

1. EXECUTIVE SUMMARY

Section 28(1)(2) of the Municipal Finance Management Act 56 of 2003 states that a municipality may revise an approved budget through an adjustment budget. An adjustment budget:

- a. must adjust revenue and expenditure estimates downward if there is material under-collection of revenue during the current year;
- b. may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- c. may, within the prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- d. may authorize utilization of savings in one vote towards spending under another vote;
- e. may authorize spending of funds that were spent at the end of the past financial year where under-spending could not reasonably have been foreseen at the time to include roll-overs when the annual budget for the current year was approved by council;
- f. may correct any errors in the annual budget; and
- g. may provide for additional expenditure within a prescribed framework.

In line with the above provisions of the Act, the municipality has considered that it is necessary to perform an adjustments budget. The aim of this adjustment budget is to ensure that the municipality is operating within realistic revenue and expenditure and that very minimal variances between the actual outcomes and the budget are achieved at the end of the financial year. When tabled, an adjustment budget must provide explanations of how the original budget will be affected. The adjustments budget should be guided by the mid-year budget review performance as prepared in terms of section 72 of the MFMA. It is important to note that municipal tariffs may not be increased as a result of an adjustment budget process.

RECOMMENDED:

- (a) that the operating and capital adjustments budgets for the 2018/19 financial year be approved;
- (b) that monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan be aligned in line with the adjustments budget;
- (c) that the Accounting Officer be mandated to submit the adjustments budget to National and Provincial Treasuries as required by section 28(7) of Municipal Finance Management Act No.56 of 2003;
- (d) that it be noted that the Integrated Development Plan (IDP) has been amended in line with the adjustments budget.
- (e) that a provision of R1.7 million for legal services (forensic investigation) be included into the operating and capital budget for the 2018/19 financial year;
- (f) That the Acting Municipal Manager ensures that the reports requested by EXCO during the budget workshop are submitted for consideration of the draft budget 2019/20.

2. INTRODUCTION

The section 72 mid-year budget and performance assessment and the sections 71 reports for the past seven months reveal that there is a need to adjust operating revenue and expenditure in line with actual performance and the full-year forecasts. This is required in order to estimate realistic revenue collection and that expenditure is only committed to what the municipality will be able to collect. Other adjustments in the operating budget relate to additional grants received during the year, grant roll-overs approved by National Treasury, and some of the projects moved from capital to operational budget due to their nature.

Adjustments in the capital budget emanate mainly from movements between projects within the same funding sources, as well as approved roll overs by National Treasury. Furthermore, there has been a necessity to move funds between departments with a view to achieve better project management and to accelerate implementation of such capital projects. Adjustments in both operational and capital budgets will result in amendments in the cash flow budget and the balance sheet of the municipality. The following sections give a synopsis of adjustments made and reasons for major variances in both operational and capital budgets.

3. OPERATING BUDGET

The high level summary of the operating budget is attached as Annexure A. Operating budget is further presented in A Schedule tables as required by the Municipal Budget and Regulations. The following are the adjustments that have been made in the operating budget.

3.1 Operating revenue

The total operating revenue budget has been further adjusted upwards by 28.3 million from the budget of R1.817 billion to the adjusted budget of R1.845 billion. The following items attributed to the upwards adjustment of the revenue.

- 3.1.1 Revenue from fines has been adjusted downwards by R592 794 from the budget of R8.7 million to the adjusted budget of R8.1 million. Revenue from fines is dependent on the behaviour of motorists to law enforcement.
- 3.1.2 No adjustment has been made in respect of the revenue from interest on external investments. The mid-year budget performance indicated that more interest revenue had been received when compared with the year-to-date budget due to more grants received during the first six months of the financial year. However, the municipality is not expecting a lot of grants in the remainder of the financial year. Hence, it is considered prudent to keep the budget for this item unchanged at R4.0 million for the rest of the financial year.
- 3.1.3 Revenue from outstanding debtors has been adjusted downwards by R3.4 million from the budget of R13.2 million to the adjusted budget of R9.7 million. The adjustment is attributable to the incentive scheme that has been rolled-out by the municipality. This has resulted in more businesses coming forward to take advantage of the scheme, which has brought about arrear debts been written-off for such business consumers.
- 3.1.4 Revenue for rental of facilities has been adjusted downwards by R471 068 from the budget of R8.6 million to the adjusted budget of R8.1 million. This is due to a time lag loss of revenue from the time an old tenant vacates the property, and the time that the new tenant takes occupation of the same property. A number of government assisted houses has also been sold over the past six months, resulting in less rental revenue. Strategies to manage these movements have however been introduced and this expected to eliminate loss of revenue for remainder of the financial year.
- 3.1.5 No adjustment has been made in respect of the revenue from property rates as informed by the performance and the full-year forecast. The budget for property rates will therefore remain at R310.7 million. The indigent benefit for property rates is however expected to increase by R13.0 million to R27.9 million, due to the error in not budgeting properly for this item during the annual budget. This is expected to result in the net amount of R282.8 for property rates. Property rates is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.

- 3.1.6 No adjustment has been made in respect of the revenue from water service charges as informed by the performance and the full-year forecast. The budget for water service charges will therefore remain at R177.1 million. The indigent benefit for water service charges is however expected to decrease by R8.2 million to R7.0 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result in the net amount of R170.1 for water service charges. Revenue for water service charges is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.
- 3.1.7 No adjustment has been made in respect of the revenue from electricity service charges as informed by the performance and the full-year forecast. The budget for electricity service charges will therefore remain at R690.3 million. The indigent benefit for electricity service charges is however expected to increase by R3.4 million to R7.0 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result in the net amount of R683.3 for electricity service charges. Revenue from electricity service charges is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.
- 3.1.8 No adjustment has been made in respect of the revenue from refuse service charges as informed by the performance and the full-year forecast. The budget for refuse service charges will therefore remain at R94.7 million. The indigent benefit for refuse service charges is however expected to decrease by R16.6 million to R13.4 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result in the net amount of R81.3 for refuse service charges. Revenue from refuse is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.
- 3.1.9 No adjustment has been made in respect of the revenue from sanitation service charges as informed by the performance and the full-year forecast. The budget for sanitation service charges will therefore remain at R117.1 million. The indigent benefit for sanitation service charges is however expected to decrease by R11.5 million to R10.0 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result in the net amount of R107.1 for sanitation service charges. Revenue from, sanitation is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.
- 3.1.10 Transfers recognised (grants) has been adjustment upwards by R20.4 from the budget of R433.4 million to the adjusted budget of 453.9 million. An additional appropriation was made for grants received during the financial year, which were not included in the original budget. Other grant projects funded which previously to include under capital budget have been moved to operational budget due to the fact that they will not result to the asset of the municipality on completion.
- 3.1.11 Other revenue has been adjusted downwards by R8.0 million from the budget of R45.0 million to the adjusted budget of R37.0 million. The reduction is due to the revenue which was projected to be received from sale of properties, which was overstated during the annual budget. The mid-year performance and the KZN Provincial Treasury indicate that there is a need to adjust this item downwards.

3.2 Operating expenditure

The total operating expenditure has been adjustment downwards by R6.3 million from the budget of R2.303 billion to the adjusted budget of R2.297 billion. Cognisance should however be taken that, while other items have been adjusted upwards, the downward adjustment in the total expenditure was however mainly due to the non-cash item, being depreciation, which has decreased by R53.4 million. Adjustments per each expenditure item are explained below.

- 3.2.1 Bulk purchases has been adjusted downwards by R16.5 million from the original budget of R618.7 million to the adjusted budget of R602.2 million. Included under this item was R520.7 million for the purchase of electricity, R82.9 for the purchase of water from Uthukela Water, R12.0 million for the outstanding debt with

the Department of Water Affairs as well as R3.0 million for purchase of water for Charlestown. The downward adjustment of R16.5 million relates to R12.0 million for the amount initially appropriated for the Department of Water Affairs and 4.5 million from electricity purchases in order to move it to the interest vote for late interest charges to Eskom.

- 3.2.2 Contracted services has been adjusted upwards by R12.3 million from the budget of R35.6 million to the adjusted budget of R83.4 million. Additional provision relates to R3.2 million for security and R9.1 million for consultant fees. The addition of R9.1 for consultant fees include the R4.8 for consultants for VAT recovery and assets management services, R1.1 for IT pilot project which grant funded, R1,7 for town planning services and R1.7 for forensic investigations.
- 3.2.3 Employee related costs has been adjusted upwards by R11.3 million from the original budget of R537.1 million to the adjusted budget of R548.5 million. The upward adjustment is attributable for additional budget in respect of the overtime. The municipality has already exceeded the annual budget for overtime, and the additional R11.3 million is required to cater for the over-expenditure and for the remainder of the financial year. It will be critical that measures to curb and monitor overtime are implemented.
- 3.2.4 Councillors' remuneration has been adjusted upwards by R1.5 from the original budget of R24.1 million to the adjusted budget of R25.7 million. The adjustment is informed by the recent gazette and upper limits for councillors for the current financial year.
- 3.2.5 Materials has been adjusted downwards by R285 000 from the original budget of R3.7 million to the adjusted budget of R3.4 million. Funds were redirected to other votes where departments felt funds were to be prioritised and used effectively. This was done within the requirements of the MFMA.
- 3.2.6 Other expenditure has been adjusted upwards by R28.9 million from the budget of R192.3 million to the adjusted budget of R221.2 million. Some of the upward adjustments include the R6.0 million for the interest on Eskom's late payments, R2.5 million for the EDMRS software licences which is a committed project, R2.1 million for postage and stamps to comply with the valuation processes, R2.1 million for cellular contracts in line with the current contracts, R1.9 million for legal fees, R1.7 million for valuation expenses for general valuation, R3.8 million for machinery hire, R1.4 million for meter reading services, R1.2 million for Microsoft licenses, R1.0 million for rental of office machines, R830 892 for telephones and R807 152 for printing and stationery, as well as the R700 000 for insurance premium.
- 3.2.7 Repairs and maintenance has been adjusted upwards by 2.0 million from the budget of R84.7 million to R86.7 million. Some of the items that recorded upwards adjustments include VIP toilets for parks for R3.0 million, website maintenance for R850 000, tower block maintenance for R500 000, machinery and equipment for R382 493, roads sidewalks for R500 000 and mowing of open spaces for R250 000. Other items within repairs and maintenance were adjustment downwards, resulting in net upwards adjustment of R2.0 million.
- 3.2.8 No adjustment has been made in respect of the debt impairment budget of R163 million. While expenditure on this item appears to be very low, the municipality will however be assessing the full impact of the debt impairment before the end of the financial year. It must however be noted that this is a non-cash item of expenditure.
- 3.2.9 Departmental charges have been adjusted upwards by R10.0 million from the budget of R23.1 to the adjusted budget of R33.2 million. This is cost of the municipal usage of water, sanitation and refuse which must be accounted for. The increase is due to the under-budgeting during the adjustments budget. It must however be noted that this is a non-cash item of expenditure.
- 3.2.9 Depreciation has been adjusted downwards by R53.4 million from the original budget of R525.5 million to the adjusted budget of R472.1 million. The adjustment is attributable to low capital expenditure and over-budgeting during the annual budget. It however must be noted that this is a non-cash item of expenditure.
- 3.2.10 Finance charges has been adjusted downwards by R171 674 from the original budget of R43.8 million to the adjusted budget of R43.7 million. The adjustment is based new amortisation schedules and agreements after the municipality engaged in loans restructuring with both ABSA and DBSA.

3.2.11 Collection fees has been adjusted downwards by R2.2 million from the original budget of R3.0 million to the adjusted budget of 750 000. This budget was previously provided for the payment of the debt collector, whose contract expired. The remaining budget will be utilised for the review of indigents and expenses related to the collection outreach programme.

3.3 Net Operating results (surplus or deficit)

The operating deficit is expected decrease by R34.6 million from the budget of R486.2 to the adjusted budget of R451.6 million. This is mainly caused by the reduction in depreciation and indigent benefit by R53.4 million and R20.3 million respectively.

3.4 Cash Operating Budget

The operational budget is expected to be fully funded. When applying the current payment factor per service and the full-year projections for any revenue expected, the municipality is expecting to generate cash receipts of R1.628 billion and payments of R1.642. Also included in the other expenditure is the amount of R22.3 million for replacement of asbestos, and R3.5 million for training which will be funded from the cash backed Housing Development Fund and the Skills Development Grant. These funds were already received by the municipality in the past and are currently cash-backed. Taking these factors into account, the adjustments budget is expected to generate the cash operating surplus of R11.3 million. This cash surplus will contribute towards the capital repayment of loans.

4. CAPITAL BUDGET

The high level summary of the adjustment capital budget is attached as Annexure B hereto. Overall, capital budget has been adjusted downwards by R1.5 million from the budget of R225.6, which includes approved capital roll-overs, to an adjusted budget of R224.0 million. The following sections provides a summary of adjustments made.

4.1 Internally funded projects

Internally funded projects have been adjusted downward by R3.0 million from the budget of R49.0 million to the adjusted budget of R46.0 million. The adjustments is the net effect of the additional R1.0 million for grass cutting equipment, a reduction of R4.0 million for land development. The savings are due to projects that have been completed and budgeted adjusted accordingly.

4.2 Grant funded projects

The budget for grant funded projects have been adjusted upwards by R1.5 million to from the budget of R176.5 to the adjusted budget R178.3 million. Increase is due to the movement of R1.5 million from VIP toilets on the operational budget to the Blaauwbosch Bulk Water project in the capital budget. Other projects amounting to R245 868 relate to furniture and equipment for libraries and museums, which are all grant funded.

5. SUPPORTING BUDGET SCHEDULES

The budget tables for the budget are attached hereto as follows:

Operating Budget

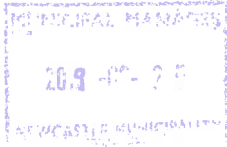
Annexure A : High level operational budget
Annexure B : Capital budget per department
Annexure C : Adjustments budget document
Annexure D : B Schedule budget tables

REPORT SEEN BY:

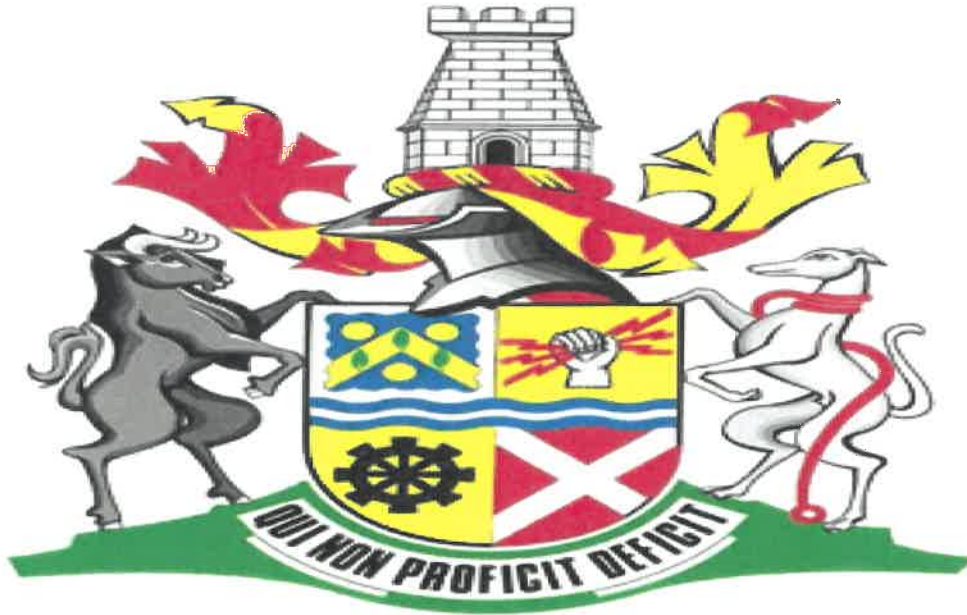


S M NKOSI
ACTING STRATEGIC EXECUTIVE DIRECTOR
BUDGET AND TREASURY OFFICE

PROTFOLIO COUNCILLOR
BUDEGT AND TREASURY OFFICE



ANNEXURE C: Adjustments budget document



NEWCASTLE MUNICIPALITY



ADJUSTMENTS BUDGET

2018/19

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PART 1 – ADJUSTMENT BUDGET

1. MAYOR'S REPORT

Madam Speaker, it is my privilege and the obligation as per Section 28(4) of the Municipal Finance Management Act (MFMA), to submit this adjustments budget. This year, it is an absolute pleasure to present an adjustment budget that is an improvement on previous years simply due to the fact that it is a pro-service delivery plan.

Speaker, one cannot lose sight of the financial plight our municipality is currently facing. We will utilize this adjustment budget as the basis of reflecting a true financial situation we are currently facing. While this adjustment reflects improvement in revenue collection, we however still remain committed to cut and curb non-essential expenditure and to implement cost containment measures. I can only mention Madam Speaker that the new cost containment policy is in the pipeline, planned to be approved with the draft budget in March. Madam Speaker, while the adjustment budget indicates a reduction on the expenditure on the indigent benefit package, we will also continue our quest to ensure that those who afford to pay, do pay and are removed from the indigent register. We shall also continue our commitment to support those families who do not afford to pay for services.

We are indeed delivering to our people and it is our target to spend at least over 85% of our capital programme this year. Our focus is to prioritise the needs of communities as indicated in the IDP and your Community Based Plans Speaker. Madam Speaker, the Oxford dictionary defines a budget as "a plan for spending money wisely". The entire Council, Acting Municipality Manager and his team and, all have a task and the responsibility to ensure the budget is spent effectively and efficiently.

Speaker, the Acting Municipal Manager and the Acting CFO, based on the mandate given to them, compiled the adjustments budget and discussed it in detail with the MANCO, Standing Portfolio Committee on Finance members and the Executive Committee. The adjustment budget can thus be summarized as follows. Operating revenue has been adjusted upwards by R28 million, of which R20 million are new grants received during the year. The operating revenue will therefore increase to R1.628 billion. Operating expenditure will decrease by R8 million to R1.640. While there are increases in items like

employee costs, contracted services, and general expenses, these will however be funded from additional receipts realized from the improved payment factor. Speaker, I wish to thank the Acting CFO and his team for working tirelessly on the outreach programme, which has seen the improvement in the payment factor.

Madam Speaker, very minimal adjustments have been made on the capital budget. Overall, capital expenditure has been reduced by R1.5 million on internally funded projects. This Speaker is our commitment to contain expenditure to what we can afford. The new capital budget Speaker will therefore stand at R224 million, which will mainly be funded from government grants.

Speaker, as we conclude this adjustment budget phase, we direct our focus to the 2019/20 draft budget with the same vigor and discipline, understanding that we have limited resources. We however dare not forget our mandate to the people of Newcastle. It is imperative therefore Speaker that we utilize our limited resources very effectively and efficiently.

Speaker, I am humbled by the huge task entrusted to lead the adjustments budget process during time and the opportunity to table this adjustments budget that will serve the people of Newcastle. I wish to thank the Acting Municipal Manager and his team to for the hard work and the direction they have provided in the process. I cannot forget to thank the entire council for its contribution in the adjustments budget process. Your contribution can only assist us to do better and better, given the financial challenges we face.

Speaker, in the item serving before Council, I herewith formally table adjustments budget for 2018/19 for approval.

By D P Sibiya

Deputy Mayor: Newcastle Municipality

2. ADJUSTMENTS BUDGET RESOLUTIONS

It is recommended:

- (a) that the operating and capital adjustments budgets for the 2018/19 financial year be approved;
- (b) that monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan be aligned in line with the adjustments budget
- (c) that the Accounting Officer be mandated to submit the adjustments budget to National and Provincial Treasuries as required by section 28(7) of Municipal Finance Management Act No.56 of 2003;
- (d) that it be noted that the Integrated Development Plan (IDP) has been amended in line with the adjustments budget ;
- (e) that a provision of R1.7 million for legal services (forensic investigation) be included into the operating and capital budget for the 2018/19 financial year;
- (f) That the Acting Municipal Manager ensures that the reports requested by EXCO during the budget workshop are submitted for consideration of the draft budget 2019/20.

3. EXECUTIVE SUMMARY

3.1 OVERVIEW OF THE MUNICIPALITY

Newcastle Municipality is located in the inland region on the Northwest corner of KwaZulu-Natal, a few kilometres south of the Free State and Gauteng provincial borders, in the foothills of the Drakensberg. The municipality covers an area of 1,855 km², has a population of 332,980 by Census 2001 figures and is made up of 31 wards. The Newcastle municipal area is the most densely populated municipality in the District and constitutes 71% of the total population of the Amajuba District Municipality, and 3.5% of the total population within KwaZulu-Natal. From the 2011 Census figures, Newcastle has a very young population with most being in the 15 to 34 age group. This implies that most are in the active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The income breakdown of Newcastle further qualifies the fact that there are limited formal employment opportunities in the area. More than 60% of the population has an income of less than R1 500 a month. More than 48% have an income of less than R1000 per month. The number of people with no income has also trebled since the 1996 census. This has seen an increase in the indigent population from 220 to approximately 19,000 since March 2005. 60% of the population of Newcastle is mainly urban with 59,423 living in formal housing, 6,851 living informal settlements and 4,649 in traditional housing.

Newcastle is a secondary city offering employment opportunities to the surrounding rural hinterland and acts as the district's urban core. It therefore provides employment opportunities to the whole district. The greatest challenge is to provide housing accommodation and the essential services to meet the increasing demand especially around the urban core where a lot of informal settlements are sprouting up.

The following are the statistics for Newcastle drawn from the Census 2011 information presented by the Statistics South Africa.

Criteria	Newcastle %
Unemployment rate	54%
Population employed	27%
Population unemployed	32%
Population not economically active	40%
Access to electricity for lighting	84%
Access to refuse removal	71%
Piped Water inside dwelling	58%
Age group below 19	50%
Population with toilet connected to sewer	56%

The district as a whole is facing decline in GGP in all sectors. The economy of the district has experienced a change from a dominant manufacturing base to a services base.

There has been some growth in the trade, construction and community services sectors. The economy of Newcastle is however dominated by clothing and textiles, chemicals and metals. Although the district as a whole has a number of challenges due to the declining economy a lot of initiatives are underway to revive the economy.

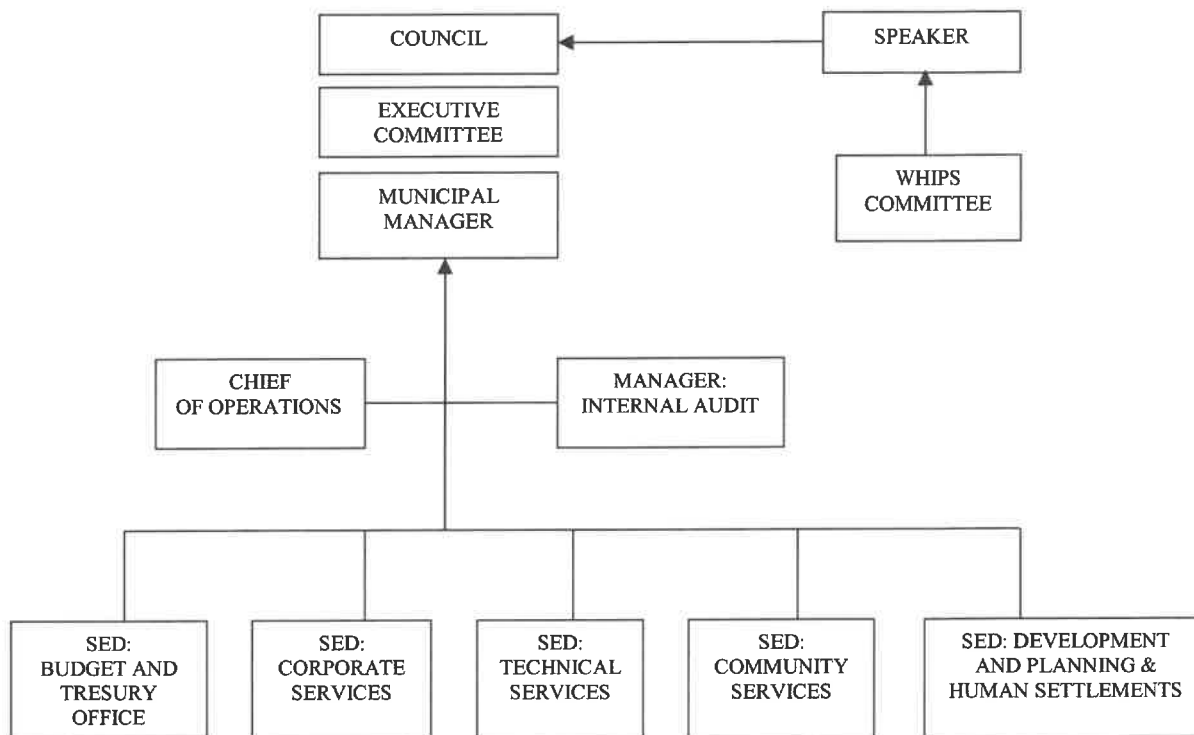
Institutional Arrangements

The Municipality has a staff compliment of approximately 1600 people, servicing areas of Newcastle, Madadeni, Osizweni, Blaauwbosch, Ngagane, Kilbarchan, and Charlestown. The Newcastle Organogram (illustrated below), and as approved by Council, makes provision for a Municipal Manager, a Chief of Operations, Internal Audit and five Departments each headed by a Strategic Executive Director. The five Departments of the municipality are:

- Budget and Treasury Office
- Corporate Services
- Technical Services
- Electrical Services
- Community Services
- Development, Planning and Human Settlement

It should be noted that Council is still in the process of revising the structure in line with Task Grading system. This structure should be implemented at the beginning of 2016/2017 financial year and existing and certain new vacant posts have been budgeted for in line with the new structure and the TASK grading system.

3.2 NEWCASTLE MUNICIPALITY: ORGANOGRAM



3.4 COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS

EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIALS	PORTFOLIO COUNCILLOR	POLITICAL PARTY	WARD
Mayor (Vacant)				
Deputy Mayor	SIBIYA D P	Community Services	ANC	PR
Executive Committee Member	BAM V V	Corporate Services	IFP	PR
Executive Committee Member	CRONJE E J C	Community Services	DA	2
Executive Committee Member	MDLULI R N	Corporate Services	ANC	13
Executive Committee Member	MOLELEKOA R M	Technical Services	ANC	12
Executive Committee Member	SHUNMUGAM M	Planning, Development and Human Settlements	ANC	3
Executive Committee Member	THWALA S M	Technical Services	EFF	PR

Executive Committee Member	ZWANE N A	Budget and Treasury Office	ANC	PR
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COUNCIL

DESIGNATION	SURNAME & INITIALS	POLITICAL PARTY	WARD
Speaker	MKHWANAZI J C N	ANC	PR
Councillor	BOSMAN L L	VFP	PR
Councillor	BHULI M V	AZAPO	PR
Councillor	COKA A A	EFF	PR
Councillor	DANISA T J C	ANC	31
Councillor	DLADLA X N M	ANC	1
Councillor	DLAMINI B S	ANC	26
Councillor	DUBE D X	IFP	PR
Councillor	GAMA F P	ANC	32
Councillor	HADEBE V F	EFF	PR
Councillor	KHOZA A	ANC	28
Councillor	KHUMALO B V	ANC	7
Councillor	KUBEKA V D	ANC	8
Councillor	KUNENE N P	ANC	PR
Councillor	LIU C	IFP	PR
Councillor	MALINGA F A	IFP	PR
Councillor	MAHLABA NNG	ANC	PR
Councillor	MAJOZI N K	ANC	11
Councillor	MBATHA N Y	ANC	PR
Councillor	MBULI A M	DA	PR
Councillor	MEIRING A P	DA	4
Councillor	MIYA S G	ANC	19
Councillor	MKHWANAZI H P	ANC	30
Councillor	MKHWANAZI T P	ANC	34
Councillor	MLANGENI M S	IFP	PR
Councillor	MNGUNI N G	ANC	18
Councillor	MOLEFE M V	ANC	21
Councillor	MTHEMBU M V	ANC	29
Councillor	MZIMA V P	ANC	PR
Councillor	NDABA T M	ANC	15
Councillor	NDIMA R B	IFP	PR
Councillor	NDLANGAMANDLA S S	ANC	27
Councillor	NDLOVU M S	DA	PR
Councillor	NDLOVU P F	EFF	PR
Councillor	NGCOBO M E	ANC	25
Councillor	NGCOBO N M	ANC	23
Councillor	NGEMA B C	ANC	9
Councillor	NGEMA D R	ANC	PR
Councillor	NGWENYA D	ANC	16
Councillor	NHLAPHO C L	IFP	PR
Councillor	NHLAPHO S J	ANC	10

Councillor	NKOSI S N	PRM	PR
Councillor	NKWANAZI J B	DA	PR
Councillor	NZUZE T M	IFP	PR
Councillor	SHABANGU S E	ANC	24
Councillor	SIBILWANE D M	ANC	17
Councillor	SIKHOSANE L T	ANC	20
Councillor	STEIN S L	DA	PR
Councillor	THWALA G M B	ANC	29
Councillor	THWALA L G	ANC	5
Councillor	TWALA M W	EFF	PR
Councillor	VOSTER J A	IFP	9
Councillor	YENDE S A	ANC	PR
Councillor	ZIKHALI M F	ANC	14
Councillor	ZULU N S	IFP	PR
Councillor	ZULU S J	RLP	PR
Councillor	ZULU T M	IFP	PR
Traditional Leader	KUBHEKA C S		
Traditional Leader	RADEBE B S		

SENIOR MANAGERS

DESIGNATION	SURNAME & INITIALS
Acting Municipal Manager	M J Mayisela
Acting Strategic Executive Director: Budget and Treasury Office	Nkosi S M
Strategic Executive Director: Corporate Services	Mahlubi N Y
Strategic Executive Director: Technical Services	Chauke S
Strategic Executive Director: Community Services	Nkosi D B
Acting Strategic Executive Director: Development, Planning and Human Settlements	Nkosi D B
Senior Audit Executive	Chenia S

3.5 INTRODUCTION

Section 28 of the Municipal Financial Management Act provides that the municipality may perform an adjustments budget within the prescripts. Section 28(1)(2) of the Municipal Finance Management Act 56 of 2003 states that a municipality may revise an approved budget through an adjustment budget. An adjustment budget:

- a. must adjust revenue and expenditure estimates downward if there is material under-collection of revenue during the current year;
- b. may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- c. may, within the prescribed framework, authorize unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- d. may authorize utilization of savings in one vote towards spending under another vote;
- e. may authorize spending of funds that were spent at the end of the past financial year where under-spending could not reasonably have been foreseen at the time to include roll-overs when the annual budget for the current year was approved by council;
- f. may correct any errors in the annual budget; and
- g. may provide for additional expenditure within a prescribed framework.

In line with the above provisions of the Act, the municipality has considered that it is necessary to perform an adjustments budget. The aim of this adjustment budget is to ensure that the municipality is operating within realistic revenue and expenditure and that very minimal variances between the actual outcomes and the budget are achieved at the end of the financial year. When tabled, an adjustment budget must provide explanations of how the original budget will be affected. The adjustments budget should be guided by the mid-year budget review performance as prepared in terms of section 72 of the MFMA. It is important to note that municipal tariffs may not be increased as a result of an adjustment budget process.

The section 72 mid-year budget and performance assessment and the sections 71 reports for the past seven months indicate the need to adjust operating revenue and expenditure in line with actual performance and the full-year forecasts. This is required in order to estimate realistic revenue collections and that expenditure is only committed to what the municipality will be able to collect. Other adjustments in the operating budget relate to additional grants received during the year, grant roll-overs approved by National Treasury, and some of the projects moved from capital to operational budget due to their nature.

Adjustments in the capital budget emanate mainly from movements between projects within the same funding sources, as well as approved roll overs by National Treasury. Furthermore, there has been a necessity to move funds between departments with a view to achieve better project management and to accelerate implementation of such capital projects. Adjustments in both operational and capital budgets will result in amendments in the cash flow budget and the balance sheet of the municipality. The following sections give a synopsis of adjustments made and reasons for major variances in both capital and operating budgets.

3.6 FINANCIAL PERFORMANCE

The summary of the operating budget is attached in tables B1 and B4 of Schedule B attached hereto.

3.6.1 Operating revenue

The total operating revenue budget has been adjusted upwards by R77.0 million from the original budget of R1.768 billion to the adjusted budget of R1.845 billion. The following items attributed to the upwards adjustment of the revenue.

3.6.1.1 Revenue from fines has been adjusted downwards by R592 794 from the original budget of R8.7 million to an adjusted budget of R8.1 million. Revenue from fines is dependent on the behaviour of motorists to law enforcement.

3.6.1.2 No adjustment has been made in respect of the revenue from interest on external investments. The mid-year budget performance indicated that more interest revenue had been received when compared with the year-to-date budget due to more grants received during the first six months of the financial year. However, the municipality is not expecting a lot of grants in the remainder of the financial year. Hence, it is considered prudent to keep the budget for this item unchanged at R4.0 million for the rest of the financial year.

3.6.1.3 Revenue from outstanding debtors has been adjusted downwards by R3.4 million from original the budget of R13.2 million to the adjusted budget of R9.7 million. The adjustment is attributable to the incentive scheme that has been rolled-out by the municipality. This has resulted in more businesses coming forward to take advantage of the scheme, which has brought about arrear debts been written-off for such business consumers.

3.6.1.4 Revenue for rental of facilities has been adjusted downwards by R471 068 from the original budget of R8.6 million to an adjusted budget of R8.1 million. This is due to a time lag loss

of revenue from the time an old tenant vacates the property, and the time that the new tenant takes occupation of the same property. A number of government assisted houses has also been sold over the past six months, resulting in less rental revenue. Strategies to manage these movements have however been introduced and this expected to eliminate loss of revenue for remainder of the financial year.

3.6.1.5 No adjustment has been made in respect of the revenue from property rates as informed by the performance and the full-year forecast. The budget for property rates will therefore remain at R310.7 million. The indigent benefit for property rates is however expected to increase by R13.0 million to R27.9 million, due to the error in not budgeting properly for this item during the annual budget. This is expected to result in the net amount of R282.8 for property rates. Property rates is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.

3.6.1.6 No adjustment has been made in respect of the revenue from water service charges as informed by the performance and the full-year forecast. The budget for water service charges will therefore remain at R177.1 million. The indigent benefit for water service charges is however expected to decrease by R8.2 million to R7.0 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result in the net amount of R170.1 for water service charges. Revenue for water service charges is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.

3.6.1.7 No adjustment has been made in respect of the revenue from electricity service charges as informed by the performance and the full-year forecast. The budget for electricity service charges will therefore remain at R690.3 million. The indigent benefit for electricity service charges is however expected to increase by R3.4 million to R7.0 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result in the net amount of R683.3 for electricity service charges. Revenue from electricity service charges is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.

3.6.1.8 No adjustment has been made in respect of the revenue from refuse service charges as informed by the performance and the full-year forecast. The budget for refuse service charges will therefore remain at R94.7 million. The indigent benefit for refuse service charges is however expected to decrease by R16.6 million to R13.4 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result

in the net amount of R81.3 for refuse service charges. Revenue from refuse is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.

3.6.1.9 No adjustment has been made in respect of the revenue from sanitation service charges as informed by the performance and the full-year forecast. The budget for sanitation service charges will therefore remain at R117.1 million. The indigent benefit for sanitation service charges is however expected to decrease by R11.5 million to R10.0 million, due to the process undertaken by the municipality to review all the indigents. This is expected to result in the net amount of R107.1 for sanitation service charges. Revenue from, sanitation is budgeted net of indigent benefit, therefore, any adjustment in the indigent benefit results in the adjustment of the net revenue.

3.6.1.10 Transfers recognised (grants) has been adjustment upwards by R69.1 from the original budget of R384.7 million to the adjusted budget of 453.9 million. An additional appropriation was made for grants received during the financial year, which were not included in the original budget. Other grant projects funded which previously to include under capital budget have been moved to operational budget due to the fact that they will not result to the asset of the municipality on completion.

3.6.1.11 Other revenue has been adjusted downwards by R8.0 million from the original budget of R45.0 million to the adjusted budget of R37.0 million. The reduction is due to the revenue which was projected to be received from sale of properties, which was overstated during the annual budget. The mid-year performance and the KZN Provincial Treasury indicate that there is a need to adjust this item downwards.

3.6.2 Operating expenditure

The total operating expenditure has been adjustment upwards by R62.9 million from the original budget of R2.234 billion to the adjusted budget of R2.297 billion. The major increase is attributed to contracted services for expenditure appropriated due to grants that are expected to be received from the KZN Department of Human Settlement.

3.6.2.1 Bulk purchases has been adjusted downwards by R16.5 million from the original budget of R618.7 million to the adjusted budget of R602.2 million. Included under this item was R520.7 million for the purchase of electricity, R82.9 for the purchase of water from Uthukela Water, R12.0 million for the outstanding debt with the Department of Water

Affairs as well as R3.0 million for purchase of water for Charlestown. The downward adjustment of R16.5 million relates to R12.0 million for the amount initially appropriated for the Department of Water Affairs and 4.5 million from electricity purchases in order to move it to the interest vote for late interest charges to Eskom.

- 3.6.2.2 Contracted services has been adjusted upwards by R60.0 million from the original budget of R35.6 million to the adjusted budget of R95.7 million. Additional provision relates to R48 million for low cost housing projects which is grant funded, R3.2 million for security and R9.1 million for consultant fees. The addition of R9.1 million for consultant fees include the R4.8 million for consultants for VAT recovery and assets management services, R1.1 million for IT pilot project which grant funded, R1.7 million for town planning services and R1.7 million for forensic investigations.
- 3.6.2.3 Employee related costs has been adjusted upwards by R11.3 million from the original budget of R537.1 million to the adjusted budget of R548.5 million. The upward adjustment is attributable for additional budget in respect of the overtime. The municipality has already exceeded the annual budget provision for overtime, and the additional R11.3 million is required to cater for the over-expenditure and for the remainder of the financial year. It will be critical that measure to curb and monitor overtime are implemented.
- 3.6.2.4 Councillors' remuneration has been adjusted upwards by R1.5 million from the original budget of R24.1 million to the adjusted budget of R25.7 million. The adjustment is informed by the recent gazette and upper limits for councillors for the current financial year.
- 3.6.2.5 Materials has been adjusted downwards by R295 000 from the original budget of R3.7 million to the adjusted budget of R3.4 million. Funds were redirected to other votes where departments felt funds were to be prioritised and used effectively. This was done within the requirements of the MFMA.
- 3.6.2.6 Other expenditure has been adjusted upwards by R31.7 million from the original budget of R192.3 million to the adjusted budget of R221.2 million. Some of the upward adjustments include the R6.0 million for the interest on Eskom's late payments, R2.5 million for the EDMRS software licences which is a committed project, R2.1 million for postage and stamps to comply with the valuation processes, R2.1 million for cellular contracts in line with the current contracts, R1.9 million for legal fees, R1.7 million for valuation expenses for general valuation, R3.8 million for machinery hire, R1.4 million for meter reading services, R1.2 million for Microsoft licenses, R1.0 million for rental of office machines,

R830 892 for telephones and R807 152 for printing and stationery, as well as the R700 000 for insurance premium.

- 3.6.2.7 Repairs and maintenance has been adjusted upwards by R20.7 million from the original budget of R65.9 million to the adjusted budget of R86.7 million. Some of the items that recorded upwards adjustments include R17.0 million for VIP toilets (grant funded), VIP toilets for parks to the tune of R6.2 million, website maintenance for R850 000, tower block maintenance for R500 000, machinery and equipment for 382 493, roads sidewalks for R500 000 and mowing of open spaces for R250 000. Other items within repairs and maintenance were adjustment downwards, resulting in net upwards adjustment of R2.0 million.
- 3.6.2.8 No adjustment has been made in respect of the debt impairment budget of R163 million. While expenditure on this item appears to be very low, the municipality will however be assessing the full impact of the debt impairment before the end of the financial year. It must however be noted that this is a non-cash item of expenditure.
- 3.6.2.9 Departmental charges have been adjusted upwards by R10.0 million from the original budget of R23.1 to the adjusted budget of R33.2 million. This is cost of the municipal usage of water, sanitation and refuse which must be accounted for. The increase is due to the under-budgeting during the adjustments budget. It must however be noted that this is a non-cash item of expenditure.
- 3.6.2.9 Depreciation has been adjusted downwards by R53.4 million from the original budget of R525.5 million to the adjusted budget of R472.1 million. The adjustment is attributable to low capital expenditure and over-budgeting during the adjustment budget. It must however be noted that this is a non-cash item of expenditure.
- 3.6.2.10 Finance charges has been adjusted downwards by R171 674 from the original budget of R43.8 million to the adjusted budget of R43.7 million. The adjustment is based new amortisation and agreements after the municipality engaged in loans restructuring with both ABSA and DBSA.
- 3.6.2.11 Collection fees has been adjusted downwards by R2.2 million from the original budget of R3.0 million to the adjusted budget of 750 000. This budget was previously provided for the payment of the debt collector, whose contract expired. The remaining budget will be utilised for the review of indigents and expenses related to the collection outreach programme.

3.6.3 Net Operating results (surplus or deficit)

The operating deficit is expected decrease by R14.1 million from the original budget of R465.7 to the adjusted budget of R451.6 million. This is mainly caused by the reduction in depreciation and indigent benefit by R53.4 million and R20.3 million respectively.

3.6.4 Cash Operating Budget

The operational budget is expected to be fully funded. When applying the current payment factor per service and the full-year projections for any revenue expected, the municipality is expecting to generate cash receipts of R1.628 billion and payments of R1.642. Also included in the other expenditure is the amount of R22.3 million for replacement of asbestos, and R3.5 million for training which will be funded from the cash backed Housing Development Fund and the Skills Development Grant. These funds were already received by the municipality in the past and are currently cash-backed. Taking these factors into account, the adjustments budget is expected to generate the cash operating surplus of R16.4 million. This cash surplus will contribute towards the capital repayment of loans of R16.0 million.

3.6.5 CAPITAL BUDGET

The summary of the adjustment capital budget is attached in Table B5 and B1 of the Schedule A attached hereto. Overall, capital budget has been adjusted upwards by R18.4 million from the original budget of R205.5, to an adjusted budget of R224.0 million. The following sections provides a summary of adjustments made.

3.6.5.1 Internally funded projects

Internally funded projects have been adjusted upwards by R28.0 million from the original budget of R43.1 million to adjusted budget of R77.2 million. It must be noted that about R25.4 million of the adjustments relate to funding that was previously funded from government grants, which has been approved to be rolled-over to the current financial year. This funding is now reported as internal funding since the funded were already with the municipality in the current financial year. The additional funds relate mainly to the construction of Charlestown and the upgrade of Newcastle libraries, construction of high-mast lights, VIP toilets and grass cutting equipment.

3.6.5.2 Grant funded projects

The budget for grant funded projects have been adjusted upwards by R9.6 million to from the original budget of R162.4 to the adjusted budget R152.8 million. Increase is due to the movement of R7.8 million for the Phelindaba Swimming Pool, R1.5 million from VIP toilets on the operational budget to the Blaauwbosch Bulk Water project in the capital budget. Other projects amounting to R245 868 relate to furniture and equipment for libraries and museums, which all are grant funded

3.6 COMPLIANCE WITH MUNICIPAL BUDGET REPORTING REGULATIONS

The municipal adjustment budget has been prepared in compliance with the Municipal Budget Reporting Regulations format and all other requirements. Schedule B consisting of all required tables is attached as Annexure D for this purpose.

3.7 MUNICIPAL STANDARD CHART OF ACCOUNTS REGULATIONS (mSCOA)

As all municipalities were required by National Treasury to be fully mSCOA compliant as of 01 July 2017, Newcastle municipality has made stride in ensuring compliance. The implementation of mSCOA is an ongoing process and the adjustment budget has been prepared in compliance with the regulations. Line items and projects have been unbundled in order to reflect the correct item and function as required by the mSCOA. While these are important towards achieving full compliance, it must however be noted that the municipality is still struggling with systems integration. The integration systems should assist the municipality to prepare its budget systematically and to generate budget schedules directly from the system. This integration will go a long way in ensuring alignment between the adjustments budget approved by Council and the adjustment budget and data strings submitted to National Treasury for verification.

3.8 COST CONTAINMENT MEASURES

In line with S62(1)(a) of the Municipal Finance Management Act No.5 of 2003 which requires the accounting officer to be responsible for managing financial administration of a municipality, the Minister of Finance in his budget speech on 24 February 2016 announced cost containment measures for the entire public sector. The Minister emphasised the need to reduce excessive and wasteful expenditure, and that action be taken to manage unnecessary expenditure. The municipality is already implementing a number of measures in this regard. These measures have

mainly been driven by the Municipal Manager's and the Budget and Treasury Offices. The municipality has also put together a draft Cost Containment Policy, which focuses on certain cost drivers that must be contained and curtailed. The policy is planned to be submitted as part of the budget related policies that will be approved with the draft budget in March 2019.

3.9 SERVICE LEVEL STANDARDS

All municipalities are required to formulate their own service level standards in line with MFMA Circulars No. 66 and 78. In line with Circular 66, the municipality has appropriately reflected infrastructure expenditure as the main driver of capital expenditure to comply with the local government priorities. The municipality is however in the process of formulating its own service level standards and this process will only be finalised during the current financial year. The municipality will be updating National and Provincial Treasuries with regards to the implementation progress of this requirement.

4. ADJUSTMENTS BUDGET TABLES

The Schedule B are attached and consists of the following major budget tables:

- (a) Table B1 : Adjustment Budget Summary
- (b) Table B2 : Adjustment Budget Financial Performance (standard classification)
- (c) Table B3 : Adjustment Budget Financial Performance (municipal vote)
- (d) Table B4 : Adjustment Budget Financial Performance (revenue and expenditure)
- (e) Table B5 : Adjustment Capital Expenditure by vote and funding
- (f) Table B6 : Adjustments Budget Financial Position
- (g) Table B7 : Adjustments Budget Cash Flows
- (h) Table B8 : Cash backed reserves/accumulated surplus reconciliation
- (i) Table B9 : Asset Management
- (j) Table B10 : Basic service delivery measurement

5. ADJUSTMENTS TO BUDGET ASSUMPTIONS

General Inflation Outlooks and its Impact

The global economy grew by an average of 5% from 2009 to 2018. It was a period of robust expansion but also of widening international imbalances. However, 2008 saw the gathering of storm clouds as industrialised countries moved into recession into the latter part of the year, interrupting a lengthy spell of sustained, positive growth in national and local economies. South African economy was no exception with the economy slowing sharply. Like other emerging markets we were affected by the looming recession in advanced economies. Our government has, however, adopted a macroeconomic framework and fiscal stance capable of withstanding tough times and protecting the economy during times of global economic turbulence. The Stats SA resulted indicated that South Africa is slowly moving out of recession, however, it is anticipated that challenges caused by recession will take more just a year to re-instate as its impact will remain with South Africa for some time. This has been evidenced by the continuing job losses and employee demands for higher wages and nationwide service delivery protests.

Newcastle Municipality, like and any other municipality, is still subjected to the impact from the global crisis as well as related ripple effects from national economy. The recent hikes in, to mention a few, electricity bulk purchases, fuel, interest rates and inability to feel critical positions in critical industries could not be interpreted in isolation of Newcastle Municipality and did therefore impact negatively adjustments budget.

The adjustment budget has however been prepared on the assumption that debt collection ratio of 80% will be achieved by the end of the financial year. The intervention of Mayor and the Municipal Manager to collect revenue through the community outreach programme continue to show more and positive results. It is expected that the payment factor will continue to improve during the last six months of the financial year and the year ahead.

6. ADJUSTMENTS TO BUDGET FUNDING

Operational Budget

The operational adjustments budget of Newcastle Municipality for the 2018/19 financial year will be funded from rates, service tariffs, fines, interest of investments, interest on outstanding debtors, sundry tariffs and grants and subsidies. Property rates and electricity are expected to generate R310.7 million and R690.3 million respectively, while water, sewer and refuse are expected to generate R177.1, R117.18 and R94.7 million respectively. All these tariffs are expected to generate the operating revenue of R1.390 billion (75%) to the municipality's total revenue. Electricity tariffs alone represent about 38% of the total operating revenue.

As required by MFMA, no amendments were done to the tariffs during the year, except for electricity which had to be aligned to NERSA's approval. In order to generate required revenue, the following tariffs apply to fund the operational adjustments budget:

	Annual	Adjusted
➤ Rates	: 7.2%	7.2%
➤ Electricity	: 8.0%	8.0%
➤ Refuse removal services	: 7.2%	7.2%
➤ Water	: 7.2%	7.2%
➤ Sanitation	: 7.2%	7.2%

Individual tariffs applicable to the above services are detailed in the tariff of charges, together with other proposed sundry tariffs. Sundry tariffs are expected to generate only about R37 million, which is about 2% of the total operational revenue. Grants and Subsidies included in the operational revenue budget amount to R444.8 million. This includes both conditional and unconditional operational grants. Interest received on external investments to an amount of R4.0 million will also contribute the operating revenue.

Capital Budget

In line with section 18 of the MFMA, the capital budget has been funded from the following funding sources:

Government grants	R 152.8 million
Asset financing reserve	R 71.2 million

National and Provincial Government Transfers

The National and Provincial grants allocation will be used to fund larger portions of the operating expenditure as well as the capital expenditure. These have been based on gazetted 2018 Adjusted Division of Revenue Act and the Provincial Gazette.

7. ADJUSTMENTS TO EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grants and subsidies from National and Provincial governments, as reported in the 2018 Adjustments Division of Revenue Act have been included the 2018/19 adjustments budget and each allocation will utilised for the purpose as described below.

National Grant Allocations

Equitable Share

The equitable share is an unconditional grant and as such can be regarded as general revenue, however, it is a matter of co-operative governance that municipalities should prioritise its expenditure budget towards poor households and national priorities like free basic services.

Municipal Infrastructural Grant (MIG)

The Municipal Infrastructural Grant (MIG) is entering its thirteenth year of implementation in the 2018/19 financial year. It resulted from the consolidation of various capital grants for municipal infrastructure (CMIP, Water Services Projects, CBPWP, LEDF, BSRP and the Urban Transport Fund) into a new funding arrangement. The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

- Expand the delivery of basic services to all households, including the delivery of free basic services to poor households and other poverty alleviating objectives.
- Stimulate local economic development and job creation over the medium term.

The MIG funding will be utilised for the construction and upgrading roads and sewer projects in areas falling within Newcastle Municipality. It should be noted that Council is required to counter fund some of the projects.

Finance Management Grant

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery. It will be utilised for the upgrading of skills and capacity of Newcastle Finance officials for workshops and training programmes, funding financial programmes with a view to capacitate financial systems, as well as for the remuneration of the

interns currently employed by the municipality and cover costs of their training and its facilities. There are currently four interns employed, and the activities are in place to appoint the fifth one, as per National Treasury guidelines.

Water Service Infrastructure Grant

The Water Operating Subsidy is the capital grant provided by the Department of Water Affairs and Forestry to subsidise water schemes owned and/or operated by the department or other agencies on behalf of the department. Projects funded through this grant are implemented by the municipality.

Neighbouring Development Partnership

This grant was established by National Treasury to support neighbouring development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted underserved neighbourhoods, generally townships. The Technical Assistance Grant aims at supporting the development of township development plans. This is an indirect grant and not be transferred directly to Newcastle Municipality. The Capital Grant aims at supporting nodal investment into the construction or upgrading of community facilities, which may attract private sector investment. This is an indirect allocation which will be transferred by National Treasury directly to the service provider or the implementing agent.

National Electrification Programme (Municipal)

The National Electrification Programme grant is transferred by the Department of Minerals and Energy directly to the municipality to implement integrated electrification programmes by addressing electrification backlogs of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure.

Provincial Grant Allocations

Museum subsidy

The funding is made available by KZN Premier's office to provide strategic financial support to municipalities with a focus on the development and maintenance of museums and care and preservation of cultural heritage.

Library Recapitalisation

The subsidy is provided to improve library services. A new allocation for the upgrade of Newcastle Library and for the construction of new Charlestown Library to the tune of R15.4 million has been included in the adjustments budget.

8. ADJUSTMENTS TO ALLOCATIONS AND GRANTS MADE BY NEWCASTLE MUNICIPALITY

Provision for indigent benefits have been adjusted downwards by R20.3 million from original budget of R85.7 million to the adjusted budget of R65.3. This decrease is due to the review of all indigents, which has seen the number of indigents decreasing from 22 thousand to about seven thousand.

No provisions and adjustments have be made by the municipality for allocations of other organs.

9. ADJUSTMNTS TO COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Adjustments to councillors' allowances and employee benefits are as reflected in Table B1 and Table B4 of the Attached Schedule B.

10. ADJUSTMENTS TO SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

Revisions to the Service Delivery and Budget Implementation Plan which aligns to the adjustment budget will be submitted in a separate report.

11. ADJUSTMENTS TO CAPITAL EXPENDITURE

Adjustment to the capital expenditure are as reflected in Annexure B and Table B5 of the attached Schedule B.

12. OTHER SUPPORTING DOCUMENTS

Budget table are attached as Schedule B of the Annexure D attached hereto.

ANNEXURE D: B Schedule budget tables

KZN252 Newcastle - Table B2 Adjustments Budget Financial Performance (functional classification) -

Standard Description	Ref	Budget Year 2018/19									Budget Year +1 2019/20	Budget Year +2 2020/21
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Net. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	5	6	7	8	9	10	11	12	Adjusted Budget	Adjusted Budget
R thousands	1, 4	A	A1	B	C	D	E	F	G	H		
Revenue - Functional												
Governance and administration		412,281	-	-	-	-	1,150	(2,697)	(1,547)	410,733	434,523	465,038
Executive and council		8,717	-	-	-	-	-	1,242	1,242	9,959	10,060	13,293
Finance and administration		403,564	-	-	-	-	1,150	(3,939)	(2,789)	400,774	424,462	451,745
Internal audit		-	-	-	-	-	-	-	-	-	-	-
Community and public safety		55,083	-	-	-	-	51,218	(7,369)	43,850	98,933	27,564	28,543
Community and social services		29,534	-	-	-	-	-	(13,037)	(13,037)	16,496	3,813	3,969
Sport and recreation		698	-	-	-	-	63	6,771	6,834	7,532	737	777
Public safety		11,450	-	-	-	-	-	(587)	(587)	10,863	9,357	9,872
Housing		13,331	-	-	-	-	51,155	(516)	50,640	63,971	13,582	13,847
Health		71	-	-	-	-	-	0	0	71	74	79
Economic and environmental services		83,338	-	-	-	-	13,088	23,441	36,529	119,867	76,192	2,301
Planning and development		22,907	-	-	-	-	(2,292)	5,527	3,235	26,143	6,215	2,301
Road transport		60,431	-	-	-	-	16,379	17,914	33,293	93,724	69,977	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
Trading services		1,380,275	-	-	-	-	(5,888)	(5,467)	(11,354)	1,368,921	1,492,929	1,426,230
Energy sources		770,528	-	-	-	-	-	10,108	10,108	780,636	806,480	835,191
Water management		316,641	-	-	-	-	(5,888)	(43,412)	(49,300)	267,341	384,786	262,461
Waste water management		195,371	-	-	-	-	-	10,847	10,847	206,219	198,522	212,852
Waste management		97,735	-	-	-	-	-	16,991	16,991	114,726	103,141	115,725
Other		169	-	-	-	-	-	(4)	(4)	164	178	188
Total Revenue - Functional	2	1,931,147	-	-	-	-	59,568	7,904	67,473	1,998,619	2,031,386	1,922,300
Expenditure - Functional												
Governance and administration		414,768	-	-	-	-	4,714	23,486	28,200	442,968	350,269	365,393
Executive and council		71,361	-	-	-	-	-	36,287	36,287	107,649	37,470	39,295
Finance and administration		343,407	-	-	-	-	4,714	(13,346)	(8,632)	334,775	312,799	326,098
Internal audit		-	-	-	-	-	-	545	545	545	-	-
Community and public safety		218,374	-	-	-	-	51,175	74,840	126,015	344,389	169,586	179,142
Community and social services		33,386	-	-	-	-	-	54,807	54,807	88,193	33,444	35,284
Sport and recreation		69,518	-	-	-	-	50	19,638	19,688	89,207	66,432	70,086
Public safety		65,757	-	-	-	-	-	(2,981)	(2,981)	62,775	61,957	65,365
Housing		44,874	-	-	-	-	51,125	435	51,560	96,434	3,113	3,513
Health		4,838	-	-	-	-	-	2,942	2,942	7,780	4,640	4,895
Economic and environmental services		281,969	-	-	-	-	17,000	(38,972)	(21,972)	239,997	251,433	264,889
Planning and development		32,981	-	-	-	-	-	(2,669)	(2,669)	30,312	8,013	8,081
Road transport		228,988	-	-	-	-	17,000	(36,303)	(19,303)	209,685	243,420	256,808
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
Trading services		1,338,129	-	-	-	-	-	(69,322)	(69,322)	1,268,807	1,413,406	1,470,631
Energy sources		705,791	-	-	-	-	-	8,469	8,469	714,260	748,465	773,989
Water management		494,832	-	-	-	-	-	(95,525)	(95,525)	399,307	522,158	550,761
Waste water management		70,692	-	-	-	-	-	1,277	1,277	71,969	72,776	72,031
Waste management		66,814	-	-	-	-	-	16,457	16,457	83,271	70,007	73,851
Other		1,270	-	-	-	-	-	-	-	1,270	386	409
Total Expenditure - Functional	3	2,234,510	-	-	-	-	72,889	(9,968)	62,921	2,297,430	2,185,080	2,280,464
Surplus/ (Deficit) for the year		(303,363)	-	-	-	-	(13,320)	17,872	4,552	(298,811)	(153,694)	(358,164)

- References**
- Government Finance Statistics Functions and Sub-functions are standardised to assist the compilation of national and international accounts for comparison purposes
 - Total Revenue by standard classification must reconcile to Total Operating Revenue shown in the Adjustments Budget Financial Performance (revenue and expenditure)
 - Total Operating Expenditure by standard classification must reconcile to Total Operating Expenditure shown in the Adjustments Budget Financial Performance (revenue and expenditure)
 - All amounts must be classified under a standard classification (modified GFS). The GFS function 'Other' is only for Abattoirs, Air Transport, Markets and Tourism - and if used must be supported by footnotes. Nothing else may be placed under 'Other'. Assign associate share to relevant classification
 - Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
 - Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
 - Increases of funds approved under MFMA section 31
 - Adjustments approved in accordance with MFMA section 29
 - Adjustments to transfers from National or Provincial Government
 - Adjusts. = 'Other' Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))
 - G = B + C + D + E + F
 - Adjusted Budget H = (A or A1/2 etc) + G

KZN252 Newcastle - Table B4 Adjustments Budget Financial Performance (revenue and expenditure) -

Description	Ref	Budget Year 2018/19									Budget Year +1 2019/20	Budget Year +2 2020/21
		Original Budget	Prior Adjusted 3	Accum. Funds 4	Multi-year capital 5	Unfore. Unavoid. 6	Nat. or Prov. Govt 7	Other Adjusts. 8	Total Adjusts. 9	Adjusted Budget 10	Adjusted Budget	Adjusted Budget
R thousands	1	A	A1	B	C	D	E	F	G	H		
Revenue By Source												
Property rates	2	295,785	-	-	-	-	-	(13,000)	(13,000)	282,785	310,273	327,338
Service charges - electricity revenue	2	686,768	-	-	-	-	-	(3,419)	(3,419)	683,349	719,464	759,061
Service charges - water revenue	2	161,896	-	-	-	-	-	8,249	8,249	170,146	170,799	180,306
Service charges - sanitation revenue	2	95,532	-	-	-	-	-	11,584	11,584	107,116	100,431	106,114
Service charges - refuse revenue	2	64,354	-	-	-	-	-	16,991	16,991	81,345	67,680	71,627
Rental of facilities and equipment		8,642						(471)	(471)	8,171	9,117	9,619
Interest earned - external investments		4,041						-	-	4,041	5,101	5,382
Interest earned - outstanding debtors		13,218						(3,438)	(3,438)	9,780	13,945	14,712
Dividends received		-						-	-	-	-	-
Fines, penalties and forfeits		8,710						(593)	(593)	8,117	6,467	6,822
Licences and permits		13						1	1	14	14	14
Agency services		-						-	-	-	-	-
Transfers and subsidies		384,734					69,175	-	69,175	453,909	415,497	414,383
Other revenue	2	42,828	-	-	-	-	-	(8,000)	(8,000)	34,828	34,694	24,441
Gains on disposal of PPE		2,200						-	-	2,200	2,336	2,481
Total Revenue (excluding capital transfers and contributions)		1,768,721	-	-	-	-	69,175	7,904	77,079	1,845,800	1,855,818	1,922,300
Expenditure By Type												
Employee related costs		537,171	-	-	-	-	-	11,357	11,357	548,527	475,720	502,408
Remuneration of councillors		24,159						1,551	1,551	25,710	25,488	26,889
Debt impairment		163,946						-	-	163,946	173,289	182,820
Depreciation & asset impairment		525,578	-	-	-	-	-	(53,433)	(53,433)	472,145	554,485	584,982
Finance charges		43,979						(261)	(261)	43,718	41,571	39,429
Bulk purchases		618,730	-	-	-	-	-	(16,500)	(16,500)	602,230	660,146	696,453
Other materials		3,763						(295)	(295)	3,467	3,967	4,186
Contracted services		35,645	-	-	-	-	48,375	11,689	60,064	95,709	17,825	105,198
Transfers and subsidies		-						-	-	-	-	-
Other expenditure		281,538	-	-	-	-	24,514	35,925	60,439	341,977	232,589	138,098
Loss on disposal of PPE		-						-	-	-	-	-
Total Expenditure		2,234,510	-	-	-	-	72,889	(9,968)	62,921	2,297,430	2,185,080	2,280,464
Surplus/(Deficit)												
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		162,426					(9,606)		(9,606)	152,819	175,568	-
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 (in-kind - all)		-								-	-	-
Surplus/(Deficit) before taxation		(303,363)	-	-	-	-	(13,320)	17,872	4,552	(298,811)	(153,694)	(358,164)
Taxation		-								-	-	-
Surplus/(Deficit) after taxation		(303,363)	-	-	-	-	(13,320)	17,872	4,552	(298,811)	(153,694)	(358,164)
Attributable to minorities		-								-	-	-
Surplus/(Deficit) attributable to municipality		(303,363)	-	-	-	-	(13,320)	17,872	4,552	(298,811)	(153,694)	(358,164)
Share of surplus/ (deficit) of associate		-								-	-	-
Surplus/ (Deficit) for the year		(303,363)	-	-	-	-	(13,320)	17,872	4,552	(298,811)	(153,694)	(358,164)

References

1. Classifications are revenue sources and expenditure type
2. Detail to be provided in Table SB1
3. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
4. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
5. Increases of funds approved under MFMA section 31
6. Adjustments approved in accordance with MFMA section 29
7. Adjustments to transfers from National or Provincial Government
8. Adjusts. = 'Other' Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))
9. G = B + C + D + E + F
10. Adjusted Budget H = (A or A1/2 etc) + G

KZN252 Newcastle - Table B5 Adjustments Capital Expenditure Budget by vote and funding -

Description	Ref	Budget Year 2018/19									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Net. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
		A	5	6	7	8	9	10	11	12	Budget	Budget
R thousands												
Capital expenditure - Vote												
Multi-year expenditure to be adjusted	2											
Vote 1 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - COMMUNITY SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 3 - BUDGET AND TREASURY		-	-	-	-	-	-	-	-	-	-	-
Vote 4 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - DEVELOPMENT PLANNING AND HUMAN SETTLEMEN		-	-	-	-	-	-	-	-	-	-	-
Vote 6 - TECHNICAL SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 7 - ELECTRICAL AND MECHANICAL SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	3	-	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be adjusted	2											
Vote 1 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - COMMUNITY SERVICES		2,640	-	-	-	14,636	1,000	15,636	18,276	-	-	-
Vote 3 - BUDGET AND TREASURY		1,000	-	-	-	-	218	218	1,218	-	-	-
Vote 4 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - DEVELOPMENT PLANNING AND HUMAN SETTLEMEN		-	-	-	-	6,031	6,893	12,924	12,924	-	-	-
Vote 6 - TECHNICAL SERVICES		201,936	-	-	-	(9,787)	(5,501)	(15,288)	186,647	219,568	56,000	-
Vote 7 - ELECTRICAL AND MECHANICAL SERVICES		-	-	-	-	5,000	-	5,000	5,000	-	-	-
Vote 8 - [NAME OF VOTE 8]		-	-	-	-	-	-	-	-	-	-	-
Vote 9 - [NAME OF VOTE 9]		-	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]		-	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		205,576	-	-	-	15,879	2,609	18,489	224,064	219,568	56,000	-
Total Capital Expenditure - Vote		205,576	-	-	-	15,879	2,609	18,489	224,064	219,568	56,000	-
Capital Expenditure - Functional												
Governance and administration		1,000	-	-	-	-	218	218	1,218	-	-	-
Executive and council		-	-	-	-	-	-	-	-	-	-	-
Finance and administration		1,000	-	-	-	-	218	218	1,218	-	-	-
Internal audit		-	-	-	-	-	-	-	-	-	-	-
Community and public safety		2,640	-	-	-	14,679	2,070	16,749	19,389	-	-	-
Community and social services		990	-	-	-	6,649	77	6,925	7,915	-	-	-
Sport and recreation		1,650	-	-	-	7,800	1,000	8,800	10,450	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	31	993	1,024	1,024	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
Economic and environmental services		116,436	-	-	-	(34,412)	(1,678)	(36,091)	80,345	86,500	56,000	-
Planning and development		-	-	-	-	7,658	5,900	13,558	13,558	-	-	-
Road transport		116,436	-	-	-	(42,071)	(7,578)	(49,649)	66,787	86,500	56,000	-
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
Trading services		85,500	-	-	-	35,612	2,000	37,612	123,112	133,068	-	-
Energy sources		-	-	-	-	5,000	-	5,000	5,000	-	-	-
Water management		85,500	-	-	-	30,612	2,000	32,612	118,112	133,068	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	205,576	-	-	-	15,879	2,609	18,489	224,064	219,568	56,000	-
Funded by:												
National Government		142,732	-	-	-	(9,800)	-	(9,800)	132,932	175,568	-	-
Provincial Government		19,694	-	-	-	194	-	194	19,887	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	162,426	-	-	-	(9,606)	-	(9,606)	152,819	175,568	-	-
Borrowing		-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		43,150	-	-	-	25,486	2,609	28,095	71,245	44,000	56,000	-
Total Capital Funding		205,576	-	-	-	15,879	2,609	18,489	224,064	219,568	56,000	-

References

- Municipalities may choose to appropriate for capital expenditure for three years or for one year (if one year appropriation projected expenditure required for yr2 and yr3).
- Include capital component of PPP unitary payment. Note that capital transfers are only appropriated to municipalities for the budget year.
- Capital expenditure by standard classification must reconcile to the appropriations by vote.
- Must reconcile to supporting table SB7 and to Adjustments Budget Financial Performance (revenue and expenditure).
- Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
- Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably).
- Increases of funds approved under MFMA section 31.
- Adjustments approved in accordance with MFMA section 29.

QZN252 Newcastle - Table B6 Adjustments Budget Financial Position -

Description	Ref	Budget Year 2018/19									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
ASSETS												
Current assets												
Cash		1,265						(875)	(875)	390	30,616	141,095
Call investment deposits	1	10,951	-	-	-	-	-	33,362	33,362	44,303	11,630	12,351
Consumer debtors	1	305,160	-	-	-	-	-	175,360	175,360	480,520	149,649	33,359
Other debtors		33,098						63,920	63,920	97,018	35,150	37,329
Current portion of long-term receivables		-						-	-	-	-	-
Inventory		15,575						(2,423)	(2,423)	13,152	16,541	17,566
Total current assets		366,049	-	-	-	-	-	269,334	269,334	635,383	243,586	241,700
Non current assets												
Long-term receivables		-						-	-	-	-	-
Investments		-						-	-	-	-	-
Investment property		361,651						17,955	17,955	379,606	358,070	354,525
Investment in Associate		298,182						(22,903)	(22,903)	275,279	295,230	292,306
Property, plant and equipment	1	6,840,820	-	-	-	-	16,379	(258,091)	(241,712)	6,599,109	6,773,090	6,706,029
Biological		-						-	-	-	-	-
Intangible		7,650						(4,809)	(4,809)	2,841	8,125	8,528
Other non-current assets		7,425						43	43	7,469	7,885	8,374
Total non current assets		7,515,728	-	-	-	-	16,379	(267,804)	(251,425)	7,264,303	7,442,399	7,369,863
TOTAL ASSETS		7,881,777	-	-	-	-	16,379	1,530	17,909	7,899,686	7,685,986	7,611,563
LIABILITIES												
Current liabilities												
Bank overdraft		-						-	-	-	-	-
Borrowing		33,987	-	-	-	-	-	(8,388)	(8,388)	25,598	36,094	38,332
Consumer deposits		16,867						5,660	5,660	22,527	17,373	17,894
Trade and other payables		240,096	-	-	-	-	5,903	153,540	159,443	399,539	248,381	260,800
Provisions		6,691						32,600	32,600	39,290	7,106	7,546
Total current liabilities		297,641	-	-	-	-	5,903	183,412	189,314	486,955	308,953	324,572
Non current liabilities												
Borrowing	1	373,941	-	-	-	-	-	16,456	16,456	390,397	352,110	331,554
Provisions	1	160,980	-	-	-	-	-	(15,772)	(15,772)	145,207	162,589	164,215
Total non current liabilities		534,920	-	-	-	-	-	684	684	535,604	514,699	495,769
TOTAL LIABILITIES		832,561	-	-	-	-	5,903	184,095	189,998	1,022,559	823,652	820,341
NET ASSETS	2	7,049,216	-	-	-	-	10,477	(182,565)	(172,089)	6,877,128	6,862,333	6,791,222
COMMUNITY WEALTH/EQUITY												
Accumulated Surplus/(Deficit)		7,046,945	-	-	-	-	-	(175,012)	(175,012)	6,871,933	6,832,218	6,653,339
Reserves		2,271	-	2,919	-	-	-	4	2,923	5,194	2,198	2,132
TOTAL COMMUNITY WEALTH/EQUITY		7,049,216	-	2,919	-	-	-	(175,007)	(172,089)	6,877,128	6,834,416	6,655,472

References

1. Detail to be provided in Table SA3
2. Net assets must balance with Total Community Wealth/Equity
3. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
4. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
5. Increases of funds approved under MFMA section 31
6. Adjustments approved in accordance with MFMA section 29
7. Adjustments to transfers from National or Provincial Government
8. Adjusts. = 'Other' Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))
9. G = B + C + D + E + F
10. Adjusted Budget H = (A or A1/2 etc) + G

KZN252 Newcastle - Table B7 Adjustments Budget Cash Flows -

Description	Ref	Budget Year 2018/19									Budget Year	Budget Year
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavold.	Nat. or Prov. Govt	Other Adjuts.	Total Adjuts.	Adjusted Budget	Adjusted Budget	Adjusted Budget
		A	3 A1	4 B	5 C	6 D	7 E	8 F	9 G	10 H		
R thousands												
CASH FLOW FROM OPERATING ACTIVITIES												
Receipts												
Property rates		233,985						(95)	(95)	233,890	250,832	268,892
Service charges		859,570						23,470	23,470	883,041	826,764	749,220
Other revenue		37,516						(1,119)	(1,119)	36,397	41,267	45,393
Government - operating	1	384,734					60,087		60,087	444,821	400,296	433,471
Government - capital	1	162,426					(9,347)		(9,347)	153,079	175,030	196,873
Interest		9,328						(886)	(886)	8,442	10,261	11,287
Dividends		-						-	-	-	-	-
Payments												
Suppliers and employees		(1,492,315)						(103,244)	(103,244)	(1,595,559)	(1,415,734)	(1,473,233)
Finance charges		(43,979)						397	397	(43,582)	(41,571)	(39,429)
Transfers and Grants	1	-						-	-	-	-	-
NET CASH FROM/(USED) OPERATING ACTIVITIES		151,264	-	-	-	-	50,740	(81,476)	(30,736)	120,529	247,145	192,474
CASH FLOWS FROM INVESTING ACTIVITIES												
Receipts												
Proceeds on disposal of PPE		21,200						(8,000)	(8,000)	13,200	-	-
Decrease (Increase) in non-current debtors		-								-	-	-
Decrease (increase) other non-current receivables		33,125						12,634	12,634	45,759	35,775	37,922
Decrease (increase) in non-current investments		-								-	-	-
Payments												
Capital assets		(205,576)					(15,879)	(2,609)	(18,489)	(224,064)	(219,568)	(56,000)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(151,250)	-	-	-	-	(15,879)	2,025	(13,854)	(165,105)	(183,793)	(18,078)
CASH FLOWS FROM FINANCING ACTIVITIES												
Receipts												
Short term loans		-								-	-	-
Borrowing long term/refinancing		-								-	-	-
Increase (decrease) in consumer deposits		-						3,561	3,561	3,561	-	-
Payments												
Repayment of borrowing		(32,000)						15,940	15,940	(16,060)	(34,000)	(36,000)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(32,000)	-	-	-	-	-	19,501	19,501	(12,499)	(34,000)	(36,000)
NET INCREASE/ (DECREASE) IN CASH HELD		(31,986)	-	-	-	-	34,861	(59,950)	(25,089)	(57,075)	29,352	138,395
Cash/cash equivalents at the year begin:	2	33,251		35,030				(10,816)	24,214	57,465	1,265	2,699
Cash/cash equivalents at the year end:	2	1,265		35,030			34,861	(70,765)	(875)	390	30,616	141,095

References

- Local/District municipalities to include transfers from/to District/Local Municipalities
- Cash equivalents includes investments with maturities of 3 months or less
- Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
- Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
- Increases of funds approved under MFMA section 31
- Adjustments approved in accordance with MFMA section 29
- Adjustments to transfers from National or Provincial Government
- Adjuts. = 'Other' Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))
- $G = B + C + D + E + F$
- Adjusted Budget $H = (A \text{ or } A1/2 \text{ etc}) + G$

KZN252 Newcastle - Table B8 Cash backed reserves/accumulated surplus reconciliation -

Description	Ref	Budget Year 2018/19											Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted	+1	+2
		Budget	Adjusted	Funds	capital	Unavoid.	Govt	Adjusts.	Adjusts.	Adjusts.	Budget	Budget	2019/20	2020/21
A	3	4	5	6	7	8	9	10						
	A1	B	C	D	E	F	G	H						
Cash and investments available														
Cash/cash equivalents at the year end	1	1,265	-	35,030	-	34,861	(70,765)	(875)	390	30,616	141,095			
Other current investments > 90 days		10,951	-	(35,030)	-	(34,861)	103,243	33,352	44,303	11,630	12,351			
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-			
Cash and investments available:		12,215	-	-	-	-	32,478	32,478	44,693	42,246	153,446			
Applications of cash and investments														
Unspent conditional transfers		6,216	-	-	-	5,903	-	5,903	12,119	-	-			
Unspent borrowing		-	-	-	-	-	-	-	-	-	-			
Statutory requirements		-	-	-	-	-	-	-	-	-	-			
Other working capital requirements	2	(43,815)	-	-	-	(49,471)	(49,471)	(49,471)	(93,286)	104,081	210,684			
Other provisions		31,200	-	-	-	47,470	47,470	47,470	78,670	31,200	31,200			
Long term investments committed		-	-	-	-	-	-	-	-	-	-			
Reserves to be backed by cash/investments		2,271	-	-	-	2,923	2,923	2,923	5,194	2,198	2,132			
Total Application of cash and investments:		(4,128)	-	-	-	5,903	923	6,825	2,697	137,478	244,016			
Surplus(shortfall)		16,344	-	-	-	(5,903)	31,555	25,652	41,996	(95,232)	(90,570)			

References

1. Must reconcile with the Adjustments Budget Cash Flow and Adjustments Budget Financial Position
2. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)
3. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
4. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably be explained)
5. Increases of funds approved under MFMA section 31
6. Adjustments approved in accordance with MFMA section 29
7. Adjustments to transfers from National or Provincial Government
8. Adjusts. = 'Other' Adjustments proposed to be approved, including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(e))
9. G = B + C + D + E + F
10. Adjusted Budget H = (A or A1/2 etc) + G

TOTAL ASSET REGISTER SUMMARY - PPE (WDV)		5	-	-	-	-	-	-	-	-	-	-	
EXPENDITURE OTHER ITEMS													
Depreciation & asset impairment			525,578	-	-	-	-	-	(63,433)	(53,433)	472,145	554,485	584,982
Repairs and Maintenance by asset class		3	68,123	-	-	-	-	-	18,604	18,604	86,727	69,650	64,440
Roads Infrastructure			9,508	-	-	-	-	-	3,448	3,448	12,956	9,587	10,510
Storm water Infrastructure			-	-	-	-	-	-	-	-	-	-	-
Electrical Infrastructure			16,208	-	-	-	-	-	114	114	16,322	17,213	12,280
Water Supply Infrastructure			8,400	-	-	-	-	-	373	373	8,773	5,921	6,474
Sanitation Infrastructure			-	-	-	-	-	-	33,500	33,500	33,500	2,655	2,821
Solid Waste Infrastructure			-	-	-	-	-	-	-	-	-	-	-
Rail Infrastructure			-	-	-	-	-	-	-	-	-	-	-
Coastal Infrastructure			-	-	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure			-	-	-	-	-	-	-	-	-	-	-
Infrastructure			34,116	-	-	-	-	-	37,435	37,435	71,550	35,376	32,085
Community Facilities			13,239	-	-	-	-	-	(9,663)	(9,663)	3,576	11,060	11,932
Sport and Recreation Facilities			-	-	-	-	-	-	-	-	-	-	-
Community Assets			13,239	-	-	-	-	-	(9,663)	(9,663)	3,576	11,060	11,932
Heritage Assets			2	-	-	-	-	-	78	78	80	2	2
Revenue Generating			-	-	-	-	-	-	-	-	-	-	-
Non-revenue Generating			-	-	-	-	-	-	-	-	-	-	-
Investment properties			-	-	-	-	-	-	-	-	-	-	-
Operational Buildings			3,894	-	-	-	-	-	(2,826)	(2,826)	1,068	4,135	4,392
Housing			991	-	-	-	-	-	(991)	(991)	-	1,052	1,118
Other Assets			4,885	-	-	-	-	-	(3,817)	(3,817)	1,068	5,188	5,509
Biological or Cultivated Assets			-	-	-	-	-	-	-	-	-	-	-
Servitudes			-	-	-	-	-	-	-	-	-	-	-
Licences and Rights			4,925	-	-	-	-	-	(1,310)	(1,310)	3,615	5,231	5,555
Intangible Assets			4,925	-	-	-	-	-	(1,310)	(1,310)	3,615	5,231	5,555
Computer Equipment			-	-	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment			4,794	-	-	-	-	-	(4,794)	(4,794)	-	5,092	5,407
Machinery and Equipment			6,161	-	-	-	-	-	675	675	6,836	3,543	3,949
Transport Assets			-	-	-	-	-	-	-	-	-	-	-
Land			-	-	-	-	-	-	-	-	-	4,158	-
Zoo's, Marine and Non-biological Animals		6	-	-	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURE OTHER ITEMS to be adjusted			593,701	-	-	-	-	-	(34,829)	(34,829)	558,872	624,135	649,421
<i>Renewal and upgrading of Existing Assets as % of total capital expenditure</i>			36.7%	0.0%							45.3%	52.4%	89.3%
<i>Renewal and upgrading of Existing Assets as % of depreciation</i>			14.4%	0.0%							21.5%	20.7%	8.5%
<i>R&M as a % of PPE</i>			0.0%	0.0%							0.0%	0.0%	0.0%
<i>Renewal and upgrading and R&M as a % of PPE</i>			0.0%	0.0%							0.0%	0.0%	0.0%

References

1. Detail of new assets provided in Table SB18a
2. Detail of renewal of existing assets provided in Table SB18b
- 2a. Detail of upgrading of existing assets provided in Table SB18e
3. Detail of Repairs and Maintenance by Asset Class provided in Table SB18c
4. Must reconcile to total capital expenditure on Budgeted Capital Expenditure
5. Must reconcile to Adjustments Budget Financial Position (written down value)
6. Donated/contributed and assets funded by finance leases to be allocated to the respective category
7. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
8. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
9. Increases of funds approved under MFMA section 31
10. Adjustments approved in accordance with MFMA section 29
11. Adjustments to transfers from National or Provincial Government
12. Adjusts. = 'Other' Adjustments proposed to be approved; including revenue under-collection (MFMA section 28(2)(a)); additional revenue appropriation on existing programmes (section 28(2)(b)); projected savings (section 28(2)(d)); error correction (section 28(2)(f))
13. $G = B + C + D + E + F$
14. Adjusted Budget $H = (A \text{ or } A/2 \text{ etc}) + G$

KZN252 Newcastle - Table B10 Basic service delivery measurement -

Description	Ref	Budget Year 2018/19									Budget Year +1 2019/20	Budget Year +2 2020/21	
		Original Budget	Prior Adjusted	Accum. Funds	Multi-year capital	Unfore. Unavoid.	Nat. or Prov. Govt	Other Adjusts.	Total Adjusts.	Adjusted Budget	Adjusted Budget	Adjusted Budget	
		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H			
Household services targets	1												
Water:													
Piped water inside dwelling													
Piped water inside yard (but not in dwelling)													
Using public tap (at least min.service level)	2												
Other water supply (at least min.service level)													
<i>Minimum Service Level and Above sub-total</i>													
Using public tap (< min.service level)	3												
Other water supply (< min.service level)	3,4												
No water supply													
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
Sanitation/sewerage:													
Flush toilet (connected to sewerage)													
Flush toilet (with septic tank)													
Chemical toilet													
Pit toilet (ventilated)													
Other toilet provisions (> min.service level)													
<i>Minimum Service Level and Above sub-total</i>													
Bucket toilet													
Other toilet provisions (< min.service level)													
No toilet provisions													
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
Energy:													
Electricity (at least min. service level)													
Electricity - prepaid (> min.service level)													
<i>Minimum Service Level and Above sub-total</i>													
Electricity (< min.service level)													
Electricity - prepaid (< min. service level)													
Other energy sources													
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
Refuse:													
Removed at least once a week (min.service)													
<i>Minimum Service Level and Above sub-total</i>													
Removed less frequently than once a week													
Using communal refuse dump													
Using own refuse dump													
Other rubbish disposal													
No rubbish disposal													
<i>Below Minimum Service Level sub-total</i>													
Total number of households	5												
Households receiving Free Basic Service	15												
Water (6 kilolitres per household per month)		19						(11)	(11)	8			
Sanitation (free minimum level service)		19						(11)	(11)	8			
Electricity/other energy (50kwh per household per month)		19						(11)	(11)	8			
Refuse (removed at least once a week)		19						(11)	(11)	8			
Cost of Free Basic Services provided (R'000)	16												
Water (6 kilolitres per indigent household per month)		15,249						(8,249)	(8,249)	7,000	16,194	16,973	
Sanitation (free sanitation service to indigent households)		21,584						(11,584)	(11,584)	10,000	22,922	24,023	
Refuse (removed once a week for indigent households)		3,561						3,419	3,419	7,000	3,803	3,986	
Electricity/other energy (in excess of 50 kWh per indigent household per month)		30,441						(16,991)	(16,991)	13,450	32,328	33,861	
Cost of Free Basic Services provided - Informal Formal Settlements (R'000)													
Total cost of FBS provided		70,854						(33,404)	(33,404)	37,450	75,247	78,863	
Highest level of free service provided													
Property rates (R'000 value threshold)													
Water (kilolitres per household per month)													
Sanitation (kilolitres per household per month)													
Sanitation (Rend per household per month)													
Electricity (kw per household per month)													
Refuse (average litres per week)													
Revenue cost of free services provided (R'000)	17												
Property rates (tariff adjustment) (impermissible values per section 17 of MPRA)													
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA		22,463						5,466	5,466	27,929	15,750	16,616	
Water (in excess of 6 kilolitres per indigent household per month)													
Sanitation (in excess of free sanitation service to indigent households)													
Electricity/other energy (in excess of 50 kWh per indigent household per month)													
households													
Municipal Housing - rental rebates													
Housing - top structure subsidies													
Other													
Total revenue cost of subsidised services provided		22,463						5,466	5,466	27,929	15,750	16,616	

References

1. Include services provided by another entity; e.g. Eskom
2. Stand distance > 200m from dwelling
3. Stand distance <= 200m from dwelling
4. Borehole, spring, rain-water tank etc.
5. Must agree to total number of households in municipal area
6. Include value of subsidy provided by municipality above provincial subsidy level
7. Only complete if a previous adjusted budget has been approved in the same financial year. Reflect most recent adjusted budget.
8. Additional cash-backed accumulated funds/unspent funds (MFMA section 18(1)(b) and section 28(2)(e)) identified after the Original Budget approved and after annual financial statements audited (note: only where underspending could not reasonably have been foreseen)
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13. G = B + C + D + E + F
14. Adjusted Budget H = (A or A1/2 etc) + G

MUNICIPAL MANAGER'S QUALITY CERTIFICATE



I, **MJ Mayisela**, the Acting Municipal Manager of **Newcastle Municipality**, hereby certify that the adjustment budget and supporting documentation of the 2018/2019 Operational and Capital Budget have been prepared in accordance to Section 28 2(a) of the Municipal Finance Management Act, No56 of 2003; and Regulation26(1) of the Municipal Budget and Reporting Regulations.

Print Name : **MUZI JUSTICE MAYISELA**

Acting Municipal Manager : **NEWCASTLE MUNICIPALITY**

Signature :

Date : **28/02/2019**