



NEWCASTLE MUNICIPALITY



BUDGET

“UNITED, WE WILL MOVE NEWCASTLE FORWARD!!!”

2015/16 TO 2017/18

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PART 1 – ANNUAL BUDGET

1. MAYOR’S REPORT

Honourable Speaker, Cllr M F Zikhali,

Deputy Mayor of Newcastle Municipality, Cllr Racheal Mdluli,

Her Worship, the Mayor of Amajuba Municipality, Cllr Jabu Khumalo

Members of the Executive Committee of Newcastle and Councillors present

The Chairperson of the ANC Emalahleni Region, Dr Ntuthuko Mahlaba

Other officials, members of the REC and other political parties

The Acting Municipal Manager, Mr Errol Mswane and all Municipal officials present.

Abafundisi present

Members of the media,

Ladies and gentleman and to those listening at home through NCR.

I wish you a good evening, Sanibonani!!

It once again gives me a great pleasure and honour to present the draft operating and capital budget for 2015/2016 financial year and to speak a little about the state of the town....

The year 2015 marks 60 years of a historic moment in our history, when South Africans from all walks of life adopted the Freedom Charter in 1955, in Kliptown, Soweto.

They declared amongst other things, that South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of all the people.

That was a powerful, visionary and reconciliatory statement which set the tone for the non-racial democracy we have established.

Last month we also marked 25 years since the release of former President Nelson Mandela from prison, and since the unbanning of liberation movements.

The release of Madiba marked a giant leap in the long walk to freedom for the people of South Africa as a whole and dealt a fatal blow to apartheid colonialism.

We continue to be inspired by Madiba and draw lessons from his legacy as we build our own city.

President Jacob Zuma in his state of the nation address in February 2015, elaborates more about the freedom charter and I quote

"The year 2015 is the Year of the Freedom Charter and Unity in Action to Advance Economic Freedom.

It is the year of going the extra mile in building a united, democratic, non-racial, non-sexist and prosperous South Africa.

It is also the year of rededicating ourselves to eradicate racism and all related intolerances in our country.

It is also the year of investing more in our future, by educating our children and the youth about the rich heritage of this country."

The city of Newcastle has always taken its directives from the president of the republic in general and national government in particular. We therefore echo his word when he asks us to rededicate ourselves, reinvest and more importantly to go the extra mile building a united, democratic, non-racial, non-sexist and prosperous South Africa.

Honourable Speaker, the budget for 2015/16 was crafted under extremely difficult conditions. First and foremost the plight of our people remains uppermost in our minds. We were tasked with

finding an almost impossible balance of changing the lives of our communities, more especially in the townships like Madadeni and Osizweni, rural areas like Mndozo, Blaauwbosch and Charlestown in which communities did not receive basic services, as compared to making certain we don't overburden the paying consumers of the suburbs.

We understand full well, the difficult financial times our communities are having to endure.

I can assure you, your cries during winter months of exorbitant electricity bills does not fall on deaf ears. Whilst we may not have had a lot to say at that time, simply because there are no conspiracy theories and the user pay principal is a bitter pill to swallow, we have been hard at work, going back to the drawing board to ensure that we continue to live up to the lofty aspirations of being a government that listens and cares. The budget was also written during an era of perceived political and administrative instability in the town.

The resignation of our SED Technical Services Mr Sandile Dube who took up a prestigious position at the DBSA, the lapsing of the contract of our legal services Director, Mr Makosini Nkosi, the ending tonight of the contract of Mr Eugene Hauptfleisch, SED Corporate Services, the vacancy in the position of SED: Budget and Treasury, and finally the resignation of our Municipal Manager, Mr Kebone Masange to a senior position as HOD Human Settlement in Mpumalanga Province has created a vacuum in my administration.

Whilst this is a challenge that we have to endure, it is certainly a challenge that we are able to overcome. Within the next few months we will have these posts filled, with suitably qualified candidates who must be equal to the task of taking the city forward.

The Council itself became fragmented and we seemed to lose touch of our purpose which is to serve our community at large. I always hold a belief that not only should we be united as political parties to uplift the communities that we serve but because we also have a duty to do so as we live in these very communities.

Somlomo, because of this, I want to theme the 2015/16 budget: **UNITED, WE WILL MOVE NEWCASTLE FORWARD!!!**

Somlomo, taking the above into account we have still managed to take great fiscal care of our Municipality and managed to place before you a well-balanced, financially viable budget.

Our total operating revenue goes up to R1 590, 892, 402 and our capital budget stands just under R393 million. As you will see Honorable Speaker, we continue to drive our very intensive program of infrastructure development. Once again reassuring the community that we will never rest, that townships like Madadeni, Osizweni, Blaauwbosch and surrounding areas will one day look the same as the suburbs of Aviary Hill, Hutten Heights and paradise.

ROAD AND STORM WATER

We continue to budget for more roads with R87.1 million being spent for brand new roads in this town. The bulk of this money will go to new roads in Madadeni to the tune of R27.5 million and R16 million to Osizweni. R27 million will see the final phase of Allen Street extension from the Kirkland street intersection to the intersection at Victoria road.

R6 million will see the first phase of a new road entering Charlestown for the first time in the history of this town. R3.6 million will see the construction of a tar road in Watt Street in the industrial area for industrialists who have started trading there already. R1m will go the Hathorn Street extension that leads to the weir. This should go a long way in accelerating development to that beautiful facility.

R6m will also see the second part of the highway that leads from Marconi Drive to the Clifford Manana Bridge on Asiphephe Road and R700 000.00 will see the Sesiabonga road extension.

R1.6m will start the rehabilitation of Jenkyn Street.

Honourable Speaker, over and above this and throughout the budget address, you will see us heed the calls by our President, Honourable Jacob Zuma, his Minister for Corporate Governance and Traditional Affairs, Mr Praveen Gordon for Municipalities to go back to basics. In this regards we have budgeted R14 million extra to reseal existing roads in our suburbs as well as in our townships.

Somlomo, at this juncture, I would like to introduce to you, a few special guests that I invited from ward 31, Soul City. These guests raised issues around the lack of a pedestrian bridge leading to their homes. What touched me, was that their children had to walk through faeces every day to get to school and back. When it rained, the children would play in pools of water containing faeces. I could never imagine my own children going through that, and it brought tears to my eyes. I invited them here tonight, firstly to apologise to them that government has taken so long to touch their lives, but also to give them the good news that we have now budgeted for a bridge to be built there. Two bridges, one in ward 31 and one in ward 6, will be built during 2015/16 financial year.

We will also continue with our sidewalk paving projects, making it easy for communities to live healthier lifestyles by running and cycling on the sidewalks and also to neaten and beautify our townships and suburbs. A further R1 million has been budgeted in this regard.

R600 000 has again been placed on the budget for traffic calming devices (speed humps) throughout the city.

Waste water treatment work in Madadeni will see an upgrade of R11m, Viljoen Park bulk water pump station for R8.5 million and Ingagane water treatment plant, the source of all our water will see a further extension to the tune of R9.4 million to keep up with the demands of a growing city.

Lennoxton, Hutten heights and other areas have experienced many water outages because of old infrastructure. R3 million has been placed on this budget to start a pipe replacement project. The Osizweni E and F sewer connections will continue with R4.5 million and Stafford Hill will receive R7 million .

In Osizweni we have budgeted R14.8 million to do as we have done in Madadeni, kick starting a project of refurbishing our networks, going into people's homes and replacing old systems and leaking taps. This should go a long way in reducing our water losses and saving the municipality millions of rands.

ELECTRICITY

We continue as we have done in the past to upgrade and maintain our electrical network throughout our licensed area. Maintenance on a daily basis is run from the operational budget but I will just highlight some of our major capital purchases for the coming year. R33.6 million has been put aside in this regard. We will be studying the efficiency of our own municipal buildings and making certain that we reduce our own footprint.

R4.5 million has been placed on the budget to change our street lights into LEDs as already seen in some parts of our town like portions of Allen Street and Montague Street. This will reduce our own electrical consumption. We also have a further R1 million to do the same at our pump stations.

Our mechanical workshop will receive an upgrade for R1 million although we believe that a feasibility study should be done to determine whether this workshop is still viable for the needs of our fast improving fleet.

The technological advances in these new vehicles makes it difficult for the municipality to keep up. We have started an amazing project at Ingagane where we have taken over the street light project as a pilot project from Eskom and we are currently installing brand new street lights.

I believe that the people of Ingagane will appreciate that they will never have to walk in the dark again. We have budgeted R5 million more for high mast lighting in high crime infested areas and R2 million to start taking our street lights away from Eskom in Madadeni and Osizweni.

PARKS, FIRE AND WASTE

We continue to spend R8 million on state of the art community hall in the JBC area and R3.7 million to complete the new hall in Charlestown. R500 000 has been budgeted for new furniture in the halls because we believe they should be open early next year.

Our Fort Amiel Museum will see ablution facilities to the value of R620 000. We have placed R4 million for the establishment of 2 new play parks in Madadeni and Osizweni which I must add is a huge success with youth forming into groups to train on our outdoor gym equipment.

3 play parks in the west will be upgraded to the tune of R2 million with all the new equipment. These will include, Fernwood, Patterson street and Aviary Hill.

My intervention, together with the Executive Committee into the now infamous Patterson Street Park has reaped some results with bright lighting and a threat of imminent CCTV camera coverage has seen a reduction of disorderly behavior I am now pleased to announce Honourable Speaker, that this budget has a further R180 000 to fence that park.

Our sports facilities around the city will see some upgrading with R1.8 million going to fence the Arbor Park sports ground, R500 000 to upgrade Paradise sports grounds, R1 million for netball courts at Osizweni, R2 million to upgrade Mzamo sports field and R270 000 to upgrade the Newcastle swimming pool.

R1.5 million will see Fernwood receiving the first mini cricket facility in the city.

Somlomo I believe that we are still not doing as much as we could be doing in terms of promoting sport development in Newcastle. This needs to be addressed urgently by the department of Community Services, and they seriously need a more active liaison between themselves and sports associations. Sports facilities that are under our care like the bowling club, must be given adequate resources to maintain the high standards we have developed over the years.

The Newcastle golf club, who are leasing the facilities from the Municipality, are struggling financially to maintain the course. This is one of the most beautiful golf courses in KZN and people travel long distances to play here. In this regard, I ask Council to consider a 100% electricity rebate for them, thus freeing up their funds to maintain the course. This should be done with the explicit understanding that the course will also be used free of charge for associations who want to develop young and upcoming sportsmen from disadvantaged backgrounds.

Our extension of Roypoint cemetery will see a new caretakers house and ablution facilities in the new section. R500 000 will go towards new grass cutting equipment as we continue to extend grass cutting into the townships.

After the last few years of actively purchasing fire trucks, we believe that our fire department is now better equipped to fight fires in Newcastle, Osizweni, Madadeni and surrounding areas. Although we have budgeted R500 000 to boost them with a 4 x 4 to fight veld fires.

A further R600 000 to place litter bins in Newcastle, Madadeni and Osizweni, however I must state at this point that I am not totally satisfied with the frequency that these bins are being emptied, understanding that the department is struggling with human resources. This is a classic case of the Municipality thinking outside the box and coming up with innovative ideas to resolve the problem.

A partnership between the municipality and the home owner closest to the bin could be a start. R2 million will be a purchase of bulk refuse containers and a specialized vehicle of collecting dirt around a skip container will be purchased.

Two more brand new refuse trucks will be purchased eradicating the need of the yellow tractors in Madadeni and Osizweni. Our principal of “one city, one service” will continue.

The landfill site where our refuse is deposited is a ticking time bomb. We have already started the process of identifying another sight and are currently busy with environmental issues. In light of the fact that the new sight maybe be further away from the city, a material recovery facility at a cost of R2 million will be established.

The fencing at our protection services department is in a state of a disrepair, and is it houses very expensive assets as well as our security section, we have to spend some money to fence it. R1,8 million will be spent in this regard.

Security at the Municipality will be tightened, including at all our off site operational and taxi ranks. The Newcastle taxi rank, as well as our new ranks in Madadeni and Osizweni will all be fitted with state of the art boom gate and vehicle registration recognition software to ensure safety of commuters using this facilities.

The CCTV camera roll out will continue throughout the city, in suburbs, CBDs and townships alike, in a concerted and determined effort to fight crime.

The recent spate of burglaries in some of our suburbs has been concerning, and we are working closely with the South African Police Services to help fight this scourge.

We will also be fencing the Fairleigh library, after the Lennoxton library which will be done in this financial year.

The Newcastle central library will see a major upgrade to the tune of R3,1 million ensuring that it remains our flagship library in the city.

LAND AND HOUSING

Somlomo, we are indeed proud of the giant leaps we have made regarding housing projects in and around Newcastle. It was a daunting task, taking on the province in making sure that our projects are approved and implemented, and today we are able to the enjoy the fruits of that labour.

The Kwamathukuza housing project has been rebuilt and people are now living comfortably in that area. I no longer receive calls from the community there every time it storms, because houses were literally falling on their heads.

The Osizweni section E projects, with a total number of 1240 Houses, with 352 already built, the Khathide housing project with 2000 Houses, 638 already built, and the Emawozeni project which gives 142 New houses to people with disabilities, with 137 already built, are all well underway and the quality of these houses are far superior to any house ever built by this municipality before.

Honourable Speaker, this is what we like to call, **service delivery** which u can touch and feel!

The Siyahlala housing project, which will turn the area into a fully serviced suburb, including tar roads, water, sewer and electricity is still in the provision of bulk services stage. R10 million has been further placed on this budget to complete the bulk services.

The same goes for the housing project at H39 Madadeni. We are currently busy with the bulk sewer system in the area and are moving ahead with identifying the beneficiaries in that project.

The Blaauwbosch housing project, which is regarded as catalytic mega project, is one of those projects that will forever change the landscape of the area. R6 million will go towards bulk water services in this area. The complete plan for this project will see just under 10 000 houses built over 3 phases.

Honourable Speaker, we will be making a great dent in our housing waiting lists, and we have almost eliminated squatter camps in Newcastle.

Over and above these projects the municipality is actively pursuing the commercial, residential units for middle income residents. These will be upmarket rental apartments made available to the community.

The Suryaville and Fairleigh flats have also been given the go ahead to have repairs done to them and this project should start within the next few months. The Madadeni roof repair project which is now in phase three has a further 650 houses approved of which 164 have been completed already.

Somlomo, we continue to make more land available to our residents with R4.5 million going to service sites in Aviary Hill and Lenville in Fairleigh. The new sites will be made available once completed and allow our residents to build their own homes.

RURAL DEVELOPMENT

This ANC led government's stance on rural development is a well-known fact. We have taken rural development to the next level, uplifting people and changing their lives. The new community halls in the JBC and Charlestown areas, play parks, housing projects, water and sewer infrastructure and tar roads are all proof that we put our money where our mouth is.

We have electrified the deepest rural areas of Mndozo , Amajuba Forest, Normandien and continue to electrify to the tune of R8 million. We have literally brought light to these people's lives.

We continue with over R8 million of new toilets in wards 1, 6, 7, 12, 13, 15, 16, 30 and 31.

Somlomo, only those who visit these areas will understand the joy and dignity that we bring to these families with these services.

YOUTH, JOB CREATION AND POVERTY ALLEVIATION

Whilst local government does not have a mandate to budget for education, we cannot sit back and watch our youth struggle to get a decent tertiary education. Over the years, the office of the Mayor has assisted children with registration fees and the beginning of this year has seen that over 480 children being registered through our office. We also place our warmest acknowledges to David Faulkner from Newcastle upon Tyne in the UK, who has funded 5 students with registration fees through the Newcastles of the Worlds Alliance.

Over and above the registration fees, my office has 18 children receiving full bursaries for studies in finance and engineering, with contracts signed so that these children will return once qualified to work in our municipality.

This has a 3 fold benefit, firstly the child is able to study, secondly the skills shortage in these areas are resolved for the municipality and thirdly these children are able to return to Newcastle with a job awaiting them.

Our spending on capital projects should generate a further 2 000 temporary jobs. We continue the dictum that every project should only higher labourers from that particular ward.

Honourable Speaker, in keeping with the African National Congress mandate in the region, the office of the Mayor will investigate the formation of youth and women development units that will be better equipped to assist us in making decisions affecting these sectors.

Poverty alleviation projects are once again budgeted to the tune of just over R2.5 million. These projects are given to groups of people who will create the most jobs, and have the best plan in sustaining their ventures.

NEWCASTLE OFFICE BLOCK

Honourable Speaker, this has been one of the most painful experiences in the history of my career although I still firmly believe that generations to come will thank us for the bold steps we have taken to bring this project to completion.

I am glad to announce that the entire project only requires R89 million to complete of which R74m will be placed in the 2015/16 budget and R15 million next year. The office block will be completed by September this year and will see us occupying these offices by the end of this year.

Honourable Speaker, I have tried to summarise the operating and capital budget for the 2015/16 financial year. All the projects that I have mentioned and others have a profound effect on the lives of the people of Newcastle.

This makes us proud. What also makes us proud Somlomo, is that the budget is fully funded and that the municipality will not take any internal loans for this financial year.

However, an increase in rates by 10% to offset the reduction in the valuation of properties last year as well as the rates reduction, was unavoidable. Water, sewer and refuse will all be increased by 7%.

Electricity, which has been increased by Eskom by 14% will be increased by 12, 2 % unfortunately. these rates are governed by NERSA. To assist with the plight of our residents and to heed the calls from our communities we are now making prepaid meters available as of July 1st.

These pre-paid meters will cost the municipality R2 200.00 each to purchase and install and we will only be asking the consumer to pay a once off fee of R1 300.00 to have them installed.

R3 million has been placed on the budget to subsidise these meters.

We trust that this will go a long way in assisting communities to monitor and manage their own electricity usage.

The municipality has also been resisting Eskom by going on wide spread load shedding, but this may not last forever. Council has taken a decision that 40% of our electricity must be sourced from alternative energy sources such as biofuels and solar.

In this regard, I will be leading a delegation to the USA next week to investigate a town that runs its entire electricity consumption on gasification programs out of their landfills sites.

Honourable Speaker, at this time, let me take the opportunity to thank and acknowledge the team from finance, led by the Acting CFO at the time, Mrs Asha Harripersadh, and the Director, Jerome Cele. They have been very prepared for us this time around, and there was very little shouting and screaming!! , the Executive Committee, which comprises of all the major political parties, for their hard work and dedication in working till late at night, with the extended MANCO, to make sure this deadline was met. I firmly believe that we have a great management team and that the municipality is in safe hands.

The Acting Municipal Manager during the budget process was Mr Eugene Hauptfleisch. Tonight is a truly sad time for me, as we see the retirement of my Hauptfleisch as our SED Corporate Services. Eugene, your hard work, dedication, and ability to get the job done on time will be sorely missed. Most of all, I will miss our light hearted banter in our Executive meetings. Today, we lose a real legend! Thank you for your service to the people of Newcastle.

The staff in my office deserve a recognition for always being up to the task of keeping me juggling through all my events, and getting this budget done. We pay tribute to Halima Mpofu, from my office, who passed away following a short illness, during our budget process.

I cannot end without thanking my family. My wife, Farhana, my sons and daughter, for all the times I have to be an absent father whilst honouring my official duties, I thank you and apologise from the bottom of my heart. My eldest son, Mohammed Zia, who is here with us today, wanted to understand exactly what I do, so I invited him along!!

Honourable Speaker, a special thanks goes to you and the Deputy Mayor, for making yourselves available throughout this process, and for standing in for me, when I have clashes with my schedule.

With those words, Somlomo, I hereby present the 2015/16 draft operating and capital budgets for Newcastle Municipality.

Ngiyabonga!!

Baai dankie!!

2. BUDGET RESOLUTIONS

- (a) That in terms of section 24 of the Municipal Finance Management Act, N°. 56 of 2003, the annual budget of the municipality for the financial year 2015/2016 and indicative allocations for the two projected outer years 2016/2017 and 2017/2018 and the multi-year and single year capital appropriations be approved, in principle;
- (b) that the revenue that will be utilised to fund both operating and capital budgets be noted and approved;
- (c) that the Municipality's portion of the uThukela Water (Pty) Ltd operating budget of R62 021 858 as reflected in annexure A be approved for 2015/2016 financial year and two outer years (2016/2017 : R64 408 092), (2017/2018 : R66 984 416);
- (d) that in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, N°. 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply of water, electricity, waste services, sanitation services and property rates as set out Annexure F that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2015 for all services except for water and electricity consumption, which will be levied on the new tariff with effect from 1 August 2015;
- (e) that the Tariff of Charges be approved;
- (f) that it be noted that Property Rates will be increased by 10%, Water, Refuse and Sanitations tariffs be increased by 7% and other tariffs be increased by 10%;
- (g) that the new advertising bylaws and its revised tariff structure as contained in the Tariff of Charges be noted and approved;
- (h) that it be noted that electricity tariffs have been provisionally increased by 12,20% pending NERSA final decision;
- (i) that in terms of the Indigent Policy, the monthly household earnings of an indigent application be increased to R3, 500;
- (j) that the Customer Care, Credit Control and Debt Collection Policy be noted and approved;
- (k) that the Supply Chain management Policy be noted and approved;
- (l) that the Rates Policy be noted and approved;
- (m) that the Tariff Policy be noted and approved;
- (n) that the Debt Write-off Policy be noted and approved;

- (o) that the Cash Management and Investment Policy be noted and approved;
- (p) that the Budget Policy be noted and approved;
- (q) that the Virement Policy be noted and approved;
- (r) that the Fixed Assets Management Policy be noted and approved;
- (s) that the Funding and Reserve Policy be noted and approved;
- (t) that the Borrowing Policy be noted and approved;
- (u) that the Petty Cash Policy be noted and approved.

FURTHER RESOLVED

- (a) That the comments by Provincial Treasury on the 2015/2016 budget, be noted;
- (b) that it be noted that Provincial Treasury's comments were taken into account when the budget was finalised;
- (c) that it be noted that the Chief Financial Officer and the Budget and Treasury Office met with Provincial Treasury to discuss the comments;
- (d) that the capital budget be increased to include the acquisition of Jo-Jo thanks to R500 000;
- (e) that operational budget be increased as follows :-
 - (i) provision for street lights be increased to R6,5 million
 - (ii) that a provision be made of R1 million for refuse backlog eradication ;
- (f) that matter of the EPWP employees be referred to the adjustment budget and a detailed report on the recruitment and selection policy be submitted to the Executive Committee.

3. EXECUTIVE SUMMARY

OVERVIEW OF THE MUNICIPALITY

Newcastle Municipality is located in the inland region on the Northwest corner of KwaZulu-Natal, a few kilometres south of the Free State and Gauteng provincial borders, in the foothills of the Drakensberg.

The municipality covers an area of 1,855 km², has a population of 332,980 by Census 2001 figures and is made up of 31 wards.

The Newcastle municipal area is the most densely populated municipality in the District and constitutes 71% of the total population of the Amajuba District Municipality, and 3.5% of the total population within KwaZulu-Natal.

From the 2011 Census figures, Newcastle has a very young population with most being in the 15 to 34 age group. This implies that most are in the active age group and hence planning is required for more employment opportunities. This is a challenge that needs a strategic approach in light of the general economic dynamics of the district as a whole.

The income breakdown of Newcastle further qualifies the fact that there are limited formal employment opportunities in the area. More than 60% of the population has an income of less than R1 500 a month.

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

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

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

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

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

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

Institutional Arrangements

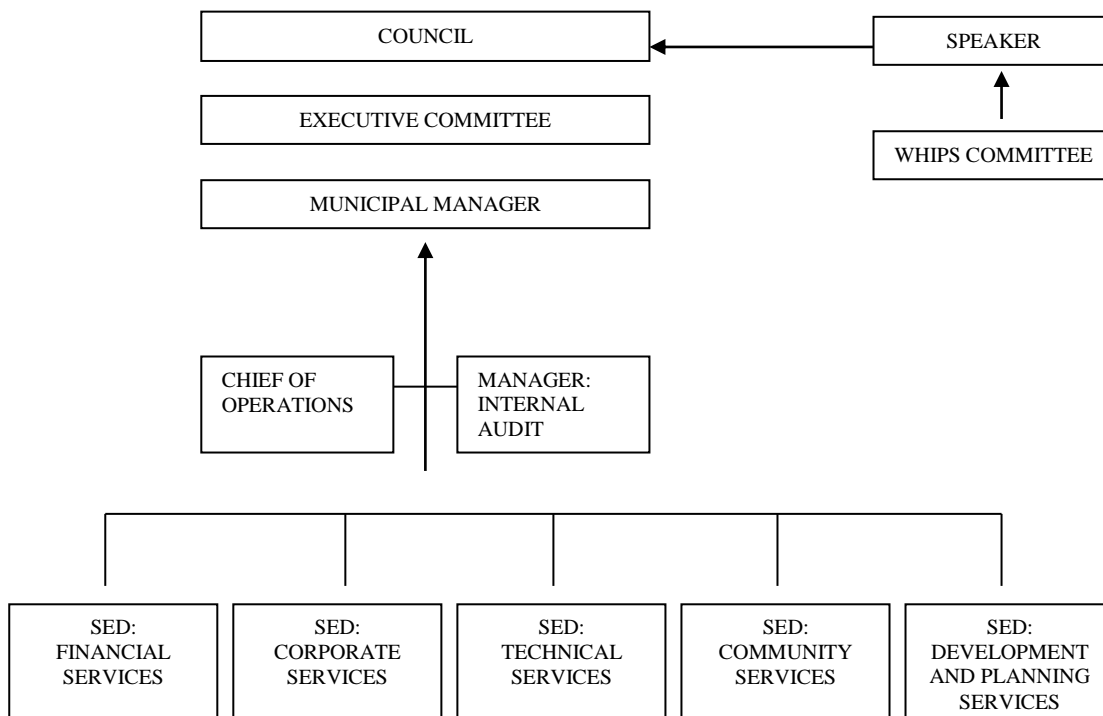
The Municipality has a staff compliment of approximately 1300 people, servicing areas of Newcastle, Madadeni, Osizweni, Blaauwbosch, Ngagane, Kilbarchan, and Charlestown.

The Newcastle Organogram (illustrated below), and as approved by Council, makes provision for a Municipal Manager, a Chief of Operations, Internal Audit, Legal Services and five Departments each headed by a Strategic Executive Director. The five Departments of the municipality are:

- Financial Services
- Corporate Services
- Technical Services
- Electrical Services
- Community Services
- Development and Planning Services

It should be noted that Council is still in the process of revising the structure which has been divided into two sections, being the macro structure and the micro structure. The macro structure has already been implemented by Council, and the micro structure is yet to be reviewed.

NEWCASTLE MUNICIPALITY: ORGANOGRAM



COUNCILLORS, EXECUTIVE COMMITTEE AND OFFICIALS

EXECUTIVE COMMITTEE

DESIGNATION	SURNAME & INITIALS	PORTFOLIO COUNCILLOR	POLITICAL PARTY	WARD
Mayor	Rehman A F	Financial services	ANC	PR
Deputy Mayor	Mdluli R N	Technical Services	ANC	13
Executive Committee Member	Cronje E J C	Community Services	DA	2
Executive Committee Member	Ndimba R B	Corporate Services	IFP	PR
Executive Committee Member	Kunene N P	Community Services	ANC	PR
Executive Committee Member	Lukhele S B M	Planning & Development	NFP	PR
Executive Committee Member	Mathews N S	Corporate Services	ANC	15
Executive Committee Member	Shunmugan M	Planning & Development	ANC	3
Executive Committee Member	Vorster J A	Technical Services	IFP	PR

COUNCIL

DESIGNATION	SURNAME & INITIALS	POLITICAL PARTY	WARD
Speaker	Zikhali M F	ANC	14
Councillor	Bam V V	IFP	PR
Councillor	Bhekiswayo M M	ANC	26
Councillor	Buhali M V	AZAPO	PR
Councillor	Buthelezi D R F	ANC	10
Councillor	Buthelezi S S E	ANC	8
Councillor	Chetty M N	DA	PR
Councillor	Damons J M E	DA	PR
Councillor	De Jager	DA	4
Councillor	Dube C L	NFP	PR
Councillor	Dube D X	IFP	PR
Councillor	Gabuza J K	ANC	24
Councillor	Gama F P	ANC	9
Councillor	Hlabisa T S	ANC	22
Councillor	Hlatshwayo M M E	ANC	PR
Councillor	Hlatshwayo S B	IFP	7

Councillor	Khoza L G	ANC	5
Councillor	Kubheka C B	IFP	PR
Councillor	Kubheka S	ANC	1
Councillor	Liu C Y	FEDCON	PR
Councillor	Madonsela H S	ANC	31
Councillor	Malindi H T	ANC	11
Councillor	Mashinini A M M	RLP	PR
Councillor	Matthews N S	ANC	15
Councillor	Mbatha J S	ANC	6
Councillor	Mbatha Z J	ANC	20
Councillor	Mbokazi M N	ANC	29
Councillor	Mlangeni M S	IFP	PR
Councillor	Mdlalose M O	ANC	19
Councillor	Meiring A P		
Councillor	Mkhize C N	AZAPO	PR
Councillor	Mkhwanazi H N	ANC	30
Councillor	Mlangeni M G	IFP	PR
Councillor	Mlangeni M S	IFP	PR
Councillor	Mncube G A	FEDCON	PR
Councillor	Molelekoa R M		
Councillor	Msibi N A	ANC	27
Councillor	Mzoneli T M	AZAPO	PR
Councillor	Ndlovu S G	ANC	21
Councillor	Ngcobo M E	ANC	25
Councillor	Ngobese NJ	ANC	23
Councillor	Nhlapho C L	IFP	PR
Councillor	Nkosi D J Z	IFP	PR
Councillor	Ntshangase N T	NFP	PR
Councillor	Ngwenya D	ANC	16
Councillor	Nzuze T M	IFP	9
Councillor	Shabalala D O	ANC	28
Councillor	Sibilwane D M	ANC	17
Councillor	Thwala S M	ANC	PR
Councillor	Tshabalala D E	ANC	18
Councillor	Zulu S J (Prince)	RLP	PR
Councillor	Zulu T M	IFP	PR
Councillor	Zungu E M	NFP	PR
Councillor	Zwane M E	NFP	PR
Councillor	Zwane M M	AZAPO	PR
Councillor	Zwane N A	ANC	PR
Inkosi	Kubheka C S		Traditional Leader

SENIOR OFFICIALS

DESIGNATION	SURNAME & INITIALS
Acting Municipal Manager	Mswane B E
Acting Strategic Executive Director: Budget and Treasury Office	Nkosi S M
Acting Strategic Executive Director: Corporate Services	Ndlovu M I
Acting Strategic Executive Director: Technical Services	Zincume L
Strategic Executive Director: Community Services	Sithole M.P
Strategic Executive Director: Electrical Services	Zincume L
Strategic Executive Director: Development and Planning Services	Thusi N
Chief of Operations	Mswane B E
Executive Manager: Legal Services	Vacant
Senior Audit Executive	Chenia S

MEDIUM TERM BUDGET 2015/16 TO 2016/17

INTRODUCTION

The purpose of the 2015/16 medium-term budget is to comply with the Municipal Finance Management Act (No.56 of 2003) and is a financial plan to enable the municipality to achieve its vision and mission through the IDP which informs the Newcastle Municipality's five-year programme and community/stakeholder inputs.

The tabling of the 2015/16 budget is a statement of our commitment to the people of Newcastle, proposing a total budget of R2.2 billion, comprising R400.5 million for capital and R1.8 billion operating budget. The 2015/16 -2017/18 multi-term budgets posed many challenges and obstacles which had to be addressed and accommodated by the limited financial and other resources. It is worth mentioning that the municipality has increased the indigent benefit from R3000 to R3,500 and the indigents have further been subsidised as the basic charge of electricity will now be covered by the municipality. Tariffs on services other than electricity have been increased by 7% which is slightly more than the inflation forecast. This is due to the fact that the municipality wants to continue rendering services in a sustainable manner and also roll out service to other areas that are currently not getting them.

The budget has been prepared in compliance with the new Budget Format and Reporting Regulations. The tabling of the budget was as a journey towards consultation processes with communities throughout the municipal area and all other relevant stakeholders, which took place during April and May 2015. Comments and inputs from various stakeholders were considered during the consultation process after which the final budget was presented by His Worship, Mayor Afzul Rehaman before the municipal council.

OPERATING BUDGET

REVENUE

The following are proposed tariff increases and other allocations as indicated below:

Assessment Rates	10%
Electricity	12.20%
Refuse Removal	7%
Water	7%
Sewer	7%

- There will be 10% increase in Property Rates tariffs the revenue from this source will increase from R217.9 million to R240.6 million. The municipality did not increase the property rates in 2014/15 because we had just done a new valuation roll, therefore the municipality has decided to increase the rates by 10% which is more than the rate of 6 % as per circular 75. The municipality does not charge penalties on property rates specifically, an interest is charged on the whole account but only on certain categories of customers.

- Revenue from Electricity sales is estimated to be R649.2 million which is an increase of R36.9 million from R612.3 million in the 2015/16 budget. It should be noted that the increase of 12.20% relates to Eskom tariff increase on average tariffs, and it be noted that municipality will also be purchasing electricity at a price which has been increased by 14.24% from Eskom.
- Revenue from Water sales will increase from R164.4 million to R163.8 million which is a decrease of R0.6 million. Water tariffs will increase by 7% from the 2014/15 budget. The municipality took a decision to roll out basic services to areas where such services were previously not provided. This is also the case with previously under serviced areas which are mostly rural areas. Additional revenue is therefore needed, hence the increase of 7% which is slightly more than the recommended rate of 6% as per Circular 75.
- Sanitation is expected to generate an estimated amount of R95.6 million to the operating revenue, representing an increase of R5.3 million from the 2014/15 budget. Sanitation tariffs will be increased by 7% from the 2014/15 budget. The municipality took a decision to roll out basic services to areas where such services were previously not provided. This is also the case with previously under serviced areas which are mostly rural areas. Additional revenue is therefore needed, hence the increase of 7% which is slightly more than the recommended rate of 6% as per Circular 75.
- Revenue from Refuse Removal is estimated to be R78.9 million which is an increase of R5.4 million from the 2014/15 budget. A 7% increase will be levied on refuse removal tariffs. The municipality took a decision to roll out basic services to areas where such services were previously not provided. This is also the case with previously under serviced areas which are mostly rural areas. Additional revenue is therefore needed, hence the increase of 7% which is slightly more than the recommended rate of 6% as per Circular 75.
- The service charges are calculated as follows:

2015/16 OPERATIONAL BUDGET

CALCULATIONS FOR REVENUE FROM SERVICE CHARGES

SERVICE CHARGES	2013/14 AUDITED OUTCOME	%INCREASE FOR 2014/15	2014/15 BUDGET	PROPOSED % INCREASE FOR 2015/16	2015/16 BUDGET
WATER	143,077,136.00	7	153,092,535.52	7.00	163,809,013.01
SANITATION	83,493,448.00	7	89,337,989.36	7.00	95,591,648.62
REFUSE	68,870,769.00	7	73,691,722.83	7.00	78,850,143.43

- Total grant allocations to fund operating budget are expected to be R307 million. These operating grants are the equitable share, the Municipal Systems Improvement Grant (MSIG), the Finance Management Grant (FMG) and various other provincial allocations. The equitable share allocation to be received from National Government increased from R284.7 million to R298.2 million.

Total revenue for the 2015/16 financial year is estimated to be R 1,580,961,000

OPERATIONAL EXPENDITURE

- Employee Related Costs have increased from R411.6 million to R442.5 million and this is an increase of R30.9 million. A provision of 6% has been made in respect of salary increases for the 2015/16 financial year which will be implemented on 1 July 2015. The final increase will be determined by the Local Government National Bargaining Council in due course. Councillors' remuneration has been increased from R18.1 million to R19.2 million. A provision of 5% has been made in respect of salary increases for councillors which will be determined by the MEC for CoGTA at the beginning of 2016.
- Expenditure on Repairs and Maintenance is expected to increase from R87.5 million to R108.6 million. This marks an increase of R21.1 million from the 2014/15 budget.
- Expenditure on Bulk Purchases of Electricity remained has increased from R415 million to R474.1million. This is an increase of 14.24% which was decided on by NERSA.
- The municipality's contribution to uThukela water increased from R77.6 million to R82 million which is an increase of 5.37% from the 2014/15 budget.
- Expenditure on provision for Debt Impairment has increased from R98.9 million to R102.3 million. The municipality has decided to realistically determine this amount after receiving the Transunion (ITC) report determining who can afford to pay and who cannot afford to pay.
- Provision for Depreciation has been set at R247.9 million and is based on the asset register and the anticipated new capital acquisitions.
- Expenditure on Finance Charges has increased from R22.2 million to R27.1 million. This represents an increase of R4.9 million. This is due to additional loan that was raised to fund new capital projects in 2014/15 financial year.

Total expenditure for the 2015/16 financial year is estimated to be R 1 834 688 000.

The municipality's 2015/16 operational budget yields an operating deficit of R253.7 million. The move from a balanced budget approach to a funded budget approach means that the municipality's budget need not to balance but must be funded. The municipality's budgeted cash flow yields a cash surplus which means that the municipality's budget is adequately funded.

CAPITAL BUDGET

The municipality's total capital budget for the 2015/16 financial year amounts to R400.5 million, which will be funded as follows:

Grants and Subsidies: R175.6 million
Reserves : R161.5 million
External Loan : R63.3 million

New assets and renewal of existing assets

The municipality's budget for renewal of existing assets is R141.9 million and this amount is considered sufficient considering that there is also repairs and maintenance of R108.2 million in the operational budget. The combination of the budget for renewal of existing assets in the capital budget and the repairs and maintenance in the operational budget is considered adequate to secure the ongoing health of the municipality's infrastructure as required by MFMA circulars 55 and 66. The municipality will continue investing in renewing and maintaining existing assets.

Repairs and maintenance

The budget for repairs and maintenance increased by 24% (R21 million) from R87.3 million to R108.3 million. This amount is considered sufficient considering that there will not be a need for some existing assets to be maintained as they will undergo a complete renewal for an amount of R141.9 million. In total, expenditure on existing assets will be R250.1 million which is considered sufficient to ensure the ongoing health of the municipality's infrastructure as required by MFMA circulars 55 and 66.

ISSUES NOT ADDRESSED IN THE 2015/16 BUDGET

Operating Budget

- Filling of all critical vacant positions as per new department structures
- Possible demands for higher salary increase than budgeted, especially back pays in terms of the Wage curve and Categorisation Collective Agreement.
- Potential cash outflow due to the under provision for bad debt provision.
 - Free basic electricity limited to 50kW to indigent households.

Water Budget

- Funding to address water infrastructure problems may be inadequate.
- Provision of funds to implement and monitor water restrictor system.
- Free basic water limited to 12kl to indigent households.

ALIGNMENT WITH NATIONAL AND PROVINCIAL PRIORITIES

The Newcastle Municipality's IDP and Medium-term budget need to align with national and provincial initiatives to ensure optimal impact from combined effort of government. The Municipality is confident that this budget is structured to give effect to the strategic priorities and support long-term sustained growth and development in line with National and Provincial objectives.

The following priorities are part of National Government's framework to enhance the social, cultural and economic welfare of all South Africans.

- Expanding investment in the built environment and increasing access to basic services
- Enhancing skills and quality of education
- Reducing levels of crime and enhancing citizen safety
- Improving the provision of healthcare and broadening programmes
- Sustaining employment growth through increased public investment spending

The 2015/16 medium term budget seeks to address a number of these priorities by, amongst others, wider provision of municipal services, free basic services for indigents, initiatives to encourage capital spending to provide a vast public infrastructure.

5. BUDGET TABLES AND RELATED CHARTS

As attached in Annexure A - A1 Schedule

5. OVERVIEW OF BUDGET PROCESS

Political Oversight of Budget Process

The concept of political oversight over the budget process is an important one and it is the key to ensuring that strategy informs budget.

The political oversight role of the Mayor is contained in Section 53 (1)(a) and (b) of the Municipal Finance Management Act (MFMA). It requires that the Mayor must provide political guidance over the budget process and the priorities that guide the preparation of the budget. It further requires that the Mayor co-ordinate the revision of the IDP and the preparation of the annual budget and to determine how the IDP is to be taken into account for the purpose of the budget.

The demands on the Municipality to address service delivery backlogs and to improve service delivery to all of its citizens, within current financial resources, are challenging. Political oversight of the budget process is therefore essential to ensure that the priorities of the municipality are addressed through budget allocations.

Schedule of Key Deadlines Relating of Budget Process

One of the objectives of the budget timetable is to ensure the development of IDP and the budget and also to ensure that a funded budget is tabled for consideration and approval. The timetable schedule for the compilation of the 2015/16 budget cycle was approved by Council during August 2014 in compliance with the MFMA. The timetable was also submitted to both Provincial and National Treasuries.

Process for Consultations with Stakeholder Groups and Outcomes [MFMA 21(1)(b)]

Section 22 of the MFMA requires that after tabling of the annual budget in Council, the municipality must make public the budget and also invite the local communities to submit representations thereon. Accordingly the tabling of this draft budget in the Council on 31 March 2015 will be followed by the following activities:

- The summarised budget and consultation meetings will be published in News Letter
- The budget will be submitted to Provincial and National Treasuries as well as Department of Provincial and Local Government
- The budget will be presented to the IDP Representative Forum
- The budget will be presented to the Ward Committees
- Public meetings will be held in various wards
- The budget will be presented to the Business Community
- The budgeted document will be generally distributed to libraries and other municipal offices to allow the wide invitation of comments and representations to the annual budget.

The public budget road show meetings will take place during April and May 2015. The schedule of budget road shows will be publicized in the local newspaper, website, and libraries as well as in the municipal notice boards.

6. OVERVIEW ALIGNMENT OF IDP AND BUDGET WITH, MONITORING AND IMPLEMENTATION THROUGH SERVICE DELIVERY BUDGET IMPLEMENTATION PLANS

PURPOSE

This document presents an Integrated Development Plan (IDP) for Newcastle Local Municipality (NLM). The IDP is prepared in compliance with the requirements of Chapter 5, particularly Section 25 of Local Government Municipal Systems Act (32 of 2000), which obliges a municipal council to adopt a single, all inclusive and strategic plan for the development of the municipality, within a prescribed period after the start of its elected term. It outlines a development agenda for the municipality for the next five years. The Newcastle Municipality has undertaken its fourth round of its IDP process after the inception of new Council after 18 May 2011 local government elections.

INTRODUCTION TO NEWCASTLE MUNICIPALITY

Newcastle Local Municipality is one of the three local municipalities that make up Amajuba District. This is required located on the northwest corner of KwaZulu-Natal, and borders onto Free State and Mpumalanga provinces to the west and north respectively. Utrecht and Dannhauser local municipalities are located along the eastern and southern boundary. It covers an area of approximately 1854km². Total population in the NLM is estimated at 363236 people spread unevenly among the thirty one (31) wards with nearly 80% residing within the Newcastle East. Newcastle population is relatively young with 46% of the population being younger than 19 years of age, while the age group between 20 and 34 years accounts for 27% of the population. Newcastle accounts for 73% of the district population.

The municipal boundaries were delineated in terms of the Municipal Demarcation Act, (Act No. 27 of 1998) and takes into account population movement trends, regional economic patterns and current land use pattern. As such, the boundaries are not just administrative, but are also intended to promote social and economic development while also strengthening regional economic and functional linkages. Newcastle is well placed to benefit from regional economic growth given its strategic location at the nexus of major tourism, logistics, farming and industrial routes, and as the seat of government in KwaZulu Natal. Newcastle is centrally located in the northern region, of KZN halfway between Johannesburg and the harbours of Durban and Richards Bay, contributes to the export of manufactured goods, as well as for distribution to the Gauteng market. Newcastle is also provided with good access infrastructure to these areas, which includes road and rail networks. It is situated on the national rail route between the Durban Container Terminal and City Deep in Gauteng, and has within its confines, major rail exchange yards, supporting railway stations and extensive goods conversion/warehousing facilities.

DEVELOPMENT STRATEGY

NLM development strategy is based on a long-term vision, but acknowledges the significance of issues that needs to be addressed in the short to medium term. As such, the municipality has formulated development goals that seeks to address the challenges facing the institution currently and reposition the area in a development path as follows:

- To develop Newcastle as a service and industrial hub.
- To eradicate all forms of poverty and destitution/indigence.
- To be an example of service and governance excellence.
- To improve the quality of life.

To achieve environmental sustainability.
To promote gender equality and empowerment.

In the short to medium term, the municipality will initiate projects with clear targets and outputs towards the attainment of these goals. It will accelerate delivery of services and gradually consolidate outcomes so as to attain the desired future situation.

Particular focus will be paid to the following key areas of strategic intervention:

- **Spatial integration and environmental sustainability:** Particular focus will be paid on developing systems and procedures for effective land use and environmental management.
Local economic development: The municipality has a responsibility to create a climate conducive for public and private sector investment. As such, the municipality is committed to work with other government agencies and departments to deliver state of the art economic infrastructure that will facilitate development of effective service and industrial sectors.
- **Service delivery and infrastructure development:** The NLM is the sphere of government that is closer to the communities. This bestows a huge responsibility to delivery services where the municipality is directly responsible and coordinate the delivery of services that fall outside the constitutional obligations of the municipality.
Municipal transformation and organisational development: The attainment of development goals as outlined above requires the municipality to establish effective systems and procedures for both municipal administration and local governance. This includes attracting and retaining well trained, experienced and committed employees.
- **Municipal financial viability and management:** Funds will be a critical input in process towards the attainment of the above-outlined goals. As such, it is critically important to ensure that the municipality is able to generate sufficient funds to be able to deliver services and facilitate development. Also important is ability to account for the use and disbursements of public funds.
- **Good governance and public participation:** The municipality is committed to putting in place systems and procedures for accountable local governance. This includes oversight responsibilities, auditing function, risk management, etc. Members of the public will be kept informed and engaged in all municipal affairs.

STATUS QUO ANALYSIS

Future development within NLM should respond directly to the development trends, patterns, needs and aspirations of those who live and/or work within the area. It must be relevant to the local context while also contributing to the attainment of the provincial and national development imperatives. This section provides a detailed analysis of the current development situation within the NLM. It is structured substantially in accordance with the Key Performance Areas (KPA), but also considers issues that are pertinent to Newcastle Municipality. The national KPA's are as follows:

Social and economic development.
Infrastructure development (service delivery).
Institutional development and corporate governance
Financial management
Democracy and good governance.
Spatial planning and Environment

SOCIO-ECONOMIC PROFILE

DEMOGRAPHIC PROFILE

POPULATION SIZE AND GROWTH PATTERNS

The official government figures reflected in the 2011 census data estimates the total population of the NLM to 363 236 people. This marks a net population increase of 0.87% per annum between 2001 and 2011. It is noted that between 1996 and 2001, population increased by 2.93% per annum. This means that although the population continues to increase, rate of growth is declining.

Table 1: Population Size – Amajuba District and Newcastle Municipality

TOTAL POPULATION BY MUNICIPALITIES	TOTAL POPULATION		% POPULATION GROWTH	
	2001	2011	2001	2011
Newcastle	332981	363236	2.93	0.87
Emadlangeni	32277	34442	6.00	0.65
Dannhauser	102779	102161	0.71	-0.06
Amajuba	468036	499839	2.61	0.66

Source: Stats SA, 2011 Census Data

This trend is characteristic of the whole district with municipalities such as Dannhauser recording a negative growth rate. Population growth rate in Newcastle is above district average of 0.66% making Newcastle the fastest growing municipality in the district in terms of population.

Newcastle accounts for 73% of the district population. 20% of the district population resides in Dannhauser while only 7% is found in Emadlangeni Municipality.

SOURCES OF ENERGY

The municipality with the assistance of ESKOM has made substantial progress with the provision of electricity throughout its area of jurisdiction. 69 800 and 73 449 households are using electricity for cooking and lighting respectively. The number of people using sources of energy such as paraffin, wood, gas, coal, etc has declined substantially.

However, there is a few areas where lack of services has been reported. These include informal settlements and areas that were settled after the settlement was electrified.

ACCESS TO WATER

Water supply infrastructure in Newcastle Municipality varies between areas reflecting the impact of separate development and urban bias of the past planning and development practices. Newcastle town is generally well provided with water while a few households in Madadeni and Osizweni Townships are experiencing shortage in this regard. Severe backlogs have been reported in rural wards where the level of backlog is high. A review of the 2011 census data reveals that 50% of the population has water inside their dwelling units. However, a significant number of people (more than 35% still obtain water beyond a 200m radius of communal stand pipes. People who do not have access to piped water account for only 4% of the total population.

The Newcastle Municipality, in line with National policy on FBW, makes budgetary provision of 12kl per household for indigent families, funded through the Equitable Share. The recently updated

Water Services Development Plan (WSDP) indicates that there has been a reduction of 18% in water backlogs between the 2002 and 2010 with an existing water service backlog of 24%. Breakdown of the level of access to water by municipal wards is indicated on the table below:

Table: 6: Access to Sanitation by Wards

Source of water services provider)	Regional/local water scheme (operated by municipality or other water services provider)								
	Borehole	Spring	Rain water tank	Dam/pool/	stagnant water	River/	stream	Water vendor	Water tanker
	Other								
Municipal Wards	851	933	452	93	94	258	20	341	87
Ward 1	3 242	6	1	2	1	5	5	20	
Ward 2	2 294	16	1	3	9	12	8	7	34
Ward 3	2 789	6	-	7	3	1	8	13	9
Ward 4	2 873	7	1	1	3	1	6	4	8
Ward 5	3 821	82	11	29	5	7	55	552	249
Ward 6	3 216	32	2	15	6	5	20	93	239
Ward 7	1 765	17	-	1	2	-	5	49	22
Ward 8	3 632	11	-	3	-	-	4	5	70
Ward 9	2 108	2	-	1	1	-	5	7	38
Ward 10	2 436	8	4	1	4	-	12	4	32
Ward 11	1 701	31	7	2	1	-	7	14	68
Ward 12	1 667	3	3	1	-	-	2	7	6
Ward 13	3 287	13	5	2	2	-	-	89	214
Ward 14	1 444	216	27	5	12	4	13	280	212
Ward 15	2 613	117	2	7	2	-	5	17	345
Ward 16	2 368	8	-	-	-	-	25	1	7
Ward 17	2 148	99	-	1	-	-	20	29	277
Ward 18	2 215	21	7	1	6	1	2	230	22
Ward 19	3 705	41	1	4	-	-	12	11	17
Ward 20	2 583	118	5	76	2	12	17	149	136
Ward 21	1 949	1	-	2	-	-	5	4	1
Ward 22	1 800	7	-	2	-	-	11	112	9
Ward 23	2 906	25	2	1	2	-	3	4	17
Ward 24	3 382	301	1	2	-	5	6	-	13
Ward 25	1 601	4	-	1	1	-	2	1	8
Ward 26	2 453	6	-	-	2	-	5	1	14
Ward 27	1 633	2	5	1	4	1	1	7	8
Ward 28	2 497	2	-	2	1	-	8	17	8
Ward 29	2 576	13	2	7	5	1	5	87	24
Ward 30	2 171	87	4	1	1	2	9	270	81
Ward 31	75 725	2 235	545	278	169	312	305	2 411	2 292
Grand Total	75 725	2 235	545	278	169	312	305	2 411	2 292

Source: Stats SA, 2011

The graph below illustrates the demand for water and indicates the crisis that might face NLM is water issues are not given priority within LM.

ACCESS TO SANITATION

Similarly, the peri-urban and rural areas with the JBC and rural settlements in the Khathide and AmaHlubi communities are characterised by high sanitation backlogs. The JBC node has no sewerage reticulation in place. The residents rely on over 15 000 ventilated improved pit (VIP)

latrines. Most of the VIPs are full and the Municipality spends about R1,0 million every month in de-sludging the VIPs. Plans are underway to formalize Blaawbosch and considerable sewage flows are expected.

Source: Stats SA, 2011

A breakdown of level of access to sanitation by municipal wards is indicated in the table below. 688 people said to be on bucket system is a source of concern and will be attend immediately.

Table: 7: Access to Sanitation by Wards

MUNICIPAL WARDS	NONE FLUSH TOILET (CONNECTED TO SEWERAGE SYSTEM)		FLUSH TOILET (WITH SEPTIC TANK)		CHEMICAL TOILET		PIT TOILET WITHOUT VENTILATION		TOILET BUCKET
TOILET WITH VENTILATION (VIP)	TOILET OTHER								
Ward 1	168	456	343	87	136	1777	36	124	
Ward 2	232	59	14	-	2	-	2	2	
Ward 3	192	339	2	-	10	6	1	6	
Ward 4-	280	2	9	-	15	4	-	5	
Ward 5	2	2888	3	-	3	2	-	7	
Ward 6	440	28	23	583	1577	1993	22	145	
Ward 7	329	804	38	170	1151	891	241	4	
Ward 8	21	1673	99	4	53	2	4	7	
Ward 9	337	1917	52	128	702	546	10	32	
Ward 10	62	2075	19	-	2	1	1	2	
Ward 11	18	1649	42	283	9	122	7	372	
Ward 12	42	17	12	21	21	1580	2	137	
Ward 13	7	1505	1	6	5	148	10	7	
Ward 14	14	75	13	422	1180	1851	42	15	
Ward 15	85	7	5	35	44	1868	7	163	
Ward 16	156	18	12	28	91	2659	19	127	
Ward 17	17	2169	17	1	3	138	28	37	
Ward 18	65	333	49	160	143	1691	18	117	
Ward 19	31	1006	20	559	253	617	3	17	
Ward 20	68	3253	201	17	9	17	168	58	
Ward 21	24	1970	240	127	88	620	4	25	
Ward 22	2	1878	53	2	-	-	22	3	
Ward 23	1	1608	270	2	1	12	6	39	
Ward 24	17	2864	19	1	21	2	3	34	
Ward 25	120	2444	10	4	14	1040	5	73	
Ward 26	11	1600	2	-	-	1	-	3	
Ward 27	6	1651	19	139	481	6	6	173	
Ward 28	5	1643	10	1	2	-	-	-	
Ward 29	36	1325	71	186	675	230	3	8	
Ward 30	78	1724	18	118	328	383	13	57	
Ward 31	115	54	18	897	817	707	3	16	
Grand Total	2298	47034	1705	3981	7836	18914	688	1816	

VISION, MISSION AND CORE VALUES

The following vision and mission statement for Newcastle Municipality were formulated at a strategic planning session with active participation of both the political and administrative

components of the municipality. The vision commits the municipality to sustainable, integrated, equitable and effective development.

NEWCASTLE MUNICIPALITY DEVELOPMENT VISION

MISSION STATEMENT

The mission statement acknowledges the objects of local government as outlined in various local government legislation and given effect through the IDP and the associated sector plans. It also seeks to align the municipal strategic activities, structure and resource allocation with the powers and functions as prescribed in the Constitution.

LONG-TERM GOALS

NLM development strategy is based on a long-term vision, but acknowledges the significance of issues that needs to be addressed in the short to medium term. As such, the municipality has formulated development goals that seeks to address the challenges facing the institution currently and reposition the area in a development path as follows:

- To develop Newcastle as a service and industrial hub.
- To eradicate all forms of poverty and destitution/indigence.
- To be an example of service and governance excellence.
- To improve the quality of life.
- To achieve environmental sustainability.
- To promote gender equality and empowerment.

KEY DEVELOPMENT CHALLENGES

REGIONAL ROLE AND SIGNIFICANCE OF NEWCASTLE

The identification of Newcastle as an important secondary investment node with potential for industry, agriculture and tourism, indicates its importance on a regional and provincial scale. Newcastle is strategically located halfway between Johannesburg and the harbours of Durban and Richards Bay, and is well connected to these centres by means of both rail and road infrastructure. The N11, P612 and the P483 are some of the roads running through the NLM serving a national, provincial and regional function.

The town serves as an administrative and economic hub for the north-western part of KwaZulu-Natal. This includes the whole of Amajuba District and some of the surrounding areas in Mpumalanga Province and Umzinyathi District. This raises a key question whether the town is developed with sufficient infrastructure and has enough capacity to play its role as a sub-regional economic hub. Some of the critical infrastructure includes tertiary education and health facilities, regional government offices and sports facilities. Equally important is the ability to create employment opportunities and absorb the urbanising labour force. Therefore, planning for the future development of the NLM should go beyond a narrow focus on local issues and incorporate regional social and economic issues.

URBANISATION – SUSTAINABLE HUMAN SETTLEMENTS

Urbanisation is the process in which the number of people living in cities increases compared with the number of people living in rural areas. An area is considered to be urbanised when over 50% of its population lives in urban places. Rate of urbanisation in Newcastle has been very rapid, resulting in the development of settlements along P483 in particular as linear settlements from

KwaMathukuza through JBC to Khathide in the north. Rapid urbanisation brings with it many problems as it places huge demands on land, water, housing, transport and employment. In Newcastle like many other South African Towns, apartheid has made the problems of urbanisation more complex. Urbanisation of black people was made difficult by forcing them to live in areas far from the town. With the lifting of racial restrictions on where people may live and work, many unemployed people have migrated to urban centres such as Newcastle in search of work, bringing their families with them. The shortage of accommodation in town has forced them to live in informal settlements hence the informal settlements that are spread throughout the area with huge concentrations in the eastern areas. Land under the control of Ubohle bomzinyathi Community Authority has also been specifically targeted as these areas present opportunities for a rural lifestyle in an urban context. This presents the municipality with a challenge to devise strategies to manage the urbanisation phenomenon, and ability to undertake pro-active planning in anticipation of population growth. All housing projects undertaken to-date have been reactive.

INEFFICIENT SPATIAL STRUCTURE

While the regional economic development forces remain one of the main structuring elements within the NLM, the past apartheid policies have had a profound impact on the structure and functionality of the area. It fragmented communities, marginalised their economic activities and undermined their participation in the economy. It located people in areas with poor access to urban services and facilities, and effectively entrenched the philosophy of unequal development.

The NLM could broadly be described as an apartheid region in the sense that it embodies most if not all the attributes of apartheid spatial patterns. These include the following:

- Low density sprawl which is fuelled in the Newcastle West by anti-city values of suburbia which promotes large plots as an image of good urban living. Factors that contribute to urban sprawl includes continued existence of low density residential suburbs designed in terms of garden city concepts, and entrenched into the Town Planning Scheme through inflexible density controls and scheme clauses such as coverage, minimum site sizes and permissible uses, and easy access to land for settlement in the east.
- Cellular development pattern that occurs in relatively discrete pockets based on the introverted concept of neighbourhood unit or super block. This has given rise to a coarse grain urban environment characterized by single dwelling units and building ancillary thereto on large plots of land (garden city concept). As such there is a high impact on available land in relation to population size, and travel within the city is costly in terms of time. This gives rise to inefficiency in the use of energy, transportation and movement, and delivery of services.
- Separation of land uses, urban elements, races and income groups. The dominant land use pattern resembles a series of relatively homogenous blobs of different uses tied together by high speed transport routes. The separation of places of work and residence was deeply entrenched in the philosophy of urban management. A large number of the poor are living on the urban periphery further away from the opportunities.

Despite businesses being attracted to decentralised locations, the central area has shown some resilience in that new businesses have moved in to occupy space vacated by those who have moved to decentralised locations. However, decay/decline is evident in some sections of the central area.

The combined consequences of these spatial patterns have been phenomenal leaving the area with entrenched inequality and functional inefficiency. It created islands of spatial affluence in a sea of geographical misery (CSIR, July 2002:4). It created a distorted, fragmented, incoherent and inefficient settlement pattern. It also gave rise to spatial, social and economic exclusion of certain race groups to the benefit of other, and created a poorly functioning land and housing market.

ECONOMIC STAGNATION

Over the last few decades, the economy of the Newcastle Municipality area of jurisdiction experienced variable trends marked, in all, by shift from one sector to the other and general decline in both output and performance. Although some mining activities are still evident in the area, it is no longer appropriate to regard Newcastle as a coal mining town. The same applies to agriculture. Both sectors have shed a number of jobs and their contribution to the local economy is at the lowest point ever. Manufacturing remains the main economic activity in the NLM, but is itself facing a number of structural challenges which if not addressed at this juncture will relegate this sector into insignificance. These challenges include the dominance of the clothing and textile sub-sector which implies the lack of economic diversity, poor labour conditions in some of the factories and lack of new investment. In the light of this, there is an urgent need to redefine the role of Newcastle in the provincial and national economy. This may include the identification of new sectors, diversification of some existing factors and strengthening functional integration between Newcastle Town and the surrounding rural hinterland. Tourism development is also one of the key sectors that need to be explored.

POOR ACCESS TO SOCIAL FACILITIES

Huge backlogs in the delivery of public services have been identified as one of the key issues facing Newcastle Municipality. It manifests itself in the following forms:

- Poor condition of schools, which does not contribute to building a culture of learning and teaching.
- Poor access to institutions for early childhood education. This field has been identified by the national government as a priority area of intervention.
- Poor access to health services which affects delivery of primary health care. The latter is a strategy used by the national government to deliver health services.
- Poor access to library services which also affects the development of a culture of learning and teaching.
- Poor access to welfare services including pension pay points, magistrate services, etc.
- Poor access to cemeteries.

Attention should be given to lack of sportfields, parks and swimming pools in the MBO area in order to revive the sport in Newcastle considering that the municipality has a history of producing world stars on soccer.

INFRASTRUCTURE BACKLOG

Access to basic services is one of the main elements of socio-economic wellbeing of an area. The status of the physical and economic development level of a community such as that of Newcastle is often measured based on the provision and quality of infrastructure for technical services, i.e. access to roads, electricity, water and sanitation. These are found to be a huge challenge for Newcastle Municipality whereas the town suffers from maintaining of existing services while rural areas have no basic services at all. In addition, the Newcastle Local Municipality is challenged with the maintenance and development of basic road and storm water infrastructure to serve the local community, particularly in the Newcastle East. This will be severely constrained by limited financial resources. Public transport plays an important role in the economy of Newcastle and deserves some attention in the planning efforts of the municipality.

POOR QUALITY OF THE ENVIRONMENT

The quality of the environment within the NLM requires an urgent attention. This is symbolized mainly by the following:

- Deteriorating quality of water due to mining activities, pit latrines, use of pesticides and fertilizers, and other water contaminating activities.
- Poor air quality due to emissions. Equipment for air quality monitoring is in place but has not been maintained. Closer collaboration with local industries needs to be developed in this regard.
- Urbanization which results in the establishment of settlements in areas that is unsuitable for human habitation. These include floodlines, wetlands, etc.
- Waste collection and disposal. The municipality needs to work together with local communities, particularly in the townships to develop community based programs for keeping the area clean.
- General lack of active open space in the NLM, particularly the township areas.
- Dirt roads which also contribute to a sterile environment.

FINANCIAL MANAGEMENT AND ACCOUNTING

The general lack of requisite knowledge by the finance team on GRAP/GAMAP requirements culminates in:

- An inability to account for financial accounts in line with GRAP/GAMAP accounting standards;
- Reliance on consultants in preparing financial statements in line with GRAP/GAMAP requirements by municipalities already converted from IMFO to GRAP/GAMAP;
- Lack of preparedness by those municipalities still to convert to GRAP/GAMAP requirements; and
- Financial systems not geared towards GRAP/GAMAP requirements.

In addition, the financial diagnostic report identifies the following challenges in financial administration, management and reporting within municipality:

- Lack of systems of internal controls to manage assets evidenced by asset registers not updated when acquisitions, impairments or disposals are made. Reconciliations of the asset register to the general ledger not performed. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.
- Inadequate revenue collection systems within municipalities evidenced by low recovery of amounts owed for municipal services from consumer debtors, Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts, Lack of advice to the council on revenue enhancement mechanisms.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

HIGH RATE OF POVERTY

Poverty manifests itself in different dimensions with income poverty and human poverty being the most common. Income poverty refers to the lack of sufficient income to satisfy basic food needs and essential non-food needs such as clothing, energy and shelter. It arises from a high rate of unemployment, poor access to productive resources, lack of marketable skills and general lack of job opportunities. Human poverty broadly refers to the lack of basic human capabilities and it arises from high representation of the members who cannot read, write and numerate food insecurity, malnutrition, declining life expectancy, increase of sickness and deaths related to preventable diseases and poor access to basic services. Overcrowding also contributes to this situation.

IMPACT OF HIV AND AIDS

Accurate statistical information about the prevalence of HIV and AIDS in the NLM could not be obtained. However, AIDS has generally been identified as one of the key factors that will influence development over the next few decades. HIV and AIDS will lead to a range of social and economic problems including the following:

- Increase in the dependency ratio as the number of the economically active who dies of AIDS increase.
- Increase in the number of orphans, which in turn may put strain on the limited welfare budget.
- Decline of population with 20 and below years of age.
- Increase in the number of households with members who need special care and treatment thus putting burden on their families, particularly women who are often the ones who look after the sick in addition to their daily activities
- Slowing of population growth.
- Lack of income in cases where breadwinners die of AIDS.
- Low productivity rate.

DEBT MANAGEMENT

Newcastle Municipality has a total debt roll amounting to R 860.3 million. The majority of this is more than 180 days old. Individual households account for R744.1million of this amount while government departments owe about R18.3million. This situation arises from a number of factors including the following:

- Lack of control over excessive water leaks is the main and major contributing factor for low payment factor – where does a person start paying an account when it amounts to thousands of rands.
- Indigent using excess water – about 14100 indigent accounts have arrears of R 178 million leaving only about 7000 accounts having balances of less than R 500.
- Electricity meter audit not yet finalized – awaiting technical section report
- Lack of community and or buy in from communities
- No policies regarding water leaks other than that account is to be paid
- Need an improved customer care facility, i.e. call centre, with a proper query recording system.

However, the politicians are showing the political will to resolve this predicament by resolving that a Task Team needs to be established with a clear plan to improve the payment factor.

LACK OF FINANCIAL DISCIPLINE

Lack of systems of internal controls to manage assets evidenced by:

- Asset registers not updated when acquisitions, impairments or disposals are made;
- Reconciliations of the asset register to the general ledger not performed;

- Regular verifications of assets to ascertain existence and condition not in place.

A lack of these processes contribute to delays in the submission of financial statements due to difficulties encountered in reconciling general ledger / trial balance to corresponding supporting schedules. Further, the existence of assets cannot be ascertained due to a lack of ongoing process to verify them.

Inadequate revenue collection systems within municipalities evidenced by:

- Low recovery of amounts owed for municipal services from consumer debtors;
- Lack of procedures to enforce recovery of debts or follow-up on outstanding amounts,
- Lack of advice to the council on revenue enhancement mechanisms.
- Extraordinarily large provisions for doubtful debts being posted on the Annual Financial Statements.
- Lack of month end discipline resulting in month end closure not performed, critical month end reconciliations not performed, inability to identify completeness of recording of transactions, and inability to report meaningfully to the municipal structures on financial performance;
- Poor record management resulting in difficulties in tracing financial records supporting the financial affairs of the municipality;
- Lack of processes to identify and manage unauthorised, irregular and wasteful expenditure;
- Issues raised by the Office of the Auditor General not followed up and cleared on time.

7. MEASURABLE PERFORMANCE OBJECTIVES

Key Performance Indicators

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To increase the payment factor to 90% by 2011 - To encourage non-indigent consumers to pay	To implement Credit Control policy	Percentage increase in payment factor
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure functional Ward Committees by 2007	Number of Ward Committee meetings held
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Financial Viability and Community Communication	MUNICIPAL MANAGER	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To establish and ensure a functional IDP RF	Number of IDP RF meetings held
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Financial Viability and Community Communication	ADMINISTRATION	To ensure that efficient communication mechanisms are implemented to enhance service delivery	To develop mass communication mechanisms	Number of imbizo's , road shows etc
FINANCIAL VIABILITY	Financial Viability and Community Communication	FINANCE	To ensure an effective and efficient Financial Management System by 2010	To investigate a Phased approach for the review of the FMS to integrate with other Internal ICT systems	As per project process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	ADMINISTRATION	Implementing the Property Rates Act	To finalise the Valuation Roll for implementation of the Act in 2008'2009	As per process plan

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To Improve revenue base	To ensure that land is available for development	Percentage of available land alienated
FINANCIAL VIABILITY	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To ensure and effective and efficient Asset Management System for identified functions	To develop and implement Asset Management Plan for : - Water and Sanitation - CBD road infrastructure - Fleet Management	As per process plan
FINANCIAL VIABILITY	Financial Viability and Community Communication	HOUSING AND LAND	To ensure that service levels/standards are linked to the ability to pay for services	To ensure that all new developments comply with service standards within the beneficiary ability to pay for services	Number of social compacts signed
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To facilitate the reduction of unemployment by 20% by 2011	To promote/facilitate employment	Percentage reduction in unemployment
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To promote the development of SMME's and encourage BBBEE's	Number of workshops held
LOCAL ECONOMIC DEVELOPMENT	Financial Viability and Community Communication	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To stimulate foreign investment	Number of new business/industries attracted
INFRASTRUCTURE DEVELOPMENT	Financial Viability and Community Communication	INFRASTRUCTURE SERVICES	To promote and create a conducive environment for economic growth	To improve infrastructure needs to meet demand	Percentage of infrastructure budget spent for new developments

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To promote and create a conducive environment for economic growth	To develop and implement an Investment and Marketing Strategy by 2008	Number of new jobs created
FINANCIAL VIABILITY	Job Stimulation and Local Economic Development	HOUSING AND LAND	To promote and create a conducive environment for economic growth	To audit all properties in Municipal area.	Progress report
LOCAL ECONOMIC DEVELOPMENT	Job Stimulation and Local Economic Development	ECONOMIC DEVELOPMENT	To facilitate the re-opening and rehabilitation of Mines	Rehabilitation of Mines.	Progress report
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that 10km of Urban Access roads and relevant storm water drainage of inaccessible roads in previously disadvantaged areas to a TAR level is addressed annually	Identify priority Urban Access Roads for upgrading	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To improve infrastructure needs to meet demand	To develop a Storm water Master Plan	As per process plan
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that all Main Taxi Routes are tarred	Investigate costs for the upgrading of Main Taxi Routes	As per process plan
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	Budget Guidelines to include minimum maintenance requirements	Percentage of budget spent

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	To ensure that a minimum of R10m is allocated for Road and Storm water infrastructure maintenance in 2007/2008 to be escalated by 10% annually thereafter	A 5 year maintenance plan be developed (Identify roads and prioritize as per IDP)	Progress Report
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	INFRASTRUCTURE SERVICES	Paving of sidewalks and access roads	Identify areas of high risk for prioritization and costing	Progress Report
INFRASTRUCTURE DEVELOPMENT	Roads & Storm Water	TOWN PLANNING	TO ensure that all street names are finalized for previously disadvantaged areas	To finalise and implement street naming policy	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To ensure 50% of housing backlogs as per the waiting list being addressed by 2011	Identify suitable land for housing development for 12500 household	Percentage reduction of backlogs
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To ensure that 100% of beneficiaries of the EEDBC is addressed by 2008	In progress	Percentage of transfers finalised for beneficiaries approved for EEDBC
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	Improve Customer Satisfaction	Review, implementation and monitoring of Customer Care Policy	Reduction in number of complaints received
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To Access additional funds for housing develop	To package applications for approval by DoH – In progress	Number of applications approved by DoH
INFRASTRUCTURE DEVELOPMENT	Housing and Land	HOUSING AND LAND	To ensure slum clearance by 2010		
INFRASTRUCTURE	Housing and Land	HOUSING AND LAND	To facilitate and fast track land reform	Engage DLA on Area Based	Progress as per Process Plan

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORAT E	OBJECTIVE	STRATEGY	KEY PERFORMAN CE INDICATOR
				Sector Plan	
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Organisational Restructuring	HUMAN RESOURCES	To ensure 100% implementation of Employment Equity Plan by 2011	Implement the Employment Equity Plan of Council	Percentage compliance with EEP
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT		HUMAN RESOURCES	To ensure the implementation of HIV/AIDS strategies	Mainstreaming of HIV/AIDS strategies	As per HIV/AIDS Process Plan
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Organisational Restructuring	HUMAN RESOURCES	To ensure that 100% of vacancies as per the reviewed Organisational Structure are filled by 2011	To ensure that vacancies are filled as budgeted	Number of vacancies filled as per budget
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Organisational Restructuring	ADMINISTRATION	To ensure accessibility of municipal offices by the community by 2010	To investigate and implement strategic location of all municipal offices	Progress Report
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Organisational Restructuring	MUNICIPAL MANAGER	To ensure an effective and functional Internal Audit	As per Audit Plan	Percentage compliance as per Audit Plan
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Organisational Restructuring	MUNICIPAL MANAGER	To ensure that the IDP is approved and implemented	Develop IDP	As per process plan
INSTITUTIONAL TRANSFORMATION AND	Organisational Restructuring		To ensure that the IDP implemented	To finalise the restructuring process	Percentage of macro structure filled

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORAT E	OBJECTIVE	STRATEGY	KEY PERFORMAN CE INDICATOR
CORPORATE DEVELOPMENT					
INSTITUTIONAL TRANSFORMATION AND CORPORATE DEVELOPMENT	Organisational Restructuring	HUMAN RESOURCES	To adequately develop skills to improve service delivery	To review and implement the Skills Development Plan	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure backlogs are addressed by 2017 in line with WSDP	To prioritise projects as per WSDP	Percentage of households with access to a minimum level of service
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure maintenance and rehabilitation of infrastructure.	To prioritize projects as per WSDP	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure a basic/minimum level of service to un-serviced areas by the WSP	Provision of a water tank service	Number of households using a water tanker services
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To reduce water and sanitation backlogs by 50% by 2011	To prioritize and fund projects as per WSDP	Percentage of backlogs addressed for water and sanitation
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To provide Water and Sanitation to Public Facilities(Clinics, Schools, Churches etc)	Identify facilities without service	Percentage of facilities serviced
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	MUNICIPAL MANAGER	To ensure the viability of the Entity (WSP) by 2008	Review SP Agreement – In progress	Progress Report to Council quarterly
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To rehabilitate bulk infrastructure in line with the WSDP	Prioritise projects and source funding as per WSDP	Progress Report

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	INFRASTRUCTURE SERVICES	To ensure that provision of maintenance of infrastructure annually(as per budget guidelines)	Refer to WSP	Approval of budget aligned to WSDP
INFRASTRUCTURE DEVELOPMENT	Water & Sanitation	HUMAN RESOURCES	To establish a fully functional WSA	Source funding and or provide on Budget in terms of Business Plan	Progress Report
INFRASTRUCTURE DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate ABET in Newcastle.	To engage Tertiary institutions	Number of ABET classes confirmed with Tertiary institutions
INFRASTRUCTURE AND SERVICES	Education/Skills Development	TOWN PLANNING	To facilitate the provision of adequate Primary and secondary education facilities including crèches	To engage with DoE and relevant stakeholders	Progress Report
LOCAL ECONOMIC DEVELOPMENT	Education/Skills Development	ECONOMIC DEVELOPMENT	To facilitate the establishment of skills centres.	To engage Private and public sector	Progress Report
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	To electrify public facilities	Identify public facilities without access to electricity	Percentage of facilities being serviced
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	To construct high mast lights in previously disadvantaged areas	Allocation of R2m per annum to be provided for	Percentage of budget spent
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in unlicensed areas	Identify beneficiaries in conjunction with ESKOM	Number of indigent beneficiaries receiving FBE
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	Provision of FBE in licensed area(prepaid)	Investigate roll out of FBE to prepaid consumers in Newcastle License area	Number of indigent beneficiaries receiving FBE in licensed area

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORATE	OBJECTIVE	STRATEGY	KEY PERFORMANCE INDICATOR
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	To ensure that infrastructure is maintained and rehabilitated annually	Provision on Budget of 3% of value of asset annually for maintenance	Percentage of value of asset budgeted for maintenance
INFRASTRUCTURE DEVELOPMENT	Electricity	INFRASTRUCTURE SERVICES	Maintenance of lighting along Provincial roads	Engage DOT	Progress Report
SOCIAL DEVELOPMENT	Primary Health	INFRASTRUCTURE SERVICES	To improve accessibility to facilities in rural areas	Refer to Roads and Storm water	Progress Report
INFRASTRUCTURE AND SERVICES	Primary Health	COMMUNITY SERVICES	To improve health services	To engage Dept of Health	Progress Report
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	Identify open spaces/areas for development	Number of area based plans compiled
FINANCIAL VIABILITY	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate Mixed use zones as per LUMS	Number of rezoning applications processed for Mixed use zones
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To ensure that the SDF is reviewed annually	Approval of SDF
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate CBD regeneration including parking provision and residential provision	As per CBD Development Plan
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To implement Urban Renewal strategies (JBC Precinct)	Percentage of Capital budget invested in JBC
INFRASTRUCTURE AND SERVICES	Spatial development	TOWN PLANNING	To encourage better usage of vacant land	To investigate and source funding for East and West integration	Number of projects funded

NATIONAL KPA	IDP KPA	VOTE/ RESPONSIBLE DIRECTORAT E	OBJECTIVE	STRATEGY	KEY PERFORMAN CE INDICATOR
				(Mad& Osizweni Corridor)	
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	Render either a Skip(Communal) or bag collection service in Blaauwbosch and Dry Cut (6000 households)	Number of household with at least a weekly service
INFRASTRUCTURE AND SERVICES	Refuse Removal	COMMUNITY SERVICES	To ensure that backlogs are addressed	To address backlogs linked to completed housing projects (Section E Osizweni and KwaMathukuza)	Percentage Reduction in backlogs
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	Prepare business Plan and Investigate funding sources	Progress Report
INFRASTRUCTURE AND SERVICES	Disaster Management	COMMUNITY SERVICES	To ensure that fire hydrants meets standards as stipulated in legislation	To annually review the Disaster Management Plan	As per process plan
INSTITUTIONAL TRANSFORMATION	HIV/AIDS	MUNICIPAL MANAGER	Strategy in Progress (Incorporate)		As per process plan
INFRASTRUCTURE AND SERVICES	Environment	COMMUNITY SERVICES	To ensure a safe environment	Development and implementation of EMP	Progress Report

Free and Subsidised Basic Services

Municipalities play central role in supporting economic development and alleviating poverty. The provision of basic services is a critical input to social well being and economic activity. Newcastle Municipality comprises both rural and urban areas as well as wide spread of income groups. Due to variation in living environment, the municipal area has a number of households who currently do not have access to all services.

The basic social package is an affirmation of the Municipality's commitment to push back the frontiers of poverty by providing a social welfare to those residents who cannot afford to pay, because of adverse social and economic realities. The social package will also assist the Municipality in meeting its constitutional obligations.

The estimated cost of social package amounts to R82. million for the 2015/16 budget year. Details of initiatives carried out by Newcastle Council in this regard are detailed below:

Service	Social Package	Million (R)
Assessment Rates	All residential property owners are exempt from paying rates on the first R15,000 of the property value. Indigent residents will receive 100% rebates on rates.	22.0
Water	The first 12kl of water is free to all residents qualified as indigents in terms of the policy	17.0
Electricity	The first 50kwh of electricity is free to all residents qualified as indigents in terms of the policy	6.3
Refuse	Refuse is free to all residents qualified as indigents in terms of the policy	20.7
Sewer	Sewer is free to all residents qualified as indigents in terms of the policy	16.4
Indigent Support		82.4

The cost of indigent benefit to tune of R82.4 million is funded from the equitable share provided by the National Government, which amount is based on the estimated ±19000 number of indigents currently in the Indigent Register.

8. OVERVIEW OF BUDGET RELATED POLICIES OVERVIEW AND AMENDMENTS

The Municipality's budget is guided and governed by relevant legislation and budget related policies. The main purpose of budget related policies is to guide the budget process and inform the projections of the medium-term budget.

The following budget related policies, which have been approved by Council or currently under review, are currently in force to ensure an informed smooth budgetary process and financial management of the Municipality in line with the Municipal Finance Management Act, other relevant legislation and Accounting Standards.

Tariff Policy

The current Tariff Policy, which the municipality adopted in terms of section 74 of the Local Government Municipal Systems Act, is currently being reviewed. The draft policy is still at management discussion and will soon be submitted to the Executive Committee and Council for approval.

Assessment Rates Policy

Section 3(1) of the Local Government Municipal Rates Act, 6 of 2004, and sections 62(1) of the MFMA determines that a municipality must adopt and implement a rates policy on the levying of rates on rateable properties. The policy was approved by Council in the 2009/10 financial for implementation with effect from 01 July 2009. The policy is reviewed as and when the need arises and any amendments are approved by the municipal council. A new valuation roll has recently been prepared and the property rates revenue is based on it.

Credit Control, Debt Collection and Customer Care Policy

The municipality has a Credit Control, Debt Collection and Customer Care policy and the policy is reviewed continually and any amendments are approved by the municipal council. The Budget and Treasury Office is currently busy identifying revenue enhancement strategies which will be in line with the reviewed Credit Control, Debt Collection and Customer Care Policy. The relief measures for indigent consumers are also catered for under this policy.

Supply Chain Management Policy

The municipality has a Supply Chain Management Policy was adopted by Council and is reviewed every year.

Cash Manager and Investment Policy

This policy was approved by Council with effect from January 2008 as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process.

Asset Management Policy

This policy was approved by Council as required by the MFMA. It was considered unnecessary to further amend the policy during the current budget process. The Budget and Treasury Office is

currently busy with the compilation of asset register in terms of GRAP accounting standards, which might result in the Asset Management Policy being reviewed.

Subsistence and Travelling Policy

The Subsistence and Travelling Policy was reviewed and adopted Council on January 2009. The implementation of the subsistence and travelling policy has a budgetary implication in appropriation of funds for travelling, accommodation and meals for Municipal Officials and Councillors embarking on business related trips.

Other new budget-related policies that have been submitted to Council for approval are the following:

Tariff Policy
Debt Write-off Policy
Indigent Policy
Budget Policy
Virement Policy
Funding and Reserve Policy

- Borrowing Policy
- Petty Cash Policy

9. OVERVIEW OF BUDGET ASSUMPTIONS

General Inflation Outlooks and its Impact

The global economy grew by an average of 5% from 2003 to 2007. It was a period of robust expansion but also of widening international imbalances. However, 2008 saw the gathering of storm clouds as industrialised countries moved into recession into the latter part of the year, interrupting a lengthy spell of sustained, positive growth in national and local economies. South African economy was no exception with the economy slowing sharply. Like other emerging markets we were affected by the looming recession in advanced economies. Our government has, however, adopted a macroeconomic framework and fiscal stance capable of withstanding tough times and protecting the economy during times of global economic turbulence. The Stats SA resulted indicated that South Africa is slowly moving out of recession, however, it is anticipated that challenges caused by recession will take more just a year to re-instate as its impact will remain with South Africa for some time. This has been evidenced by the continuing job losses and employee demands for higher wages and nationwide service delivery protests.

Newcastle Municipality, like and any other municipality, is still subjected to the impact from the global crisis as well as related ripple effects from national economy. The recent hikes in, to mention a few, electricity bulk purchases, fuel, interest rates and inability to feel critical positions in critical industries could not be interpreted in isolation of Newcastle Municipality and did therefore impact negatively on the 2013/14 budget and it will still have a huge effect on the 2014/15 medium term budget.

The 2014/15 budget has been prepared taking into account the anticipated 2.7% real growth and estimated CPI of 6.2%

Budget Guidelines

The following is the extract of the budget guidelines as approved by the Council and which was utilised in preparing the 2014/2015 medium-term budget:

Item Description	2015/16	2016/17	2017/18
Assessment Rates	10%	7%	7%
Electricity tariffs	12.20%	12.20%	12.20%
Water tariffs	7%	7%	7%
Sanitation tariffs	7%	7%	7%
Refuse tariffs	7%	7%	7%
Salaries and allowances	7%	7%	7%
Repairs and Maintenance	6%	6%	6%
General Expenses	4%	4%	4%

All other tariffs, except for electricity & rates, will be increased by only 7% in order to allow the municipality to continue rendering services in a sustainable manner and roll out the services to other areas within the municipality which are still without these services.

10. OVERVIEW OF FUNDING THE BUDGET (Including fiscal overview and sources of funding)

Financial Performance Current Year 2014/2015

The adjustment budget was tabled to the Executive Committee and the Council on the 12 March 2015. Below are the highlights of what was approved in the adjustment budget, against what was originally budgeted for:

2014/15 OPERATING ADJUSTMENTS BUDGET

STANDARD ITEM	2014/15 ORIGINAL BUDGET	2014/15 ADJUSTMENTS BUDGET
OPERATIONAL REVENUE PER SOURCE		
PROPERTY RATES	(242,669,800)	(217,946,680)
ELECTRICITY	(609,525,428)	(612,275,429)
WATER	(164,356,278)	(164,356,278)
SANITATION	(90,288,265)	(90,288,265)
REFUSE	(73,449,693)	(73,449,693)
RENTAL OF FACILITIES AND EQUIPMENT	(6,478,502)	(6,478,502)
INTEREST ON INVESTMENT	(16,872,072)	(16,872,072)
INTEREST ON ARREAR ACCOUNTS	(8,130,887)	(8,130,887)
FINES	(2,827,207)	(2,827,207)
LICENCES AND PERMITS	(3,003)	(11,795)
TRANSFERS RECOGNISED- OPERATIONAL	(298,618,069)	(302,434,082)
OTHER REVENUE	(13,142,389)	(13,500, 000)
TOTAL OPERATIONAL REVENUE	(1,526,361,893)	(1,508,569,890)

**OPERATIONAL EXPENDITURE
BY TYPE**

EMPLOYEE RELATED COSTS	399,662,967	411,637,392
COUNCILLORS REMUNERATION	18,120,877	18,120,877
DEBT IMPAIRMENT	296,728,014	98,909,338
DEPRECIATION	238,001,942	238,001,942
FINANCE CHARGES	22,158,395	22,158,395
AGENT FEES	66,064,402	77,636,402
AUDIT FEES	3,324,498	3,324,498
BULK PURCHASES	432,240,000	415,000,000
COLLECTION FEES	13,158,155	13,158,155
CONSULTANTS FEES	35,415,695	44,320,695
OTHER MATERIAL	3,557,889	2,835,805
REPAIRS AND MAINTENANCE	95,257,826	87,472,056
GENERAL EXPENSES	124,944,779	203,877,414
TOTAL OPERATIONAL EXPENDITURE	1,858,468,688	1,706,231,026
SURPLUS/DEFICIT	(332,106,795)	(197,661,136)

Funding of the 2015/16 Medium-Term Budget

The operating budget of Newcastle Municipality for the 2015/16 financial year will be funded from rates, tariffs, sundry charges and grants and subsidies. Assessment rates and electricity are expected to generate R240.6 million and R649.2 million respectively, while water, sewer and refuse are expected to generate R163.8, R95.6 and R78.9 million respectively. All these tariffs are expected to generate the operating revenue of R1.2 billion (77.6%) to the Municipality. Electricity tariffs alone represent about 41% of the total operating revenue.

The summary of tariff increases for 2015/16 is as follows:

- Rates : 10%
- Electricity : 12.20%
- Refuse removal services : 7%
- Water : 7%
- Sanitation : 7%

Increases in the individual tariffs applicable to the above services are detailed in the tariff of charges schedule attached hereto, together with other proposed sundry tariffs. Sundry tariffs are expected to generate only about R14.8 million, which is about 1% of the total operational revenue.

Grants and Subsidies included in the operational revenue budget total to R307.9 million. This includes both conditional and unconditional operational grants.

The following issues were the challenges in the appropriation of funds when preparing the 2015/16 budget:

- Initiatives to improve the current payment factor
- Requirement with regard to upgrading and maintenance of existing roads and other service networks
- Departmental requirements regarding the filling of critical and vacant positions not previously budgeted for
- Provision for Council's liability to reserves

Funding of 2015/16 Medium-Term Capital Budget

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

Grants:	R175.6 million
Reserves	R161.5 million
External Loans	R 63.3 million

Investments

Interest received on external investments to an amount of R11.95 million will also contribute the operating revenue. A schedule of Municipal Investment is provided in SA16 of the Schedule A budget.

National and Provincial Government Transfers

The National and Provincial grants allocation will be used to fund larger portions of the operating expenditure as well as the capital expenditure. These have been gazetted in terms of the 2015 Division of Revenue Act and the Provincial Gazette.

For Grant allocations, please refer to SA18 of Schedule A.

New Borrowings

There will be no new borrowings by the municipality's to fund the capital programme, only loans which were not spent in 2014/15 will be utilised in 2015/16. Refer from SA17 of Schedule A budget schedule.

11. EXPENDITURE ON ALLOCATIONS AND GRANT PROGRAMMES

Grants and subsidies from National and Provincial governments, as reported in the 2015 Division of Revenue Act and reflected in SA 19, have been included the 2015/16 budget and each allocation will utilised for the purpose as described below.

National Grant Allocations

Equitable Share

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

Municipal Infrastructural Grant (MIG)

The Municipal Infrastructural Grant (MIG) is entering its eleventh year of implementation in the 2015/16 financial year. It resulted from the consolidation of various capital grants for municipal infrastructure (CMIP, Water Services Projects, CBPWP, LEDF, BSRP and the Urban Transport Fund) into a new funding arrangement.

The Municipal Infrastructural Grant is a conditional grant which gives effect to national objectives to:

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

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

Finance Management Grant

The Finance Management Grant is a capacity building grant provided by National Treasury to assist municipalities in building management planning, technical and financial management skills and capacity for effective service delivery.

It will be utilised for the upgrading of skills and capacity of Newcastle Finance officials for workshops and training programmes, funding financial programmes with a view to capacitate financial systems, as well as for the remuneration of the interns currently employed by the municipality and cover costs of their training and its facilities. There are currently four interns employed, and the activities are in place to appoint the fifth one, as per National Treasury guide.

Water Operating Subsidy

The Water Operating Subsidy is the capital grant provided by the Department of Water Affairs and Forestry to subsidise water schemes owned and/or operated by the department or other agencies on behalf of the department. Projects funded through this grant are implemented by the uThukela Water (Pty) Ltd but Newcastle Municipality will only administer the funds of the project(s).

Municipal Systems Improvement Grant

This grant is provided by the Department of Cooperative Governance and Traditional Affairs to assist municipalities to build in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Local Government Systems Act, 2000 and other related legislation.

The grant may be apportioned for, depending on the submitted and approved activity plan, the engagement of ward committees, IDP review processes, implementation of Municipal Property Rates Act and GRAP conversion requirements

Neighbouring Development Partnership

This grant was established by National Treasury to support neighbouring development projects that provide community infrastructure and create the platform for other public and private sector development, towards improving the quality of life of residents in targeted underserved neighbourhoods, generally townships.

The Technical Assistance Grant aims at supporting the development of township development plans. This is an indirect grant and not be transferred directly to Newcastle Municipality. The Capital Grant aims at supporting nodal investment into the construction or upgrading of community facilities, which may attract private sector investment. This is an indirect allocation which will be transferred by National Treasury directly to the service provider or the implementing agent.

National Electrification Programme (Eskom)

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

Hence, the grant will be transferred to Eskom to address the electrification infrastructure backlog within the jurisdiction of Newcastle Municipality.

Provincial Grant Allocations

Museum subsidy

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

Library Recapitalisation

The subsidy is provided to improve library services.

12. ALLOCATIONS AND GRANTS MADE BY NEWCASTLE MUNICIPALITY

None. Please refer to SA 21 of Schedule A.

13. COUNCILLOR ALLOWANCES AND EMPLOYEE BENEFITS

Please refer to SA22 and SA24 of Schedule A

14. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOWS (Table 15a)

Please refer to SA25 to SA30 of Schedule A

15. ANNUAL BUDGET AND SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN – INTERNAL DEPARTMENTS

The annual budget is as per attached Scheduled A, which is Annexure A and the SDBIP will be submitted separately.

16. ANNUAL BUDGET AND SERVICE DELIVERY AGREEMENTS – MUNICIPAL ENTITIES AND OTHER EXTERNAL MECHANISMS

Municipal Entities

The agreement in currently in force in the following brief details:

- (a) Name of Entity : Uthukela Water (Pty) Ltd
- (b) Period of agreement : 30 years
- (c) Service provided : Water and sanitation
- (d) Expiry date : 24 May 2034

The Entity is currently under Provincial Administration and being investigated in terms of section 78 of the Municipal Systems Management Act, 32 of 2000.

Other Agreements

The service delivery agreement with a new to perform the Debt Collection and Credit Control function of the Municipality to start on 1 May 2015. Council, however, resolved to extend the contract on a month to month basis.

Should the legal and non-legal processes not continue, the negative impact on the cash flow of the Municipality will filter through to the level of service delivery supplied by Council. This will be addressed once the revenue enhancement strategies have been identified.

17. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

The municipality has a contract with uThukela Water. Uthukela water is providing bulk water to the municipality and the municipality makes a contribution towards the entity's operational expenditure. No other contracts, which will have budgetary implications beyond a period of three years, have been provided for in the 2015/16 medium-term budget.

Please refer to SA35 of Schedule A

18. CAPITAL EXPENDITURE DETAILS

Please refer to SA36 of Schedule A

19. LEGISLATION COMPLIANCE STATUS

Municipal Finance Management Act

The Municipal Finance Management Act, No. 56 of 2003 came into effect on 1 July 2004. The Newcastle Municipality was identified as a High Level Municipality, and as such had the responsibility of implementing the Act with few exemptions/delays allowed. The following main processes have been implemented in terms of the Municipal Finance Management Act:

- The budget process.
- Supply Chain Management.
- Conversion of Financial Statements to GAMAP/GRAP.
- Financial in-year reporting.
- Adjustment budgeting
- Annual reporting.
- Compilation and implementation of various policies.
- Compilation of procedural notes for main financial accounting processes.
- The budget and Treasury office has been established in accordance with the requirements
- Service Delivery and Budget Implementation plans are applied as monitoring tools
- Audit Committee has been established

Municipal Property Rates Act

The 2008/09 was a challenging budget year for Newcastle Municipality, with 01 July 2009 being the compulsory date of first implementation of the Act and drafting of the rates policy. The municipality successfully implemented the Act and the accompanying policy and has since produced for valuation rolls. The fourth one has just been completed and municipality is awaiting objections, if any, from property owners.

Other Legislation

Newcastle Municipality has complied with a number of other legislation, including the Local Government Municipal Systems Act, gazettes and circulars issued by Treasuries on a continuous basis.

**20. ANNUAL BUDGET OF MUNICIPAL ENTITY ATTACHED TO THE
MUNICIPALITY’S ANNUAL BUDGET**

21. DETAILED OPERATING AND CAPITAL BUDGET (ANNEXURE B)

22. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, **E Mswane**, Municipal Manager of **Newcastle Municipality**, hereby certify that the annual budget and supporting documentation of the 2015/16 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : ERROL MSWANE

Municipal Manager of : NEWCASTLE MUNICIPALITY

Signature :

Date :