



**SPECIAL ADJUSTMENT BUDGET**

**2022/2023**

**NEWCASTLE MUNICIPALITY**

**"TRUST US TO DELIVER"**

**EXTRACT FROM THE MINUTES OF THE MEETING OF THE NEWCASTLE MUNICIPAL COUNCIL, HELD IN THE COUNCIL CHAMBERS, NEWCASTLE ON MONDAY, 08 AUGUST 2022 AT 14:00**

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**PRESENT**

Councillor	T	M	Zulu	: Speaker
Councillor	V	V	Bam	
Councillor	M	E	Buthelezi	
Councillor	F		Cassim	
Councillor	E	J	Cronje	
Councillor	M	J	Dladla	
Councillor	T	N	Dlamini	
Councillor	D	X	Dube	: Mayor
Councillor	N	C	Dube	
Councillor	F	L	Duma	
Councillor	V	F	Hadebe	
Councillor	P		Hariram	
Councillor	M	M	E Hlatshwayo	
Councillor	M	E	Hlatshwayo	
Councillor	H	N	Khumalo	
Councillor	L	M	Khumalo	
Councillor	N	R	Khumalo	
Councillor	C	B	Kubheka	
Councillor	M	T	Lethea	
Councillor	C	Y	Liu	
Councillor	B	G	Madi	
Councillor	Z	E	Madi	
Councillor	M	T	D Makhoba	
Councillor	X	S	Makhubo	
Councillor	F	A	Malinga	
Councillor	B	D	Mathunjwa	
Councillor	N	P	Maseko	
Councillor	N	S	F Masondo	
Councillor	S	P	Masuku	
Councillor	L	I	Mathe	
Councillor	L	P	Mazibuko	
Councillor	M	V	Mbatha	
Councillor	A	P	Meiring	
Councillor	A	E	Mkhwanazi	
Councillor	M	P	Mkhwanazi	
Councillor	P	F	Mnisi	
Councillor	S	W	Mngomezulu	
Councillor	M	V	Molefe	
Councillor	N	P	Mthabela	
Councillor	T	E	Mthembu	
Councillor	L	P	Ndebele	
Councillor	M	O	Ndlovu	
Councillor	C	S	Ngcobo	
Councillor	R	N	Ngcobo	
Councillor	A	T	Nkosi	
Councillor	S	E	Nkosi	
Councillor	W	P	Nkosi	
Councillor	S		Ntsele	
Councillor	M	J	Ntshangase	
Councillor	R	B	S Russell	
Councillor	N	P	Shabalala	
Councillor	S	E	Shabangu	
Councillor	V	N	Sibeko	



(iii)

budget, which shall be informed by a mid – year review assessment.

- (g) That, it be noted that the upper limits of salaries, allowances and benefits of full-time councillors are budgeted for.
- (h) That, it be noted that the ANC does not support the recommendations.

I, the undersigned, **THENGI MOSES ZULU**, in my capacity as **SPEAKER** to the Newcastle Municipal Council, hereby certify the above as a true extract from the minutes of the Council meeting held on 08 August 2022.

  
**CLLR. T.M. ZULU**  
**SPEAKER**

Newcastle

**2022/23 SPECIAL ADJUSTMENTS BUDGET: JULY 2022: (T6/1/1-2022/23): BUDGET AND TREASURY OFFICE: JULY 2022**

Ref. No : T 6/1/1 (2022/23)  
Author : M.S. Ndlovu  
1<sup>st</sup> Level : Finance Portfolio Committee  
2<sup>nd</sup> Level : Executive Committee  
3<sup>rd</sup> Level : Council  
4<sup>th</sup> Level : KZN Provincial Treasury

## **1. PURPOSE**

The purpose of this report is to pursue approval of Council to adjust the budget downwards in the quest to achieve a funded position. This report is prescribed in terms of section Section 28(1)(2) of the Municipal Finance Management Act 56 of 2003 (MFMA) states that a municipality may revise an approved budget through an adjustment budget. In line with the above the municipality is required to table a Special Adjustment Budget and adopt an adjusted budget funding plan which will be aimed at achieving a funded budget within the timeframe set out by National Treasury. The aim of this adjustments budget is also to ensure that the municipality is operating within realistic revenue while it continues to provide minimum service delivery through payment of creditors. When tabled, an adjustment budget must provide explanations of how the original budget will be affected.

## **2. BACKGROUND**

The Newcastle Municipality Council adopted the original budget on 30<sup>th</sup> May 2022 in terms of Section 16 of the Municipal Finance Management Act no. 56 of 2003 in line with the Medium-Term Revenue and Expenditure Framework (MTREF), immediately after Council adopted the annual budget, an assessment from the Provincial Treasury was received which stated that the original budget was unfunded and same must be addressed. This process has been triggered mainly the assessment of Provincial Treasury with the intervention of COGTA on the original budget adopted Council on the 30<sup>th</sup> May 2022. In the main, the assessment indicated that the municipality did not reflect a favourable funded budget. This special adjustment budget serves as a remedial step to address the unfunded position. This adjustments budget is submitted in terms of section 28 of the MFMA.

## **3. DISCUSSION**

### **OPERATING BUDGET:**

The operating budget of the municipality is reflected in table B4 of the B Schedule attached hereto as required by the Municipal Budget and Reporting Regulations.

### **3.1 Operating revenue**

The only adjustment made on the operating revenue is the re-alignment of MIG for a capital projected omitted.

### **3.2 Operating expenditure**

The operating expenditure of the municipality is reflected in table B4 of the B Schedule as required by the Municipal Budget and Reporting Regulations.

The total operating expenditure has been adjusted downwards by R50 million from the budget of R3.010 billion to the adjusted budget of R2.960 million. Adjustments per each expenditure item are explained below.

- 3.2.1 Employee related costs have been adjusted downwards by R33.8 million from a budget of R601 million to R567 million inclusive of a reduction from overtime.
- 3.2.2 A downward adjustment has been made of R3.3 million with regards to the councillor remuneration from a budget of R29 million to R25.7 million. This is due to the MEC for Cogta not approving the upper limits for all councillors from July 2021.
- 3.2.3 No adjustment has been made with regards to the depreciation. Debt impairment also hasn't been adjusted as this provision is based on the collection rate versus the amount expected to be billed in the budget year, which hasn't changed at this point.
- 3.2.4 No adjustment has been made with regards to the finance charges, the budget of R35.8 million remains unchanged. The budget for finance charges is based on the loan agreements and the amortisation schedules with the funding institutions.
- 3.2.5 No adjustment has been made with regards to the water bulk purchases budget, the Uthukela Water's budget of R153.1 million remains unchanged.
- 3.2.6 Contracted services have been adjusted downwards by R9.3 million to the adjusted budget of R811.2 million. The reduction is on security cost (R3.5 million), website maintenance (R2 million) and machinery hire (R3.8 million).
- 3.2.7 No adjustment has been made with regards to materials has been made.
- 3.2.8 Other expenditure has been adjusted downwards by R3.5 million from the budget of R116.7 million to the adjusted budget of R113.2 million. The decrease is particularly due to the budget cut on telephone.

#### **4. CAPITAL BUDGET**

The capital expenditure of the municipality is reflected in table B5 of the B Schedule as required by the Municipal Budget and Reporting Regulations.

Overall, capital budget has been adjusted upwards by R12.2 million from the budget of R209 million to the adjusted budget of R221.2 million. This is particularly due to the re-alignment of the MIG grant funded project which was omitted from capital budget. This purpose of this inclusion is so that the municipality assures that the allocated projects are reflected as per the MOA/ SLA. No significant increase has been made on the internally funded projects.

#### **5. CASH FLOW BUDGET**

The municipality has performed the budget funding test of the budget through table B7 and B8 of the Schedule B. In terms of Schedule B, the municipality is anticipating to make to generate adequate receipts to cover all short terms obligations anticipated during the year. Table B8 however indicates that the municipality's cash reserves will ultimately be insufficient to cover unspent grants, provisions and reserves required to be cash-backed at year. The table indicated that the budget is unfunded by at least R74.8 million. This therefore makes the overall budget of the municipality to be unfunded.

### **3. LEGAL IMPLICATIONS**

In line with Section 28 (a) of the MFMA indicates that the municipality may adjust its budget downwards if there is anticipation that there will be material under collection of revenue, furthermore referral is also made on Section 18 (1)(2) which addressed that the budget may only be funded from realistically anticipated revenues to be collected and that revenue projections in the budget must be realistic.

### **4. POLICY IMPLICATIONS**

The submission of this special adjustment aims at addressing the concern of the municipality not being funded, and therefore applying the principles in the budget policy aimed at securing sound and sustainable management of the budgeting practices of the municipality by ensuring transparency, accountability, and appropriate lines of responsibilities in the budgeting and reporting processes within the municipality. The adjustment budget has necessitated that an adjusted BFP which is aligned to the adjustments budget be approved. This adjustments budget should therefore be considered and approved together with the adjusted BFP.

### **5. FINANCIAL IMPLICATIONS**

Council must tackle the issue of the unfunded budget as advised by Provincial Treasuries as per the assessment of the 2022/23 budget, that municipalities are required to table and adopt an adjustment budget concurrently with a Budget Funding Plan that will ensure that the budget of the municipality moves to a funded budget during the MTREF period. Failure to adjust the budget and continue reflecting it unfunded may result in further Equitable Share being withheld as per Section 38(1) of the MFMA, which will be detrimental to the municipality.

### **6. RISKS**

Performing an adjustment budget is avoid the risk of being unfunded which may result in the inability for the municipality to stay afloat and therefore ensure financial viability and sustainability of the municipality. It is however important take note of the cost drivers and main contributors of the financial crisis to avoid the risk of them escalating and leaving the financial affairs of the municipality in a dire state.

### **7. MANAGEMENT OF RISKS**

Through this adjustment process, the municipality will also deal with any unforeseen and unavoidable expenditure that are anticipated to occur during the year, which is why the aim of this adjustments budget is also to ensure that the municipality is operating within realistic revenue and curbing unnecessary expenditure requiring management to be stringent retain the cost containment measures and regulations approved.

### **8. RECOMMENDATIONS**

- (a) that the operating and capital special adjustments budgets for the 2022/23 financial year be approved;
- (b) that the revised Budget Funding Plan that aligns to the adjustments budget be approved;
- (c) that it be noted that the Integrated Development Plan (IDP) and PMS have

SED: BTO

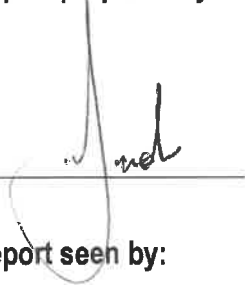
- (c) that it be noted that the Integrated Development Plan (IDP) and PMS have been amended in line with the adjustments budget;
- (d) that the Accounting Officer be mandated to submit the adjustments budget to National and Provincial Treasuries as required by section 28(7) of Municipal Finance Management Act No.56 of 2003;
- (e) that the Co-Operative Governance and Traditional Affairs (COGTA) recommendations on the original budget be noted.
- (f) that any further adjustments to the annual budget be considered and effected through a main adjustments budget, which shall be informed by a mid-year review assessment

## 9. SUPPORTING BUDGET SCHEDULES

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

Annexure A : Adjustment Budget Document  
Annexure B : Operational budget  
Annexure C : Capital budget  
Annexure D : B Schedule budget tables  
Annexure E : Adjusted Budget Funding Plan

**Report prepared by:**



A handwritten signature in black ink, appearing to read 'DX DUBE', is written over a horizontal line.

**Report seen by:**



A handwritten signature in black ink, appearing to read 'SM NKOSI', is written above the printed name.

DX DUBE  
PORTFOLIO COUNCILLOR  
BUDGET AND TREASURY OFFICE

SM NKOSI  
STRATEGIC EXECUTIVE DIRECTOR:  
BUDGET AND TREASURY OFFICE



KZN252 Newcastle - Table B1 Adjustments Budget Summary -

Description	Budget Year 2020/21									Budget Year +1 2021/22	Budget Year +2 2022/23
	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	1 A1	2 B	3 C	4 D	5 E	6 F	7 G	8 H		
<b>R thousands</b>											
<b>Financial Performance</b>											
Property rates	363,413	-	-	-	-	-	-	-	363,413	401,075	412,829
Service charges	1,176,842	-	-	-	-	-	-	-	1,176,842	1,288,859	1,393,027
Investment revenue	3,131	-	-	-	-	-	-	-	3,131	2,510	2,623
Transfers recognised - operational	1,112,707	-	-	-	-	(10,000)	-	(10,000)	1,102,707	869,077	945,028
Other own revenue	37,169	-	-	-	-	-	-	-	37,169	39,233	42,767
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2,693,263</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>-</b>	<b>(10,000)</b>	<b>2,683,263</b>	<b>2,600,755</b>	<b>2,796,272</b>
Employee costs	601,653	-	-	-	-	-	(33,820)	(33,820)	567,833	628,125	656,536
Remuneration of councillors	29,060	-	-	-	-	-	(3,350)	(3,350)	25,710	30,339	31,704
Depreciation & asset impairment	363,160	-	-	-	-	-	-	-	363,160	379,139	396,200
Finance charges	35,846	-	-	-	-	-	-	-	35,846	37,423	39,107
Materials and bulk purchases	758,296	-	-	-	-	-	-	-	758,296	791,618	827,239
Transfers and grants	-	-	-	-	-	-	-	-	-	-	-
Other expenditure	1,222,862	-	-	-	-	-	(12,916)	(12,916)	1,209,946	934,539	978,561
<b>Total Expenditure</b>	<b>3,010,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,086)</b>	<b>(50,086)</b>	<b>2,960,790</b>	<b>2,801,183</b>	<b>2,929,347</b>
<b>Surplus/(Deficit)</b>	<b>(317,613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>50,086</b>	<b>40,086</b>	<b>(277,528)</b>	<b>(200,428)</b>	<b>(133,075)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	191,032	-	-	-	-	10,000	-	10,000	201,032	157,183	104,950
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)	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>(126,581)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>(76,496)</b>	<b>(43,245)</b>	<b>(28,125)</b>
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-
<b>Surplus/ (Deficit) for the year</b>	<b>(126,581)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>(76,496)</b>	<b>(43,245)</b>	<b>(28,125)</b>
<b>Capital expenditure &amp; funds sources</b>											
Capital expenditure	209,033	-	-	-	-	10,000	2,200	12,200	221,233	170,083	117,850
Transfers recognised - capital	191,032	-	-	-	-	10,000	-	10,000	201,032	157,183	104,950
Borrowing	-	-	-	-	-	-	-	-	-	-	-
Internally generated funds	18,001	-	-	-	-	-	2,200	2,200	20,201	12,900	12,900
<b>Total sources of capital funds</b>	<b>209,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>2,200</b>	<b>12,200</b>	<b>221,233</b>	<b>170,083</b>	<b>117,850</b>
<b>Financial position</b>											
Total current assets	676,443	-	-	-	-	-	50,086	50,086	726,529	841,603	911,017
Total non current assets	7,238,673	-	-	-	-	-	-	-	7,238,673	7,394,889	7,554,687
Total current liabilities	692,762	-	-	-	-	-	39,295	39,295	732,058	672,731	671,323
Total non current liabilities	351,099	-	-	-	-	-	-	-	351,099	335,409	321,294
<b>Community wealth/Equity</b>	<b>6,871,255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,790</b>	<b>10,790</b>	<b>6,882,045</b>	<b>7,228,352</b>	<b>7,473,087</b>
<b>Cash flows</b>											
Net cash from (used) operating	164,505	-	-	-	-	-	62,286	62,286	226,791	260,839	178,168
Net cash from (used) investing	(209,033)	-	-	-	-	(10,000)	(2,200)	(12,200)	(221,233)	(170,083)	(117,850)
Net cash from (used) financing	(32,106)	-	-	-	-	-	-	-	(32,106)	(34,082)	(35,156)
<b>Cash/cash equivalents at the year end</b>	<b>(14,037)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>60,086</b>	<b>50,086</b>	<b>36,049</b>	<b>92,723</b>	<b>117,885</b>
<b>Cash backing/surplus reconciliation</b>											
Cash and investments available	(14,037)	-	-	-	-	-	50,086	50,086	36,049	92,723	117,885
Application of cash and investments	71,583	-	-	-	-	-	39,295	39,295	110,878	24,173	(7,444)
<b>Balance - surplus (shortfall)</b>	<b>(85,620)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,790</b>	<b>10,790</b>	<b>(74,830)</b>	<b>68,550</b>	<b>125,329</b>
<b>Asset Management</b>											
Asset register summary (WDV)	7,261,558	-	-	-	-	-	-	-	7,261,558	7,552,021	7,854,102
Depreciation & asset impairment	363,160	-	-	-	-	-	-	-	363,160	379,139	396,200
Renewal and Upgrading of Existing Assets	102,648	-	-	-	-	10,000	-	10,000	112,648	131,983	78,700
Repairs and Maintenance	76,707	-	-	-	-	-	(2,000)	(2,000)	74,707	77,180	93,465
<b>Free services</b>											
Cost of Free Basic Services provided	54,699	-	-	-	-	-	-	-	54,699	50,406	53,238
Revenue cost of free services provided	95,398	-	-	-	-	-	-	-	95,398	87,619	97,857
<b>Households below minimum service level</b>											
Water:	313	-	-	-	-	-	-	-	313	319	326
Sanitation/sewerage:	35	-	-	-	-	-	-	-	35	36	37
Energy:	-	-	-	-	-	-	-	-	-	-	-
Refuse:	31	-	-	-	-	-	-	-	31	32	33

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

Standard Description	Ref	Budget Year 2020/21									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	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H	+1 2021/22	+2 2022/23
R thousands	1, 4											
<b>Revenue - Functional</b>												
<i>Governance and administration</i>		514,453	-	-	-	-	-	-	-	514,453	589,155	638,588
Executive and council		12,367	-	-	-	-	-	-	-	12,367	11,929	12,301
Finance and administration		502,086	-	-	-	-	-	-	-	502,086	577,226	626,287
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<i>Community and public safety</i>		640,739	-	-	-	-	-	-	-	640,739	303,601	317,470
Community and social services		13,877	-	-	-	-	-	-	-	13,877	14,382	14,916
Sport and recreation		11,139	-	-	-	-	-	-	-	11,139	10,243	20,152
Public safety		4,138	-	-	-	-	-	-	-	4,138	4,320	6,243
Housing		611,581	-	-	-	-	-	-	-	611,581	274,853	276,152
Health		4	-	-	-	-	-	-	-	4	4	6
<i>Economic and environmental services</i>		166,208	-	-	-	-	-	-	-	166,208	169,602	156,411
Planning and development		39,067	-	-	-	-	-	-	-	39,067	34,516	15,001
Road transport		129,141	-	-	-	-	-	-	-	129,141	135,086	141,410
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>		1,560,710	-	-	-	-	-	-	-	1,560,710	1,895,187	1,788,551
Energy sources		835,626	-	-	-	-	-	-	-	835,626	930,566	1,018,003
Water management		337,581	-	-	-	-	-	-	-	337,581	361,074	356,094
Waste water management		243,101	-	-	-	-	-	-	-	243,101	251,074	257,048
Waste management		144,402	-	-	-	-	-	-	-	144,402	152,473	157,409
Other		184	-	-	-	-	-	-	-	184	193	201
<b>Total Revenue - Functional</b>	2	2,884,295	-	-	-	-	-	-	-	2,884,295	2,757,938	2,901,222
<b>Expenditure - Functional</b>												
<i>Governance and administration</i>		469,276	-	-	-	-	-	(23,588)	(23,588)	445,688	488,446	510,436
Executive and council		101,198	-	-	-	-	-	(7,237)	(7,237)	93,961	105,851	110,405
Finance and administration		367,328	-	-	-	-	-	(16,335)	(16,335)	350,992	382,012	399,213
Internal audit		750	-	-	-	-	-	(16)	(16)	735	783	819
<i>Community and public safety</i>		827,731	-	-	-	-	-	(7,995)	(7,995)	819,736	500,465	511,914
Community and social services		43,629	-	-	-	-	-	(1,581)	(1,581)	42,049	45,487	47,530
Sport and recreation		73,339	-	-	-	-	-	(861)	(861)	72,478	76,566	80,011
Public safety		70,215	-	-	-	-	-	(4,247)	(4,247)	65,969	73,305	76,603
Housing		630,591	-	-	-	-	-	(808)	(808)	629,783	294,714	296,907
Health		9,956	-	-	-	-	-	(498)	(498)	9,458	10,394	10,862
<i>Economic and environmental services</i>		266,056	-	-	-	-	-	(3,237)	(3,237)	262,819	277,727	290,383
Planning and development		85,041	-	-	-	-	-	(3,237)	(3,237)	81,804	88,702	92,755
Road transport		181,008	-	-	-	-	-	-	-	181,008	189,017	197,621
Environmental protection		7	-	-	-	-	-	-	-	7	7	8
<i>Trading services</i>		1,444,445	-	-	-	-	-	(15,266)	(15,266)	1,429,179	1,531,028	1,612,939
Energy sources		742,466	-	-	-	-	-	(1,601)	(1,601)	740,865	783,134	821,015
Water management		597,907	-	-	-	-	-	(11,105)	(11,105)	586,801	648,182	674,093
Waste water management		60,542	-	-	-	-	-	-	-	60,542	54,266	70,340
Waste management		43,530	-	-	-	-	-	(2,559)	(2,559)	40,971	45,446	47,491
Other		3,369	-	-	-	-	-	-	-	3,369	3,517	3,675
<b>Total Expenditure - Functional</b>	3	3,010,876	-	-	-	-	-	(50,086)	(50,086)	2,960,790	2,801,183	2,929,347
<b>Surplus/ (Deficit) for the year</b>		(126,581)	-	-	-	-	-	50,086	50,086	(76,486)	(43,245)	(28,125)

KZN252 Newcastle - Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote) -

Vote Description  <i>[insert departmental structure etc]</i>	Ref	Budget Year 2020/21									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												
<b>Revenue by Vote</b>	1											
Vote 1 - CORPORATE SERVICES		113,447	-	-	-	-	-	-	-	113,447	149,822	187,022
Vote 2 - COMMUNITY SERVICES		173,808	-	-	-	-	-	-	-	173,808	181,467	198,775
Vote 3 - BUDGET AND TREASURY		401,006	-	-	-	-	-	-	-	401,006	439,333	451,587
Vote 4 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - DEVELOPMENT PLANNING AND HUMAN SETTLEMEN		647,031	-	-	-	-	-	-	-	647,031	305,763	287,554
Vote 6 - TECHNICAL SERVICES		713,576	-	-	-	-	-	-	-	713,576	750,987	758,302
Vote 7 - ELECTRICAL AND MECHANICAL SERVICES		835,626	-	-	-	-	-	-	-	835,626	930,566	1,018,003
Vote 8 - GOVERNANCE UNIT		-	-	-	-	-	-	-	-	-	-	-
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]		-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue by Vote</b>	2	2,884,295	-	-	-	-	-	-	-	2,884,295	2,757,938	2,901,222
<b>Expenditure by Vote</b>	1											
Vote 1 - CORPORATE SERVICES		106,832	-	-	-	-	-	(7,268)	(7,268)	99,563	111,532	116,551
Vote 2 - COMMUNITY SERVICES		306,664	-	-	-	-	-	(14,994)	(14,994)	291,670	320,095	334,496
Vote 3 - BUDGET AND TREASURY		192,074	-	-	-	-	-	(3,573)	(3,573)	188,502	199,048	208,015
Vote 4 - MUNICIPAL MANAGER		59,470	-	-	-	-	-	(1,903)	(1,903)	57,567	62,087	64,881
Vote 5 - DEVELOPMENT PLANNING AND HUMAN SETTLEMEN		656,613	-	-	-	-	-	(1,709)	(1,709)	654,904	328,390	332,099
Vote 6 - TECHNICAL SERVICES		895,287	-	-	-	-	-	(13,441)	(13,441)	881,845	949,671	1,002,939
Vote 7 - ELECTRICAL AND MECHANICAL SERVICES		757,837	-	-	-	-	-	(1,668)	(1,668)	756,169	799,182	837,785
Vote 8 - GOVERNANCE UNIT		36,100	-	-	-	-	-	(5,529)	(5,529)	30,571	31,178	32,582
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]		-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditure by Vote</b>	2	3,010,876	-	-	-	-	-	(50,086)	(50,086)	2,960,790	2,801,183	2,929,347
<b>Surplus/ (Deficit) for the year</b>	2	(126,581)	-	-	-	-	-	50,086	50,086	(76,496)	(43,245)	(28,125)

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

Description	Ref	Budget Year 2020/21								Budget Year	Budget Year	
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or Prov.	Other	Total	Adjusted	Adjusted	
		Budget	Adjusted	Funds	capital	Unavoid.	Govt	Adjusts.	Adjusts.	Budget	Budget	
R thousands	1	3	4	5	6	7	8	9	10	+1 2021/22	+2 2022/23	
		A	A1	B	C	D	E	F	G	H		
<b>Revenue By Source</b>												
Property rates	2	363,413	-	-	-	-	-	-	-	363,413	401,075	412,829
Service charges - electricity revenue	2	751,862	-	-	-	-	-	-	-	751,862	839,436	923,380
Service charges - water revenue	2	199,933	-	-	-	-	-	-	-	199,933	207,034	216,351
Service charges - sanitation revenue	2	123,818	-	-	-	-	-	-	-	123,818	132,612	138,789
Service charges - refuse revenue	2	101,229	-	-	-	-	-	-	-	101,229	108,576	114,507
Rental of facilities and equipment		9,452								9,452	9,868	10,312
Interest earned - external investments		3,131								3,131	2,510	2,623
Interest earned - outstanding debtors		4,001								4,001	4,611	4,818
Dividends received		-								-	-	-
Fines, penalties and forfeits		4,180								4,180	4,364	6,328
Licences and permits		48								48	46	48
Agency services		-								-	-	-
Transfers and subsidies		1,112,707					(10,000)		(10,000)	1,102,707	869,077	945,028
Other revenue	2	19,487	-	-	-	-	-	-	-	19,487	20,345	21,260
Gains												
<b>Total Revenue (excluding capital transfers and contributions)</b>		<b>2,693,263</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>-</b>	<b>(10,000)</b>	<b>2,683,263</b>	<b>2,600,755</b>	<b>2,796,272</b>
<b>Expenditure By Type</b>												
Employee related costs		601,653	-	-	-	-	-	(33,820)	(33,820)	567,833	628,125	656,536
Remuneration of councillors		29,060						(3,350)	(3,350)	25,710	30,339	31,704
Debt impairment		286,041								286,041	298,627	312,085
Depreciation & asset impairment		363,160	-	-	-	-	-	-	-	363,160	379,139	396,200
Finance charges		35,846								35,846	37,423	39,107
Bulk purchases		605,107	-	-	-	-	-	-	-	605,107	631,732	660,160
Other materials		153,188								153,188	159,886	167,079
Contracted services		818,629	-	-	-	-	-	(9,396)	(9,396)	809,233	513,023	538,055
Transfers and subsidies		-								-	-	-
Other expenditure		118,192	-	-	-	-	-	(3,520)	(3,520)	114,672	122,888	128,440
Losses		-								-	-	-
<b>Total Expenditure</b>		<b>3,010,876</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,086)</b>	<b>(50,086)</b>	<b>2,960,790</b>	<b>2,801,183</b>	<b>2,929,347</b>
<b>Surplus/(Deficit)</b>		<b>(317,613)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>50,086</b>	<b>40,086</b>	<b>(277,528)</b>	<b>(200,428)</b>	<b>(133,075)</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)		191,032					10,000		10,000	201,032	157,183	104,950
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)												
<b>Surplus/(Deficit) before taxation</b>		<b>(126,581)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>(76,496)</b>	<b>(43,245)</b>	<b>(28,125)</b>
Taxation												
<b>Surplus/(Deficit) after taxation</b>		<b>(126,581)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>(76,496)</b>	<b>(43,245)</b>	<b>(28,125)</b>
Attributable to minorities												
<b>Surplus/(Deficit) attributable to municipality</b>		<b>(126,581)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>(76,496)</b>	<b>(43,245)</b>	<b>(28,125)</b>
Share of surplus/ (deficit) of associate												
<b>Surplus/ (Deficit) for the year</b>		<b>(126,581)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>(76,496)</b>	<b>(43,245)</b>	<b>(28,125)</b>

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

Description	Ref	Budget Year 2020/21									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	5 A1	6 B	7 C	8 D	9 E	10 F	11 G	12 H		
<b>R thousands</b>												
<b>Capital expenditure - Vote</b>												
<b>Multi-year expenditure to be adjusted</b>	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 - GOVERNANCE UNIT		-	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be adjusted</b>												
Vote 1 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 2 - COMMUNITY SERVICES		11,345	-	-	-	-	-	-	-	11,345	10,097	20,000
Vote 3 - BUDGET AND TREASURY		2,900	-	-	-	-	-	-	-	2,900	2,900	2,900
Vote 4 - MUNICIPAL MANAGER		-	-	-	-	-	-	-	-	-	-	-
Vote 5 - DEVELOPMENT PLANNING AND HUMAN SETTLEMEN		25,001	-	-	-	-	-	-	-	25,001	20,000	-
Vote 6 - TECHNICAL SERVICES		169,788	-	-	-	-	10,000	2,200	12,200	181,988	137,086	94,950
Vote 7 - ELECTRICAL AND MECHANICAL SERVICES		-	-	-	-	-	-	-	-	-	-	-
Vote 8 - GOVERNANCE UNIT		-	-	-	-	-	-	-	-	-	-	-
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		209,033	-	-	-	-	10,000	2,200	12,200	221,233	170,083	117,850
<b>Total Capital Expenditure - Vote</b>		<b>209,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>2,200</b>	<b>12,200</b>	<b>221,233</b>	<b>170,083</b>	<b>117,850</b>
<b>Capital Expenditure - Functional</b>												
<b>Governance and administration</b>		2,900	-	-	-	-	-	-	-	2,900	2,900	2,900
Executive and council		-	-	-	-	-	-	-	-	-	-	-
Finance and administration		2,900	-	-	-	-	-	-	-	2,900	2,900	2,900
Internal audit		-	-	-	-	-	-	-	-	-	-	-
<b>Community and public safety</b>		11,345	-	-	-	-	-	-	-	11,345	10,097	20,000
Community and social services		345	-	-	-	-	-	-	-	345	-	-
Sport and recreation		11,000	-	-	-	-	-	-	-	11,000	10,097	20,000
Public safety		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-	-
<b>Economic and environmental services</b>		118,141	-	-	-	-	10,000	2,200	12,200	130,341	50,200	46,250
Planning and development		25,101	-	-	-	-	-	-	-	25,101	20,200	250
Road transport		93,040	-	-	-	-	10,000	2,200	12,200	105,240	30,000	46,000
Environmental protection		-	-	-	-	-	-	-	-	-	-	-
<b>Trading services</b>		76,648	-	-	-	-	-	-	-	76,648	106,886	48,700
Energy sources		-	-	-	-	-	-	-	-	-	-	-
Water management		49,648	-	-	-	-	-	-	-	49,648	70,400	45,000
Waste water management		27,000	-	-	-	-	-	-	-	27,000	36,486	3,700
Waste management		-	-	-	-	-	-	-	-	-	-	-
<b>Other</b>		-	-	-	-	-	-	-	-	-	-	-
<b>Total Capital Expenditure - Functional</b>	3	<b>209,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>2,200</b>	<b>12,200</b>	<b>221,233</b>	<b>170,083</b>	<b>117,850</b>
<b>Funded by:</b>												
National Government		174,688	-	-	-	-	10,000	-	10,000	184,688	147,086	84,950
Provincial Government		16,345	-	-	-	-	-	-	-	16,345	10,097	20,000
District Municipality		-	-	-	-	-	-	-	-	-	-	-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)		-	-	-	-	-	-	-	-	-	-	-
<b>Transfers recognised - capital</b>	4	<b>191,032</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>	<b>10,000</b>	<b>201,032</b>	<b>157,183</b>	<b>104,950</b>
<b>Borrowing</b>		-	-	-	-	-	-	-	-	-	-	-
Internally generated funds		18,001	-	-	-	-	-	2,200	2,200	20,201	12,900	12,900
<b>Total Capital Funding</b>		<b>209,033</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>2,200</b>	<b>12,200</b>	<b>221,233</b>	<b>170,083</b>	<b>117,850</b>

KZN252 Newcastle - Table B6 Adjustments Budget Financial Position -

Description	Ref	Budget Year 2020/21									Budget Year	Budget Year
		Original	Prior Adjusted	Accum. Funds	Multi-year	Unfore.	Nat. or Prov.	Other Adjusts.	Total Adjusts.	Adjusted	Adjusted	Adjusted
		Budget	3	4	capital	Unavoid.	Govt	8	9	Budget	Budget	Budget
A	A1	B	C	D	E	F	G	H				
R thousands												
<b>ASSETS</b>												
<b>Current assets</b>												
Cash		(14,037)						50,086	50,086	36,049	92,723	117,885
Call investment deposits	1								-	-		
Consumer debtors	1	594,134	-	-	-	-	-	-	-	594,134	648,681	688,824
Other debtors		81,351							-	81,351	84,605	87,990
Current portion of long-term receivables		-							-	-		
Inventory		14,995							-	14,995	15,594	16,218
<b>Total current assets</b>		<b>676,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>726,529</b>	<b>841,603</b>	<b>911,017</b>
<b>Non current assets</b>												
Long-term receivables									-	-	-	-
Investments									-	-	-	-
Investment property		341,874							-	341,874	355,549	369,771
Investment in Associate		217,333							-	217,333	226,027	235,068
Property, plant and equipment	1	6,666,531	-	-	-	-	-	-	-	6,666,531	6,799,862	6,935,859
Biological		-							-	-	-	-
Intangible		1,224							-	1,224	1,273	1,324
Other non-current assets		11,711							-	11,711	12,179	12,667
<b>Total non current assets</b>		<b>7,238,673</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,238,673</b>	<b>7,394,889</b>	<b>7,554,687</b>
<b>TOTAL ASSETS</b>		<b>7,915,116</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>7,965,202</b>	<b>8,236,492</b>	<b>8,465,704</b>
<b>LIABILITIES</b>												
<b>Current liabilities</b>												
Bank overdraft									-	-	-	-
Borrowing		(32,106)	-	-	-	-	-	-	-	(32,106)	(34,082)	(35,156)
Consumer deposits		27,095							-	27,095	28,179	29,306
Trade and other payables		888,021	-	-	-	-	-	39,295	39,295	727,316	668,492	666,626
Provisions		9,752							-	9,752	10,142	10,548
<b>Total current liabilities</b>		<b>692,762</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,295</b>	<b>39,295</b>	<b>732,058</b>	<b>672,731</b>	<b>671,323</b>
<b>Non current liabilities</b>												
Borrowing	1	260,654	-	-	-	-	-	-	-	260,654	241,346	223,488
Provisions	1	90,445	-	-	-	-	-	-	-	90,445	94,063	97,825
<b>Total non current liabilities</b>		<b>351,099</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>351,099</b>	<b>335,409</b>	<b>321,294</b>
<b>TOTAL LIABILITIES</b>		<b>1,043,861</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,295</b>	<b>39,295</b>	<b>1,083,156</b>	<b>1,008,140</b>	<b>992,617</b>
<b>NET ASSETS</b>	2	<b>6,871,255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,790</b>	<b>10,790</b>	<b>6,882,045</b>	<b>7,228,352</b>	<b>7,473,087</b>
<b>COMMUNITY WEALTH/EQUITY</b>												
Accumulated Surplus/(Deficit)		6,841,013	-	-	-	-	-	10,790	10,790	6,851,803	7,196,901	7,440,377
Reserves		30,242	-	-	-	-	-	-	-	30,242	31,452	32,710
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>		<b>6,871,255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,790</b>	<b>10,790</b>	<b>6,882,045</b>	<b>7,228,352</b>	<b>7,473,087</b>

KZN252 Newcastle - Table B7 Adjustments Budget Cash Flows -

Description	Ref	Budget Year 2020/21									Budget Year	Budget Year
		Original	Prior	Accum.	Multi-year	Unfore.	Nat. or Prov.	Other	Total	Adjusted	Adjusted	Adjusted
		Budget	Adjusted	Funds	capital	Unavoid.	Govt	Adjusts.	Adjusts.	Budget	Budget	Budget
R thousands		A	3	4	5	6	7	8	9	10		
		A1	B	C	D	E	F	G	H			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>												
<b>Receipts</b>												
Property rates		272,560							-	272,560	300,807	308,487
Service charges		989,000							-	989,000	1,100,936	1,189,233
Other revenue		315,172							-	315,172	276,017	275,589
Transfers and Subsidies - Operational	1	1,112,707					(10,000)		(10,000)	1,102,707	889,077	945,028
Transfers and Subsidies - Capital	1	191,032					10,000		10,000	201,032	157,183	104,950
Interest		3,131							-	3,131	2,510	2,623
Dividends		-							-	-	-	-
<b>Payments</b>												
Suppliers and employees		(2,683,251)						62,286	62,286	(2,620,965)	(2,408,288)	(2,608,613)
Finance charges		(35,846)							-	(35,846)	(37,423)	(39,107)
Transfers and Grants	1	-							-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>		<b>164,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,286</b>	<b>62,286</b>	<b>226,791</b>	<b>260,839</b>	<b>178,168</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>												
<b>Receipts</b>												
Proceeds on disposal of PPE		-							-	-	-	-
Decrease (increase) in non-current receivables		-							-	-	-	-
Decrease (increase) in non-current investments		-							-	-	-	-
<b>Payments</b>												
Capital assets		(209,033)					(10,000)	(2,200)	(12,200)	(221,233)	(170,083)	(117,850)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>		<b>(209,033)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(2,200)</b>	<b>(12,200)</b>	<b>(221,233)</b>	<b>(170,083)</b>	<b>(117,850)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>												
<b>Receipts</b>												
Short term loans									-	-	-	-
Borrowing long term/refinancing									-	-	-	-
Increase (decrease) in consumer deposits									-	-	-	-
<b>Payments</b>												
Repayment of borrowing		(32,106)							-	(32,106)	(34,082)	(35,156)
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>		<b>(32,106)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,106)</b>	<b>(34,082)</b>	<b>(35,156)</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>		<b>(76,633)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>60,086</b>	<b>50,086</b>	<b>(26,547)</b>	<b>56,674</b>	<b>25,162</b>
Cash/cash equivalents at the year begin:	2	62,596							-	62,596	36,049	92,723
Cash/cash equivalents at the year end:	2	(14,037)					(10,000)	60,086	50,086	36,049	92,723	117,885

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

Description	Ref	Budget Year 2020/21										Budget Year +1 2021/22	Budget Year +2 2022/23	
		Original Budget A	Prior Adjusted 3 A1	Accum. Funds 4 B	Multi-year capital 5 C	Unfore. Unavoid. 6 D	Nat. or Prov. Govt 7 E	Other Adjusts. 8 F	Total Adjusts. 9 G	Adjusted Budget 10 H	Adjusted Budget	Adjusted Budget		
<b>R thousands</b>														
<b>Cash and investments available</b>														
Cash/cash equivalents at the year end	1	(14,037)	-	-	-	-	(10,000)	60,086	50,086	36,049	92,723	117,885	117,885	
Other current investments > 90 days		-	-	-	-	10,000	(10,000)	-	0	0	-	-	-	
Non current assets - Investments	1	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Cash and investments available:</b>		<b>(14,037)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,086</b>	<b>50,086</b>	<b>50,086</b>	<b>36,049</b>	<b>92,723</b>	<b>117,885</b>	<b>117,885</b>	
<b>Applications of cash and investments</b>														
Unspent conditional transfers		26,776	-	-	-	-	-	-	-	26,776	29,454	22,093	22,093	
Unspent borrowing		17,103	-	-	-	-	-	-	-	-	-	-	-	
Statutory requirements		(13,945)	-	-	-	-	-	39,295	39,295	17,103	22,360	25,686	25,686	
Other working capital requirements	2	-	-	-	-	-	-	-	25,351	25,351	(72,448)	(100,720)	(100,720)	
Other provisions		11,406	-	-	-	-	-	-	-	11,406	12,090	12,816	12,816	
Long term investments committed		-	-	-	-	-	-	-	-	-	-	-	-	
Reserves to be backed by cash/investments		30,242	-	-	-	-	-	-	-	30,242	32,716	32,682	32,682	
<b>Total Application of cash and investments:</b>		<b>71,583</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>39,295</b>	<b>39,295</b>	<b>110,878</b>	<b>24,173</b>	<b>(7,444)</b>	<b>(7,444)</b>	
<b>Surplus(shortfall)</b>		<b>(85,620)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,790</b>	<b>10,790</b>	<b>10,790</b>	<b>(74,830)</b>	<b>68,550</b>	<b>125,329</b>	<b>125,329</b>	



KZN252 Newcastle - Table B9 Asset Management -

Description	Ref	Budget Year 2020/21								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	
		A	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H		
R thousands												
<b>CAPITAL EXPENDITURE</b>												
<b>Total New Assets to be adjusted</b>	1	106,386	-	-	-	-	-	2,200	2,200	108,586	38,100	39,150
Roads Infrastructure		77,941	-	-	-	-	-	-	-	77,941	20,000	36,000
Storm water Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		20,000	-	-	-	-	-	-	-	20,000	15,000	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		97,941	-	-	-	-	-	-	-	97,941	35,000	36,000
Community Facilities		345	-	-	-	-	-	-	-	345	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-	-	-
Community Assets		345	-	-	-	-	-	-	-	345	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Other Assets	6	-	-	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		2,900	-	-	-	-	-	-	-	2,900	3,000	3,050
Machinery and Equipment		5,200	-	-	-	-	-	2,200	2,200	7,400	100	100
Transport Assets		-	-	-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-	-	-
<b>Total Renewal of Existing Assets to be adjusted</b>	2	10,000	-	-	-	-	-	-	-	10,000	10,000	10,000
Roads Infrastructure		10,000	-	-	-	-	-	-	-	10,000	10,000	10,000
Storm water Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Sanitation Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Solid Waste Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Rail Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Coastal Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Information and Communication Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Infrastructure		10,000	-	-	-	-	-	-	-	10,000	10,000	10,000
Community Facilities		-	-	-	-	-	-	-	-	-	-	-
Sport and Recreation Facilities		-	-	-	-	-	-	-	-	-	-	-
Community Assets		-	-	-	-	-	-	-	-	-	-	-
Heritage Assets		-	-	-	-	-	-	-	-	-	-	-
Revenue Generating		-	-	-	-	-	-	-	-	-	-	-
Non-revenue Generating		-	-	-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-	-	-
Operational Buildings		-	-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-	-
Other Assets	6	-	-	-	-	-	-	-	-	-	-	-
Biological or Cultivated Assets		-	-	-	-	-	-	-	-	-	-	-
Servitudes		-	-	-	-	-	-	-	-	-	-	-
Licences and Rights		-	-	-	-	-	-	-	-	-	-	-
Intangible Assets		-	-	-	-	-	-	-	-	-	-	-
Computer Equipment		-	-	-	-	-	-	-	-	-	-	-
Furniture and Office Equipment		-	-	-	-	-	-	-	-	-	-	-
Machinery and Equipment		-	-	-	-	-	-	-	-	-	-	-
Transport Assets		-	-	-	-	-	-	-	-	-	-	-
Land		-	-	-	-	-	-	-	-	-	-	-
Zoo's, Marine and Non-biological Animals		-	-	-	-	-	-	-	-	-	-	-
<b>Total Upgrading of Existing Assets to be adjusted</b>	2a	92,648	-	-	-	-	10,000	-	10,000	102,648	121,983	68,700
Roads Infrastructure		20,000	-	-	-	-	10,000	-	10,000	30,000	20,000	-
Storm water Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Electrical Infrastructure		-	-	-	-	-	-	-	-	-	-	-
Water Supply Infrastructure		29,648	-	-	-	-	-	-	-	29,648	55,400	45,000



Machinery and Equipment		-							-	-	-	-
Transport Assets		-							-	-	-	-
Land		53,149							53,149	55,275	57,486	
Zoo's, Marine and Non-biological Animals		-							-	-	-	-
<b>TOTAL ASSET REGISTER SUMMARY - PPE (WDV)</b>	<b>5</b>	<b>7,261,558</b>							<b>7,261,558</b>	<b>7,552,021</b>	<b>7,854,102</b>	
<b>EXPENDITURE OTHER ITEMS</b>												
<b>Depreciation &amp; asset impairment</b>		363,160								363,160	379,139	398,200
<b>Repairs and Maintenance by asset class</b>	<b>3</b>	<b>76,707</b>						(2,000)	(2,000)	<b>74,707</b>	<b>77,180</b>	<b>93,465</b>
<i>Roads Infrastructure</i>		4,697								4,697	4,903	5,124
<i>Storm water Infrastructure</i>		16,786								16,786	17,529	18,322
<i>Electrical Infrastructure</i>		9,433								9,433	9,848	10,291
<i>Water Supply Infrastructure</i>		4,750								4,750	10,997	10,671
<i>Sanitation Infrastructure</i>		23,011								23,011	15,084	29,395
<i>Solid Waste Infrastructure</i>		-								-	-	-
<i>Rail Infrastructure</i>		-								-	-	-
<i>Coastal Infrastructure</i>		-								-	-	-
<i>Information and Communication Infrastructure</i>		-								-	-	-
Infrastructure		58,677								58,677	58,362	73,804
Community Facilities		1,465								1,465	1,530	1,598
Sport and Recreation Facilities		268								268	280	292
Community Assets		1,733								1,733	1,809	1,891
Heritage Assets		-								-	-	-
Revenue Generating		-								-	-	-
Non-revenue Generating		-								-	-	-
Investment properties		-								-	-	-
Operational Buildings		3,378								3,378	3,527	3,686
Housing		679								679	709	741
Other Assets		4,057								4,057	4,236	4,426
Biological or Cultivated Assets		-								-	-	-
Servitudes		-								-	-	-
Licences and Rights		3,784						(2,000)	(2,000)	1,784	3,951	4,128
Intangible Assets		3,784						(2,000)	(2,000)	1,784	3,951	4,128
Computer Equipment		2,300								2,300	2,401	2,509
Furniture and Office Equipment		33								33	30	28
Machinery and Equipment		6,122								6,122	6,391	6,679
Transport Assets		-								-	-	-
Land		-								-	-	-
Zoo's, Marine and Non-biological Animals	<b>6</b>	-								-	-	-
<b>TOTAL EXPENDITURE OTHER ITEMS to be adjusted</b>		<b>439,866</b>						<b>(2,000)</b>	<b>(2,000)</b>	<b>437,866</b>	<b>456,319</b>	<b>489,665</b>
<i>Renewal and upgrading of Existing Assets as % of total capex</i>		49.1%	0.0%							50.9%	77.6%	66.8%
<i>Renewal and upgrading of Existing Assets as % of deprecn"</i>		28.3%	0.0%							31.0%	34.8%	19.9%
<i>R&amp;M as a % of PPE</i>		1.1%	0.0%							1.0%	1.0%	1.2%
<i>Renewal and upgrading and R&amp;M as a % of PPE</i>		2.5%	0.0%							2.6%	2.8%	2.2%

KZN252 Newcastle - Table B10 Basic service delivery measurement -

Description	Ref	Budget Year 2020/21									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	7 A1	8 B	9 C	10 D	11 E	12 F	13 G	14 H	+1 2021/22	+2 2022/23
<b>Household service targets</b>	1											
<b>Water:</b>												
Piped water inside dwelling		154,672								155	157,765	180,921
Piped water inside yard (but not in dwelling)		116,728								117	119,063	121,444
Using public tap (at least min.service level)	2	31,249								31	31,874	32,511
Other water supply (at least min.service level)		2,104								2	2,145	2,188
<i>Minimum Service Level and Above sub-total</i>		305								305	311	317
Using public tap (< min.service level)	3	304,193								304	310,277	316,482
Other water supply (< min.service level)	3,4											
No water supply		8,919								9	9,097	9,279
<i>Below Minimum Service Level sub-total</i>		313								313	319	326
<b>Total number of households</b>	5	618								618	630	643
<b>Sanitation/sewerage:</b>												
Flush toilet (connected to sewerage)		221,343								221,343	225,770	230,285
Flush toilet (with septic tank)		1,326								1,326	1,363	1,380
Chemical toilet												
Pit toilet (ventilated)		50,398								50,398	51,406	52,434
Other toilet provisions (> min.service level)		16,364								16,364	16,691	17,025
<i>Minimum Service Level and Above sub-total</i>		289,431								289,431	295,219	301,124
Bucket toilet												
Other toilet provisions (< min.service level)		35,446								35,446	36,155	36,878
No toilet provisions												
<i>Below Minimum Service Level sub-total</i>		35,446								35,446	36,155	36,878
<b>Total number of households</b>	5	324,876								324,876	331,374	338,001
<b>Energy:</b>												
Electricity (at least min. service level)		57,358								57,358	58,505	59,675
Electricity - prepaid (> min.service level)		3,231								3,231	3,296	3,361
<i>Minimum Service Level and Above sub-total</i>		60,588								60,588	61,800	63,036
Electricity (< min.service level)												
Electricity - prepaid (< min. service level)												
Other energy sources												
<i>Below Minimum Service Level sub-total</i>												
<b>Total number of households</b>	5	60,588								60,588	61,800	63,036
<b>Refuse:</b>												
Removed at least once a week (min.service)		60,383								60,383	61,591	62,822
<i>Minimum Service Level and Above sub-total</i>		60,383								60,383	61,591	62,822
Removed less frequently than once a week		2,107								2,107	2,149	2,192
Using communal refuse dump		1,480								1,480	1,510	1,540
Using own refuse dump		24,281								24,281	24,767	25,262
Other rubbish disposal		2,381								2,381	2,428	2,477
No rubbish disposal		1,044								1,044	1,065	1,087
<i>Below Minimum Service Level sub-total</i>		31,294								31,294	31,919	32,558
<b>Total number of households</b>	5	91,677								91,677	93,510	95,380
<b>Households receiving Free Basic Service</b>	15											
Water (6 kilolitres per household per month)		9								9	10	10
Sanitation (free minimum level service)		9								9	10	10
Electricity/other energy (50kwh per household per month)		10								10	10	10
Refuse (removed at least once a week)		9								9	10	10
<b>Cost of Free Basic Services provided (R'000)</b>	16											
Water (6 kilolitres per indigent household per month)		10,123								10,123	8,840	9,238
Sanitation (free sanitation service to indigent households month)		18,498								18,498	16,705	17,457
Refuse (removed once a week for indigent households)		9,881								9,881	10,233	11,257
		16,196								16,196	14,628	15,286
<b>Cost of Free Basic Services provided - Informal Formal Settlements (R'000)</b>												
<b>Total cost of FBS provided</b>		54,699								54,699	50,406	53,238
<b>Highest level of free service provided</b>												
Property rates (R'000 value threshold)												
Water (kilolitres per household per month)												
Sanitation (kilolitres per household per month)												
Sanitation (Rand per household per month)												
Electricity (kw per household per month)												
Refuse (average litres per week)												
<b>Revenue cost of free services provided (R'000)</b>	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		95,398								95,398	87,619	97,857
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												
<b>Total revenue cost of subsidised services provided</b>	6	95,398								95,398	87,619	97,857

# **NEWCASTLE MUNICIPALITY**

## **ADJUSTED BUDGET FUNDING PLAN** **2022/23 to 2025/26**

## ADJUSTED BUDGET FUNDING PLAN

### 1. Purpose

This Adjusted Budget Funding Plan 2022/23 (BFP) has developed in response to the municipality's current financial situation and the strategies that will be applied to ensure a funded budget of the municipality within the next five years. The plan will also assist with the long-term financial stability of the municipality beyond the duration of the plan. The plan is aligned to the 2022/23 adjustments budget, which is being tabled to council for adoption. The municipality does acknowledge that fact that its budget is not yet funded, hence, the need for a credible plan, which its purpose is move the municipality into a funded budget position within the next five years.

### 2. Introduction

The 2022/23 medium term budget framework indicates that the municipality will be operating at the deficit for at least the next three financial years. In order to continue to provide services and extend its services to the community, the budget should be funded in accordance with the legal requirements of the Municipal Finance Management Act (MFMA). It is therefore imperative that a plan that will respond to the situation be crafted and monitored by the Council. The importance of tabling funded budgets was indicated to council before and it is also highlighted in the National Treasury circulars, however there are cases that may warrant a plan since the budget could not be funded continuously over the Medium Term Revenue and Expenditure Framework (MTREF) period. This is currently the case with Newcastle Municipality. As a result, the municipality is required to table and adopt a Budget Funding Plan which aligns to the Adjustments Budget for the 2022/23 financial year. The purpose of the BFP is to ensure that the municipality continuously moves from an unfunded to a funded budget position. The plan must also ensure that the funding position is maintained even beyond the period in which the budget is projected to be funded in order to maintain a financial stability as required by MFMA Circular No.93.

The table below reflects a high level operating results of the municipality's budget over the next three years. Evidently, the municipality is projecting an adjusted deficit of R76.4 million, R43.2 million and R28.1 million for the 2022/23, 2023/24 and 2024/25 financial years respectively and surplus of R56.3 million for the 2025/26 financial year:

**Table 1: Budget summary (financial and capital performance)**

Description	Budget Year 2022/23		Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26
	Original Budget	Adjusted Budget	Budget	Budget	Budget
	R'000	R'000	R'000	R'000	R'000
Total Revenue Budget	2 693 262	2 693 262	2 600 754	2 796 272	2 954 769
Total Expenditure Budget	3 010 876	2 960 790	2 801 182	2 929 347	3 036 715
Surplus/(Deficit)	(126 581)	(76 495)	(43 245)	(28 125)	56 381
Capital expenditure	209 033	221 233	170 083	117 850	96 541

From Table 1 the above, it is evident that the municipality is not financially viable and without sufficient cash flow it will not be able to continue to provide services to the community. The municipality is currently experiencing cash flow challenges resulting in insufficient cash to support its current service delivery mandate. A high level

assessment performed by the municipality and KZN Provincial Treasury has revealed the following factors as the main contributors to the financial crisis that the Newcastle Municipality is faced with:





















- The municipality is operating at a deficit;
- Escalation of outstanding debtors, especially domestic consumers;
- Huge operating expenditure base from employee costs, contracted services and other expenditure;
- Over-commitment on external borrowing;
- Huge Eskom and Uthukela Water debts;
- Tariffs not cost-reflective, especially for water and sanitation;
- Limitation in revenue generation and revenue enhancement strategies;
- Reserves, conditional grants and reserves not fully cash backed;
- Reduction in the equitable share allocation due to the impact of Covid-19;
- The high increase in the electricity bulk purchases compared to the revenue tariff increase;
- Actions and spending that give rise to unplanned cash outflows.

### **3. Strategic objectives of the Budget Funding Plan 2022/23 (BFP)**

The principle objective of the BFP is to ensure financial viability and sustainability of the municipality, a funded budget and to subsequently ensure the ability of the municipality to meet its obligations in terms of the Service Delivery and Budget Implementation Plan (SDBIP) and Integrated Development Plan (IDP). In order to achieve these objectives, the municipality has developed strategies which are aimed at improving its financial status. These strategies have been developed by senior management of the municipality, in consultation with all other staff members. The plan indicates the key focus areas, the responsible official, the time frames of implementation, as well as revenue and costs projected to be generated or incurred over the period of the plan.

The following table contains a list of the strategies that management has put together in order to ensure that the budget of the municipality will be funded within the next five years and beyond:

**Table 2: Budget Funding Strategies**

Budget Funding Plan								
STATUS & PERCENTAGE	Task completed: 100% 	Task almost completed: 51% - 99% 	Task commenced: 1% - 50% 	Task not yet started: 0% 				
No	Strategy	Focus Area	Key Activities	Responsible Person	Start Date	End Date	Status & percentage	Comments regarding status and progress related to activities
1	Inflation linked tariff increase and improved collection rate	Property rates	Steadily increase increase revenue based on CPI target	MM & CFO	01/07/2018	30/06/2024	70%	Task almost completed: 51% - 99% 
2	Inflation linked tariff increase and improved collection rate	Service charges	Steadily increase increase revenue based on CPI target	MM & CFO	01/07/2018	30/06/2024	70%	Task almost completed: 51% - 99% 
3	Inflation linked tariff increase and improved collection rate	Other revenue	Steadily increase increase revenue based on CPI target	MM & CFO	01/07/2018	30/06/2024	90%	Task almost completed: 51% - 99% 
4	Ensure full access to all government grants	Transfers recognised - capital	Submit business plans and ensure conditional grants are fully spent	MM & CFO	01/07/2015	30/06/2030	25%	Task commenced: 1% - 50% 
5	Dispose unused land and other assets	Proceeds on disposal of PPE	Identify unused land for residential and business use	MM & CFO	01/07/2015	30/06/2030	70%	Task almost completed: 51% - 99% 
6	Curb recruitment on new personnel	Employee related costs	Do not fill any non-critical positions being vacated	MM & CFO	01/07/2018	30/06/2024	40%	Task commenced: 1% - 50% 
7	No commitment on new loans - interest	Finance charges	No new capital expenditure will be financed through external loans	MM & CFO	01/07/2018	30/06/2024	70%	Task almost completed: 51% - 99% 
8	No commitment on new loans - capital	Repayment of borrowing	No new capital expenditure will be financed through external loans	MM & CFO	01/07/2020	30/06/2026	70%	Task almost completed: 51% - 99% 
9	Limit exorbitant increase in non-core expenditure	Contracted services	Reduction and very minimal increase on contracted services	MM & CFO	01/07/2020	Continuous	45%	Task commenced: 1% - 50% 
10	Limit exorbitant increase in non-core expenditure	Other expenditure	Reduction and very minimal increase on other expenditure	MM & CFO	01/07/2020	Continuous	45%	Task commenced: 1% - 50% 
11	Reduce internally funded capital expenditure	Internally generated funds	fasttrack early appointment of service providers	MM & CFO	01/07/2018	Continuous	50%	Task almost completed: 51% - 99% 
12	Reduce unspent conditional grants	Unspent conditional transfers	Prioritise payment of grant related payments and clean up the grant register	MM & CFO	01/07/2018	Continuous	15%	Task commenced: 1% - 50% 
13	Improve payment of creditors	Other working capital requirement	Keep up with the Eskom agreement and ensure timely payment of other creditors	MM & CFO	01/07/2020	Continuous	30%	Task commenced: 1% - 50% 
14	Ensure cash-backing of provisions	Other provisions	Build up reserves up ensuring increased cash and cash equivalents	MM & CFO	01/07/2020	Continuous	0%	Task not yet started: 0% 
15	Ensure cash-backing of reserves	Reserves to be cash-backed	Build up reserves up ensuring increased cash and cash equivalents	MM & CFO	01/07/2019	Continuous	20%	Task commenced: 1% - 50% 
16	Claim all vat receivable from SARS	Statutory requirements	Ensure timely payment of invoices and submission of Vat returns	MM & CFO	01/07/2020	Continuous	75%	Task almost completed: 51% - 99% 

### 3.1 Increase on the collections rates for service charges and property rates

The Newcastle Municipality is planning to steadily increase collection rate over the next five years by 1% basis points and above the consumer price index (CPIX). This will be done in order to steadily achieve cost reflective tariffs over the same period. Furthermore, through an aggressive awareness campaign aimed at instilling a culture of payment within our communities, arresting water losses and the implementation consumer of incentive schemes, the collection rate is projected to steadily improve from 78% to 85% over the next five years.

### 3.2 Full access to conditional grants.

The municipality will drive an aggressive strategy to submit business plans to ensure that its capital programme is gradually and eventually fully funded from government grants. The departments are also being encouraged to investigate and access all grant opportunities available with other sectors, in order lessen the impact of rates and service charges. Equally, the municipality is be putting measures in place to ensure that all grants are fully spent. This will also assist to ensure that no funds are reverted to the National Revenue Fund.

### 3.3 Disposal of unused land and other properties.

The municipality has already identified and put a plan to service unused land for disposal, especially for commercial purposes. For some of the properties the Municipality has already received bids from the public and same have since been awarded through the supply chain management system, with the transfer processes still underway. The developmental plans include, but not limited, the upgrading of the Human Resources Development



unit's building for use by University of South Africa (Unisa), servicing and disposal of land next to the Medical Precinct Centre next to Mediclinic. This process is already at an advanced state.

#### 3.4 Delay recruitment in new positions

The municipality is planning to delay recruitment on some of the positions, which are not considered to be critical. These include positions that will be exited during the next five years, and other new positions currently vacant. The budget for the employee related costs is however expected to increase steadily of the next four years in order to accommodate the expected annual increase on staff salaries. The municipality is also revisiting its strategies to limit the use of overtime by using EPWP and to limit the rate of those above the threshold.

#### 3.5 No commitment to new loans

One of the challenges of the Newcastle Municipality is faced with is its over-commitment on external long-term loans. In order to deal with the funding position, the municipality is not planning to take any loans until a favourable funding position has been achieved. No loans are planned to be taken over the next five years in order to deal with the impact of finance charges in the budget.

#### 3.6 Limit increase on non-core expenditure

The municipality will enforce its cost containment policy to ensure that non-core expenditure is reduced or eliminated over the next five years. In this case, focus shall be given to other expenditure and contracted services. The municipality will utilise reporting on this plan, as well as the quarterly reporting to trace and monitor expenditure. The municipality has also established the Finance Committee, which deals with scrutinising of all purchase requisitions in line with the budget and the cost containment policy. This budget has also been used to limit the expenditure on classes of contracted services and other services, except for those items that are grant funded.

#### 3.7 Reduce internally funded capital expenditure

The municipality is planning to reduce the internally-funded capital expenditure over the next five years. While it is acknowledged that this cannot be done in the current year due to commitments, internal funding is expected to be fully eliminated over the next five years. To supplement this, the Municipality is planning to improve the submission business plans to donor institutions to ensure that those projects that were funded internally are in future funded from grants instead. It is evidence from the 2022/23 budget that the internally funded capital budget has been reduced drastically in line with this strategy.

#### 3.8 Improve payment of creditors

The Municipality will use the Finance Committee to ensure that the payment of key creditors is prioritised. These include the payment of current account and arrear debt to Eskom and Uthukela Water, SARS and loan institutions. This will assist to ensure the outstanding debt does not continue to escalate. It will also help to ensure that interest and penalties on late payment are not incurred and thereby curtailing incidences of fruitless and wasteful expenditure. The municipality is currently monitoring this plan successfully since the agreement with Eskom was entered into in June 2020.

#### 3.9 Cash-backing of provisions and reserves

One of the key challenges to the funding position of the budget is that provisions of the municipality were not fully cash-backed. These include leave provision and other provisions which are required to be cash-backed in line

with the Funding and Reserves Policy of Council. The Municipality shall use the opportunity of each budget process to ensure all excess funds are invested to ensure funding of all provisions and reserves.

### 3.10 Claiming VAT Refunds from SARS

The municipality is already utilising the services of a specialist to ensure that VAT refunds due to the Municipality are claimed from SARS. While staff members of the municipality focus on the reconciliation and submission of VAT returns, the specialist is focusing on the VAT review covering the period of the past five years. The financial system has also been improved to ensure that VAT is configured correctly. This will assist in ensuring that accurate VAT returns are filed timeously and refunds received on time.

## 4. Financial Impact of the Budget Funding Plan

It is expected that the strategies and activities put in the plan will have a positive financial impact to the municipality over a long-term period, which will ensure that the municipality's budget is fully funded in the 2023/24 financial year. Although some of the strategies reflect negative impact on the plan, it is however critical to reflect how these are likely to improve over a period, and eventually yield a positive long-term impact in funding the budget. The table below depicts the impact of each identified strategy on the budget:

**Table 3: Financial Impact**

**Financial Impact of the Budget Funding Plan**

No	Strategy	Focus Area	Key Activities	Key Activities							
				Original Budget 2021/22	Adjusted Budget 2021/22	Increase / (Decrease) 2021/22	Year 1 2022/23	Year 2 2023/24	Year 3 2024/25	Year 4 2025/26	Year 5 2026/27
1	Inflation linked tariff increase and improved collection rate	Property rates	Steadily increase increase revenue based on CPI target	70 949 694	15 759 434	-55 190 259	13 590 984	15 697 587	12 044 330	12 526 103	13 027 147
2	Inflation linked tariff increase and improved collection rate	Service charges	Steadily increase increase revenue based on CPI target	-263 915 132	-253 306 360	10 608 771	86 333 155	91 717 190	22 671 966	69 376 217	73 538 790
3	Inflation linked tariff increase and improved collection rate	Other revenue	Steadily increase increase revenue based on CPI target	-56 769 295	-56 778 802	-9 507	10 308 353	10 720 687	8 362 136	14 355 000	12 058 200
4	Ensure full access to all government grants	Transfers recognised - operational	Submit business plans and ensure conditional grants are fully spent	127 281 759	165 632 723	38 550 964	-170 214 151	58 553 050	19 424 353	0	0
5	Ensure full access to all government grants	Transfers recognised - capital	Submit business plans and ensure conditional grants are fully spent	-29 192 363	-10 835 925	18 356 438	-18 227 500	-12 007 050	15 865 058	0	0
6	Dispose unused land and other assets	Proceeds on disposal of PPE	Identify unused land for residential and business use	18 000 000	18 000 000	0	11 000 000	13 150 000	9 000 000	10 000 000	10 000 000
7	Curb recruitment of new personnel	Employee related costs	Do not fill any non-critical positions being vacated	53 935 813	4 076 402	-49 859 411	17 826 218	31 720 751	24 888 847	32 355 501	33 973 276
8	No commitment on new loans - interest	Finance charges	No new capital expenditure will be financed through external loans	8 710 012	8 710 012	0	3 127 440	3 408 245	3 640 680	3 449 603	4 079 784
9	No commitment on new loans - capital	Repayment of borrowing	No new capital expenditure will be financed through external loans	-2 886 287	-2 886 287	0	-3 127 441	-3 408 245	-3 640 680	-3 449 603	-4 079 784
10	Limit exorbitant increase in non-core expenditure	Contracted services	Reduction and very minimal increase on contracted services	122 565 339	170 274 707	47 709 367	-219 621 496	7 991 257	0	0	-3 498 698
11	Limit exorbitant increase in non-core expenditure	Other expenditure	Reduction and very minimal increase on other expenditure	90 327 129	-93 967 665	-184 294 794	-16 819 093	-4 575 091	-1 747 201	-1 712 942	-1 679 355
12	Reduce internally funded capital expenditure	Internally generated funds	Separately invest conditional grants and track early appointment of service providers	-5 971 350	12 457 288	18 428 678	-18 787 666	-500 000	0	-3 000 000	0
13	Reduce unspent conditional grants	Unspent conditional transfers	Prioritise payment of grant related payments and clean up the grant register	-14 844 129	-11 752 527	3 091 602	-5 557 905	-1 928 946	0	-1 753 568	-1 594 170
14	Improve payment of creditors	Other working capital requirement	Keep up with the Eskom agreement and ensure timely payment of other creditors	-97 721 030	-69 600 000	28 121 030	-89 600 000	-99 600 000	-8 690 000	0	0
15	Ensure cash-backing of provisions	Other provisions	Build up reserves up ensuring increased cash and cash equivalents	-10 526 112	0	10 526 112	368 930	404 487	132 647	106 493	107 558
16	Ensure cash-backing of reserves	Reserves to be cash-backed	Build up reserves up ensuring increased cash and cash equivalents	980 845	0	-980 845	5 495 477	1 378 845	-675 497	640 815	653 631
17	Claim all vat receivable from SARS	Statutory requirements	Ensure timely payment of invoices and submission of Vat returns	34 174 589	34 174 589	0	23 916 000	11 000 000	11 000 000	5 000 000	5 000 000

The following sections seek to highlight the impact of each of the strategies in achieving a budgeted budget position.

#### 4.1 Increase on the collections rates for service charges and property rates

The impact of an increase of a 1% basis points and above the consumer price index (CPIX) on the collection rate and the increase in tariffs within the CPIX on rate and services is expected to generate a cash-inflow of at least R150 million to the budget over the next five years.

#### 4.2 Full access to conditional grants.

Over the next five years, the Municipality will implement measures to ensure full access to conditional and unconditional grants. This is expected to generate an additional R48 million over the next five years.

#### 4.3 Disposal of unused land and other properties.

As part of its revenue enhancement strategy, the Municipality has already started rolling our programme to service and dispose all unused land to generate more revenue. This is expected to generate about R53 million over the next five years.

#### 4.4 Limit increase on non-core expenditure

Through the containment and curtailment of other expenditure and contracted services, the Municipality is expecting to save about R50 million over the next five years. This will be done by steadily by reducing expenditure on non-essential items by monitoring expenditure using the Finance Committee in line with the approved budget and the cost containment policy.

#### 4.5 No commitment to new loans

The municipality will not save any costs by maintaining this position. However, through this commitment, it will ensure that additional costs on borrowing through finance charges is not incurred until the funding position has improved. The municipality will start realising saving as more loans are being paid up.

#### 4.6 Reduce Internally Funded Capital Expenditure

The municipality is projecting to save about R60 million through the strategy of cutting its internally funded capital budget over the next five years. Current the municipality is spending in excess of R40 million on internally funded capital expenditure, and this expected to reduce to only R5 million per year over the next two years. This will be supplemented by re-aligning capital grant funding.

#### 4.7 Improve the working capital position

The municipality has put together an aggressive strategy to improve its collection of outstanding debtors over the next four years. Equally so, the municipality will also improve payment of its bulk and other key creditors in order avoid interest and penalties and to improve the working capital position. Which the municipality is committed to pay in excess of R200 million for the Eskom and Uthukela Water debts, the long term benefits are however huge, as the municipality will be relieved of such debts, and begin to realise the cash surplus.

#### 4.8 Claiming of Vat Refunds

The municipality is projecting to receive in excess of over R55 million over the next five years through statutory requirements. The use of a VAT specialist, internal capacity and financial system configuration will ensure this strategy is attained.

## 5. Operating Financial Performance

The municipality will continue to accelerate revenue as part of its long-term plan. Tariffs will be increase by at least 6% over the medium term framework and over the next five years. This will ensure that the Municipality is able to provide services within the CPIX increases but also not putting pressure to consumers, who are already strained due to the dire economic circumstance. The municipality is also planning to ensure that non-essential expenditure is eliminated in order to ensure tariffs and cash-backed. While the increase will be noted on some of expenditure items like employee costs, councillor remuneration and bulk purchases, these increases be maintained at a bare minimum in order to continue to provide services within the projected increases. Items like contracted services and other expenditure have however been reduced drastically over the next five years, in order to compensate for the payment of the Eskom debt and other unavoidable expenditure. The table below depicts the projected financial outcome of the plan.

**Table 4: Financial Performance**

**Financial Impact of the Budget Funding Plan on the Financial Performance (Table A4/B4)**

Description	Original Budget	Adjusted Budget	Increase / (Decrease)	Year 2	Year 3	Year 4	Year 5
R thousand	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Revenue By Source</b>							
Property rates	363,412,847	363,412,847	0	401,075,372	412,828,745	433,470,182	455,143,691
Service charges - electricity revenue	751,862,363	751,862,363	0	839,436,085	923,379,694	978,782,476	1,037,509,424
Service charges - water revenue	199,932,763	199,932,763	0	207,034,199	216,350,737	227,168,274	238,526,688
Service charges - sanitation revenue	123,817,928	123,817,928	0	132,812,366	138,788,923	145,728,369	153,014,788
Service charges - refuse revenue	101,229,446	101,229,446	0	109,576,496	114,507,438	120,232,810	126,244,450
	0	0	0	0	0	0	0
Rental of facilities and equipment	9,451,748	9,451,748	0	9,867,624	10,311,668	10,827,251	11,368,614
Interest earned - external investments	3,131,415	3,131,415	0	2,509,661	2,622,596	2,753,726	2,891,412
Interest earned - outstanding debtors	4,001,328	4,001,328	0	4,610,719	4,818,201	5,059,111	5,312,067
Dividends received	0	0	0	0	0	0	0
Fines, penalties and forfeits	4,180,383	4,180,383	0	4,364,320	6,328,265	6,644,678	6,976,912
Licences and permits	47,919	47,919	0	45,852	47,915	50,311	52,826
Agency services	0	0	0	0	0	0	0
Transfers and subsidies	1,112,706,986	1,102,706,986	-10,000,000	869,077,000	945,027,500	1,001,729,150	1,051,815,608
Other revenue	19,487,488	19,487,488	0	20,344,938	21,260,460	22,323,483	23,439,657
Gains on disposal of PPE	0	0	0	0	0	0	0
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>2,693,262,614</b>	<b>2,683,262,614</b>	<b>-10,000,000</b>	<b>2,600,754,632</b>	<b>2,796,272,142</b>	<b>2,954,769,821</b>	<b>3,112,296,137</b>
<b>Expenditure By Type</b>							
Employee related costs	601,652,651	567,832,651	33,820,000	628,125,368	656,536,190	689,363,000	723,831,149
Remuneration of councillors	29,060,117	25,710,188	3,349,929	30,338,763	31,704,007	32,972,167	34,291,054
Debt impairment	286,041,087	286,041,087	0	298,626,894	312,065,105	321,427,058	331,069,870
Depreciation & asset impairment	363,159,586	363,159,586	0	379,138,608	396,199,845	404,123,842	412,206,319
Finance charges	35,845,953	35,845,953	0	37,423,175	39,107,217	28,255,670	24,175,886
Bulk purchases	605,107,462	605,107,462	0	631,732,191	660,160,139	726,176,153	798,793,768
Other materials	153,188,322	153,188,322	0	159,886,180	167,078,815	170,420,391	173,828,799
Contracted services	818,628,833	809,232,925	9,395,908	513,023,393	538,055,370	538,055,370	532,728,089
Transfers and subsidies	0	0	0	0	0	0	0
Other expenditure	118,191,994	114,671,994	3,520,000	122,888,300	128,440,465	125,922,025	123,452,965
Loss on disposal of PPE	0	0	0	0	0	0	0
<b>Total Expenditure</b>	<b>3,010,876,005</b>	<b>2,960,790,168</b>	<b>50,085,837</b>	<b>2,801,182,872</b>	<b>2,929,347,153</b>	<b>3,036,715,676</b>	<b>3,154,377,900</b>
<b>Surplus/(Deficit)</b>	<b>-317,613,391</b>	<b>-277,527,554</b>	<b>-60,085,837</b>	<b>-200,428,240</b>	<b>-133,075,011</b>	<b>-81,945,855</b>	<b>-42,081,763</b>
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	191,032,032	201,032,032	10,000,000	157,183,000	104,950,000	138,327,518	145,230,143
<b>Surplus/(Deficit) after capital transfers and subsidies</b>	<b>-126,581,359</b>	<b>-76,495,522</b>	<b>-50,085,837</b>	<b>-43,245,240</b>	<b>-28,125,011</b>	<b>56,381,663</b>	<b>103,148,380</b>

## 6. Capital Financial Performance

The municipality will continue its drive to, by and large, finance its capital programme from the government grants. The municipality is also not planning to take any new loans over the next five financial years. This is necessary in order not to exert additional financial pressure to the Municipality. The Municipality is further planning to cut on funding the capital expenditure from internal reserves gradually over the next five years. The table below depicts the projected capital performance over the next five years.

Table 5: Capital Financial Performance

### Financial Impact of the Budget Funding Plan on the Capital Financial Performance (Table A5/B5)

Description	Original Budget	Adjusted Budget	Increase / (Decrease)	Year 2	Year 3	Year 4	Year 5
R thousand	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Capital Expenditure - Functional</b>							
<b>Governance and administration</b>	<b>2,900,000</b>	<b>2,900,000</b>	<b>0</b>	<b>2,900,000</b>	<b>2,900,000</b>	<b>1,000,000</b>	<b>1,000,000</b>
Executive and council	0	0	0	0	0	0	0
Finance and administration	2,900,000	2,900,000	0	2,900,000	2,900,000	1,000,000	1,000,000
Internal audit	0	0	0	0	0	0	0
<b>Community and public safety</b>	<b>11,344,500</b>	<b>11,344,500</b>	<b>0</b>	<b>10,097,000</b>	<b>20,000,000</b>	<b>0</b>	<b>0</b>
Community and social services	344,500	344,500	0	0	0	0	0
Sport and recreation	11,000,000	11,000,000	0	10,097,000	20,000,000	0	0
Public safety	0	0	0	0	0	0	0
Housing	0	0	0	0	0	0	0
Health	0	0	0	0	0	0	0
<b>Economic and environmental services</b>	<b>118,141,000</b>	<b>130,341,000</b>	<b>-12,200,000</b>	<b>50,200,000</b>	<b>46,250,000</b>	<b>49,641,437</b>	<b>50,572,385</b>
Planning and development	25,101,000	25,101,000	0	20,200,000	250,000	255,000	262,650
Road transport	93,040,000	105,240,000	-12,200,000	30,000,000	46,000,000	49,386,437	50,309,735
Environmental protection	0	0	0	0	0	0	0
<b>Trading services</b>	<b>76,647,532</b>	<b>76,647,532</b>	<b>0</b>	<b>106,886,000</b>	<b>48,700,000</b>	<b>45,900,000</b>	<b>47,277,000</b>
Energy sources	0	0	0	0	0	0	0
Water management	49,647,532	49,647,532	0	70,400,144	45,000,000	45,900,000	47,277,000
Waste water management	27,000,000	27,000,000	0	36,485,856	3,700,000	0	0
Waste management	0	0	0	0	0	0	0
<b>Other</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Capital Expenditure - Functional</b>	<b>209,033,032</b>	<b>221,233,032</b>	<b>-12,200,000</b>	<b>170,083,000</b>	<b>117,850,000</b>	<b>96,541,437</b>	<b>98,849,385</b>
Funded by:							
National Government	174,687,532	184,687,532	-10,000,000	147,086,000	84,950,000	91,541,437	93,849,385
Provincial Government	16,344,500	16,344,500	0	10,097,000	20,000,000	0	0
District Municipality	0	0	0	0	0	0	0
Other transfers and grants	0	0	0	0	0	0	0
<b>Transfers recognised - capital</b>	<b>191,032,032</b>	<b>201,032,032</b>	<b>-10,000,000</b>	<b>157,183,000</b>	<b>104,950,000</b>	<b>91,541,437</b>	<b>93,849,385</b>
Borrowing	0	0	0	0	0	0	0
Internally generated funds	18,001,000	20,201,000	-2,200,000	12,900,000	12,900,000	5,000,000	5,000,000
<b>Total Capital Funding</b>	<b>209,033,032</b>	<b>221,233,032</b>	<b>-12,200,000</b>	<b>170,083,000</b>	<b>117,850,000</b>	<b>96,541,437</b>	<b>98,849,385</b>

Capital expenditure is increasing from R209 million in the current year to R221 million, to R170 million in 2023/24 budget. The municipality still maintains its commitment to limit internal funding for capital projects. It is however noted that the internal funding will be reduced drastically, from R20.2 million in 2022/23 to R12.9 million in 2024/25 and 2025/26 year to only R5 million in 2025/26 and financial year.

## 7. Financial Position Plan

The municipality is projecting to remain within a favourable equity position, with the total assets exceeding total liabilities by a large margin. The net current position of the municipal is also projected to improve over the next three years, which is good indicator of the ability of the municipality to meet its short-term obligations over the next three years.

The table below depicts the Financial Position Plan of the municipality for the next five years:

**Table 6: Financial Position**

**Financial Impact of the Budget Funding Plan on the Financial Position (Table A6/B6)**

Description	Original Budget	Adjusted Budget	Increase / (Decrease)	Year 2	Year 3	Year 4	Year 5
R thousand	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
<b>ASSETS</b>							
<b>Current assets</b>							
Cash	-14,037,349	36,048,563	50,085,912	92,722,572	117,884,648	170,400,408	173,685,353
Call investment deposits	-	-	-	-	-	-	-
Consumer debtors	594,134,391	594,134,391	-	648,681,011	688,924,185	328,488,107	335,433,162
Other debtors	81,351,346	81,351,346	-	84,605,400	87,989,616	-	-
Current portion of long-term receivables	-	-	-	-	-	-	-
Inventory	14,994,565	14,994,565	-	15,594,348	16,218,122	16,866,846	17,541,520
<b>Total current assets</b>	<b>676,442,952</b>	<b>726,528,864</b>	<b>50,085,912</b>	<b>841,603,330</b>	<b>911,016,570</b>	<b>515,755,361</b>	<b>526,660,036</b>
<b>Non current assets</b>							
Long-term receivables	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-
Investment property	341,873,618	341,873,618	-	355,548,563	369,770,505	391,956,736	415,474,140
Investment in Associate	217,333,222	217,333,222	-	226,026,551	235,067,613	226,026,551	217,333,222
Property, plant and equipment	6,666,531,114	6,666,531,114	-	6,799,861,736	6,935,858,971	7,005,217,561	7,075,269,736
Biological	-	-	-	-	-	-	-
Intangible	1,223,846	1,223,846	-	1,272,800	1,323,712	1,416,372	1,515,518
Other non-current assets	11,710,932	11,710,932	-	12,179,369	12,666,544	13,553,202	14,501,926
<b>Total non current assets</b>	<b>7,238,672,732</b>	<b>7,238,672,732</b>	<b>-</b>	<b>7,394,889,019</b>	<b>7,554,687,345</b>	<b>7,638,170,421</b>	<b>7,724,094,542</b>
<b>TOTAL ASSETS</b>	<b>7,915,115,684</b>	<b>7,965,201,596</b>	<b>50,085,912</b>	<b>8,236,492,349</b>	<b>8,465,703,915</b>	<b>8,153,925,781</b>	<b>8,250,754,577</b>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Bank overdraft	-	-	-	-	-	-	-
Borrowing	-32,105,578	-32,105,578	-	-34,081,616	-35,156,170	35,156,170	38,525,548
Consumer deposits	27,094,773	27,094,773	-	28,178,564	29,305,706	31,305,706	33,305,706
Trade and other payables	688,020,917	727,316,405	39,295,487	668,492,192	666,625,798	375,004,480	392,146,971
Provisions	9,752,000	9,752,000	-	10,142,080	10,547,763	11,180,629	11,851,467
<b>Total current liabilities</b>	<b>692,762,112</b>	<b>732,057,600</b>	<b>39,295,487</b>	<b>672,731,220</b>	<b>671,323,097</b>	<b>452,646,986</b>	<b>475,829,692</b>
<b>Non current liabilities</b>							
Borrowing	260,653,584	260,653,584	-	241,345,912	223,468,437	188,312,266	149,786,718
Provisions	90,445,062	90,445,062	-	94,062,864	97,825,379	103,694,902	109,916,596
<b>Total non current liabilities</b>	<b>351,098,646</b>	<b>351,098,646</b>	<b>-</b>	<b>335,408,776</b>	<b>321,293,815</b>	<b>292,007,168</b>	<b>259,703,314</b>
<b>TOTAL LIABILITIES</b>	<b>1,043,860,759</b>	<b>1,083,156,246</b>	<b>39,295,487</b>	<b>1,008,139,996</b>	<b>992,616,913</b>	<b>744,654,154</b>	<b>735,533,006</b>
<b>NET ASSETS</b>	<b>6,871,254,925</b>	<b>6,882,045,350</b>	<b>10,790,425</b>	<b>7,228,352,353</b>	<b>7,473,087,002</b>	<b>7,409,271,628</b>	<b>7,515,221,571</b>
<b>COMMUNITY WEALTH/EQUITY</b>							
Accumulated Surplus/(Deficit)	6,841,012,844	6,851,803,269	10,790,425	7,196,900,589	7,440,377,167	7,375,253,399	7,479,842,614
Reserves	30,242,081	30,242,081	-	31,451,764	32,709,835	34,018,228	35,378,957
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	<b>6,871,254,925</b>	<b>6,882,045,350</b>	<b>10,790,425</b>	<b>7,228,352,353</b>	<b>7,473,087,002</b>	<b>7,409,271,628</b>	<b>7,515,221,571</b>

Table 6 above indicates that the municipality cash during the 2022/23 financial year will be adequate to cover all necessary payments. It is noted however that the cash position of the municipality will steadily improve from a deficit of R14 million in the current year to R173 million in five years' time. It is noted that, once the municipality have fully paid its key outstanding creditors, it will then start to realise some reserves that can be utilised to provide for provision and other reserves to be cash-backed.

## 8. Cash Flow Plan

The municipality is planning to improve its collection rate of the next four years in order to ensure that adequate revenue is collected. The collection rate is projected to increase from 78% to 85% over the next five years. The municipality will also put measures in place to ensure that all grant opportunities are being accessed fully. The municipality has already identified and put plans in place to ensure that unused land and other assets are disposed-off in order to enhance revenue. The repayment of borrowing is also expected to continue to decrease over the next five years as no external borrowings will be taken. The table below depicts Cash Flow Plan over the next five years.

**Table 7: Cash Flow**

**Financial Impact of the Budget Funding Plan on the Cash Flow (Table A7/B7)**

Description	Original Budget	Adjusted Budget	Increase / (Decrease)	Year 2	Year 3	Year 4	Year 5
R thousand	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>							
<b>Receipts</b>							
Property rates	272,559,636	272,559,636	-	300,806,529	308,486,757	320,826,227	333,659,276
Service charges	989,000,259	989,000,259	-	1,100,936,114	1,189,233,322	1,260,587,322	1,336,222,561
Other revenue	315,172,080	315,172,080	-	276,017,459	275,568,528	289,346,954	300,920,832
Government - operating	1,112,706,896	1,102,706,896	10,000,000	869,077,000	945,027,500	736,194,903	736,194,903
Government - capital	191,032,032	201,032,032	-10,000,000	157,183,000	104,950,000	138,327,518	138,327,518
Interest	3,131,415	3,131,415	-	2,509,661	2,622,596	3,212,117	3,436,965
Dividends	-	-	-	-	-	-	-
<b>Payments</b>							
Suppliers and employees	-2,683,251,104	-2,620,965,192	-62,285,912	-2,408,267,963	-2,608,613,239	-2,584,957,769	-2,683,356,080
Finance charges	-35,845,953	-35,845,953	-	-37,423,175	-39,107,217	-24,175,886	-21,350,125
Transfers and Grants	-	-	-	-	-	-	-
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>164,505,261</b>	<b>226,791,173</b>	<b>-62,285,912</b>	<b>260,838,625</b>	<b>178,168,246</b>	<b>139,361,385</b>	<b>144,055,850</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
<b>Receipts</b>							
Proceeds on disposal of PPE	-	-	-	-	-	10,000,000	10,000,000
Decrease (increase) in non-current debtors	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables	-	-	-	-	-	-	-
Decrease (increase) in non-current investments	-	-	-	-	-	-	-
<b>Payments</b>							
Capital assets	-209,033,032	-221,233,032	12,200,000	-170,083,000	-117,850,000	-124,456,160	-128,159,843
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>-209,033,032</b>	<b>-221,233,032</b>	<b>12,200,000</b>	<b>-170,083,000</b>	<b>-117,850,000</b>	<b>-114,456,160</b>	<b>-118,159,843</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
<b>Receipts</b>							
Short term loans	-	-	-	-	-	-	-
Borrowing long term/refinancing	-	-	-	-	-	-	-
Increase (decrease) in consumer deposits	-	-	-	-	-	2,000,000	2,000,000
<b>Payments</b>							
Repayment of borrowing	-32,105,578	-32,105,578	-	-34,081,616	-35,156,170	-38,525,548	-41,253,082
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>-32,105,578</b>	<b>-32,105,578</b>	<b>-</b>	<b>-34,081,616</b>	<b>-35,156,170</b>	<b>-36,525,548</b>	<b>-39,253,082</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>-76,633,349</b>	<b>-26,547,437</b>	<b>-50,085,912</b>	<b>56,674,009</b>	<b>25,162,076</b>	<b>-11,620,322</b>	<b>-13,357,075</b>
Cash/cash equivalents at the year begin:	62,596,000	62,596,000	-	36,048,563	92,722,572	117,884,648	106,264,326
<b>Cash/cash equivalents at the year end:</b>	<b>-14,037,349</b>	<b>36,048,563</b>	<b>-50,085,912</b>	<b>92,722,572</b>	<b>117,884,648</b>	<b>106,264,326</b>	<b>92,907,251</b>

Table 7 above indicates that the municipality cash during the 2022/23 financial year will be adequate to cover all necessary payments. It is noted however that the cash position of the municipality will steadily improve from -R14 million in the current year to R106 million in five years' time. It is noted that, once the municipality have fully paid its key outstanding creditors, it will then start to realise some reserves that can be utilised to provide for provision and other reserves to be cash-backed.

## 9. Cash Backed Reserves Plan

Through its five-year plan, the municipality aims to ensure that adequate reserves are generated to cover for any unspent conditional grants, provisions and reserves that are required to be cash backed in terms of GRAP and the municipal policies. By far possible, the municipality has ensured that all provisions and reserves have been reliably and adequately provided for. The municipality will also ensure that its working capital position improves over the planning period. This will be ensured by payment and reduction of trade creditors, especially Eskom debt.

**Table 8: Cash-backed Reserves**

### Financial Impact of the Budget Funding Plan on the Cash backed reserves/accumulated surplus (Table A8/B8)

Description	Original Budget	Adjusted Budget	Increase / (Decrease)	Year 2	Year 3	Year 4	Year 5
R thousand	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27
<b>Cash and investments available</b>							
Cash/cash equivalents at the year end	18,598,129	36,048,563	17,450,434	92,722,572	117,884,648	130,276,489	134,777,770
Other current investments > 90 days	-	0	0	-	-	-	-
Non current assets - Investments	-	-	-	-	-	-	-
<b>Cash and investments available:</b>	<b>18,598,129</b>	<b>36,048,563</b>	<b>17,450,434</b>	<b>92,722,572</b>	<b>117,884,648</b>	<b>130,276,489</b>	<b>134,777,770</b>
<b>Application of cash and investments</b>							
Unspent conditional transfers	26,732,000	26,776,304	44,304	29,453,934	22,092,562	20,084,147	18,258,316
Unspent borrowing	-	-	-	-	-	-	-
Statutory requirements	17,541,064	17,103,140	-437,924	22,360,028	25,686,280	23,351,164	21,228,331
Other working capital requirements	58,803,909	25,350,795	-33,453,114	-72,447,673	-100,720,449	-91,564,045	-83,240,041
Other provisions	10,112,186	11,406,000	1,293,814	12,090,360	12,815,782	12,943,939	13,073,379
Long term investments committed	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	30,241,901	30,242,081	180	32,716,223	32,681,541	33,335,171	34,001,875
<b>Total Application of cash and investments:</b>	<b>143,431,060</b>	<b>110,878,320</b>	<b>-32,552,740</b>	<b>24,172,871</b>	<b>-7,444,285</b>	<b>-1,849,623</b>	<b>3,321,859</b>
<b>Surplus(shortfall)</b>	<b>-124,832,931</b>	<b>-74,829,757</b>	<b>50,003,174</b>	<b>68,549,701</b>	<b>125,328,933</b>	<b>132,126,112</b>	<b>131,455,911</b>

Table 8 above indicates that the adjusted budget will be unfunded by R74 million. With the implementation of strategies mentioned above, as well as the monitoring of this plan, the municipality is planning to have a funded budget by the year 2023/24, where is projecting to generate a cash surplus of R68.5 million. The municipality appears be currently unfunded until the end of 2023/24 financial year. With effect from 2024/25 and after the Eskom debt is fully paid, the table reflects that the municipality will be fully funded and will be able to provide for any provisions and reserves. It will be critical that this plan is monitors closely so that its objectives are realised.

## 10. Reporting timeframes

It is imperative that the progress and challenges be reported on quarterly basis to council, through the Finance Portfolio Committee. Other platforms of reporting will be the Management Committee and the Executive Committee of Council. Reporting on the implementation of the funding plan shall also take place during the tabling of each and every budget and the mid-year assessment over the MTREF period.



## **11. Conclusion**

This plan has been crafted with a view to address specific challenges of the unfunded budget. Over-commitment to the Eskom debt, lower collection rate, loan repayments, and high operating expenditure base are but some of the causes of the situation the municipality finds itself in. The plan therefore aims at addressing most of the challenges and to change business processes and financial culture in the municipality. It is therefore critical that councillors, senior management buys into the plan and that its implementation filters through all the municipal levels. It is also recorded that the Chief Financial Officer will be responsible for driving its implementation.

Lastly, it is also important to mention that the municipality must not easily deviate from the plan. While the municipality might be challenged to amend the plan especially during the preparation of each budget, it is however very key that the strategies contained therein are not easily altered. This will ensure that the long term objectives of the plan are eventually attained. Council is also encouraged to make use of the quarterly progress reports to guide and monitor implementation of the plan.

## MUNICIPAL MANAGER'S QUALITY CERTIFICATE



I, Z W Mcineka, the Municipal Manager of **Newcastle Municipality**, hereby certify that the Special Adjustment budget and supporting documentation of 2022 /2023 Operating and Capital Budget have been prepared in accordance with Section 28 2(a) of the Municipal Finance Management Act No56 of 2003;and Regulation 26(1) of the Municipal Budget and Reporting Regulations.

**Print Name** : **ZAMOKWAKHE WESLEY MCINEKA**

**Municipal Manager** : **NEWCASTLE MUNICIPALITY**

**Signature** : .....

**Date** : .....