spatial planning and land use management aspect of development planning and control.

The Unit is the custodian of the following tools: Spatial Planning and Land Use Management By-law, 2015

Land Use Management By-law, 2019;

Land Use Scheme, 2019;

Spatial Development Framework, 2019;

Manual for the Land Use Scheme and Application Procedures for Land Use Control Applications, 2019

Advertising Signs By-law, 2017; and

Dolomite Risk Management Policy, 2016.

3.4.2 COMPLIANCE WITH SPLUMA

As required by Section 35(1) of the Spatial Planning and Land Use Management Act (Act No. 16 of 2013), the municipality has a functional Municipal Planning Tribunal in the form of a joint structure with the Kai! Garib Local Municipality, Tsantsabane Local Municipality and !Kheis Local Municipality while the ZF Mgcawu District Municipality provides administrative assistance. Its meetings take place in Upington at the offices of the District Municipality subject to receipt of applications. While it is not mandatory, the Municipality also appointed the Town Planning Official as the Authorised Official to consider Category-B applications in line with Section 35(2) of SPLUMA. The Municipality also has a Land Use Management By-law adopted and gazette. Furthermore, the Municipality adopted a Spatial Development Framework and Land Use Scheme on 27 March 2019 and implementation commenced on 01 July 2019.

3.4.3 LAND USE AND DEVELOPMENT APPLICATIONS

The Municipality received eight (07) land use and development applications during the 2021/22 financial year. Furthermore, there were numerous pre-application consultations by property owners. The disparity between the number of applications received and consultations attended to is a huge concern, as it might be one of the main reasons for illegal land use and development prevalence within the municipality.

3.4.4 DISSEMINATION OF ZONING INFORMATION

Fifteen (3) zoning certificates were issued during the 2021/22 financial year at R 120.79 per.

3.4.5 BUILDING PLANS

The town planning unit is also responsible for providing land use related recommendations regarding the approval of building plans based on the provisions of the land use scheme. Thus, for 2020/21 FY, twenty-seven (27) building plans were assessed during the period under review and thirteen (13) were recommended for approval.

3.4.6 OUTDOOR ADVERTISING APPLICATION

This function is regulated by the Advertising Signs by-law, published on the provincial gazette on 17 April 2017. No outdoor advertising applications received during the period under review.

Town planning and human settlement planning challenges

Non-submission of land use and development applications by property owners.

Increase in illegal land usage and informal settlement, which the Municipality tries to mitigate by issuing contravention notices and levying of transgression fees. The newly adopted Land Use Scheme and Application Manual provide guidance on how to address contraventions.

The dolomitic condition of the municipality is proving to be a huge setback to the Municipality's developmental vision as it is determining factor on how and where development should take place in space. Thus, more efforts and funds need to be channelled towards dolomite management and the identification of land that is suitable for sustainable human settlement. It is also of paramount importance for the Municipality to undertake dolomite stability investigations in the built-up areas to ensure effective dolomite risk management.

COMPONENT D: COMMUNITY AND SOCIAL SERVICES

3.5 LIBRARY AND COMMUNITY FACILITIES

3.5.1 OVERALL GOAL AND PURPOSE OF THE GRANT

The overall goal of this conditional grant is to enable the Northern Cape society to gain access to knowledge and information that will improve their socio- economic situation. Its purpose is to have transformed urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalized programme at local government level in the Northern Cape.

ANDWHEREAS “libraries other than national libraries” is a Schedule 5, Part A of the Constitution of the Republic of South Africa, 1996, function

AND WHEREAS the different spheres of government have a constitutional obligation to support one another in the exercise of their powers and the performance of their functions;

AND WHEREAS the department has received funding from the National Government of South Africa for the funding of community libraries

3.5.2 LIBRARY TRANSFORMATION AND DEVELOPMENT GRANT

Municipality	Funding year	Date submitted
KGATELOPELE	2021/2022	JUNE 2022

OBJECTIVE:

To transform community library services by strengthening the capacity of municipalities to improve the quality of community library services delivered at the local sphere government.

GRANT OUTCOMES:

1. To obtain the stated objective the following outcomes are identified and should be achieved:

- promote public access to public library and information services;
- encourage a culture of reading to create a nation of readers.
- provide measures to redress the inequality in the provision of public library and information services;
- Improved coordination and collaboration between the provincial and local governments with regard to the provision of library services through library development projects and activities;

- Improved library infrastructure and services that reflect the specific needs of the communities it serves; and
- Improved staff capacity at urban and rural libraries to appropriately respond to community knowledge and information needs.
- To achieve the stated objective and to obtain the desired outcomes, the business plan should be aligned with the conditions of the signed Memorandum of Agreement.
- In terms of the conditions of the Memorandum of Agreement the following service delivery criteria should be used to transform libraries from mere book repositories to community-based centres that are pro-active and responsive to the needs of its communities.
- Business plans should include one or more of these identified service delivery criteria to accelerate the process of transforming community libraries to centres of excellence sensitive to the needs of the community and providing a quality library and information service
- The specific stated service delivery criteria are confined to the following activities/ projects/ programmes:

3.5.3 APPOINTMENT OF STAFF

Provision is made for a staff subsidy for permanently employed library staff appointed by the Municipality and who is on the municipal organogram/budget □ Provision must be made for additional staff required.

3.5.4 TRAINING AND DEVELOPMENT OF LIBRARY STAFF TO IMPROVE CAPACITY

Provision must be made for all expenses including transport and accommodation costs for training facilitated by the Provincial Library Service e.g., Day Seminars, short courses, in-service training, conferences, and formal study opportunities at accredited Institutions of Higher Learning, etc.

3.5.5 INFRASTRUCTURE DEVELOPMENT/IMPROVING LIBRARY FACILITIES AND FITTINGS.

- Infrastructure developments to be consulted with District librarian, who must make an assessment and make a recommendation to the Head of Provincial Library Services, who must give prior approval for any infrastructure projects.
- Where such approval is granted, the tender processes of the municipality must be followed.
- Documentation regarding tender processes followed and concluded to be submitted to the Provincial Library Services via the District Librarian.
- Security of buildings to be included here

3.5.6 SERVICES TO RURAL AND PREVIOUSLY DISADVANTAGED AREAS

- Outreach and Extension services e.g., Mobile Book Box Services, Depot Services, Book Loan Services to be included.
- The purchase of a suitable vehicle to support the service to outlying rural areas can be included here.
- Assistance to schools in terms of research and developments and curricular support in terms of printing and photocopy services.

3.5.7 SERVICES TO ILLITERATE LITERACY CLASSES

Literacy Classes

Structured Reading Development programs.

3.5.8 PROGRAMS TARGETING TEENAGERS

A schedule of programs and planned activity must be included in the business plan.

3.5.9 INFORMATION COMMUNICATION TECHNOLOGY

- Replacement of hardware and software may be included.
- No hardware or software to be purchased without the approval of Provincial Library Service.
- No Library Automation to be done without consultation and prior approval of the Provincial Library Service.

3.5.10 PROGRAMS PROMOTING READING AND LIBRARY USAGE

- A complete schedule of programs and planned activity must be included in the business plan.
- Where possible, costing must be provided for planned programs and activities.

3.6.11 APPOINTMENT OF LIBRARY STAFF

- Additional staff e.g., Full time or Part time, may be appointed.

- Particulars of all new appointees to be provided to the Provincial Library Service upon appointment.
- Appointment of skilled and trained security personnel to be included here.
 - Where possible, appointments to be made in consultation with the Provincial Library Service via the District Librarian.
-

3.5.12 COMMUNITY DEVELOPMENT PROGRAMS

- Programs co-ordinated by the library and held at the library can be included here.
- A schedule of programs and planned activities must be included in the business plan.

3.5.13 CONSUMABLES ITEMS

Administrative support, Support for ICT Services, programs, displays, cleaning materials to be included.

TO PROMOTE A CULTURE OF READING AND LEARNING

SERVICES RENDERED:

- Circulation of Library Material
- Toy library
- Short loans
- Block Loans
- Reference Services
- Photocopy facilities
- Reading awareness campaigns
- Current Awareness
- Outreach Programme
- Information Communication Technology

3.5.14 OPERATIONAL BUDGET

Staff Salaries	Full time staff Senior Librarian 1 Library assistant 1 Library assistant	R92,222.95	Kgatelopele library staff
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3.5.15 SERVICE STATISTICS -KGATELOPELE LIBRARY

TYPES OF SERVICES RENDERD	2021/2022
Number of Books circulated	0
Outreach Programs Held	0
Internet Access	1292
New Membership	0
Monthly Display	Monthly Basis 8 displays

3.5.16 MONTHLY STATISTICS

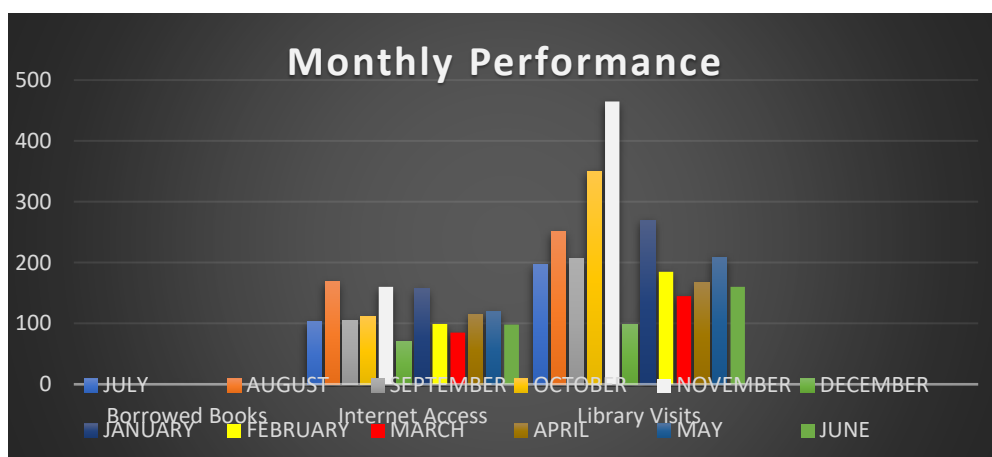


Chart Analysis:

The chart above gives an overview of library statistics covering the period from 1st to 30th June 2022:

- Under this period there were 2705 users that visited the library. Of that total, 1292 requested internet connection.
- For borrowed materials category there were 0 books borrowed. This service is resuming after a long period of COVID pandemic.
- No new membership has been registered as yet.

3.5.17 MEMBERSHIP STATISTICS

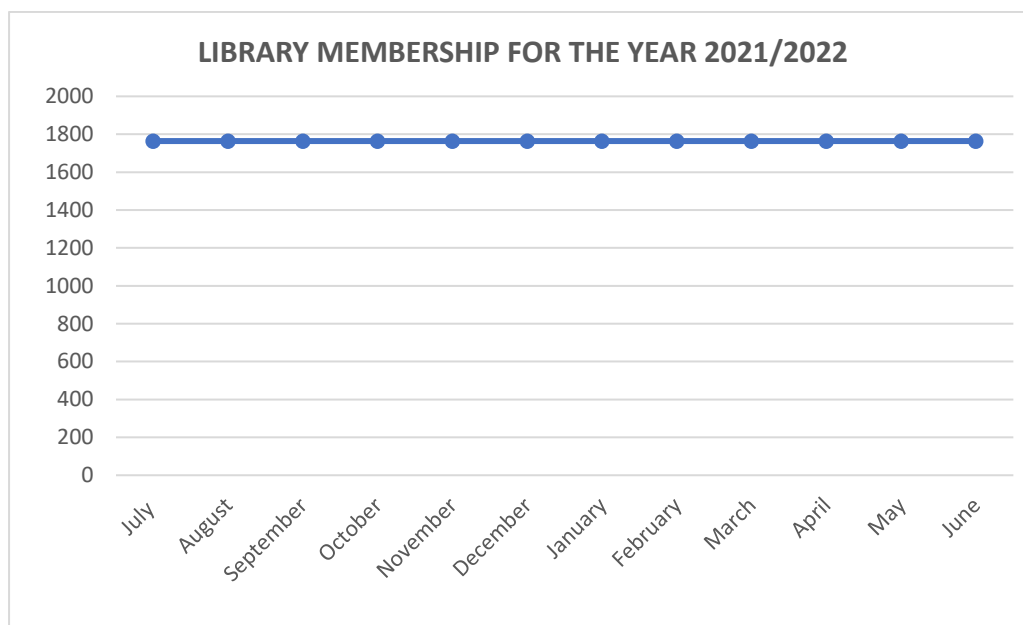


Chart Analysis

The above line chart present library membership period July 2021until June 2022.

- The library services have a total membership of 1764 to date. Due to COVID 19 condition we haven't been borrowing out any material until earlier this year.
- This situation has resumed but we have not registered any new members as yet.

3. 6 CEMETORIES AND CREMATOURIUMS

Cemeteries

- a) Number of Cemeteries in the municipal area
 - 1 in Kuilsville
 - 1 in Tlhakalatlou
 - 1 in Daniëlskuil
- b) There is no Crematoriums in the Municipal area.
- c) Maintenance and management are done by the Municipality through the Operation and Maintenance Budget along with the assistance of the community Works Programme (CWP). As part of supporting indigent households, the municipality allocates graves for free to the latter households.

SOCIAL PROGRAMMES

Skills development of youth

Accessibility of computer training provided by mines for local youth in particular matriculants sitting at home, so as to meet the employment requirements. Improvement: Information dissemination by mines on training opportunities to the communities.

COMPONENT E: SPORTS AND RECREATION

3.7 Sports & recreation

Danielskuil is a town in the North Eastern region of the Northern Cape Province of South Africa. The town is 154 kilometres in the North Western direction of Kimberly.

Danielskuil is within the demarcation of Kgatelopele Local Municipality. Kgatelopele consists of Danielskuil, Kgatelopele, Lime Acres and Owendale. Kgatelopele Local Municipality forms part of the ZF Mqawu District, which is located in the Northern part of the Northern Cape Province and is a Category B Municipality. Danielskuil town area consists of Danielskuil, Donkerhoek, Kuilsville, Tlhakatlou and Union Lime Mine.



Engineering Aces was appointed by Kgatelopele Local Municipality to provide professional civil engineering services for the construction of a Sports Facility in Tlhakalatlou township in Danielskuil. The services include the design, contract administration, and site supervision of the following works:

- a) Construction of changing rooms facilities including five (5) female ablutions, two (2) male ablutions with three (3) urinals and one (1) disabled ablution connected to a water borne sanitation system connected to the existing Municipal sewer reticulation.

- b) Construction of one (1) structural steel Spectator grand stand with a IBR roof sheeting canopy mounted to the frame capable of accommodating a capacity of approximately ± 210 spectators.
- c) Construction of a grassed soccer/rugby field and grassed athletics track laid on
- d) Installation of two illumination 30m High Mast Lights (Recreational Level)
- e) Erection of a 2.1m high Concrete Palisade Perimeter Fence
- f) Construction of a Guardhouse
- g) Construction of 1 x netball and basketball Combi-Court
- h) Investigation, drilling, testing, equipping and commissioning of water supply Borehole





It is proposed to construct a new Sports Facility to promote and support the socio-economic aspects of the area. The new facility will boost the economy of the area and neighbouring towns and also enhance the participation of the schools and other institutions, society and the public to contribute towards the economic growth of the area and the neighbouring towns.

Chapter 4

CHAPTER 4 - ORGANISATIONAL DEVELOPMENT PERFORMANCE

4.1 PERFORMANCE MANAGEMENT SYSTEM

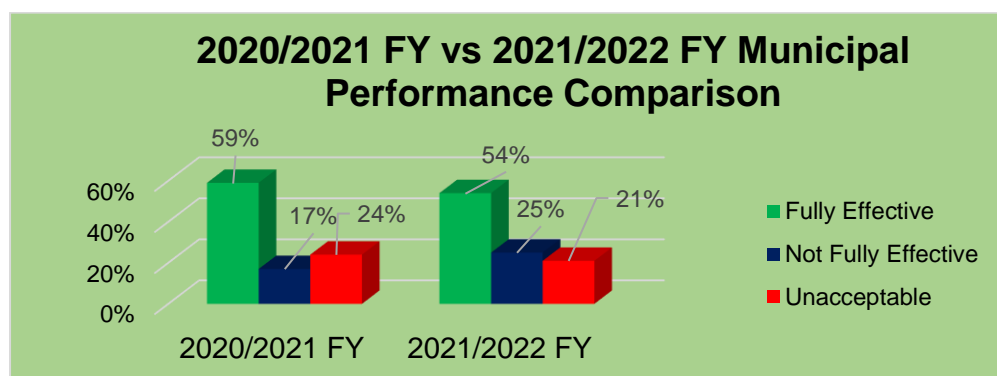
Performance Management is the institutional mechanism used to monitor and evaluate achievements and under achievements of the Kgatelopele Local Municipality's mid-year report performance. Performance Assessment assist management to take strategic decision, provide early warning signals also increase accountability of officials and institutional decision makers.

In terms of Section 40 of Local Government: Municipal Systems Act

Monitoring and review of performance management system-

A municipality must establish mechanisms to monitor and review its performance management system. Consequently each Quarter a performance report reflecting the municipality's performance against the approved SDBIP. The report must indicate the development and service delivery priorities and the performance targets set by the municipality for the current financial year and measures that were or are to be taken to improve performance. Effort have been made to ensure that this report is reflective of the above legislative requirements.

The municipality has translated the national key performance areas into strategic objectives. These strategic objectives assisted the institution to refocus in achieving the developmental agenda. Performance Management System is the key element in ensuring implementation and realisation of the Integrated Development Plan (IDP). The year under review realised 5% decline on the institutional performance, where 2020/2021 performance was at 59% in relation to the 54% in 2021/2022.



4.2 SKILLS DEVELOPMENT AND TRAINING

The Workplace Skills Plan and Annual Training Report were submitted on the 30 April 2020 to LGSETA to ensure the municipality reports the Annual Training of 2020/2021 on the education and training interventions that were delivered in the previous year and also consists of all training attendance registers, proof of expenditure, training providers used and the purpose of the Work skills plan for 2019/2020 is based on the skills needs of the organisation at large that serves to put in place the training requirements of the municipality and the amount of funding needed in terms of the upcoming year 2021/2022. The table below indicates the trainings provided for the period under review.

4.2.1 ONGOING TRAINING

Municipal Finance Management Program	Corporate service	Senior Human Resource Management
Municipal Finance Management Program	Corporate service	Senior Information Technology Technician
Municipal Finance Management Program	Technical& Community Services	Project Technician / Building Inspector
Municipal Finance Management Program	Office of the Municipal Manager	Performance Management System Officer

4.2.2 TRAINING ATTENDANCE –31 EMPLOYEES

Corporate Services	Budget and Treasury	Office of the Municipal Manager	Technical, infrastructure & Community Services	Office of the Mayor
4	13	3	0	11

4.2.3 TRAINING COMMITTEE MEETINGS

Two training committee meetings was held on the 28 and 29 march 2022

4.2.4 RECRUITMENT: POST AND QUALIFICATION

HUMAN RESOURCE MANAGEMENT

RECRUITMENT, APPOINTMENTS, RESIGNATIONS AND RETIREMENTS APPOINTMENTS X17

Position	Date of Appointment
Creditors Officer	01/10/2021
Billing Officer	01/10/2021
Integrated Development Plan /Local Economic Development Officer	01/10/2021
Communications/ Participation Officer	01/10/2021
Performance Management System Officer	01/10/2021
General Worker Roads & Tar	01/10/2021
General Worker Roads & Tar	01/10/2021
General Worker Roads & Tar	01/10/2021

General Worker Roads & Tar	01/10/2021
General Worker Roads & Tar	01/10/2021
Manger in the Mayor's Office	01/10/2021
Supply Chain Acquisition	01/02/2022
Finance Interns X5	01/05/2022
Temporary Workers X3	01/05/2022
TLB Operator	01/06/2022
Senior Internal Auditor	01/06/2022

PROMOTIONS X2

Position	Date of Appointment
Senior HRM	01/10/2021
Electrician	01/01/2022
Strategic Manager	01/10/2021

RE-ASSIGNMENT X2

Position	Date of Appointment
General Worker Roads & Tar	20/10/2021
Cleaner	01/11/2021

ACTING POSITIONS X12

Position	Period of Acting
Acting Deputy CFO	6 Months
Acting HRM	6 months
Acting Accountant Budget & Treasury	6 months

Acting Chief Traffic & Licensing	6 months
Acting Electrician	1 month
Acting Chief Financial Officer	4 months
Acting Senior Supply Chain Practitioner / Accountant Assets & logistics	6 months
Acting Senior Internal Auditor	2 months
Acting Assistant Water & Sanitation Foreman	3 months
Acting Transport Officer	Was in-line with the suspension of the Transport Officer
Acting Stores Officer	Was in -line with the suspension of the Stores Officer
Acting Senior Administration, Legal & Compliance Officer (Head of Corporate Services)	Was in-line with suspension of Senior Administration, Legal & Compliance Officer (Head of Corporate Services)

TEMPORARY WORKERS X3

Position	Date of Appointment
Temporary Cleaner	01/10/2021
Temporary Cleaner	01/10/2021
Temporary Cleaner	01/10/2021

ENDING OF CONTRACT

Position	Ending of contract
Temporary Cleaner	29/04/2022
Temporary Cleaner	29/04/2022
Temporary	29/04/2022
MM Leaner	

RESIGNATIONS

Position	Date of Resignation
IDP/LED Officer	July 2021
Fitter & Turner	July 2021
Chief Traffic & Licensing Officer	July 2021
Chief Financial Officer	February 2022
Senior Internal auditor	29 April 2022
Corporate Administrator	31 May 2022
Technical, Infrastructure and Community Services manager	September 2021

RETIREMENT

Position	Date of Retirement
Controller Expenditure	29 April 2022

4.3 EMPLOYEE REMUNERATION TABLE 2021/22 FY

TASK CATEGORY 1: 2021/2022 SALARY SCALES: 3,5% SALARY INCREASE W.E.F 1 JULY 2021

LEVEL	T 1	T 2	T 3	T 4	T 5	T 6	T 7	T 8	T 9	T 10	T 11
1	103444	105927	108461	111073	122116	143458	173436	195283	219857	247519	292242
2	110135	108461	111073	113737	125063	146906	177605	199967	225132	253463	299241
3	112778	111073	113737	116477	127426	150431	181851	204752	230536	259562	306421
4	0	113737	116477	119271	130488	154034	186225	209667	236069	265789	313780
5	0	116477	119271	122116	133602	157739	190702	214711	241730	272171	321320
6	0	0	122116	125063	136818	161522	195283	219857	247519	278708	329014
7	0	0	125063	127426	140112	165408	199967	225132	253463	285371	336914
8	0	0	127426	130488	143458	169370	204752	230536	259562	292242	344993
9		0	0	133602	146906	173436	209667	236069	265789	299241	353279
10		0	0	136818	150431	177605	214711	241730	272171	306421	361772
11		0	0	140112	154034	181851	219857	247519	278708	313780	370442
12			0	0	157739	186225	225132	253463	285371	321320	379346

TASK CATEGORY 1 : 2021/2022 SALARY SCALES : 3,5% SALARY INCREASE W.E.F 1 JULY 2021

LEVELS	T 12	T 13	T 14	T 15	T 16	T 17	T 18	T 19
	344993	388430	437321	504200	567681	686281	791244	849580
	353279	397771	447819	516319	581319	702750	810234	869985
	361772	407317	458576	528697	595266	719631	829663	890853
	370442	417069	469589	541383	609548	736897	849580	912238
	379346	427080	480861	554378	624189	754576	869985	934135
	388430	437321	492388	567681	639166	772691	890853	956548
	397771	447819	504200	581319	654502	791244	912238	979527
	407317	458576	516319	595266	670199	810234	934135	1003022
	417069	469589	528697	609548	551743	829663	956548	1027107
	427080	480861	541383	624189	702750	849580	979527	1051758
	437321	492388	554378	639166	719631	869985	1003022	1077001
	447819	504200	567681	654502	736897	890853	1027107	1102837

4.4 Disclosure of financial interest

The legislative requirements

In term of Schedule 1 of Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Councillors, Section 5 refers to disclosure of interest.

In terms of Schedule 1 of Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Councillors, Section 6 refers to personal gain.

In terms of Schedule 1 of the Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Councillors, Section 7 refers to declarations of interest.

In terms of Schedule 2 of the Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Municipal Staff Members, Section 4 refers to personal gain.

In terms of Schedule 2 of the Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Municipal Staff Members, Section 5 refers to disclosure of benefits.

In terms of Schedule 2 of the Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Municipal Staff Members, Section 5A refers to declaration of interest

In terms of Schedule 1 of the Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Municipal Staff Members, Section 8 refers to rewards, gifts and favours.

A councillor or official who, or whose spouse, partner, Business associate or close family member, acquired or stand to acquire any direct benefit from a contract concluded with the municipality. They must submit a duly completed form to speaker (in case of Councillor) or Municipal Manager (in case of an Officer) or directly to the Accounting Officer.

In term of Schedule 1 and 2 of Municipal System Act, Act 32 of 2000, which relates to Code of Conduct for Councillors as well as officials appointed in terms of Section 55 and 56 must with 60 days after appointment make the necessary declaration of financial interest on the approved form .

All councillors and Officials of Kgatelopele Local Municipality has signed declaration of interest form provided by Human Resource Unit.

Chapter 5

CHAPTER 5- FINANCIAL PERFORMANCE

COMPONENT A: STATEMENT OF FINANCIAL PERFORMANCE

5.1 STATEMENT OF FINANCIAL STATEMENTS

Description	2021/2022			
	Original Budget	Adjustment Budget	Final Adjustment Budget	Actuals
Financial Performance				
Property Rates	21 605	21 639	21 639	14 574
Service Charges	69 602	64 621	65 138	39 167
Investment Revenue	368	562	862	4 396
Transfer Recognised – Operational	30 350	30 350	30 438	32 312
Other own Revenue	6 492	5 790	7 160	2 268
Total Revenue (Excluding capital transfer annd contributions)	128 417	122 962	125 237	92 717
Employee Cost	42 525	42 075	41 638	37 468

Remuneration of Councilors	3 546	3 702	3 702	2 686
Debt Impairment	4 472	4 472	4 472	4 894
Depreciation & Assets impairment	13 975	13 975	13 975	22 777
Finance Charges	163	574	574	465
Bulk Purchases	25 754	25 754	25 754	20 475
Inventory consumed	2 790	1 586	2 043	-
Contracted Services	15 244	17 091	17 551	14 864
Transfer and Subsidies	-	-	-	
Other Expenditure	17 839	12 123	14 929	9 682
Total Expenditure	126 308	121 352	124 638	113 311
Surplus/(Deficit)	2 109	1 610	599	- 20 594
Transfer recognised – Capital	90 594	58 120	134 956	34 426
Capital expenditure & funds sources				
Capital expenditure				
Transfers recognised – capital	90 594	58 120	134 956	34 426
Borrowing	-	-	-	
Internally generated funds	2 970	2 850	2 850	
Total sources of capital funds	93 564	60 970	137 806	34 426
Cash flows				
Net cash from (used) operating	97 728	35 014	143 148	51 529
Net cash from (used) investing	- 93 564	-	- 137 806	35904
Net cash from (used) financing	-	-	-	-
Cash/cash equivalent at the year end	22 663	35 014	25 400	20 058

Financial Overview 2022			
Details	Original Budget	Adjustment Budget	Actuals
Income:	R'000	R'000	
Grants	120 944	165 394	
Taxes, Levies and Tariffs	91 208	86 777	
Other	6 860	8 022	
Sub Total	219 012	260 193	
Less: Expenditure	126 309	124 639	
Net Total	92 703	135 554	

Operating Ratios	
Details	%
Employee Cost	33,66
Repairs& Maintenance	
Finance Charges	3,66

Total Capital Expenditure			
Details	Year2	Year 1	2021-2022
Original Budget			93 564
Adjustment Budget			137 806
Actuals			231 370

5.2 GRANTS

GRANTS PERFORMANCE

Description	2021/2022		
	Actual	Original Budget	Adjustment Budget
<u>Operating transfer and grants</u>			
National Government			
Equitable share	27 600	27600	27600
Financial Management Grant	2 850	2 850	2 850
Expanded public work programme	1 750	1 750	1 750
	32 200	32 200	32 200
Provincial Government			
Library	1 000	1 000	1 000
	1 000	1 000	1 000
	33 200	33 200	33 200
<u>Capital transfer and grants</u>			
INEP	1 799		
Municipal Infrastructure grant	16 175	5000	23 079
Municipal water infrastructure grant	16 452	20 227	32 202
Regional bulk infrastructure grant	-	62 367	62 367
Disaster	1 839		1 839
Energy	2 677	3 000	3 000
	38 942	25227	55281

5.3 CASH FLOW

COMPONENT B: CASH FLOW MANAGEMENT AND INVESTMENTS

Cash flows				
Net cash from (used) operating	97 728	35 014	143 148	51 529
Net cash from (used) investing	- 93 564	-	- 137 806	35904
Net cash from (used) financing	-	-	-	-
Cash/cash equivalent at the year end	22 663	35 014	25 400	20 058

5.4 PUBLIC PRIVATE PARTNERSHIP

Name of Service provider	Description of service rendered	Contract value
PETRA DIAMOND MINE	Co-funding in the Eradication of Conservancy tank project	R 2 500 000
KGATELOPELE LIME MINE & IDWALA LIME MINE	Co- Funding in Upgrading of roads in Danielskuil (storm water)	R 1 067 027 R 1 067 027

5.5 ASSETS MANAGEMENT

Kgatelopele Local Municipality has insourced its movable assets management and only uses consultants for the infrastructure assets. Below is a summary of the different asset class.

Asset class	Cost	Accumulated Depreciation & Impairment	Carrying Value
Land & Buildings	R 15 802 897	(R 8 011 210)	R 7 791 686
Infrastructure	R 482 008 159	(R 213 849 057)	R 268 159 101
Community Assets	R 11 851 513	(R 9 977 708)	R 1 873 804
Heritage assets	R 1 151 057	R -	R 1 151 057
Other assets	R 13 519 778	(R 8 185 931)	R 5 333 846
Investment Properties	R 51 844 569	R -	R 51 844 569
Intangible Assets	R 531 619	(R 282 773)	R 248 846
Grand Total	R 576 709 594	(R 240 306 682)	R 336 402 912

The municipality awaits the outcome of the 2020/21 financial year audit to update the final asset figures. Additions such as the roller and stamper that was purchased to assist with filling of potholes will also be added to the register as new assets.

INFRASTRUCTURE PROJECTS

Below is a list of projects that are under way in the current financial year and the total expenditure up until end of the second quarter.

Progress on Procurement Plan

No	Project	Procurement Method	Progress	Date of Advert
1	Supply And Delivery Of 25kg Pothole Mix Bags and SS60% Anis table Drums	30 days tender advertisement	Draft Specifications	09-Sep-21
2	Supply And Delivery of Personal Protective Clothing	30 days tender advertisement	Draft Specifications	07-Dec-21
3	Provision Of Banking Services for Kgatelopele Municipality	60 days tender advertisement	Draft Specifications	04-Mar-22
4	Provision Of Short-Term Insurance	30 days tender advertisement	Appointed	11-Oct-21
5	Panel of Mechanics for Repairs and Maintenance of Municipal Vehicles	30 days tender advertisement	Draft Specifications	06-Aug-21
6	Auditing of Prepaid Electricity Meters	30 days tender advertisement	Draft Specifications	01-Oct-21
7	Renovation of Municipal Properties	Panel of Contractors	Appointed	06-Aug-21
8	Compilation of GRAP Compliant Fixed Asset Register, Updating of Ariel View and Development of Infrastructure Assets Maintenance Plans	30 days tender advertisement	Draft Specifications	14-Jan-22
9	Refurbishment of Street Lights	Panel of Contractors	Draft Specifications	06-Aug-21

The table below shows the items that need to be included in the procurement at adjustment stage.

No	Project	Procurement Method	Progress
1	Supply and Delivery of a Vibration Roller and Vibratory Rammer.	14 days tender advertisement	Appointed
2	Provision of Security Services for a period of 36 Months.	30 days tender advertisement	Appointed
3	Supply and Delivery of Stationery Items for a Period of 36 Months (as and when required).	30 days tender advertisement	Under evaluation
4	Supply and Delivery of Cleaning Materials for a Period of 36 Months (as and when required).	30 days tender advertisement	Under evaluation
5	Supply and Delivery of Furniture and Office Equipment for a Period of 36 Months (as and when required).	30 days tender advertisement	Appointed
6	Supply and Delivery of Information Technology and Communication Equipment for a Period of 36 Months (as and when required).	30 days tender advertisement	Appointed
7	Supply and Delivery of a Sewerage Truck	RT-57	Appointed, the municipality is waiting for truck

5.6 SUPPLY CHAIN MANAGEMENT

The municipality has a duly approved SCM policy in place. The policy is aligned to the MFMA, regulations, circulars and all other relevant legislations. A system of internal controls is in place even though not always adhered to. The services of internal audit are utilised in order to continually identify shortfalls and to address them.

Currently, the municipality has no long-term contracts in place. When such a need arises, the relevant legislation will be applied and the relevant stakeholders such as provincial treasury will be contacted for comment.

The municipality has a duly approved SCM policy in place. The policy is aligned to the MFMA, regulations, circulars and all other relevant legislations.

There are currently four officials in the SCM unit. Three of them have reached the prescribed levels required for their positions and one still has to reach the requirements.

The previous Auditor General report identified a lapse in implementation of internal controls. There is currently a post audit action plan in place in order to address such shortfalls.

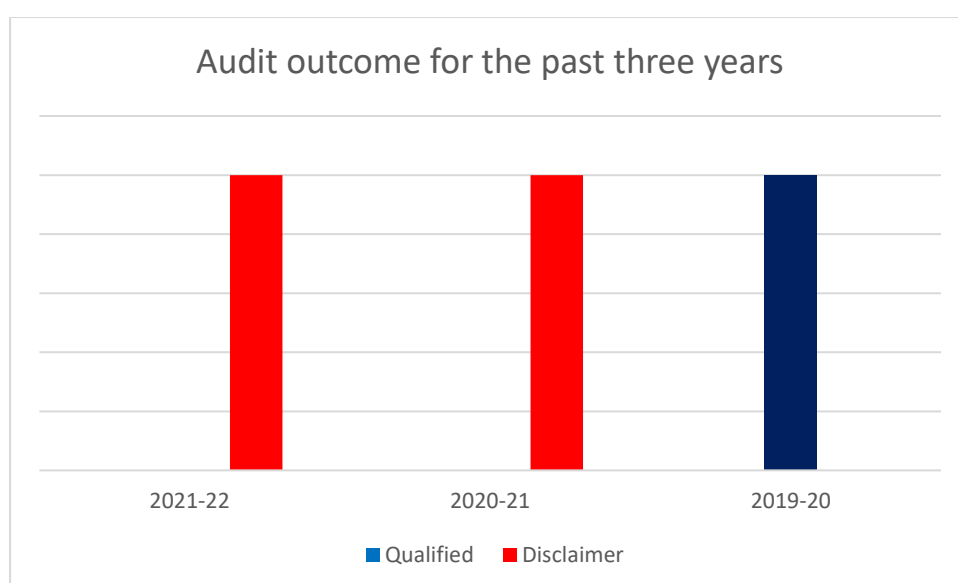
The municipality uses the GRAP compliance checklist and other tools availed by National Treasury in order to ensure compliance.

There have been instances where the municipality was found not to be in compliance on components such as revenue, receivables and payables.

Chapter 6

6.1 CHAPTER 6 – AUDITOR GENERAL AUDIT FINDING

The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement... must be audited annually by the Auditor-General. The audit outcome for 2021/2022 Financial year was an opinion of disclaimer



These are the comments made Auditor general (overall key message)

Material misstatements have been identified in the financial statements and annual performance report submitted for audit as well as various non-compliance with legislation, this is the same as it was in the prior year. This is also reflected in the assurance levels, which remain stable when compared to the previous year. The municipality should address the root causes that have resulted in the material misstatements.

Numerous material non-compliance matters have been identified during the audit with specific concern around the number of issues identified in the areas of procurement and contract management, expenditure management, revenue management, assets management, strategic planning and performance management and consequence management. The non-compliance matters around procurement and contract management has resulted in the municipality incurring irregular expenditure in the current year, whilst those around strategic planning and performance management are due to audit of predetermined objectives (Apo) matters described below.

This is further prevalent in the inability of management to quantify the irregular expenditure incurred by the municipality as well as apply principles of consequence management where officials have been found to have been negligent in the performance of their duties.

The effectiveness of the audit committee and internal audit as assurance providers is impacted by the municipality leadership's inability to act on the recommendations made by the audit committee and internal audit. The municipality did not adequately respond to all findings reported in the prior year, relating to financial statements, compliance with legislation and conclusions on audit of predetermined objectives, resulting in a modified audit opinion and finding on annual performance report and non-compliance with legislation. The before - mentioned is reflected in the status of the drivers of internal controls.

Root causes	Impact	Recommendation
Accounting officer and directors did not have adequate controls in place to effectively process transactions and achieve positive audit outcomes	Non-compliance with laws and regulations	Stability in key positions to ensure that control processes are implemented effectively
The control environment was not reinforced to prevent repeat material misstatements in the annual financial statements, performance reports and areas of legislation scoped for audit.		Implementation and monitoring of the audit action plan to avoid repeat material misstatements Improvement of the internal control environment to ensure proper controls over daily to year end controls

Recommendations from Auditors

SUPPLY CHAIN MANAGEMENT FINDINGS

Item / Finding Description
ISS.74: SCM - There is no evidence that the preference point system was used
ISS.77: SCM - CIDB: The municipality did not inform CIDB of the financial or management support provided to the emerging contractor
ISS.82: SCM - INTL CNTRL: Contract is open-ended
ISS.43: SCM - Deviations not included in deviations register and notes to Financial Statements
ISS.111: SCM - Supporting information not submitted by management (limitation)
ISS.76: SCM - INTL CNTRL: Local Content: DTI was not notified of the successful bidder
ISS.11: Contract register not complete

Overall root causes of significant findings (top 3)	Key recommendations
Instability in key positions	The Municipal Manager needs to establish stability in leadership of the municipality by filling the vacancies in senior management.
Slow response by management, political leadership and oversight in addressing root causes of prior year findings	The control weaknesses regarding quality of the annual financial statements needs to be addressed.
Lack of consequences for poor performance and transgressions	<p>The control weaknesses regarding the reporting on pre-determined objectives should be addressed.</p> <p>Attention needs to be given to the ensure that the municipality comply with laws and regulations.</p>

ANNEXURE A: ANNUAL PERFORMANCE REPORT

**KGATELOPELE LOCAL MUNICIPALITY ANNUAL
PERFORMANCE REPORT
2021/2022**



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1. INTRODUCTION

The Annual Performance Report is prepared and submitted in terms of the Municipal Systems Act (MSA), 32 of 2000, section 46(1) and (2), as well as the MFMA Circular 11 providing guidelines on the Annual Report. The Annual Performance Report covers the performance information from 01 July 2021 to 30 June 2022 and focuses on the implementation of the Service Delivery Budget and Implementation Plan (SDBIP), in relation to the objectives as encapsulated in the Municipality's Integrated Development Plan (IDP). The report reflects actual performance of the Municipality as measured against the performance indicators and targets in its Integrated Development Plan (IDP) and Service Delivery and Budget Implementation Plan (SDBIP) for 2021/2022. The format of the report will reflect the Municipality's Key Performance Indicators (KPI) per Municipal Key Performance Area. Each Key Municipal KPA have number of Municipal Key Performance Indicators (KPI's) which was deliberately designed by the Kgatelopele Local Municipality to focus its development initiatives in a more coherent and organized manner. This report will also endeavor to report to Council the Municipality's performance in terms of the five (5) National Government's Strategic Key Performance Areas for local government, which are:

- (1) Basic Service Delivery
- (2) Spatial Development and Transformation.
- (3) Local Economic Development
- (4) Municipal Institutional Transformation and Development
- (5) Municipal Financial Viability and Management and
- (6) Good Governance and Public Participation

2. LEGISLATIVE BACKGROUND

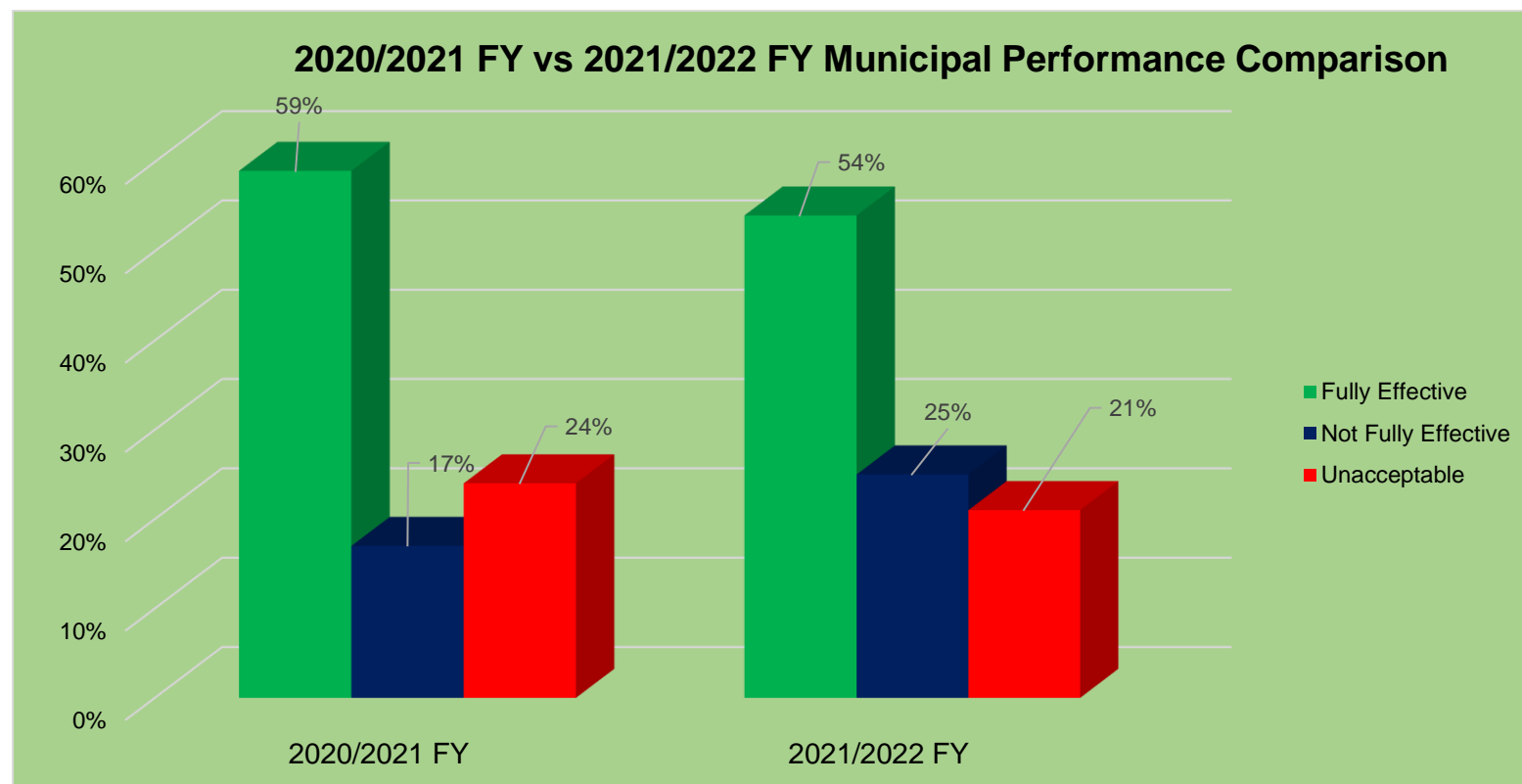
This Annual Performance Report has been compiled in compliance with the requirements of section 46 (1) of the Local Government: Municipal Systems Act, 2000; which stipulates as follows: (1) A municipality must prepare for each financial year a performance report reflecting (b) A comparison of the performance referred to in paragraph (a) with targets set for performance in the previous financial year; and (c) measures taken to improve performance. In addition, Regulation 7 (1) of the Local Government: Municipal Planning and Performance Management Regulations, 2001 states that "A Municipality's Performance Management System entails a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players.

3. EXECUTIVE SUMMARY

Performance Management and Reporting the organisational performance is evaluated by means of a municipal scorecard (Top Layer SDBIP) at organisational level and through the Service Delivery Budget Implementation Plan (SDBIP) at Directorate levels. The SDBIP is a plan that converts the IDP and budget into measurable criteria on how, where and when the strategies, objectives and normal business process of the municipality is implemented. It also allocates responsibility to directorates to deliver the services in terms of the IDP and Budget. MFMA Circular No.13 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 next 12 months; and The SDBIP should form the basis for measuring the performance against goals set during the budget /IDP processes. The SDBIP were prepared by the Accounting Officer and approved by the Mayor. The overall assessment of actual performance against targets set for the Key Performance Indicators as documented in the SDBIP is illustrated in terms of the following assessment methodology:

Description	
Outstanding performance	Performance far exceeds the standard expected of an employee at this level. The appraisal indicates that the employee has achieved above fully effective results against all performance criteria and indicators as specified in the performance plan and maintained this in all areas of responsibility throughout the year.
Performance significantly above expectations	Performance is significantly higher than the standard expected in the job. The appraisal indicates that the employee has achieved above fully effective results against more than half of the performance criteria and indicators and fully achieved all others throughout the year.
Fully effective	Performance fully meets the standards expected in all areas of the job. The appraisal indicates that the employee has fully achieved effective results against all significant performance criteria and indicators as specified in the performance plan.
Performance not fully effective	Performance is below the standard required for the job in key areas. Performance meets some of the standards expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against more than half the key performance criteria and indicators as specified in the performance plan.
Unacceptable performance	Performance does not meet the standard expected for the job. The review/assessment indicates that the employee has achieved below fully effective results against almost all of the performance criteria and indicators as specified in the Performance Plan. The employee has failed to demonstrate the commitment or ability to bring performance up to the level expected in the job despite management efforts to

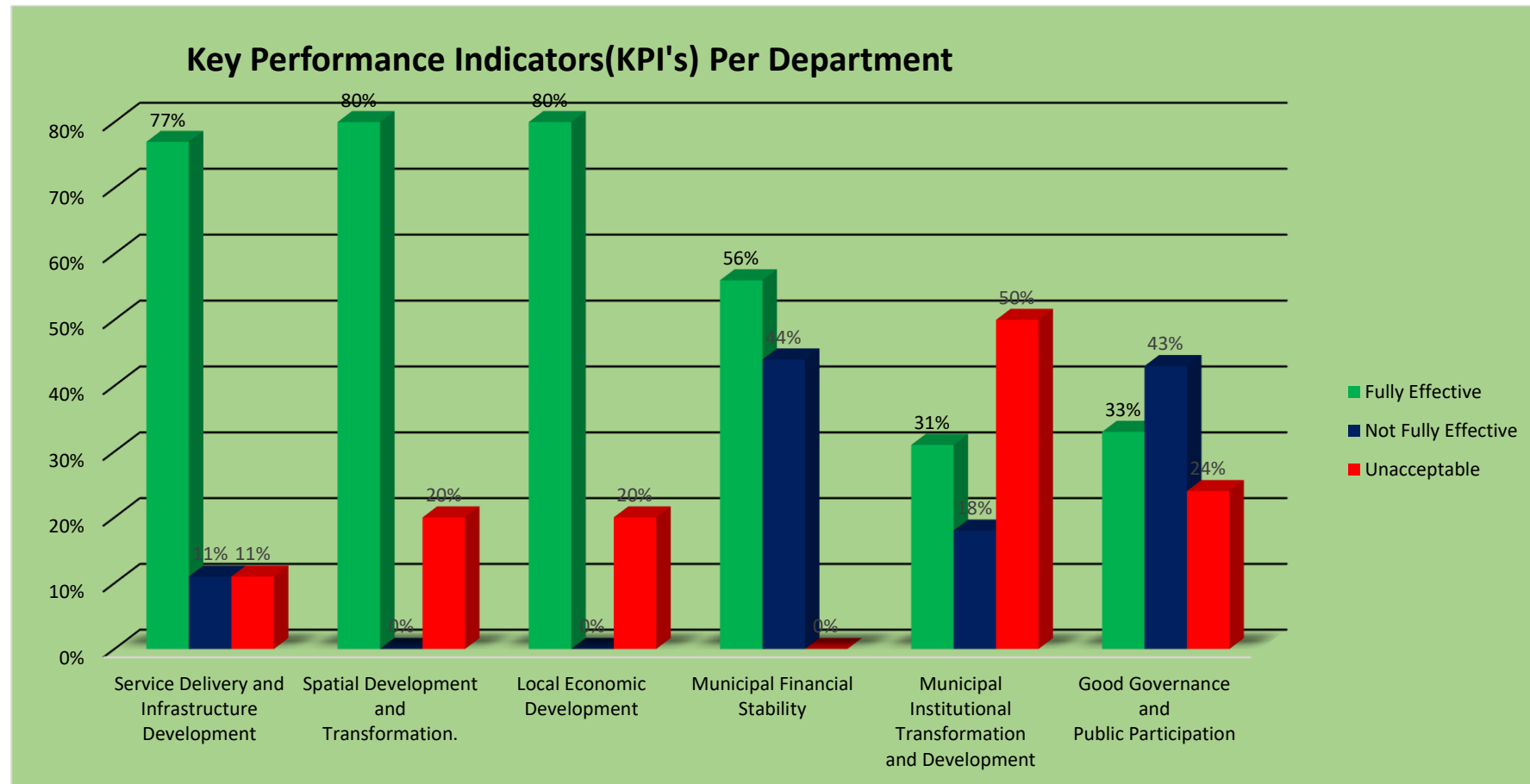
Figure1: High level summary of performance comparison for the 2020/2021 FY and 2021/2022 FY



The municipality has translated the national key performance areas into strategic objectives. These strategic objectives assisted the institution to refocus in achieving the developmental agenda. Performance Management System is the key element in ensuring implementation and realisation of the Integrated Development Plan (IDP). The year under review realised 5% decline on the institutional performance, where 2020/2021 performance was at 59% in relation to the 54% in 2021/2022.

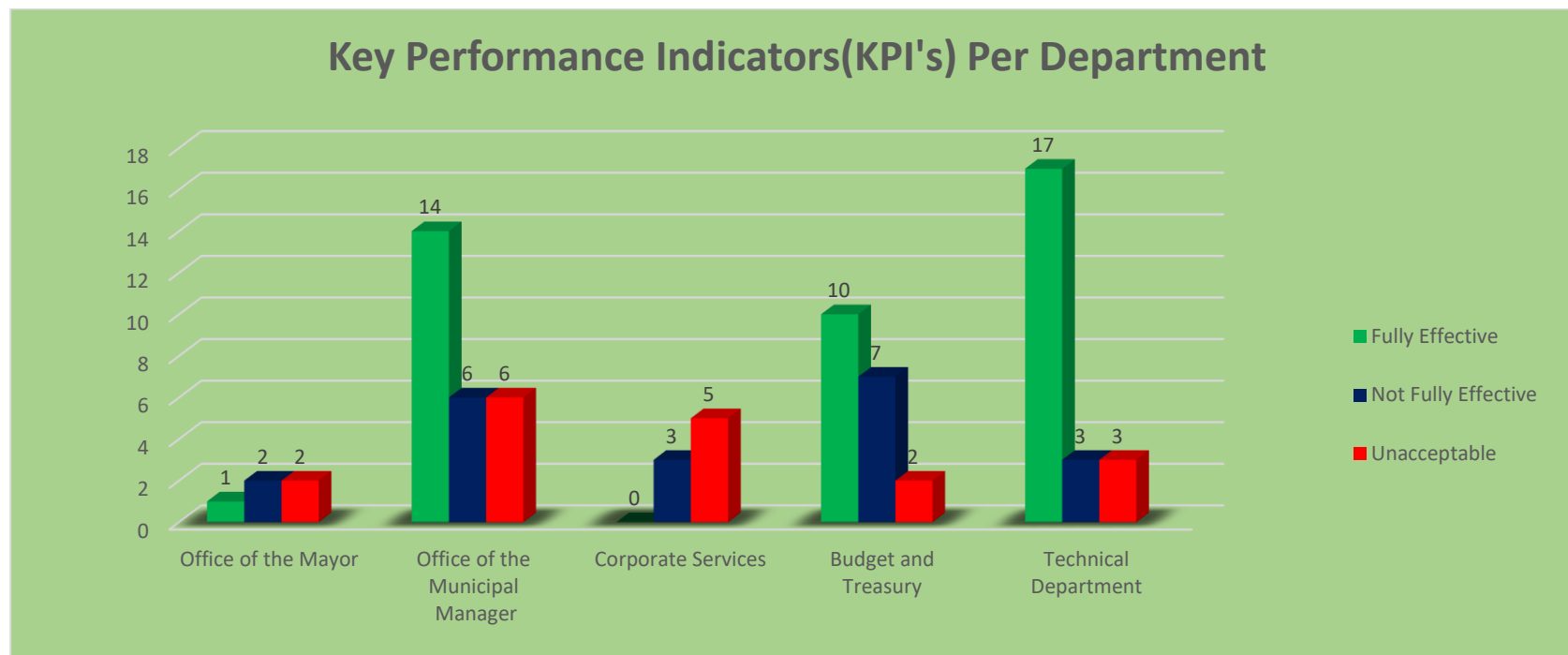
4. INSTITUTIONAL PERFORMANCE PER KEY PERFORMANCE AREA (KPA) FOR 2021/2022 FINANCIAL YEAR

Figure 2: Key Performance Area (KPA)



5. DEPARTMENTAL PERFORMANCE PER KEY PERFORMANCE INDICATOR (KPI's) FOR 2020/2021 FINANCIAL YEAR

Figure 3: Key Performance Indicators (KPI's) per department



For the year under review, the Mayor's Office had 5 targeted KPI's in total of which 1 were fully effective, 2 were not fully effective and 2 were unacceptable. . Mayor's Office took further action to ensure that awareness strategies takes place through different platform (e.g. KLM Facebook page) while adhering to South Africa national state of disaster regulations due to Covid-19 pandemic.

Over and above, the Mayor's Office strive to ensure 100% improvement on performance and ensure KPI's targets are well implemented.

In total, Office of the Municipal Manager had 26 targeted KPI's of which 14 were fully effective, whereas 6 were not fully effective and 6 were unacceptable. Municipality further took action(s) to review IT Strategy plan and Business Continuity Plan (BCP) to ensure the municipality operate optimally while adhering to South Africa national state of disaster regulations, subsequently to realize the Fourth Industrial Revolution (4IR). Over and above, the municipality is determined to improve its performance to ensure the fully implementation of performance management cycle.

Technical department had 23 targeted KPI's in total for the 2021/2022 financial year of which 17 were fully effective whereas 3 were not fully effective and 3 Unacceptable. The set KPI's by the Technical Department were heavily impacted by the effects of the national lockdown which led to the delay of the completion of projects. Subsequently, the impact of the Tropical Eloise Storm has affected the roads, households and electricity.

The Budget and Treasury Department had 18 targeted KPI's of which 10 were fully implemented whereas 7 was not fully effective and 2 were unacceptable. Completion of the procurement plan is not fully effective as there were bids that had to be re-advertised. More refined specifications will assist in ensuring that all KPI's are fully effective.

Of the 8 set KPI's for 2021/2022 financial year, Corporate Services had effectively implemented 0 KPI's fully whereas 3 were not fully effective and 5 unacceptable. The review of IT strategic plan and disaster recovery plan will able the municipality to function optimally during disaster.

6. DETAILED INSTITUTIONAL SERVICE DELIVERY BUDGET INDICATOR'S PERFORMANCE OUTCOME.

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of SDBIP outcomes. This report provides strategic achievement of the municipality, in terms of the pre-determined objectives and basic service delivery mandate. Basic service delivery and Infrastructure development is the major focus of the reported information.

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2021/2022	Performance 2020/2021	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2021/22	Actual 2021/22			
KPA 1: Basic Service Delivery: Service Delivery and Infrastructure Development.							
Strategic Objective :To ensure the provision of sustainable basic service to our communities							
KPI 1. Number of households provided with clean piped water by 30 June 2022.	R10 959 271	3045 Households	3045 households	3186	Fully Effective	N/A	N/A
KPI 1.1. Number of Water Quality Assurance reports for the provision of clean piped water by 30 June 2022.		12 Monthly lab results	12 Monthly lab results	12 Monthly lab results	Fully Effective	N/A	N/A
KPI 2. Number of households provided with electricity prepaid and credit by 30 June 2022.	R10 959 271	3574 Households	3574 Households	3593	Fully Effective	N/A	N/A
KPI 3. Number of households provided with access to Basic sanitation service by 30 June 2022.	R7 849 937	3137 Household	3137 Households	2813	Not Fully Effective	Some households don't receive all services as they use mobile toilets.	Fast track the process of installing sewer line in new stands.
KPI 4. Number of households provided with weekly solid waste removal services in Danielskuil and Lime Acres by 30 June 2022.	R7 849 937	2795	2795 Households	2790	Not Fully Effective	Households at new stands don't have streets names so the trucks drive pass the location.	Councilors to ensure that new stands receive street names and roads are constructed.
KPI 5. Number of Indigents provided with Free basic water in terms of equitable share requirements (06KL per indigent household) by June 2022.	R985 000.00	1352	1500 Indigents	1993	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2021/2022	Performance 2020/2021	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2021/22	Actual 2021/22			
KPI 6. Number of Indigents provided with Free basic electricity in terms of the equitable share requirements (Free 50kw basic electricity per indigent household) by June 2022.	R293 100.00	1352	1500 Indigents	1707	Fully effective	N/A	N/A
KPI 7. Number of Indigents provided with Free basic sanitation services per indigent household by June 2022	R293 100.00	1352	1500 Indigents	1733	Fully Effective	N/A	N/A
KPI 8. Number of Indigents provided with Free weekly solid waste removal services in Danielskuil and Lime Acres per indigent household by 30 June 2022	R293 100.00	1352	1500 Indigents	1733	Fully Effective	N/A	N/A
KPI 9. Number of Indigent water meters converted to pre-paid water meters phase 3 by 30 June 2022.	R679 052.00	73	122	122	Fully Effective	N/A	N/A
KPI 10. Number of new households connected to existing sewer network by 30 June 2022.	R23 079 343	0	130	130	Fully Effective	N/A	N/A
KPI 11. Number of existing Public lights refurbished In Ward 1, 2 and 3 by 30 June 2022	R3 000 000.00	N/A	60	60	Fully Effective	N/A	N/A
KPI 12. Percentage completion for Construction of a sports facility in Danielskuil Phase 1 by 30 June 2022.	R12 000 000.00	N/A	60%	22%	Unacceptable	Heavy rainfall Community protests Poor planning from contractor	Put measure in place for unforeseen circumstance or weather

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2021/2022	Performance 2020/2021	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2021/22	Actual 2021/22			
KPI 13. Number of internal road meters upgraded from Gravel to paved roads In Ward 1 & 2 – Phase 1 by 30 June 2022.	R8 000 000.00	New	2.8 km	2.8 km	Fully Effective	N/A	N/A
KPI 14 Number of internal roads in km upgraded from gravel to paved surface in ward 1 phase 1 by 30 June 2022.		New	3.5 km	3.5 km	Fully Effective	N/A	N/A
KPI 15 Number of internal roads in km upgraded from gravel to paved surface in ward 2 phase 1 by 30 June 2022.		New	1.61 km	1.61 km	Fully Effective	N/A	N/A
KPI 16 Percentage completion for repairs and refurbishment of municipal facilities by 30 June 2022.	-	New	100%	100%	Fully Effective	N/A	N/A
KPI 17 Percentage contraction of a new landfill site by 31 June 2022.	-	New	50%	0	Unacceptable	Lack of Co-funding and Ownership Land -Public work	Secure funding from external stakeholders and Town Planning Processes are currently being undertaken for land to be transferred.

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2020/2021	Performance	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
		2020/2021	Target 2021/22	Actual 2021/22			
KPA 2: Spatial Development and Transformation. Strategic Objectives : conservation of the environment							
KPI.18 Human Settlement Planning and Development by 30 June 2022.	R9 000 000.00	0	50%	50%	Fully Effective	N/A	N/A
KPI.19 % Consolidation, subdivision, rezoning and conveyancing for the rectification of stands allocation of stands allocated by 30 June 2022.	R300 000.00	0	80%	80%	Fully Effective	N/A	N/A
KPI.20 % Subdivision and rezoning of a portion of Erf 1 for purposes of developing a landfill site 30 June 2022.	R350 000.00	0	80%	80%	Fully Effective	N/A	N/A
KPI 21 Number of Joint Municipal Tribunal in implementation of SPLUMA meeting attended 30 June 2022.	No Funds	1	2	2	Fully Effective	N/A	N/A
KPI.22 % Percentage progress on sourcing funding for Subdivision, rezoning and surveying of a site for a traffic testing centre by 30 June 2022.	R 200 000.00	0	80%	0 % Waiting for service provider	Unacceptable	Available land is on D3 and D4 zones of dolomite.	Look for alternative land

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2020/2021	Performance	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
		2020/2021	Target 2021/22	Actual 2021/22			
National KPA 3: Local Economic Development Strategic Objectives: To promote a conducive environment for economic development							
KPI.23 Number of temporary jobs created through projects by 30 June 2022.	Operational	20	20	20	Fully Effective	N/A	N/A
KPI.24 Number of Updated MoU between 3 mines by 31 December 2022.	Operational	3	1	1	Fully effective	N/A	N/A
KPI.25 Number of local contractors Developed through awarding contracts or sub-contracting by 30 June 2022.	Operational	4	4	4	Fully Effective	N/A	N/A
KPI.26 Number of information brochure formulated to enhance tourism in the Municipal area by 30 June 2022.	Operational	1	1	1	Fully Effective	N/A	N/A
KPI.27 Number of Career Exhibition by 30 June 2022.	R5000.00	1	1	0	Unacceptable	Sourcing for funding from stakeholders	The Career exhibition will be conducted on the 2022/23 FY

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2020/2021	Performance 2021/2020	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2021/22	Actual 2021/22			
National KPA 4: Municipal Financial Stability Strategic Objectives: To ensure effective and efficient financial viable Municipality							
KPI 28 Compliance with Submission of Adjustment budget to Council for approval by 25 January 2022	Operational	1	1	1	Fully Effective	N/A	N/A
KPI 29 Number of Section 52 reports submitted to the Mayor and Treasury by 15 July 2022	Operational	4	4	4	Fully Effective	N/A	N/A
KPI 30 Compliance with Submission of Section 72 report to council and Treasury by 31 January 2022	Operational	1	1	1	Fully effective	N/A	N/A
KPI 31 Compliance with Submission of Annual financial statements to Auditor General SA and Treasury by 31 August 2022	Operational	1	100%	50%	Not Fully Effective	Finance department and consultants are Finalizing the report.	Ensure submission is made as per schedule.
KPI.32 Percentage billing on operating revenue budget by 30 June 2022	Operational	80%	80%	80%	Fully Effective	N/A	N/A
KPI.33 Percentage Collection on Billing by 30 June 2022.	Operational	50%	50%	121%	Fully Effective	N/A	N/A
KPI.34 Percentage of Capital Grant funding received as per DORA allocation by 30 June 2022	Operational	90%	90%	75%	Not fully Effective	Awaiting funding from national treasury No allocation received on RBIG	Apply for grants and meet the specified requirements.
KPI.35 Percentage of collection of conditional grants by 30 June 2022.	Operational	100%	100%	81 %	Not Fully Effective	Late appointment on EPWP contractors.	Ensure that appointments are made as per schedule.

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2020/2021	Performance 2021/2020	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2021/22	Actual 2021/22			
KPI.36 Percentage update of Indigent Households registered by 30 June 2022.	Operational	1611	1725	1802	Fully Effective	N/A	N/A
KPI.37 Percentage of Capital Budget Expenditure by 30 June 2022.	Operational	75%	75%	50%	Not fully Effective	Late appointments on EPWP contractors. No allocation received on RBIG	Ensure that appointments are made as per schedule.
KPI.38 Percentage operating budget expenditure spent by 30 June 2022	Operational	75%	75%	67%	Not Fully Effective	Cost containment	N/A
KPI.39 Number of Updated Asset Register by 30 June 2022.	Operational	4	4	3	Not Fully Effective	Assets register is not yet completed	Consultant are still busy compiling compliant Grap assets register.
KPI.40 Number of inventory undertaken in stores by 30 June 2021	Operational	4	4	2	Not fully effective	There was a shortage of staff in the unit which had a negative impact on the unit.	Immediate supervisor to make a recommendation to appoint a temporary employee to fill in the gap.
KPI.41 Number of Asset disposal list by 30 January 2022.	Operational	1	1	1	Fully Effective	N/A	N/A
KPI.42 Percentage progress of developing procurement plan by 30 June 2022.	Operational	100%	100%	100%	Fully effective	N/A	N/A
KPI.43 Percentage Compliance with the procurement plan by 30 June 2022.	Operational	100%	100%	70%	Not Fully Effective	Tenders were advertised but they were not awarded because SCM officials were having a huge workload and currently short staffed resulting in the tender exceeding validity of 90 days.	Ensure that all the tenders in the procurement plan are adhered to.

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2020/2021	Performance Target 2019/2020	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2020/21	Actual 2020/21			
National KPA 5: Municipal Institutional Transformation and Development Strategic Objectives :Democratic and accountable government							
KPI.44 Number of training committee held by 30 June 2022.	Operational	6	4	2	Not Fully Effective	Meeting did not reach quorum.	Inform members to attend meeting as scheduled.
KPI.45 Number of LLF committee held by 30 June 2022.	Operational	4	4	1	Unacceptable	There is no chairperson in the committee	Appoint Chairperson
KPI.46 Percentage resolution of Labour disputes by 30 June 2022.	Operational	80%	80%	30%	Not Fully Effective	Most cases are not resolved	Ensure that cases are solved
KPI.47 Number of Health and Safety inspection report on Municipal Main Building and Technical Workshop facilities by 30 June 2022.	Operational	8	8		Unacceptable	Lack of personnel	Capacitate Safety Unit
KPI.48 Number of quarterly Health and Safety inspection report on Municipal Main Building and Technical Workshop facilities by 30 June 2022.	Operational	4	4	0	Unacceptable	Lack of personnel	Capacitate Safety Unit
KPI.49 Number of quarterly health and safety meetings by 30 June 2022.	Operational	4	4	0	Unacceptable	Ineffective communication and Lack of personnel	Resuscitate the Committee
KPI.50 Number of staff meetings held by 30 June 2022.	Operational	4	4	1	Unacceptable	Municipal manager held departmental meetings	Schedule normal staff meeting where all the employees are available.
KPI.51 Number of extended management meeting held by 30 June 2022.	Operational	4	4	0	Unacceptable	These meetings were not scheduled as senior management meetings sat.	Schedule extended management meeting and invite extended management.
KPI.52 Number of Sec 57 Managers performance plans created by 31 July 2022.	Operational	3	3	3	Fully Effective	N/A	N/A
KPI.53 Number of sec 72 report per annum by 25 January 2022	Operational	1	1	1	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2021/2022	Performance	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
		2020/2021	Target 2021/22	Actual 2021/22			
National KPA 5: Municipal Institutional Transformation and Development Strategic Objectives :Democrtratic and accountable government							
KPI.54 Compiled sec 66 performance plans and agreements and signed by 30 June 2022.	Operational	100	100	25	Unacceptable	Human capacity and training	Provide training and increase capacity in PMS unit.
KPI.55 Number of Individual employees Performance evaluation by 31 July 2022.	Operational	100	100	0	Unacceptable	The need for more capacity building to all staff members is the reason for effective implementation of PMS.	Regular and continuous training is undertaken to enable capacity building in this regard.
KPI.56 Number of Quarterly Institutional Performance Evaluation done by 31 July 2022	Operational	4	4	4	Fully Effective	N/A	N/A
KPI.57 Percentage progress with the development of SDBIP 2022/2023 30 June 2022.	Operational	1	100%	100%	Fully Effective	N/A	N/A
KPI.58 Percentage compliance with submission of annual report by 31 March 2022.	Operational	1	100%	100%	Fully Effective	N/A	N/A
KPI.59 Number of ICT committee held by 30 June 2022.	Operational	4	4	4	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2021/2022	Performance	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
		2020/2021	Target 2021/22	Actual 2021/22			
National KPA 6: Good Governance and Public Participation Strategic Objectives :Democratic and accountable government							
KPI.60 Number of Normal Council meetings held by 30 June 2022.	Operational	4	4	3	Not Fully Effective	Councillors went on recess before local government elections thus, the committee did not sit.	Special council meeting was scheduled
KPI.61 Number of Special Council meetings held by 30 June 2022.	Operational	6	6	6	Fully Effective	N/A	N/A
KPI.62 Number of MPAC Committee held by 30 June 2022	Operational	4	4	3	Not Fully Effective	Councillors went on recess before local government elections thus, the committee did not sit.	Meeting to be scheduled.
KPI.63 Number of Finance Committee held by 30 June 2022.	Operational	4	4	1	Unacceptable	Councillors went on recess before local government elections thus, the committee did not sit.	Meeting to be scheduled.
KPI.64 Number of Institutional Committee held by 30 June 2022.	Operational	4	4	1	Unacceptable	Councillors went on recess before local government elections thus, the committee did not sit.	Meeting to be scheduled.
KPI.65 Number of Technical and Commonage Committee held by 30 June 2022	Operational	4	4	2	Not fully Effective	The committee doesn't have a secretary.	Appoint secretary.
KPI.66 Number of Audit Committee meeting held by 30 June 2022.	Operational	4	4	4	Fully Effective	N/A	N/A
KPI.67 Number of Quarterly reports on status of implementation of recommendations made by Internal Audit /Audit Committee by 30 June 2022.	Operational	4	4	4	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2021/2022	Performance e	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
		2020/2021	Target 2021/22	Actual 2021/22			
National KPA 6: Good Governance and Public Participation Strategic Objectives :Democtratic and accountable government							
KPI.68 Number of Quarterly report on status of implementation of recommendations made by AGSA by 30 June 2022.	Operational	4	4	3	Not Fully Effective	Action plan is not created	Create action plan and ensure implementation process takes place
KPI.69 80% execution of Internal Audit Annual operational plan by 30 June 2022.	Operational	80%	80%	60%	Not Fully Effective	Audits were still conducted	Conduct audits as per operational plan
KPI.70 Number of Risk Assessments conducted by 30 June 2022.	Operational	4	4	3	Not Fully Effective	Unavailability and non-response of relevant officials. Lack of personnel	Relevant officials to properly plan their work schedule and avail themselves as per the agreed schedule. Add support staff in Risk unit.
KPI.71 Number of monthly reports on implementation of risk mitigating actions by 30 June 2022.	Operational	8	8	4	Not Fully Effective	Lack of personnel in the risk unit	Add support staff in Risk unit.
KPI.72 Number of quarterly reports on implementation of risk mitigating actions by 30 June 2022.	Operational	4	4	2	Not Fully Effective	Lack of personnel in the risk unit	Add support staff in Risk unit.
KPI.73 Percentage progress of an Approval of IDP Process Plan by Council by 31 August 2021.	Operational	1	100%	100%	Fully Effective	N/A	N/A
KPI.74 Percentage progress with the review of the Kgatelopele LM 2022/2023Draft IDP by 31 March 2022.	Operational	100%	100%	100%	Fully Effective	N/A	N/A
KPI.75 Percentage progress with the review of the Kgatelopele LM 2021/2022 Final IDP by 31 May 2022.	Operational	100%	100%	100%	Fully Effective	N/A	N/A

KEY PERFORMANCE INDICATORS (KPI's)	Budget Projections 2021/2022	Performance 2020/2021	Actual Performance against Target		Ratings	Reason for Variance	Remedial Action
			Target 2021/22	Actual 2021/22			
KPI.76 Number of IDP/Budget consultative meetings by 30 June 2022	Operational	8	8	8	Fully effective	N/A	N/A
KPI.77 Number of IDP Rep Forum meetings held by 30 June 2022	Operational	4	4	1	Unacceptable	N/A	N/A
KPI.78 Number of IDP steering committee meetings held by 30 June 2022	Operational	4	4	3	Not Fully Effective	Committee not forming a quorum	Ensure that members are aware of the meetings scheduled.
KPI.79 Number of monthly Ward committee meetings held by 30 June 2022.	Operational	40 ward committee meeting	48	7	Unacceptable	Committee not forming a quorum	Ensure that members are aware of the meetings scheduled.
KPI.80 Number of monthly Ward meetings held by 30 June 2022.	Operational	48 Ward meeting	45	3	Unacceptable	No attendance of community members.	Ward Councilors and committee members to publish notices and invitations on different social media platforms for the community to see and avail themselves.

7. BUDGET IMPLEMENTATION PLAN FOR 2021/2022

In respect of the budget implementation component of the SDBIP, circular 13 requires a breakdown by monthly projections of revenue to be collected for each source and monthly projections of operational and capital expenditure and revenue for each vote.

Monthly projections: Capital expenditure by vote

NC086 Kgatelopele - Supporting Table SA25 Budgeted monthly revenue and expenditure

Description R thousand	Budget Year 2021/2022												Medium Term Revenue and Expenditure Framework		
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<u>Revenue By Source</u>															
Property rates	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706	1,706	20,474	21,416	22,401
Service charges - electricity revenue	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	2,767	33,198	34,726	36,205
Service charges - water revenue	712	712	712	712	712	712	712	712	712	712	712	712	8,546	8,939	9,350
Service charges - sanitation revenue	364	364	364	364	364	364	364	364	364	364	364	364	4,374	4,575	4,786
Service charges - refuse revenue	687	687	687	687	687	687	687	687	687	687	687	687	8,247	8,627	9,023
Rental of facilities and equipment	50	50	50	50	50	50	50	50	50	50	50	50	599	627	656
Interest earned - external investments	69	69	69	69	69	69	69	69	69	69	69	69	829	867	907
Interest earned - outstanding debtors	170	170	170	170	170	170	170	170	170	170	170	170	2,044	2,138	1,471
Dividends received	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fines, penalties and forfeits	51	51	51	51	51	51	51	51	51	51	51	51	609	637	666

Licences and permits	29	29	29	29	29	29	29	29	29	29	29	29	353	369	386
Agency services	33	33	33	33	33	33	33	33	33	33	33	33	392	410	429
Transfers and subsidies	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	2,396	28,749	30,166	32,849
Other revenue	383	383	383	383	383	383	383	383	383	383	383	383	4,598	5,856	6,092
Gains															
Total Revenue (excluding capital transfers and contributions)	38	38	38	38	38	38	38	38	38	38	38	38	451	472	494
	9,455	9,455	9,455	9,455	9,455	9,455	9,455	9,455	9,455	9,455	9,455	9,456	113,465	119,825	125,715
<u>Expenditure By Type</u>															
Employee related costs	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,146	3,147	37,752	40,370	43,171
Remuneration of councillors	217	217	217	217	217	217	217	217	217	217	217	217	2,608	2,727	2,853
Debt impairment	466	466	466	466	466	466	466	466	466	466	466	466	5,590	5,847	6,116
Depreciation & asset impairment	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045	12,535	13,115	14,113
Finance charges	11	11	11	11	11	11	11	11	11	11	11	11	133	139	145
Bulk purchases	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	1,754	21,051	22,019	23,032
Other materials	190	190	190	190	190	190	190	190	190	190	190	190	2,282	2,387	2,497
Contracted services	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	1,080	12,960	12,813	12,616
Transfers and subsidies	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Other expenditure	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	1,532	18,380	19,485	19,924
Losses	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Expenditure	9,441	9,441	9,441	9,441	9,441	9,441	9,441	9,441	9,441	9,441	9,441	9,442	113,290	118,904	124,468
Surplus/(Deficit)	15	15	15	15	15	15	15	15	15	15	15	13	175	922	1,248
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1,502	1,502	1,502	1,502	1,502	1,502	1,502	1,502	1,502	1,502	1,502	1,502	18,020	12,653	28,795
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Transfers and subsidies - capital (inkind - all)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit) after capital transfers & contributions	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,515	18,195	13,575	30,043
Taxation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Attributable to minorities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Share of surplus/ (deficit) of associate	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Surplus/(Deficit)	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,516	1,515	18,195	13,575	30,043

8. RECOMMENDATIONS

- The basic disciplines of standard monthly controls and reporting built in on a foundation of performance management system, effective and efficient leadership and stability in key positions will enable a vigorous performance management system
- Credible quarterly performance reporting, deepened monitoring and adequate corrective measures and explanation of performance acted upon by senior management will assist in management accurately tracking progress thereby identifying early warnings and activities that are lagging behind
- Constant investigation of poor performance and implementation of consequence management will improve culture of performance and accountability thorough view of Internal Audit findings and recommendations will increase accountability and improve performance.

9. CONCLUSION

The purpose of strategic performance reporting is to report specifically on the implementation and achievement of SDBIP outcomes. This report provides strategic achievement of the municipality, in terms of the pre-determined objectives and basic service delivery mandate. Basic service delivery and Infrastructure development is the major focus of the reported information, the 5% decline.

ANNEXURE B: AUDIT PERFORMANCE RISK COMMITTEE REPORT



KGATELOPELE LOCAL MUNICIPALITY

AUDIT, PERFORMANCE AND RISK COMMITTEE ANNUAL REPORT 2021-2022

1. LEGISLATIVE REQUIREMENTS

The purpose of this report is to communicate to the Council the audit, performance, and risk committee's progress to date in carrying out its oversight responsibilities in terms of section 166 of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003, as amended) (MFMA), read with circular 65 published by the National Treasury, for the year ended 30 June 2022. The committee was functional throughout the year and had several engagements with management on matters related to Financial Management, Internal Control, Risk Management, Performance

Management and Governance. The committee would like to acknowledge the attendance of the Hon. Mayor, the Chairperson of MPAC, the Accounting Officer and all senior managers in most of our engagements.

2. AUDIT COMMITTEE MEMBERS AND MEETING DETAILS

2.1 Members

The audit committee was established in accordance with section 166 of the MFMA read with MFMA Circular 65 issued by the National Treasury. The audit committee charter requires that the audit committee comprises a minimum of three members and a maximum of four members, of whom the majority must not be in the employ of the municipality or municipal entity. The audit committee comprises of four members including the chair.

The Committee mostly operated with two members for eleven months as the municipality could not appoint additional members after one member resigned and one retired. However, the municipality complied with composition requirements as set out in section 166 (4) when two members were appointed on 1 June 2022. The committee members are as follows:

Initials and Surname	Date of Appointment	Comments
Ms. T. Kati	01 July 2020	Appointed as Chairperson of the Committee as per Council Resolution SC
		09//08/2019.
Mr. K. Nkoe	01 June 2022	Appointed as Member of the Committee as per Council Resolution Number SC 92/05/2022.
Mr. M. Jarvis	31 August 2019	Appointed as Member of the Committee as per Council Resolution Number SC 09/08/2019. Member's term expired in August 2022. Council resolution is still awaited.
Mr. B. Mkwana	01 June 2022	Appointed as Member of the Committee as per Council Resolution Number SC 92/05/2022.

2.2 Meeting Details

The committee is required as per the MFMA Section 166(4)(b) to meet at least four times during a financial year.

During the financial year ended 30 June 2022, the audit committee met on eight occasions. The table below shows the attendance of these meetings:

Meeting dates	Member Name	Number of meetings	Comments
<ul style="list-style-type: none"> 18 August 2021 ☐ 25 August 2021 	Ms. TL Kati	8	100% -attended 8 of the 8 meetings
<ul style="list-style-type: none"> 25 October 2021 17 November 2021 	Adv Dr. M Phera	5	63% -attended 5 of the 8 meetings
<ul style="list-style-type: none"> 1 December 2021 20 January 2022 14 March 2022 21 April 2022 	Mr. M Jarvis	5	63% -attended 5 of the 8 meetings.

The members of the audit committee held meetings with the municipal manager as the accounting officer, senior management of the municipality, the internal audit function and the external auditors, collectively and individually, on matters related to governance, internal control and risk in the municipality, throughout the reporting period. The committee chair also held meetings

with the Hon. Mayor , to report on governance, internal control, risk, performance and financial information and other relevant matters concerning the municipality.

3. AUDIT COMMITTEE'S RESPONSIBILITY

The audit committee has complied with its responsibilities arising from section 166 of the MFMA read with MFMA Circular 65, and reports that it operated in terms of the audit committee charter read in conjunction with the internal audit charter.

4. EFFECTIVENESS OF INTERNAL FINANCIAL CONTROL AND INTERNAL AUDITS

The system of internal controls is designed to provide cost effective assurance that assets are safeguarded; liabilities and working capital are efficiently managed; and there is compliance with applicable legislation. Internal audit provided risk assurance on the high risks identified during risk assessments by prioritising these areas in the risk based internal audit plans.

The audit committee is concerned that the matters reported by the external auditors and the internal audit function in prior years have not been addressed. Management has given assurance that effective corrective action will be implemented in respect of all internal control weaknesses, and the audit committee will monitor these going forward.

Vacancies undermine the effective functioning of the system of internal control, and it is imperative that management reviews its recruitment procedures and processes to ensure that vacancies are filled expeditiously with properly qualified, skilled, and experienced personnel. Senior Management positions were vacant until the end of the financial year ending 30 June 2022. These positions included the Chief Financial Officer, Municipal Manager, Corporate Services and Technical Manager.

The committee took note that the internal audit unit is staffed with mostly junior employees who are, Senior Internal Auditor who executes the role of Chief Audit Executive supported by 1 Audit Officer and one Intern. On 30 June 2022, staff members were as follows:

Ms. M Jacobs	-	Senior Internal Auditor
Mr. K Thebeyagae	-	Audit Officer
Ms. K Kgwarai	-	Internal Audit Intern

Ms M Jacobs resigned during the last quarter of the financial year and Mr K Thebeyagae was promoted on 1 June 2022.

As per the approved organogram, there is one vacancy within the unit being that of Audit Officer.

The audit committee has advised the municipality to upgrade the position of a senior internal auditor to the level of manager. This will require the municipality to reduce the junior positions and revise the organogram.

5. THE QUALITY OF MONTHLY AND QUARTERLY REPORTS SUBMITTED IN TERMS OF THE MFMA

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued during the year under review in compliance with the statutory framework. The audit committee has engaged with management to remedy shortcomings, especially relating to the reports from finance and on performance against predetermined objectives. The committee has recommended that specific process be implemented to ensure that the information reported is both useful and reliable in terms of the applicable reporting framework. The audit committee has recommended that the municipality prepare interim financial statements that comply with Standards of Generally Recognised Accounting Practice (GRAP), which could assist in performing reconciliations timeously as well as in eliminating year-end adjustments. The audit committee is concerned about the quality on the municipality's annual financial statements and report on performance information and the continued late submission.

6 RISK MANAGEMENT

The audit committee is responsible for the oversight of the risk management function. The risk management committee reports to the audit committee on the municipality's management of risk. To ensure that the risk management committee understands the requirements of the audit committee, the committee recommended that a member of the audit committee serve as a member of the risk management committee. The audit committee is concerned with the risk function being understaffed, which will result in non-delivery by the function if the situation is not addressed. The annual risk assessment was presented to the committee and recommended for approval by Council. The committee took note of the reports presented on the strategic risk register as well as the operational risk register of the business units and advised Council that action plans must address the risk to mitigate the risk to an acceptable low level.

7 EVALUATION OF THE FINANCE FUNCTION

The position of a Chief Financial Officer and Deputy Chief Financial Officer are vacant. The finance function could not perform at its optimal capacity with the vacuum that existed in the leadership. There was a huge strain on the finance function to deliver quality information on a timely basis. Overall, the audit committee is not satisfied with the municipality's finance function during the year under review.

a. ADEQUACY, RELIABILITY AND ACCURACY OF FINANCIAL REPORTING AND INFORMATION

The Committee considered the quarterly financial management reports. Revenue collection rate is an area that requires management focus. The committee notes management's efforts of settling major creditors and requires more effort from management to ensure all creditors are paid within the prescribed 30-day period.

The municipality appointed same consultants for 2021 and 2022 financial years to prepare annual financial statements. A high-level review done on the draft annual financial statements revealed that the set was not complete as there were significant and

material errors identified. A final draft was submitted to the committee five minutes to midnight of the 31 August 2022 and therefore could not be reviewed.

The committee raised concerns about incomplete set of financial statements submitted for audit and audit working paper files which were not readily available on submission.

b. PERFORMANCE MANAGEMENT

Performance evaluation is a critical process which assist council to evaluate whether individuals in the employ of municipalities are fulfilling its mandate to deliver timeous service delivery implementation plans according to the Batho Pele Principles. The committee took note of the reports submitted.

c. COMPLIANCE WITH MFMA AND OTHER APPLICABLE LEGISLATIONS

Council was advised to effect consequence management to enhance compliance with prescribed legislations and standards. The committee cautioned management to avoid any procurement that will constitute irregular expenditure. The municipality owed the Office of the Auditor-General South Africa more than R10m. The committee advised management to prioritise all outstanding creditors to comply with expenditure management prescripts. The Disciplinary Board or Consequence Management Committee did not sit for almost two years and therefore inactive. This indicates that no investigations for irregular, fruitless and wasteful expenditure could be done. The municipality was cautioned on numerous occasions to ensure that the chairperson of this committee is appointed in order to be active and functional.

8 EXTERNAL AUDITOR'S REPORT

The committee had various engagements with external auditors of Auditor General of South Africa (AGSA) to discuss the audit outcomes and recommendations to improve the municipal outcomes in the future. The committee reviewed the engagement letter, audit strategy, and progress on status of audit was presented to the audit committee by AGSA. The audit committee concurs with and accepts the conclusion and audit opinion of AGSA on the annual financial statements. The committee is of the view that the audited financial statements be accepted and read together with the report of the external auditors. The audit committee confirms that it has

been actively involved throughout the audit process and concurs with the material findings on the audit report. The audit committee has met with the external auditors to ensure that there are no unresolved issues and acknowledges the diligence and cooperation of the external audit team.

9 REPORTING

The committee submitted reports with recommendations on a quarterly basis to Council.

10 CONCLUSION

While the committee strives to add value to strengthen the governance of the municipality, the benefit thereof can only be derived through combined efforts of both management and council to implement the resolutions and recommendations provided from the committee sittings. The committee would like to urge management and council to work as a collective towards achieving better audit outcomes.

On behalf of the audit , performance, and risk committee:

A handwritten signature in black ink, appearing to read 'Thenjiswa Lydia Kati', written in a cursive style.

THENJISWA LYDIA KATI CHAIRPERSON OF AUDIT,
PERFORMANCE AND RISK COMMITTEE

ANNEXURE C : ANNUAL FINACIAL STATEMENTS



Kgatelopele Local Municipality (Registration number NC086)
Annual Financial statements for the year ended 30 June

2022

General Information

Country of incorporation and domicile	South Africa
Legal form of entity	Municipality
Relevant Legislation	Constitution of the Republic of South Africa (Act No. 108 of 1996)
	Municipal Finance Management Act (Act 56 of 2003)
	Division of Revenue Act
	The Income Tax Act (Act No. 58 of 1962)
	Value Added Tax Act (Act No. 117 of 1998)
	Municipal Structures Act (Act No. 32 of 2000)
	Water Service Act (Act No.108 of 1997)
	Housing Act (Act No. 107 of 1997)
	Municipal Property Rates Act (Act No. 6 of 2004)
	Electricity Act (Act No. 41 of 1987)
	Skills Development Levies Act (Act No. 9 of 1999)
	Employment Equity Act (Act No. 55 of 1998)
	Unemployment Insurance Act (Act No. 30 of 1966)
	Basic Conditions of Employment Act (Act No. 75 of 1997)
	Municipal System Amendment Act (Act No. 7 of 2011)
	Municipal Planning and Performance Mngement Regulations
	Municipal Supply Chain Management Regulations

Municipal Collective Agreements

Municipal Budget and Reporting Regulations

MFMA Circulars and Regulations

Mayoral committee

Executive Mayor

Nona Irene Williams

Councillors

Gabanthate Dorcas Burger

Silvia Gloria Edwards

Ronel Victoria Haai

Patience Leburu

Mosala George Leutlwetse

Francois Maritz

Denys Reginald Pienaar

Frikkie Sebelego

Jan Slinger

Anna Christina Van Zyl

Chief Finance Officer (CFO)

Beauty Rooibaadjie (Acting from 01/04/2022)

Ophelia Sauli (Resigned on 24/02/2022)

Accounting officer

Willie Blunden

(Appointed on 1 August 2022)

A. Tietes (Acting from July 2021 to 31 July 2022)

Registered office 222 Barker Street

Danielskuil

8405

Business address 222 Barker Street

Danielskuil

8405

Bankers First National Bank

General Information

Auditors Auditor General South
Africa

Attorneys Van De Wall Inc.

Index

The reports and statements set out below comprise the annual financial statements presented to the local municipality:

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Statement of Comparison of Budget and Actual Amounts 10	141
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Abbreviations	
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

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

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

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

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

The annual financial statements set out on page 6-81, which have been prepared on the going concern basis, were approved by the Accounting officer on 31 August 2022 and were signed on its behalf by:

Willie Blunden
Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 6 times per annum as per its approved terms of reference. During the current year, 6 meetings were held.

Name of member	Number of meetings attended
Mrs T.Kati (Chairperson)	6
Mr M. Jarvis	6
Dr M Phera (resigned on 17/02/2022)	5

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA. The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The committee has performed the following key responsibilities:

- Adopted the audit and risk management charter and proposed approved to council; • Reconfirm the appropriateness of the internal audit charter and methodology; • Recommended the risk management strategy and policy to council.
- Approved the internal audit plan for the financial year and monitored to the implementation of the plan;
- Evaluated the findings raised by internal and external audit and made recommendations on addressing those matters;
- Performed a review of financial information submitted to the committee and commented specifically on concerns raised based on year-to-date information and accuracy of projections;
- Liaised with the Auditor-General on matters relating to communication with those charged with governance.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the municipality during the year under review. **Evaluation of annual financial statements**

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and ;

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

- Reviewed the Auditor-General of South Africa's management report and management's response thereto;
- Reviewed the entities compliance with legal and regulatory provisions;
- Reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. **Auditor-General of South Africa**

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: _____

Statement of Financial Position as at 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Assets			
Current Assets			
Inventories	3	2 339 460	2 799 554
Receivables from non-exchange transactions	4&5	18 115 309	16 072
			146
VAT receivable	6	15 716 060	6 162 268
Receivables from exchange transactions	7	25 805 932	13 696
			655
Cash and cash equivalents	8	75 803 344	20 060
			580
		137 780 105	58 791
Non-Current Assets			
Investment property	9		203
			51 845
		52 041 248	372
Property, plant and equipment	10	373 938 139	338 996
			602
Intangible assets	11	2 155 728	2 383 782
Heritage assets		1 151 058	1 151 058
		429 286 173	394 376
			814

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Total Assets	12	567 066 278	453	168
			017	
Liabilities				
Current Liabilities				
Short- term employee benefits				
	13	3 592 406	3 589 758	
Payables from exchange transactions	14	43 056 918	34 339	
			784	
Consumer deposits	16	1 415 378	1 552 832	
Employee benefit obligation	17	192 000	27 394	
Unspent conditional grants and receipts	18	75 666 063	18 687	
			938	
		123 922 765	58 197	
Non-Current Liabilities				
Employee benefit obligation	17		706	
		2 028 000	1 832 762	
Provisions	19	6 672 044	3 561 861	
		8 700 044	5 394 623	
Total Liabilities		132 622 809	63 592	
			329	
Net Assets		434 443 469	389	575
Accumulated surplus			688	
		434 443 464	389	575
			686	
Total Net Assets		434 443 464	389	575
			686	

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Statement of Financial Performance

Figures in Rand	Note(s)	2022	2021 Restated*
Revenue			
Revenue from exchange transactions			39 110
Service charges	21	41 663 453	243
Rental of facilities and equipment	22	180 864	199 468
Other income	23	427 077	311 937
Interest received - investment	24	4 027 263	2 853 193
Total revenue from exchange transactions		46 298 657	42 474
Revenue from non-exchange transactions			841
Taxation revenue	25		14 573
Property rates		14 657 516	593
Licences and Permits	26	1 226 119	928 798
Interest	27	706 290	1 629 214
Transfer revenue			66 797
Government grants & subsidies	28	88 784 874	792
Public contributions and donations	29	1 822 678	7 847 285
Fines, Penalties and Forfeits	30	24 026	13 450
Total revenue from non-exchange transactions		107 221 503	91 790
Total revenue	20		132
		153 520 160	134 264
Expenditure			973
Employee related costs	31		37 422
		40 973 274	425
Remuneration of councillors	32	3 934 867	2 686 096
Depreciation and amortisation	33	17 957 802	17 600
			955
Finance costs	34	1 832 223	1 012 309
Bad debts written off	35	-	4 894 525
Bad debts written off		(9 590 945)	-
Bulk purchases	36	24 636 879	20 475
			330
Contracted services	37	18 749 785	14 864
			071
General Expenses	38	10 138 281	9 706 776
Total expenditure		108 632 166	108 662
			487

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Operating surplus		44 887 994	25 602 486
Gain (loss) on disposal of assets and liabilities		6 905	(683 265)
Actuarial gains/losses	17	(27 121)	(374 190)
		(20 216)	(1 057 455)
Surplus for the year		44 867 778	24 545 031

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
		366 238 390
Opening balance as previously reported	366 238 390	390
Adjustments		(1 475 816)
Prior year adjustments	(1 475 816)	816
Balance at 01 July 2020 as restated*	365 030 655	365 030 655
Changes in net assets		24 545 031
Surplus for the year	24 545 031	031
Total changes	24 545 031	24 545 031
Restated* Balance at 01 July 2021	389 575 686	389 575 686
Changes in net assets		44 867 778
Surplus for the year	44 867 778	778
Total changes	44 867 778	44 867 778
Balance at 30 June 2022	434 443 464	434 443 464

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Cash Flow Statement

Figures in Rand	Note(s)	2022	2021 Restated*
Cash flows from operating activities			
Receipts			48 435
Sale of goods and services		27 362 471	263
Grants		159 110 525	82 506
			722
Interest income		4 027 263	4 196 553
		190 500 259	135 138
			538
Payments			(40 108
Employee costs		(47 475 583)	521)
Suppliers		(35 690 772)	(38 239
			346)
Finance costs		(1 832 223)	(1 012
			309)
Net cash flows from operating activities		(84 998 578)	(79 360
			176)
Cash flows from investing activities		105 501 681	55 778
	40		362
Purchase of property, plant and equipment			(50 056
			411)
	10	(50 444 135)	411)
Proceeds from sale of property, plant and equipment	10	557 633	12 493
			487
Proceeds from sale of investment property	9	273 860	-
Purchase of other intangible assets	11	(146 275)	(2 587
			234)
Net cash flows from investing activities		(49 758 917)	(40 150
			158)
Cash flows from financing activities			
Provisions			
		2 648	-
Net movements on provisions		2 648	-
Net cash flows from financing activities		-	-
			15 628
Net increase/(decrease) in cash and cash equivalents		55 742 764	204
	8	20 060 580	4 432 376

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Cash and cash equivalents at the beginning of the year

75 803 344 20 060**Cash and cash equivalents at the end of the year****580**

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts		Reference
Figures in Rand				Difference on comparable between final basis budget and actual		

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	69 602 393	(4 464 783)	65 137 610	41 663 453	(23 474 157)	1
Rental of facilities and equipment	361 404	(35 000)	326 404	180 864	(145 540)	2
Other income	1 970 224	(378 708)	1 591 516	427 077	(1 164 439)	3
Interest received - investment	367 780	494 200	861 980	4 027 263	3 165 283	4

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

	72 301 801	(4 384 291)	67 917 510	46 298 657	(21 618 853)	
				14 657		
21 605 416	33 704	21 639 120	516	(6 981 604)		5
948 650	-	948 650	1 226 119	277 469		6
2 021 362	1 200	3 221 526	706 290	(2 515 236)		7
	164					
	44 450		88 784			
120 944 000	129	165 394 129	874	(76 609 255)		8
-	-	-	1 822 678	1 822 678		
1 190 527	(119 053)	1 071 474	24 026	(1 047 448)		9
146 709 955	45 564 944	192 274 899	107 221 503	(85 053 396)		
219 011 756	41 180 653	260 192 409	153 520 160	(106 672 249)		
		(41 638 712)	(40 973 274)	665 438		
(42 525 200)	886 488	(3 701 773)	(3 934 867)	(233 094)		
(3 546 917)	(154 856)					
(13 974 824)	-	(13 974 824)	(17 957 802)	(3 982 978)		10
(162 628)	(411 629)	(574 257)	(1 832 223)	(1 257 966)		11
(4 471 887)	-	(4 471 887)	-	4 471 887		12
-	-	-	9 590 945	9 590 945		
(25 754 369)	-	(25 754 369)	(24 636 879)	1 117 490		13
(15 244 326)	(2 307 152)	(17 551 478)	(18 749 785)	(1 198 307)		14
(2 789 876)	746 882	(2 042 994)	(10 138 281)	(8 095 287)		18
	2 910 253	(14 928 604)		14 928 604		19
(17 838 857)	1 669 986	(124 638 898)	108 632 166)	16 006 732		
(126 308 884)						
92 702 872	42 850 639	135 553 511	44 887 994	(90 665 517)		
-	-	-	6 905	6 905		

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Total revenue from exchange transactions	-	-	-	(27 121)	(27 121)
Revenue from non-exchange transactions	-	-	-	(20 216)	(20 216)
Taxation revenue	92 702 872	42 850 639	135 553 511	44 867 778	(90 685 733)

Property rates

Licences and Permits Interest

Transfer revenue

Government grants & subsidies Public contributions and donations

Fines, Penalties and Forfeits

Total revenue from nonexchange transactions

Total revenue

Expenditure Employee related costs

Remuneration of councillors

Depreciation and amortisation

Finance costs

Debt Impairment

Bad debts written off

Bulk purchases

Contracted Services

General Expenses Other expenditure

Total expenditure

Operating surplus

Gain on disposal of assets and liabilities

Actuarial gains/losses

Surplus for the year

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Reference
				Difference on comparable between final basis budget and actual	
Figures in Rand					
Actual Amount on Comparable Basis as Presented in the	92 702 872	42 850 639	135 553 511	44 867 778	(90 685 733)

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Budget and Actual Comparative Statement

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts	Reference
				Difference on comparable between final basis budget and actual	
Figures in Rand					
Statement of Financial Position					
Assets					
Current Assets					
Inventories	5 132 410	539 026	5 671 436	2 339 460	(3 331 976)
Receivables from non-exchange transactions	535 991	31 825 868	32 361 859	18 115 309	(14 246 550)
Receivables from exchange	26 746 016	(2 304 885)	24 441 131	25 805 932	1 364 801
Cash and cash equivalents	21 438 584	3 961 048	25 399 632	75 803 344	50 403 712
	53 853 001	34 021 057	87 874 058	122 064 045	34 189 987
Non-Current Assets					
Investment property	51 845 373	-	51 845 373	52 041 248	195 875
Property, plant and equipment	412 490 036	41 617 802	454 107 838	373 938 139	(80 169 699)
Intangible assets	191 254	-	191 254	2 155 728	1 964 474
Heritage assets	1 151 058	-	1 151 058	1 151 058	-
	465 677 721	41 617 802	507 295 523	429 286 173	(78 009 350)
Total Assets					
Liabilities					
Current Liabilities					
Short-term employee benefits	-	-	-	3 592 406	3 592 406
Payables from exchange transactions	34 275 835	41 069 777	75 345 612	43 056 918	(32 288 694)
VAT payable	-	-	-	2 362 198	2 362 198
Consumer deposits	1 524 827	-	1 524 827	1 415 378	(109 449)
Employee benefit obligation	-	-	-	192 000	192 000

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Unspent conditional grants and receipts	-	-	-	75 666 063	75 666 063
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	35 800 662	41 069 777	76 870 439	126 284 963	49 414 524
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Non-Current Liabilities

Employee benefit obligation	-	-	-	2 028 000	2 028 000
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Provisions	-	-	-	6 672 044	6 672 044
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Total Liabilities

Net Assets	35 800 662	41 069 777	76 870 439	134 985 007	
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Net Assets	483 730 060	34 569 082	518 299 142	416 365 211	58 114 568
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Reserves	060	082		211	(101 933 931)
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Accumulated surplus

483 730 060	34 569 082	518 299 142	416 365 211	(101 933 931)
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts Difference on comparable between final basis budget and actual	Reference
Figures in Rand					
Cash Flow Statement					
Cash flows from operating activities					
Receipts					
Sale of goods and services	84 278 243	(4 416 066)	79 862 177	54 949 655	(24 912 522)
Grants	120 944 000	44 450 129	165 394 129	49 144 397	(116 249 732)
Interest income	367 7803 715 726	4 083 506	4 062 845	(20 661)	
	205 590 023	43 749 789	249 339 812	108 156 897	(141 182 915)
Payments					
Employee costs	(107 699 545)	2 081 615	(105 617 930)	(48 328 819)	57 289 111
Suppliers	-	-	-	15 288 658	15 288 658
Finance costs					
Capital assets	(162 628)	(411 629)	(574 257)	(546 436)	27 821
Net cash flows from operating activities	(93 564 439)	(44 241 690)	(137 806 129)	-	137 806 129
Net increase/(decrease) in cash and cash equivalents	(201 426 612)	(42 571 704)		(33 586 597)	210 411 719
Cash and cash equivalents at the beginning of the year	4 163 411	1 178 085	(243 998 316)	74 570 300	69 228 804
Cash and cash equivalents at the end of the year	4 163 411	1 178 085	5 341 496	39 533 095	34 191 599
	18 500 000	1 558 136	20 058 136	20 034 479	(23 657)
	22 663 411	2 736 221	25 399 632	59 567 574	34 167 942

[1] The variance was as a result of low collections during the year

[2] The variance on rentals was as a result of the municipal halls not being in a good condition hence the reduced number of hall hires during the year.

[3] The variance was as a result of an increase in the grants receipts.

[5] The variance was as a result of over budgeting for property rates.

[9] The variance was as a result of lower expenditure on the conditional grants

Accounting Policies

[9] This was due to low fines recorded during the year

[10] The increase is due to depreciation not calculated for the current year.

[12] The variance is as a result on debt impairment not being posted.

[13] The variance was as a result of lower electricity consumption resulting in reduced Eskom bill.

[14] The variance was due to the municipality incurring less contracted services during operations.

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Accounting Policies

Figures in Rand

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

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised

Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below. **1.1 Presentation currency**

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

Accounting Policies

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:

Other significant judgements, sources of estimation uncertainty and/or relating information, have been disclosed in the relating notes.

Trade receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

Impairment testing

Accounting Policies

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

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

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 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

Post-retirement benefits

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

The 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 17.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows..

Allowance for doubtful debts

Timing of Assessment

The municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

Evidence of Impairment

The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a combined credit balance at reporting date;
- Receivable accounts where the combined balance at reporting date is zero;

- Receivable accounts where the Municipality is the owner; and receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due.
- Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.
- A receivables that have been placed under or applied for liquidation or sequestration;
- Where the last payment date by the customer was before 15th May of each year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt;
- When accounts have been formally presented to Council for write off; and all accounts with balances outstanding 31 days and longer as these accounts are considered to be past due.

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 entity, 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.

Accounting Policies

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

1.5 Investment property (continued)

Fair value

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

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

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

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

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

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service 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.

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

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

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

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

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

Accounting Policies

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

1.6 Property, plant and equipment (continued)

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

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

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

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

Accounting Policies

property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

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

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

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

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

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

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

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

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

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

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

1.6Property, plant and equipment (continued)

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

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

Accounting Policies

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

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

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	10 - 100 years
Plant and machinery	Straight-line	5- 15 years
Furniture and fixtures	Straight-line	7- 10 years
Motor vehicles	Straight-line	5- 20 years
Office equipment	Straight-line	3-5 years
IT equipment	Straight-line	3-5 years
Solid waste infrastructure	Straight-line	10- 50 years
Sport facilities	Straight-line	15- 30 years
Stormwater infrastructure	Straight-line	20- 50 years
Wastewater network	Straight-line	20- 100 years
Water network	Straight-line	15- 80 years
Service concession assets	Straight-line	Indefinite
Housing	Straight-line	15- 100 years
Road Infrastructure	Straight-line	7- 100 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of

Accounting Policies

property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 Intangible assets

An asset is identifiable if it either:

Accounting Policies

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

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

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

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.

Accounting Policies

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:

Computer software, internally generated

Item	Depreciation method	Average useful life
	Straight-line	5 years

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

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

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

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

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

1.9 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Accounting Policies

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

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

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

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

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

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

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.

Accounting Policies

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

Accounting Policies

(continued)

1.10 Financial instruments

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

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

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

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

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

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

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

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

A financial asset is:

- cash;
- a residual interest of another 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.

Accounting Policies

(continued)

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

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

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

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

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

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

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

1.10 Financial instruments

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

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

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

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

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

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that: • the municipality designates at fair value at initial recognition; or • are held for trading.

Accounting Policies

(continued)

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

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

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

1.11 Statutory receivables

Identification

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

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

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

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

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

1.11 Statutory receivables

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

Accounting Policies

(continued)

- 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.

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.

Accounting Policies

(continued)

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.

1.11 Statutory receivables

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

VAT

Accounting Policies

(continued)

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

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.

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.

Accounting Policies

1.13 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for; distribution at no charge or for a nominal charge; or consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

Accounting Policies

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the

related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or

related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.15 Initial recognition

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

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.

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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Accounting Policies

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cashgenerating assets, are as follows:

[Specify judgements made]

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cashgenerating. The designation is made on the basis of an entity's objective of using the asset.

The entity 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.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cashgenerating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cashgenerating assets, rather than this accounting policy.

1.16 Tax (continued)

Identification

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

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

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

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity

Accounting Policies

operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and • income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

1.16 Tax (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss

Accounting Policies

does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

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

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

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

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

Redesignation

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

1.17 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.

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

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.

Accounting Policies

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cashgenerating assets, are as follows:

Designation

At initial recognition, the entity designates an asset as non-cash-generating, or an asset or cash-generating unit as cashgenerating. The designation is made on the basis of an entity's objective of using the asset.

The entity 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 entity 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.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cashgenerating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the entity designates the asset as a non-cash-generating asset and applies this accounting policy, rather than the accounting policy on Impairment of Non-cash-generating assets. **Identification**

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

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

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

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

Accounting Policies

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

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

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

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

Redesignation

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

1.18 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be

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used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

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1.18 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

Accounting Policies

1.18 Employee benefits (continued)

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

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

Post-employment benefits: Defined contribution plans

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

When an employee has rendered service to the entity during a reporting period, the entity recognises 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 entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the 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.

Accounting Policies

1.18 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

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

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

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts: • the present value of the defined benefit obligation at the reporting date;

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

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

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

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either: • terminate the employment of an employee or group of employees before the normal retirement date; or • provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

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

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

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

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

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

Accounting Policies

1.18 Employee benefits (continued)

1.19 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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1.19 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and

- not associated with the ongoing activities of the entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

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

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

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

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the

Accounting Policies

obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.19 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity tests the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.16 and 1.17.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that: - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
- an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

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

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
- 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 entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

1.21 Revenue from exchange transactions (continued)

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

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non-contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

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

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- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity 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 entity; 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 entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

Revenue arising from the use by others of entity assets yielding interest 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 using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables. Interest levied on transactions arising from exchange or non-exchange transactions is classified based on the nature of the underlying transaction.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

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1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in

the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises 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. **(continued)**

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.

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1.22 Revenue from non-exchange transactions

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a nonexchange 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.

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.

Taxes

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

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources.

Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Transfers

Accounting Policies

1.22 Revenue from non-exchange transactions

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

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

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

Debt forgiveness and assumption of liabilities

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

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

(continued)

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.

Bequests

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

Services in-kind

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

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

1.23 Investment income

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

1.24 Borrowing costs

Accounting Policies

1.22 Revenue from non-exchange transactions

1.25 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).

Recognition

The entity, 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 entity, 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 entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP. **1.26 Comparative figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. **1.27 Unauthorised expenditure** Unauthorised expenditure means:

Accounting Policies

1.27 Unauthorised expenditure (continued)

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.28 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.29 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy.

Irregular expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

1.30 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2021/07/01 to 2022/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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.

1.31 Related parties

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Notes to the Annual Financial Statements

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

1.31 Related parties (continued)

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 entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

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The entity 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.

1.33 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.

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.

Figures in Rand	2022	2021
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 25 (as revised): Employee Benefits	01 April 2022	Unlikely there will be a material impact

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iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interactions.Financial instruments	01 April 2022	Unlikely there will be a material impact
GRAP 104 (as revised): Financial instruments	01 April 2025	Unlikely there will be a material impact
iGRAP 21: The Effect of Past Decision on Materiality	01 April 2023	Unlikely there will be a material impact

3. Inventories

Land	1 006 342	1 006 342
Consumable stores	-	486 405
Maintenance materials	1 304 286	1 277 975
Water for distribution	28 832	28 832

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

4. Receivables from non-exchange transactions

Consumer debtors - Rates

2 339 460	2 799 554
-----------	-----------

18 115 309	16 072 146
------------	------------

5. Consumer debtors - Rates

Gross balances

Consumer debtors - Rates

21 272 416	20 381 863
------------	------------

Less: Allowance for impairment

Consumer debtors - Rates

	(4 309)
(3 157 107)	717)

Net balance

Consumer debtors - Rates

18 115 309	16 072 146
------------	------------

Rates

Current (0 -30 days)

31 - 60 days

61 - 90 days

91 - 120 days

121 - 365 days

> 365 days

Undefined Difference

-	216 343
851 288	781 510
801 357	619 979
1 737 314	526 219
329 845	429 183
9 642 691	7 161
	446
4 752 814	6 337 466

6. VAT receivable

VAT

18 115 309	16 072 146
------------	------------

	6 162
15 716 060	268

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Annual Financial Statements for the year ended 30

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
7. Receivables from exchange transactions - Consumer debtors		
Gross balances		3 085
Electricity	5 904 567	729
Water	25 387 960	27 936 081
Sewerage	11 491 133	10 588 440
Refuse	10 725 224	8 222
		513
Sundry receivables	921 811	916 923
	54 430 695	50 749 686
Less: Allowance for impairment		(2 161
Electricity	(1 189 642)	869)
Water	(12 808 369)	(20 570
		254)
Sewerage	(10 382 702)	(9 227
		905)
Refuse	(4 244 050)	(5 093
		003)
	(28 624 763)	(37 053
Net balance		031)
Electricity		
	4 714 925	923 860
Water	12 579 591	7 365
		827
Sewerage	1 108 431	1 360
		535
Refuse	6 481 174	3 129
		510
Sundry Receivables	921 811	916 923
	25 805 932	13 696 655
Electricity		
Current (0 -30 days)	1 330 810	-
31 - 60 days	207 946	441 932
61 - 90 days	321 074	260 512
91 - 120 days	117 933	958 265

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Notes to the Annual Financial Statements

121 - 365 days	226 893	837 954
> 365 days	3 369 770	1 267 323
Undefined Difference	(859 501)	(2 842 126)
	4 714 925	923 860
Water		
Current (0 -30 days)	914 777	755 915
31 - 60 days	576 867	588 774
61 - 90 days	1 129 465	530 999
91 - 120 days	846 742	487 430
121 - 365 days	799 835	565 576
> 365 days	1 705 116	1 298 807
Undefined Difference	6 606 789	3 138 326
	12 579 591	7 365 827
Sewerage		
Current (0 -30 days)	260 869	246 658
31 - 60 days	183 581	183 242
61 - 90 days	160 489	174 409
91 - 120 days	150 347	270 939
121 - 365 days	524 626	227 891
> 365 days	18 952 236	985 898
Undefined Difference	(19 123 717)	(728 502)
	1 108 431	1 360 535
Figures in Rand	2022	2021

7. Receivables from exchange transactions - Consumer debtors (continued)

Refuse		
Current (0 -30 days)	596 467	564 972
31 - 60 days	528 092	502 511
61 - 90 days	506 999	2 574 184
91 - 120 days	441 793	465 100
121 - 365 days	623 198	220 547

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Annual Financial Statements for the year ended 30

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Notes to the Annual Financial Statements

> 365 days	4 272 588	739 761
Undefined Difference	(487 963)	(1 937 565)
	6 481 174	3 129 510
Business service levies		
Current (0 -30 days)		
	856 985	151 528
31 - 60 days	986 332	502 589
61 - 90 days	258 656	125 282
91 - 120 days	125 365	258 698
121 - 365 days	145 286	150 008
	222 911	130 837
Undefined Difference	(2 595 535)	(1 318 942)
	-	-
Housing rental		
Current (0 -30 days)		
	14 696	12 943
31 - 60 days	10 479	9 868
61 - 90 days	9 979	7 935
91 - 120 days	4 318	6 785
121 - 365 days	8 790	5 026
> 365 days	56 239	186 007
Undefined Difference	(104 501)	(228 564)
	-	-
Other (specify)		1 951
Current (0 -30 days)	1 325 651	436
31 - 60 days	(253 348)	1 024
		405
61 - 90 days	(104 669)	(267 424)
91 - 120 days	(561)	273 149
121 - 365 days	137 649	314 553
> 365 days	(684 701)	(1 708 636)
	501 790	(670 560)
	921 811	916 923

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30
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Figures in Rand	2022	2021
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Notes to the Annual Financial Statements

8. Cash and cash equivalents (continued)

Cash on hand	-	1 704
Bank balances	113 280	362 993
Short-term deposits	75 690 064	19 695 883
	75 803 344	20 060 580

Undefined Difference

Reconciliation of allowance for impairment	(34 948 700)	700
Balance at beginning of the year	(34 948 700)	700
Contributions to allowance	1 521 152	(2 104 331)
Undefined Difference	4 802 785	-
	(28 624 763)	(37 053 031)

8. Cash and cash equivalents

Cash and cash equivalents consist

of:

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2022	30 June 2021	30 June 2020	30 June 2022	30 June 2021	30 June 2020
First National Bank - BusinessCheque Account 52003878794	113 335	362 993	688 174	113 279	362 993	261 022
First National Bank - MIG Callaccount 62021476313	12 590 746	11 478 864	3 831 977	12 590 746	11 478 864	3 831 995
First National Bank - WSIG Callaccount 62714846500	392 217	7 165 935	517	392 217	7 165 935	516
First National Bank - MSIG Callaccount 62627395347	2 000	1 019 862	5 000	2 000	1 019 862	5 000
First National Bank - FMG Callaccount 62627396155	5 000	5 004	5 000	5 000	5 004	5 000
First National Bank - EPWP Callaccount 62627396915	5 000	5 000	5 000	5 000	5 000	5 024

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Notes to the Annual Financial Statements

First National Bank - Library Callaccount 62627394498	5 000	5 000	5 014	5 000	5 000	5 014
First National Bank DisasterManagement account62822654530	1 466	10 841	311 805	1 466	10 841	31 805
First National Bank - INEP Callaccount 62289233547	317 417	18	-	317 417	18	-
First National Bank - Trafficaccount 62798890630	4 219	5 359	5 000	4 219	5 359	5 000
First National Bank - RBIG 76200036773	62 367 000	-	-	62 367 000	-	-
Total	75 803 400	20 058 876	4 857 487	75 803 344	20 058 876	4 150 376

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Notes to the Annual Financial Statements

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9. Investment property

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property						
Reconciliation of investment property - 2022						
	52 041 248	-	52 041 248	51 845 372	-	51 845 372

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	51 845 372	(273 860)	469 736	52 041 248
Reconciliation of investment property - 2021				

	Opening balance	Total
Investment property	51 845 372	51 845 372

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Notes to the Annual Financial Statements

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.

Figures in Rand

10. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	13 351 397	-	13 351 397	13 351 397	-	13 351 397
Plant and machinery	2 474 424	(1 663 680)	810 744	2 091 940	(1 372 376)	719 564
Furniture and fixtures	1 917 098	(1 532 444)	384 654	1 731 909	(1 486 784)	245 125
Transport Assets	7 590 793	(6 143 700)	1 447 093	7 737 692	(5 693 404)	2 044 288
IT equipment	2 736 012	(1 811 728)	924 284	2 412 121	(1 563 818)	848 303
Electrical Infrastructure	113 935 717	(67 159 085)	46 776 632	113 928 997	(63 389 115)	50 539 882
Community facilities	11 529 936	(10 125 282)	1 404 654	11 795 790	(10 213 612)	1 582 178
Roads Infrastructure	166 435 188	(99 215 264)	67 219 924	166 489 253	(95 250 018)	71 239 235

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Notes to the Annual Financial Statements

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Solid Waste Infrastructure	6 735 030	(3 518 471)	3 216 559	4 566 220	(3 258 267)	1 307 953
Storm water Infrastructure	20 879 171	(8 874 109)	12 005 062	20 879 171	(8 238 758)	12 640 413
Sanitation Infrastructure	117 058 801	(32 845 245)	84 213 556	117 058 801	(28 645 626)	88 413 175
Water supply infrastructure	76 830 354	(30 477 094)	46 353 260	76 896 678	(27 828 204)	49 068 474
Work in progress	88 460 161	-	88 460 161	38 952 937	-	38 952 937
Buildings	16 723 135		7 370 159	16 771 727		8 043 678
Total	646 657 217	(9 352 976)	373 938 139	594 664 633	(8 728 049)	338 996 602
		(272 719 078)			(255 668 031)	

10. Property, plant and equipment (continued)

	Opening balance	Difference	Additions	Disposals	Transfers received	Other changes, movements	Depreciation	Impairment loss	Total
Land	13 351 397	-	-	-	-	-	-	-	13 351 397
Plant and machinery	719 564	-	382 484	-	-	-	(291 304)	-	810 744
Furniture and fixtures	245 125	-	340 666	(28 527)	-	(48 898)	(123 712)	-	384 654
Transport assets	2 044 288	-	-	(87 365)	-	(18 900)	(490 930)	-	1 447 093
Computer equipment	848 303	-	265 131	-	-	58 704	(247 854)	-	924 284

Kgatelopele Local Municipality (Registration number NC086)

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Notes to the Annual Financial Statements

Electrical Infrastructure	50 539 882	-	-	-	-	6 720	(3 769 970)	-	46 776
									632
Community facilities	1 582 178	-	-	(265 854)	265 854	-	(168 767)	(8 757)	1 404 654
Roads Infrastructure	71 239 235	-	-	(54 065)	43 587	-	(3 477 365)	(531 468)	67 219
									924
Solid Waste Infrastructure	1 307 953	1 114 592	-	-	-	4 660 943	(3 866 929)	-	3 216 559
Storm water Infrastructure	12 640 413	-	-	-	-	-	(635 351)	-	12 005
									062
Sanitation Infrastructure	88 413 175	-	-	-	-	-	(4 199 619)	-	84 213
									556
Water supply infrastructure	49 068 474	-	-	(66 324)	14 963	-	(2 396 098)	(267 755)	46 353
									260
Work in progress	38 952 937	-	49 455 854	-	-	51 370	-	-	88 460
									161
Buildings	8 043 678	-	-	(48 593)	37 355	-	(657 755)	(4 526)	7 370 159
Undefined Difference	-	-	-	-	-	-	(2 367 852)	-	-
	338 996 602	1 114 592	50 444 135	(550 728)	361 759	4 709 939	(20 325 654)	(812 506)	373 938
									139
Reconciliation of property, plant and equipment - 2022									

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Difference	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
Land	13 351 397	-	-	-	-	-	-	13 351 397
Plant and machinery	966 646	-	-	-	-	(247 082)	-	719 564
Furniture and fixtures	350 209	-	-	-	-	(105 084)	-	245 125
Transport assets	3 349 341	-	-	(21 983)	-	(1 283 070)	-	2 044 288
Computer equipment	618 947	(182 574)	661 747	-	-	(249 817)	-	848 303
Electrical Infrastructure	44 989 689	-	9 773 175	(1 481 955)	1 065 741	(3 795 082)	(11 686)	50 539 882
Community facilities	1 873 804	-	-	(55 723)	55 723	(246 004)	(45 622)	1 582 178
Road Infrastructure	74 194 052	-	-	-	-	(2 954 817)	-	71 239 235
Solid Waste Infrastructure	3 647 439	-	-	-	(1 801 657)	(537 829)	-	1 307 953
Storm Water Infrastructure	13 275 826	-	-	-	-	(635 413)	-	12 640 413
Sanitation Infrastructure	84 101 440	-	8 269 889	(829 779)	552 793	(3 679 013)	(2 155)	88 413 175

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Notes to the Annual Financial Statements

Water supply infrastructure	51 747 485	-	-	(146 611)	74 850	(2 585 851)	(21 399)	49 068	
								474	
Work in progress	19 192 847	-	30 392 988	(10 632 898)	-	-	-	38 952	
								937	
Buildings	7 790 182	-	958 612	(7 803)	251	(682 080)	(15 484)	8 043 678	
Undefined Difference	-	-	-	-	-	(1 068 414)	-	-	
	319 449 304	(182 574)	50 056 411	(13 176 752)	(52 299)	(17 001 142)	(96 346)	338 602	996

Assets subject to finance lease (Net carrying amount)

Property, plant and equipment in the process of being constructed or developed

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2022

	Buildings	Roads	Sanitation Infrastructure	Solid waste Infrastructure	Water	Total	
Opening balance	722 087	1 527 510	10 957 449	25 218 491	527 399	38 952	
						936	
Additions	-	9 835 905	10 046 035	18 110 265	-	37 205	992
	722 087	11 363 415	21 003 484	43 328 756	527 399	76 141	945

Kgatelopele Local Municipality (Registration number NC086)

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Notes to the Annual Financial Statements

Reconciliation of Work-in-Progress 2021

	1	1					
	Buildings	Electrical Infrastructure	Roads	Sanitation Infrastructure	Solid waste Infrastructure	Water infrastructure	Total
Opening balance	861 680	1 739 131	-	3 889 485	12 436 151	266 399	19 192 846
Additions	722 087	2 403 898	1 527 510	12 973 355	12 782 340	261 000	30 670 190
Transfers	(861 680)	(4 143 029)	-	(5 905 391)	-	-	(10 910 100)
Total	722 087	-	1 527 510	10 957 449	25 218 491	527 399	38 952 936

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	6 066 376	2 194 363

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.

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Notes to the Annual Financial Statements

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11. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software						
Reconciliation of intangible assets - 2022						
	2 989 550	(833 822)	2 155 728	2 791 237	(407 455)	2 383 782

	Opening balance	Additions	Amortisation	Total
Computer software	2 383 782	146 275	(374 329)	2 155 728

Reconciliation of intangible assets - 2021

	Opening balance	Difference	Additions	Amortisation	Total
Computer software	191 254	(137 815)	2 587 234	(256 891)	2 383 782

Figures in Rand

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12. Heritage assets

	2022			2021		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings						
Reconciliation of heritage assets 2022	1 151 058	-	1 151 058	1 151 058	-	1 151 058

	Opening balance	Total
Historical buildings	1 151 058	1 151 058

Reconciliation of heritage assets 2021

	Opening balance	Total
Historical buildings	1 151 058	1 151 058

13. Short-term employee benefits

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.

Leave pay	2 743 336	2 803 525
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Bonus provision	849 070	786
Bonuses are being paid to all municipal staff, excluding section 57 employees.		233
The balances at year end represent the portion of the bonus that have already vested for the current salary cycle.		

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Figures in Rand	2022	2021
13.Short-term employee benefits (continued)		
Total short-term employee benefit		2 803
Leave pay	2 743 336	525
Bonus provision	849 070	786 233
	3 592 406	3 589 758
14. Payables from exchange transactions		
Trade payables	30 368 315	22 447 633
Other payable	9 828 696	10 350 277
Accrued bonus	1 107 900	1 100 007
Accrued expense	11 339	11 339
Unallocated deposits	163 862	62 342
Salary control account	1 210 892	265 493
Cash-in-Transit	365 914	102 693
	43 056 918	34 339 784
15. VAT payable		
16. Consumer deposits		
Electricity	1 415 378	1 552 832

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2022

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17. Employee benefit

obligations Long service award

The Long Service Award are defined benefit plans. As at year end, 115 employees were eligible for Long Service Award.

Kgatelopele Local Municipality (Registration number NC086)

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Notes to the Annual Financial Statements

Figures in Rand	2022	2021
17. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		(1 353
Opening Balance	(1 860 156)	278)
Current-service cost	(194 157)	(148 174)
Interest cost	(159 719)	(108 221)
Benefits vesting	21 153	123 707
Actuarial loss	(27 121)	(374 190)
	(2 220 000)	(1 860 156)
Non-current liabilities		(1 832 762)
		(2 028 000)
Current liabilities	(192 000)	(27 394)
	(2 220 000)	(1 860 156)

The municipality offers bonuses for every 5 years of completed services from 10 years to 45 years.

Long service accumulated leave must be taken within one year of receiving such leave or may wholly or partially cashed. Employees in most cases choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Net expense recognised in the statement of financial performance:

Net expense recognised in the statement of financial performance	359 844	506 878
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Net expense recognised in the statement of financial performance

	194 157	148 174
Current service cost	159 719	108 221
Interest cost	27 121	374 190
Actuarial (gains) losses Benefits vesting	(21 153)	(123 707)
	359 844	506 878

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11,25 %	8,65 %
Net effective discount rate	3,56 %	2,53 %
Expected increase in salaries	7,42 %	5,97 %

18. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	12 486 317	12 072 786
Municipal Infrastructure Grant - MIG	66 792	66 792
Housing Grant	62 367 000	-
Regional bulk infrastructure grant - RBIG	1 436	-
Disaster Management Grant	420 709	6 548
Water Infrastructure Grant - WSIG		343
Energy Efficiency Grant	323 809	17
	75 666 063	18 687 938

Figures in Rand	2022	2021
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18. Unspent conditional grants and receipts (continued)

Movement during the year

		3 952
Balance at the beginning of the year	18 687 938	230
Additions during the year	145 763 000	82 255 587
Income recognition during the year	(88 751 896)	(67 519 879)

Amounts surrendered to Treasury

(32 979)	-
75 666 063	18 687 938

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the entity has directly benefited; See note for reconciliation of grants from National/Provincial Government.

Kgatelopele Local Municipality (Registration number NC086)

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Notes to the Annual Financial Statements

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2022

2021

19. Provisions

Reconciliation of provisions - 2022

	Opening Balance	Additions	Total
Environmental rehabilitation	3 561 861	3 110 183	6 672 044

Reconciliation of provisions - 2021

	Opening Balance	Change in discount factor	Total
Environmental rehabilitation	5 031 766	(1 469 905)	3 561 861

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites of Kgatelopele Local Municipality.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by Infatec (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 9.39%.

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

Because of the time value of money, provisions relating to cash outflows that arise soon after the reporting date are more onerous than those where cash outflows of the same amount arise later. Provisions are therefore discounted, where the effect is material to settle the obligation. A brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits or service potential.

An indication of the uncertainties about the amount or timing of those outflows. Where necessary to provide adequate information, an entity shall disclose the major assumptions made concerning future events, as addressed in paragraph .61.

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted. **Key assumptions**

Kgatelopele Local Municipality (Registration number NC086)

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Total Site Area	48 905 m ²
Area of waste body to be rehabilitated in future (waste footprint) (m2)	34 130 m ²
Estimated site closure date	2027
Assumed site start date	1998
Assumed total site life	36 years
Remaining site life (as at 01 July 2018) (years)	approximately 6 years
Estimated annual airspace consumption (m3)	4 869
Estimated total airspace (m3)	489 050
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2018	9,39% (based on Government Bond yield rate of 9.26% and an Adjustment for risk of 1.25%)
Estimated airspace remaining (m3)	147 750
Airspace consumed to date	69.8 %

Figures in Rand	2022	2021
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20. Revenue

		39 110
Service charges	41 663 453	243
Rental of facilities and equipment	180 864	199 468
Other income	427 077	311 937
Interest received - investment	4 027 263	2 853 193
Property rates	14 657 516	14 573
		593
Government grants & subsidies	88 784 874	66 797
		792
Public contributions and donations	1 822 678	7 847 285
Fines, Penalties and Forfeits	24 026	13 450
	151 587 751	131 706 961

The amount included in revenue arising from exchanges of goods or services are as follows: Service charges

		39 110
	41 663 453	243
Rental of facilities and equipment	180 864	199 468
Other income	427 077	311 937
Interest received - investment	4 027 263	2 853 193
	46 298 657	42 474 841

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		14 573
Property rates	14 657 516	593
Licences or permits	1 226 119	928 798
Transfer revenue		66 797
Government grants & subsidies	88 784 874	792
Public contributions and donations	1 822 678	7 847 285
Fines, Penalties and Forfeits	24 026	13 450
	106 515 213	90 160 918

21. Service charges

Sale of electricity		22 079
	27 245 274	171
Sale of water	6 351 642	7 510 344
Solid waste	5 880 280	6 128 896
Sewerage and sanitation charges	2 186 257	3 391 832
	41 663 453	39 110 243

22. Rental of facilities and equipment

Premises

Premises	182 458	196 929
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Facilities and equipment

Rental of equipment	(1 594)	2 539
	180 864	199 468

23. Other income**Kgatlape Local Municipality (Registration number NC086)**

Annual Financial Statements for the year ended 30 June 2022

Advertisements

Building plans

Notes to the Annual Financial Statements

Consolidation and rezoning fees

Cemetries and Burials

Skills development refund

Clearance Fees

New Connections

Photocopies and Faxes

Reconnection fees

Sale of goods - Tender documents

Valuation services

Sundries

-	4 244
19 484	2 697
34 497	13 067
9 357	17 002
24 459	25 658
90 174	20 025
2 658	41 235
120	6 672
119 589	(20 029)
83 560	85 705
1 739	9 913
1 038	995
40 402	104 753
427 077	311 937

24. Interest received**Interest revenue**

Interest on cash and cash equivalents

Interest charged on receivables

1 380 977	269 790
2 646 286	2 583 403
4 027 263	2 853 193

25. Property rates**Rates received**

Residential

Commercial

Government

Small holdings and farms

7 870 184	7 770 782
5 651 246	5 598 343
718 515	749 682
417 571	454 786
14 657 516	14 573 593

Valuations

Residential

Commercial

Government

Municipal

623	716
-	300
-	1 282 347 859
-	34 008 000
-	-
	64 244 100
	- 2 004 316 259

26. Licences and permits (non-exchange)

Licences and permits

	928
1 226 119	798

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

27. Interest from non-exchange receivables

		1	629
Property rates	706 290	214	
Figures in Rand	2022	2021	

28. Government grants and subsidies

Operating grants		27	660
Equitable share	25 503 000	000	
Library Grant	1 000 000	912 000	
Expanded Public Works Programme	1 075 000	1 000	
		000	
Financial Management Grant	2 850 000	2 800	
		000	
	30 428 000	32	372
		000	
Capital grants			
Energy Efficiency Grant		1 799	
	2 676 208	483	
Municipal Infrastructure Grant	43 715 468	16	174
		652	
Disaster management grant	1 837 564		-
Municipal Water Infrastructure Grant	10 127 634	16	451
		657	
	58 356 874	34	425
		792	
Conditional and Unconditional	88 784 874	66	797
		792	
Included in above are the following grants and subsidies received:			
Conditional grants received		66	137
	133 956 129	792	
Unconditional grants received	30 428 000	27	000
		000	
EPWP	164 384 129	93	137
		792	
Current-year receipts		1 000	
	1 075 000	000	
Conditions met - transferred to revenue	(1 075 000)	(1 000	
		000)	
	-	-	

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Conditions still to be met - remain liabilities (see note 18).

Financial Management Grant

		2 800
Current-year receipts	2 850 000	000
Conditions met - transferred to revenue	(2 850 000)	(2 800 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Municipal Infrastructure Grant

		3 825
Balance unspent at beginning of year	12 072 786	438
Current-year receipts	44 129 000	24 422 000
Conditions met - transferred to revenue	(43 715 469)	(16 174 652)
	12 486 317	12 072 786

Conditions still to be met - remain liabilities (see note 18).

Housing Grant

Balance unspent at beginning of year		
	66 792	66 792

Conditions still to be met - remain liabilities (see note 18).

Figures in Rand	2022	2021
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28. Government grants and subsidies (continued)**Library Grant**

Current-year receipts	1 000 000	912 000
Conditions met - transferred to revenue	(1 000 000)	(912 000)
	-	-

Conditions still to be met - remain liabilities (see note 18).

Regional bulk infrastructure grant

62 367 000	-
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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Current-year receipts

Conditions still to be met - remain liabilities (see note 18).

Disaster Management Grant

Current-year receipts	1 839 000	-
Conditions met - transferred to revenue	(1 837 564)	-
	1 436	-

Conditions still to be met - remain liabilities (see note 18).

Water infrastructure grant - WSIG

		6 548
Balance unspent at beginning of year	6 548 343	343
Current-year receipts	10 548 343	16 451 657
Conditions met - transferred to revenue	(10 127 634)	(16 451 657)
Other	(6 548 343)	-
	420 709	6 548 343

Conditions still to be met - remain liabilities (see note 18).

Energy efficiency grant

Balance unspent at beginning of year	17	17
Current-year receipts	3 000 000	1 799 483
Conditions met - transferred to revenue	(2 676 208)	(1 799 483)
	323 809	17

Conditions still to be met - remain liabilities (see note 18).

29. Public contributions and donations

Private donations/assistance received	7 847
	1 822 678 285

Conditions still to be met - remain liabilities (see note 18)

30. Fines, Penalties and Forfeits

Municipal Traffic Fines	24 026	13 450
Figures in Rand	2022	2021

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

31. Employee related costs

Basic	30 443 027	25 843 567
Bonus	1 435 061	1 832 981
Medical aid - company contributions	1 633 340	1 656 574
UIF	294 880	143 379
SDL	291 954	116 692
Leave pay provision charge	2 648	-
Leave pay	155 647	9 295
Standby Allowance	74 634	95 383
Cellular and Telephone Allowance	15 100	21 150
Overtime payments	477 590	954 847
Long-service awards	38 562	106 722
Housing benefits and other allowances	12 074	2 500
Bargaining Council	11 838	10 692
Group Life Insurance	180 066	34 698
Pension Contributions	2 988 243	3 379 059
	38 054 664	34 207 539

Remuneration of acting municipal manager: M January

Annual Remuneration	1 626 261	728 941
Travel Allowance	208 404	213 976
Contributions to UIF, Medical and Pension Funds	198 665	226 629
Scarcity	63 417	69 759
Undefined Difference	55 344	-
	2 152 091	1 239 305

Remuneration of chief finance officer: ON Louw

Annual Remuneration	331 026	437 085
Travel Allowance	54 383	124 971
Scarcity	37 172	62 197
Contributions to UIF, Medical and Pension Funds	164 763	123 834
Undefined Difference	-	264 965
	532 937	1 013 052

Kgatelopele Local Municipality (Registration number NC086)

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Notes to the Annual Financial Statements

Remuneration of the technical manager: T Barnett

Annual Remuneration	85 055	502 479
Travell Allowance	31 974	127 655
Leave	32 159	69 746
Contributions to UIF, Medical and Pension Funds	20 478	200 452
Scarcity	9 509	62 197
	179 175	962 529

32. Remuneration of councillors

		1 057
Executive Major	1 199 010	118
Speaker	57 138	-
Councillors	2 678 719	1 628 978
	3 934 867	2 686 096

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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Notes to the Annual Financial Statements

32. Remuneration of councillors (continued)

Additional information

The salaries, allowance and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution of South Africa.

33. Depreciation and amortisation

Property, plant and equipment	17 957 802	17 600 955
	1 832 223	1 012 309
		4 894
	-	525
		20 475
	24 636 879	330

34. Finance costs

Trade and other payables	1 672 504	904 088
Long Service Awards	159 719	108 221

35. Debt impairment

Debt impairment

36. Bulk purchases

Electricity - Eskom

Electricity losses

	(18 264
Units purchased	(16 811 834) 239)
Units sold	12 256 633 12 153 788

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Notes to the Annual Financial Statements

Total loss	(4 555 201)	(6 110 451)
Percentage Loss:		
Non-technical losses	27 %	33 %
37. Contracted services		
Outsourced Services		
Administrative and Support Staff	-	78 087
Catering Services	103 233	80 339
Litter Picking and Street Cleaning	-	297 089
Meter Management	378 072	617 099
Personnel and Labour	788 998	88 345
Professional Staff	6 426 577	7 238 510
Refuse Removal	2 084 135	1 774 176
Security Services	2 406 598	2 129 797
Consultants and Professional Services		
Infrastructure and Planning	-	344 000
Contractors		
Maintenance of Buildings and Facilities	692 654	26 870
Maintenance of Vehicle, Plant and Machinery	2 302 475	972 478
Maintenance of Infrastructure	3 181 499	851 015
Pest Control and Fumigation	-	64 926
Prepaid Water Vendors	385 544	301 340
Figures in Rand	2022	2021

37. Contracted services (continued)	18 749 785	14 864 071
38. General expenses Advertising and communication	45 643	90 315
Auditors remuneration	2 912 838	3 659 236

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Notes to the Annual Financial Statements

Bank charges	255 192	250 116
Commission paid	326 152	1 033 224
Consumables	1 811 007	173 849
Insurance	439 910	474 781
Fleet	58 723	82 786
Medical expenses	2 940	2 366
Motor vehicle expenses	101 444	77 654
Fuel and oil	1 222 959	912 288
Postage and courier	4 439	72 650
Printing and stationery	305 102	338 449
Protective clothing	366 581	(10 013)
Software expenses	259 496	244 057
Staff welfare / Social Relief	-	95 007
Subscriptions and membership fees	566 347	548 383
Telephone and fax	623 892	748 094
Training	20 277	260 000
Travel - local	33 670	117 680
Ward committees	141 000	205 500
Water sample testing	362 647	298 754
Licences and permits	278 022	31 600
	10 138 281	9 706 776

39. Auditors' remuneration

Fees	3 659
	2 912 838

40. Cash generated from operations

Surplus	44 867 778	24 545 031
Adjustments for:		
Depreciation and amortisation	17 957 802	17 600 955
(Loss) gain on sale of assets and liabilities	(6 905)	683 265
Debt impairment	-	4 894 525
Bad debts written off	(9 590 945)	-
Movements in retirement benefit assets and liabilities	359 844	506 878
Movements in provisions	3 110 183	-
Prior year adjustments	42 132 524	35 530 387
Changes in working capital:		
Inventories	460 094	27 668

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Receivables from exchange transactions	(35 640 267)	(35 640 267)
Consumer debtors	(12 109 277)	(8 694 883)
Other receivables from non-exchange transactions	(2 043 163)	1 049 791
Payables from exchange transactions	8 717 134	6 096 575
VAT	(9 553 792)	(5 645 941)
Unspent conditional grants and receipts	56 978 125	14 795 708
Consumer deposits	(137 454)	28 670
	105 501 681	55 778 362

41. 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.

Credit risk

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. 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 evaluates credit risk relating to these 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 group of customers, taking into account their financial position, past experience and other factors

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows

Financial instrument	30 June 2022	30 June 2021
Receivables from exchange transactions	41 868 570	18 284 588
Cash and cash equivalents	75 803 344	20 060 580
	117 671 914	38 345 168

Market risk

Interest rate risk

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The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

Figures in Rand	2022	2021
42. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		51 197
• Property, plant and equipment	100 314 283	505
Total capital commitments		51 197
Already contracted for but not provided for	100 314 283	505
Authorised operational expenditure		
Already contracted for but not provided for	18 723 436	461 298
• Contracts		
Total operational commitments	18 723 436	461 298
Already contracted for but not provided for		
Total commitments		
Total commitments		51 197
Authorised capital expenditure	100 314 283	505
Authorised operational expenditure	18 723 436	461 298
	119 037 719	51 658
		803

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Notes to the Annual Financial Statements

43. Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Relationships

Councillor. MG Ngesi	Bokamoso NS Trading, Monate Mpolaye Crew MPCPhatsimo 101,
Councillor. R Losper	Rene's Maintenance Enterprises (Derigestered), Lady Losper Cleaning Services (Deregistering process)
Councillor. EM Sulliman	Ebrahim Sulliman Farming Enterprise, Taanil Construction
N Prince (Party representative)	Yinhla Training and Business Consulting Firm Deregistering process), Grand Bridge Trading 95
Councillor. SG Edwards	Seteisene Trading and Projects, Divine Vision General TradingIts Possible Trading Central Bridge Trading 472
M January (Municipal Manager)	Sophos Architekton Engineering and Projects, Sophos Group
T Barnett (Technical Manager)	Kagoenhle Rekathusa Cleaning Services
O Louw (Former CFO)	
Gabanthate Dorcas Burger	

Related party balances

Amounts included in trade receivables regarding related parties

EM Sulliman	-	3 505
SG Edwards	2 291	1 837
MA January	-	2 695
T Barnett	306	5 236

Commitments with related parties

ABC (Proprietary) Limited	-	2 225
		784
CDE (Proprietary) Limited	-	14 176
		460
EFG (Proprietary) Limited	-	318 783
	-	2 393
		380

The former CFO, ON Louw disclosed that she was the daughter of L.R Louw (Director of Etona Events and Projects) EA Sulliman disclosed that his son is a director for Taanil construction.

The municipality incurred the following expenditure with the related parties:

Expenditure with related parties

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Etona Events	27 152	10 799
Taanil Construction	23 144 659	19 125
Related parties transactions		206

Related party transactions

Purchases from (sales to) related parties

ABC (Proprietary) Limited	-	10 799
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Two key personnel of the municipality had disclosed their relation to directors of some of the companies that conduct business with the municipality

Compensation to director and other key management

Short-term employee benefits	11 978	-
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Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand

43. Related parties (continued)

Remuneration of management

Management class: Councillors

2022

Name	Basic salary	Other benefits received	Total	
			3	934
Councillors	2 948 998	985 869	867	

2021

Name	Basic salary	Commission, gain or surplus sharing arrangements	Total	
			2	686
Councillors	2 254 859	431 237	096	

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Annual Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

	2022	2021
Figures in Rand		

44. Prior period errors

Statement of Financial Position

Figures in Rand		Note(s)	Previously Re reported	Adjustment classification	Re-	Restated
Assets						
Current Assets						
Inventories	3	3 277 407	(477 853)	-	2 799 554	[1]
Receivables from exchange transactions	5	401 798	-	(401 798)	-	[2]
Receivables from non-exchange transactions	4&5	11 854 338	4 217 808	-	16 072 146	[3]
VAT receivable	6	6 213 576	(51 308)	-	6 162 268	
Receivables from exchange transactions	7	19 917 313	(6 220 658)	-	13 696 655	[2]
Cash and cash equivalents	8	20 058 136	2 444	-	20 060 580	[4]

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

		61 722 568	(2 529 567)	(401 798)	58 791 203
Non-Current Assets					
Investment property	9				51 845 372
Property, plant and equipment	10[6]	51 845 372	-	-	372
Intangible assets	11[7]	330 276 250	8 720 352	-	338 996 602
Heritage assets	12	1 982 846	400 936	-	2 383 782
		1 151 058	-	-	1 151 058
Total Assets		385 255 526	9 121 288	-	394 376 814
Liabilities					
Current Liabilities		446 978 094	6 591 721	(401 798)	453 168 017
Short-term employee benefits[8]					
Payables from exchange transactions	14[9]				
Consumer deposits	16				
Employee benefit obligation	17	4 118 881	(529 123)	-	3 589 758
Unspent conditional grants and receipts	18[10]	34 759 307	(419 523)	-	34 339 784
		1 552 832	-	-	1 552 832
Non-Current Liabilities					
Employee benefit obligation	17	27 394	-	-	27 394
Provisions	19[11]	18 747 938	(60 000)	-	18 687 938
		59 206 352	(1 008 646)	-	58 197 706
Total Liabilities					
Net Assets					
Accumulated surplus[12]		1 832 762	-	-	1 832 762
44. Prior period errors (continued)		4 872 704	(1 310 843)	-	3 561 861
		6 705 466	(1 310 843)	-	5 394 623
		65 911 818	(2 319 489)	-	63 592 329
		381 066 276	8 911 210	(401 798)	389 575 688
		381 066 274	8 509 412	-	389 575 686

Statement of Financial Performance

Figures in Rand

Note(s) Previously
Restated Re reported Adjustment
Re classification

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Revenue

Revenue from exchange transactions

Service charges	21	39 166 702	(56 459)	-	39 110 243 [13]
Rental of facilities and equipment	22	199 468	-	-	199 468 [14]
Agency services		103 983	-	(103 983)	-
Other income	23	207 954	-	103 983	311 937 [15]
Interest received - investment	24	4 196 553	-	(1 343 360)	2 853 193

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

	43 874 660	(56 459)	(1 343 360)	42 474 841
				14 573
14 573 593	-	-	-	593
928 798	-	-	-	928 798
814 607	(814 607)	-	-	-
				66 797
66 737 792	60 000	-	-	792
-	7 847 285	-	-	7 847 285
13 450	-	-	-	13 450
83 068 240	7 092 678	-	-	90 160 918
126 942 900	7 036 219	(1 343 360)	132 635 759	
				(37 422
(37 422 425)	-	-	-	425)
(2 686 096)	-	-	-	(2 686 096)
(46 300)	-	46 300	-	-
(22 777 332)	5 176 377	-	-	(17 600 955)
(464 798)	(547 511)	-	-	(1 012 309)
-	-	(4 894 525)	(4 894 525)	-
(4 894 525)	-	4 894 525	-	-
(20 475 330)	-	-	-	(20 475 330)
(14 864 071)	-	-	-	(14 864 071)
-	-	-	-	-
	21 661	(46 300)	(9 706 776)	
(9 682 137)	4 650 527	-	(108 662 487)	
(113 313 014)				
13 629 886	11 686 746	(1 343 360)	23 973 272	
-	(683 265)	-	(683 265)	

* See Note 44

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Annual Financial Statements for the year ended 30 June 2022

Total revenue from exchange transactions	(374 190)	-	-	(374 190)
Revenue from non-exchange transactions	(374 190)	(683 265)	-	(1 057 455)
Taxation revenue	13 255 696	11 003 481	-	22 915 817

Property rates 25[18]

Licences and Permits (Non-exchange) Interest taxation revenue

Transfer revenue

Government grants & subsidies 28[19] Public contributions and donations 29[20]

Fines, Penalties and Forfeits

Total revenue from non-exchange transactions

Total revenue 20

Expenditure

Employee related costs 31

Remuneration of councillors 32

Administration

Depreciation and amortisation 33[21] Finance costs 34

Debt Impairment 35[28]

Bad debts written off 35[28]

Bulk purchases 36

Contracted services 37

Transfers and Subsidies

General Expenses 38[26]

Total expenditure

Operating (deficit) surplus

Loss on disposal of assets and liabilities[27] Actuarial losses 17

Surplus for the year

Figures in Rand	Note(s)	Restated*
-----------------	---------	-----------

44. Prior period errors (continued)

1] Inventories were restated to as a result of errors which were on the inventory valuation listing which was submitted..

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

- [2] Receivables from exchange transactions were restated due to the impairment recalculation which was performed.
- [3] Receivables from non exchange transactions were restated due to the impairment recalculation which was performed.
- [4] Cash and cash equivalents was reclassified to interest from investment.
- [5] Property, plant and equipment was restated to account for depreciation, additions and impairment of assets.
- [6] Intangible assets were restated to correct amortisation calculation and agreed to the fixed asset register.
- [7] Short-term employee benefits were restated to account for the leave and bouns provisionsfor the year.
- [9] Provisions were restated accounting for landfill site provision for the prior year.
- [10] Accumulated surplus was restated due to the net effect of all the journals in the statement of financial position
- [11] Agency fees reclassification was due to transactions which had been classified unde other income.
- [12] Investment interest was due to transactions which were posted under the interest account.
- [13] Government grants & subsidies were restated due to a an unspent grant for disaster management which was offset byequitable share iby trasury.
- [14] Administration was reclassified to general expenditure.
- [15] Finance cost was restated to account for finance cost portion of landfill sites.
- [16] Debt impairment was restated due to change in methodology of impairment.
- [26] General expenses was adjusted by R(46 300) which relates mainly to reclassification of misallocated expenses.[1]

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
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Statement of Financial Performance

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The following indicators have a negative outlook on the going concern of the municipality:

The municipality's current liabilities are more than the current assets, resulting in the municipality not being able to pay its current liabilities using the current assets.

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

Kgatelopele Local Municipality is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
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Statement of Financial Performance

	2022/23	2023/24	2024/25
Finance Management Grant (FMG)	3 000 000	3 100 000	3 100 000
Expanded Public Works Program (EPWP)	1 073 000	-	
Municipal Infrastructure Grant (MIG)	8 510 000	8 678 000	8 858 000
Integrated National Electrification Grant	-	3 000 000	3 135 000
Water Services infrastructure (WSIG)	12 000 000	12 975 000	13 550 000
Equitable Share	30 490 000	32 934 000	35 620 000

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Statement of Financial Performance			
		55 073 000	60 687 000
			64 28 000

46. Unauthorised expenditure

Opening balance as previously reported 108 102 187 108 102 187

The below are the amounts that the government has committed to allocate to Kgatelopele in line with the DORA to ensure that the municipality continues with its operations.

4 745 127	6 063 053
751 693	302 949
-	(1 620 875)
5 496 820	4 745 127

47. Fruitless and wasteful expenditure

Opening balance as previously reported 4 745 127 6 063 053

Opening balance as restated

Add: Expenditure identified - current

Less: Amounts recoverable - current

Closing balance

Figures in Rand	Note(s)	2022	2021 Restated*
48. Irregular expenditure			
Opening balance as previously reported		99 722 594	85 544 646
Correction of prior period error		-	11 438 528

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*
Statement of Financial Performance			
Opening balance as restated		99 722 594	97 085 072
Add: Irregular Expenditure - current		1 144 564	2 637 522
Closing balance		100 867 158	99 722 594

* See Note 44

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*	Statement of Financial Performance
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48. Irregular expenditure (continued)

Incidents/cases identified in the current year include those listed below:

49. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council.

Nature	Amount
Emergency	860 319
Single Provider	133 900
Impractical	2 319 649
	3 313 868

50. Statutory Receivables

VAT (payable)/receivable	(2 362 198)	6 422 051
Receivables from non-exchange	41 868 570	18 284 588
	39 506 372	24 706 639

The expenses incurred as listed hereunder have been condoned.

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. The receivables within the scope of GRAP 108, effective for all periods started on or after 1 April 2019.

Kgatelopele Local Municipality (Registration number NC086)

Annual Financial Statements for the year ended 30 June 2022

Figures in Rand	Note(s)	2022	2021 Restated*	Statement of Financial Performance
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The above are regarded as statutory receivables.

51. Financial Instruments disclosure

Categories of financial instruments

2022

* See Note 44

51. Financial Instruments disclosure (continued)

Financial assets	At fair value	At amortised	At cost	Total
			cost	
Receivables from exchange transactions	-	41 868 570	-	41 868 570
Cash and cash equivalents	-	-	75 803 344	75 803 344

	-	41 868 570	75 803 344	117 671 914	
Financial liabilities					
Payables from exchange transactions Consumer	At fair value	At amortised cost	At cost	Total	deposits
	-	43 394 932	-	43 394 932	
2021	-	1 415 378	-	1 415 378	
Financial Assets	-	44 810 310	-	44 810 310	
Receivables from exchange transactions					
Cash and cash equivalents					
	At fair value	At amortised cost	At cost	Total	
Financial liabilities	-	18 284 588	-	18 284 588	
Payables from exchange transactions Consumer	-	-	20 060 580	20 060 580	deposits
52. Additional disclosure in terms of Municipal Finance Management Act	-	18 284 588	20 060 580	38 345 168	
Audit fees	At fair value	At amortised cost	At cost	Total	
PAYE, UIF and SDL	-	34 733 142	-	34 733 142	
	-	1 552 832	-	1 552 832	
	-	36 285 974	-	36 285 974	
Opening balance			748 692	-	
Current year subscription / fee			6 073 869	5 221 377	
Amount paid - current year			(5 373 675)	(4 472 685)	

53. Segment information General information

Identification of segments

The segments were organised based on the type and nature of service delivered by the Municipality. These services are delivered in various municipal departments, which for reporting purposes are allocated to a standardised functional area (guided by mSCOA regulations). Budgets are prepared for each functional area and the budget versus actual amounts are reported on a monthly basis. 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.

* See Note 44

53. Segment information (continued)

Types of goods and/or services by segment

Types of goods and/or services by segment

The Municipality has several departments/functional areas and accordingly the segments were aggregated for reporting purposes as set out below:

Reportable segment	Goods and/or services
Segment 1	Primary education services
Segment 2	Secondary education services
Segment 3	Tertiary education services
Segment 4	Goods and/or services 1
Segment 5	Goods and/or services 2
Segment 6	Goods and/or services 3
Segment 7	Goods and/or services 4
Segment 8	Goods and/or services 5
Segment 9	Goods and/or services 6
Segment 10	Goods and/or services 7

* See Note 44

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ANNEXTURE D: FINSCH DIAMOND MINE

SOCIAL IMPACT ASSESSMENT

FINAL Submitted 16 March 2022

Submitted to: Eric Britz and Jannette Horn, Petra Diamonds

Authored by: Social Surveys Africa (Dr Tara Polzer Ngwato, Thobile Disemelo,
Musawenkosi Mhlanga)



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Disclaimer

The information in this report is based on information supplied by Petra, desktop sources as referenced, consulted stakeholders and a community survey conducted during the time that the social impact was being assessed. Information was also obtained from site visits during this time. The social impacts were assessed as was reasonably foreseeable using this information available at the time of the assessment.

List of Abbreviations

BEE	Black Economic Empowerment
CHC	Community Health Centre
CPF	Community Policing Forum
CSI	Corporate Social Investment
DM	District Municipality
DMRE	Department of Miners and Energy
ECD	Early Childhood Development
FDM	Finsch Diamond Mine
HDSAs	Historically Disadvantaged South Africans
HBC	Home Based Care
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
IDP	Integrated Development Plan
KSDF	Kgatelopele Social Development Forum
KYDF	Kgatelopele Youth Development Forum
LED	Local Economic Development
LM	Local Municipality
MPRDA	Mineral and Petroleum Resource Development Act
NEMA	National Environmental Management Act
NGO	Non-Government Organisation
NPAT	Net Profit After Tax
NUM	National Union of Mineworkers
Petra	Petra Diamonds Southern Africa (PTY) LTD
PPC	Pretoria Portland Cement
SAW	Social Auxiliary Workers
SHEQ	Safety, Health, Environment and Quality
SIA	Social Impact Assessment

SLO	Social License to Operate
SLP	Social and Labour Plan
SMME	Small, Medium and Micro-sized Enterprises
TB	Tuberculosis

Executive Summary

Petra Diamonds Southern Africa (PTY) LTD (Petra) is undertaking a Social Impact Assessment (SIA) for its Finsch Diamond Mine (FDM) from July 2021 to January 2022. Finsch Diamond Mine is located in the town of Lime Acres, Kgatelopele Local Municipality in the Northern Cape Province of the Republic of South Africa.

The SIA is a deliverable in preparation for Petra's Social and Labour Plan 4 submission (FY2023-2027) to the Department of Minerals and Energy (DMRE). Findings from the SIA will also be used to inform Petra's Local Economic Development (LED) and Corporate Social Investment (CSI) programmes and projects.

The SIA methodology identifies and assesses the fulfillment of residents' basic needs and broader community wellbeing in a manner that is inclusive, equitable, participatory and can be sustained at scale through legitimate institutions. It further emphasizes HOW activities are done (quality of inclusive process), not only HOW MUCH, WHAT and WHERE to assess social impact. It further evaluates how socio- economic activities and interventions support and build local institutions, relationships and leadership. Data sources include documentation review (FDM, Kgatelopele Local Municipality, District and Provincial reports, StatsSA data); stakeholder interviews and workshops; a community survey of 152 households collecting information about 651 community residents; community verification workshops on recommended projects.

Key Context Insights:

1. **Nearing end of Life of Mine:** FDM has an estimated life of mine to 2030, with possible extension to 2038. Structural transformation of an area to a sustainable post-mining economy requires at least 10 years of intentional multi-stakeholder planning and investment. The mine is legally mandated to reinstate the environment, but also the social fabric, to its 'original state' or at least a functional and sustainable condition which is appropriate to the current time and economic context. This is especially challenging in an area like Kgatelopele Municipality where mining is currently virtually the only economic activity and the FDM mine specifically is the largest single contributor to employment. The current SIA and the recommended projects are therefore informed by a heightened level of sensitivity to their relevance in enabling a sustainable post-mining social and economic reality, as well as building the multi-stakeholder relationships necessary to achieve this. Most directly, we recommend that FDM initiate and sponsor a multi-stakeholder and community-inclusive dialogue and scenarios building process to envision Kgatelopele Local Municipality in 2030, which will inform coordinated actions by local government, the private sector and community actors in the next 8 years.
2. **Municipal Capacity:** Kgatelopele Local Municipality is financially unsustainable and has low capacity for financial management or service provision implementation. This is likely to worsen significantly with the closure of FDM. Substantive engagement with the local municipality, district municipality and province is necessary during the development of scenarios for the future of Kgatelopele LM.
3. **Be Conscious of Mobility and Focus on Locals:** All social interventions should note the distinction between locals (born in the area), long-term residents (more than 10 years in the area) and short-term residents (less than 5 years in the area) in the communities around FDM and clearly relate to the different needs and priorities of these groups.
 - a. The mine's dominant responsibility in terms of social benefit is to 'locals', especially as the end of Life of Mine comes nearer and non-mine-related economies and sustainable social infrastructure must be built and secured. This is especially the case since over half of non-locals (both long- and short-term residents) express their intent to leave the area if the mine were to close. Social projects within the SLP4 period should therefore focus on benefiting those among the population who are most likely to remain in the area after mine closure.
 - b. At the same time, the mine's responsibility to the current population (including both locals and non-locals) includes considering what will enable people to sustain or build a good quality of life into the future. Given the limited economic and social opportunities in the FDM area, individual and family strategies for income generation may include mobility out of the area, which can be part of a successful socio-economic transition and can be supported and enabled through various training and employment linking interventions.
4. **Focus on Vulnerable Settlements:** Tlhlakatlou and Kuilsville settlements have the highest levels of social deprivation and so social investments should focus on these areas and less on Lime Acres and the main 'town' section of Danielskuil. These settlements are also where most locals live and

intend to remain after mine closure, while over 90% of Lime Acres residents and almost half of Danielskuil residents intend to leave the area on mine closure.

5. **Future-proofing:** to have a sustainable impact, SLP4's social investment must be future proof in relation to two major trends: the Fourth Industrial Revolution and Climate Change. This is considered in all proposed projects.
6. **Low Trust Environment:** There are low levels of trust in local institutions and leaders of all kinds, including low trust among community residents. This is also expressed through a lack of collaboration within and across the two township areas (Kuilsville and Tlhakalatlou) The projects identified in this SIA therefore prioritise social interventions with methodologies that actively build community self-organising skills while generating income. Examples include the organisation workshop methodology described below. It's not only about what you do, but how you do it.
 - a. **Supporting exiting self-organising initiatives:** despite generally low levels of trust, there are a number of existing self-initiated organisations and institutions in the local communities which provide crucial social welfare and social cohesion spaces, including the leadership of local high schools in the townships, local ECD centres and local development and youth development forums. FDM's impact and SLO is likely to be greater by working through and with such initiatives than by working with external service providers or setting up parallel structures.
7. **Social License to Operate:** FDM's current Social License to Operate scores among community residents reflect the lowest level of SLO (Economic Legitimacy), with low or negative scores for the higher levels (Interactional Trust, Socio-economic Legitimacy and Institutionalised Trust).¹ The projects identified in this SIA are designed to improve the mine's SLO not only through the proposed content areas (which are based on needs identified by community residents) but especially through the manner in which the projects are designed and implemented.

Key Social Priorities Insights:

8. **Priority Social Impacts:** The four highest priorities identified consistently by the community survey across settlements and resident groups (by race, gender, age group, income level and mobility status (local, non-local)) are unemployment, crime, substance abuse and improvement of health care services.

¹ [Modelling and Measuring the SLO.pdf \(sociallicense.com\)](#)

9. Focus on Employment Generation:

- a. Unemployment is consistently the greatest priority need.
- b. The second and third priority concerns of crime and substance abuse are understood to best be addressed by enabling people to be productively occupied through employment.
- c. Social interventions should therefore be primarily focused on activities which involve large numbers of local residents (across race, gender and age groups) as active participants (not only passive beneficiaries) and enable participants to earn an income from or through these activities.
- d. **Facilitate the Future Economy (4IR):** Employment generation interventions, including small business support and skills training, need to be designed for the

future economy and not the current or past economy of the region. The Fourth Industrial Revolution economy is potentially a great opportunity for places like the communities around FDM and other remote areas since online work provides income generation opportunities which circumvent the need for a large or diverse local consumer market. In fact, remote work is one of the only realistic employment options for young people who wish to remain resident in the area, once large-scale mining activity is reduced.

- e. **Enterprise Development linkage with Procurement:** Local economic development initiatives and investments in SMME capacity building, especially through the Business Hub built and maintained by FDM, are not integrated with Petra's procurement system and so trained local businesses are not linked with procurement opportunities within FDM or other buyers. This has significantly weakened FDM's relationship with the local small business community, resulting in very limited impact from the SMME training investments.

10. Health Care Services:

The fourth greatest priority identified in all four settlements is the quality and accessibility of local health care. Interventions which improve local clinics, regularly bring specialized health care professionals to the area (including a doctor, dentist and psychologist), and directly address high levels of youth suicide and provide opportunities for substance abuse prevention, treatment and rehabilitation should be prioritized.

These context factors and prioritized needs result in the following **Project Priorities**, which are described in further in the full report section on [Project Ranking](#):

1. **Food System Bundle:** Activities relating to food can be bundled into an integrated local food systems programme, which includes training and supporting young people around farming and growing food (including running food gardens at ECD centres or other accessible community-based locations), making mine-owned land available for community farming (along with water and basic equipment), supporting existing smallscale farmers with equipment maintenance like pivot repair support, contracting local NPOs to provide cooked food at ECD centres (which can also serve elderly people and those who are caring for small children who are not attending ECD centres) with the food inputs being sourced through local small farmer off-take agreements.

2. **Local Collective Enterprises Bundle:** conventional local enterprise development programmes train and support individual entrepreneurs who set up businesses for personal benefit and are then expected to compete with each other for very limited contracting opportunities at the mine and for a limited local market. Given the context factors described above, we recommend shifting to a collective enterprise development approach, which focusses on identifying both social needs and economic opportunities and addressing these through collaborative and collective community-based institutions. One such activity prioritized through the SIA

Community Survey is the development of a hub for artisans that provides training as well as shared equipment. Best practice in community development, however, shows that such ‘hardware’ (a venue plus equipment inputs) plus individualized training is not effective unless coupled with a facilitated process where community residents collectively identify needs and design enterprises and are then supported through a practical experience of jointly establishing and running such enterprises. This approach is described further below under the title Organisation Workshops.

3. **Community Health Workers** also link into the food system programme by identifying food insecure households and referring children and elderly people to available food provision. They can also identify people with mental health and substance abuse needs, as these were considered high priority social challenges through the SIA Community Survey. CHWs are coordinated and employed through the District Health Care system and so FDM would need to work with the District to enquire about the reasons for a lack of CHW presence and whether the mine can provide technical support and equipment to CHWs (including transport, data, communications equipment, etc.) to enable them to provide the needed services to the area. CHW areas of focus conventionally include maternal health, child nutrition, mental health, substance abuse and GBV identification and referral, all of which are priority concerns in the communities.

4. **Digital Employment Bundle:** Training in digital skills and facilitating access to online employment opportunities is premised on the availability of reliable and affordable connectivity. We therefore recommend that any training and online employment linking programme be bundled with the provision of free public wifi. We also note that this can be combined with training small local businesses to maintain and repair wifi installations and provide basic technical support (e.g. showing them how to safely turn wifi off and on if there is a fault, etc.) to the public institutions where the hardware is installed (schools, clinics, community hall, etc.) so that service interruptions are minimal.

In addition, there are several project ideas which emerged from the stakeholder consultations and from the context analysis. These include:

- **Mental health and substance abuse community dialogue:** stakeholder noted that while there are existing services to address this high priority need, the ways in which these services function and the linkage with the police service, mean that many families are not willing to access them. We therefore recommend that FDM identify an experienced facilitator on mental health service provision and community development and support the convening of a community conversation, including all service providers and related stakeholders in the area (e.g. SAPS, clinics, shelter providers, provincial NGOs and district NGOs and CBOs) to discuss the current provision, the need for alternative provision options and make suggestions for a revised system. FDM should then put forward a budget to go towards complete or partial implementation of the solutions identified through the community dialogue process.
- **Lime Acres sewage plant handover plan** and technical/management training continuation: since FDM runs the Lime Acres sewage facility, a handover plan and capacitation process is needed before FDM reaches its LoM to ensure that there are no service interruptions when the mine closes. This should be prepared in the current SLP period and can be combined with continued technical support and training around improving the quality of maintenance and management of the Danielskuil sewage treatment facility at the same time.
- **Learner transport** (Kuilville and Tlhakalatlou): FDM currently pays for school buses to transport learners from Lime Acres to schools in Danielskuil. This project would extend this service to learners who live in Kuilville and Tlhakalatlou who also attend schools in Danielskuil as well as considering school transport needs of children who attend other schools in the area.

- **Local clinic upgrades:** the need to improve the quality of health care provision goes beyond the need for CHWs to also considering the infrastructure of the local clinics outside Lime Acres. The project should engage with the Health District to access existing assessments of the local clinics based on the Ideal Clinic standard and offer to support upgrades identified in these assessments. If such assessments have not been done by the District, FDM can pay for the assessments to be done, based on the official standard, which then allows the District to achieve its reporting requirements in terms of the Ideal Clinic standard.
- **KLM 2030 Scenarios Dialogues:** A final project proposal relates to FDM's approaching End of Life of Mine. We propose that FDM initiate and (co)fund the facilitation of a Municipal Scenarios Process to catalyse a multi-sectoral process to generate a (postmining) vision for 2030 with Kgatelopele Local Municipality, the private sector (mining and agriculture) and community organisations. This may include the establishment of a 'hometown association' of people who have left the area to work but are committed to contributing to its upliftment.

Background to the Social Impact Assessment (SIA)

Petra Diamonds Southern Africa (PTY) LTD (Petra) commissioned a Social Impact Assessment (SIA) for its Finsch Diamond Mine (FDM) from July 2021 to January 2022. Finsch Diamond Mine is located in the town of Lime Acres, Kgatelopele Local Municipality in the Northern Cape Province of the Republic of South Africa.

The SIA is a deliverable in preparation for Petra's Social and Labour Plan 4 submission (2023 – 2027) to the Department of Minerals and Energy (DMRE). Findings from the SIA will also be used to inform Petra's Local Economic Development (LED) and Corporate Social Investment (CSI) programmes and projects.

Social Surveys Africa conducted the SIA, with team members Dr Tara Polzer Ngwato, Thobile Disemelo and Dieketseng Semppe.

Scope & Methodology

Scope

The scope of this SIA is informed by the MPRDA requirements for the Local Economic

Development (LED) content of a Social and Labour Plan (SLP): Local Economic

Development Programme, including infrastructure development and poverty eradication.

1. All infrastructure and poverty eradication programmes need to be aligned with the local municipality's Integrated Development Plan. The MPRDA Regulations set out that this must include:

- The [social](#) and [economic](#) conditions in the area in which the mine operates and communities where workers are recruited
- The main [economic activities](#) of the area in which the mine operates and in communities where workers are recruited (such as agriculture, tourism or food processing)
- The [impact](#) that the mine would have on communities living near to the mine and communities where workers are recruited (for example, the possibility that people will need to relocate, the number of people that may arrive in the area)
- Infrastructure and poverty eradication [projects](#) that the mine would support in line with the Integrated Development Plan of the areas where the mine operates and communities where workers are recruited
- The measures to address the [housing](#) and living conditions of the mine workers
- The measures to address the [nutrition](#) of the mine workers

SLP inputs which are outside the scope of this SIA include:

- information on the mine's plan to make sure it meets the Mining Charter targets for procuring goods and services from historically disadvantaged South African companies. This must include targets for procuring mining goods and services from these companies and the names and details of these companies
- Human Resources Development Plan
- Managing Downscaling and Retrenchment

In addition to the standard SIA scope, which focusses on assessing the nature of the impact, extent, intensity and duration of mine activities, the current SIA report also includes the following elements:

- the quality of [stakeholder relationships](#) that have resulted in non-implementation of SLP projects in the past,
- a discussion of the operations' [Social License to Operate](#) (SLO) in relation to the communities situated around it,
- considerations relating to [social impacts of mine closure](#), given the End of Mine projection for 2030 which is close to the end of the current SLP period (FY2023 – 2027).

FDM has complied with MPRDA regulations by submitting its SLP every five years with annual progress reports to the regulatory authorities. FDM's 3rd SLP period was FY2018/2022 (May) so the current SIA is feeding into the SLP 4 (June 2023 – 2027).

Key Challenges

While the mine has fulfilled its SLP submission requirements over the years, Petra Diamonds has several key concerns. These include:

- Consistent inability to implement SLP community projects on time and within budget
- Identifying the real community needs (not wants) from interested and affected stakeholders in the community that can get buy-in from most stakeholders
- Lack of optimal relationships with local municipalities and political leaders
- Unsatisfactory relationships with local communities
- Inadequate system for continuous community engagement
- Social unrest in the mine communities that threaten mining operations
- Overreliance of local economy and communities on mine activities & support

According to Petra Diamonds, there are several factors that hamper the successful implementation of mining community projects. These factors are not exhaustive and vary by operation and include the following:

- Lack of agreement with local municipal leadership on projects leading to refusal by municipality to sign off projects for the SLPs
- Lack of authentic representation of interested and affected parties in the mining communities that the mine operation can identify, collaborate and engage with effectively

- Lack of project ownership of the projects and engagement process by the community
- Proposed projects by communities do not meet Petra Diamond criteria such as scale, scope, timelines and affordability
- Lack of social cohesion in the community to come to an agreement on needs and projects and target beneficiaries
- Tenuous relationship between mine operations and key influencers in the community
- Unrealistic expectations by the community on the mine

The SIA process will unpack some of these factors and identify strategies for mitigation where possible with an emphasis on identifying sustainable community projects through participatory processes.

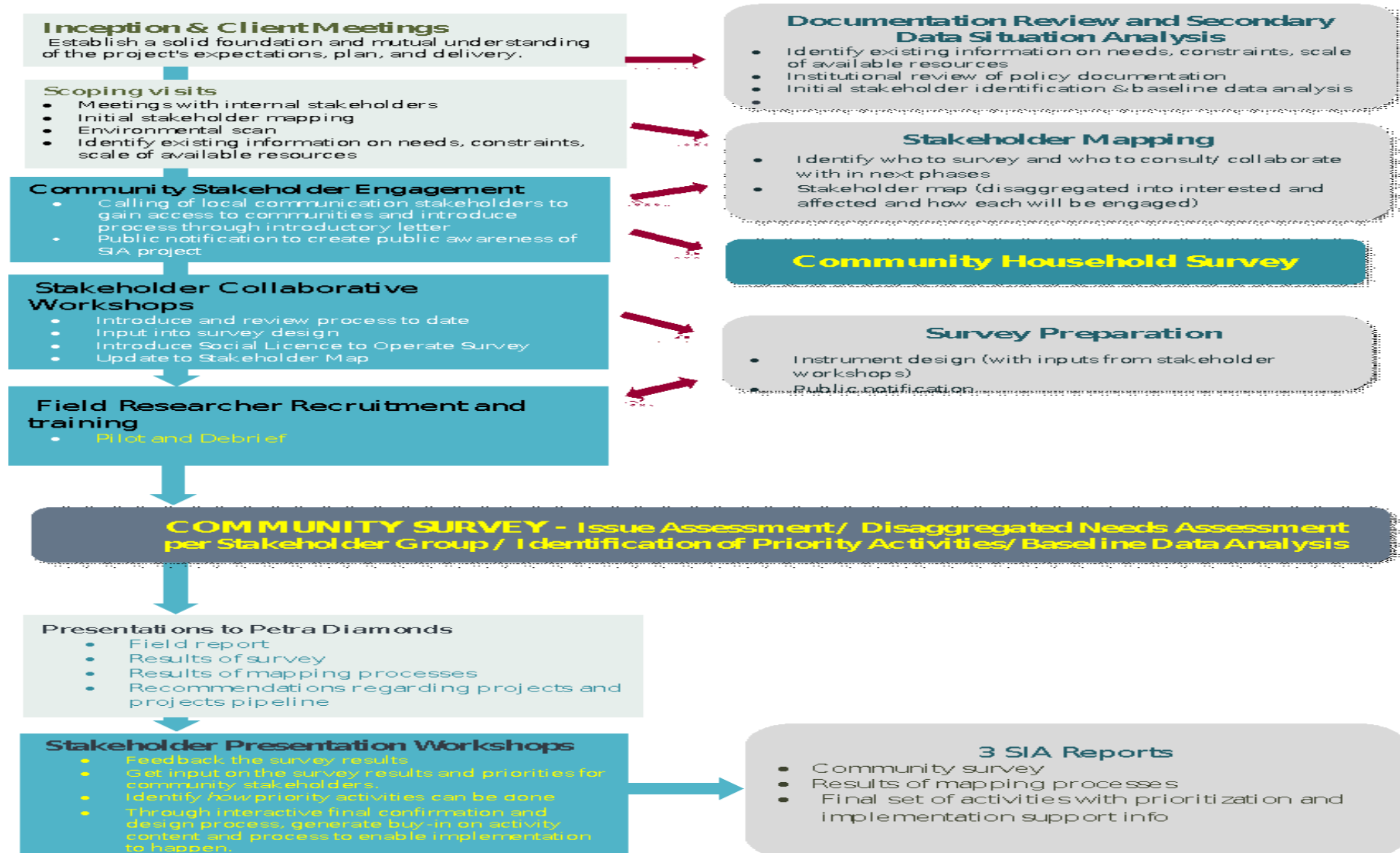
Data Sources and Methodology

Our methodology identifies and assesses the fulfillment of residents' basic needs and broader community wellbeing in a manner that is inclusive, equitable, participatory and can be sustained at scale through legitimate institutions. It further emphasizes HOW activities are done (quality of inclusive process), not only HOW MUCH, WHAT and WHERE in order to assess social impact. It further evaluates how socio- economic activities and interventions support and build local institutions, relationships and leadership.

Figure 1 illustrates the steps in our SIA process.

Figure 1: Social Surveys Institute SIA Methodology for FDM

PETRA DIAMOND SIA Process



We use a range of data sources to inform our impact analysis approach:

- Desktop review of documentation produced by Petra Diamonds and FDM, Kgatelopele Local Municipality and ZF Mgcawu District Municipality, and secondary data sources about the local communities;
- Internal stakeholder interviews and engagements with Petra Diamond and FDM staff and workers;
- External stakeholder interviews and engagements with institutional actors, including local government, local businesses, civil society organisations and local community groups. The stakeholder engagement schedule is attached as Appendix A;
- Site visits;
- A community survey with 152 individual respondents, representing 651 household members; and
- Feedback workshops with community stakeholders to share the results of the community survey and confirm the outcomes of the priority project identification process, including gaining further insights about how the priority projects could be implemented (where, targeting which beneficiaries, with which implementing partners, through what processes, etc.).

Community Survey Methodology

Social Surveys Africa conducted a community survey from 29 November - 6 December 2021 which recruited and trained eight enumerators from the local communities. The sample covered 152 households and collected basic demographic and economic information about 651 individual household members. The distribution of households across the communities around FDM is provided in Table 1.

Table 1: Sample Distribution by Settlement

Tlhakalatlou	60
Kuilsville	39
Danielskuil	34
Lime Acres	13
Farm	4
Finsch Mine	2
Grand Total	152

Figure 2: Spatial distribution of Community Survey Respondents Danielskuil, Tlhakalatlou and Kuilsville

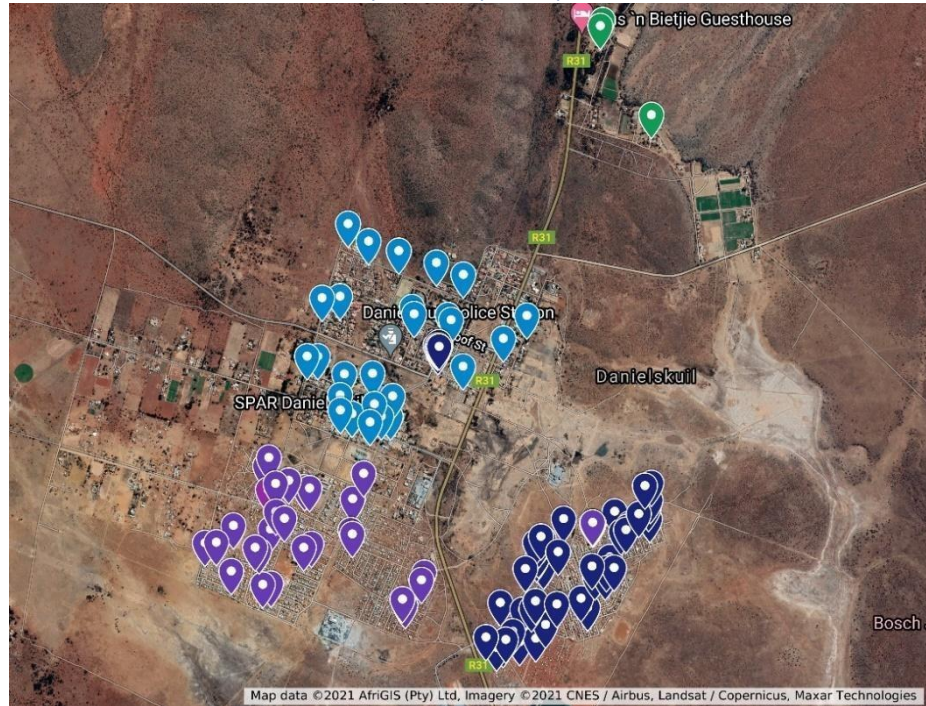
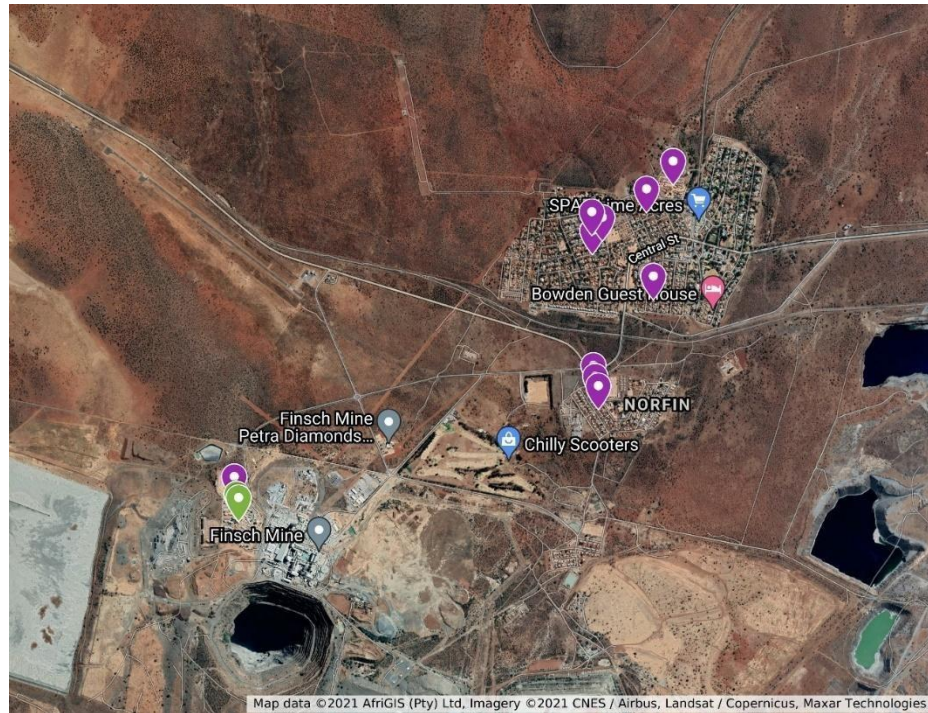


Figure 3: Spatial distribution of Community Survey Respondents Lime Acres and Mine



Households were selected by randomly selecting a stand and then applying a quota to select the household to ensure inclusion of ‘main house’ residents and tenants or secondary households. Within the selected household, a quota was used to ensure respondents were balanced by gender and age group. 48% of respondents were household heads, 28% were children of household heads, 14% were the spouse of household heads and 10% were other relatives or not related to the household head.

The sample of 152 respondents is 60% female and 40% male. 51% are youth (18-35), 54% are middle-aged adults (36-55) and 14% are elders (above 56 years old). In terms of population group, 87 identified as African, 55 as Coloured, 6 as White, 2 as Asian/Indian and 2 did not identify with any of these population groups. 51% of the sample mainly speak Afrikaans at home, 43% mainly speak Setswana and 4% mainly speak English. This sample distribution provides a good variety of perspectives about the diverse communities in the FDM area.

The gender and age demographics of the 651 household members included in the sample is representative of the population in that the gender distribution is 56% female, and the age distribution is 37% children (under 18), 31% youth, 20% middle aged and 12% elders. 30 sampled household members have a disability (5% of the sample), which is similar to the national disability rate (3%).

Impact Ranking Approach

The criteria used to assess social impacts identified through our data sources are guided by requirements as set out in Appendix 1 of the Environmental Impact Assessment Regulations, 2014 (Department of Environmental Affairs, 2014). The impact assessment methodology describes the potential impact's nature, including whether it is positive or negative, its intensity, its extent, and its duration, to arrive at the potential consequence of the impact. The potential consequence, together with the probability, provides the overall significance of the impacts.

To assess the intensity and extent of an impact, we combine the level of community prioritization of the impact, as documented through the community survey, with a technical assessment based on secondary data and literature on the topic.

Each criterion is scored to allow for a ranking, and calculation of the overall significance as follows:

Intensity + Extent + Duration = Consequence

Consequence x Probability = Significance

Each form of impact is assessed in terms of two phases:

- The operational phase (estimated 2022-2025)
- The closure phase (estimated from 2025 with preparatory activities from 2023)

Project Identification and Ranking Approach

Based on the identified high impact areas for each phase, possible management or mitigation measures are described, including specific social projects. The social projects are identified through the following steps:

- Extraction of project inputs from the local municipality IDP and previous FDM SLP documentation,
- Identification of priority needs from secondary data,
- Identification of priority needs and project inputs from stakeholder consultations,
- Confirmation of potential project usefulness through the community survey, including consideration of prioritization by different groups (by gender, age group, settlement, etc.)
- Prioritisation and final confirmation of project recommendations through community verification meetings.

Given that projects cannot have a positive social impact if they are not implemented, the identified projects will be ranked by considering the following criteria:

Table 2: Project Ranking Criteria

Social and Economic Impact	Immediate Job Creation	Number of jobs created within yr 1 of the activity
	Sustained Job Creation	Cumulative number of jobs created and maintained over 5 years of activity
	Immediate SMME support/Creation	Number of (community-owned/based) businesses created within yr 1 of the activity. Note that this includes social and economic enterprises
	Sustained SMME support/Creation	Cumulative number of (community-owned/based) businesses created and maintained over 5 years of activity. Note that this includes social and economic enterprises
	Direct Beneficiary Scale	Number of direct beneficiaries/participants in the activity
	Secondary Beneficiary Scale	Number of people whose lives will be improved because of the activity .
Implement-ability	Climate Impact	Extent to which the activity has a negative, neutral or positive impact on the environment and climate
	Existing implementing partners immediately	Extent to which the activity can be implemented partners can start immediately through identified, qualified
	Scalability after yr 1 pilot	Extent to which the activity is scalable to reach population level impact for the settlement
	Cost independence	Extent to which the costs of the activity can be covered entirely from FDM SLP commitments and therefore do not require negotiation of co-funding agreements
Strategic Impact for FDM	Catalytic function	Extent to which the activity directly supports and enables the success of other funded activities, leading to overall impact energy.
	Actively builds positive relationships (SLO)	Extent to which the activity directly builds the social political license to operate by generating positive relationships and perceptions among neighbouring communities and local government

Regulatory Context

The South African mining industry is regulated by two key regulatory areas: The Mineral and

Petroleum Resource Development Act (2002) (MPRDA), and its amendments; and the Mining Charter (2018), the Diamond Act (2005) & the Precious Metal Act (2005). The following sub-sections briefly discuss these regulations as they relate to this SIA.

MPRDA

The objectives of the MPRDA are to allow the state as the custodian of mineral resources to ensure that these resources are accessed equitably and are developed in ways that are ecologically sound, sustainable and non-discriminatory. Resources need to benefit all South Africans and contribute to local and rural socio-economic development and human welfare especially in mining and labour-sending communities. The Act aims to ensure that mining contributes to economic growth and the development of the industry through mineral beneficiation and local procurement linkages in the economy. The Act also stipulates the required environmental principles during prospecting, mining operation and mine closure.

The MPRDA amended regulations of 2020 further outline the expectations from mine rights holders with regards to social labour plans, public participation processes and environmental regulations pertaining to sanitation, waste management, water and air quality and ecology the mining communities and surroundings.

One of the key requirements of the MPRDA is the *Social and Labour Plan* that needs to be submitted at application or renewal of mining licenses in South Africa. The Social and Labour Plan (SLP) requirements pertain to socio-economic development of communities, skills development, employment and ownership of historically disadvantaged South Africans (HDSA), localisation of the mining value chain through local procurement, supplier and enterprise development. Thus, the main components of the SLP are:

- Human Resource Development,

- Mine Community Development,
- Enterprise & Supplier Development - The objective of supplier and enterprise development are to strengthen local procurement and enhance competitiveness and ease of local procurement while building and diversifying South Africa's industrial base with a focus on HDSA businesses and entrepreneurs.
- Addressing skills & career advancement,
- Socio-economic development of mining communities in alignment with the Integrated Development Plan (IDP) of their respective municipality; and local beneficiation respectively.

It is important to note that for mines regulated by the Diamond Act and the Precious Minerals

Act, inclusive supplier development and enterprise development are compulsory and ringfenced and there is a clear distinction between the two with regards to regulatory requirements.

In terms of public participation processes, the MPRDA requires that the SLP be developed through *meaningful* consultation with key stakeholders and the affected in the mine community, which includes host community, labour-sending communities and relevant municipalities. Meaningful consultations are required to allow inclusive and participatory discussions with those affected and stakeholders in a language and level of engagement that is appropriate to them. The consultations must be publicly advertised in English and dominant local languages. Invitations must also be sent out to the entire community and those unable to attend face-to-face engagements need to be given alternative and appropriate means of giving their inputs in the discussions on community development needs.

In addition, the SLP needs to consider the socio-economic needs outlined in the Integrated Development Plan of the host municipality of the mine. Similarly, the operation is expected to spend 1% of NPAT on socio-economic projects and the projects in the SLP are required to be publicised to the community as per the public participation process regulation. Furthermore, it is expected that once the SLP has been approved it must be publicised to the stakeholders and the mine needs to have at least three community consultations a year on the progress and implementation of the community development projects. Similarly, the mine is required to provide annual update implementation reports on SLPs to the regulators and must include the register of stakeholders consulted and records of their inputs. Thus, the process of meaningful community engagement and means of communication and engagement are core pillars of the MPRDA.

The impact assessment process needs to ensure that it complies with these regulatory expectations. It appears as if these regulations have not been adhered to strictly because some community members indicated dissatisfaction with levels of mine-community engagement during the scoping process. The SIA process will start to remedy this situation by applying participatory processes that meet the regulatory stipulations.

Mining Charter

Another key mining regulation is the Mining Charter of 2004, amended in 2018. While the charter is not a legally binding piece of legislation, it is a piece of policy which provides guidelines to which the South African mining industry has subscribed. The objectives of the Mining Charter are to facilitate sustainable transformation and development of the mining industry through broad-based participation, especially of HDSAs. It leverages on the MPRDA and other related regulations.

The Charter has six key pillars for facilitating transformation and development of the sector.

These are:

- mine community development,
- housing and living conditions,
- employment equity,
- inclusive procurement, enterprise and supplier development, ● human resource development and ● ownership.

There are specific targets for each pillar and sub-pillars that need to be met by the mining rights holder over the agreed period. The Charter expects 100% compliance for ownership, community development, inclusive procurement and enterprise and supplier development for the diamond sector mining rights holders. It requires rightsholders to contribute meaningfully to the socio-economic development of the mine community in its broad sense as explained earlier, with a bias towards impact and size of impact.

The Charter also expects rightsholders to keep to the principles of housing and living condition that ensures decent and affordable housing for its employees as well as support home ownership and secure tenure in housing institutions while contributing to social, physical, economic integration of human settlements in the mining area and surroundings. It also expects the principles of living conditions to be honoured through the provision of quality health services for its employee as well as the provision of an affordable, equitable and sustainable health system and balanced nutrition of its employees.

National Environmental Management Act of 1998 (NEMA)

In addition to the Mining Charter and MPRDA, the mining sector needs to comply to the NEMA and its amendments provides guidance on community public participation processes as well as integrate various legislative requirements pertaining to sustainable development.

The Act sets out the following principles with regards to integrated environmental management.

- Act regards the environment as people's common heritage held in public trust to be protected and benefit and serve current and future public interest and generations. It also sets out sustainable development as an integrated process requiring intergovernmental coordination and harmonisation of environment related policies, legislation and actions expects environmental management to place people and their needs at the centre and serve their social, physical, developmental, psychological and cultural interests equitably.
- Development needs to be socially, environmentally and economically sustainable. environmental degradation, disturbance and loss, need to be avoided and where unavoidable be minimised and remedied. This includes biodiversity, ecosystem disturbance, pollution, landscapes and cultural heritage sites, waste, environmental impacts and people's environmental rights. Furthermore, the use and exploitation of non-renewable resources be responsible and equitable and take the consequence of resource depletion into account and ensure that the integrity of the ecosystem is not compromised through the use, development and exploitation of renewable resources in the same ecosystem. It calls for cautious and risk-averse approach considering the limits of current knowledge on the future implications of current decisions and actions while also anticipating, preventing, minimising or remedying negative impacts on the environment and people's environmental rights.
- Sustainable environmental management needs to take the effects of decisions on people and the environment into account by pursuing environmental justice such that adverse effects are not unfairly distributed to discriminate against certain groups and individuals especially the vulnerable and disadvantaged individuals, youth and women. Furthermore, environmental services, benefits and services need to meet basic human needs and wellbeing and need to be made accessible to those unfairly disadvantaged.
- Responsibility for environmental safety and health consequences apply to the entire lifecycle of a policy, product, process, mine, entity, service, project, programme or activity. Participation of all interested and affected parties in environmental governance needs to be ensured by providing opportunities to develop the understanding, skills and capacity for achieving equitable and effective participation including the vulnerable and disadvantaged. This requires that decisions consider needs, interest and values of all interested and affected parties and recognise all forms of knowledge including traditional and ordinary knowledge. Community wellbeing and empowerment needs to be promoted through environmental education, awareness raising and sharing of knowledge, experience and other appropriate means. Decisions need to be informed by assessment, evaluation and considerations of both positive and negative social, economic and environmental impacts and be carried out in a transparent way.

Likewise, information needs to be made accessible according to the law. Those responsible for harming the environment are responsible for the cost of remedying, minimising or controlling the adverse health and environmental pollution and damage.

The purpose of the Petra Diamond SIA is to ensure that the regulatory requirements of NEMA are met and that the SLP will be informed by the impact assessment findings and the contributions of the stakeholders with regards to community needs and potential projects for mitigating negative impacts or to promote community development. The areas of focus of impact will be economic, social, cultural, infrastructural and sustainability. The latter will be a main thread through all aspects of the assessment. The survey and stakeholder engagements during the SIA process will solicit inputs and guidance from the interested and affected stakeholders to inform the Petra Diamond SLPs and collaboratively identify projects that meet the needs of the stakeholders and mining communities.

Background on Finsch Diamond Mine

This section briefly outlines the history and nature of FDM. The history and character of the surrounding communities is discussed in the following section.

History and Production Type

FDM is one of the three Petra Diamonds Group Company mines in South Africa. The mine is located 2km from Lime Acres, 25km south of Daniëlskuil, 45km east of Postmasburg and 160km northwest of Kimberley and about 110 km from Kuruman. It is the largest mine in the area. The land on which the mine is located is a mining lease area owned by the national government. The mine was first discovered and established in 1960 by two asbestos prospectors named Fincham and Schwabel. By 1963, De Beers had a controlling shareholding, and the mine became operational in 1967 under the De Beers Consolidated Mine. The mine presents as a classic diamondiferous kimberlite pipe made up of weathered kimberlite to a depth of around 100m with unweathered material beneath and has a surface expression of about 17.9ha with the country rocks of banded ironstones overlying dolomites and limestones. The probable reserves of the mine are estimated to be 35.7 million tons (Mt) containing 20.11Mct of diamonds (Mining Technology, accessed Dec 2021).

Initially, the kimberlite ore extraction was through open pit mining, and this changed to underground mining after underground development started in 1978 and the shaft was commissioned in 1982. A spiral decline from the surface to the depth of 680m level and a 9mdiameter makes it possible to access the underground mine through a 763m-deep shaft equipped with three automatic Koepe hoists capable of handling 5Mt/y of ore. The processing plant was

replaced in 2008 at the cost of USD100 million. It is a highly mechanised mine and uses recycling methods to minimise wastage, air/ water pollution and environmental degradation for sustainability. Its use of chemicals in processing and mining are minimised to explosive and laser technologies. The mine is well-known for its +5 carats and its gem-quality smaller diamonds. Its ore body also contains large special diamonds of +50 carat stones and some very rare fancy yellow diamonds.

Petra Diamonds Pty Ltd bought the mine as a going concern from De Beers in September 2011 for USD 200 million and the mining rights issued are valid until 14 October 2038. The shareholders are: Petra Diamonds (74%), Petra Diamonds Employee Share Trust (5%) and Senakha Diamonds Investments (21%).

Employment Size and Areas of Origin

In January 2022, FDM employed 853 permanent and 114 non-permanent employees, totaling

967. 36% of employees originate in Kgatelopele Local Municipality, 38% within the wider ZF Mgcawu District Municipality (including KLM) and 71% within the Northern Cape (including ZF Mgcawu DM).

Furthermore, FDM had 518 contractor employees in January 2022, which is a large reduction since 2018 when there were around 2000 contractors. 50% of contractors originate in Kgatelopele Local Municipality, 56% within the wider ZF Mgcawu District Municipality (including KLM) and 79% within the Northern Cape (including ZF Mgcawu DM).

FDM is the largest mining employer in the Kgatelopele Municipality. The company thus plays a significant role in local and regional employment and economy overall.

Life of Mine

Life of Mine (LoM) at Finsch according to the Petra Diamond mine plan is calculated to be until 2030 (HSSSTP, 2018). Nevertheless, Block 6 and adjacent precursor kimberlite, next to the kimberlite pipe main body of the Finsch mine, has potential for further expansion and development and could be expected to prolong the actual life of mine beyond 2030 with additional investment. Mining rights are issued until 14 October 2038. The mine has not yet made a decision on whether to go beyond 2030 or close operations by 2030.

Since the LoM is only three years beyond the current SLP4 period (FY2023-2027), the current SLP inputs are focused on preparing for a sustainable post-mining society and economy.

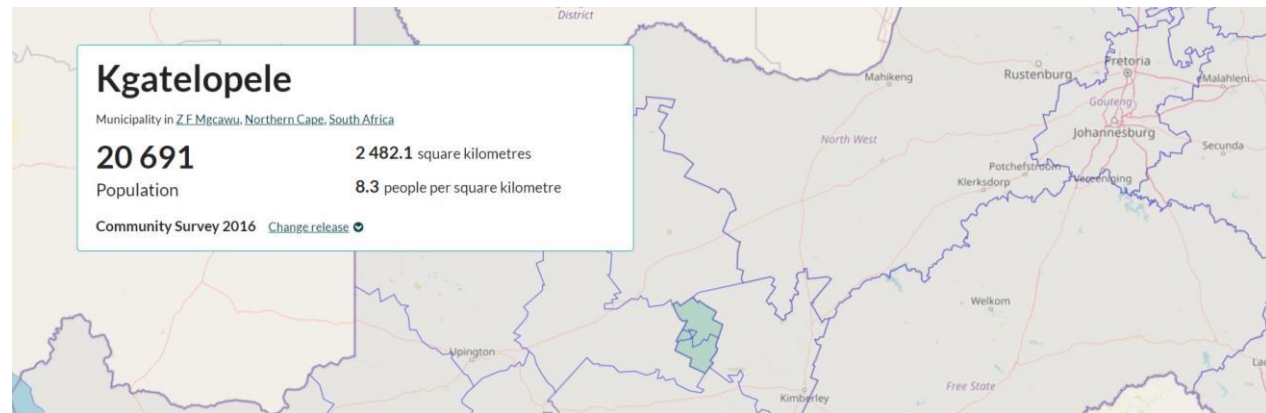
Key Social Impact Implication of FDM role in District Economy and Expected Life of Mine

Because of FDM's dominant role in the local economy and the Local Municipality economy, it is FDM's responsibility to facilitate explicit and collective planning for mine closure well in advance, i.e. within the last 10 years of its expected Life of Mine.

Context

Geographical Setting

Figure 4: Location of Kgatelopele Local Municipality



Source: <https://wazimap.co.za/profiles/municipality-NC086-kgatelopele/>

Kgatelopele Local Municipality forms part of the ZF Mgcawu District Municipality. It is a remote geographical area, 160 km from the nearest large town and provincial capital Kimberley.

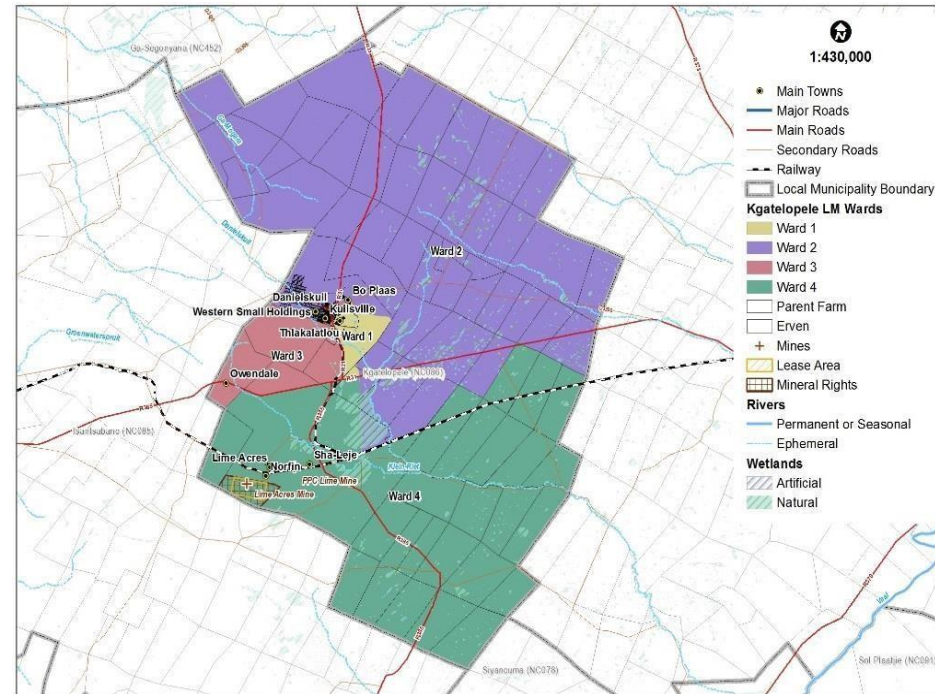
Kgatelopele Municipality consists of six wards each located in the geographical areas indicated in the table and map below. The population is concentrated in the two urban settlements of Danielskuil and Lime Acres which are 25 km apart. Danielskuil is the administrative capital of the municipality and was the original town servicing the surrounding farming communities. Lime Acres was established later as a settlement for mining employees when mining activities commenced in the area. By 2018, 97% of the population of this municipality were settled in Danielskuil (including Tlhakalatlou township) or Lime Acres while the remaining three percent were living in the surrounding rural settlements and farms.

Table 3: Kgatelopele Municipal wards, suburbs and geographic locations

Ward	Geographical Area
Ward 1	Tlhakalatlou
Ward 2	Daniëlskuil, Agricultural Stands
Ward 3	Kuilsville and a part of Daniëlskuil
Ward 4	Lime Acres

Source: Kgatelopele Municipality IDP 2021/2022

Figure 5: Map of Kgatelopele Municipal Settlements



Source: Human Settlements Spatial Transformation Plan for Kgatelopele Mining Town Municipality 2018

Key Social Impact Implication of Geographic Location

Because of the remote location of FDM from major urban areas and the small size of the local population (and therefore consumer market), there are limited economic opportunities in the area apart from mining. Alternative economic activities need to either plan for transporting inputs and products long distances to reach markets or make use of the digital economy to provide goods and services which are independent of location.

Settlements History and Demographics

Table 4: FDM Host Community Population Size (Census 2011 updated with own estimates)

Operation	Community	Number of Households	Total Number of Households
Finsch	Danielskuil	1606	5335
	Lime Acres	1756	
	Kuilsville	933	
	Tlhakalatlou	1040	

The table above shows the communities within Kgatelopele LM for which the operation has a mandated social concern. The household size estimates above are derived from a combination of Census 2011 data (the most recent data available at ward or sub-municipal level) and estimates from stakeholders in the communities consulted during the stakeholder mapping phase of this project. In addition to the communities listed above, there are farming areas surrounding each community for which it is difficult to establish household numbers.

As is often the case given South Africa's history of spatial development by race, each settlement around FDM has a distinct pattern of population groups. Our community survey found that Tlhakalatlou is over 91% Black African, Kuilsville is 77% Coloured, Danielskuil has African (41%), Coloured (35%) and White (18%) areas and Lime Acres, which is mostly professional mine employee accommodation, is a mixed population of 62% Black and 38% Coloured.

Daniëlskuil, including Kuilsville and Tlhakalatlou

Daniëlskuil, the municipal capital, is located 142 km northwest from Kimberley, 25 km north from Lime Acres, 90 km South of Kuruman, 72 km from Upington and 58 km north-east of Postmasburg. The English colonised Griqualand when diamonds were discovered in Kimberley, and this led to the

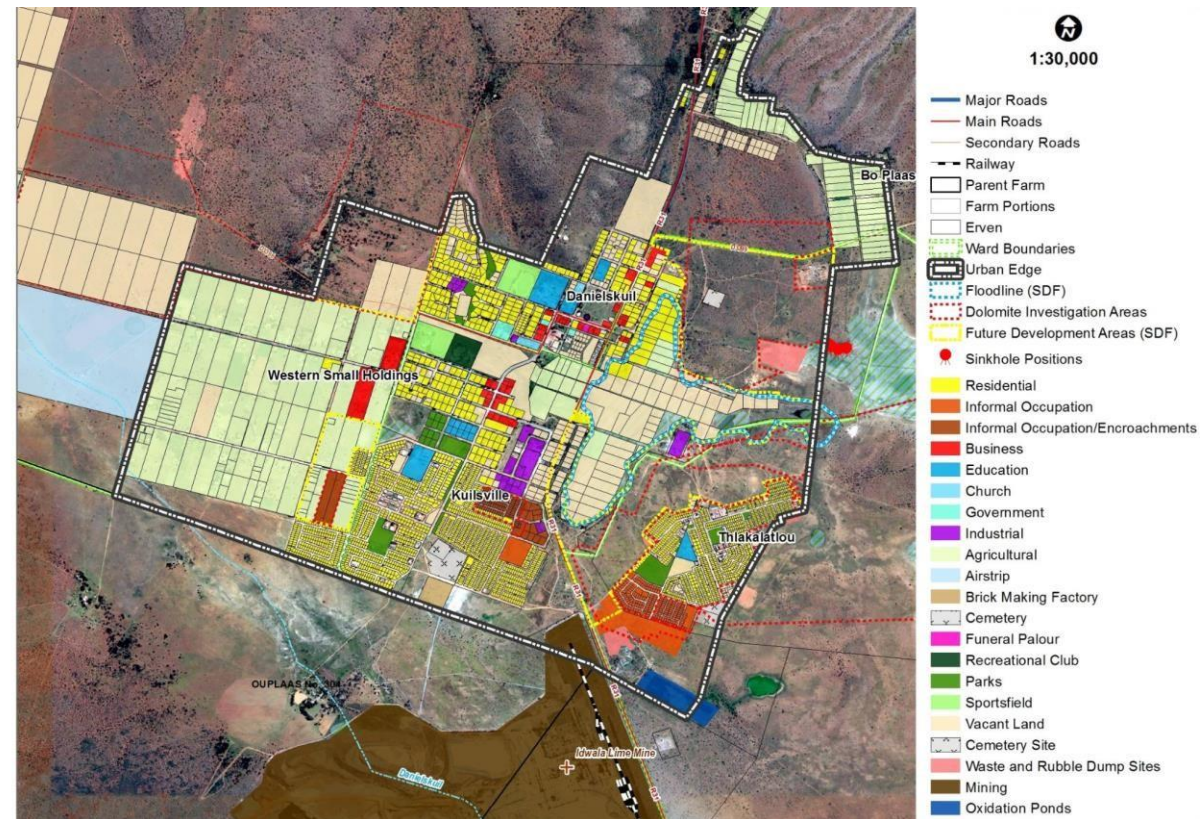
disenfranchisement of the Griqua people and their scattered settlement and loss of their land. Daniëlskuil was a town that served the surrounding farming communities, and it was proclaimed as a formal town in 1892 by the authorities in Cape Town. The town was named after the underground water cave which was used as a prison by the Griquas akin to the lion's den. Until 1972 the town continued to be a service centre for the agricultural community.

This changed when limestone mining development started production in the area in 1975. This led to the expansion and development of Daniëlskuil as mining companies in the region built housing for their white employees in the town. This led to the establishment of Kuilsville as a residential area for Coloured people south of Daniëlskuil in 1973 and Tlhakatlou as the residential area for the black community east of route R31 in 1974. These developments led to the doubling of the population within ten years (HSSSP, 2018). These historical racially segregated communities persist largely to this day.

Mining activities led to rapid population growth which increased demand for housing. This led to people informally occupying land around Kuilsville since the land management committee in the area had limited authority. This culminated in the establishment of the agricultural holdings Landbou Erwe/Western Small Holdings, west of Daniëlskuil in 1980s (HSSSP, 2018). Boplaas is also an agricultural settlement to the north of Tlhakatlou currently transforming into an urban settlement. There are now three nodes of informal settlements in Daniëlskuil: 1) Landbou Erwe, 2) Tlhakatlou Informal located to the south of Tlhakatlou and 3) Marateng located south of the industrial section in Kuilsville.

To date, Daniëlskuil is an established administrative town with 730 proclaimed erven where municipal offices, businesses and social service facilities are located. In 2017, it had about 14,700 residents.

Figure 6: Daniëlskuil Land Use and Spatial Structure



Source: Human Settlements Spatial Transformation Plan for Kgatelopele Mining Town Municipality 2018

Lime Acres

Lime Acres was established as a residential area for employees of the limestone mining company when limestone was discovered 2 km away in the 1950s. When diamonds were discovered at Lime Acres in 1960s and De Beers subsequently started operations for diamond mining in 1967, there was need for accommodation for employees. De Beers tried to acquire land in Daniëlskuil to develop racially integrated accommodation for all its employees. However, these efforts were not successful and therefore Lime Acres was developed into a residential area for the mining employees. The town is built on leased

agricultural land belonging to Afropean Diamonds Pty Ltd. About a quarter of Lime Acres is owned by PPC Cement and this section is a formally proclaimed township which enables its employees to privately own land and property. De Beers and later Petra Diamonds tried to formally have the remaining three-quarters of the settlement be proclaimed as a township, but this has been without success over the years.

In addition to the main Lime Acres and PPC residential areas, the town consists of Sha-Leje, Norfin and the Finville precincts. The Finville housing units are built on the land leased by the mine from the National Department of Public Works. Since the 1950s, Lime Acres has expanded and developed into a town with approximately 910 erven accommodating 5,545 people in 2016.

Owendale

Owendale used to be an asbestos mining town until 1993 when the mine closed. It is situated between Daniëlsskuil, Lime Acres and Postmasburg. The property of 43 residential units was purchased by a private buyer and now operates as a share-block scheme/private residential area with well-established industrial components on the property. Due to the economic downturn and no job opportunities some of the residents abandoned the property, resulting in most residential units being unoccupied. Currently some of the units are leased by companies such as FDM for their contractors. This settlement was not included in the community survey due to the small size of its current population.

Key Social Impact Implication of Settlement History

The 'mining town' nature of Lime Acres means it is most likely to become a 'ghost town' when FDM reaches the end of LoM. FDM investment in the other settlements, especially the townships of Kuilsville and Tlhakalatlou, is perceived by residents there as being limited. The historical racial segregation between Kuilsville and Tlhakalatlou townships continues and there are ongoing violent tensions between the areas which limit collaborative social development initiatives.

Demographic Information

2020 General Household Survey by Statistics SA the Northern Cape population in 2020 is estimated at 1 263 000, with 354 000 households, 48,3% of which are female headed. The population growth rate in the province is very low, signaling that there is not much immigration from other provinces or countries and even that some of the natural population growth (from births) is balanced out by people leaving the province for other areas in the country. The

population of the district of ZF Mgawu was 252 620 in 2016, with a total population of 20 619 in Kgatelopele Local Municipality. This represents a 2.3% annual growth rate in the district from 2011 to 2016, a rate which is barely at population replacement rate (2%). This is an absolute increase in population of 2274 persons, over this period; averaging about 455 people a year in in this municipality. No updated information for 2020 at municipality level if yet available.

In the Northern Cape, 39% of children in the province live with both parents, 42% with their mother and 16,4% with neither parent.

As measured in the 2016 Community Survey (StatsSA), the population of Kgatelopele Municipality is very young, with while 66.4% of the population aged under 35 and 33.6% over 35.

Table 5: Distribution of Kgatelopele Municipality Population by Share of 5-year age groups (Community Survey 2016)

5-Year Age Group	Number	Share of Kgatelopele Municipality Population	5-Year Age Group	Number	Share of Kgatelopele Municipality Population
0-4	2178	10,5	35-39	1396	6,7
5-9	1861	9,0	40-44	1259	6,1
10-14	1738	8,4	45-49	1195	5,8
15-19	2049	9,9	50-54	1108	5,4
20-24	2232	10,8	55-59	734	3,5
25-29	1906	9,2	60+	1258	6,1
30-34	1777	8,6	TOTAL	20 691	100

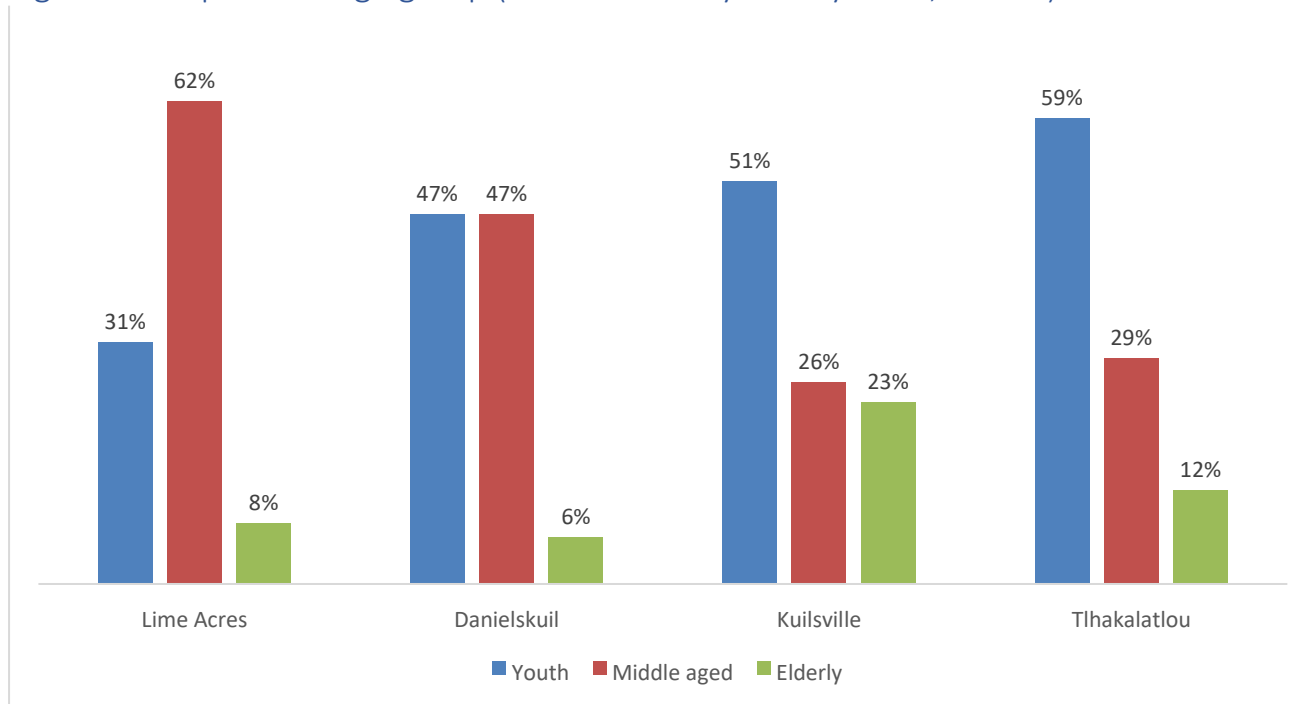
Adapted from Northern Cape Community Survey, 2016

The demographic dividend of a young population for this municipality can be a boon or bane depending on how it is managed. The challenge is ensuring that the young working age population is employed while appropriate investments are made into their skills and social development as well as those of the children who make up a significant proportion of the population to ensure sustainable development in the community now and in the future.

Community Level

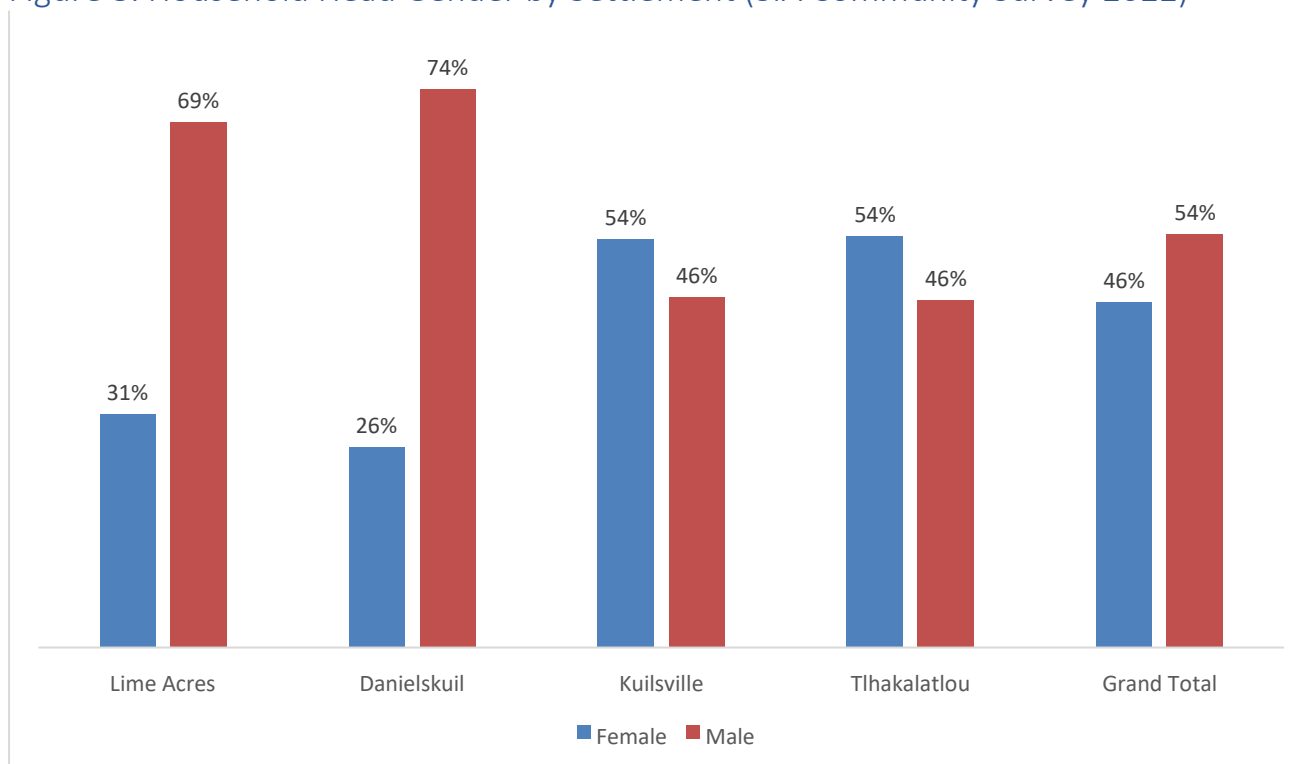
The histories of the mine-neighbouring communities are reflected in very distinct demographic patterns in each community. As noted above, our community survey found that Tlhakalatlou is over 91% Black African, Kuilsville is 77% Coloured, Danielskuil has African (41%), Coloured (35%) and White (18%) areas and Lime Acres, which is mostly professional mine employee accommodation, is a mixed population of 62% Black and 38% Coloured. The age profile is also different by settlement. Figure 7 shows the ages of respondents to our community survey. This only includes respondents over the age of 18 and so cannot be compared with the StatsSA data for the overall population but it illustrates that while Kuilsville and Tlhakalatlou have an age distribution similar to most communities in the province (with a predominance of youth and a significant number of elderly along with the middle aged), Danielskuil and even more so Lime Acres are exceptional communities of middle aged professionals rather than balanced communities.

Figure 7: Respondent age group (SIA Community Survey 2022, N=152)



An important finding from the SIA community survey in terms of the structure of households relates to the gender of the household head. Households in Lime Acres and Danielskuil are more likely to be headed by men, while in Kuilsville and Tlhakatlou, households are more likely to be headed by women. This is an important dynamic to be aware of in terms of who to communicate with when engaging with the community, and who to engage when distributing social and economic opportunities.

Figure 8: Household Head Gender by Settlement (SIA Community Survey 2022)



Key Social Impact Implication of Demographics

Social interventions should predominantly address the needs of youth (under 35) in the communities around FDM. Given the predominance of women-headed households, communications around social and economic opportunities should be targeted especially at young women in order to reach their families.

Migration and Mobility

One of the most significant social impacts of mining is that the (perceived and actual) economic and employment opportunities attract people to move into mining areas. This can have several effects including:

- Affecting the identity and nature of local communities by introducing new languages, cultures and norms. This may be experienced as negative by local communities if it results in the disruption and displacement of functioning social networks and institutions. Some may also experience this as positive if new skills and ideas increase diversity.
- The demand for infrastructure and services like housing, schooling and health care may increase. This can be negative if no additional resources are provided but may also be positive if the increase in population attracts additional investment by government or the private sector in service provision.
- Where there is a scarcity of land and housing, this increase in demand may increase land and housing prices. Where locals do not own land and housing or are not in control of the disposal of these assets, this may have a negative impact on local affordability of housing and access to land. Some locals may however benefit from selling or renting out housing and land to new arrivals.

Whether the social effects of migration into mining areas are largely positive or negative depends on:

- the nature of migration (whether it is transitory or long-term) and
- the planning and management of services for both local and migrant populations.

The nature and management of migration in the communities around FDM will be discussed below after setting the scene regarding overall migration to the District.

StatsSA migration data is only available at provincial and district level. The reasons for migrating to ZF Mgcawu District are similar to those at the provincial level and are as follows (see table below):

- New dwelling for the household (19.8%)
- Moving to live with or near spouse (19.4%)
- To look for paid work (17.2%)
- Job transfer/assume new job opportunity (16.0%)

- To accompany household member as part of the household (12.6%)

Table 6: Reasons for Migration to Current District of Residence in the Northern Cape (StatsSA Community Survey 2016)

Reason for moving	John Taolo Gaetsewe	Namakwa	Pixley Ka Seme	ZF Mgcawu	Frances Baard	Northern Cape
Divorce/separation	0,6	0,6	1,3	0,9	1,1	0,9
Education(e.g. studying; schooling; training)	9,1	6,1	5,4	4,3	8,3	6,9
For better municipal services	0,2	0,6	1,8	0,3	1,3	0,8
Health (e.g. poor/ill health)	0,6	1,9	1,8	1,5	1,2	1,3
High levels of crime	-	0,3	1,2	0,2	1,7	0,7
Job loss/retrenchment/contract ended	3,4	2,8	2,1	0,9	1,5	2,1
Job transfer/take up new job opportunity	12,0	21,6	20,2	16,0	14,2	15,7
Look for paid work	9,9	10,0	9,7	17,2	8,3	11,1
Moving as a household with a household member	8,3	11,2	9,4	12,6	11,5	10,5
Moving to live with or be closer to spouse (marriage)	15,8	13,6	23,0	19,4	21,0	18,9
New dwelling for household	34,4	22,8	13,1	19,8	22,2	23,4
Other business reasons (e.g. expansion of business)	0,4	1,0	0,6	1,3	1,0	0,8
Political instability/religious conflict/persecution	0,1	-	0,3	0,5	0,3	0,3
Retirement	0,1	1,4	1,3	0,3	0,9	0,7
Start a business	0,5	2,3	1,2	0,2	1,0	0,8
Other	4,7	3,9	7,6	4,5	4,5	5,0
Total	100,0	100,0	100,0	100,0	100,0	100,0

Excludes 'Do not know' (537), and 'Unspecified' (32).

The data appear to illustrate that mining and other economic activities in the district tend to attract migrants through job-seeking, job offers and job transfers, which in turn results in new dwellings for households and additional household members moving into the district to accompany those who have come for employment.

International migration to the Northern Cape and ZF Mgcawu District is extremely small and is therefore not discussed here. This contrasts with many other mining areas in South Africa where there is a long history of mine worker migration from neighbouring countries.

Mobility in FDM-neighbouring settlements

The SIA community survey (2021) shows that there are three distinct mobility groups living in the area: locals, long-term residents and short-term residents. 39% of our sample was born in the settlement where they currently live (locals) and 37% have been living there for over 10 years (long-term residents), with 20% in the area for less than 5 years (short-term residents). Two thirds of locals identify as Black African and one third as Coloured.

There is a notable gap in people living in the area for between 5 and 10 years (3%). This suggests that short-term residents tend to be working in the area (including for FDM) for specific contract periods and then moving on rather than settling in the area.

The mobility patterns differ by settlement, reflecting the role which mining employment plays in each settlement.

Table 7: How Long Have You Lived Here? (SIA Community Survey 2022)

Period of Residence	Lime Acres	Danielskuil	Kuilsville	Tlhakatlou
Short-term residents (Less than five years)	54%	41%	3%	10%
Intermediate residents (5-10 years)	0%	9%	0%	2%
Long-term residents (More than 10 years)	38%	29%	49%	32%
Locals (born here)	8%	21%	46%	56%

Kuilsville and Tlhakatlou are largely stable settlements, with local and long-term resident populations, while Danielskuil and especially Lime Acres are transient employee housing settlements. This is confirmed by the reasons given for moving to the area. In Lime Acres, 75% of respondent came for work and 25% joined their spouse (who probably came to the area to work). In Danielskuil, 23% came for work and 26% joined their spouse, but an additional 26% came because the education or health care opportunities were better. In Tlhakatlou, 30% came for work and 22% joined a spouse but most (37%)

moved there with their families as children. In Kuilsville, no-one moved there for work or for education and health, but 48% moved there with their family as a child and 24% were relocated there after being forced to move from their previous area of residence.

The mobility patterns also include whether households have alternative homes elsewhere and whether they intend to raise their children in the area or retire to the area. 80% of locals have no other home and the 20% who report having another home say it is within the same municipality. 30% of short-term residents have another home. The professional mine employees who live in Lime Acres tend to have another home in another municipality but in the same province, while 30% of the short-term workers in Danielskuil have homes in other provinces and 12% in the same municipality. Even if many of the short-term residents do not have other homes, however, they are likely to move easily to find new homes along with new employment opportunities if their reason for being in the area (e.g. for work) is no longer present.

Long-term residents (who have been living in the area for more than 10 years but were not born there) are most likely (55%) to have other homes, which are mostly in the same municipality (24%) or elsewhere in the same province (20%). They are therefore also likely to be mobile should their local employment situation change.

While 70% of respondents expect to still be living in the same neighbourhood in five years time (73% of locals, 70% of long-term residents and 62% of short-term residents), only 54% across mobility groups want their children to live in the area when they grow up. The main reasons given for not wanting children to remain in the area are: low levels of development and no economic opportunities for young people, as well as exposure to crime and substance abuse.

The origin of FDM employees is described above: 36% of employees originate in Kgatelopele

Local Municipality, 38% within the wider ZF Mgcawu District Municipality (including KLM) and 71% within the Northern Cape (including ZF Mgcawu DM). 51% of contractors originate in Kgatelopele LM, 58% in ZF Mgcawu DM and 80% from within the Northern Cape.

Key Social Impact Implication of Mobility Patterns

The pattern of locals, long-term residents and short-term residents is a crucial insight for social programming and community relations, since each group has different needs & aspirations and therefore requires different interventions. This mobility pattern will also shape the post-closure options of the area, since the majority of non-locals, and indeed a large proportion of locals, are likely to leave the area when the mine closes (see discussion under [Closure Section](#))

Local Community Governance and Leadership Overview

The governance and leadership environment of an area impacts on a mine's social impact at the levels of municipal governance, political leadership, traditional leadership and levels of community self-organisation through formal civil society organisations and informal community leadership structures. Traditional governance structures are also important local governance systems in other mining areas, but there are no formal or strong informal traditional leadership structures in the communities surrounding FDM.

Municipal Governance

The Kgatelopele Local Municipality is very small, with low capacity. Given that the economy of the municipality is almost entirely dependent on mining, the majority of the population is too poor to pay for municipal services and the remote location increases the costs of basic service delivery, municipal income is not sufficient to cover expenses. As reported by [Municipal Money](#), in 2019-2020 the municipality was in the red on most financial health indicators (spending on operational and capital budget, fruitless and wasteful expenditure and current and liquidity ratio) and spent twice as much on Governance, Administration, Planning and Development as on all direct community service provision combined. Only 44% of the municipality's income is locally generated with the rest being dependent on transfers from provincial and national government. This illustrates that the municipality is not independently sustainable. Capital projects in 2019-2020 show the small scale of municipal infrastructure efforts.

Table 8: Kgatelopele Local Municipality Capital projects 2019-2020

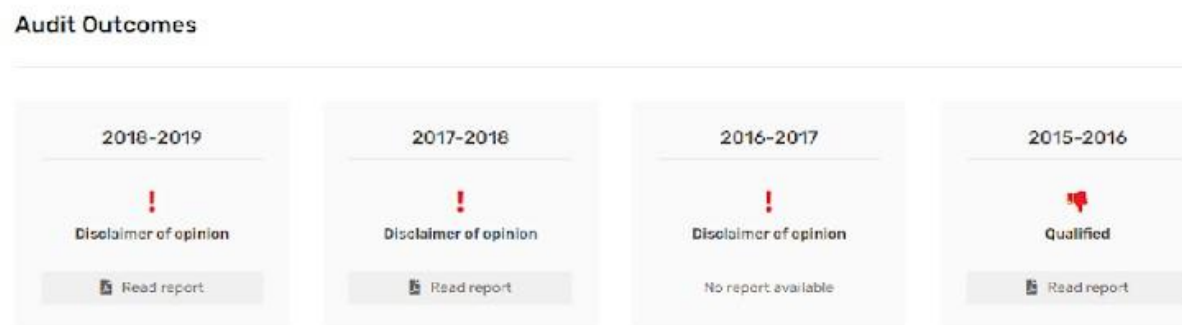
PROJECT NAME	FUNCTION	PROJECT TYPE	BUDGET TOTAL
Capital - Sewer Truck	WATER DISTRIBUTION	NEW	R15.14 Million
CLOSING OF OLD LANDFILL SITE, ESTABLISHMENT OF NEW LANDFILL SITE	SOLID WASTE DISPOSAL (LANDFILL SITES)	NEW	R8.04 Million
ELECTRICAL RETICULATION OF 67 STANDS	ELECTRICITY	NEW	R2.00 Million
RENOVATIONS AND PARTITIONING OF MUNICIPAL PROPERTY	ASSET MANAGEMENT	UPGRADING	R1.66 Million
Capital - Office equipment	MAYOR AND COUNCIL	NEW	R900.00 K
SECURITY UPGRADES FOR MUNICIPAL BUILDING	ADMINISTRATIVE AND CORPORATE SUPPORT	UPGRADING	R472.51 K

Source:

<https://municipalmoney.gov.za/profiles/municipality-NC086-kgatelopele/>

Furthermore, Kgatelopele Local Municipality has had unsatisfactory audit findings by the Auditor General for the past several years.

Figure 9: Auditor General findings for Kgatelopele Local Municipality



Source:

<https://municipalmoney.gov.za/profiles/municipality-NC086-kgatelopele/>

The institutional weaknesses of the Municipality have been noted for many years, including in the 2018 Human Settlements Spatial Transformation Plan for Kgatelopele Mining Town Municipality, which described:

- A large number of vacant Departmental head positions over long periods of time, including the Chief Financial Officer, Corporate Services, Technical and Community Services;
- Very low revenue collection;
- Limited to no skills development;
- Poor record keeping by officials;
- No consequence management;
- Limited to no monitoring of performance
- political strain between parties resulting in Council sittings not taking place for a number of months each year;
- political instability resulting in community meetings not taking place as they are constantly disrupted by community members

A business survey by Urban Econ found that in Daniëlsskuil, 36% of business owners listed the 'lack of assistance from government/ local municipality' and 'no economic growth/ development' as the top two disadvantages in their opinion to their respective businesses (UrbanEcon, 2017).

It is also clear from the 2021-2022 IDP documentation (section on Disaster Management Plan) that the Municipality is not adequately prepared for a disaster because of lack of resources and capacity. It would therefore depend on assistance from the three local mines were a disaster to occur.

These weaknesses result in basic processes like budgets and IDPs not being approved on time. The basic level of capacity and management has not changed significantly since 2018 and therefore these challenges remain in place for the current SIA period.

The municipal Integrated Development Plan is discussed in the section on [Development Plans](#) below.

Key Social Impact Implication of Municipal Governance Context

Lack of capacity and financial mismanagement at a municipal level may lead to backlogs in the provision of social services and infrastructure which are the mandate of local government. This may cause pressure on the private sector, especially large mining companies, to provide services which should be publicly provided. Mine social investments therefore are spent on replacing services which should already be present from the public purse rather than augmenting existing basic services with top-up services. In turn, this re-orientates the service delivery expectations of residents from local government to the mines, thereby increasing the potential for demands and protests towards the mine for services which are not the mine's actual responsibility or mandate. This is a common pattern in mining communities, especially in remote areas.

A crucial consideration regarding the future closure of FDM is the effect this will have on the local municipality. Given that the FDM is the largest employer in the municipality and its closure will most likely lead to significant out-migration from the area (especially outmigration of professionals who currently pay for local services), this change in population numbers and income levels will impact directly on the municipality's income as well as service-related expenditures. Furthermore, the mine currently pays around R6 million in rates, taxes,

electricity payments and other payments to the municipality, which makes FDM the largest single contributor to municipal income, apart from transfers which the LM receives from provincial and national grants.

Political Leadership

Politically, the previous council was led by the ANC (5 seats, including the Mayor and Speaker), with 2 seats each for the DA and Patriotic Alliance and one seat each for the

Vryheidsfront Plus and the Economic Freedom Fighters. The 2021 Local Government Elections resulted in a hung council (ANC – 43.69%, PA – 18.47%, DA – 16.97%) which is likely to make governance even more challenging. The final Council composition is shown in the table below, retaining the same seat distribution as the previous Council. No single party holds a majority. Depending on the alliances between parties, this may impact on the ability of the Council to take policy decisions and complete required processes such as the IDP on time.

Figure 10: Kgatelopele Local Municipality Council 2022

The political parties represented in the new Kgatelopele Municipal Council are:

PARTY	SEATS	COUNCILLORS
African National Congress (ANC)	5	Cllr Ronel Victoria Haai Cllr Denys Reginald Pienaar Cllr Mosala George Leutlwetse Cllr Jan Slinger Cllr Irene Nona Williams
Democratic Alliance (DA)	2	Cllr Dorcas Gabanthate Burger Cllr Anna Christina Van Zyl
Patriotic Alliance (PA)	2	Cllr Silvia Gloria Edwards Cllr Frikkie Sebelego
Vryheidsfront Plus (VF PLUS)	1	Cllr Francois Maritz
Economic Freedom Fighters (EFF)	1	Cllr Patience Leburu

Civil society

The register of officially registered non-profit organisations in the Northern Cape includes the following organisations based and operating in Kgatelopele Municipality. This list has been confirmed with the Department of Social Development, Northern Cape (March 2022).

Table 9: Registered Non-Profit Organisations in Kgatelopele Municipality (Department of Social Development March 2022)

Name of Organisation	Address of Organisation	Type of Organisation	NPO Number	Contact Person	Status
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Ignite Youth Development	Lime Acres	Render Youth Development Services	253 - 138	Phenyo 061 365 3856	Operational
Shaleje Pre School	Shaleje Village, PPC Lime Acres	ECD Centre for Children	034-844	Beverline Shabele 063 139 9997	Operational
Kgatelopele Social Development Forum	108 Park road Street, Danielskuil	Drop in Centre	055-750	Jeanette Mqomo 053 384 1759	Operational
Danielskuil Animal Forum	Danielskuil	Animal Forum	241-805	Hester Geyser 084 555 0383	Operational
Kgatelopele Youth Development Forum	01 Scanlin street, Kuilsville, Danielskuil	Youth Centre	082-008	Delani Mahashi 0713689413	Operational
Lesedi Service Centre	1089 Verbena street, kuilsville, Danielskuil	Service Centre for the elderly	094-414	Michelle Jacobs 063 034 0189	Operational
Carlientjie Pre-Primary School	1050 Verbena, Kuilsville, Danielskuil	ECD for Children	004-082	Katriena Davids 076 455 7823	Operational
Wheels on Meals	33 Roux Street, Kuilsville, Danielskuil	Soup Kitchen	053 -112	Florina de Koker 0663910899	Operational
Gaabo Motho Health and Welfare Projects	10 Aster Street Kuilsville Danielskuil	Multi-Purpose Centre	201-227	Ms A.N Khangale 082 367 3962 073 178 7610	Non-Operational
The Joy Centre	Kuilsville Danielskuil	Centre for Children with disabilities	249-137	Elsie Raatz 083 977 6273	Operational

Pioneers of Change	30 Roux Street Kuilville Danielskuil	Services for Mental Health and social ills	APP 22/396245 Still waiting for NPO Number	Kimberley Muller 084 483 1528	Operational
Agape Community Upliftment Projects	988 Zinnia Str Kuilville Danielskuil 8405	Developmental Programs	240-229	Silvia Edwards 076 942 0413	Operational
Ubuntu Crèche	New Stance, Maranteng, Danielskuil	Crèche and Day care centre	-	-	Non- Operational
Ubuntu Neighbourhood Watch	Maranteng Danielskuil	Neighbourhood Watch	191-297	-	Non- Operational
Spring en Speel Early childhood Development Centre	New Stance Marantheng Danielskuil	Early Childhood Development Centre	219-049	Magrieta Springbok 066 417 0925	Operational
Kiddies Day Care Centre	Mirrinen Street Marantheng Danielskuil	Day Care Centre	264-472	Emma Wilkers 081 444 6388	Operational
Savings Lives- Danielskuil	Marantheng Danielskuil	Render multipurpose services	252-802	Samolene Tieties 078 0463 965	Operational
Thusano Service Centre	2340 Tshwene street, Tlhakatlou, Danielskuil	Service Centre for the elderly	094-412	-	Operational
Itereleng Pre School	2268 Phudu street, Tlhakatlou, Danielskuil	Day Care Centre for Children	042-587	Ogone Balepile 079 931 0470	Operational

Busy Bee Care Centre	512 Kgokong street, Tlhakalatlou, Danielskuil	Day Care Centre for Children	042587	Christine Goeieman 078 491 1882	Operational
Masakhane Care Centre	Roman Catholic Church Building, Nkwe street, Tlhakalatlou, Danielskuil	ECD Centre for Children	072-764	Lorato Modimedi 071 880 0613	Operational
Ikageng Day Care Centre	2270 Phudu Street Tlhakalatlou Danielskuil	Day care centre for Children	251-160	Maria Motlalepule 083 6829 011	Operational
Solutions To A Better Kgatelopele	Tlhakalatlou Danielskuil	Multi- Purpose centre	261-187	Tumelo 079 092 0170	Operational
Kgatelopele Youth Advisory and Development Centre	2270 Phudu Street, Tlhakalatlou, Danielskuil	Youth Centre	-	David Sebelego 060 792 2802	Non-Operational
Phuthanang Care Centre	New Stance, Tlhakalatlou, Danielskuil	Day care centre for children	141-919	Ms S. Franse 0711874478	Operational

The Kgatelopele Social Development Forum activities were verified and it is an active organisation with a range of activities which directly address the most important priorities of the township communities as identified in the SIA Community Survey, e.g. Psychological counselling, Home based care, Community gardens, holiday programmes for children, drug awareness campaigns, feeding schemes in Tlhakalatlou and Kuilsville, looking after orphans and vulnerable children, and a rape crisis centre. While FDM has a representative on its board, it has not provided financial support or sponsorship beyond the provision of some equipment. In addition to funding and/or the provision of additional resources for establishing and maintaining food gardens and distributing food to needy families, the staff and volunteers of the Kgatelopele Social Development Forum request need training in social work and psycho-social support/counselling.

The registered NPOs also include a number of ECD centres. In the sections on [education](#) and [ranking of social projects](#) below, there is further a recommendation to work with these existing institutions.

Informal community governance

Apart from formal elected, administrative and civil society institutions, communities are often governed by informal community structures and networks which enable collective decisionmaking and action. Communities with strong social networks and cohesion are better able to engage constructively with mines around setting joint priorities and implementing co-created social solutions. Communities with weak social networks are more likely to be conflictual and fragmented into competing and personalized interests around controlling access to mine resources.

The results of the community survey suggest that all four settlements in the FDM neighbourhood have weak community governance structures. We asked: “Who do people in

this community usually trust to resolve disputes that arise between residents in this community?”. As shown in Table 10, the most trusted institution by far is the police. This is less a reflection of actual confidence in the police and more a signal that disputes are generally not prevented or resolved through collective norms and trusted community representatives but allowed to grow until they become open conflicts requiring reactive police response.

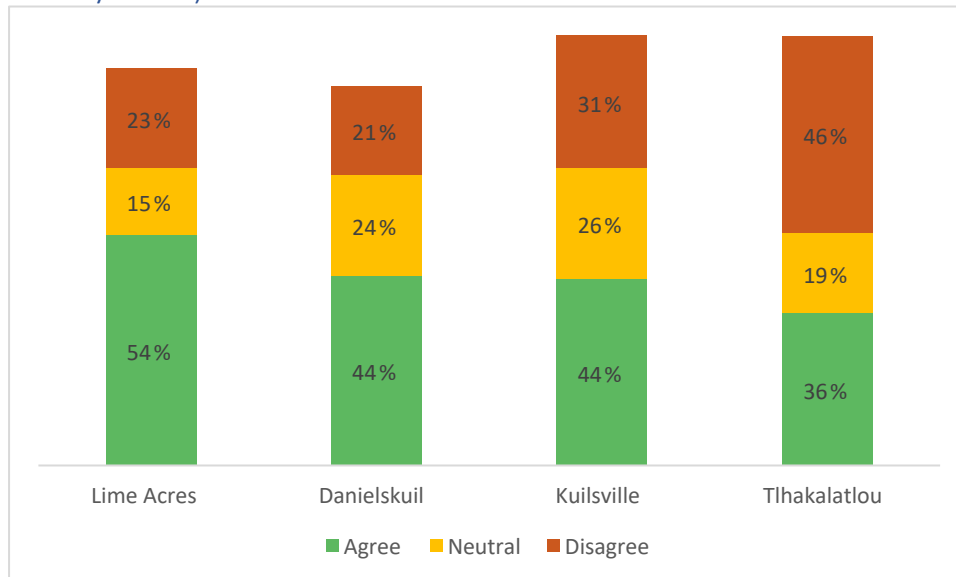
Table 10: Who do people in this community usually trust to resolve disputes that arise between residents in this community? SIA Community Survey 2022)

	Danielskuil	Lime acres	Kuilsville	Tlhakalatlou	Grand Total
Trusted actors					
Police	68%	67%	79%	76%	74%
Courts	32%	7%	8%	32%	23%

Elected ward councillor	12%	20%	8%	5%	9%
Local government officials	3%	7%	0%	3%	3%
Local political party branch	6%	7%	0%	2%	3%
Leader or member or meeting of local community organization	12%	13%	8%	8%	9%
Local businessperson or organisation	6%	0%	0%	0%	1%
Religious leaders or organisation	15%	13%	8%	7%	9%
NGO	15%	0%	0%	0%	5%
Traditional leaders	3%	0%	5%	2%	3%
Traditional healers	3%	7%	0%	2%	2%
Mine security people	3%	33%	0%	0%	4%
Mine community relations people	0%	13%	0%	0%	1%
Mine management	6%	13%	0%	0%	3%
No-one	6%	13%	21%	10%	12%
Refused to answer	12%	0%	0%	2%	3%

This is confirmed by responses to the question: “In this community, there are individuals or organisations that everyone respects and listens to” (Figure 11) which shows low levels of consensus on community leadership across all settlements.

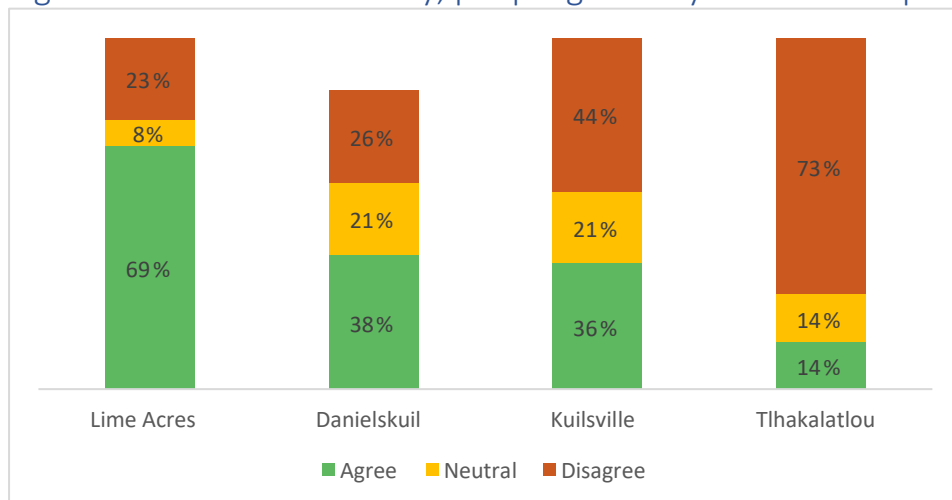
Figure 11: In this community, there are individuals or organisations that everyone respects and listens to (SIA Community Survey 2022)²



The lack of trust in leaders is mirrored by a wider lack of trust in each other. This is shown by responses to the question: “In this community, people generally trust and help each other”, which shows extremely high levels of distrust in all settlements apart from Lime Acres, especially in Tlhakalatlou.

² Responses do not add up to 100% because the graph does not show ‘refuse to answer’ responses.

Figure 12: In this community, people generally trust and help each other (SIA Community Survey 2022)³



Community Participation

Levels of community participation in collective forums and activities is another element of community cohesion and self-organisation which impacts on a mine's ability to engage with residents of its neighbouring settlements. The community survey findings show that there are relatively high levels of participation in community meetings organized by the ward councillor or municipality, as well as community development forums, with much lower participation in mine-initiated community meetings. Otherwise, school-related forums and religious spaces were the only significant forms of participation reported.

³ In Kuilsville, 15% of respondents refused to answer this question, resulting in a total of less than 100%

Table 11: In the past year, which of the following have you taken part in? (SIA Community Survey 2022)

	Danielskuil	Lime acres	Kuilsville	Tlhakalatlou	Grand Total
Activities					
Community meeting organised by the ward councillor or municipality	24%	20%	33%	41%	32%
Community meeting organised by a mine	9%	13%	10%	5%	8%
Community development forum, ward committee, or other regular structure that talks about community development	15%	0%	18%	39%	24%
Peaceful protest or march	3%	7%	0%	10%	5%
Violent protest or march	0%	7%	0%	5%	3%
Religious/ spiritual group meeting	24%	20%	21%	29%	25%
Savings club (burial society, stokvel, or other)	12%	0%	18%	8%	11%
Recreational group (sport, music or other)	15%	7%	5%	10%	9%
Trade Union meeting	6%	7%	3%	0%	3%
Community safety group meeting (CPF, Neighbourhood watch, street committee or other)	3%	13%	5%	2%	5%
School governing body or school-related committee meeting					

Activities of a community-based organisation or NGO	24%	20%	41%	8%	22%
Women's group meeting	12%	0%	8%	0%	5%
Political party meeting	12%	7%	0%	2%	4%
Refused to answer	3%	0%	0%	8%	4%
	38%	33%	26%	19%	26%

Key Social Impact Implication of Local Governance and Leadership

In a context of generalized low trust and low community self-organisation and participation, it is difficult for a mine to build trust between itself and community residents or to implement social activities in ways that engage constructively and co-creatively with community residents. This situation is fairly common in near-mining communities and so methodologies have been developed by development professionals which simultaneously build community self-organising capacity and implement local social development and employment generation activities. One such methodology is called Organisation Workshops, which is a project recommendation for this SIA. The methodology is summarised in the section on [Projects](#)

Stakeholder groups and dynamics

FDM is concerned with the quality of its relationship with local stakeholders because it aims to be a good corporate citizen with a positive social impact. Furthermore, FDM and Petra Diamonds more broadly is aware of a range of challenges with its stakeholder relations, [as described above](#), including:

- Consistent inability to implement SLP community projects on time and within budget

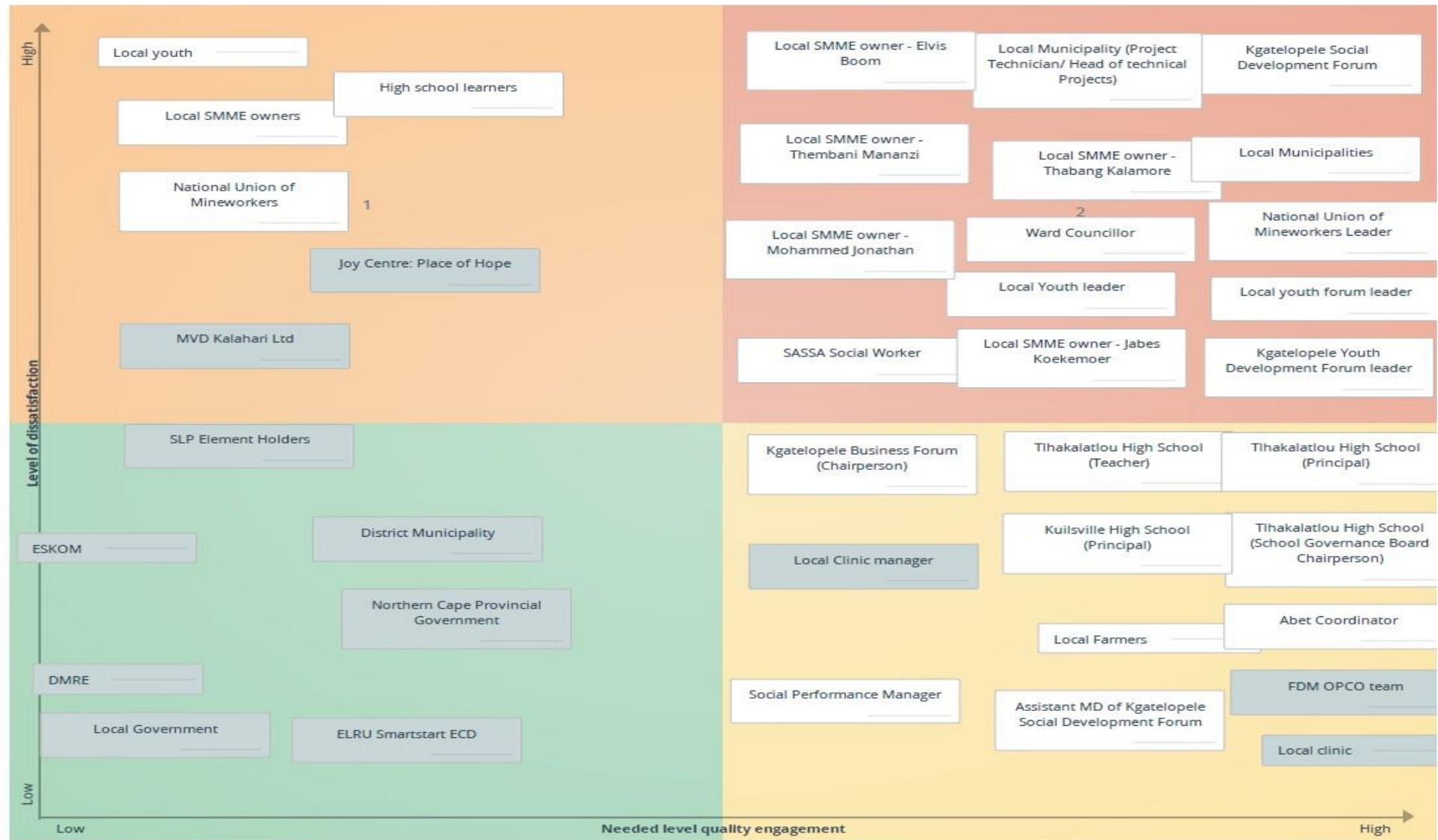
- Identifying the real community needs (not wants) from interested and affected stakeholders in the community that can get buy-in from most stakeholders
- Lack of optimal relationships with local municipalities and political leaders
- Unsatisfactory relationships with local communities
- Inadequate system for continuous community engagement
- Social unrest in the mine communities that threaten mining operations

Based on our stakeholder engagements in October 2021 and the Community Survey results, as described in the previous section, the underlying dynamics between FDM and local institutional and community stakeholders are characterized by the following:

- A general lack of trust among and between stakeholders, including within communities, across communities (such as conflictual relationships between the Coloured and African township areas) and between communities and institutions like the municipality;
- A perception by many stakeholders that de Beers was more involved in community and stakeholder matters than Petra Diamonds and that local economic and social conditions and relationships with the mine have deteriorated since Petra bought the mine;
- Repeated statements by stakeholders, including community residents and local businesses, that FDM does not communicate well and does not respond to communication and requests from stakeholders.

Figure 13 summarises the status of the main stakeholder types and groups, including some individuals, by their level of satisfaction with FDM (high dissatisfaction at the top and low dissatisfaction at the bottom) and the extent to which they require regular and intensive engagement to build a strong and positive relationship (sufficiency of rare and formal engagement on the left and high-quality regular engagement required on the right). The stakeholders recorded on white squares were directly engaged for this SIA's stakeholder mapping and engagement process. The grey squares were not directly engaged and so their location in the matrix is based on supposition related to how stakeholders of their type and institutional structure usually engage with mines.

Figure 13: Stakeholder Engagement Matrix FDM



Most of the key stakeholders are in the upper right corner, meaning they are currently highly dissatisfied with their relationship with FDM and will require significant investment in relationship building in order to change this.

Figure 14 provides some pointers concerning the nature of engagements which can improve relationships with stakeholders currently in each of the quadrants of the matrix. A detailed stakeholder list with contact details and information about individuals has been produced and provided to FDM separately from this report.

Figure 14: Stakeholder Engagement Approach Matrix

Level of dissatisfaction	High	<p>Engage them regularly through interest groups</p> <p>Address their needs through projects</p> <p>Involve them as volunteers</p> <p>Listen to their needs and address them promptly</p> <p>Link them to other stakeholders and partners outside the industry</p> <p>Build capacity based own diagnosis</p> <p>Apply design thinking approaches</p> <p>Example of stakeholder type:</p> <p>Entrepreneurs, youth group, NGO, workers</p>	<p>Build better relationships, arranging one to one meetings</p> <p>Establish informal relationships to build trust</p> <p>Ensure ideas are incooperated somehow</p> <p>Do something in the communities that is visible</p> <p>Ensure they are involved in the implementation of projects</p> <p>Ensure they are involved in monitoring and evaluation of projects</p> <p>Involve them in decision makingUse them to identify community needs</p> <p>Example of stakeholder type:</p> <p>Local municipality e.g councillor, union leaders, forum leaders</p>
	Low	<p>Keep doing what you are are doing</p> <p>Reach out and build new relationships with key national and regional stakeholders.</p> <p>Both in the public private and development sectors</p> <p>Collaborate with external stakeholders and otential partners to solve local challenges</p> <p>Example of stakeholder type:</p> <p>DMRE gov departments, and other stakeholders provided by mine</p>	<p>Invest more time</p> <p>use them as channels into communities</p> <p>Build personal relationships, involve them in commities</p> <p>Use them as mediators for different community stakeholders</p> <p>Use them to inform and educate</p> <p>Example of stakeholder type:</p> <p>School principals,nurse, health center, school board members, municipal administrators e.g LED manager, internal departmental stakeholders</p>
		Low	High
		Needed level of quality engagement	

Future Forum

This SIA does not deal with relations among ‘internal’ stakeholders of the mine, such as employees. It is notable that the Future Forum described in FDM’s SLP 3 (FY2018-2022) is an exclusively ‘internal’ forum for management representatives and employee

representatives to meet regularly concerning the future of the mine and that there is provision for Local and Government Authorities to be included in the Future Forum only in the case of mine closure. We note that in other mining areas, Futures Forums often include community and civil society representatives since the future of the mine impacts on a broader set of stakeholders than employees.

Contractors Forum

The aim of this bi-annual forum is to manage relevant contractor functions and ensure they remain compliant to their various statutory obligations. This includes and but is not limited to Human Resource Management & Development, Social Compliance (reportable contractors) and Security (vetting & access control). The contractor management policy guides on both the mine’s and contractor roles and responsibilities. On the social part, FDM provides guidance to reportable contractors with compiling SLPs as well as input on CSI projects.

Kgatelopele Stakeholder Forum

This is an active weekly meeting (which in practice has occurred at least once a month in

2022) where the Mayor is the owner/chairperson. Stakeholders like NPO/NGO, Police, Councillors and other Private companies (Kgatelopele Lime & Idwala Mine and Solar plants) are invited. The purpose of this meeting is firstly to raise and discuss issues of mutual concern and secondly to come up with solutions and plans to address those. Feedback on progress will also be shared. FDM is able to utilise this platform to provide progress on SLP activities and raise awareness around the Community Grievance Mechanism process.

Collaborative Community Forum

This quarterly forum was started by the previous FDM General Manager to inform local community members on FDM performance and also highlight challenges, which grew into being a fully fledged forum with the following purpose; “To seek and create opportunities and value chains for our host communities that is socially and economically viable with emphasis on skills, women, persons with disabilities as well as youth empowerment in a collaborative manner.”

Education Indaba

A forum designed for the purpose of engaging local School Principals on issues that affect them specifically. The purpose is to create a platform for key issues to be highlighted and to learn from each other.

Key Social Impact Implication of Stakeholder Groups and Dynamics

A prerequisite for effective, inclusive and sustainable social impact, where the mine is able to make a positive and lasting contribution to the local community, society and economy, is that local stakeholders are fully included in decision-making about their lives and futures. This requires strong and trusting relationships between the mine and stakeholders. This is currently not the case, as is illustrated by the results of the [Social License to Operate](#) questions in the community survey. The negative impacts listed at the beginning of this section will not change unless FDM significantly changes its approach to stakeholder engagement, particularly engagement with community stakeholders, to be more pro-active and inclusive and more about generating lasting and trusting relationships. This will require changing the [communications](#) processes and channels and attitudes which the mine uses.

Development Plans

The Kgatelopele Local Municipality IDP for 2021-2022 (published in March 2021) lists 11 priority areas that were identified through community consultations, as listed in Figure 13. Council then adopted four Priority Projects related to Electricity, Sanitation, Roads and Stormwater and Establishment of New Landfill Site.

Table 12: Kgatelopele Local Municipality 10 priority issues for the 2021/2022 financial year (2021-2022 IDP)

1. **Land** (1.1. Housing (Low Cost), 1.2. Ervens Residential (Middle Income/Social Need), 1.3. Churches Sites Need)
2. **Water & Sanitation** (2.1. Household Connections, 2.2. Bulk Water/Sewer)
3. **Electricity** (3.1. Household Connections, 3.2. Bulk Electricity Network)
4. **Roads & Transport** (4.1. Internal Roads, 4.2. Transport Network i.e. Taxi Rank Need)
5. **Local Economic Development** (LED) (5.1. Youth Unemployment/Employment of local people, 5.2. Creation of employment opportunities)
6. **Municipal Systems and Management Inefficiency** (6.1. Complaints Management Improvement (On Accounts/Service Delivery), 6.2. Discipline Conduct of Municipal Staff)
7. **Health Services** (7.1. Health Services Improvement i.e. local clinic not responsive to needs, 7.2. Ambulance Services needs improvement, 7.3. Accessibility of Health Facility)
8. **Sports & Recreation** (8.1 Need for proper recreational facilities)
9. **Social Services & Facilities** (9.1. Government Departments Services)
10. **Education and Library Services** (10.1. Need for bursaries to pursue post matric/tertiary education)
11. **Environmental Issues** (11.1. Waste Management Efficiency, 11.2. Air Pollutions/Environmental Care)

The community consultation process used to arrive at these priorities included four community meetings held 16-19 September 2019 (one per ward), while four additional planned meetings for March and April 2020 could not be held due to the Covid 19 pandemic. The process of deciding on the four priority projects is not described. The KLM IDP document notes that it is not always in compliance with IDP review procedures. Notably, the IDP report notes that “the IDP Representative Forums of Kgatelopele Local Municipality have not been successful on multiple occasions due to the non-attendance of stakeholders, especially sectoral departments” (KLM IDP 2021-2022). FDM is an invited member of the Kgatelopele Integrated Development Planning Representative Forum (IDP FORUM), along with a number of representatives of each of the Ward Committees, Sectoral Departments i.e. Department of Health, Water and Sanitation, Office of the Premier, two other SLP Partners (Idwala Lime, PPC Lime), Community faith based organisations, and Youth Development Centres, etc.

These procedural factors are to be considered when FDM decides on its own project prioritization for the SLP 4 (2022-2027), which needs to be balanced between alignment with the municipal IDP and responsiveness to identified community priorities based on the current SIA Community Survey.

The section below on [Ranking of Social Projects](#) includes a detailed discussion of the IDP priority areas, matching these with the identified community priorities from the SIA Community Survey and Stakeholder Engagements, and drawing conclusions for identified projects.

<i>Key Social Impact Implication of Local Development Plans</i>
<p>The KLM 2021-2022 IDP provides useful guidance on the infrastructure needs of the area and FDM is responding to this guidance by historically contributing to projects relating to sewage, water reticulation and electrification (SLP 3) and currently working on landfill and storm water projects (SLP 3).</p> <p>The IDP is however very vague concerning social projects and especially employment generation activities. FDM must therefore interpret the employment generation priority within the IDP in its own manner, which will nonetheless contribute towards the overall achievement of the IDP.</p>

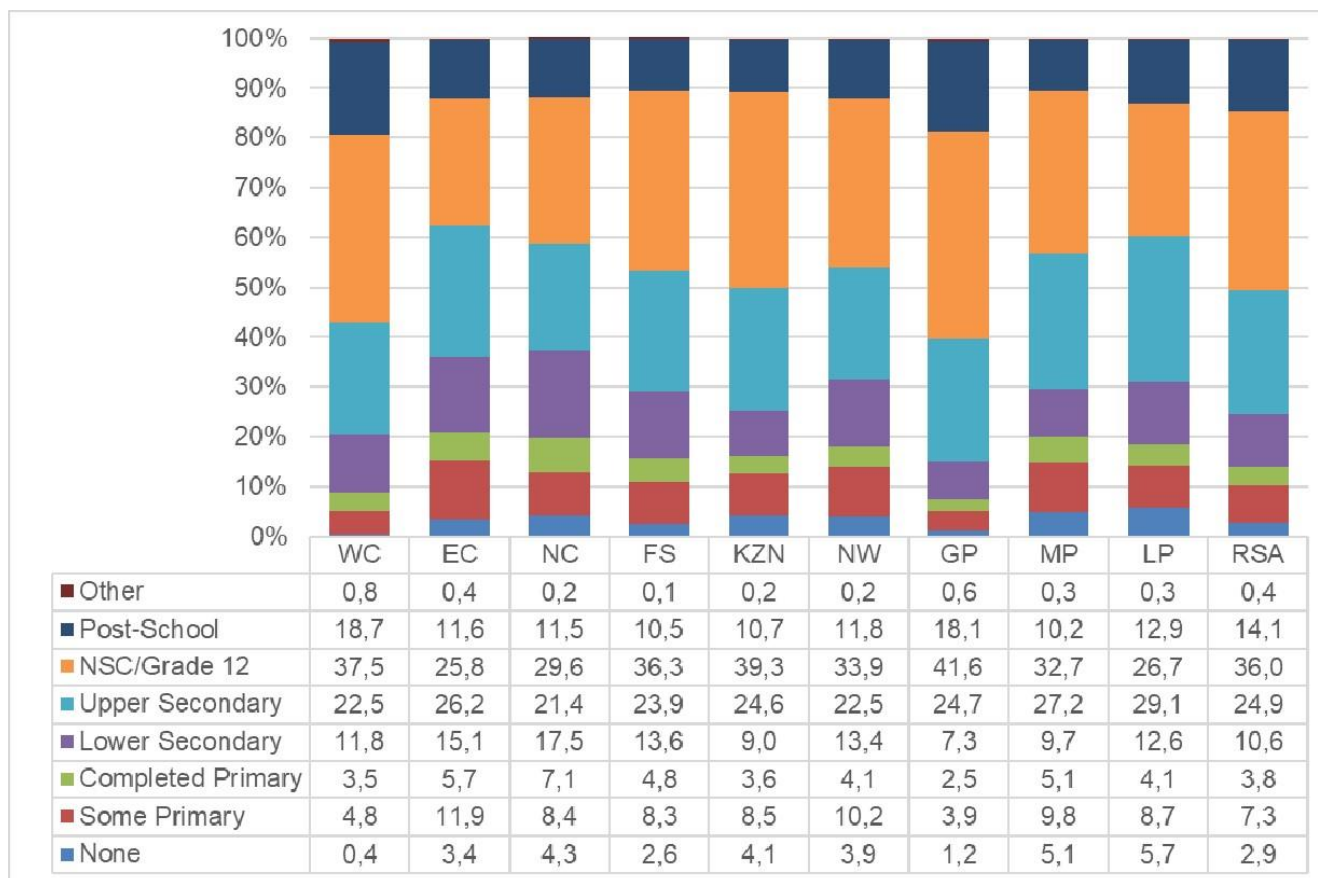
Social Conditions

Education

The 2020 StatsSA General Household Survey shows a worrying education situation in the Northern Cape generally. Only 12,7% of children aged 0-4 are in Grade R, Pre-school, nursery school, crèche, or an edu-care centre, which is the lowest percentage among all provinces in the country (GHS 2020, p.18). This is partly a national Covid-19-related trend but still reflects the particular vulnerability of children in the Northern Cape compared to other provinces. From age 5 onwards, children in the Northern Cape

have similar school attendance rates as the rest of the country. Overall attendance at educational institutions among those aged 7 to 24 increased across the country and in the Northern Cape between 2019 and 2020, with a 9,5% increase in the Northern Cape (from 69,4% to 71,4%). Very concerning is that there has been a 10% drop between 2009 and 2020 in the percentage of public school learners who benefit from a school nutrition/feeding scheme programme in the Northern Cape, while there has been an increase in almost all other provinces.

Figure 15: Percentage distribution of educational attainment for individuals aged 20 years and older by province, 2020 General Household Survey



In terms of educational attainment by adults, 58,7% of adults in the Northern Cape have less than a matric (educational achievement up to Upper Secondary or below). After the Eastern Cape and Limpopo this is the third worst performance in the country.

Coming to the results of our Community Survey in the settlements around FDM, among sampled household members over the age of 18, 54% have completed secondary school (matric) or more. There is a clear increase in educational standards by generation, as shown in Table 13, with the youth generation achieving higher levels of secondary school completion (45%) than previous generations (30% and 7%). The completion of further education (degrees and diplomas) however, has decreased across the generations from 18% among elders to

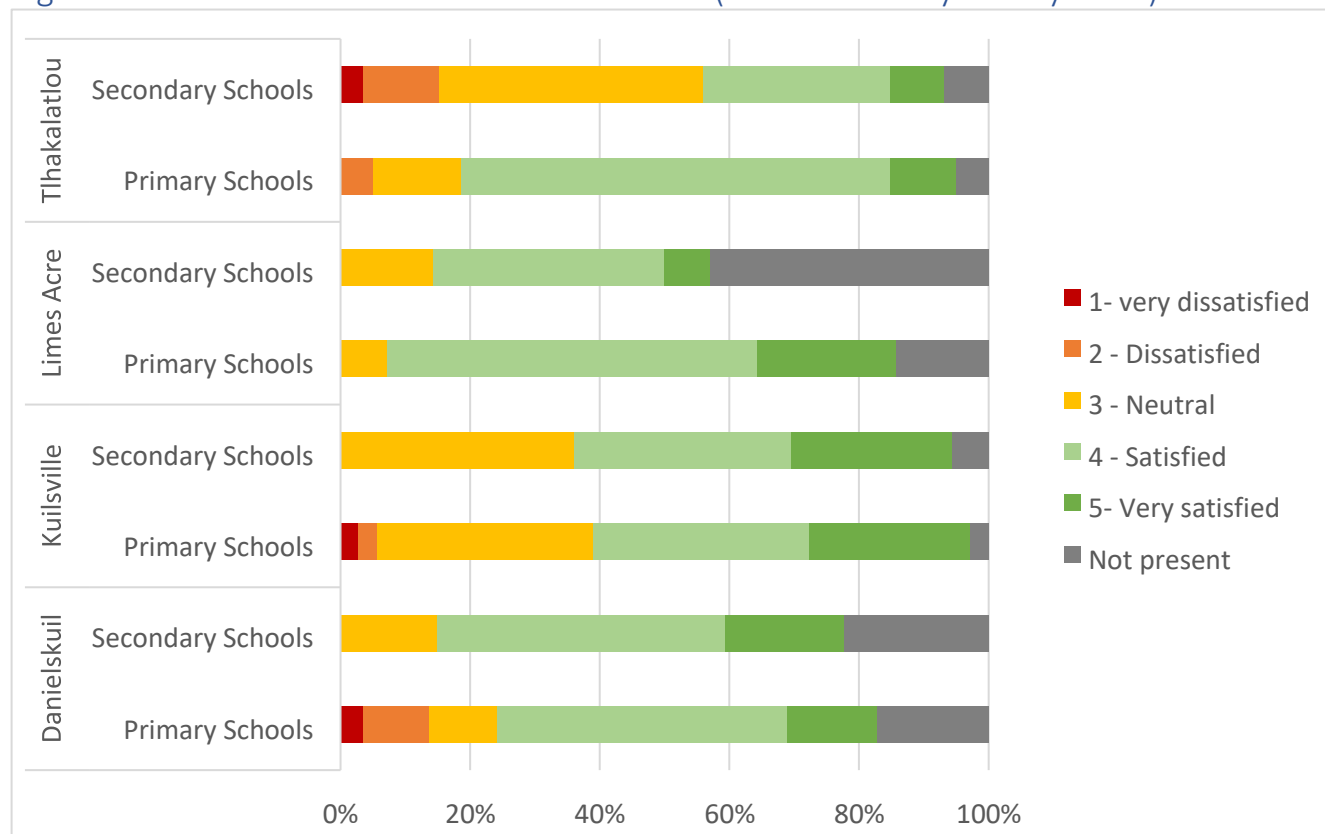
16% among the middle aged and 13% among youth. Some of these youth may still acquire this further education.

Table 13: Highest Level of Education Achieved by Adults (over 18) by Generation (SIA Community Survey 2022)

Highest Level of Education Achieved	Youth (18-35)	Middle Aged (36-55)	Elder (56 and above)	Total
None	1%	3%	20%	5%
Primary	6%	9%	37%	12%
Incomplete secondary	29%	36%	15%	29%
Complete secondary (Matric)	45%	30%	7%	33%
Incomplete further education (diplomas, degrees)	5%	5%	3%	5%
complete further education (diploma, degree)	13%	16%	18%	15%
Total	100%	100%	100%	100%

Levels of community satisfaction with local education institutions varies significantly by settlement, as shown in Figure 14. Residents in Danielskuil and Kuilsville were least satisfied with their respective primary schools, while residents of Tlhakatlou were least satisfied with their secondary school.

Figure 16: Satisfaction with Education Services (SIA Community Survey 2022)



Stakeholders made the following comments relating to schools and education during consultations in November 2021:

- School support distribution:** FDM school funding mainly goes to Kuilsville High School in Danielskuil town and to Lime Acres Primary School, which largely serve the mine management and employee children. Other schools in the area, including primary and secondary schools in the townships of Tlhakalatlou and Kuilsville, have open and progressive principals who provide spaces for youth in the area to be active and creative, however they receive much lower levels of financial support from FDM, mostly through a Foundation Phase early mathematics literacy programme and ad hoc CSI donations rather than systemic and regular SLP support.
- Learner transport and safety:** while FDM sponsors three buses to transport 170 learners daily from Lime Acres to Kuilsville High School, learners from the townships have to walk to their schools without any transport. This leads to learner safety concerns since there are many accidents annually where children are run over by trucks while walking to school on the R31 road leading through Danielskuil. In the stakeholder consultations for this SIA, several stakeholders independently mentioned 10-15 fatal accidents per year of children walking to school. This number could not be verified with the local SAPS station in time for this report, but an official data request has been submitted and will be communicated to KDF once received. Nonetheless, the strong perception among

community stakeholders that the road is dangerous for learners is important in and of itself, irrespective of the outcome of the SAPS casualties verification process.

- **ECD centre support:** while ECD centres in Lime Acres and Danielskuil receive FDM support, those in Kuilsville and Tlhakalatlou do not (apart from Christmas hampers), even though the centres and the families they serve are in greater need. The key needs identified by ECD centres and ECD-involved CBOs consulted for the SIA include: support to establish and maintain food gardens, a well-run feeding scheme (with nutritionally appropriate fresh foods) at ECD centres for all children, and fencing around their facilities. Several ECD centres report having requested these forms of support from FDM in the past.

Key Social Impact and Project Implication of Education Conditions

FDM has a safety responsibility regarding learner school transport if learners are being hurt on their way to school by traffic and especially mine-related trucks on major access roads like the R31. This can be addressed through sponsoring school buses and/or introducing other safety programmes with truck drivers and along the main mine access roads.

Social investment in education, from ECD to primary and secondary level, should focus on supporting the socially and economically vulnerable and those families/ settlements with fewer mine employees since it is a crucial investment in the stability and economic and social opportunity of the surrounding communities beyond the life of mine. This means evening out FDM's current education sponsorship and funding to include schools in Kuilsville and Tlhakalatlou.

Health, Nutrition and Basic Wellbeing

Overall, 70% of the community survey respondents reported never going without enough food to eat, 15% experiencing hunger once or twice and 16% reported not having enough food several or many times. The average level of food insecurity in the four settlements is broadly similar but slightly higher than the findings of the General Household Survey 2020 which used a more nuanced measure for Household Food Insecurity Access. For the Northern Cape the GHS found 12,3% of households to have severely inadequate food access and 12,9% to have inadequate food access.⁴

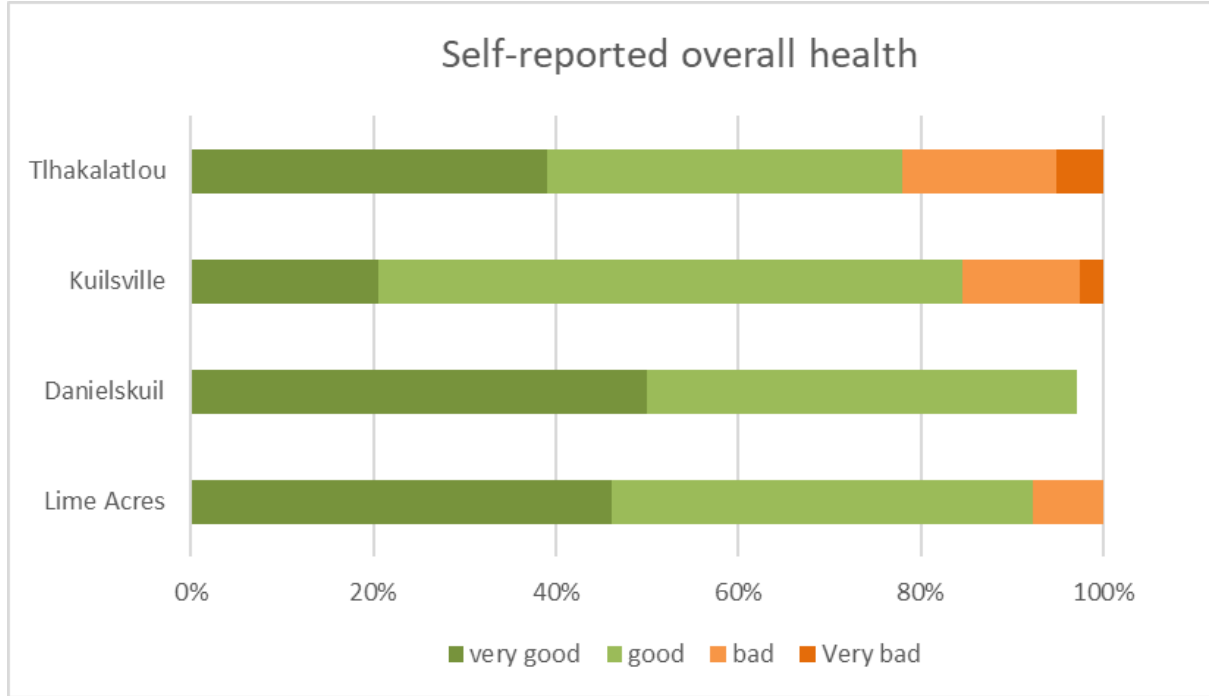
When asked to prioritise community challenges, hunger and nutrition were not included in the top three priorities for any of the settlements or any of the respondent sub-groups (by gender, age-group or mobility type). However, the survey showed that food insecurity is much higher in Tlhakalatlou (25%) than in the other settlements (between 8% in Lime Acres and 10% in Kuilsville), suggesting that a food security intervention in Tlhakalatlou would be worth

investigating. It is also notable that men (24%) were more likely to report going without enough food than women (11%) respondents to the community survey. This is in spite of the women in the sample having lower average household income levels than men.

⁴ General Household Survey 2020, page 53, [GHS 2020 P0318 \(statssa.gov.za\)](https://statssa.gov.za/publications/GHS2020/P0318/P0318.pdf)

Health care and health care facilities were identified by survey respondents as among the top four priorities across all settlements (see section on [Ranking of Social Impacts](#) below). Several dimensions of community health were explored in the community survey. In terms of self-reported health, more than 20% of respondents in Tlhakalatlou felt that their health was bad or very bad, followed by 15% in Kuilsville.

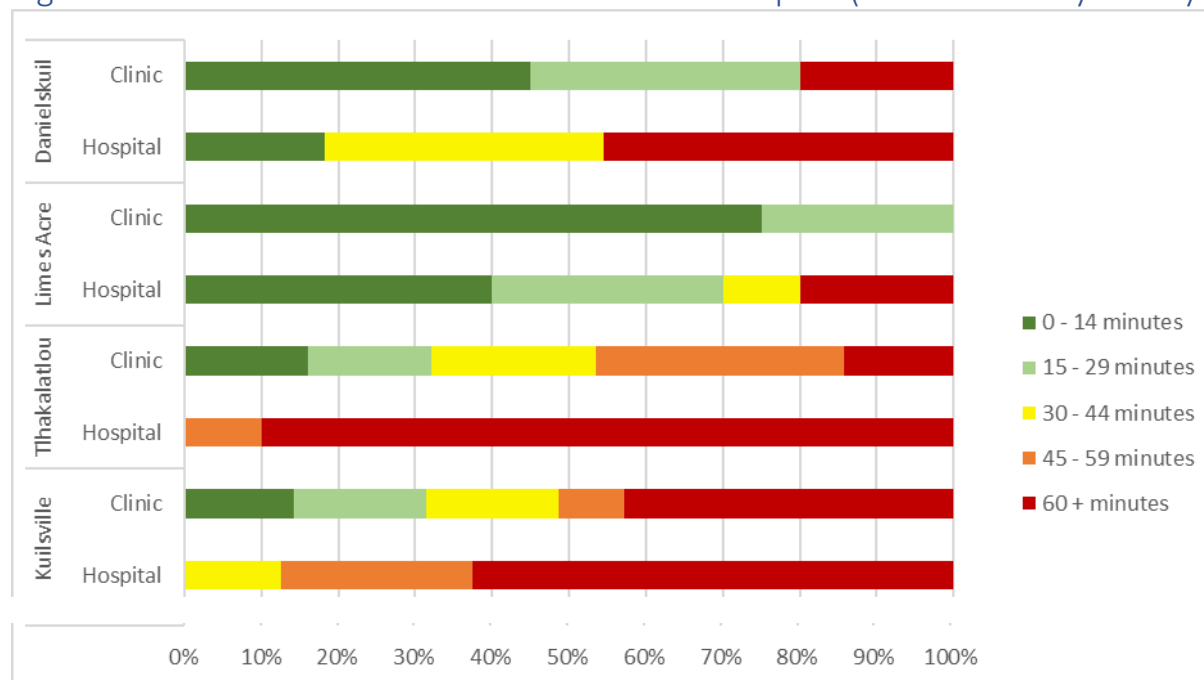
Figure 17: Self-reported Health by Settlement (SIA Community Survey 2022)



Access to adequate health care is one of the most important challenges in the area. Stakeholders in Danielskuil, Kuilsville and Tlhakalatlou reported that there has not been resident doctor, or even a doctor who regularly visits the clinics at these settlements, for a number of years. There has also not been a visiting or resident dentist of almost a decade, nor is there access to psychological or counselling services. The nearest doctor, dentist and psychologist/psychiatrist are in Kimberley.

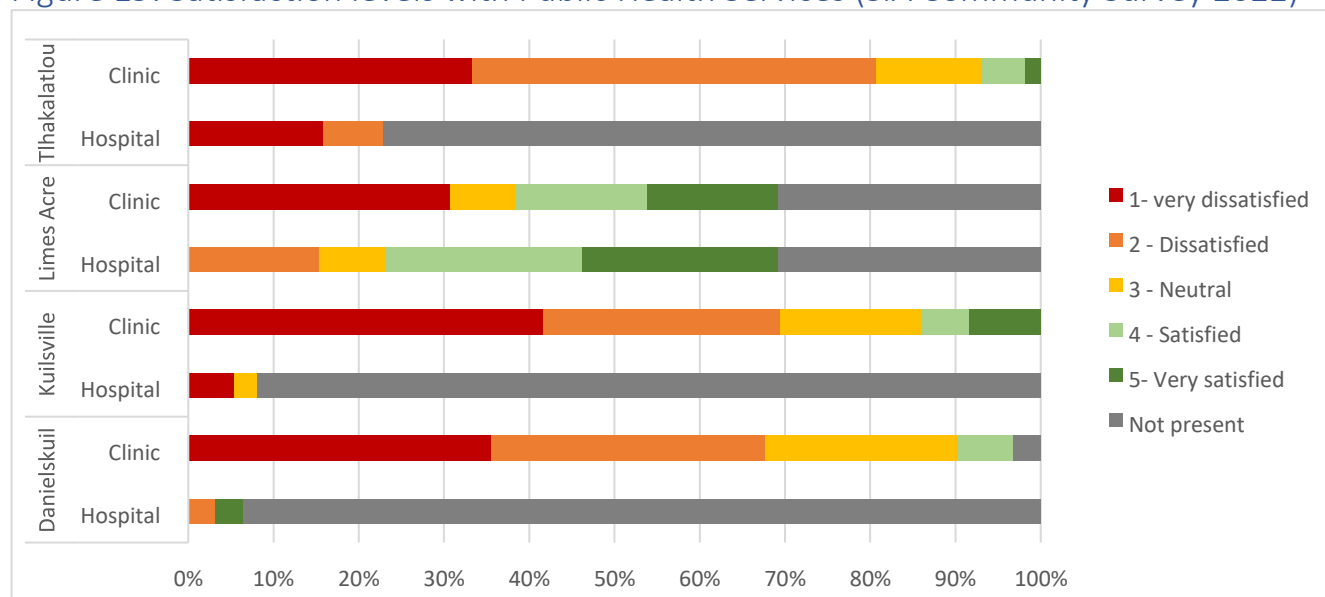
In terms of access to public health services, around half of survey respondents in Tlhakalatlou and Kuilsville report requiring more than 45 minutes to reach their nearest clinic.

Figure 18: Time to reach the nearest Clinic and Hospital (SIA Community Survey 2022)



As shown in Figure 19, satisfaction levels with local clinics are low in all four settlements. Residents of Lime Acres have hospital access while in other settlements, most note that they simply cannot access a hospital and so do not have a satisfaction score for it. The only available public transport to the hospital in Kimberley is a daily kombi taxi from Danielskuil, which leaves at 4 am and comes back at 9 pm. The elderly and ill have to walk from the townships to Danielskuil to use this transport. In emergency situations, Kuilsville and Thakalatlou residents generally have to wait 2-3 hours for an ambulance.

Figure 19: Satisfaction levels with Public Health Services (SIA Community Survey 2022)



In terms of access to medications and medical treatment, 63% of survey respondents reported never going without while 21% could not access these services several or many times when they needed them. Women were twice as likely to struggle with medical service access (26%) than men (13%). Residents of Tlhakatlou also were more likely not to access medical services when needed (39%), compared to Kuilville (15%) and Danielskuil (6%). Given Lime Acres' largely professional residents, there is no challenge with accessing medical services.

Looking in more detail at specific types of medical services, Table 14 shows that the greatest demand for medical services lies in family planning, chronic medicines and maternal and child health and that these services are largely accessible. While a smaller number of households admit to using or needing services relating to substance abuse and mental health, those who do have these needs report struggling to access adequate services.

Table 14: Medical Services Access (SIA Community Survey 2022)

Type of Medical Service	Service need and Adequacy	Tlhakatlou	Danielskuil	Kuilville	Lime Acres
Family planning	Sufficient access				
	Challenging	72%	44%	46%	38%
Chronic Medicines	access	5%	3%	3%	0%
	Sufficient access				
Maternal and child health	Challenging	47%	45%	59%	15%
	access	9%	9%	3%	8%
Substance abuse counselling and assistance	Sufficient access				
	Challenging	54%	16%	59%	31%
Mental health, depression and suicide counselling	access	8%	9%	0%	0%
	Sufficient access				
Substance abuse counselling and assistance	Challenging	3%	9%	8%	0%
	access	12%	9%	8%	8%
Mental health, depression and suicide counselling	Sufficient access				
	Challenging	8%	16%	3%	8%
Mental health, depression and suicide counselling	access	10%	9%	13%	8%

Regarding mental health, the community survey included a standard screening questionnaire for depression which shows that 12% of the overall sample is severely depressed. Among those with low household incomes (under R6400 per month), this increases to 21%. Women are much more likely to be severely depressed (17%) than men (4%), and locals (22%) more likely than people

not born in the area. Youth are somewhat more likely to screen for severe depression (16%) than elders (11%), with the middle aged showing lower rates (6%). The settlement with the largest proportion of survey respondents who screen as severely depressed is Tlhakatlou (22%), which is probably due to the higher levels of poverty.

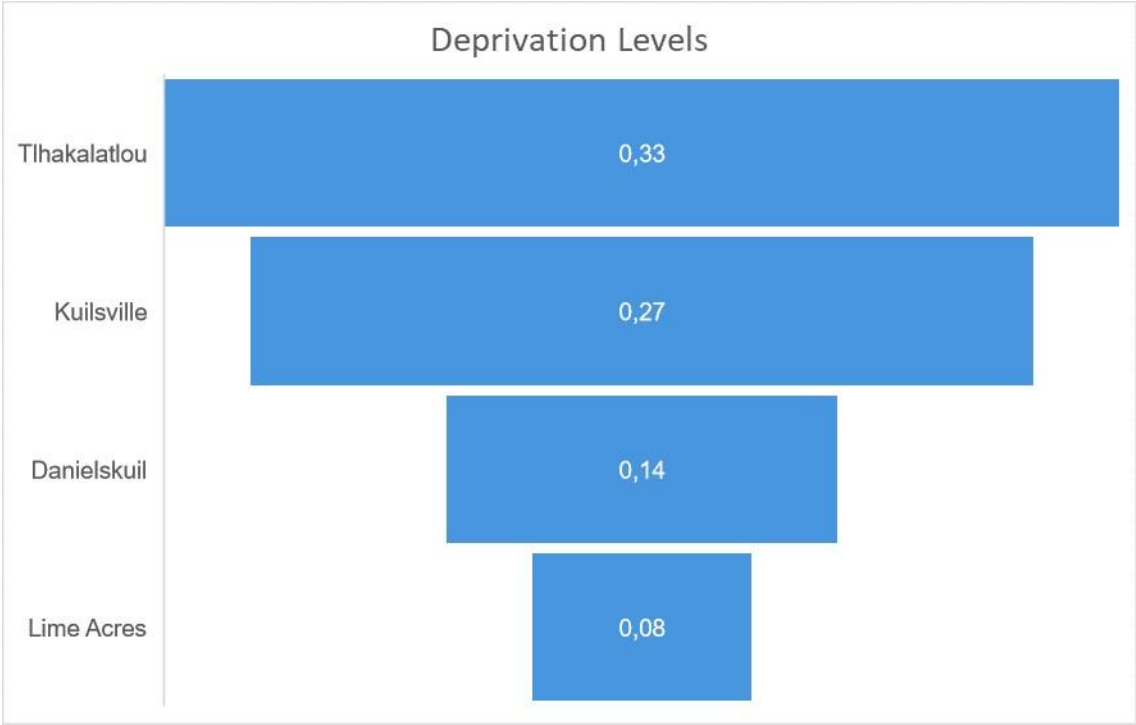
Stakeholders, including the Kgatelopele Social Development Forum, churches and youth groups, expressed extreme concern about the high suicide rate in the area, especially among youth. In the one month between the initial SIA scoping visit and our return for stakeholder consultations, six youth were buried from suicide. Stakeholders explain the high suicide levels by noting that young people see no future for themselves because there are no employment opportunities in the area. This major social challenge therefore is intimately connected with the economic and employment conditions in the area. Nonetheless, access to mental health services, suicide counselling and productive daily activities (even if these are not immediately income-generating) are also important interventions to consider.

Survey respondents also gave a high priority to substance abuse as a community level challenge (see below section on Ranking of Social Impacts). While there is a drug rehabilitation centre in Kuilsville, it only admits young people who have committed a crime and have a case number from the police. This requirement in turn means that people struggle to find employment once they have completed the drug rehab programme due to having a criminal record. Young people and their families do not have the option to voluntarily seek substance abuse counselling and rehabilitation as a preventative measure before criminal activities take place. Given the high priority given to substance abuse by community survey respondents, a possible intervention would be to work with a specialized organisation to convene a community dialogue, including the police, the existing rehab centre and other health and welfare actors in the area, to agree on alternative services and approaches to substance abuse prevention, treatment and rehabilitation and then for FDM to fund the activities and services identified through this collective dialogue process. This project is described further in the section below on [Projects](#).

There does not seem to be an active community health worker programme in these settlements, since over 95% of respondents across settlements reported not having any CHWs in their area or not being aware of whether there were any.

In terms of a broad deprivation index, based on the frequency of lack of food, medical treatment and fuel needed for cooking, where 0 is no deprivation and 1 is all residents regularly being deprived of all three needs, Tlhakatlou has the highest levels of deprivation.

Figure 20: Deprivation Levels by Settlement (SIA Community Survey 2022)



Key Social Impact Implication of Health, Nutrition and Wellbeing Conditions

Health and substance abuse are the fourth and third most important priorities identified by community members (after unemployment and crime). There is a particular need to focus on mental health in the community. While FDM sponsored the equipping of a mobile clinic vehicle in its SLP2, this is currently not regularly active in Tlhakalatlou and Kuilsville, where the need is greatest, due to the lack of staff and maintenance by the Department of Health or the Municipality. The main health needs in the area can only be met through investment in people (doctor/dentist/psychologist time and availability, community health workers) rather than infrastructure. While it remains important that all health-related interventions are coordinated with government's health provision agencies and plans so that there is not a parallel social services system which then collapses when the mine leaves, FDM can still contribute actively to enabling health care for the current SLP period by supporting professional health NGOs to provide the needed services to augment public sector capacity.

Where there is a need for infrastructure upgrading of local clinics, this should be planned based on the needs identified by the Ideal Clinic Monitoring System standards (idealhealthfacility.org.za) and the provincial Ideal Clinic assessment reports.

Relating to mental health and substance abuse, this requires a collaborative problem solving approach with the entire community, including CBOs, church groups, local businesses and

local government. It will be more effective for FDM to facilitate such a collective dialogue and then commit to funding solutions identified collectively rather than seeking to unilaterally identify and implement an intervention.

In addition to health interventions, food security is the most existential need of a community. Addressing food insecurity, especially among children, is a high priority. It can be addressed most effectively through an integrated food systems approach which includes supporting local farmers and small social enterprises around food security, feeding schemes and food gardens through ECD centres, with a focus on Tlhakalatlou and Kuilsville as the most vulnerable communities. A food systems and ECD-centered food security approach is described further in the section on [priority projects](#) below.

Safety and Security

Concerns about crime and safety are consistently in the top social challenges identified in the SIA Community Survey across most of the settlements.

The SIA Community Survey showed generally low safety concerns across the settlements during the day, although between a fifth and a quarter of residents in Danielskuil, Tlhakalatlou and Kuilsville do not feel safe in the day. There are very high concerns about night-time safety across the settlements. Over 80% area's residents feel unsafe at night. The distinction between Lime Acres and the other settlements is particularly stark. This suggests that the security infrastructure is concentrated in the better-resourced settlement and is largely ineffective in the other residential areas.

Figure 21: I feel safe walking in the streets during the day (SIA Community Survey 2022)

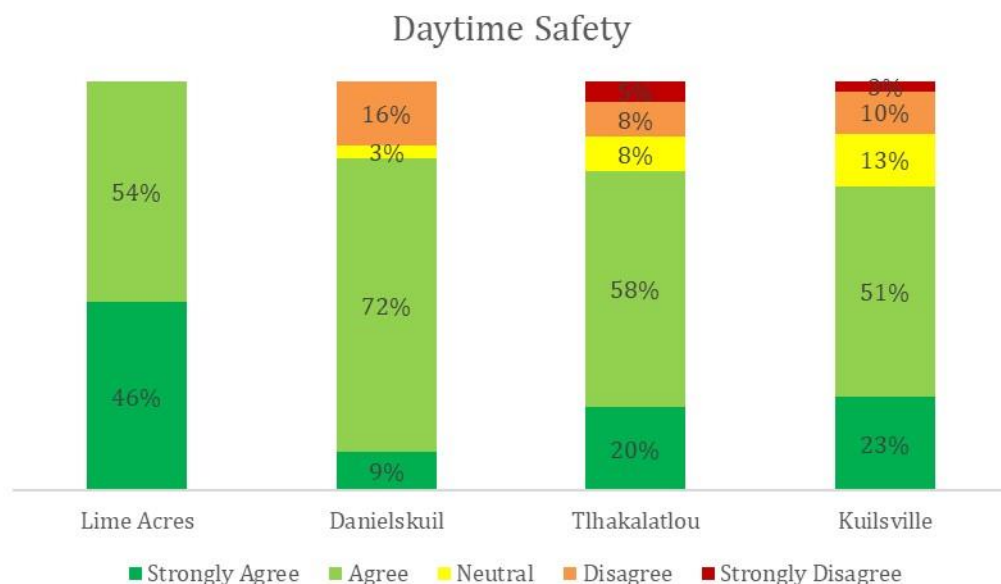
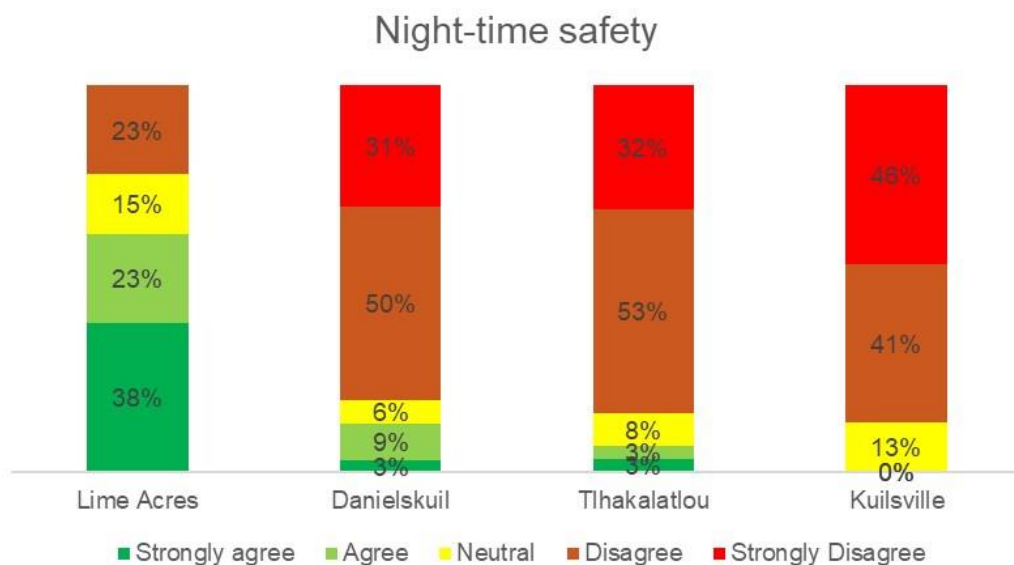


Figure 22: I feel safe walking in the streets during the night (SIA Community Survey 2022)



FDM currently supports two local community policing forums by participating in their activities (crime prevention and awareness campaigns) and providing material support when requested, such as arranging venues and refreshments for events. The FDM security section also works with the local SAPS stations by providing housing (family and single accommodation) to SAPS staff at reduced rental rates (employee rates), material support such as office space and car maintenance, and training, i.e. first aid and firefighting training when there are seats available in mine-initiated training courses.

Key Social Impact Implication of Safety and Security

Given the extremely high level of community concern about safety and the high levels of experienced security fears, more intentional engagement with the local security situation outside Lime Acres should be considered, while recognizing that safety and security is a government competency and should not be duplicated or taken over by private actors.

Culture and Heritage

Based on responses to the community survey, loss of cultural identity is not a major issue of concern in any of the four settlements around FDM. There was also no mention of the need to protect or reinstate major sites of cultural significance, although this question was not explored in detail during the stakeholder engagements.

As part of the stakeholder engagements, youth groups and school leaders emphasized that youth in the area are artistic and actively use school premises and digital platforms for artistic expression (music, dance, performances, design). The arts as potential training and income generating opportunities are described in the section on Economy below. There are currently no recreational facilities in the townships (Kuilsville and Tlhakalatlou) for the arts. Sports facilities are present but not well maintained.

In terms of cultural and heritage assets in the area, there are some sites of interest including:

- Wonderwerk Cave 40km outside Danielskuil where proof of human existence dating back 800 000 years has been discovered.
- An underground prison and tunnels is of historical interest

A limited tourism infrastructure exists, mostly in the form of accommodation on local game farms and a B&B lodge and restaurant run by FDM.

The heritage assets and infrastructure are however not sufficient to make cultural or heritage tourism a realistic area of economic expansion, given the distance to major urban areas and the quality of transport infrastructure to the area.

Economic Conditions

The overall structure of the economy of Kgatelopele Local Municipality is characterized by:

- dependence on a single industry. Mining provides over 60% of gross value add to the municipal economy but only 26% of employment (UrbanEcon 2017 report) since mines are mostly mechanized,
- extremely limited agricultural self-sufficiency and participation due to concentrated land ownership,
- limited informal economy opportunities due to a small population (no local market for goods and services),

- high levels of dependence on public sector employment (29% of all employment), public employment generation programmes like the EPWP and social grants.

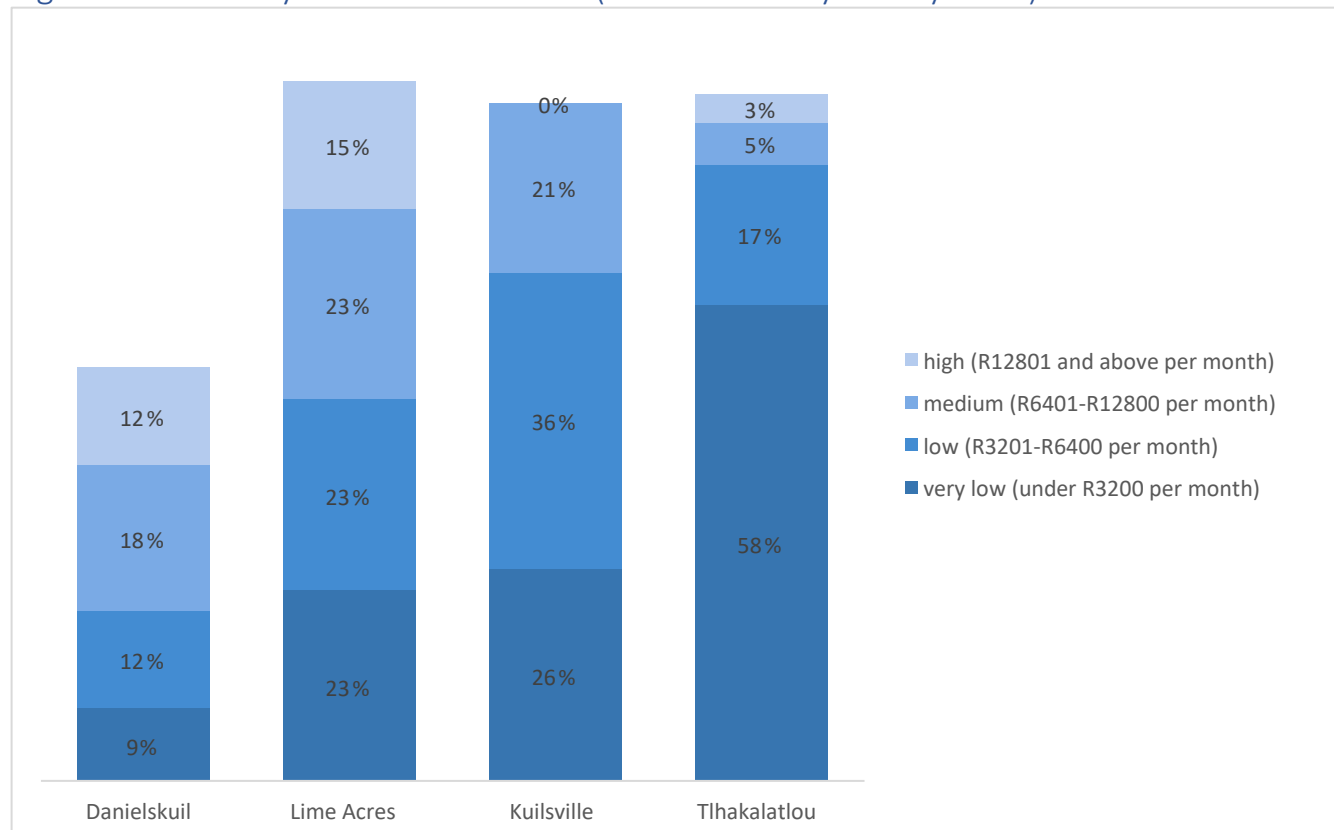
We start by profiling the economic conditions of households in FDM-neighbouring communities in terms of income levels and sources, employment, grants, assets, businesses and skills, and then profile the broader nature of the local economy (mining, agriculture and state employment). We conclude the section with reflections on the readiness of the local economy for the fourth industrial revolution and opportunities which the future economy may hold for the area.

Household Income, Employment and Asset Patterns

Household Income Levels

Housing income levels vary greatly by settlement, with households in Tlhakalatlou having significantly lower incomes than in the other settlements. In Danielskuil, almost half of the community survey respondents refused to answer this question.

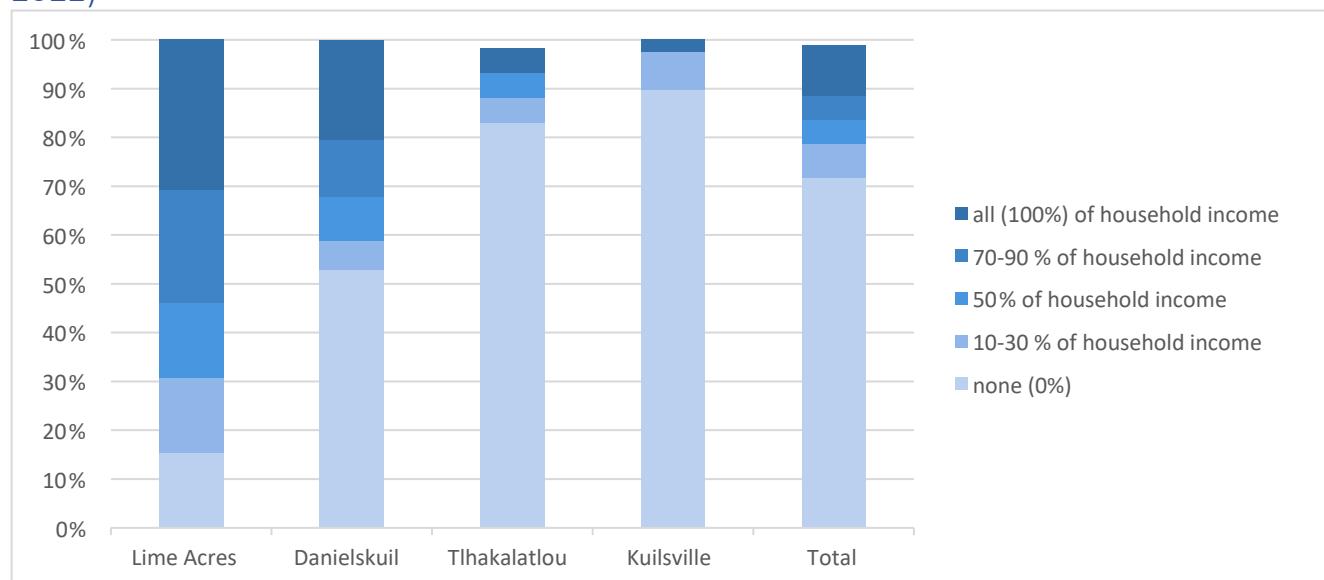
Figure 23: Monthly Household Income (SIA Community Survey 2022)



Household Income Sources

In our community survey sample, we asked: “On a scale of 1 to 10, where 1 is none and 10 is all, how much of your household's income is related to mining in some way?” The results show that over two thirds of households had no income related to mining, while 20% had at least half of their income in some way related to mining. This is probably an undercount, since respondents may not have included indirect incomes from mining, such as renting out accommodation or selling goods and services to individual mine employees. These proportions varied greatly by settlement, with Kuilsville and Tlhakalatlou showing virtually no mine-related incomes, while 69% of Lime Acres households derived more than half of their income from mining.

Figure 24: Proportion of Household Income related to mining (SIA Community Survey 2022)



It is notable that Locals were much more likely than Long-term residents and Short-term residents to have no mining-related income (81% compared to 74% and 50%), which is not surprising in that most non-locals would not be in the area at all if they had not come to work in mining.

Formal Employment

The community survey collected information on the employment status of all 651 household members.

Table 15: Employment Status of Sampled Household Members (SIA Community Survey 2022)

Not economically active (child, in school or training, long-term sick or

disabled, homemaker, retired) 45%

Self-employed/ selling goods or services/ running a business 3%

Unemployed and actively searching for a job 15%

Unemployed but not actively searching for a job 5%

Working for pay (including volunteering with stipend) 32%

Total 100%

Combining the categories 'Working for pay' and 'Self-employed', 35% of the sampled household members are employed. Considering only the economically active population (357 household members), this results in a 60% employment rate, a 26% narrow unemployment rate (unemployed and looking for work), and a 34% expanded unemployment rate (including discouraged work seekers) among sampled household members.

As for all other indicators, there are big differences between the settlements. The employment rate is lowest in Kuilsville.

Table 16: Employment Status of Sampled Household Members by Settlement (SIA Community Survey 2022)

	Danielskuil	Lime Acres	Kuilsville	Tlhakalatlou	Total
Not economically active (child, in school or training, long-term sick or disabled, homemaker, retired)	40%	49%	49%	41%	45%
Self-employed/ selling goods or services/ running a business	4%	0%	3%	3%	3%
Unemployed and actively searching for a job	12%	8%	15%	20%	15%
Unemployed but not actively searching for a job	5%	8%	6%	3%	5%
Working for pay (including volunteering with stipend)	38%	34%	27%	34%	32%
Grand Total	100%	100%	100%	100%	100%

When considered by age group (Table 17), we see that youth employment is only marginally lower than employment among middle-aged adults, which is better than national patterns where youth are much more likely not to be working.

Table 17: Employment Status of Sampled Household Members by Age Group (SIA Community Survey 2022)

	Children 18 yrs	under Youth (1835)	Middle aged (3655)	Elderly (56+)
Not economically active (child, in school or training, long-term sick or disabled, homemaker, retired)	86%	20%	15%	45%
Self-employed/ selling goods or services/ running a business	0%	3%	7%	7%
Unemployed and actively searching for a job	0%	32%	21%	0%
Unemployed but not actively searching for a job	0%	4%	9%	17%
Working for pay (including volunteering with stipend)	14%	41%	48%	31%
Grand Total	100%	100%	100%	100%

There is no significant difference in employment patterns by gender.

Of the 152 household representatives interviewed in more detail, 37% reported being currently employed (being paid a wage or salary to work part or full time), which makes them representative of the wider employment patterns in the area.

Informal Income Generation Activities

Apart from formal employment options, the informal economy is a crucial contributor to covering household needs, as is the state's social welfare system through grants. Even though only 25% of the sampled household members are formally employed or selfemployed, 63% reportedly contribute some kind of income to the household.

The distribution of household income generation activities reported by community survey respondents is shown in Table 18 below. Respondents were given a range of response options which are all common forms of income generation activities in other mining areas and asked to confirm if their household generated income from this source or not. It is notable that government grants and non-mining piece-jobs (casual, informal work) are the most common income sources, before non-mining formal employment, and that remittances from

family members living elsewhere, money lending and transactional sex are very common as income sources.

Also notable is that activities relating to agriculture, small business activities (making things, selling things or providing a service), artisanal mining and renting out accommodation are all very rare income sources, whereas these are fairly common in many other mining areas in South Africa.

Table 18: Sources of Household Income (SIA Community Survey 2022)

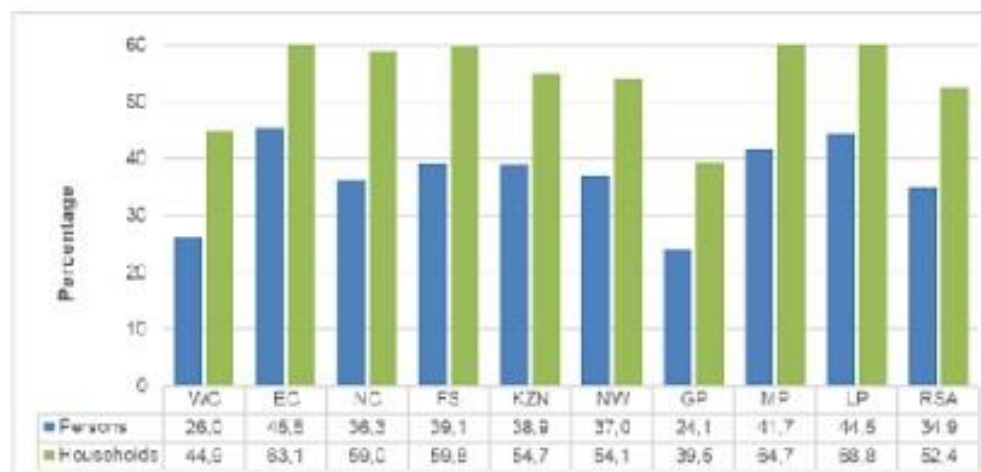
Source of Household Income	Tlhakalatlou	Kuilsville	Danielskuil	Lime Acres	Grand Total
Grants (Child Support, Disability, Foster Care, etc.)	63%	97%	50%	23%	66%
Piece jobs not related to mining	49%	46%	41%	0%	42%
Formal employment not related to mining	34%	41%	50%	15%	38%
Money or goods from relatives not living with you (remittances)	34%	23%	18%	8%	25%
Formal employment related to mining	12%	13%	35%	69%	23%
Lending out money	25%	13%	0%	0%	14%
Money or goods from regular or casual sexual partners not living with you	22%	5%	3%	8%	12%
Borrowing money from informal money lenders (machonisas)	15%	3%	6%	15%	10%
Buying goods on credit (credit cards, store cards, bank loans, etc.)	7%	15%	3%	8%	8%
Money or goods from community members not related to you	7%	3%	15%	8%	8%
Reselling goods and commodities (airtime, tupperware, cosmetics, curtains, etc.)	3%	13%	9%	8%	8%
Providing services (doing hair, sewing, washing/cleaning, repairing devices, doing water or electricity connections, cooking, providing child care, other services)	3%	8%	12%	0%	6%
Betting (horse racing, lotto, etc.)	3%	3%	6%	23%	6%
Stokvel	5%	10%	3%	0%	6%
Piece jobs related to mining	0%	5%	9%	8%	4%
Making goods to sell (including homegrown or cooked food, home brew, crafts, carpentry, etc.)	2%	5%	6%	0%	3%

Pension income from past employment (own past employment or family member past employment)	0%	3%	3%	8%	2%
Money or goods as a donation from a religious community you are a member of	0%	3%	0%	8%	1%
Selling farming products, including livestock or livestock products	0%	0%	3%	8%	1%
Rental income (including from renting out accommodation, fields, animals, equipment, machinery)	2%	3%	0%	0%	1%
Money schemes / pyramid schemes	2%	0%	3%	0%	1%
Gambling (zwipi, dice, morabaraba, kopi dice, cards, M'China, casinos, etc.)	3%	0%	0%	0%	1%
Money or goods from a religious community you lead/are a pastor of	0%	0%	3%	0%	1%
Selling wild products like firewood, bush meat, medicinal plants	2%	0%	0%	0%	1%
Artisanal mining	2%	0%	0%	0%	1%
Income from investments in shares	0%	0%	3%	0%	1%
Providing traditional medicines or spiritual	0%	0%	0%	0%	0%
				0% guidance	

Grants

66% of the 152 surveyed households have at least one person receiving a grant. At the level of individual household members, 42% of the 651 people in the surveyed households receive a grant. This is somewhat higher than the average for the Northern Cape measured by the Statistics South Africa General Household Survey 2020, which shows that 39% of persons and 59% of the households in the province benefit from a social grant (Figure 25)

Figure 25: Percentage of individuals and households benefitting from social grants per province, 2020 (Statistics SA General Household Survey 2020)

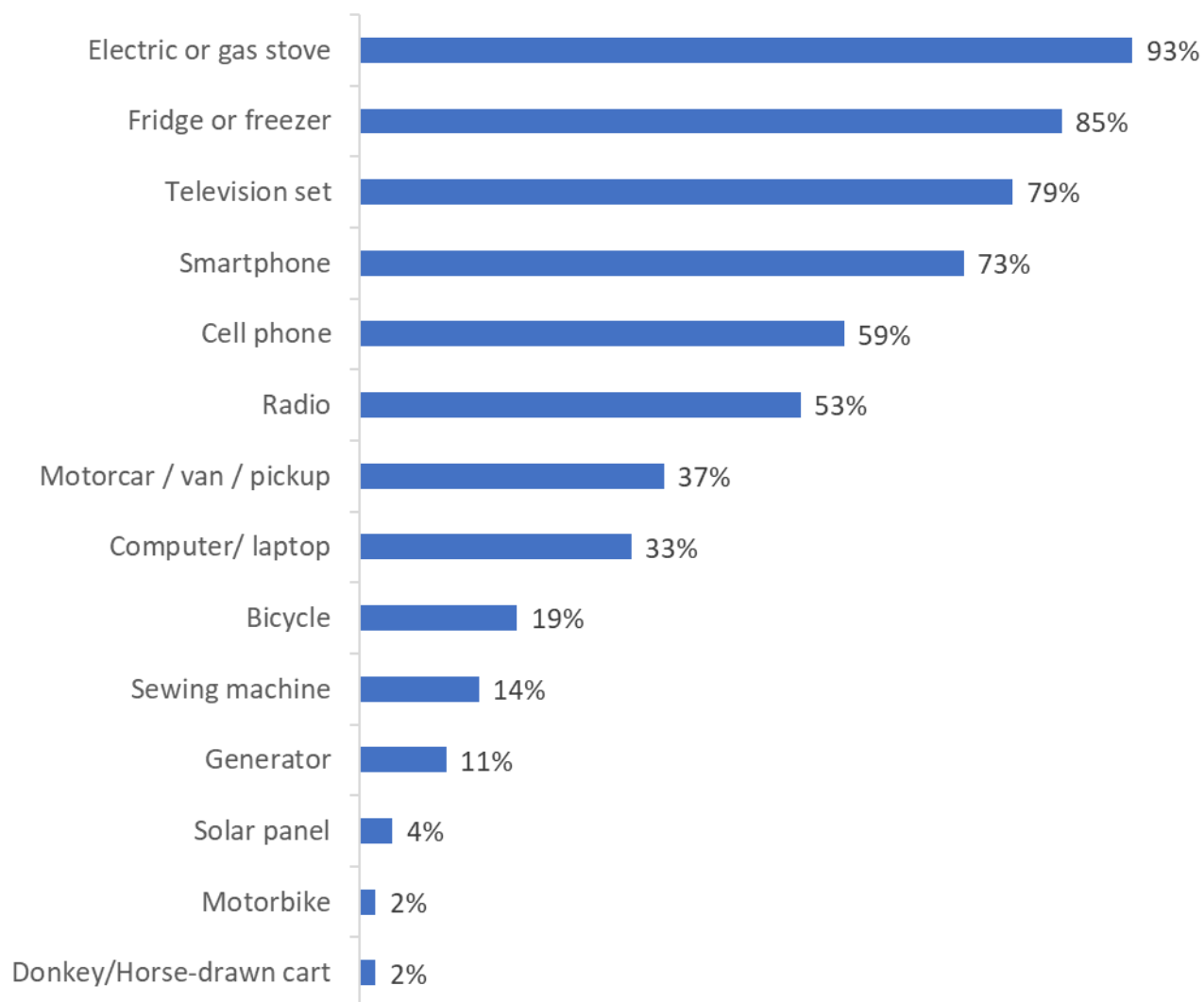


Household Assets

Apart from income, assets are the other key element of household wealth. Assets such as land and livestock ownership and house ownership are discussed below under Agriculture and Infrastructure/Housing, respectively. Neither type of asset is currently fungible in these communities, given the lack of a market and appropriate financing/bond mechanisms.

In terms of moveable assets, most households are asset poor.

Figure 26: % households with the following assets (SIA Community Survey)



Small Businesses

The trade and retail sector in Kgatelopele is made up predominantly of small to medium sized consumer retail offerings. The majority of local businesses (68%) are less than 10 years old. Relatively few businesses are between 10 and 20 years old indicating a relatively high business mortality rate in the area. Also, the majority (67%) of businesses employ fewer than five (5) people." (Human Settlements Spatial Transformation Plan for Kgatelopele Mining Town Municipality (2018), p. 36)

In Danielskuil, Kuilsville and Tlhakalatlou, about a third of surveyed households report including someone who runs a small business, but as noted above under income sources, income from self-employment (manufacturing, re-sale, services, etc.) is not reported as a very common source of household income. Information about the size and formality of these businesses was not collected. Since more people in Lime Acres are formally employed, selfemployment is less common there (15%). The businesses mentioned by respondents include day care and after care services for children, hair dressing,

driving a taxi, washing cars, selling clothes and selling sweets and chips. One electrician was identified in the community survey. Note that the survey respondents were randomly sampled and not specifically selected to identify businesses.

30% of respondents in Danielskuil and Kuilville and 39% in Tlhakalatlou reported that someone in their household had participated in a business development initiative or training offered by Petra Diamonds. Those households which participated in business development activities are much more likely to have an active small business than those which did not receive training or support (Table 19).

Table 19: Relationship between receipt of small business training and active small business presence in a household (SIA Community Survey 2022)

Household participated in Petra business development training	Household is running a small business	
	Yes	No
Yes	61%	17%
No	39%	83%

Stakeholder consultations with small business owners, however, identified high levels of dissatisfaction with the Business Hub provided by FDM because local businesses do not experience a pipeline which connects the training they receive with concrete procurement opportunities from FDM or other corporates. Petra's centralised procurement systems means that small businesses near FDM have no chance of being selected because they compete against large national businesses without any pre-selection or without being preferred due to having completed SMME training offered by FDM.

Indebtedness

Debt is a major economic concern across South Africa, especially in mining communities. In the community survey, we only asked about debt to informal money lenders and did not consider formal debt to banks, retailers or garnishee orders. Nonetheless, high levels of informal indebtedness were identified. Around 20-25% of respondents had such informal debt in Danielskuil, Kuilville and Tlhakalatlou, rising to 46% in Lime Acres. Such debt was mostly used for covering basic monthly expenses like food and transport or to cover education costs.

Skills

Conventional arguments about employment generation and training in mining areas revolve around whether community residents (and especially youth) have the skills required for being employed in the mining sector or to supply goods and services to mining as contractors or through local SMMEs.

Within this context, community residents around FDM do indeed have a limited skills base (Table 20)

Table 20: What skills do people in your household have (SIA Community Survey 2022)

Skills	Percentage of households
Driving	48%
Administrative / office work	37%
Sewing	20%
Mechanical	18%
Plumbing	18%
Electronic/computers (IT)	17%
Catering	17%
Farming	16%
Brick-laying / Masonry	16%
Carpentry	16%
Electrical	15%
Operation of heavy equipment	13%
Teacher / education	10%
Security	9%
Warehousing / store keeping	5%

Other includes hairdressing, construction, cleaning, nursing and finance

The non-employee component of the Human Resource Development component of the SLP3 focusses strongly basic Adult Education and Training (e.g. basic literacy and numeracy, vocational training) and on building mining-related technical skills in engineering (e.g. Electrician; Fitting and Turning; C&I Technician; Plater / Welder; Rigger; Autotronics and Metalurgy) among community members through learnerships. These mining skills are scarce in the South African economy overall and so are likely to benefit the learnership holders even when FDM reaches its end of LoM, but the people with these skills would then need to leave the area to find employment in other mining areas. They would thereby still improve their personal socio-economic contexts and could improve their family situations through remittances, but they would not be able to stay in the local communities and find employment in the FDM area.

However, in the context of mechanized mining that does not provide large-scale employment and in the face of an approaching end of LoM, the aim should be to assess and build skills which are useful outside the mining sector. Furthermore, current skills building should relate to the future economy rather than the current economy.

A more general community skills programme in SLP3 that focused on skills like Electric Domestic Installer; Welding and Cutting Techniques; Maintain, repair &

assemble mechanical components; Plumbing installation and Masonry building techniques was not implemented in 2020 and 2021 due to a combination of Covid-19 and FDM budget constraints. These remain useful and scarce skills both in the overall South African economy and the local economy, and they impart the opportunity both for formal full time and informal occasional employment, both of which are important coping mechanisms in the fragile local economy of Kgatelopele Local Municipality. It is therefore recommended that this community skills programme be resuscitated in SLP 4.

It is well established that the future economy, in the Fourth Industrial Revolution, revolves around digital skills but also care-giving skills and creative skills, including in the arts and in (digital) marketing and visual, design and written content creation. Furthermore, the new economy depends on new types of basic and transferrable skills, such as critical thinking and problem solving ([What are the top 10 job skills for the future? | World Economic Forum \(weforum.org\)](https://www.weforum.org/articles/2016/01/what-are-the-top-10-job-skills-for-the-future/?_ga=2.141111111.141111111.141111111.141111111)), which require different forms of education, training and experiential learning to build. Finally, the assessment of successful skills building programmes for young people from FDM-neighbouring communities can no longer just be whether youth are then able to secure employment in the local area, but must also include whether they become mobile, i.e. more successful at using their transferable skills to move to areas with better employment options.

Current FDM programmes in digital skills are limited and not accessible since the training that is offered takes place in Lime Acres or Danielskuil and participants are required to pay for their own transportation with costs of up to R680 per month for taxi fares to the training venues. Since the training only focusses on entry level computer skills and does not provide any direct linkage with (online) income generation opportunities, this cost is a great burden for unemployed or grant dependent families and does not benefit the young participants. While the focus of FDM-sponsored school programmes on maths remains important, schoolbased and after-school activities around the arts and caring professions are also relevant for future-proofing the area's youth.

The recommended priority projects described in the section on [Ranking of Social Projects](#) includes a digital skills programme for youth to directly link young people into the digital economy. This goes beyond entry-level training like the international computer driving license, which is included in SLP3, to enabling young people to use mobile devices to directly access online income generation opportunities.

In addition to thinking about community impacts around portable skills for the future economy, it is crucial that Petra Diamonds shift its thinking about relevant skills for its employees as well, especially as the end of life of mine comes nearer and employees may need to be reskilled for alternative opportunities.

Key Social Impact Implication of Household Economic Conditions

The dominant way in which households in the area support themselves is through state transfers (grants). Formal employment options are highly concentrated in the mining and public employment sectors and there are very few alternative income sources through the informal economy. Generating a sustainable diversified local economy in the context of small populations (so a small local consumer market) is very challenging, especially when options in agriculture are increasingly limited by climate change and historically limited by concentrated land ownership.

Poor households in such situations generally diversify their income sources and reduce their risk by sending family members to find employment elsewhere, including in urban areas, in order to benefit from remittances. The digital economy also provides opportunities which are not dependent on a local consumer market. FDM investments in diversifying the local economy should therefore take these migration and digital strategies into account.

Formal Economy

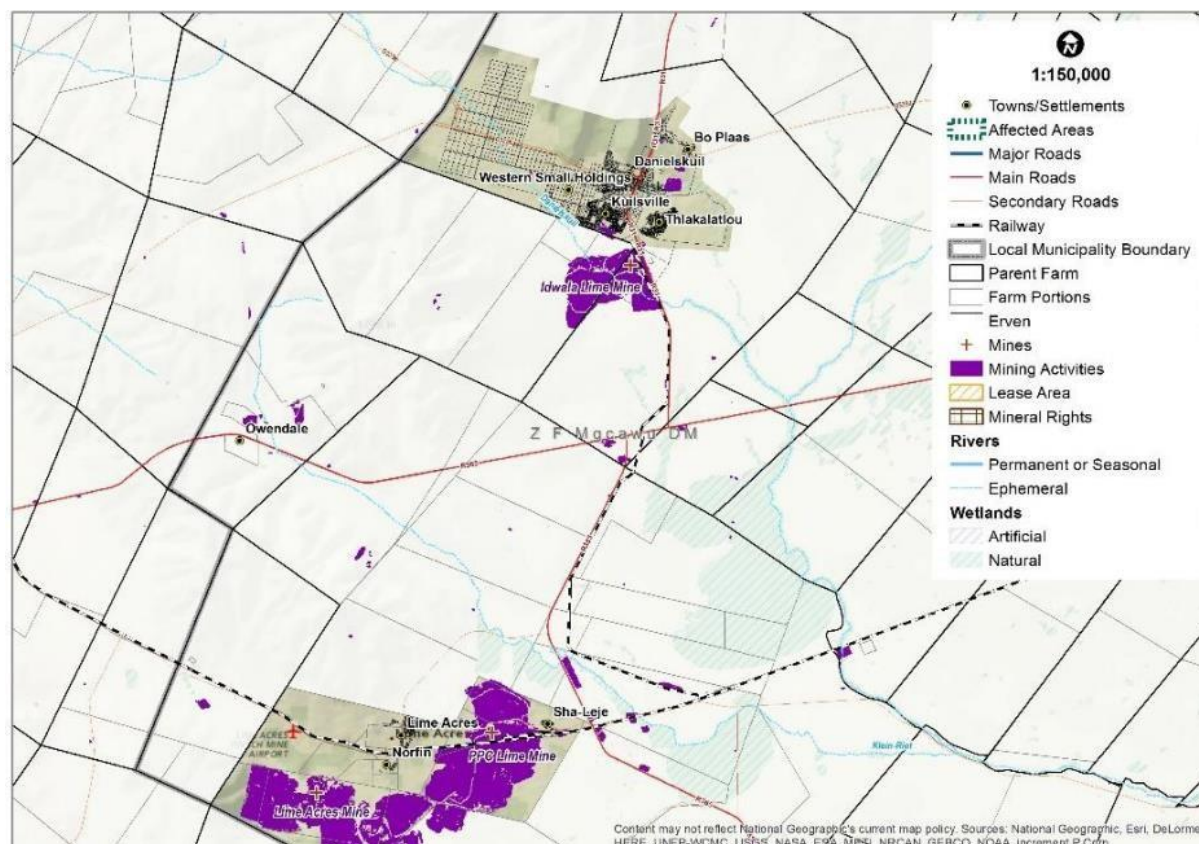
The dependence of households on grants and multiple informal income sources is due to the structure of the formal economy in Kgatelopele Municipality, which is largely limited to mining and increasingly renewable energy production.

The structure of the municipal economy has not changed substantially since the description in the Human Settlements Spatial Transformation Plan for Kgatelopele Mining Town Municipality (2018) which found that "In 2017, the municipal economy was worth R1 880 billion (UrbanEcon, 2017). Of this total, R1 057 billion (56%) can be attributed to the Mining and Quarrying sector... The contribution of Manufacturing stands at R134 million (7%). The entire Manufacturing sector in KLM is directly linked to the mining industry. As such, the mining activities and related industries around the towns of Daniëlskuil and Lime Acres comprise 63% of the economy. However, it is expected that the activities of these sectors drive much of the business in other sectors, particularly the construction sector and retail and trade sectors. For this reason, both from a municipal economy and employment perspective, the Kgatelopele municipality is heavily reliant on the local mining activities." (p. 34) The Government and Social Services sector contributes 10% to the GVA, yet it employs the most labour from all sectors (29%). Finally, agriculture is a small sector in terms of economic contribution and the third lowest employer (7%) in the Kgatelopele Local Municipality.

Mining and Energy Producers

The main mining and renewable energy companies are briefly profiled in this section. They are all smaller operations than FDM in terms of employment and social investment.

Figure 27: Spatial Map of Key Mining Activities & Settlements in Kgatelopele (HSSSTP 2018)



Source: HSSSTP,2018

Idwala Lime Mine: Idwala Lime Mine was originally established in 1972 on Ouplaas farm. It is located just south of Daniëlskuil and Kuilsville and west of Tlhakatlou and within walking distance of the latter two. It is owned by Idwala Industrial Holdings. The mine quarries, crushes, screens, burns and mills high-grade limestone to produce burnt lime and limestone. It also produces slaked lime through its hydrating plant. In 2018, Idwala Lime employed 272 employees of which about 200 are from the local host communities of Daniëlskuil, Kuilsville and Tlhakatlou and the remaining number of employees originate from Kuruman, Kimberley, Postmasburg and Gauteng. The mine is expected to operate for the next thirty years without any expansion plans in the wings in 2018. Some of the informal settlements of Marateng and Tlhakatlou Informal are slowly encroaching towards the mine area.

Communities have raised concern about the dust generated by the Idwala mining activities.

PPC/Kgatelopele Lime Mine: PPC Lime is one of the three mines in Kgatelopele

Municipality. It was established in 1954 and owned by PPC Limited. It is situated at Lime Acres, and it is about 5 km away from FDM. The mine owns the land on which the mine is located as well as the surrounding buffer areas to protect each from the blasting effects. While the mine owns 177 housing stock in the form of flats, single quarters and houses which it had leased to employees it indicated a need for an additional 112 serviced plots in Lime Acres to meet the needs of its current employees who want to reside in

Lime Acres. It is important to note here that the section of Lime Acres owned by PPC Lime has already been proclaimed a township and some of its employees and retirees live there permanently on their own properties.

The life of PPC mine was estimated to be more than 30 years in 2018 without any expansion plans in development or production scope or employment.

The mine uses the most technologically sophisticated equipment in lime production globally and supplies about 60% of lime consumption in Southern Africa. It mines, manufactures and distributes reactive lime, hard burnt lime, hydrated lime, burnt dolomitic lime and raw limestone. The mine employed 315 permanent employees and 150 contractors in 2018 and employment is expected to be constant over the near future. The majority of its employees (75%) reside in Lime Acres and Sha-Leje while around 35 employees reside in Daniëlskuil. While 75% of its employees originate from Kgatelopele Municipality 25% originate from the labour sending areas of Kuruman, Postmasburg, Kimberley and Namaqualand.

Effective April 2021, PPC Lime was sold for R515 million to Kgatelopele Lime, a part of IMR Resources South Africa Proprietary Limited (IMR SA), a subsidiary of IMR Group, a privately held international minerals resources mining and trading company based in Switzerland which owns and manages down and upstream assets globally in the iron and steel value chains. The transaction is expected to be complete by end 2021. The sale is to allow PPC to reduce its debt ratio to satisfy its financiers. The shareholders of Kgatelopele Lime are:

- Kolobe Nala Investment Lime Proprietary Limited (KNI) a mining-focused investment holding company indirectly owned by Billy Mawasha, a mining executive with wide experience in the sector.
- HEX2M Energy Holdings Proprietary Limited (HEX) a black youth owned mining focused investment company wholly owned by Sizwe Mngomezulu who is the executive of NPL Mining Solutions, a chemical and minerals trading and beneficiation enterprise.
- JJJL Mining Proprietary Limited (JJJL) owned by Johannes Claassen, the previous CEO of PPC Lime bringing his operational experience to the investment.

At the end of the transaction Kgatelopele Lime will be 39% black-owned on the basis of 29% ownership by the black investors, 5% ownership by relevant employees and 5% ownership by the host communities as per Mining Charter requirements.

Solar Energy Companies

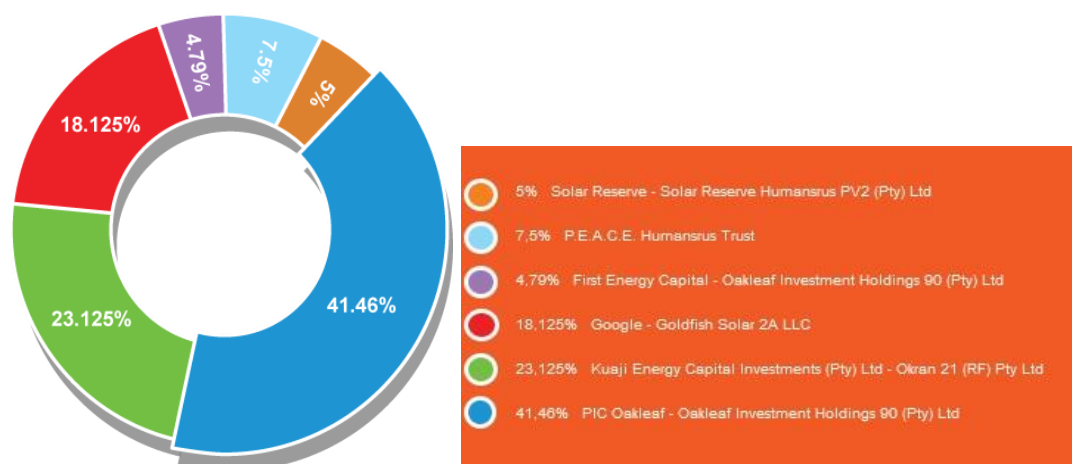
FDM is located in the vicinity of two solar power projects: Jasper and Lesedi power projects. They are located in Tsantsabane Local Municipality, nearly 20km west of Daniëlskuil along route R385 to Postmasburg.

Jasper Power Company: Jasper Power Company is an Independent Power Producer (IPP) that is legally allowed to sell its solar generated clean electricity through bulk sales to customers who are allowed to distribute electricity to end users. The Jasper Power Facility is located in Tsantsabane Local Municipality on leased land and the company does not own land

or housing property due to its legal structure. It is the largest solar plant on the African continent occupying an area of 150 ha with an installation of over 325 000 photovoltaic modules. The facility became operational in December 2014 after an 18-months construction and early operating power period using its electricity generation licence which allows it to operate, generate and trade electricity. It has an installed capacity of 96 MW-DC PV with a net generation of 75 MW-AC, thereby generating 180 000MW-hours annually an amount equivalent to the energy use of 80,000 homes. The company has a 20- year power purchase agreement with Eskom, the national power utility in South Africa. The project was financed through loans from Rand Merchant Bank and Development Bank of Southern Africa and by financing from local and international shareholders through equity investing. The main shareholders are: Solar Reserve (5%), PEACE Humansrus Trust, the Community Trust Fund

(7.5%), First Energy Capital-Oakleaf (4.8%), Google-Goldfish Solar (18,1%), Kuaji-Okran (23,1%) and PIC-Oakleaf (41.5%). See chart below. The shareholder mix brought technological capabilities in the solar energy space as well as asset management companies.

Figure 28: Jasper Power Company Shareholding



The company employs 44 permanent operational staff in 2021. Since December 2019, the maintenance and operation of the plant is managed by a joint venture between GranSolar (GRS) and the Umbono Energy Group, jointly names Jasper OM (Pty) Ltd. These are both black-owned firms which specialise in integrated photovoltaic(PV) system operations globally and integrated capital project investments respectively. Jasper Company hopes to renew the PPA with Eskom when the contract expires in December 2034 although the current contract stipulates that the facility be handed over to the Client based on the build, operate and transfer agreement. The goal of the PEACE Humansrus Trust is for dividends to be used for social upliftment of the community within 50 km radius of its plant.

Lesedi Power Plant: The Lesedi solar power plant facility is located at Groenwater, to the west of the Jasper solar power plant. It occupies 61 hectares on leased land with very high irradiance and wide-open spaces ideal for capturing the sun's energy. It has an installed capacity of 64 MW-AC and generates about 140 GWh annually, enough to supply 65 000 homes. Like Jasper,

the company also have a 20-year PPA with Eskom to supply solar generated clean energy to the Eskom grid. The plant was constructed between 2012 and May 2014 when it became fully commercially operational. Although it created 760 jobs during construction it currently employs two permanent employees and contracted 54 labourers. At the time of writing, the shareholders of Lesedi are: GCL, SolarReserve, Intikon Energy, Old Mutual Investment Group and Kensani Capital. Since the original agreement was a build, operate and transfer arrangement for 20 years it is estimated to expire in May 2034.

Agriculture

Agriculture in Kgatelopele is primarily dryland livestock farming of cattle, game, sheep and/or

goats and only contributes 7% of local employment (Human Settlements Spatial Transformation Plan for Kgatelopele Mining Town Municipality, 2018).

Agriculture as an alternative employment arena is both likely to become more and more risky and unprofitable as climate change progresses, as young Coloured and African residents have very little access to quality agricultural land, and as young people are understandably not interested in the low-wage, exploitative forms of farm work generally available on commercial farms.

The community survey shows very little agricultural activity in the communities surrounding

FDM, and very little interest in increasing activities in this sector was expressed. In Lime Acres, Danielskuil and Kuilsville, 15%, 14% and 10% of households, respectively, have access to arable land separate from their house, that they use or have used for cultivation or livestock farming. In Tlhakatlou, only 3% of the households in our survey sample have such land. Coloured households are three times as likely as African households to have access to land (15% and 5%, respectively). Male respondents were ten times as likely to report having land as female respondents (20% compared to 2%). Those households who have land almost all report actively farming on it, mainly for use by their own household and family (61% of households with farming land). 23% of these households sell or trade produce in the community and only 15% sell produce commercially.

A larger proportion of households have vegetable gardens at their homes (41% in

Danielskuil, 36% in Kuilsville, 17% in Tlhakatlou and 8% in Lime Acres). It is notable that Tlhakatlou is behind here as well, even though there are generally lower levels of income and therefore a greater need for supplementary food.

Very few households have livestock assets. Danielskuil is the exception with 18% of households reporting some form of livestock ownership. In the other settlements only 4-5% of households have any livestock.

Young people have negative associations with agriculture, not least because many of the young people who live in the growing informal settlements near Danielskuil were expelled from the farms where they were born and where their parents work when they turned 18.

Some of the social challenges related to the informal settlement, teenage pregnancy and substance abuse among youth is therefore directly related to the actions of commercial farmers in the area towards their farm workers and their families.

Key Social Impact Implication of Formal Economy Structure

There are virtually no opportunities in the formal economy outside of the mining sector. There are no untapped opportunities for new sectors to emerge in the area, apart, possibly, for some digital opportunities. The population which chooses to remain in the area when mining activity declines after 2030 will either remain dependent on government grants and public employment or on sending family members to find formal employment outside the area.

State Employment Programmes

State employment programmes like the Expanded Public Works Programme (EPWP) are a crucial part of the economy and livelihoods of poor households across the country including in the communities around FDM. Kgatelopele Local Municipality is budgeted to receive a R1,075,000 EPWP Integrated Grant from national government for 2021-2022 (with no provision for following years) (Draft Annual Budget for 2021/2022 MTREF) which is a small amount for the number of unemployed people potentially eligible and in need of public sector work opportunities.

While EPWP provides important income support and has the potential of enabling young people to gain work experience and training as well as providing important services to the community (waste management, water management and possibly social services like ECD and teaching assistance or community health work), this potential depends on the quality of local planning, management and oversight of the EPWP programme. In the case of KLM, there is no evidence that the EPWP programme is enabling young people to gain useful skills or that effective service are being provided to the community through it.

4IR and the Future Economy – Digital Connectivity

Digital connectivity is a crucial form of infrastructure which enables a range of other basic services (such as information about health, education, business and banking services as well as participatory local governance), social and family networking and information sharing, as well as communications between the mine and the community. Connectivity is about the availability of four factors: smart devices, internet access, data affordability and digital skills. We did not collect information about the latter two dimensions.

Smartphone devices are widely available in households (Figure 28), with computers and tablets less prevalent.

Figure 29: Availability of Devices (SIA Community Survey 2022)

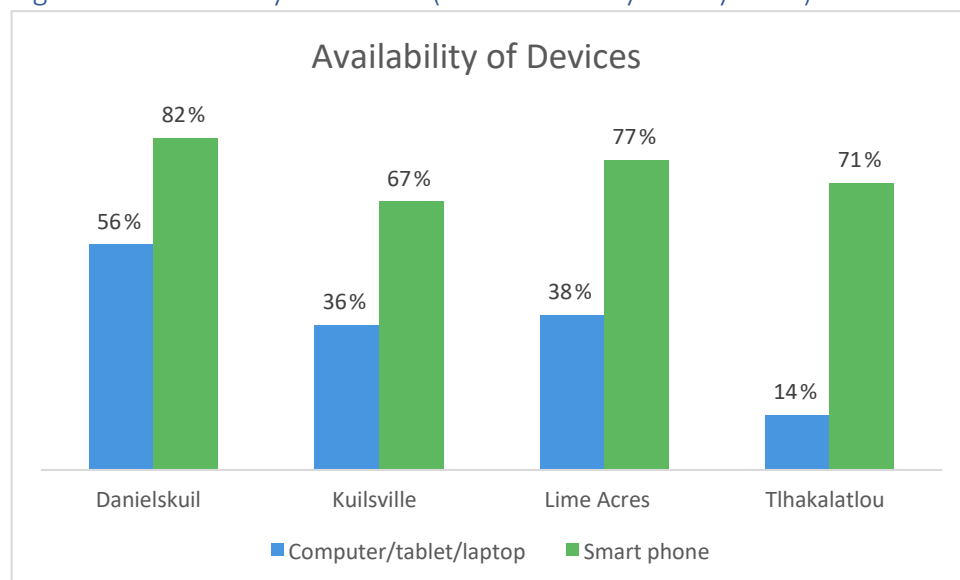
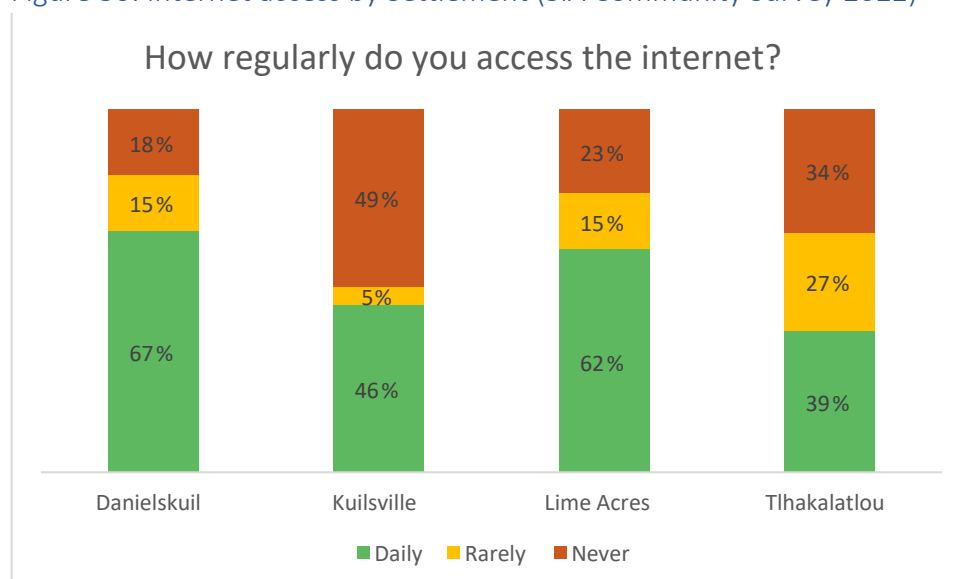
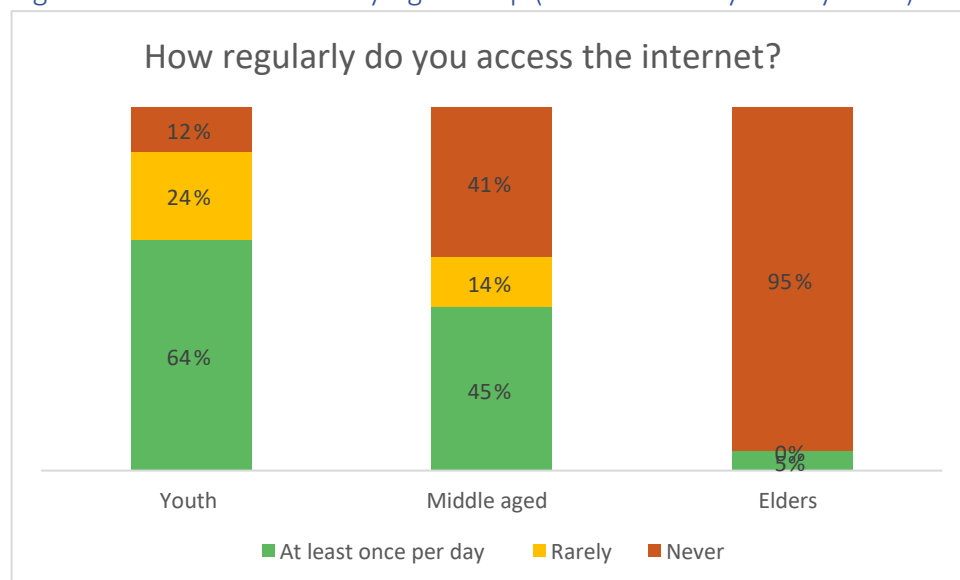


Figure 30: Internet access by Settlement (SIA Community Survey 2022)



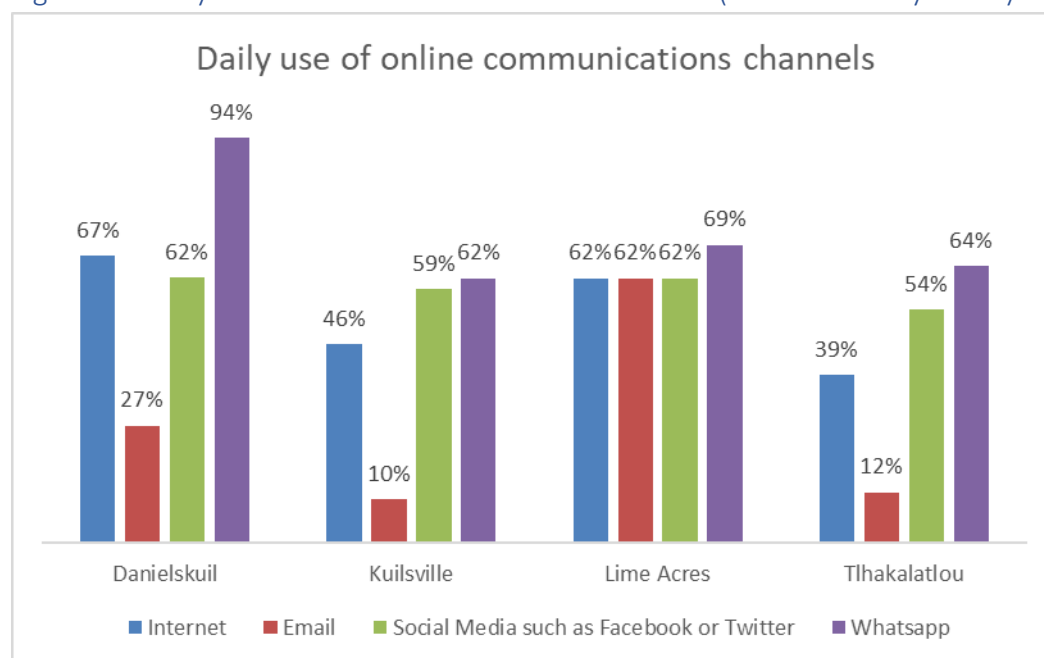
Unsurprisingly, internet access is highly dependent on age, with youth being most likely to connect at least once a day (Figure 25).

Figure 31: Internet Access by Age Group (SIA Community Survey 2022)



Of the digitally enabled communications channels, whatsapp is most widely used (Figure 26).

Figure 32: Daily use of online communication channels (SIA Community Survey 2022)



Key Social Impact Implication of Readiness for the Future Economy

The two main barriers to local readiness for the opportunities of a 4IR economy are data costs and the lack of digital skills specifically related to online income generation. Our project recommendations therefore address these through:

- the provision of free wifi through accessible community-based locations, such as schools, clinics, community halls and SASSA pay points.
- Introducing a youth training programme to be run by a professional NGO specializing in linking youth to the digital economy and online income generation opportunities.

Infrastructure Conditions

Housing

Extensive information about housing options for FDM employees and community members is included in the sections above on the history of settlements. The results of the community survey show that housing is not a major priority for community residents.

The community survey found that the distribution of main housing types is different in the four settlements. As shown in Table 21, formal houses are dominant in all settlements, but Thakalatlou has many free standing and backroom informal housing conditions, while Kuilsville has both formal and informal backyard housing but little free standing informal housing. Danielskuil and Lime Acres have apartments, which reflect the transitory nature of many of the residents living there.

Table 21: Housing Type by Settlement (SIA Community Survey 2022)

Housing Type	Danielskuil	Kuilsville	Lime Acres	Thakalatlou	Grand Total
Backhouse/ back rooms (formal)	9,09%	13,16%	23,08%	3,39%	9,09%
Backhouse/ back rooms (informal)	0,00%	13,16%	0,00%	15,25%	9,79%
Flat / Apartment	24,24%	0,00%	23,08%	0,00%	7,69%
Formal House	66,67%	71,05%	53,85%	64,41%	65,73%
Informal Dwelling	0,00%	2,63%	0,00%	16,95%	7,69%

Locals (born in the area) are most likely to live in a formal house (75%), which constitutes a strong social asset in terms of health and general welfare. Housing ownership in this area is largely with title deeds, although given that there is limited banking available for the lower income and rural sectors, home ownership does not constitute a strong economic asset for households. Short-term residents are split between formal houses (41%), apartments (28%) and formal backrooms (16%). In contrast to many other mining areas which have higher levels of labour migration, informal housing is a relatively small concern in these communities.

Basic Infrastructure Services (Water, Sanitation, Electricity, Refuse Removal)

The only settlement where access to water seems to be a challenge is Kuilsville. All other settlements have good coverage of piped water to residential stands (Table 22).

Table 22: Primary drinking water source by settlement (SIA Community Survey 2022)

	Danielskuil	Kuilsville	Lime Acres	Tlhakalatlou	Grand Total
Communal Pump / Well / Protected Spring / Borehole	9%	21%	0%	3%	9%
Private water source in homestead / yard / Municipal piped	91%	79%	100%	97%	91%

Over 90% of households (100% in Lime Acres) report having access to sewage systembased sanitation. Residents of informal housing (whether in backyards or stand-alone) often shared the toilet facility, while residents of formal housing generally did not.

Electricity is widely available, with only residents of standalone informal dwellings in Tlhakalatlou using alternative energy sources for lighting. All settlements have regular municipal refuse removal.

FDM has contributed to the positive infrastructure conditions by upgrading, maintaining and managing the sewage system in Lime Acres which covers Norfin, Five Mission and the Mine (FDM). This facility is managed by the FDM outside service department (6 employees) and the inspection is done by a company called Waterenviro CC (not a local company).

FDM also contributed to the sewage facility in Danielskuil as part of SLP 3's LED investments (2018). The project was benefited 3 local SMMEs and created 23 temporary jobs, providing sewage services to 6578 households.

FDM has also historically contributed to KLM water reticulation and electrification projects and currently contributing to the establishment of a new landfill site for refuse (SLP 2 and SLP 3 investments). These investments do not seem to be well-known among community residents, however.

Key Social Impact Implication of Infrastructure Conditions

A key sustainability risk around infrastructure is that the FDM-maintained sewage system may collapse if FDM withdraws. Activities to train municipal technicians and managers are included in SLP 3 and will need to be continued in SLP 4 to ensure a smooth handover of the facility within the current SLP period.

FDM Community Relationship

Communication with the Community

The Community Survey identified that 51% of respondents mainly speak Afrikaans at home, 43% mainly speak Setswana and 4% mainly speak English. Table 23 shows the languages respondents understand, which combines home language and additional understood languages.

Table 23: Community Language Profile (SIA Community Survey 2022)

	Home Language	Additional Languages understood	Total
Afrikaans	51%	41%	91%
English	4%	77%	81%
Setswana	43%	17%	60%

When asked in what languages residents prefer the mine to communicate, the results are shown in Table 24.

Table 24: What language do you want mine to communicate with you in (SIA Community Survey 2022)

	Danielskuil	Kuilsville	Lime Acres	Tlhakalatlou
Afrikaans	50%	79%	23%	17%
English	53%	38%	77%	64%
Setswana	6%	21%	23%	34%

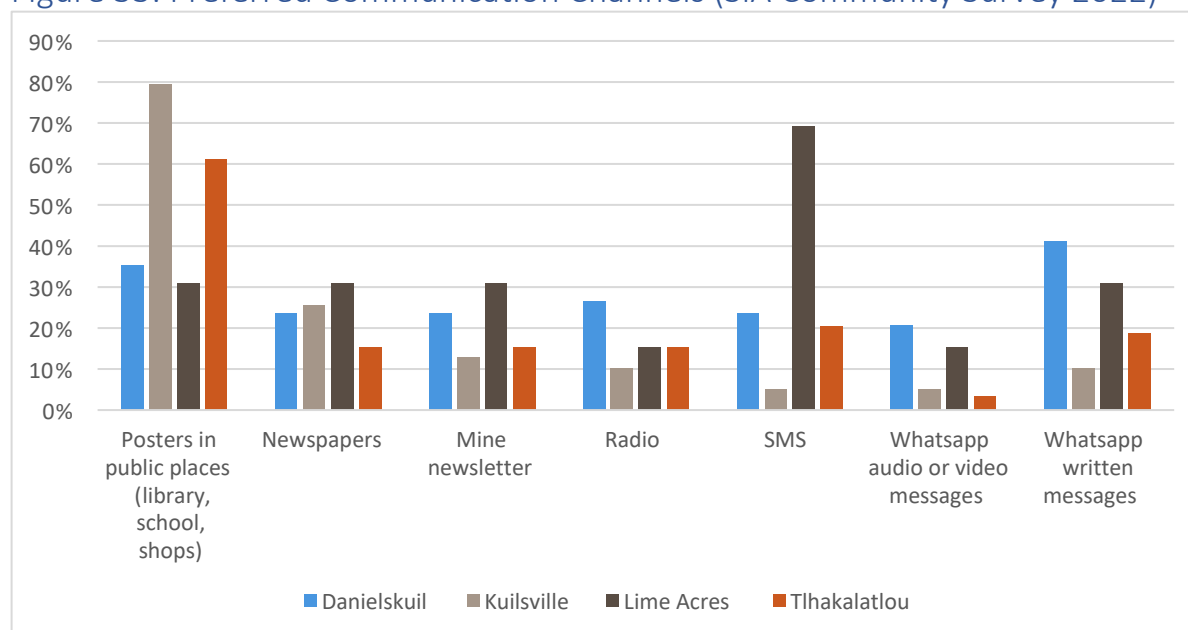
It is notable that even though Setswana is the second most common home language, and English is very rarely spoken at home, residents seem to be happy receiving communication from the mine in English. This may be due to the difference between spoken and written language (with many Setswana-speakers not necessarily being used to reading formal communications in Setswana). This has several practical implications:

1. Written communications should be available in at least Afrikaans and English, with important community-directed written messaging also available in Setswana;

2. Petra stakeholder managers and communications staff should consider producing verbal versions of important community-oriented communications (e.g. audio or video notes that can be shared on whatsapp) in all three languages, in addition to written communications, to enable residents to engage fully within information in the languages they speak at home.
3. Petra stakeholder managers should adapt the languages they use for face to face community engagements in different settlements.

Finally, the preferred communication channels by settlement are presented in Figure 33.

Figure 33: Preferred Communication Channels (SIA Community Survey 2022)



Key Social Impact Implication of FDM Communications with the Community

Community and SMME stakeholder perceptions around the FDM's communications processes are largely negative, with the claim that the mine does not communicate proactively about opportunities and activities and that it does not respond to communications (calls, emails) from any local stakeholders. Improving communications processes would go a long way towards improving local stakeholder relationships and the social license to operate.

Social License to Operate

The community survey used the SLO measurement framework developed by Boutilier and Thomson⁵, which describes different levels of SLO as per Table 25.

Table 25: Boutilier and Thomson's SLO model

Table 1: Four Factors Constituting Three Levels of SLO		
Level & Label	Description	Role in Determining SLO Levels as Described in Thomson & Boutilier Pyramid Model
1. Economic legitimacy	The perception that the project/company offers a benefit to the perceiver.	If lacking, most stakeholders will withhold or withdraw the SLO. If present, many will grant an acceptance level of SLO.
2a. Socio-political legitimacy	The perception that the project/company contributes to the well-being of the region, respects the local way of life, meets expectations about its role in society, and acts according to stakeholders' views of fairness.	If lacking, approval level of SLO is less likely. If both this and interactional trust (2a & 2b) are lacking, approval level is rarely granted by any stakeholder.
2b. Interactional trust	The perception that the company and its management listens, responds, keeps promises, engages in mutual dialogue, and exhibits reciprocity in its interactions.	If lacking, approval level of SLO is less likely. If both this and socio-political legitimacy (2a & 2b) are lacking, approval level is rarely granted.
3. Institutionalized trust	The perception that relations between the stakeholders' institutions (e.g., the community's representative organizations) and the project/company are based on an enduring regard for each other's interests.	If lacking, psychological identification is unlikely. If lacking but both socio-political legitimacy and interactional trust are present (2a & 2b), most stakeholders will grant approval level of SLO.

The respondents were asked whether they strongly disagree, disagree, are neutral, agree or strongly agree with the following statements that represent the different levels of SLO described above (Table 26).

Table 26: SLO Module Questions based on Boutilier and Thomson (2011)

economic legitimacy	Our community can gain from a relationship with the mine
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⁵ Boutilier and Thomson (2011) Modelling And Measuring The Social License To Operate: Fruits Of A Dialogue Between Theory And Practice, [Modelling and Measuring the SLO.pdf \(sociallicense.com\)](https://www.sociallicense.com/modelling-and-measuring-the-slo.pdf)

economic legitimacy	Our community needs to have the cooperation with the mine to reach our most important goals
interactional trust	The mine does what it says it will do in its relations with our community
interactional trust	We are very satisfied with our relationship with the mine
interactional trust	The activities of the mine in our community are a benefit to us
interactional trust	The mine representatives listen to us
socio-political legitimacy	In the long term the mine makes a contribution to the well-being of the whole region
socio-political legitimacy	The mine treats everyone fairly
socio-political legitimacy	The mine respects our way of doing things
socio-political legitimacy	Our community and the mine have a similar vision for the future of this region
institutionalised trust	The mine gives more support to those who are negatively affected by its programmes
institutionalised trust	The mine shares decision-making with us
institutionalised trust	The mine is concerned about our interests
institutionalised trust	The mine openly shares information that is relevant to us

The responses were coded as follows:

Strongly Disagree = -2

Disagree = -1

Neutral = 0

Agree = 1

Strongly Agree = 2

Positive averages therefore represent an overall level of agreement (a positive relationship with the mine) and negative averages represent overall disagreement (a negative relationship with the mine). The results of the community survey SLO module are shown in Table 26.

Table 27: Social License to Operate Results for Finsch Diamond Mine (SIA Community Survey 2022)

		Overall SLO Score	Economic Legitimacy	Interactional Trust	Socioeconomic Legitimacy	Institutionalised Trust
Settlement	Danielskuil	-0,34	1,41	-0,40	-0,68	-0,82
	Kuilsville	0,26	1,28	0,30	0,10	-0,13
	Limes Acre	-0,05	1,27	-0,14	-0,30	-0,39

	Tlhakatlou	-0,31	1,29	-0,39	-0,80	-0,53
Length of Stay	Locals	-0,20	1,43	-0,33	-0,59	-0,49
	Long-term residents	-0,06	1,08	0,03	-0,32	-0,44
	Short-term residents	-0,04	1,36	-0,08	-0,40	-0,33
Age Group	Elderly	0,08	1,31	0,17	-0,16	-0,39
	Middle aged	-0,13	1,14	-0,23	-0,39	-0,40
	Youth	-0,17	1,41	-0,21	-0,60	-0,48
Population Group	African	-0,25	1,32	-0,36	-0,68	-0,48
	Coloured	0,11	1,29	0,16	-0,11	-0,29
Gender	Female	-0,10	1,32	-0,08	-0,46	-0,45
	Male	-0,16	1,28	-0,30	-0,47	-0,43
Household income	low (under R6400 per month)	-0,06	1,31	-0,12	-0,40	-0,34
	medium (R6401-R12800 per month)	-0,42	1,13	-0,34	-0,78	-0,93
	high (R12801 and above per month)	0,02	1,63	-0,16	-0,31	-0,28
TOTAL		-0,12	1,30	-0,16	-0,46	-0,44

The results show that while there is a positive sense of economic legitimacy (the lowest level of SLO) across all types of respondents, perceptions around the higher levels of interactional trust, socio-economic legitimacy and institutionalized trust are increasingly negative across all respondent groups.

Key Social Impact Implication of Current Social License to Operate

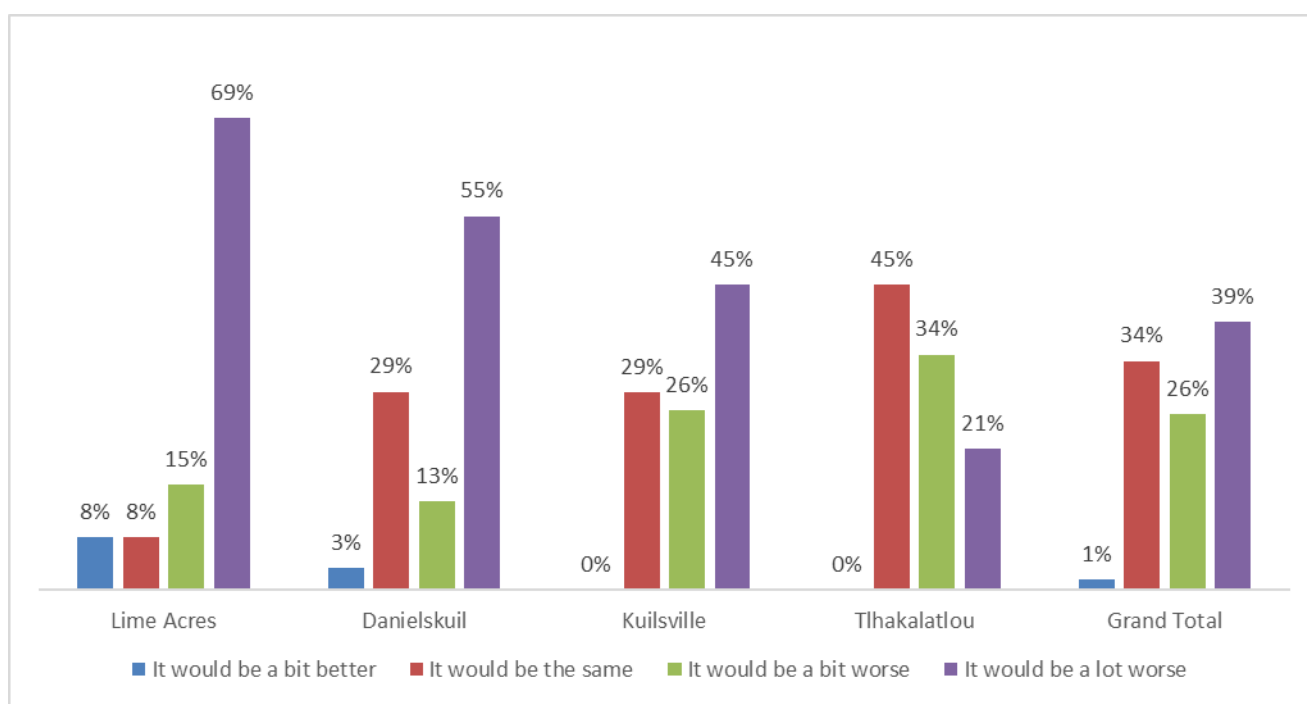
The SLO findings confirm that while community residents understand the direct economic benefits which FDM brings them and their community, they do not trust that the mine does what it says it will and listens to them; they do not believe the mine is fair and has the community's best interests at heart; and they do not believe there is a shared vision for the future of the region.

Effects of Mine Closure

As noted in the introduction, the current Life of Mine is predicted for 2030 with possible extension to 2038. 2030 is only three years beyond the end of the upcoming SLP 4 cycle (FY2022-2027) and so considerations relating to the systemic effects of future close are now very important to build into the SLP 4 activities.

As per the SLO discussion above, community residents express an awareness of the benefits the mine currently brings to the community and to their lives personally by noting that most aspects of life would get worse if the mine were no longer present.

Figure 34: Community Survey Responses: If you think about a time in the future when Petra mine is no longer active here, what effect do you think it will have on your own life? (SIA Community Survey 2022)



Read together with the results of the SLO questions, however, this recognition of the mine's positive effects on the community is limited to a transactional economic legitimacy, without high levels of trust and shared vision for the future.

The clearest expression of residents' lack of belief in the viability of their community beyond the life of mine is the high proportion of survey respondents who stated they would leave the area if FDM were no longer present. The greatest impact would be on Lime Acres as a town, which would effectively cease to exist (like Owendale) if the projected 92% of current Lime Acres residents were to leave (as per their stated intentions in the community survey), but all other settlements would also be severely affected.

Unsurprisingly, short-term residents would be most likely to leave, who are also the highest earners in terms of household income. However, even a third of locals expressed the intention to move out of the area if the mine closes. Youth and the middle aged are almost equally likely to leave.

Figure 35: Intent to Stay in Area if Mine Closes by Settlement (SIA Community Survey 2022)

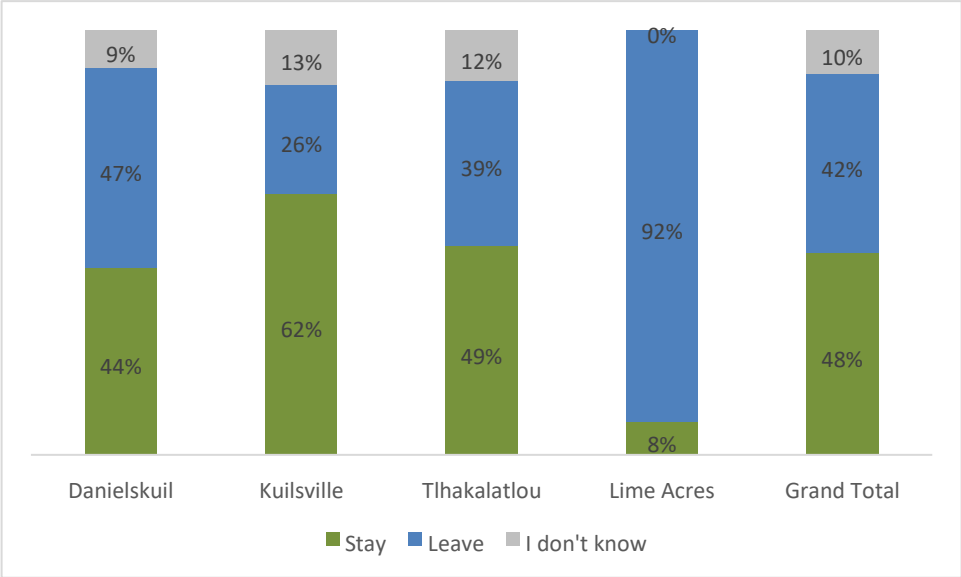


Figure 36: Intent to stay in area if mine closes, by mobility group (SIA Community Survey 2022)

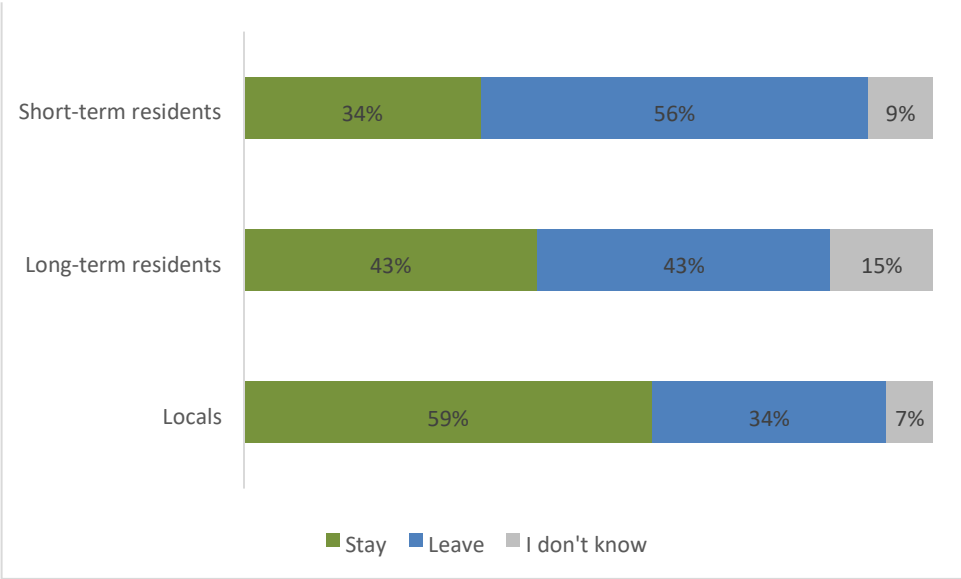


Figure 37: Intent to stay in area if mine closes, by age group (SIA Community Survey 2022)

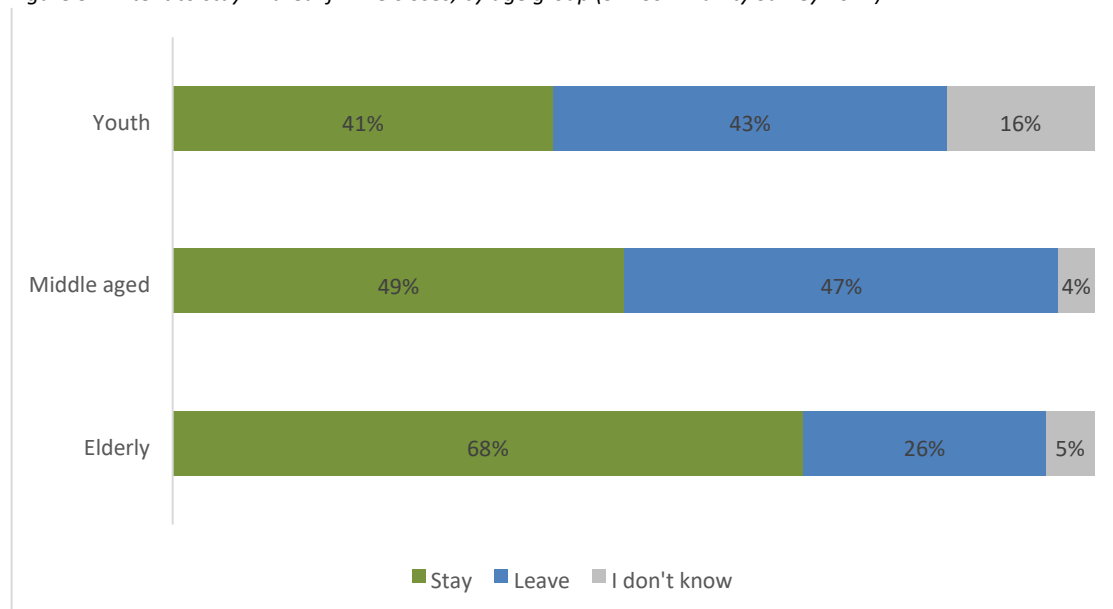
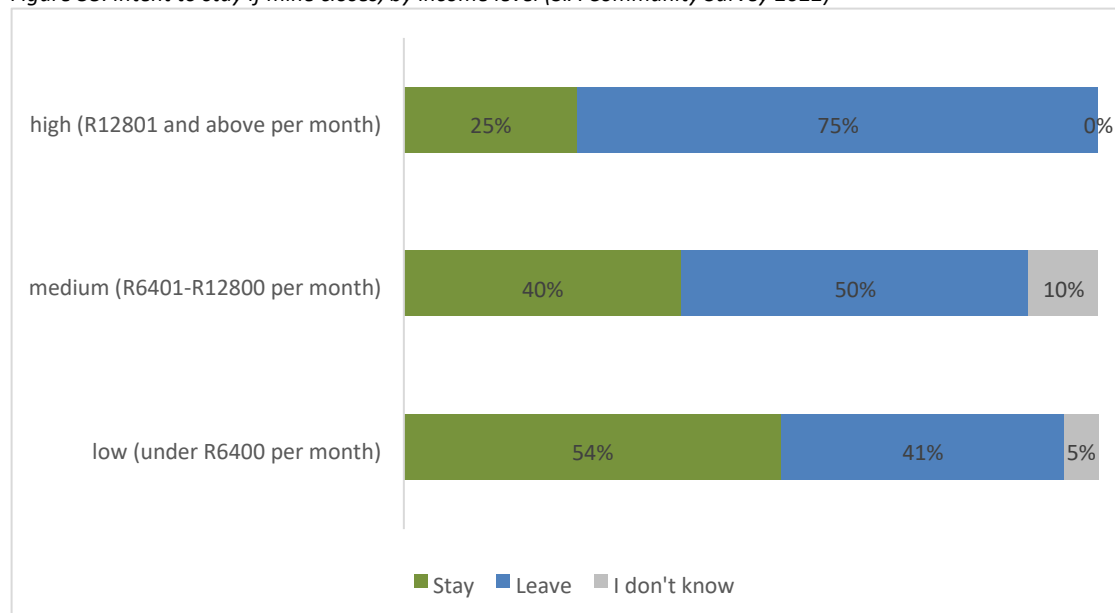


Figure 38: Intent to stay if mine closes, by income level (SIA Community Survey 2022)



In terms of gender dynamics, male respondents are somewhat more likely to report they will stay (53%) than female respondents (44%).

A crucial consideration regarding the future closure of FDM is the effect this will have on the local municipality. Given that the FDM is the largest employer in the municipality and its closure will most likely lead to significant out-migration from the area (especially outmigration of professionals who currently pay for local services), this change in population numbers and income levels will

impact directly on the municipality's income as well as service-related expenditures. Furthermore, the mine currently pays around R6 million in rates, taxes, electricity payments and other payments to the municipality, which makes FDM the largest single contributor to municipal income, apart from transfers which the LM receives from provincial and national grants.

Key Social Impact Implication of Mine Closure

Given the centrality of FDM to the economy of Kgatelopele Local Municipality, the impacts of mine closure are likely to be:

- A high probability that KLM would no longer be a viable municipality. KLM is already dependent on national and provincial transfers for most of its expenditures, but when FDM closes it will lose its largest local income source (R6 million in rates, taxes, electricity and other payments), as well as the impacts of knock-on closures of other businesses in the area which are currently dependent on mining and FDM.
- The collapse of the sewage system is a particular risk, since this is currently maintained by FDM. Reducing this risk through a planned capacitation and handover programme to KLM is a core element of the SLP 3 and 4 plans.
- Large-scale movement of residents out of the area in search of alternative employment opportunities. The scale of this is described further below based on community survey findings.
- Lime Acres becoming a 'ghost town' as it is currently almost entirely oriented around housing and services for FDM and other mines (PPC).

Ranking of Social Impacts

As noted in the methodology section, we assess and rank the most important social impacts for two phases: the operational phase and the closure phase.

Operational Phase

Through the community survey, residents of Tlhakalatlou, Kuilsville, Danielskuil and Lime Acres were asked to prioritise challenges experienced by their community now, i.e. while the mine is still in operation. They were also asked to prioritise possible activities and projects to address these challenges.

In interpreting their responses, we report on the overall results by settlement, as well as priorities expressed by locals (those born in the settlements). Locals are the original inhabitants of the area and so have been most strongly affected by the presence of the mine. They are also more likely than short-term and long-term residents to remain in the area should mine employment be reduced. Therefore long-term development interventions by the mine should be weighted towards their needs.

The community survey asked about key community challenges in two ways: first it asked respondents: “I am going to read out a list of things which may or may not be a problem in your community. Please tell me if: this is not a problem here, it is a problem but it does not influence your quality of life, or it is a problem and it affects you directly”. The graphs below show community challenges sorted by the percentage of respondents of each settlement who noted that the issue “is a problem which affects my quality of life.” Second, respondents were asked to prioritise the top three challenges in their community. In the graphs below, the most commonly selected challenges are marked with red stars. Across all respondent groups by settlement, length of stay and gender, unemployment is by far the most mentioned priority concern. Other priorities, with slightly different order or priority by group, are crime, health care facilities, and drug abuse.

It is also notable that issues related to agriculture and land as well as issues of cultural identity are consistently low on the list of priorities, as discussed in the sections above.



Figure : Prioritisation of Community Challenges –
39 Prioritisation of Community Challenges Tlhakalatlou (SIA Community Survey 2022)

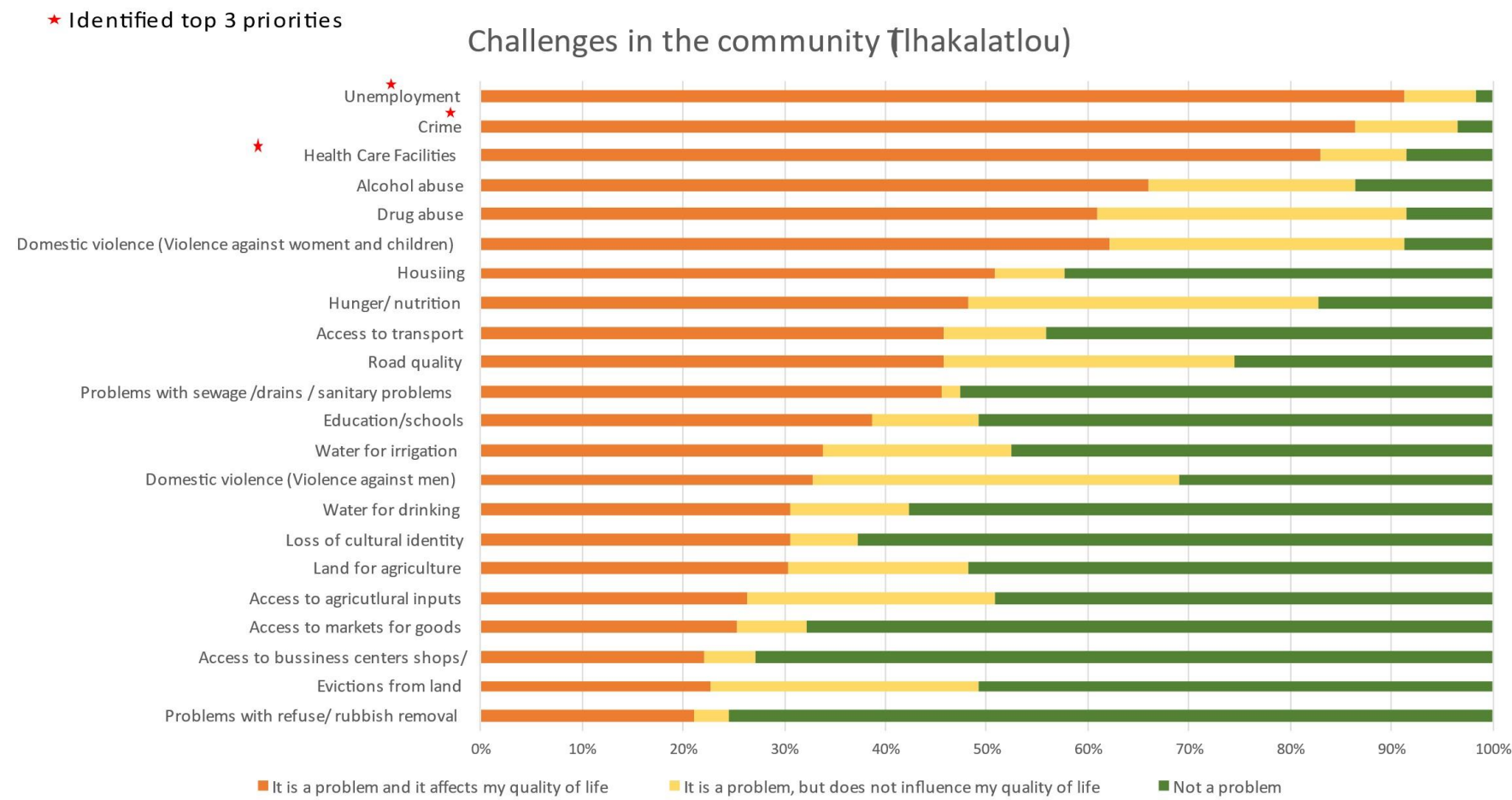


Figure : Prioritisation of Community Challenges –

40 Kuilsville (SIA Community Survey 2022)

★ Identified top 3 priorities

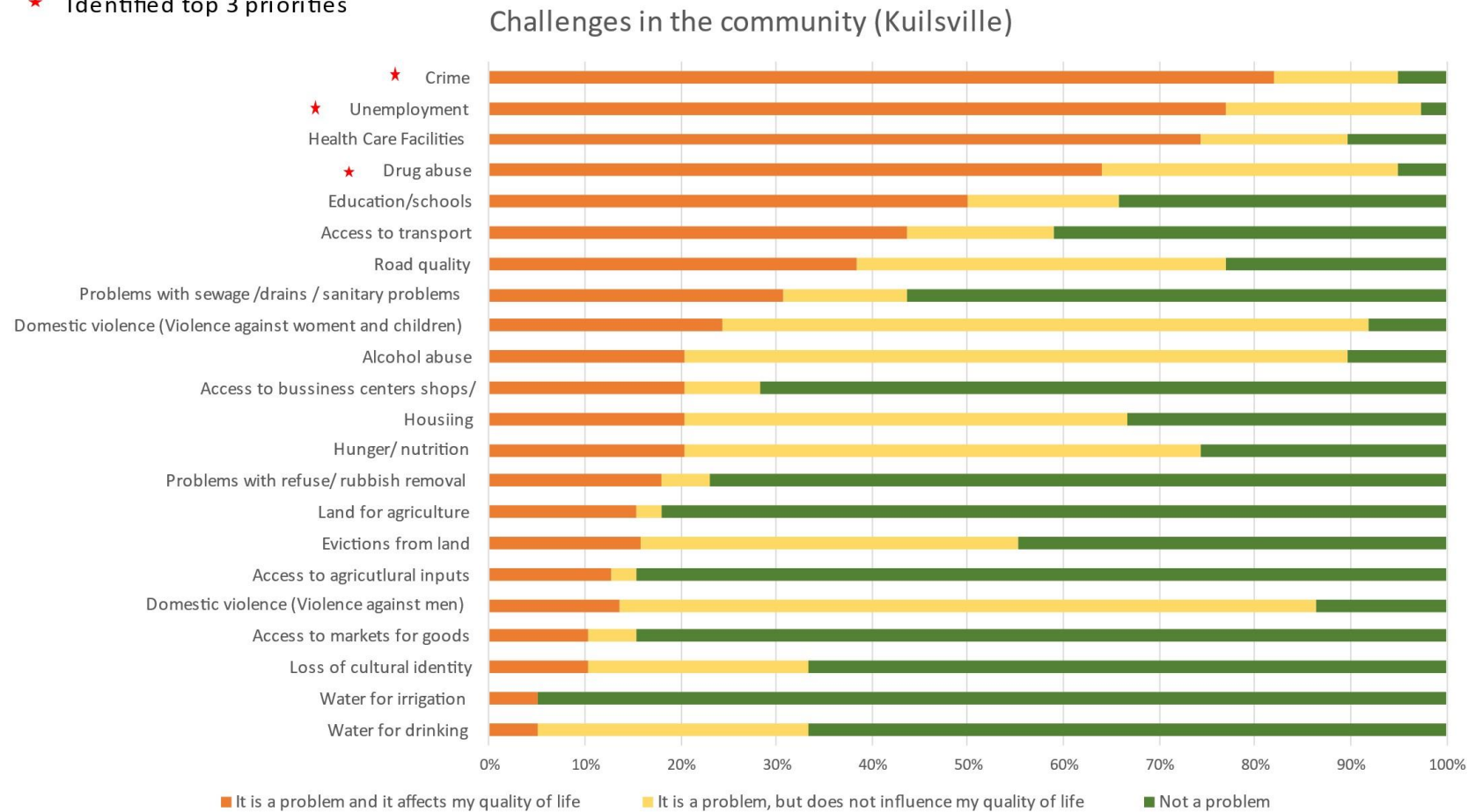


Figure : Prioritisation of Community Challenges –

41 Prioritisation of Community Challenges Danielskuil (SIA Community Survey 2022)

★ Identified top 3 priorities

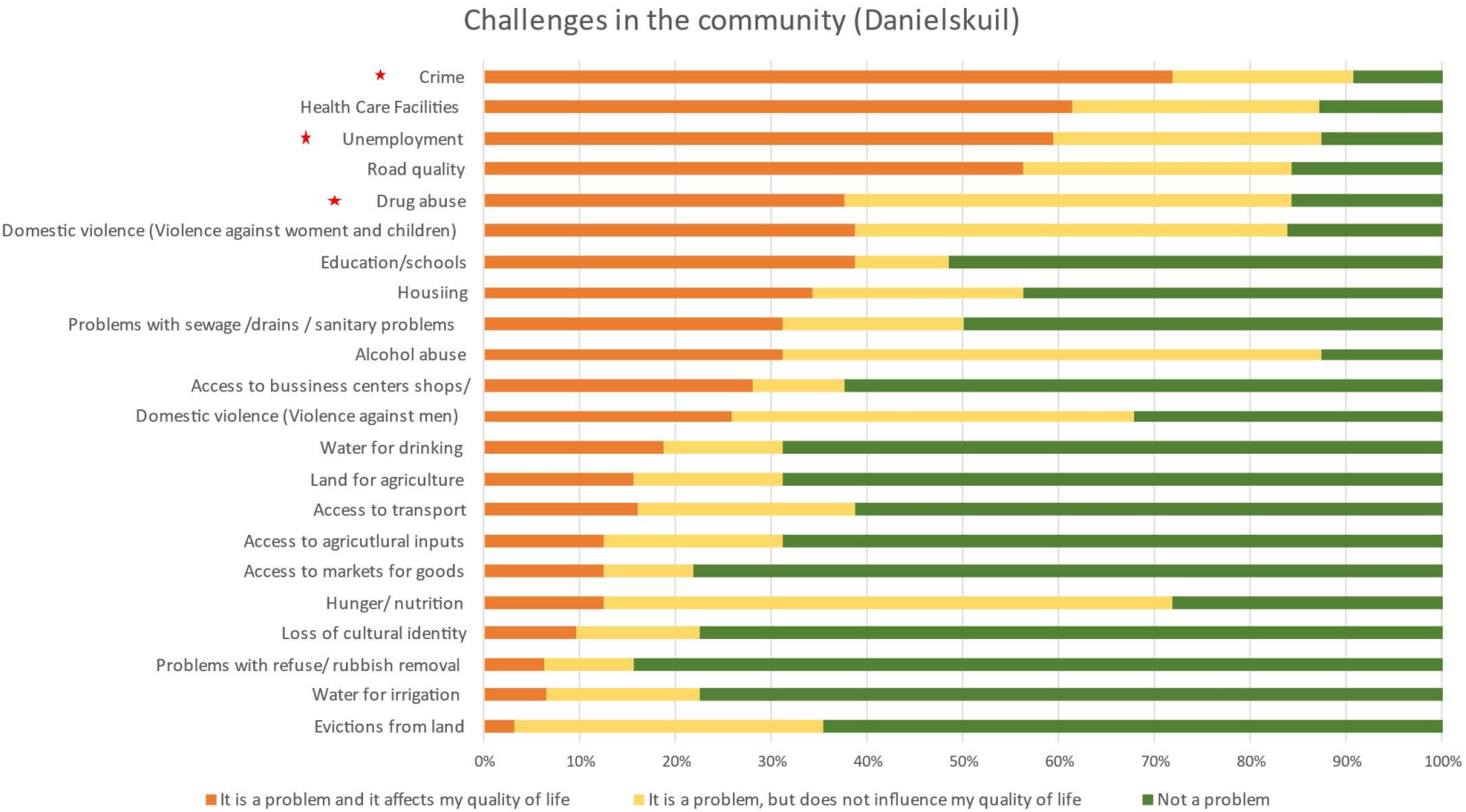


Figure : Prioritisation of Community Challenges –

Figure : Prioritisation of Community Challenges

42

- Lime Acres (SIA Community Survey 2022)

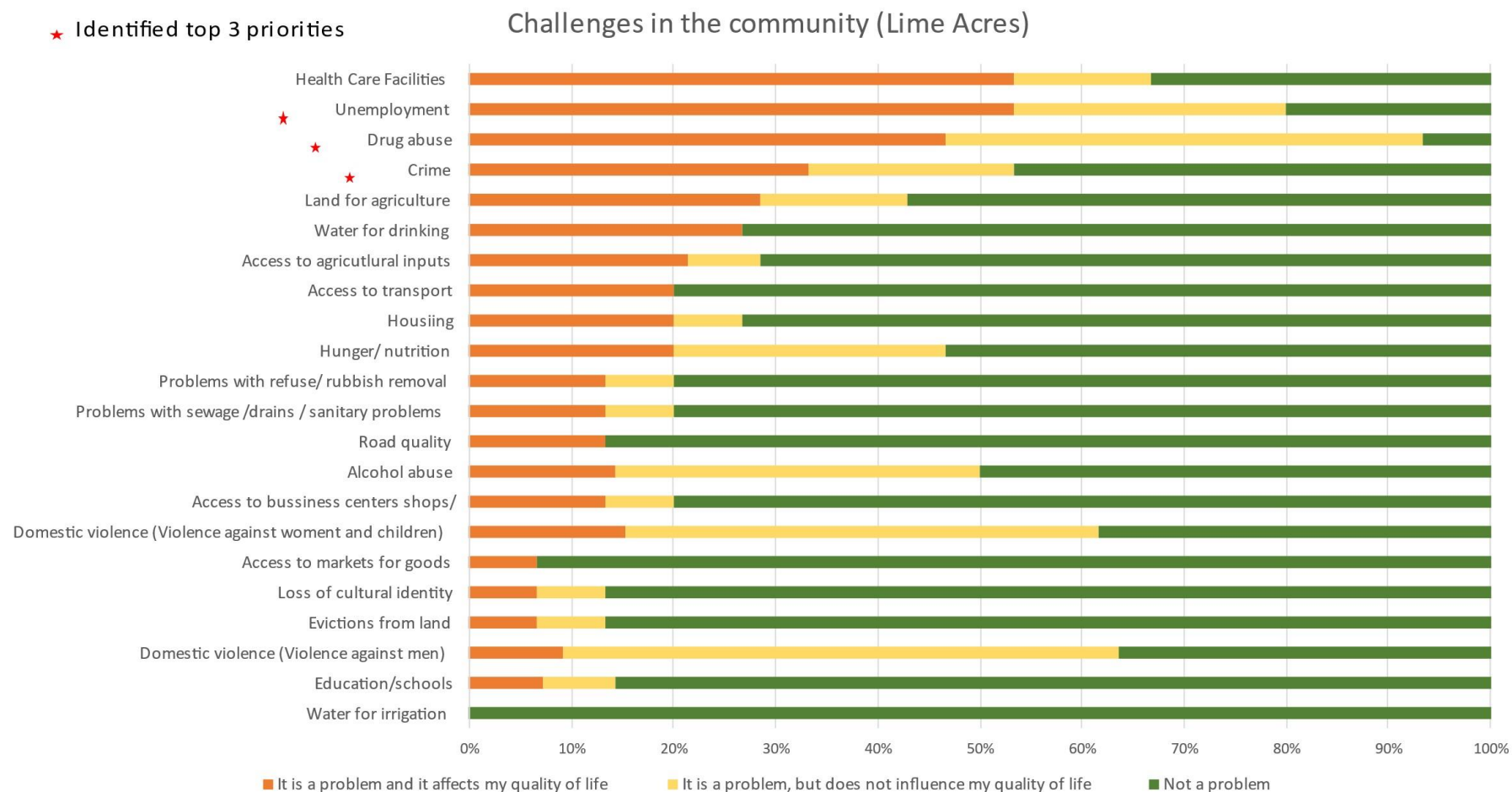


Figure : Prioritisation of Community Challenges

Figure 43 : Prioritisation of Community Challenges

43 – Locals (SIA Community Survey 2022)

Figure : Prioritisation of Community Challenges



Challenges in community locals

Figure : Prioritisation of Community Challenges

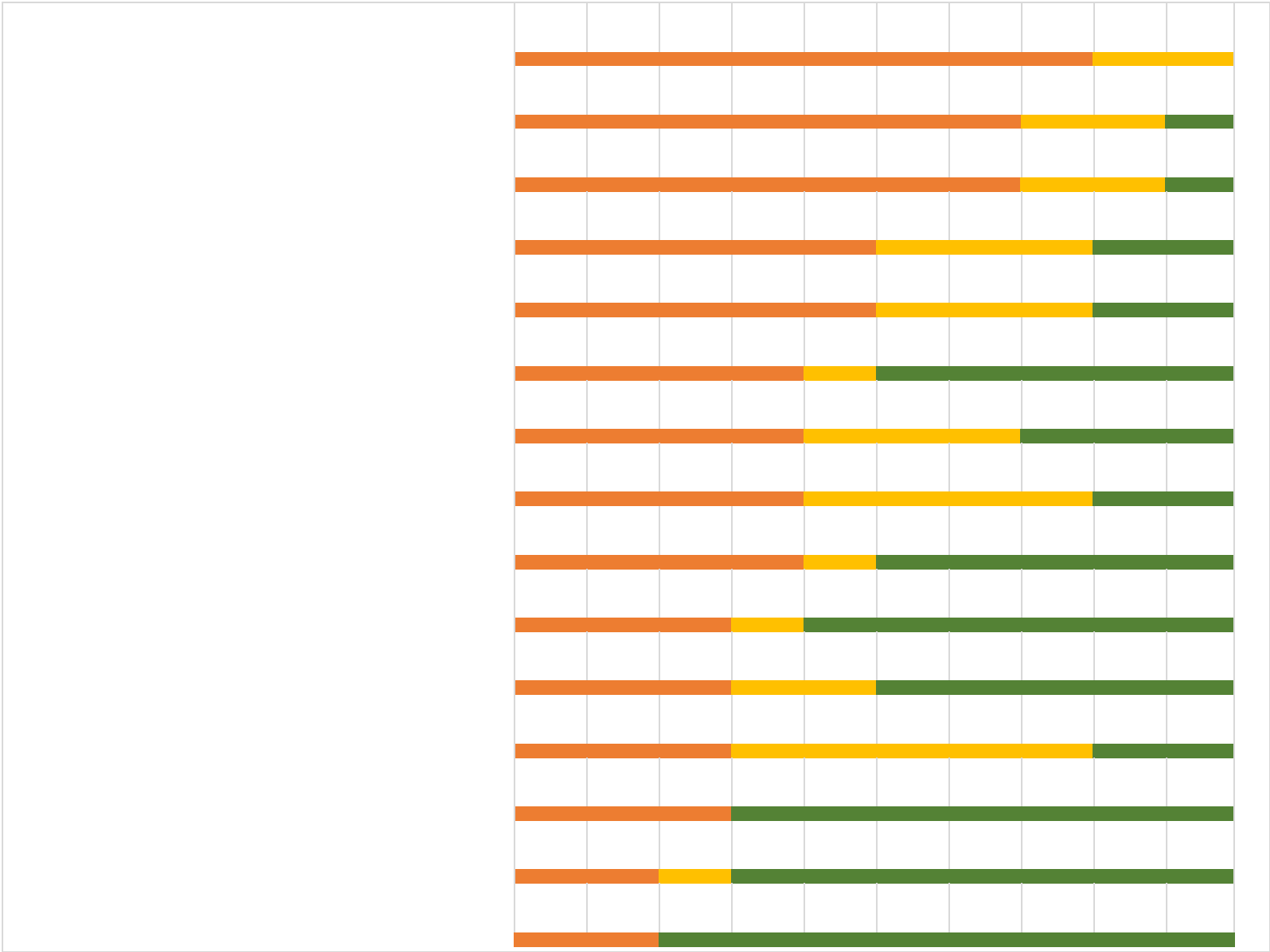


Figure : Prioritisation of Community Challenges

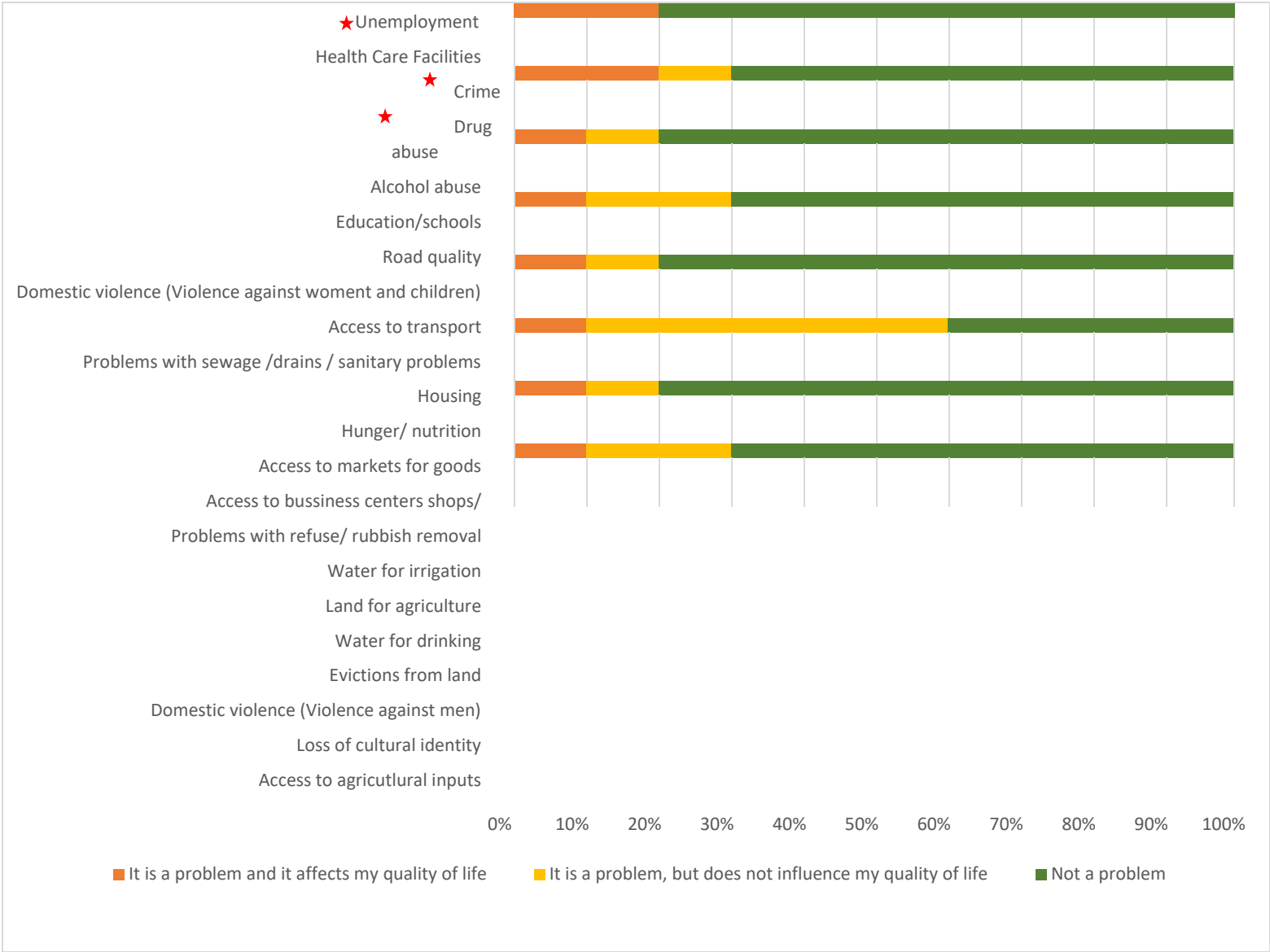


Figure : Prioritisation of Community Challenges

44 – Women (SIA Community Survey 2022)

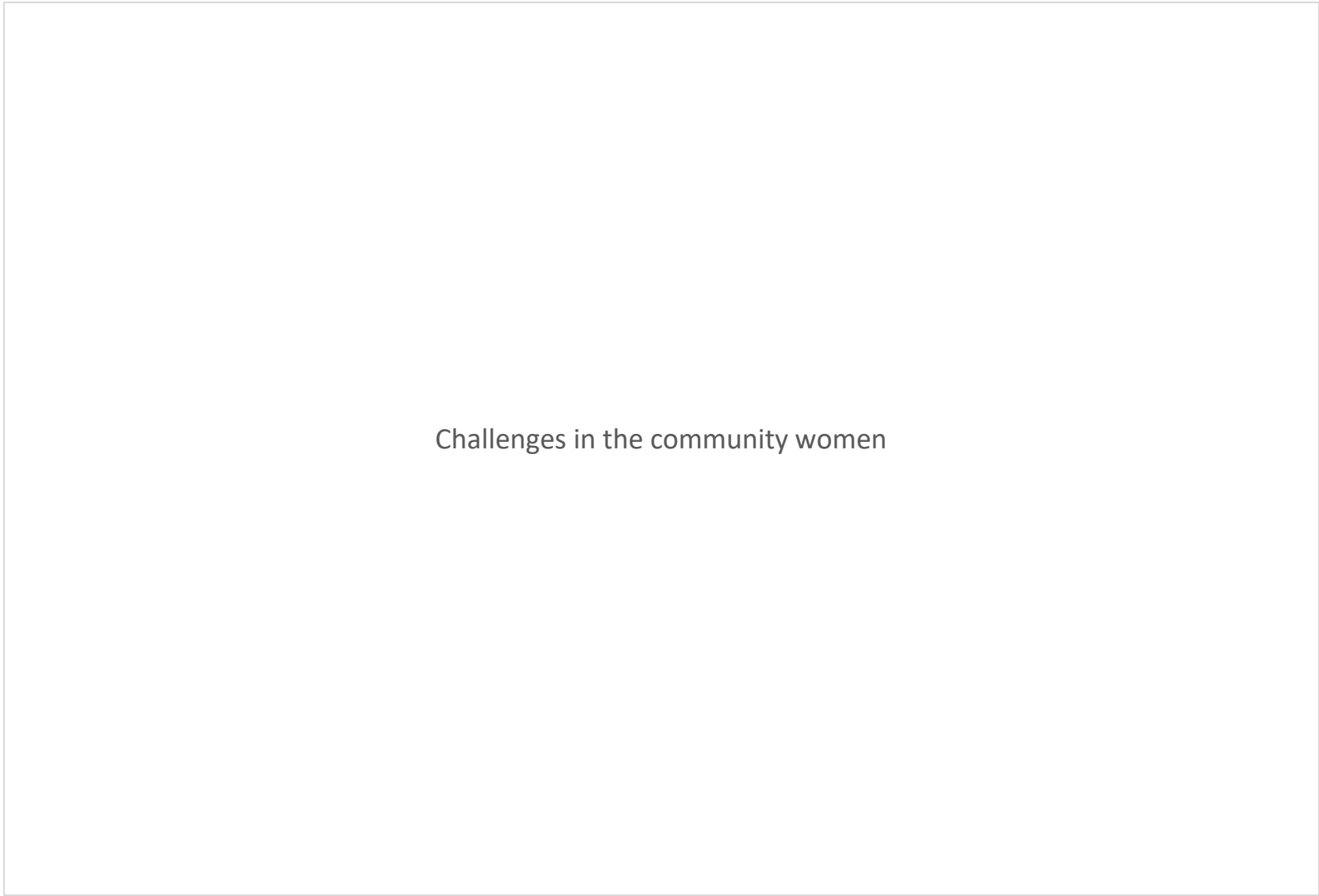


Figure : Prioritisation of Community Challenges

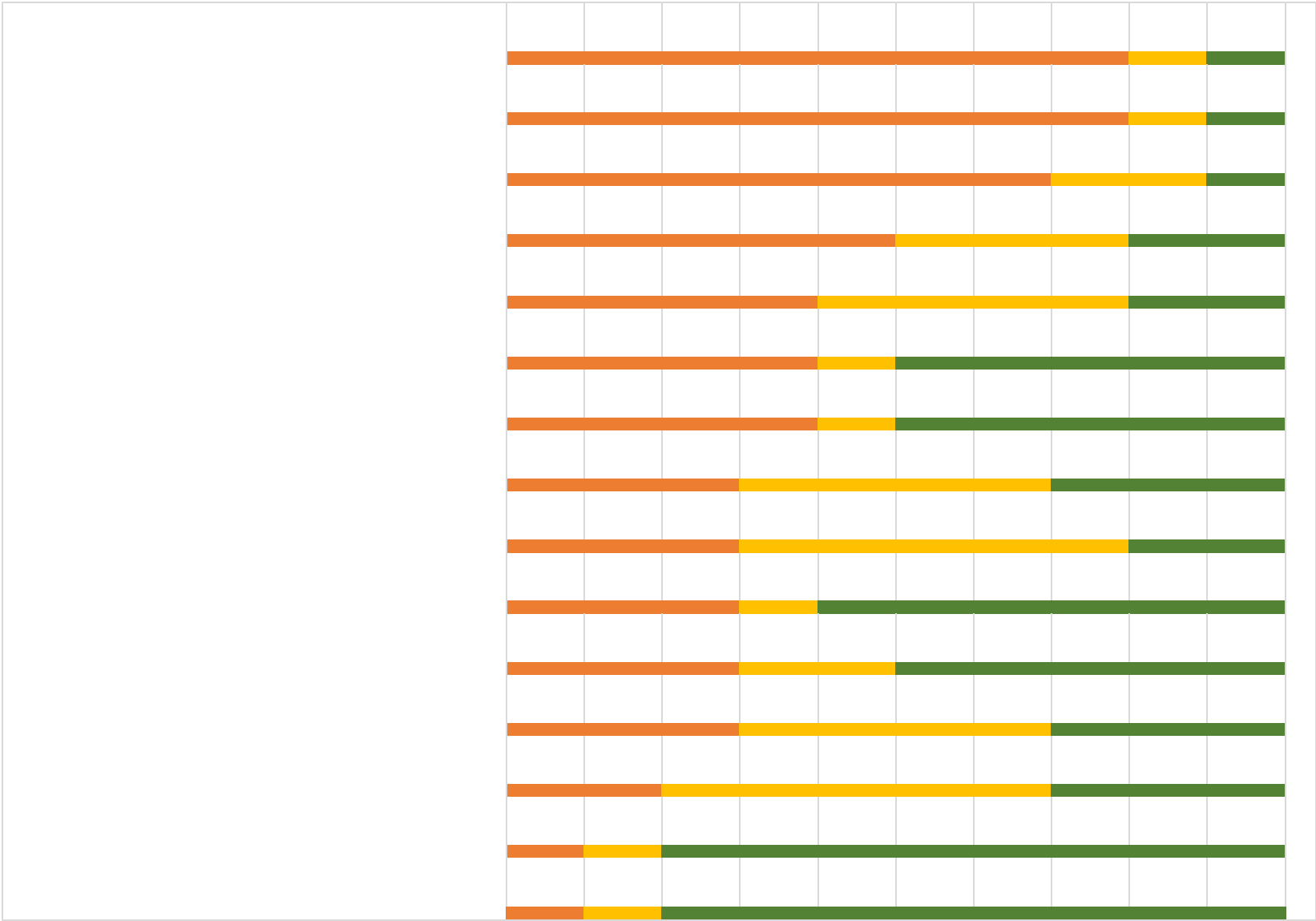
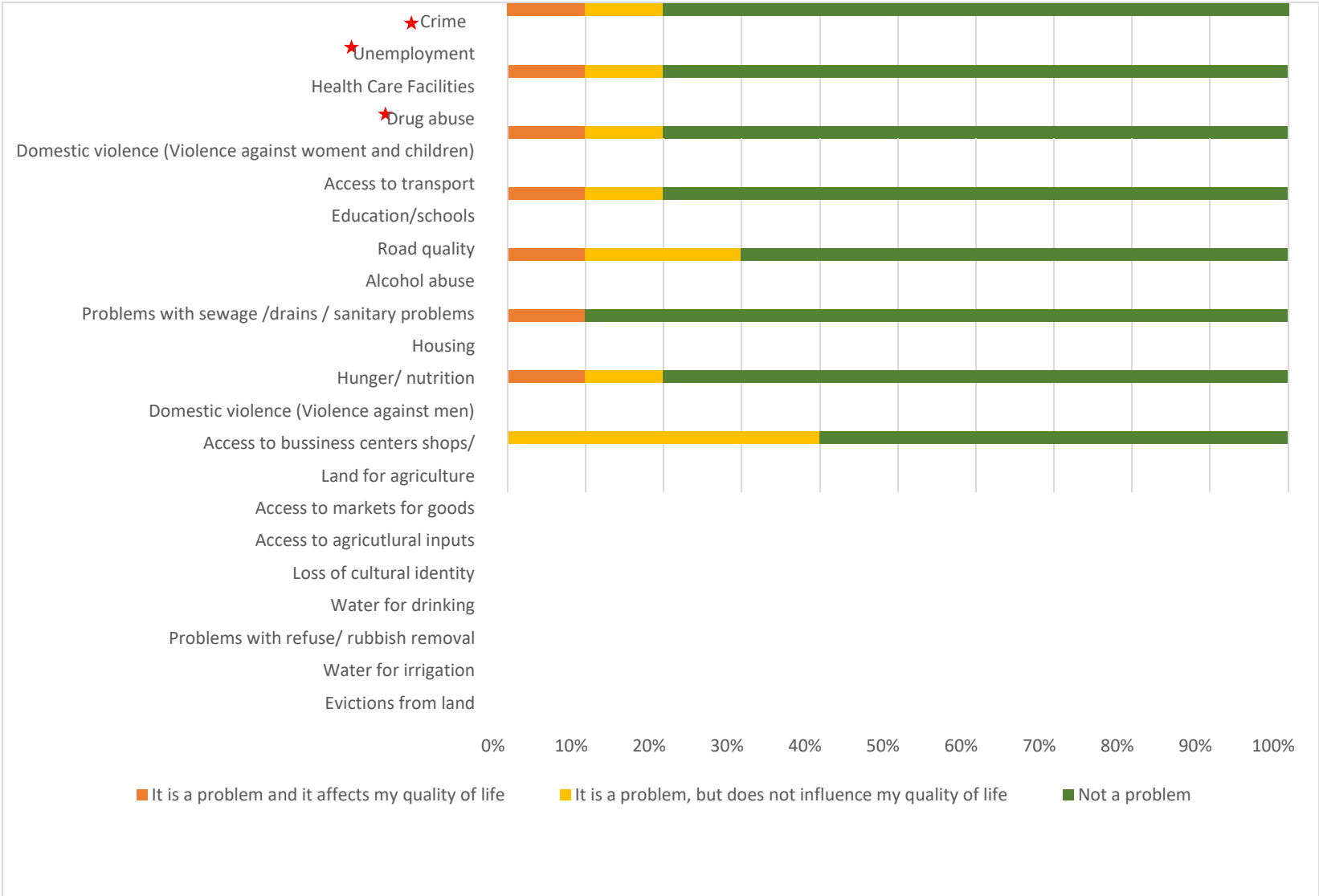


Figure : Prioritisation of Community Challenges



Closure Phase

The key social impacts of the closure phase are described in the section on [Effects of Mine Closure](#) above as well as previous sections, namely:

Economic impacts: a large reduction in local formal employment opportunities, with the probable effects of many current residents leaving the area in search of alternative employment, and the closure of many local manufacturing and service businesses currently dependent on the mine and on mine employees for customers.

Municipal services sustainability: A high probability that KLM would no longer be a viable municipality. KLM is already dependent on national and provincial transfers for most of its expenditures, but when FDM closes it will lose its largest local income source (R6 million in rates, taxes, electricity and other payments), as well as the impacts of knock-on closures of other businesses in the area which are currently dependent on mining and FDM.

Infrastructure sustainability: The collapse of the sewage system is a particular risk, since this is currently maintained by FDM.

Reducing this risk through a planned capacitation and handover programme to KLM is a core element of the SLP 3 and 4 plans. Lime Acres becoming a 'ghost town' as it is currently almost entirely oriented around housing and services for FDM and other mines (PPC).

Population Change: Large-scale movement of residents out of the area in search of alternative employment opportunities.

Social Impacts Ranking

	5 = high, 1 = low				Intensity + Extent + Duration = Consequence		Consequence x Probability = Significance	Significance x Community = Prioritisation
Dimension	Community Prioritisation	Impact	Extent	Duration	Conse- quences	Probability	Significance	Prioritisation
Youth employment	5	5	5	5	15	5	75	375
Safety and Security - crime	5	5	5	5	15	5	75	375
Health care - basic	5	5	3	5	13	3	39	195
Health care - mental health	4	3	2	3	8	2	16	64
Health care - substance abuse prevention and care	5	4	3	3	10	3	30	150
Education - school transport	3	4	2	4	10	4	40	120
Education - township high schools	3	4	3	4	11	4	44	132

Infrastructure - sewage	2	5	5	5	15	5	75	150
Infrastructure - electricity	1	1	1	1	3	1	3	3
Infrastructure - roads	2	5	2	2	9	2	18	36

Ranking of Social Projects

As noted in the [Project Identification and Ranking Approach](#) section above, our approach to identifying social impact projects focusses on:

- understanding the local **context**, both currently and in terms of probable scenarios for the near future (including timelines for mine closure, population movements, the future economy and climate change impacts), and
- understanding the **institutional and social realities** which impact on whether proposed projects can be implemented effectively and successfully.

The question of HOW social investment activities are implemented is just as important in achieving impact as the questions of WHAT the activities are and how much is budgeted or spent.

The key insights relating to **context** in the case of FDM are:

- **Invest in people not infrastructure:** With mine closure approaching within the next 7-10 years, which is very likely to be accompanied by large scale population movements out of the area, investments in large scale physical infrastructure are not an efficient use of resources since the people remaining in the area may not be enough to justify the new infrastructure and people leaving the area will no longer benefit from it.
- **Portable Skills:** Investments in enterprise and skills development need to be focusses on imparting practical skills and building self-supporting institutions/enterprises that are either portable and can continue benefiting people when they leave the area after mine closure, or that can continue functioning after mine closure with a reduced local 'market' of customers and local businesses, or that can access markets beyond the local area, e.g. digitally.
- **Concentrate on the Townships:** The mine's social investments have historically been focused geographically on the immediate vicinity of the operation and on areas where most of the mine employees live, i.e. in Lime Acres and the town of Danielskuil. The SIA results show that levels of social development, security and service access are much higher in Lime Acres than in the immediately adjacent township areas of Kuilsville and Tlhakalatlou. We therefore recommend that the SLP 4 projects predominantly focus on these less serviced settlements.

Key insights about **institutional and social realities** in the area are:

- **Work with the Municipality:** While the capacities of the local municipality are weak, it remains a crucial implementation partner for the mine, especially in the process of preparing for mine closure after the upcoming SLP period. Building a positive relationship with municipal actors (or rebuilding this after the 2021 local government elections may have changed significant personnel), supporting municipal planning and implementation capacity through regular engagements and/or secondment of staff, and active and early joint planning for major social and economic changes that will accompany mine closure 110

are therefore crucial for enabling the municipality to function more effectively. This will reduce the pressure on the mine to provide basic services during the SLP 4 period and in the following mine closure period.

- **Work with expert NGOs:** in contrast to conventional infrastructure-based SLP projects, where the mine has significant internal expertise around design, planning and implementation, the social projects proposed here require a different form of technical expertise. It is therefore recommended that the mine identify and partner with well-established social partner organisations with existing programmes in the priority areas identified in the SIA: collective enterprise development (organisation workshops), digital employment generation, food systems and community health workers.
- **Work with local Civil Society:** There are many registered non-profit organisations in Kgatelopele Local Municipality (see section on [Civil Society](#) above), most of which are in the ECD sector but a number of which provide broader services and activities including those relating to youth, health, mental health and safety/security, which are high level priority areas identified by the community through the SIA survey. While some of the proposed social investment projects require specialized skills and methods which may not be present in the local civil society environment and so may justify partnering with external NGOs for implementation, these programmes should be designed to include and work with local NPOs and this should be a requirement built into the external NGO partner contracts.
- **Take a Co-Creation Approach:** General levels of social trust are low in the area and there are long-standing conflicts between communities (including between Coloured and Black African township areas). This reduces the ability of the area as a whole to build a functioning social and economic eco-system which is resilient to the upcoming mine closure and the changes this will bring. The social impact projects, especially the proposed organisation workshop, the community health worker project and the youth digital training programme, should therefore be designed in ways that generate positive linkages and collaboration across current social divides rather than taking them for granted or reinforcing them with a sense of competition for scarce resources.

In addition to these considerations, the ranking of projects is based on the following:

1. Alignment with the KLM IDP 2021-2022
2. Prioritisation through qualitative consultations with a wide range of stakeholders
3. Prioritisation through quantitative surveying of a representative spread of 152 community residents
4. Testing against Petra Diamond criteria such as scale, scope, timelines and affordability
5. Testing against nationally and provincially recognised strategic priorities and futureproofing such as readiness for and resilience towards the Fourth Industrial Revolution and Climate Change
6. Validation through stakeholder feedback engagements

Alignment with IDP

Table 28 comments on each of the priorities identified in the Kgatelopele Local Municipality IDP 2021-2022 in terms of their applicability to informing the projects identified through the current SIA and proposed for the FDM SLP 4 (2022-2027).

- First, we identify which IDP priority areas are within the mandate and responsibility of a mine. The distribution of land, the improvement of municipal systems inefficiencies and the provision of government service facilities are outside of FDM's mandate.
- Second, we note which of the IDP priorities were also identified as high through the community survey, namely employment generation and health services. The need for interventions in relation to education and recreation were also noted in the stakeholder engagements, if less so in the survey, and so have been marked as of medium priority. Finally, water and sanitation, electrification, roads and transport as well as environmental issues were not mentioned as high priorities in either the community survey or the stakeholder engagements.



Table 28: IDP and Community Survey Priority Matching

IDP priority area	IDP sub-areas	Within or Outside potential FDM SLP Mandate	Overlap with SIA findings on community priorities	Composite Priority
1. Land	1.1. Housing (Low Cost), 1.2. Ervens Residential (Middle Income/Social Need), 1.3. Churches Sites Need	Outside		
2. Water & Sanitation	2.1. Household Connections, 2.2. Bulk Water/Sewer	Within	Low priority	High
3. Electricity	3.1. Household Connections, 3.2. Bulk Electricity Network	Within	Low priority	Low
4. Roads & Transport	4.1. Internal Roads, 4.2. Transport Network i.e. Taxi Rank Need	Within	Low priority	Low
5. Local Economic Development (LED)	5.1. Youth Unemployment/Employment of local people, 5.2. Creation of employment opportunities	Within	High priority	High
6. Municipal Systems and Management Inefficiency	6.1. Complaints Management Improvement (On Accounts/Service Delivery), 6.2. Discipline Conduct of Municipal Staff	Outside		
7. Health Services	7.1. Health Services Improvement i.e. local clinic not responsive to needs, 7.2. Ambulance Services needs improvement, 7.3. Accessibility of Health Facility	Within	High priority	High
8. Sports & Recreation	8.1 Need for proper recreational facilities	Within	Medium priority	Low
9. Social Services & Facilities	9.1. Government Departments Services	Outside		
10. Education and Library Services	10.1. Need for bursaries to pursue post matric/tertiary education	Within	Medium priority	Medium
11. Environmental Issues	11.1. Waste Management Efficiency, 11.2. Air Pollutions/Environmental Care	Within	Low priority	Low

Nonetheless, these community priorities require some interpretation:

- Sanitation:** community residents may not know that FDM contributed to building the existing Sewerage Purification Works in Danielskuil as part of its SLP3 (which is managed by Kgatelopele Municipality), that FDM currently manages the sewage plant in Lime Acres and what the consequences would be if this were to stop without adequate preparation by the municipality (see section above on [Infrastructure](#)). Continuing investments in upgrading the Danielskuil sewage plant and providing sufficient technical and management training for the municipality therefore remains crucial and overall we have marked it as high priority.
- Electricity:** while the SLP 3 included a significant investment in electrification projects, we note that electricity access is widespread within the vulnerable communities around FDM and was not identified as a challenge in the community survey or stakeholder engagements (see section above on [Infrastructure](#)). Furthermore, the process of electrification does not create many local jobs, as it is implemented through large technically skilled contractors, and so it does not contribute directly to building an alternative local economy. We therefore recommend that the SLP funds previously used for infrastructure contributions like water pipe replacement and electrification rather we used for employment creation and sustainable social services improvements. We have therefore rated this area as a low priority.
- Local economic development and employment creation:** this is the highest priority for community residents and so should be the highest priority for SLP projects. The KLM IDP 2021-2022 provides very limited guidance on the nature of LED activities to be prioritized (Table 28). Its own targets are limited to generating a small number of temporary jobs and local contractors, a tourism brochure and a small career exhibition, as well as depending on the three local mines (through MOUs). This leaves it up to FDM (possibly in collaboration with other private sector actors in the area) to identify and development appropriate employment generation opportunities for residents.

Table 29: Kgatelopele IDP 2021-2022: KPA 3: Local Economic Development

IDP OBJECTIVES	KEY PERFORMANCE INDICATORS (KPIs)	Target 2021/2022
To promote a conducive environment for economic development	KPI.23 Number of temporary jobs created through projects by 30 June 2022	20
	KPI.24 Number of Updated MoU between 3 mines by 31 December 2022	1
	KPI.25 Number of local contractors Developed through contracts or sub-contracting by 30 June 2022	4
	KPI.26 Number of information brochure formulated to enhance tourism in the Municipal area by 30 June 2022	1
	KPI.27 Number of Career Exhibition by 30 June 2022	1

SLP 3 funding for bursaries, learnerships and portable skills training was largely related to mining skills (engineering, etc.), artisanal skills (plumbing) and drivers' licenses. These all relate to the needs of a local economy based on mining and a localized labour market. They are not relevant for a post-mining local economy and a digital economy which enables income generation irrespective of location and the structure of the local economy. The Small Business Hub is the second major SLP 3 investment under this priority area. As discussed above, the social impact of the Business Hub has been limited due to the lack of integration between the SMME training offerings and actual procurement opportunities with Petra Diamonds or other large businesses.

- **Health:** this was also one of the highest priority areas identified by community residents. The need for an ambulance was confirmed by our stakeholder engagement processes as well as the need for a functioning mobile clinic, with the specific requirements for the mobile clinic to include specific professional skills (doctor, dentist, psychologist). We note that FDM completed the equipping of a mobile clinic vehicle as part of its SLP 2 commitments but that during the course of SLP 3 a challenge was experienced in finalizing an MOU with the Department of Health to providing staffing and running costs of this vehicle. The question for SLP 4 is whether the priority social impact of health care, with the specification around mental health and suicide prevention, can be addressed by reinvesting in the mobile clinic with staffing and running costs (potentially through a professional health NGO) even as negotiations with the DoH continue to eventually take over this service.

We also note the survey finding that there are no active Community Health Workers in the area. We regarding health-related projects, we recommend focusing on working with the District Health Department to facilitate the return of CHW to the communities around FDM.

In addition, given the high priority given to substance abuse by community survey respondents, a possible intervention would be to work with a specialized organisation to convene a community dialogue, including the police, the existing rehab centre and other health and welfare actors in the area, to agree on alternative services and approaches to substance abuse prevention, treatment and rehabilitation and then for FDM to fund the activities and services identified through this collective dialogue process.

- **Sports and recreation:** stakeholders noted that the lack of recreation infrastructure is one of the components of youth mental health and substance abuse challenges. However, this underlying challenge should be addressed more sustainably through employment generation and health care provision (including counselling, rehabilitation

and psychological support interventions) as described above. Given the scale of existential challenges in the communities and the limitations of resources, sports and recreation facilities have been rated as a low priority. The exception would be a facility which enables training, equipment provision and linkages to digital/online income generation through the arts and design, as this would directly contribute to the

LED/employment generation goals for youth as well as providing recreation opportunities.

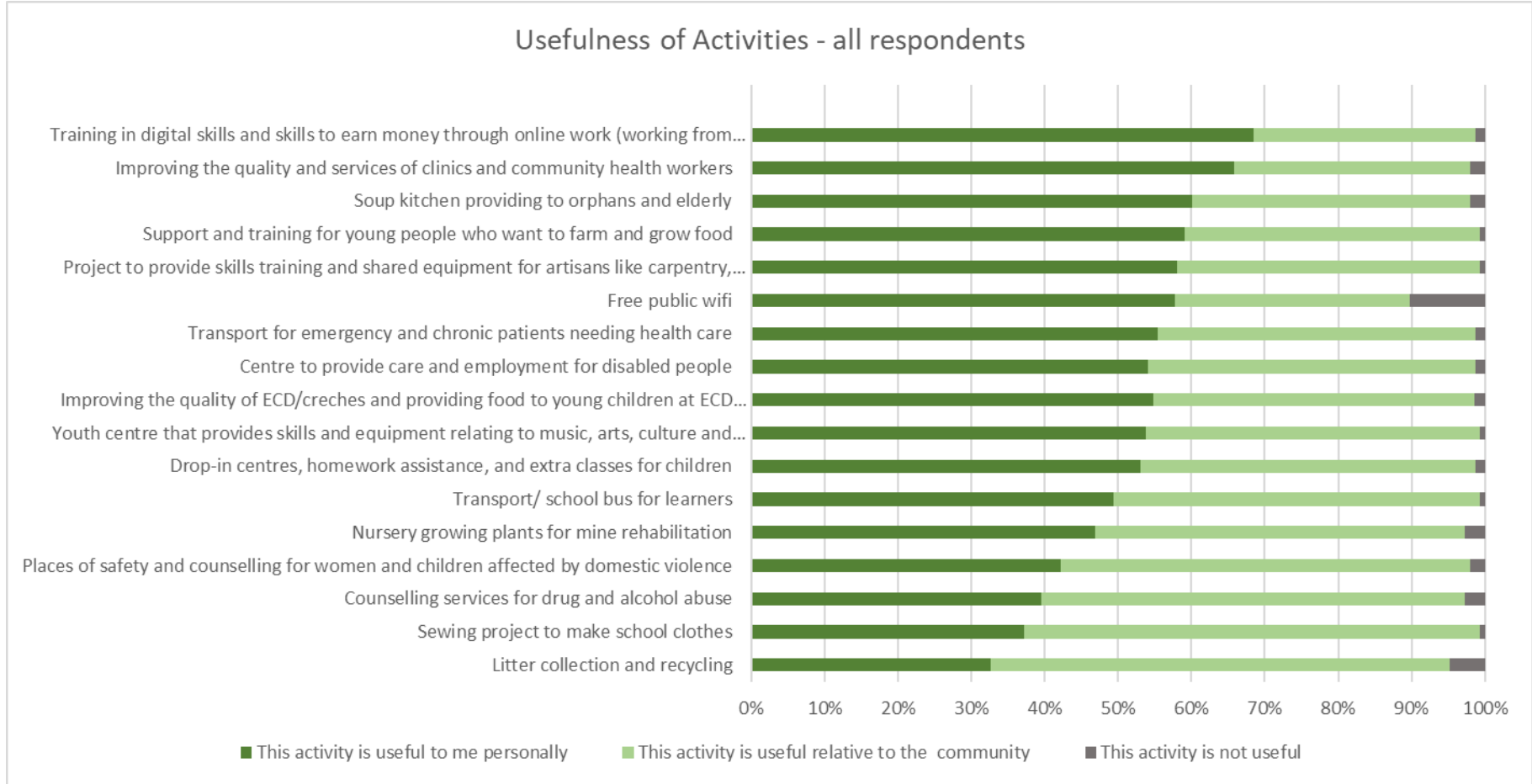
- **Education:** in SLP 3 the education related investments involved building classrooms and upgrading equipment of Danielskuil High School as well as providing bursaries for postmatric education. As discussed further under the section on [Education](#) above, the education-related needs identified by community residents and stakeholders for the next SLP include: support to schools outside Lime Acres and Danielskuil as these serve the wider community and the more vulnerable learners; provision of learner transport for learners in Kuilsville and Tlhakatlou and/or safety on the roads as they walk to school to prevent fatal accidents with trucks; and especially investments in ECD centres in Kuilsville and Tlhakatlou (particularly around food gardens and feeding schemes). Where postmatric bursaries are continued, these should consider skill areas for the future (digital) economy rather than the current (mining) economy (see above under LED). Overall, education projects have been given a medium priority level.

We also note the crime/safety and security was a very high community-identified priority which is not included in the IDP. As discussed in the report section above on [Safety and Security](#), FDM currently contributes in some ways to local SAPS capacity as well as community policing forums, but seemingly with limited impact given the high levels of insecurity in the area.

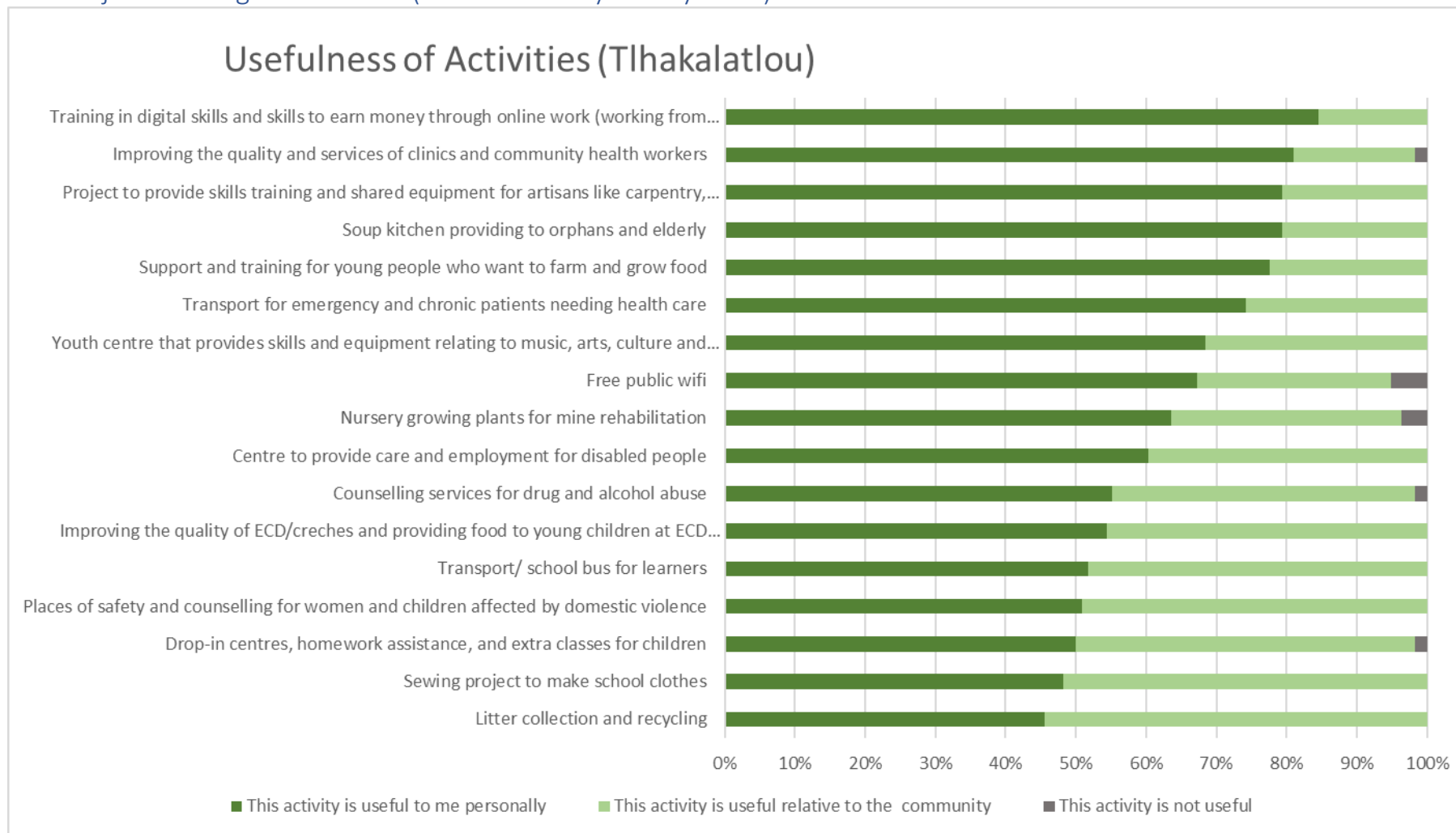
Alignment with Community-Identified Project Priorities

The community survey proposed a set of broad project and activity areas to respondents, based on a combination of inputs received in the first round of stakeholder engagements combined with SSI's analysis of secondary documentation and our experience in other mining communities. Respondents were asked to categorise each activity based on whether it was "useful to me personally", "useful to the community but not for me personally" or "not useful". Very few respondents categorized any of the proposed activities as "not useful", but a clear prioritization can be seen from the differences in responses between "useful to me personally" and "generally useful to the community", as seen in the following graphs.

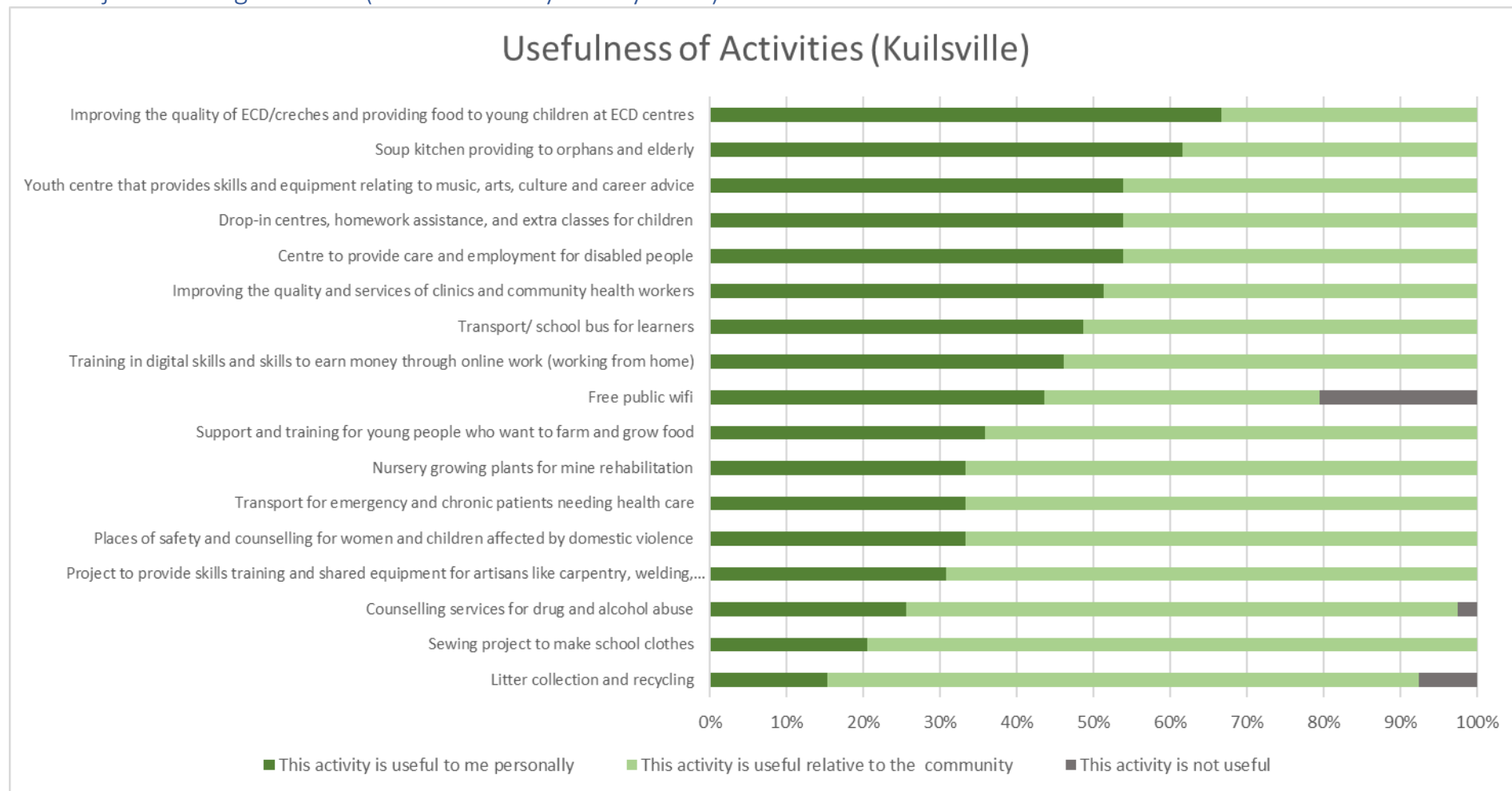
Figure 45: Project Ranking - all respondents (SIA Community Survey 2022)



46 Project Ranking Tlhakalatlou (SIA Community Survey 2022)



47 Project Ranking Kuilsville (SIA Community Survey 2022)



48 Project Ranking Danielskuil (SIA Community Survey 2022)

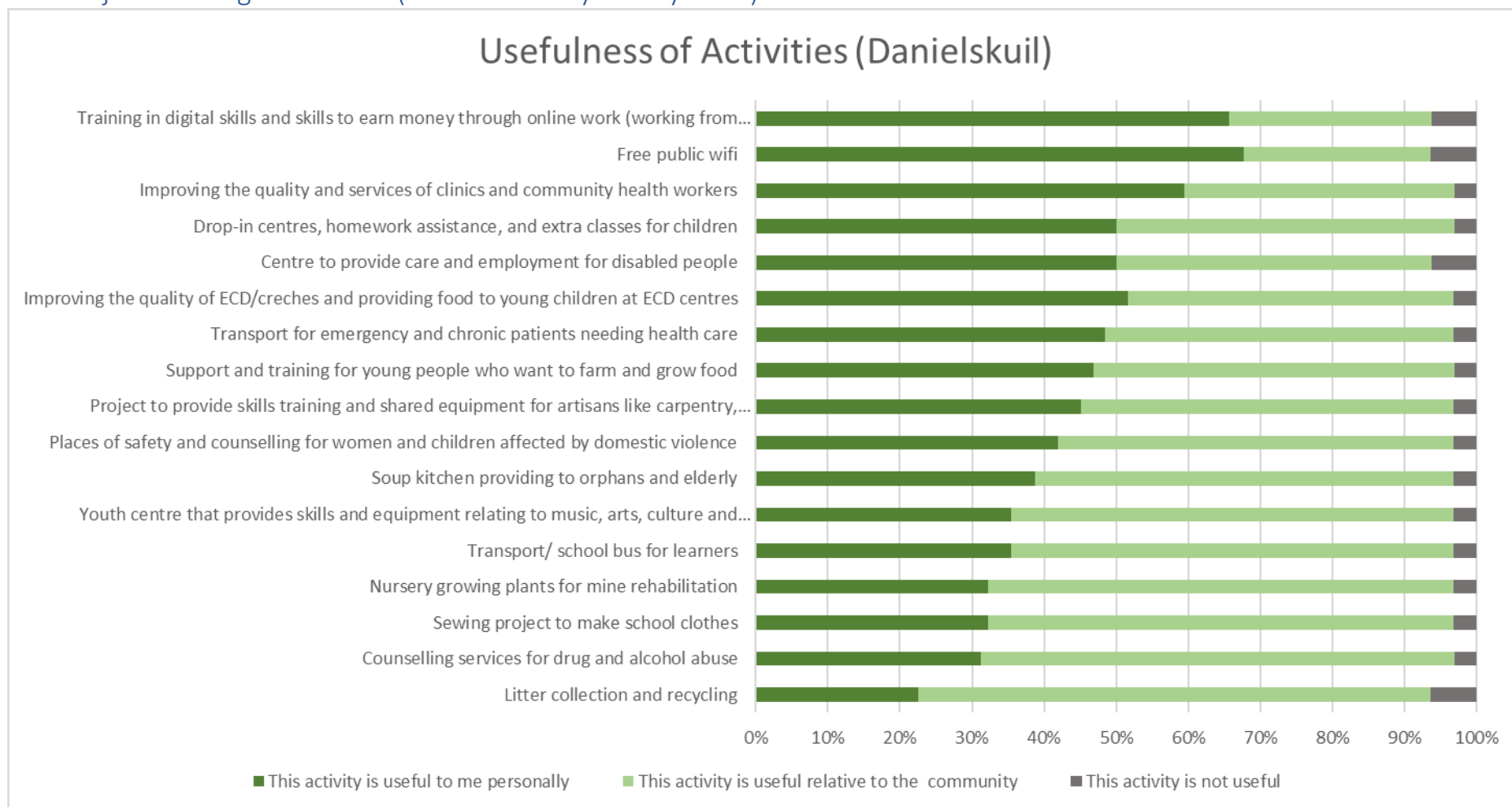
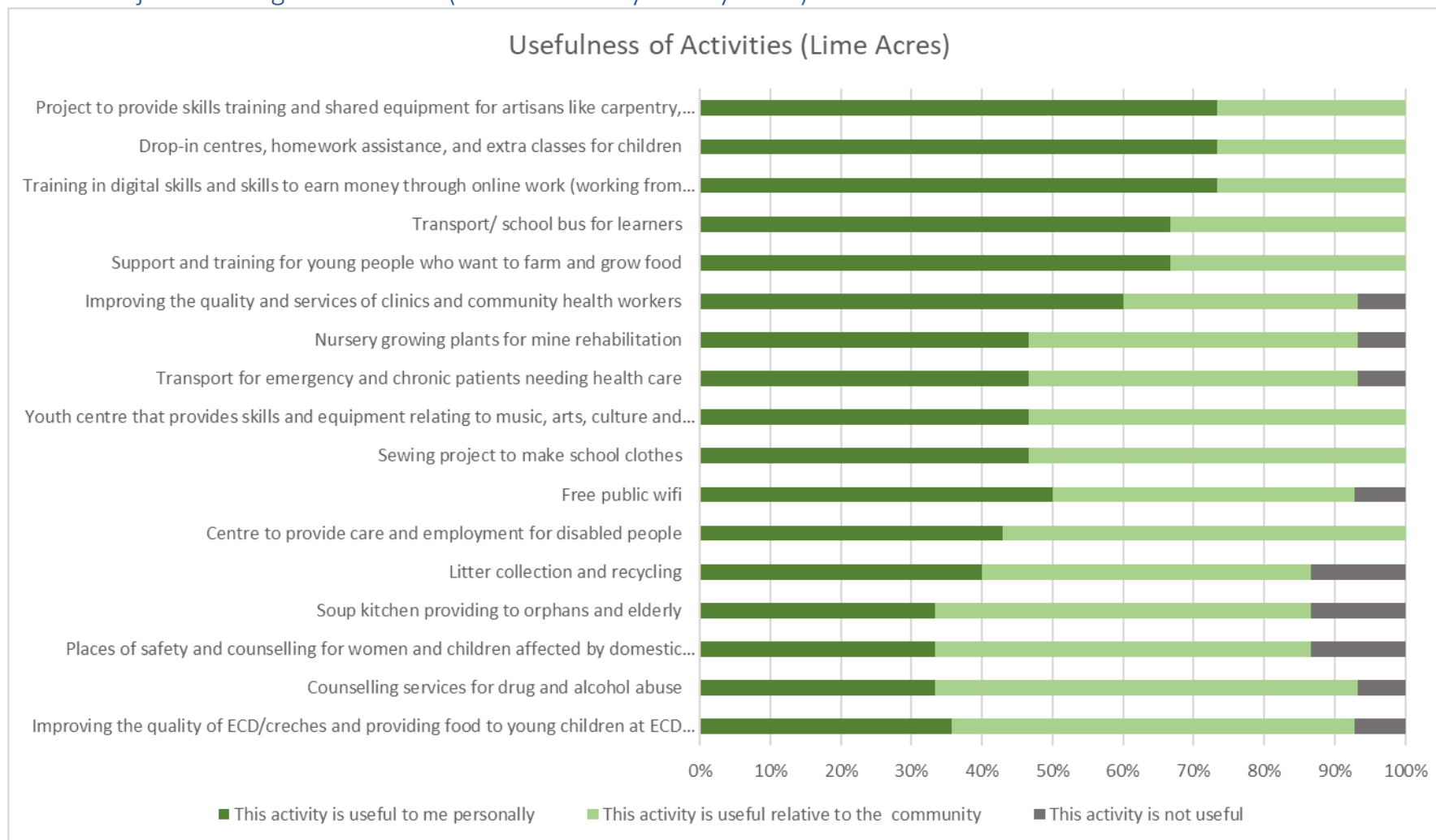


Figure :
49 Project Ranking - Lime Acres (SIA Community Survey 2022)



The most commonly prioritized projects across the settlements are activities relating to youth employment and skills development (digital income generation, farming support and artisan training and equipment) as well as health (community health workers) and food security (soup kitchen).

Apart from these, in Kuilsville, ECD support is the highest priority. In Danielskuil, free public wifi is the highest priority.

It is notable that while crime, drug and alcohol abuse were among the highest community challenges identified in the SIA Community Survey, the same respondents did not prioritise projects that directly speak to drug and alcohol abuse rehabilitation or community safety. We interpret this as residents understanding that crime and substance abuse are in many cases symptoms of pervasive youth unemployment, non-activity and hopelessness and that providing meaningful activities will have a more sustainable impact on crime and substance abuse than treating the symptoms.

We group the identified activity priorities in the following ways:

- **Local Collective Enterprises Bundle:** conventional local enterprise development programmes train and support individual entrepreneurs who set up businesses for personal benefit and are then expected to compete with each other for very limited contracting opportunities at the mine and for a limited local market. Given the context factors described above, we recommend shifting to a collective enterprise development approach, which focusses on identifying both social needs and economic opportunities and addressing these through collaborative and collective community-based institutions. One such activity prioritized through the SIA Community Survey is the development of a hub for artisans that provides training as well as shared equipment. Best practice in community development, however, shows that such ‘hardware’ (a venue plus equipment inputs) plus individualized training is not effective unless coupled with a facilitated process where community residents collectively identify needs and design enterprises and are then supported through a practical experience of jointly establishing and running such enterprises. This approach is described further below under the title Organisation Workshops.
- **Community Health Workers** also link into the food system programme by identifying food insecure households and referring children and elderly people to available food provision. They can also identify people with mental health and substance abuse needs, as these were considered high priority social challenges through the SIA Community Survey. CHWs are coordinated and employed through the District Health Care system and so FDM would need to work with the District to enquire about the reasons for a lack of
CHW presence and whether the mine can provide technical support and equipment to CHWs (including transport, data, communications equipment, etc.) to enable them to
provide the needed services to the area. CHW areas of focus conventionally include maternal health, child nutrition, mental health, substance abuse and GBV identification and referral, all of which are priority concerns in the communities.

- **Food System Bundle:** Activities relating to food can be bundled into an integrated local food systems programme, which includes training and supporting young people around farming and growing food (including running food gardens at ECD centres or other accessible community-based locations), making mine-owned land available for community farming (along with water and basic equipment), supporting existing small-scale farmers with equipment maintenance like pivot repair support, contracting local NPOs to provide cooked food at ECD centres (which can also serve elderly people and those who are caring for small children who are not attending ECD centres) with the food inputs being sourced through local small farmer off-take agreements.
- **Digital Employment Bundle:** Training in digital skills and facilitating access to online employment opportunities is premised on the availability of reliable and affordable connectivity. We therefore recommend that any training and online employment linking programme be bundled with the provision of free public wifi. We also note that this can be combined with training small local businesses to maintain and repair wifi installations and provide basic technical support (e.g. showing them how to safely turn wifi off and on if there is a fault, etc.) to the public institutions where the hardware is installed (schools, clinics, community hall, etc.) so that service interruptions are minimal.

In addition, there are several project ideas which emerged from the stakeholder consultations and from the context analysis. These include:

- **Mental health and substance abuse community dialogue:** stakeholder noted that while there are existing services to address this high priority need, the ways in which these services function and the linkage with the police service, mean that many families are not willing to access them. We therefore recommend that FDM identify an experienced facilitator on mental health service provision and community development and support the convening of a community conversation, including all service providers and related stakeholders in the area (e.g. SAPS, clinics, shelter providers, provincial NGOs and district NGOs and CBOs) to discuss the current provision, the need for alternative provision options and make suggestions for a revised system. FDM should then put forward a budget to go towards complete or partial implementation of the solutions identified through the community dialogue process.
- **Lime Acres sewage plant handover plan** and technical/management training continuation: since FDM runs the Lime Acres sewage facility, a handover plan and capacitation process is needed before FDM reaches its LoM to ensure that there are no

service interruptions when the mine closes. This should be prepared in the current SLP period and can be combined with continued technical support and training around improving the quality of maintenance and management of the Danielskuil sewage treatment facility at the same time.

- **Learner transport** (Kuilsville and Tlhakalatlou): FDM currently pays for school buses to transport learners from Lime Acres to schools in Danielskuil. This project would extend this service to learners who live in Kuilsville and Tlhakalatlou who also attend schools in Danielskuil as well as considering school transport needs of children who attend other schools in the area.
- **Local clinic upgrades:** the need to improve the quality of health care provision goes beyond the need for CHWs to also considering the infrastructure of the local clinics outside Lime Acres. The project should engage with the Health District to access existing assessments of the local clinics based on the Ideal Clinic standard and offer to support upgrades identified in these assessments. If such assessments have not been done by the District, FDM can pay for the assessments to be done, based on the official standard, which then allows the District to achieve its reporting requirements in terms of the Ideal Clinic standard.
- **KLM 2030 Scenarios Dialogues:** A final project proposal relates to FDM's approaching End of Life of Mine. We propose that FDM initiate and (co)fund the facilitation of a Municipal Scenarios Process to catalyse a multi-sectoral process to generate a (postmining) vision for 2030 with Kgatelopele Local Municipality, the private sector (mining and agriculture) and community organisations. This may include the establishment of a 'hometown association' of people who have left the area to work but are committed to contributing to its upliftment.

Project Ranking

In terms of Petra Diamond criteria such as scale, scope, timelines and affordability, the matrix below discusses scale (in terms of the number of direct and secondary beneficiaries and scalability) and scope. It also notes which programmes have implementing partners with existing capacity and knowledge and can so be started timeously. Affordability is not included in this SIA scope.

			Social and Economic Impact							Implement-ability			Strategic Impact for FDM	
Project	Total Score		Immediate Job Creation	Sustained Job Creation	Immediate SMME support/Creation	Sustained SMME support/Creation	Direct Beneficiary Scale	Secondary Beneficiary Scale	Climate Impact	Existing implementing partners can start immediately	Scalability after yr 1 pilot	Cost independence	Catalytic function	Actively builds positive relationships (SLO)
		Community Consultation Prioritisation	1 = low, 5 = high	1 = low, 5 = high	1 = low, 5 = high	1 = low, 5 = high	1 = low, 5 = high	1 = low, 5 = high	1 = negative impact, 3 = neutral, 5 = positive impact	1 = no partners, 3 = partners require capacitation, 5 = partners can start immediately		Not yet considered		1 = possible negative impact on SLO, 3 = neutral since not visible to stakeholders, 5 = positive impact on SLO
Collective Enterprises: Youth-focussed organisation workshop for collective enterprise generation and local leadership development (Kuilsville and Tlhakalatlou)	56	1 = low, 5 = high	5	5	5	5	3	3	5	5	5		5	5
Food Systems Organisation Workshop: A participatory youth-focussed project ("Organisation Workshop") to generate and support agriculture-based (social) enterprises relating to the local food system and food security	56	5	5	5	5	5	3	3	5	5	5		5	5
Community Health Worker programme with funded referral programme on maternal health, child nutrition, mental health, substance abuse and GBV	54	5	5	5	3	3	5	5	3	5	5		5	5
Digital Employment: Youth digital skills and employment programme (creative economy and others), implemented through specialised digital youth employment NGO	52	5	5	5	3	5	3	3	5	5	5		5	3
Free wifi located at all high schools and clinics with public access	50	5	2	5	2	3	5	5	5	5	5		5	5
Local clinic upgrades based on Ideal Clinic standards needs assessmentCommunity dialogue and funding for agreed solutions on mental health and substance abuse	40	3	5	2	2	2	5	5	3	4	4		3	3
	39	2	1	3	1	3	3	3	3	5	5		5	5
Sewage plant upgrade and technical/management training continuation	35	2	4	2	2	1	2	5	5	3	5	3	3	2
Learner transport (Kuilsville and Tlhakalatlou)	35	1	1	1	3	3	3	3	3	5	3		3	3

Facilitation of KLM 2035 Scenarios Dialogues around municipal and community sustainability towards end of LoM	29		1	3	1	3	1	5	3	1		5	5
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Project Descriptions

In this section we include brief descriptions of the proposed priority projects. The aim is to support FDM to define an appropriate scope of work and identify/contract implementing partners with the requisite capacities and skills.

Sustainable Food System Programme

The SIA identified a number of food system related needs in the communities around FDM including:

- A local economy which has very few opportunities apart from mining (which is nearing end of life of mine) and agriculture
- Existing small farmers who lack access to land and agricultural inputs
- Young people who associate work in agriculture with exploitative employment practices in commercial farming and lack alternative models and experiences relating to food production but may have an interest in being active in agriculture if such alternatives are provided
- Food insecurity among young children and the elderly

We propose that FDM work with an experienced food systems partner to address these challenges simultaneously. The partner should have the following characteristics:

- Use a methodology that enables large-scale participation by community residents in ways that build the capacity to self-organise, reduce conflict and determine their own priorities
- Work with a Food Audit approach which looks at the local food system, while linking with broader agricultural value chains.
- Directly link local food production with local food needs, e.g. through ECD centres or other community-based distribution mechanisms
- Uses FDM funding as seed funding but then builds local agricultural enterprises in a manner that facilitates lower risk investment opportunities for the private sector towards ongoing sustainable financing beyond FDM's inputs
- Have an explicit climate resilience component.

One example of such an integrated food system programme is called the Growing Sustainable Farmers enterprise. GSF are registered as a company in South Africa and consist of a broad consortium of role-players, currently being led by Jay Naidoo (co-lead), Louisa Zondo (co-lead, legal, governance), Dr Gavin Andersson - AnderssonAfrika

(Organizational development, participatory learning approaches), Reginald Pillay (finance), Sarah Motha (gender, indigenous knowledge systems and agriculture) and Thaven Naidoo

(agriculture, climate finance and adaptation). Our partners include Prof Albert Modi of the

University of KwaZulu Natal, Ntaba ka Ndoda in the Eastern Cape Province, Inyamazane NPC in Thukela region of KwaZulu Natal, Umphakatsi Peace Ecovillage in Mpumalanga, The Southern African Food Lab, and the South African Organic Sector Organisation.

GSF see small farmers as all those who engage in a continuum of farming activity ranging from household food production for own consumption (gardens as well as small stock), through institutional gardens (clinics, schools) to cooperative agricultural enterprises in the mainstream economy and involved in arable agriculture as well as livestock, forestry and fisheries. South Africa's hunger challenge is not unique: like the global food system our food systems have significant problems. In a country of less than 60 million people, 14 million go to bed hungry each night. The loss of jobs resulting from the COVID-19 pandemic will further exacerbate food insecurity. Together with rapid population growth, climate change also poses new challenges to an already over-stretched food system. The food system can be mitigated, but only by a collective effort and political will from all stakeholders. A successful effort would have a compound effect in eradicating hunger and poverty, providing food security and good health, improving livelihoods, managing natural resources, protecting the environment, and achieving sustainable development, particularly in rural areas. An improved system must support smallholder farmers so that they are able to grow, sell and eat more nutritious foods. This includes empowering women and youth in rural communities to control their income and encouraging farmers to form collectives that enhance their bargaining power and financial leverage.

GSF support the concept of "rural organization" so that local communities become increasingly resilient in the face of challenges such as COVID-19, climate change and market fluctuations. New forms of organization underpin efforts to strengthen livelihoods and includes access to nutritious food and in the process, create a sustainable (and price-stable) market for local farmers. The farmers themselves need to be empowered to make decisions about regenerative methods of production, their desired methods of self-organization – what products to produce and in what quantities. They require support to access high quality inputs and commercially viable markets.

GSF brings several core innovations that are integral to its approach.

1. The first key aspect of the approach is the Organisation Workshop (OW): a proven method to capacitate large groups to work collectively in economic and social development. It is a hands-on, practical process to facilitate the development of organizational consciousness and enterprise management skills in large groups. The OW is inherently gender balanced with significant youth participation and ensures the approach is not just community-informed, but community-led.

2. Rooted in local culture, conditions and resources, and proposing ecologically integrated agricultural systems, the second distinguishing feature of our approach is the use of a “food audit” as the foundation for identifying potential agricultural enterprises. Out of a monthly shopping list of household purchases, commodities are identified which can be produced locally. The emergence of these agricultural enterprises is supported through finance and planning in collaboration with professional teams and specialists, localizing the production and the market. The technical education is designed for individuals with varying literacy levels and draws on the capacity of technology platforms such as mobile phone apps for extension and enterprise support. We are developing a community-of-practice approach to enhance our collaboration with partners and ensure that support is localized in each community. Communities are encouraged to participate in larger commercial opportunities for upstream or downstream industries which have already been identified with existing sectoral role-players.
3. The financial support is the 3rd key difference, and the offering has two components: (1) Technical Assistance (TA) consisting of the OW and enterprise specialist advisory services, paid for through public funds and grants, (2) Enterprise incubation and operation, financed on a commercial basis, with ownership residing within the community. THE GSF approach has been shortlisted for the Food Vision Prize of the Rockefeller Foundation.

Contacts:

Louisa Zondo: lzondo2002@yahoo.co.uk; +27 83 280 5097

Dr Gavin Andersson: gavin@aktivitiy.org; +27 83 675 6213

Thaven Naidoo: thavennaidoo@yahoo.com; +27 83 439 7968

Collective Enterprises Programme: Organisation Workshop

Apart from food system related enterprises, we propose that FDM support a broader collective enterprises programme based on the Organisation Workshop methodology.

The Organisation Workshop (OW) is a well-tested method⁶ to capacitate large groups in economic and social development. This holistic approach was developed in Latin America in the 1960s and has been adapted to southern Africa over the last 30 years. It is a real, practical exercise to facilitate the development of **organisational consciousness** and **enterprise management skills** in a group that needs to act in an organised manner. At the same time it creates the infrastructure for economic enterprises. In March 2007 the Kwanda pilot in Munsieville incorporated social challenges in the workshop design; for the first time there was *simultaneous attention to economic and social issues* affecting the community. In the years since then we have learnt how to combine social and economic enterprises as a matter of course in the OW. Perhaps more significant than this, the experience of the OW creates collaboration between all social partners within an organizational ecosystem. The workshop design is based upon locally identified problems and local opportunities that cannot be addressed by an individual or small group. Provided the means exists for a community to contribute labour, the Organization Workshop provides a framework that enables *learning about organization* while participants engage in productive work. In many instances the OW is used to establish collective enterprises, provide technical skills training and build infrastructure:

- In Zutshwa, deep in the Kgalagadi Desert of Botswana, an OW established a salt works supporting 80 families, which has thrived for almost 30 years.
- the Kwanda Learning Camp (OW) set up a working chicken farm and a vegetable and fruit farming cooperative and equipped 5 teams of 100 people to work for transformation of their home communities.
- the Ntambanana OW established 8 farming enterprises (vegetables, livestock & chickens, fruit farming and others) and a sewing factory. This created 187 jobs in 6 weeks as well as setting up an FET college and ECD facilities.
- In Mozambique agricultural infrastructure destroyed by the civil war was re-established and enterprises restored, creating several hundred jobs.
- The Westonaria OW (WOW) saw participants restore a derelict hostel to make it into a community centre, establish an anchor farm as the centre of a local agricultural effort, build poultry houses, plant 2000 trees, create a sewing enterprise, form an Early Childhood

⁶ More than 50 OWs have been held in southern Africa over the last 3 decades in Mozambique, Zimbabwe, Angola, Namibia, Botswana and South Africa, with documented success achieved in each one.

Development association (with members undergoing skills upgrading courses) and launch youth initiatives. In addition it *created the platform for ongoing development collaboration* between community organizations, the mining houses and the municipality.

The Process

Two separate and interacting organizations are required for an OW: the Facilitators' Enterprise (FE, also called the Crew) and the Participants' Enterprise (PE, sometimes called the Team). The FE "is the organizational framework set up for all organizational and training activities before, during and after the Workshop... It is created before the design of the workshop and remains in place after the workshop." The first task given the participants in any workshop is to set up the Enterprise of the Participants (the PE) with which the FE will interact. Work is organized by the enterprise of the participants after negotiation of contracts with the Facilitators' Enterprise (the Crew) and is paid at market rates for the relevant jobs. Participants learn about work by running a complex working enterprise: in addition to managing perhaps ten workteams engaged in contracts involving building, agriculture, fencing and plumbing, the Participants' Enterprise also has to cater for itself and tackle social challenges in the community.

In addition to a six-hour working day, participants are obliged to attend 90-minute learning sessions every day on the Theory of Organization. These take place over a period of some three weeks and are designed to enable participants to gain a perspective on their social context and patterns/models of organization as well as individual behaviour, to stimulate changes within the enterprise of the participants and to provide tools for enterprise selfmanagement. Apart from specific knowledge about enterprise management, participants start to build a metanarrative; a shared story, and shared concepts and language, that serves as a unifying factor in all community endeavours. *This shared story enables ongoing collaboration between stakeholders.*

The OW creates the environment for skills development in several areas: practical enterprise organization skills (including managing labour, financial transactions, tendering/quoting for work, work planning), vocational skills (such as catering, building and welding), literacy and numeracy development as well as non-production skills in areas as diverse as early childhood development and cultural activities. The months following the OWs in Munsieville, Bokfontein, Meriting and Diepsloot brought individual behaviour change as groups of participants committed themselves to reducing domestic and public violence and stopping new HIV infections. The Bokfontein experience has been written up by Malose Langa and Karl von Holdt who noted that this community, unique amongst informal settlements in actively combating xenophobic violence, has ascribed this behaviour to insights gained during the OW⁷ and subsequent participation in the Community Work Programme.

⁷ Langa & von Holdt (2011: pp256 – 273)

As a focus of all the activities of the Participants Enterprise, there is a continuing search for the means by which they can create sustainable enterprises after the OW has ended. After conducting a household survey to understand spending patterns and unmet needs of the community, participants may organize further research, talks on a particular topic, coaching or meetings with key stakeholders including government officials. Since the OW involves so

many families and activity areas, it starts to involve the local government and business; forging alignment for common purpose.

Three aspects of the workshop design ensure that there is a drive for participants to organise themselves.

1. since the organisers only provide food for the first four days, *there is an imperative for participants to earn money, buy food and cook it*; this is a primal organising imperative. Later when catering is an easy aspect of enterprise organization, the possibility of earning money to take home becomes an incentive.
2. the organisers deliver lectures and facilitate learning for one and a half hours every day on the *Theory of Organization*, which provides the insights and tools necessary for improving the current state of the enterprise.
3. the careful choice made with regard to the “*social composition*” of the group: there is every effort made to ensure that the composition of participants is a microcosm of the broader societal composition, and most importantly that some of those in the workshop have experience of socially divided labour process or other forms of large organization. This ensures that the participants enact the kinds of debates and struggles that characterize real-life experience.

As a result of the OW a group typically achieves:

- New enterprises and the management systems and expertise to manage them;
- The infrastructure needed to embark on sustainable development projects (housing, production, roads, bridges, dams, farms).
- Innovations in organisation, and changes in individual behaviour, to tackle challenges such as the AIDS pandemic, domestic and public violence, and care of vulnerable children
- The organisational consciousness that is required for sustained activity after the workshop.
- Vocational skills such as welding, building and agriculture;
- Knowledge from the lectures on Theory of Organisation and other parts of the training programme.

- Management skills developed during the workshop.

Beyond the group of participants there are also institutional changes, *new patterns of discussion and organization* within the community and between organisations and local government and business.

Each community that engages in the OW can thus achieve improvements to its livelihoods and quality of life, and start the formation process for individuals committed to ongoing social development.

The cost of each OW varies according to the precise work that will be done. Impact evaluations (e.g. by Singizi Consultants in 2010) have shown the OW to be exceptionally cost effective since it brings new jobs in enterprises, production infrastructure, and vocational training. Tools, equipment and infrastructure become community assets, and community members earn money during the OW. Despite the provision of all these assets, the cost per person is usually less than R400 per day (2019)

Organization Workshops held in South Africa* (Aktivity Associates, Seriti Institute, Andersson Afrika)

Year	Place	Practical Work
2008	Bokfontein – 200 people	Informal settlement. Created 1ha cooperative garden, sunk borehole and reticulated water, built an access road through the settlement after relocating shacks, created a community recreation area, planted trees along the road. Crèche enlarged. Community association forged, and strong linkage with local municipality. Longterm conflict within community resolved fully.
2009	Kwanda Learning Camp – 450 people	ha Citrus and 3 ha Vegetables planted, and irrigation installed. Chicken Farm initiated, Crèche enlarged, park created, trees & food gardens planted; campaigns on HIV prevention, care of OVC; 36 ECD Practitioners trained to Level 1. teams of 100 people capacitated to transform their communities.

2010	Diepsloot – 200 People	School renovation & fencing; social contracts in HIV prevention, care of children; 28 ECD Practitioners trained to level 1; reduction of alcohol abuse; sports coaching; established orchards and planted shade trees; assisted vegetable enterprise to expand to 3 hectares of production; cleared 6km 'hot spots' of reeds and long grass; built 4 safe crossings zones for school children along stream; cleared taxi rank and repainted toilets; renovated youth centre. Launched CWP in partnership with local government, and trained CWP leadership from other sites.
2010	Galeshewe – 187 people	2 Schools renovated; established 9 school gardens and orchards; established 0.8ha garden; built 20 <i>stoeps</i> around water sources in informal settlement; social contracts in HIV prevention, care of children, reduction of alcohol abuse – Phuza Wize campaign; 2 recycling enterprises formed; 21 ECD Practitioners trained to level 1. Catalysed government partnerships with community groups.
2011	Muyexe - 183 people	School and crèche gardens established; social contracts in HIV prevention, care of children, reduction of alcohol abuse; 24 ECD Practitioners to level 1; conducted social survey for entire village of 900 households; Planted 2000 citrus trees at household level; Agricultural cooperative expansion from 3 hectares to 11.5 hectares, established poultry and piggery enterprises; built ablution facilities, fencing and paving at grave yard; donga rehabilitation; repaired 2 bridges. Partnership with DRDLR enhanced and extended, CWP strengthened.
2011	Riemvasma ak – 160 people	Local crèche expanded; renovated multi-purpose centre; established 1 hectare community garden; conducted social survey of 500 households; social contracts in HIV prevention, care of children, reduction of alcohol abuse – Phuza Wize campaign; established brick making enterprise; 22 ECD practitioners trained to level 1; established 4 institutional gardens. CWP strengthened.
2011	Dysselsdor p – 180 people	Established 3 ha agricultural enterprise, expanded 7 institutional gardens, cleared 3 graveyard sites; alien vegetation eradication; 20 ECD practitioners trained to level 1; renovated crèche; planted 3 ha of spekboom for grazing; planted 3 ha of liquorice root for local extraction enterprise; social contracts in HIV prevention, care of children, reduction of alcohol abuse – Phuza Wize campaign; established 1000 tree fig orchard; build ablution facilities and ramps for disabled access at computer training centre; conducted social survey of 2500 households.

2012	Ntambanan a 350 people	13ha Moringa cropping, 5ha Essential oils, 4ha vegetables, 2000 mango tree plantation, plant nursery, Sewing enterprise, Piggery, formation of livestock & smallstock association, poultry farm, 8km fencing; 1,8km water pipeline; water weir
Year	Place	Practical Work
		at river, historic graveyard fenced, Household survey (enabling LED strategy, HIV prevention & identification of vulnerable children), milking sheds, FET College: computer classes -30 students every two weeks (Sewing, brick-making, building and basic agricultural courses), Processing & Marketing coop (renovated clinic), Early Childhood Development course for 25 practitioners. 180 jobs created.
2015	Westonaria - 411 people	During the OW, the WOW enterprise managed to create a farm providing employment for 53 people: clear 20Ha of land, plough, compost and plant seedlings, plant trees, erect perimeter fencing, build stands for the park home offices, erect poles for shade netting and build a base for the storage container. Participants created a community centre from a derelict hostel which had previously housed <i>nyaope</i> dealers and local criminals: Renovation of vandalised buildings to create 5 offices, 2 small scale poultry houses, a sewing enterprise, and a store room. A team of 30 participants undertook landscaping contracts including parks, community centre landscaping and cemetery upgrading, and formed an enterprise bidding for contracts with the local municipality after the WOW. A construction enterprise was formed after 35 participants undertook brick-laying, carpentry, glazing, painting and other tasks, and another brick-making cooperative also emerged. As a direct result of the WOW a <i>Development Round Table</i> was created, which brought together for the first time the mining houses, the local municipality and representatives of community organizations. In addressing social challenges the WOW brought together 69 informal crèches into an ECD Association, and provided training for caregivers as well as rebuilding 2 crèches. School kitchens across the district were repaired and equipped to cook decent food for scholars, and school gardens were established. Sports activity was been started in all primary schools of the district and a youth mentorship programme in high schools, as initiatives housed within the CWP.

References

For easy reading on the Organization Workshop, see Wikipedia: http://en.wikipedia.org/wiki/Organization_Workshop

Raff Carmen and Miguel Sobrado (eds) (2000) *A Future for the Excluded* London: Zed Books

Malose Langa & Karl von Holdt (2011) *Bokfontein Amazes the Nations*, in Daniel et al, New South African Review 2, Wits University Press

Singizi (2010) Impact Assessment of the Organisation Workshop COGTA, Pretoria YouTube video on the Westonaria Organisation Workshop: <https://www.youtube.com/watch?v=BgVF3ODWBv4&t=244s>

Contacts for more information and implementation support: Dr Gavin Andersson

0836756213, gavin@anderssonafrika.com

Community Health Workers Support Programme

CHWs are coordinated and employed through the District Health Care system and so FDM would need to work with the District to enquire about the reasons for a lack of CHW presence and whether the mine can provide technical support and equipment to CHWs (including transport, data, communications equipment, etc.) to enable them to provide the needed services to the area. CHW areas of focus conventionally include maternal health, child nutrition, mental health, substance abuse and GBV identification and referral, all of which are priority concerns in the communities.

There are a number of large established health care NGOs in South Africa (such as PATH, ANOVA health) which have experience with training and supporting community health workers and ward-based primary health care outreach teams (WBPHCOT). We recommend that FDM partner with such an NGO to facilitate the discussions with the Health District and to help identify technically and contextually appropriate CHW support needs that FDM can offer to the District.

Contacts:

PATH: 1st Floor, Zone Phase 2, Loft Offices West, 177 Oxford Road. Rosebank

Johannesburg 2196, South Africa. Phone: 27.11.447.1641

Digital Economy Bundle

The context analysis of the local economy showed the availability of few economic options apart from mining and agriculture locally, not least due to the remote location and the small population, which is likely to become even smaller when the mine closes after the upcoming SLP period. This context provides few options for young people in particular, apart from migration out of the area. One option for enabling young people to do interesting work and earn an income while remaining in the settlements around FDM is the digital economy, since this does not require the service provider and the market demand to be in the same physical place. Young people based in the Danielskuil area can therefore potentially provide services to people anywhere in the country or the world.

The need for increased digital literacy and strategies for achieving this aim is set out in the

[Implementation Programme Guide of the National Digital and Future Skills Strategy of South Africa 2021-2025](#). Pages 38ff describe programming for youth not in employment, education or training (YNEET), which applies for the most vulnerable youth in the FDM-neighbouring communities.

There are an increasing number of organisations that specialize in capacitating young people in digital literacy and that provide linkages into digital employment and careers. We recommend that FDM work with such a specialized partner to provide a programme to youth in the communities around the mine. The mine can cover the costs of the programme itself as well as provide allied investments such as the provision of free wifi points, data bundles for participants, and other forms of support as identified by the implementing partner. These allied activities can help to address some of the specific barriers that local youth may face in entering the digital employment market:

- Connectivity – we recommend bundling free wifi provision at public sites with this programme. However, for young people to complete work online (which may be at odd hours or require quiet surroundings) they may need connectivity at home, so any training and facilitation programme should have provision for providing data or other forms of connectivity which may be more flexible than free public wifi

- Language – most online income earning opportunities will require a strong command of written English (reading and writing), which may pose a barrier for some of the youth in the area whose main home languages as Afrikaans and Setswana. Basic business English and professional English writing conventions (in an online context) may need to be part of the training package
- General awareness of the types on online income generation options – the service provider would need to not only capacitate youth with the technical skills to access and use the internet and online jobbing sites, it would also need to showcase the range of income generation options (including in the artistic, care, information management, etc.) fields that exist

It is important that the scope of work for the implementation partner include going beyond abstract training. The service provider should directly link participants to income generation experience during the training and mentoring process as well as setting up participants with strong online presence, references and reviews on jobber sites

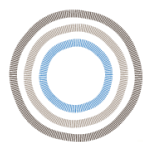
A potential implementing partner that fulfils many of these criteria includes: [Academy – Digify Africa: Digify Pro Programme](#)

Annex A: Stakeholder Engagement Register

STAKEHOLDER TYPE	TYPE OF ENGAGEMENT	DATE	NUMBER OF PARTICIPANTS
Youth Forum Leader	Meeting	17 October 2021	2
Kuilsville small business forum	Meeting	17 October 2021	3

Kgatelopele Social Development Forum	Meeting	18 October 2021	8
Manager of Business Hub	Meeting	18 October 2021	3
Tlhakalatlou Youth Meeting	Workshop	18 October 2021	17
Local SMMEs (1)	Workshop	18 October 2021	10
Local SMMEs (2)	Workshop	19 October 2021	19
SASSA Social Worker	In depth interview	18 October 2021	2
Kuilsville High School Principal	In depth interview	18 October 2021	2
Councillor	In depth interview	18 October 2021	1
Business Forum Chair	In depth interview	18 October 2021	1
Technical services in FDM	In depth interview	19 October 2021	2
Training HRD in FDM	In depth interview	19 October 2021	1
Environmental specialist in FDM	In depth interview	19 October 2021	1
Safety officer in FDM	In depth interview	19 October 2021	1
Supply Chain manager in FDM	In depth interview	19 October 2021	1
Social performance specialist in FDM	In depth interview	19 October 2021	1

Communication specialist in FDM	In depth interview	19 October 2021	1
Abet Coordinator in FDM	In depth interview	19 October 2021	1
Local Farmers	Meeting	19 October 2021	3
Municipality officials	In depth interview	19 October 2021	5
Tlhakalatlou School Governing Body	Meeting	19 October 2021	3



Social Surveys
Institute

Thank you

2 Upper Park Drive, Forest Town, Johannesburg,
2193 South Africa

+27 11 486 1025

info@socialsurveys.co.za