



# NEWCASTLE MUNICIPALITY 05/06 ANNUAL REPORT

*Newcastle, City of Economic  
Growth Peace and Prosperity*



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## CHAPTER ONE

### 1.1 MAYOR 'S FOREWORD

It is indeed a pleasure to present the 2005/2006 annual report of the Newcastle Municipality. The past year was not an easy one and this local authority is also the subject of the ever-increasing battle to obtain sufficient funds to finance the various projects it envisages to achieve. The task of administering a highly urbanised industrial town which co exists with a rural community has presented major developmental challenges.

One of the cornerstones of municipal planning is that it must be developmentally oriented and for such reason legislation prescribes that every municipal council must, within a prescribed period adopt a single, inclusive strategic plan which should, amongst others, link, integrate and co-ordinate plans and also take into account proposals for the development of the municipality. The Council should further align the resources and capacity of the municipality with the implementation of the IDP which will form the policy frame-work and general basis on which the annual budget and performance management system is based. One of the major outcomes of the processes is accountability to the communities that we serve. The purpose of the annual report is mainly to entrench this accountability. It is hence your responsibility as communities to understand the annual report and suggest ways in which we can improve performance in service delivery.

I must without hesitating allude to the fact that more emphasis on growth, transformation, improved service levels and customer care needs to be exercised in order to have improved service levels. Special thanks go the members of the Executive Committee, the Municipal Manager and his team of Directors for the continued guidance, efforts and support and in particular for the quarterly reporting on SDBIPs which have given birth to the Annual Report .Together with our customers and stakeholders, we will

ensure that we satisfy the needs of our customers by always focusing on continuous improvement.



Signed \_  \_\_\_\_\_ Date 18/01/2007

**Cllr Phumzile Mbatha-Cele**  
**Mayor of Newcastle Municipality**


## 1.2 MUNICIPAL MANAGER 'S FOREWORD

In an attempt to meet the legal obligations in terms of the Municipal Systems Act and the Municipal Finance Management Act, the Newcastle Municipality hereby presents its annual report for the year 2005/06. It should however be noted that the annual report contains unaudited financial statements and a disclaimer has been appended to the financial statements. It is hoped that by the time the annual report goes through a public participation process, audited financial statements would have been received from the office of the Auditor General. The Council has until end of March to finalise the Annual Report in terms of the MFMA.

Through the implementation of a performance management system which has culminated in the production of this annual report, the municipality is aiming at building a strong and accountable administration focusing on equitable distribution of services. Our communities have great expectations and hence we will strive to fulfill these expectations although the challenges of human and financial resources still remain a stumbling block. The effort of all the stakeholders in the running of the municipality is greatly appreciated. I therefore foresee that with continued dedication by all political parties, the administration and communities, there is no doubt that this municipality will achieve great things in the years to come.

I would like to place on record my sincere thanks to my management team and staff for their dedication and support during the past financial year. Equally important, is my appreciation to the political leadership for their decisiveness and keenness to give direction to the administration and especially the smooth transition after the Local Government Elections in March 2006.



Signed  \_\_\_\_\_ Date 17/01/2007

Abdul R Hoosen  
Municipal Manager  
Newcastle Municipality

## 1.3 OVERVIEW OF MUNICIPALITY

### 1.3.1 Location and Social Issues

Newcastle Municipality falls within Amajuba District (DC 25). It is located in the inland region on the Northwest corner of KwaZulu Natal, a few kilometers south of the Free State, Mpumalanga and Gauteng provincial borders, in the foothills of the Drakensberg. The municipality covers an area of 1855km<sup>2</sup> made up of 31 wards compared to 222km<sup>2</sup> prior to 1996. The Census 2001 indicates that there are 332 980 people in the Newcastle Municipal area, which is 6 times more its population in 1994. 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.



### 1.3.2 Municipal Vision and Mission

The **Revised Vision** for Newcastle Municipality in the 2005-06 year is:

NEWCASTLE - CITY OF ECONOMIC GROWTH, PEACE AND PROSPERITY

Translated into isiZulu, the Revised Vision reads as follows:

*“I-Newcastle idolobha lokuthula, intuthuko kwezomnotho nenqubekela phambili.”*

The revised Mission to be guided by the Batho Pele Principles was:

*“Newcastle Municipality commits itself to improve the quality of life of its People in a transparent & sustainable manner, by ensuring effective, efficient, affordable services delivery, and to eliminate basic service backlogs by 2014 – (in celebration of our 20 years of democracy)”*

### 1.3.3 IDP Priorities

The following IDP Priorities were identified, clustered and ranked against the National Key Performance Areas:

NATIONAL KPA	IDP PRIORITY
1. INFRASTRUCTURE	Water and Sanitation
	Road and Storm-water
	Housing and Land
	Electricity
2. SOCIO-ECONOMIC	Spatial Restructuring/Integration
	Job Stimulation/Local Economic Development
	Primary Health
	HIV/AIDS
	Recreational Facilities
3. FINANCIAL STABILITY	Community Safety and Security
4. INSTITUTIONAL TRANSFORMATION	Financial Viability and Sustainability
	Skills Development
	Organisational Restructuring
	Occupational Health and Safety
	Administrative Support
5. DEMOCRACY & GOVERNANCE	Strategic Planning and Performance Management
	Community Participation and Education
6. ENVIRONMENTAL QUALITY	Intergovernmental Relations
	Refuse Removal and Waste Management
	Environmental Quality
	Air Pollution

### 1.3.4 Municipal Objectives and Strategies

The Municipal Objectives and Strategies of the Newcastle Municipality were developed in line with the reviewed IDP Priorities as indicated in the Annual Performance Report attached to this Document.

#### ***Financial Strategies***

The approach adopted by the Newcastle Municipality in developing its financial strategy has been based on an attempt to align IDP Priorities to National KPA's, IDP Strategies; existing spending trends against the IDP priorities, legislative compliance and available resources.

It should be mentioned that whilst attempts were being made to ensure IDP alignment to the budget, it was so that the municipality continued to budget without actually assessing the spending trends against the IDP in respect of both the operating and capital budgets. Alignment for the capital budget to the IDP occurred mostly at a project level and not necessarily at a strategic level. In respect of the operating budget, due to the Council's incremental budgeting process, over the past 4 years, alignment to the IDP was not adequately addressed, and the Council continued to budget in line with powers and functions without necessarily aligning strategically to the IDP.

However, having undertaken an assessment of spending patterns against IDP Priorities, it was found that the IDP and the Budget (Operating and capital) is actually more aligned to the IDP than originally expected. But, the allocation of the budget (operating and capital), is something that needs to be addressed through the development of a prioritisation/allocation model against IDP priorities aligned to financial strategies.

The Financial Strategies of Newcastle also recognizes the Constitutional and legislative mandate of local government in respect of developmental local governance (budget alignment to IDP priorities), as well as various financial reforms applicable to local government (viz. Implementation of MFMA, GAMAP/GRAP etc.) –which now forces a paradigm shift in respect of municipal financial planning and management.

Newcastle Municipality can be categorised as a developing-growing municipality, which essentially means that whilst there is infrastructure that requires continued maintenance and/or rehabilitation, there is a huge demand for new infrastructure to cater specifically for backlogs and previously under-serviced areas. This obviously requires significant resources, and as has been indicated in the Financial Reality, Newcastle is reliant on external sources (mainly grant funding) to address the huge backlog in infrastructure. The taking up of loans for capital funding is also problematic due firstly to the affordability of loans and the impact it has on rates and tariffs, but also because of the payment factor on outstanding debtors.

This must however not be seen in isolation, as global economies impact on the ability of Council to sustain existing levels of service. This is specifically relevant to Council aspiring to sustain existing levels of service exists, whilst escalating costs and limited growth in revenue, does not allow for this. This then also impacts on Council's ability to address revenue allocation for previously un-serviced areas from internal revenue. This is then compounded by the high number of indigent households with the challenge of Council registering these households to qualify for support through the Equitable Share.

Thus the principles guiding the development of the Newcastle Financial Strategies have been determined as follows:

- IDP integration - to ensure that the Financial Strategies and the budget is informed by IDP Priorities
- Affordability - taking into consideration the socio-economic realities (levels of service)
- Sustainability and viability – to ensure the continued existence of Newcastle
- Implementable – taking cognisance of limited and available resources
- Public Participation – to encourage and maintain community buy-in of municipal budgeting process
- Equity – to ensure that resources are allocated in an unbiased manner
- Political acceptance – to ensure political buy-in

- Performance Management- to ensure implementation and delivery of services
- Municipal Finance Reforms(MFMA) – to ensure compliance with legislative requirements

In line with IDP Guidelines, the Financial Strategies have been further categorised as follows:

- Revenue Raising Strategies
- Asset Management Strategies
- Financial Management Strategies
- Cost Effectiveness Strategies

These have been further projected/ phased out over 10 years taking into account the urgency for implementation and available resources broken down as follows:

- Short Term : 1-2 years
- Medium Term : 2-5 years
- Long Term: 6-10 years

It is anticipated that the implementation plan will be reviewed in 2006/2007 financial year

### Projects/Programmes Prioritisation



In line with the IDP/Budget Process Plan, the Newcastle Municipality proceeded to attempt to align needs as identified in the IDP to IDP Priorities. In doing so, Ward Councillors were required to consult with their respective constituencies regarding their top 3 priorities per IDP Priority. The necessary workshops/training was

carried out with Ward Councillors and the IDP Representative Forum.

The main objective of this process was to ensure that the “wish list” as contained in the IDP was made more realistic by prioritising needs based on their most urgent requirements in line with IDP Priorities. Thereafter the ward needs as prioritised were consolidated and advertised for comment, together with the Budget Guidelines and Proposed Financial Strategies.

It was then referred to the relevant internal department for technical assessment and input (if possible) into the Multi-year Budget for 2006-2009. It is the intention during the next IDP round, to once technical assessments have been finalised further, to prioritise these requirements at an organisational level. A model for the prioritisation at this level would be recommended.

### 1.3.6 2006/2007 Capital Projects Prioritisation Process

The following process (in terms of the Process Plan) was implemented to assist in project Prioritisation for the 2006/2007 Financial Year:

1. Apply Project Prioritisation Model to projects in 2005/2006 Review as well as new projects in terms of the Consolidated Ward List
2. Apply the Capital Budget guidelines in respect of “A” priorities:
3. Defer/phase projects out to allow for additional funds to be allocated for the upgrading of access roads in Newcastle East

The following table reflects the Multi-year Capital Budget (2006-2009) :

	TOTAL	LOAN REQUIREMENT /INTERNAL FUNDS	EXTERNAL GRANT FUNDING
<b>2006/2007</b>	<b>63,436,050</b>	<b>32,743,566</b>	<b>30,692,484</b>
<b>2007/2008</b>	35,114,796	13,136,251	21,978,545
<b>2008/2009</b>	26,462,000	3,462,000	23,000,000
	<b>125,012,846</b>	<b>49,341,817</b>	<b>75,671,029</b>

The Figure below illustrates the allocation of resources per IDP priorities for the 2006/2007 financial year:

Total %	NKPA	IDP Priority		TOTAL	EXTERNAL LOANS	INTERNAL FUNDS	ROLL OVER	GRANT FUNDING
72%	INFRASTRUCTURE and SERVICES	Water & Sanitation	0	0				
		Housing & Land	8%	5,074,000	939,000	2,545,000		1,590,000
		Roads & Stormwater	58%	37,066,210	19,909,166	0		17,157,044
		Electricity	4%	2,270,440	1,510,000	0		760,440
		Spatial Restructuring/Integration	2%	1,550,000	50,000	1,500,000		
14%	SOCIO-ECONOMIC	Job Stimulation/LED	2%	1,215,000	15,000	0		1,200,000
		Primary Health	0%	0	0	0		0
		HIV/AIDS	0%	0	0	0		0
		Recreational Facilities	10%	6,185,000	0	0		6,185,000
		Community Safety & Security	3%	1,590,000	1,590,000	0		0
1%	FINANCIAL STABILITY	Financial Viability & Sustainability	1%	345,000	95,000	0		250,000
0%	INSTITUTIONAL TRANSFORMATION	Skills Development	0%	0	0	0		0
		Institutional Restructuring	0%	0	0	0		0
		Occupational Health & Safety	0%	0	0	0		0
		Administrative Support	0%	0	0	0		0
		Strategic Planning/Performance Management	0%	50,000	0	0		50,000
0%	DEMOCRACY & GOVERNANCE	Community Participation & Education	0%	0	0	0		0
13%	ENVIRONMENTAL QUALITY	Refuse Removal & Waste Management	9%	5,700,000	3,000,000	0		2,700,000
		Environmental Quality	4%	2,390,400	0		1,590,400.00	800,000
		Pollution Control	0%	0	0	0		0



## 1.4 INTEGRATED DEVELOPMENT PLANNING AND PERFORMANCE

### 1.5.1 Overview of function

The Office of the IDP/PMS Manager is institutionally placed in the Office of the Municipal Manager reporting to the Deputy Municipal Manager. The main functions of this Section are to facilitate, co-ordinate and manage the IDP and PMS processes.

This would amongst others, entail the following:

- To ensure that the IDP and Review processes is finalised and adopted by Council;
- To amend the IDP according to the proposals of the MEC;
- To ensure the continuous participation of role players through an effective Community Participation process (Representative Forum);
- To ensure alignment of the IDP with other IDP's within the District Municipality, including the District;
- To co-ordinate the preparation of the Sector Plans and their inclusion into the IDP;
- To encourage the participation of sector departments in the IDP process of the Municipality
- To facilitate and manage the Development of the PMS
- To facilitate and co-ordinate the integration and alignment of the IDP and the Budget Process
- To ensure that the PMS and review processes is finalised and adopted by Council
- To ensure the implementation of the PMS and that the quarterly Performance Reports (Organisational and SDBIP's) are completed and submitted to Internal Audit
- To ensure the alignment of the IDP and PMS
- To develop an Annual Performance Report for submission to the Auditor-General's Office

The IDP/PM Section comprises of 3 officials, viz.

- IDP/PMS Manager
- PMS Officer
- IDP Administrative Officer

### 1.5.2 Key Issues

Key challenges facing the Section during the 2005/2006 financial year are summarised below:

- \* In-effective Community Consultation forum
- \* Lack of buy-in from key stakeholders in the IDP/PMS process
- \* Encouraging the alignment of the IDP/PMS/Budget Process through legislative procedures
- \* Capacitation of new staff in the section to ensure efficiency and effectiveness
- \* Lack of internal audit for Performance Management
- \* Developing Financial strategies aligned to the IDP
- \* Project prioritisation for Budget purposes
- \* Implementing Organisational Performance Management System and monitoring and evaluation of Service Delivery Budget Implementation Plans (SDBIP's)
- \* Alignment of Sector Plans to the IDP

### 1.5.3 Analysis of Function: 2005/2006

The Integrated Development Plan Review for the 2006/2007 Financial Year was initiated in July 2005 with the development of an integrated IDP/Budget Process Plan for 2006/2007, which was approved by Council by the 31<sup>st</sup> August 2005 in compliance with the MFMA and the MSA. Due to unforeseen circumstances, and considering the possible impact of the local government elections scheduled for March 2006, there was a subsequent revision of the IDP/Budget Process Plan in December 2005.

The Key Milestones are summarized as follows:

- Process Plan approved in August 2005 and revised in December 2005
- Development of Municipal Mission – September 2006
- Revision of IDP Priorities, - October 2005
- Revision of Strategies(Objectives, Financial Strategies) – November 2005
- Ward Needs Alignment to IDP Priorities – November 2005
- Development of Budget Guidelines – November 2006
- 1st Public Participation Process on Budget Guidelines, Consolidated Ward List and Financial Strategies – December 2005
- Input into and development of Draft budget by Management – January 2006
- Draft Budget (Internal Consultation) – February 2006 to March 2006
- Tabling of Budget – 31<sup>st</sup> March 2006
- 2nd Public Consultation including Public Hearings – April 2006 to May 2006
- Final Approval of IDP Review, Budget and PMS – May 2006

The following issues were addressed and included as part of the Review of the IDP during 2005/2006:

- Status quo in respect of revised IDP Priorities and related services
- Revised Mission
- Revised objectives and strategies to inform the development of the Organisational Performance Management System
- Revised Spatial Development Framework and land-use management systems
- Reviewed Financial Profile
- Development of Financial Strategies
- A summary of the budget and IDP linkages as part of efforts to link the IDP priorities to the budget
- Reviewed Organisational Score-card for 2006/2007
- Reviewed SDBIP's
- The Consolidated Ward Need List aligned to IDP Priorities
- List of new requirements indicating committed funding
- Progress on Sector Plans

- the budget process plan as adopted
- a list of priority projects for the 2005/06 year
- an internal wish list for operational requirements

#### **1.5.4 Key Achievements 2005/2006**

- The approval of the IDP Review 2006-2007 and submission to the MEC's Office in compliance with legislation
- The implementation of the Performance Management System and the legislative compliance on reporting, monitoring and review
- The development of a Mission and review of IDP Strategies
- The Development of Financial Strategies
- The establishment of a PMS unit, with the appointment of a PMS officer
- Ward needs alignment to IDP Priorities
- Initiation of a Customer Satisfaction Survey – to be finalised in 2006/2007
- Review of the PMS Framework
- Alignment of the IDP, PMS and Budget at an Organisational Level
- Alignment of IDP Priorities to National Key Performance Areas and Powers and Functions authorisations
- Review and alignment of Spatial Development Framework with IDP

#### **1.5.5 Performance Management**

During the 2005/2006 financial year, the Newcastle Municipality implemented for the first time a Performance Management System. A Performance Management System (PMS) is a management tool that assists the municipality to improve service delivery by channelling the efforts of the departments and available resources to meet performance targets, and in doing so, ensure that the municipality achieves its strategic objectives as contained in its IDP. PMS is also intended to fulfil the objectives of increased accountability, learning and improvement, providing early warning signals and to facilitate decision-making.

The Municipal Systems Act requires that all municipalities develop and implement a PMS, which includes the setting of indicators and targets, and monitoring and review thereof. The Newcastle Municipality is also required to publish a Performance Report that forms a part the Annual Report to be published in terms of the MFMA. It is a requirement of legislation that the National key performance indicators for local government also be included in the Municipalities PMS and that it be reported on.

December 2005 was compiled and submitted in terms of the Municipal Finance Management Act informed the Budget Review.

An Audit committee was also established to ensure legislative compliance around PMS.

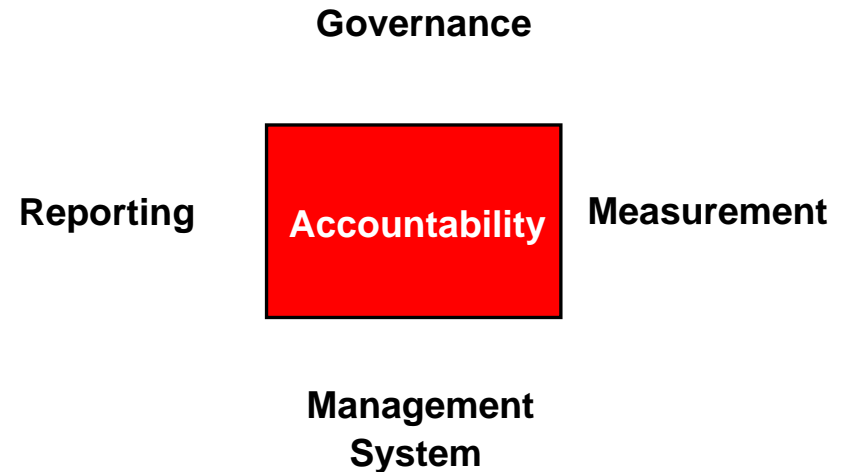
The Annual Performance Report attached to this document further details matters relating to the implementation of the PMS.

The performance management system will increase accountability to the communities that are served by the political and administrative functions of the municipality.



The implementation of the PMS took the form of assessing performance at an Organisational Level, Departmental Level through Service Delivery Budget Implementation Plans, and Section 57 Performance Agreements in line with the Approved PMS Framework. The Organisational Scorecard and SDBIP's were developed and aligned to the National Key Performance Area Model, and then accordingly to the IDP and Budget.

Evaluation meetings were held quarterly to monitor, review and report on performance. A mid year assessment for the period July 2005 to



## CHAPTER 2

### 2.1 BACKGROUND ON SERVICES PROVIDED BY MUNICIPALITY

#### 2.1.1 BASIC FACTS

- Population of 332 980 (as per 2001 census)
- 54% Unemployment rate, but this could be higher considering the closure of factories over the past 3 years. This requires interventions to stimulate the local economy, and to retain existing business in Newcastle
- Decline in the Manufacturing sector (Specifically clothing & textile – attributed to global issues) – this re-affirms the increase in the unemployment rate
- Second Highest HIV prevalence rate in the Province
- Population dominated by youthful population (49%) – indicating interventions with regard to tertiary facilities, job creation, recreation, etc.
- Large portion of the employed population hold “elementary occupations” – thus the need for skills development
- 56% of households earn less than R800/month – thus a high number of households could be considered indigent and the increased need to subsidise basic services
- 18 500 (35%) Registered households (Customer base of 55 000)
- High Outstanding Debtors impacts on infrastructure development, capital works and an increase in tariffs
- The need to ensure coordinated, and targeted development between the different spheres of government
- Inadequate communication mechanisms with the Community



- Approved Organogram of approx. 2000 employees with only 780 filled, thus the shortage of staff impacts on service delivery

#### 2.1.2 BACKLOGS

- Water<sup>1</sup> – 16% of the households do not have an adequate supply of water with 32% of households having access to a basic level of service (Standpipes within 200m)
- Sanitation – 33% of households do not have an adequate service with 16% have access to VIP's
- Electricity-16% of households within the Newcastle Municipal area do not have electricity as a source of lighting. However, within the licensed area the backlog is 1%. The unlicensed area is serviced by ESKOM. A further concern is the impact that the transfer to RED's will have on Newcastle.



- Roads - In terms of the demand for the upgrading, rehabilitation and new roads development, the IDP Review presently estimates that

the amount required for roads projects specifically is in excess of R400m.

A recent assessment of the most urgent requirements in Madadeni, Osizweni, KwaMathukuza and Newcastle West that impact of accessibility, (and where applicable), safety – indicate that an amount of R315m is required urgently.



- The Public Road Transport Plan further indicates that that 56% of roads utilised for Public Transport is unsurfaced which results in high maintenance costs to vehicles and unsafe travel conditions for passengers.
- Refuse Removal -23% of households within Newcastle do not have access to a Refuse Removal Service from Council
- Housing -16% of the Newcastle population do not have formal housing units. This could however be higher, due to the influx of informal settlers into Newcastle since 2001. A Housing Sector Plan is being pursued to amongst other things, determine housing backlogs.
- Primary Health – the need for improved, additional, accessible primary Health Services
- Environmental Quality- the need to assess the environmental impact of existing and proposed development, with specific reference to industries and mining
- Community Safety and Security – the lack of adequate infrastructure and resources to ensure a safe community

- Asset Management – an audit of all municipal assets (infrastructure, plant, equipment, vehicles etc.) and the related operating costs is to be determined to enable Council to plan its operating requirements within available resources, and the impact this would have on levels of services. This would assist Council in determining its replacement options over short, medium and long terms
- Spatial Restructuring/integration – backlogs exists in respect of the previously unserviced areas with specific reference to the :
  - i. Establishment and Maintenance of effective Urban Management Systems
  - ii. Provision of Housing Stock
  - iii. Incremental upgrading of the existing infrastructure and services and environmental milieu
  - iv. Integration of residential townships of Madadeni and Osizweni with Newcastle West( “East meets West”)
  - v. Land Use Management Systems
  - vi. Environmental conservation
  - vii. Community facilities
  - viii. Open Space Management
  - ix. Agricultural Development
  - x. Mining rehabilitation
  - xi. Land Reform

The following are the statistics for Newcastle drawn from the Census 2001 information presented by the Statistics South Africa.

Criteria	Newcastle Percentage
Unemployment rate	54%
Population employed	27%
Population unemployed	32%
Population not economically active	40%
Households with access to electricity for lighting	84%
Households with access to refuse removal	71%
Households with Piped Water inside dwelling	58%
Age group below 19	50%
Households with toilet connected to sewer	56%
Households with brick structure	64%



## CHAPTER 3

### 3.1 HUMAN RESOURCES AND OTHER ORGANISATIONAL MANAGEMENT

#### 3.1.1 Institutional Arrangements

The Municipality has a staff complement of 780, servicing areas of Newcastle, Madadeni, Osizweni, Blaauwbosch, Ngagane, Kilbarchan, and Charlestown. The total establishment should be 2400. Whilst the Newcastle Organogram (illustrated below), makes provision for a Municipal Manager, two Deputy Municipal Managers and Nine Directorates (each Directorate being an area of responsibility for each of the 9 EXCO Councillors and the 9 portfolios of Council), a restructuring process has commenced to be finalised in the 2005/2006 Financial Year. The existing nine Directorates/portfolios of the municipality are:

- Administration Services
- Community Services
- Culture, Recreation and Amenities
- Economic Development
- Finance
- Housing and Land
- Human resources
- Infrastructure Services
- Town Planning

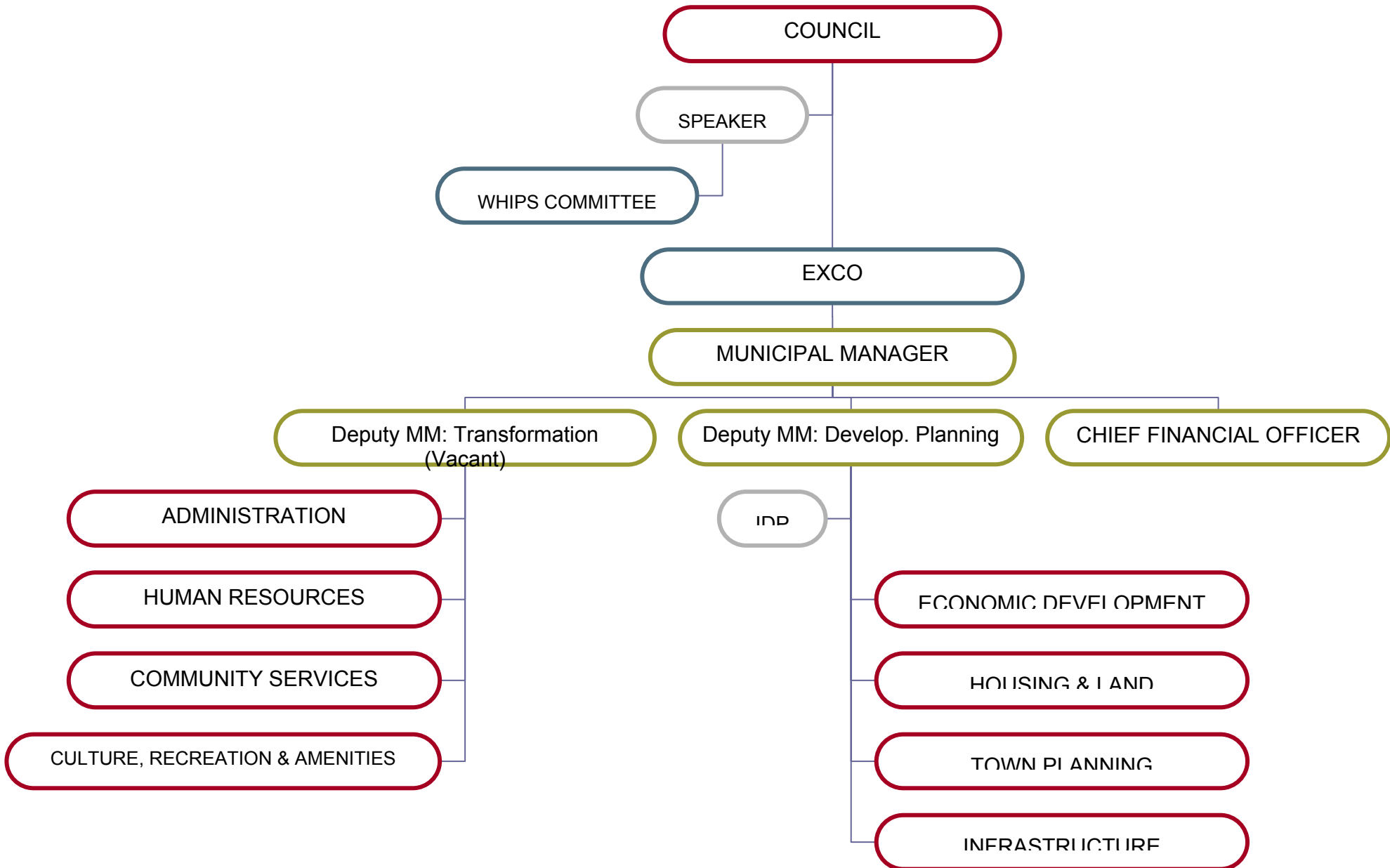
DIRECTORATE	MALE	FEMALE	TOTAL
Administration & Municipal Manager	13	24	37
Chief Financial Officer	28	34	62
Community Services	180	55	234
Culture, Recreation & Amenities	110	61	171
Economic Development	3	0	3
Housing and Land	10	15	25
Human Resources	8	9	17
Infrastructural Services	184	23	207
Town Planning	16	8	24

The Council has since approved a process of organisational restructuring which has resulted in directorates headed by Strategic Executive Directors all reporting to the Municipal Manager and on performance contracts. The finalisation of the structure will however take place in the 06/07 Financial Year.

#### 3.1. 2 Staff Complement

The Municipality is composed of nine Directorates with the following staff complement:-

## CURRENT ORGANOGRAM: NEWCASTLE MUNICIPALITY





### 3.1.3 Departmental Functional Areas

The functions relevant to each Directorate as specified in the Local Public Administration Document approved by Council and applicable in the year under review are as follows:

DIRECTORATE	FUNCTION
Administration	General Administration and councillors affairs Legal Support Secretariat Function Administration Co-ordination Public Relations Property Valuation
Community Services	Health Services Traffic Services Security Services Disaster Management Fire Fighting Cleansing Services Noise Pollution Licensing and control of dogs (including other animals)
Culture, Recreation and Amenities	Municipal Parks and recreation Cemeteries and Crematoria Community Facilities and amenities Sport facilities Libraries Museums Public Open Spaces (Maintenance)
Economic Development	Local Tourism Economic Development Street Trading and Markets Marketing
Finance	Revenue and Debt Management Procurement and stock management Expenditure Management Financial Administration and statistics Internal audit IT Information Services Financial Information systems
Housing and Land	Real Estate

	Housing Development and administration Urbanisation and informal settlement Fencing and fences
Human Resources	Organisation and work study Personnel Management Services Staff transformation Staff Training Labour relations Occupational Health and Safety co-ordination
Infrastructural Services	Electricity Water and Sanitation Roads and Storm-water Street Lighting Railway lines Technical support Services (mechanical workshop and municipal buildings – repairs and maintenance)
Town Planning	Building regulations Billboards and the display of advertisements in public places Town Planning Control of undertakings that sell liquor to the public GIS services Land Development and Facilitation and Survey

The key factors which constitute risks to the financial position of the municipality are:

- The costs of implementing indigent support programmes.
- The possible loss of revenue due to the restructuring of the electricity industry.
- The current low payment rates for services rendered and limited means of credit control through disconnections.
- Declining economic development performance, resulting in loss of rates and income from trading services.
- Decline in cash and investments and possible cash flow problems.

### 3.1.4 EXECUTIVE AND COUNCIL

#### 3.1.4.1 Overview

The Newcastle Municipality is a Category B Municipality as determined by the Demarcation Board in terms of Section 4 of the Municipal Structures Act, 1998. The Municipality functions under the Collective Executive system, consisting of 9 members. The Mayor is elected from the Executive Committee (EXCO). The Council consists of 61 Councillors of which 10 are full-time councillors. Of the 61 Councillors, 31 are Ward elected councillors with the remaining 30 elected as Proportional Representation councillors. The Council has nine portfolio standing committees, with each member of EXCO serving as a portfolio councillor.

#### 3.1.4.2 Functional Analysis

In order to maximise administrative and operational efficiency, all powers subject to section 32 of the Local Government Municipal Structures Act 1998, not otherwise delegated, have been delegated to the Executive Committee excluding the following:

- Approval of an Integrated Development Plan
- Passing of by laws
- Approval of budgets
- Imposition of rates and other taxes, levies and duties
- Raising of loans

Albeit that, the municipality was initially established as type 9(a) Municipality i.e. a municipality with a collective executive system. An application was been submitted to the MEC to reclassify the municipality to a type 9 (b) i.e. a municipality with a collective executive committee systems and ward participatory system to cater for the formalisation and establishment of ward committees.

The following councillors have been designated as full time councillors:

- The Speaker

- Members of the Executive Committee

The Speaker is also the Chairperson of the Whips Committee.

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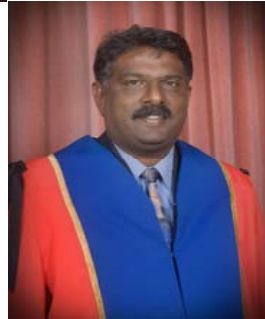
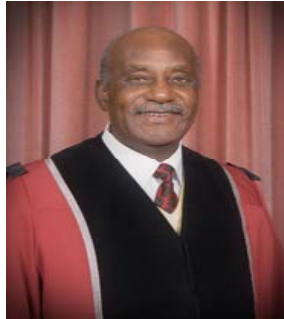
According to the quota system, representation at Amajuba District Municipality has been determined as follows:

- ANC        seats
- DA         seats
- IFP        seats

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<b>Analysis of Meetings</b>	<b>Number</b>
Council meetings held	16
Executive committee (EXCO) meetings held	57
Number of reports considered by EXCO	916
Number of resolutions formulated	848
Number of Councillor vacancies filled	2
Number of recommendations to Council	68

**MEMBERS OF THE EXECUTIVE COMMITTEE  
and the Speaker Of Council**



**Top: The Honourable Mayor Councillor Phumzile Mbatha Cele (ANC)**

**Middle from left: Deputy Mayor Councillor Masina (ANC), the Speaker of Council Councillor M Shamnugum (NADECO)**

**Bottom from left: Cllr Forster(DA),Cllr Mncube (NADECO), Cllr Zwane (IFP),Cllr Khumalo (IFP),Cllr Mbatha (IFP), Cllr Rehman (ANC)**

**No picture: Late Cllr S Msibi (ANC)**

## CHAPTER 4

# UNAUDITED STATEMENTS AND RELATED FINANCIAL INFORMATION

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 38, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The final annual report will have the Auditor General's Report, the Management letter as well as the Report of the Audit Committee



\_\_\_\_\_  
A R Hoosen  
Municipal Manager

\_\_\_\_\_  
Date

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**NEWCASTLE MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2006**

	Note	2006 R	2005 R
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>286 484 311</b>	<b>289 747 299</b>
Housing Development Fund	1	17 426 712	17 068 841
Capital replacement reserve		-	-
Capitalisation reserve		105 658 036	118 837 422
Government grant reserve		49 758 569	44 763 499
Self-insurance reserve		5 464 345	4 178 640
Accumulated Surplus/(Deficit)		108 176 649	104 898 897
<b>Non-current liabilities</b>		<b>33 028 315</b>	<b>13 238 160</b>
Long-term liabilities	2	33 028 315	13 238 160
<b>Current liabilities</b>		<b>121 295 828</b>	<b>187 906 204</b>
Consumer deposits	3	8 914 689	8 669 692
Provisions	4	7 693 117	8 067 729
Creditors	5	61 990 207	114 394 124
Unspent conditional grants and receipts	6	21 550 841	17 674 041
VAT	7	18 438 103	36 771 323
Current portion of long-term liabilities	2	2 708 871	2 329 295
<b>Total Net Assets and Liabilities</b>		<b><u>440 808 454</u></b>	<b><u>490 891 663</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>256 695 377</b>	<b>224 245 877</b>
Property, plant and equipment	8	216 311 350	191 081 808
Investments	9	30 627 330	19 010 384
Long-term receivables	10	9 756 697	14 153 685
<b>Current assets</b>		<b>184 113 077</b>	<b>266 645 786</b>
Inventory	11	3 811 145	4 041 062
Consumer debtors	12	51 607 759	56 720 984
Other debtors	13	34 713 388	85 716 176
Current portion of long-term receivables	10	784 049	2 305 126
Call investment deposits	14	71 003 275	105 216 582
Bank balances and cash	15	22 193 461	12 645 856
<b>Total Assets</b>		<b><u>440 808 454</u></b>	<b><u>490 891 663</u></b>

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2006**

	<b>Note</b>	<b>2006</b> <b>R</b>	<b>2005</b> <b>R</b>
<b>REVENUE</b>			
Property rates	16	112 866 169	103 320 603
Property rates - penalties imposed and collection charges		2 176 003	1 813 921
Service charges	17	195 991 035	165 680 515
Service charges - other		2 183 418	1 875 946
Rental of facilities and equipment		2 883 462	2 855 254
Interest earned - external investments		4 211 146	7 130 381
Interest earned - outstanding debtors		698 919	638 229
Fines		3 643 164	3 879 144
Licences and permits		167 978	226 458
Income from agency services		6 547 207	39 465
Government grants and subsidies	18	99 721 648	45 008 637
Other income		2 827 945	13 527 671
Gains on disposal of property, plant and equipment		-	80 000
<b>Total Revenue</b>		<b>433 918 094</b>	<b>346 076 224</b>
<b>EXPENDITURE</b>			
Employee related costs	19	100 558 864	84 264 896
Remuneration of Councillors	20	7 956 964	6 352 145
Bad debts		11 622 373	17 023 440
Collection costs		4 834 449	3 784 138
Depreciation		19 458 053	16 026 885
Repairs and maintenance		19 703 169	11 583 007
Interest paid	21	1 273 939	2 874 957
Bulk purchases	22	102 803 073	99 874 745
Contracted services		1 766 091	1 838 625
Grants and subsidies paid	23	12 682 854	11 781 879
General expenses		125 462 240	65 822 938
Loss on disposal of property, plant and equipment		-	-
<b>Total Expenditure</b>		<b>408 122 068</b>	<b>321 227 655</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>25 796 026</b>	<b>24 848 569</b>
<b>Refer to Appendix E(1) for the comparison with the approved budget</b>			

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2006**

	<u>Pre-GAMAP Reserves and Funds</u> R	<u>Housing Development Fund</u> R	<u>Capital Replacement Reserve</u> R	<u>Capitalisation Reserve</u> R	<u>Government Grant Reserve</u> R	<u>Self- Insurance Reserve</u> R	<u>Accumulated Surplus/ (Deficit)</u> R	<u>Total</u> R
<b>2005</b>								
Balance at 1 July 2004	197 187 462	8 934 198	-	-	-	-	6 444 281	212 565 941
Implementation of GAMAP (Note 24)	(197 187 462)	6 613 605	-	124 773 126	28 892 876	4 230 783	171 861 654	139 184 582
Restated balance	-	<b>15 547 803</b>	-	<b>124 773 126</b>	<b>28 892 876</b>	<b>4 230 783</b>	<b>178 305 935</b>	<b>351 750 523</b>
Surplus for the year							24 848 569	24 848 569
Transfer to CRR			6 262 553				(6 262 553)	-
PPE purchased			(6 262 553)				6 262 553	-
Capital grants used to purchase PPE					19 485 294		(19 485 294)	-
GAMAP Adjust. – transfers to Uthukela Water				(665 777)			(86 186 016)	(86 851 793)
Contribution to Insurance Reserve						597 854	(597 854)	-
Insurance claims processed						(649 997)	649 997	-
Transfer to Housing Development Fund		1 521 038					(1 521 038)	-
Offsetting of depreciation				(5 269 927)	(3 614 671)		8 884 598	-
<b>Balance at 30 June 2005</b>	<b>-</b>	<b>17 068 841</b>	<b>-</b>	<b>118 837 422</b>	<b>44 763 499</b>	<b>4 178 640</b>	<b>104 898 897</b>	<b>289 747 299</b>
<b>2006</b>								
Correction of error (Note 25)				(2 822 091)			2 822 091	-
<b>Restated balance</b>	<b>-</b>	<b>17 068 841</b>	<b>-</b>	<b>116 015 331</b>	<b>44 763 499</b>	<b>4 178 640</b>	<b>107 720 988</b>	<b>289 747 299</b>
Surplus for the year							25 796 026	25 796 026
Transfer to CRR			1 498 386				(1 498 386)	-
PPE purchased			(1 498 386)				1 498 386	-
Capital grants used to purchase PPE					9 347 661		(9 347 661)	-
Contribution to Insurance Reserve						1 292 640		1 292 640
Insurance claims processed						(6 935)		(6 935)
Transfer to Housing Development Fund		357 871						357 871
Offsetting of depreciation				(10 357 295)	(4 352 591)		14 709 886	-
Prior year adjustments							(85 001)	(85 001)
Additional contribution to bad debt provision							(70 646 987)	(70 646 987)
Transfer of water appropriation balances to Uthukela Water Investment							14 982 060	14 982 060
Write off of VAT							25 047 338	25 047 338
<b>Balance at 30 June 2006</b>	<b>-</b>	<b>17 426 712</b>	<b>-</b>	<b>105 658 036</b>	<b>49 758 569</b>	<b>5 464 345</b>	<b>108 176 649</b>	<b>286 484 311</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 R	2005 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		422 123 217	434 794 273
Cash paid to suppliers and employees		(420 426 382)	(419 576 676)
Cash generated from operations	26	1 696 835	15 217 597
Interest received		4 908 065	7 768 610
Interest paid		(1 273 939)	(2 874 957)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>5 330 961</b>	<b>20 111 250</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(44 712 511)	(36 518 471)
Proceeds on disposal of property, plant and equipment		-	80 000
Decrease/ (increase) in non-current receivables		5 918 065	(6 617 804)
Increase in non-current investments		(11 616 946)	(15 642 371)
Decrease in call investment deposits		34 213 307	29 147 237
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(16 198 085)</b>	<b>(29 551 409)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New loans raised		20 169 731	13 933 768
Increase in consumer deposits		244 997	1 252 124
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>20 414 728</b>	<b>15 185 892</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>9 547 604</b>	<b>5 745 733</b>
Cash and cash equivalents at the beginning of the year		<b>12 645 856</b>	<b>6 900 124</b>
Cash and cash equivalents at the end of the year	27	<b>22 193 461</b>	<b>12 645 856</b>



**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GAMAP and GRAP issued by the Accounting Standards Board. GAMAP and GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 24.

The Municipality may have transactions, events or balances that are outside the ambit of GAMAP and GRAP but which are included in Standards of International Public Sector Accounting Standards (IPSAS) issued by the International Federation of Accountants – Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board or Generally Accepted Accounting Practice issued by the South African Accounting Practices Board and the South African Institute of Chartered Accountants. The Municipality has not complied with the measurement, recognition and disclosure requirements of those accounting standards.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

**2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. HOUSING DEVELOPMENT FUND**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all

proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

**5. RESERVES**

**5.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus/ (deficit) to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus/ (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan, subject to affordability in the budget process.

Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance and may be appropriated to the CRR in accordance with council policy.

The CRR may only be utilised for the purpose of purchasing / construction of items of property, plant and equipment and may not be used for the maintenance of these items.

**5.2 Capitalisation Reserve**

On the implementation of GAMAP/GRAP, the balance on certain legislated funds, that had historically been utilised for the acquisition of items of property, plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus/ (deficit).

**NEWCASTLE MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**5.2 Capitalisation Reserve (continued)**

When an item of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

**5.3 Government Grant Reserve**

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus/ (deficit). The purpose of this policy is to promote community equity by ensuring that the future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus/ (deficit)

When an item of property, plant and equipment financed from government grants is disposed, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus/ (deficit).

**5.4 Self-Insurance Reserve**

The Municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims. The Self-Insurance Reserve is reinstated or increased by a transfer from the accumulated surplus/ (deficit). The balance of the self-insurance fund is invested in short-term cash investments.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

**6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, is stated at cost, less accumulated depreciation, which are revalued as indicated below. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation.

Where impaired land and buildings are revalued, the increase in value of land and buildings are recognised as revenue to the extent that it reverses the impairment loss previously recognised as an expense.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Incomplete construction is stated at historic cost. Depreciation only commences when the asset is brought into use. The annual depreciation rates are based on the following estimated asset lives:-

	<b>Years</b>		<b>Years</b>
<b>Buildings</b>	20	<b>Other</b>	
		Office equipment	5
<b>Infrastructure</b>		Furniture and fittings	5
Airports	20	Bins and containers	5
Reservoirs and Tanks	20	Emergency equipment	5
Roads	15	Motor vehicles	5-7
Electricity	15	Plant and equipment	5-7
		Other	5
Water	15		
Sewerage	15		
Service connections	15		
<b>Community Assets</b>			
Recreation facilities	5		
Security system	5		
Parks and gardens	15		
Dams	5-15		
Cemeteries	5-15		
Community centres	5-20		
Libraries	15-20		

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

**7. INVESTMENTS**

**7.1 Financial Instruments**

Financial instruments, which include, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**7.2 Investment in Municipal Entities**

Investments in municipal entities under the ownership control and or effective control of the Municipality are carried at cost. Separate consolidated financial statements are prepared to account for the Municipality's share of net assets and post-acquisition results of these investments.

**8. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

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

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**9. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

**10. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

**11. REVENUE RECOGNITION**

**11.1 Revenue from Exchange Transactions**

Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. These are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Interest and rentals are recognised on a time proportion basis.

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the Capital Replacement Reserve (CRR), the Housing Development Fund

Income in respect of housing rental and instalments is accrued monthly in terms of the agreement.

Dividends are recognised when the Municipality's right to receive payment is established.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

**11.2 Revenue from non-exchange transactions**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**12. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**13. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

**14. CASH AND CASH EQUIVALENTS**

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash on hand and cash with banks.

**15. COMPARATIVE INFORMATION**

**15.1 Current year comparatives**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

**15.2 Prior year comparatives**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

**16. LEASES**

*The Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

*The Municipality as Lessor*

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**NEWCASTLE MUNICIPALITY  
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

**17. EMPLOYEE BENEFITS**

**17.1 Retirement benefits**

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable.

**17.2 Medical Aid: Continued Members**

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (subject to the applicable conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

These contributions are charged to the operating account when paid.

**17.3 Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. Provision is based on the total accrued leave days at year end.

**18. BORROWING COSTS**

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
<b>1. HOUSING DEVELOPMENT FUND</b>		
Housing Development Fund	17 426 712	17 068 841
Unappropriated Surplus	7 567 245	7 209 374
Loans extinguished by Government on 1 April 1998	9 859 467	9 859 467
The Housing Development Fund is represented by the following assets and liabilities		
Housing deposits (see note 3 )	54 436	53 911
Housing selling scheme loans (see note 10)	3 470 954	3 819 142
Housing Rental Debtors (see note 12 )	709 648	746 054
Investments	44 108 464	74 192 213
Bank and cash	13 191 674	12 723 765
Sub-total	61 535 176	91 535 085
Creditors (see note 5)	(44 108 464)	(74 192 213)
External loans	-	(274 031)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>17 426 712</b>	<b>17 068 841</b>
<b>2. LONG-TERM LIABILITIES</b>		
DBSA	33 440 009	12 741 059
Annuity Loans	43 415	65 673
Capitalised Lease Liability	2 253 762	2 486 692
Government Loans : Other	-	274 031
Sub-total	35 737 186	15 567 455
Less : Current portion transferred to current liabilities	( 2 708 871)	(2 329 295)
DBSA	( 2 131 352)	(1 663 564)
Annuity Loans	( 23 853)	(22 093)
Capitalised Lease Liability	( 553 666)	(627 573)
Government Loans : Other	-	(16 065)
<b>Total External Loans</b>	<b>33 028 315</b>	<b>13 238 160</b>
<b>3. CONSUMER DEPOSITS</b>		
Electricity and Water	8 663 662	8 454 840
Housing	54 436	53 911
Other	196 591	160 941
<b>Total Consumer Deposits</b>	<b>8 914 689</b>	<b>8 669 692</b>
<b>Guarantees held in lieu of Electricity and Water Deposits</b>	<b>4 777 654</b>	<b>4 760 904</b>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	R	R
<b>4. PROVISIONS</b>		
Leave provision	<u>7 693 117</u>	<u>8 067 729</u>
The movement in current provisions are reconciled as follows:		
Balance at beginning of year	8 067 729	8 705 638
Other revenue	-	3 767 550
Contributions to provision	4 100 000	3 590 510
Expenditure incurred	4 474 612	(7 995 969)
<b>Balance at end of year</b>	<u><b>7 693 117</b></u>	<u><b>8 067 729</b></u>
<b>5. CREDITORS</b>		
Trade creditors	6 210 390	24 439 566
Payments received in advance	6 119 621	6 722 821
Insurance	391 092	526 616
Other creditors	5 160 640	8 512 908
Housing creditors	44 108 464	74 192 213
<b>Total Creditors</b>	<u><b>61 990 207</b></u>	<u><b>114 394 124</b></u>
<b>6. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>6.1</b> Conditional Grants from other spheres of Government	15 425 638	13 726 505
<b>6.2</b> Other Grant Receipts	<u>6 125 202</u>	<u>3 947 536</u>
<b>Total Conditional Grants and Receipts</b>	<u><b>21 550 841</b></u>	<u><b>17 674 041</b></u>
Refer to Note 18 and Annexure 1 for more detail on conditional grants and receipts		
<b>7. VAT</b>		
VAT payable	<u>18 438 103</u>	<u>36 771 323</u>
VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

8. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
<b>Carrying values at 1 July 2005</b>	<b>68 388 104</b>	<b>81 391 329</b>	<b>13 781 626</b>	<b>359 068</b>	<b>27 161 681</b>	<b>191 081 808</b>
Cost	82 283 024	177 748 542	23 418 816	359 068	81 287 912	365 097 363
Accumulated depreciation	(13 894 921)	(96 357 213)	(9 637 190)	-	(54 126 230)	(174 015 555)
Acquisitions	20 915 439	16 329 984	195 977	-	7 271 111	44 712 511
Capital under Construction	-	-	-	-	-	-
Depreciation	(1 829 111)	(9 479 557)	(1 048 388)	-	(7 100 997)	(19 458 053)
Carrying value of disposals	-	-	(24 915)	-	-	(24 915)
Cost/revaluation	-	-	(24 915)	-	-	(24 915)
Accumulated depreciation	-	-	-	-	-	-
<b>Carrying values at 30 June 2006</b>	<b>87 474 432</b>	<b>88 241 755</b>	<b>12 904 300</b>	<b>359 068</b>	<b>27 331 796</b>	<b>216 311 350</b>
Cost	103 198 463	194 078 526	23 589 878	359 068	88 559 023	409 784 958
Accumulated depreciation	(15 724 032)	(105 836 771)	(10 685 578)	-	(61 227 227)	(193 473 608)



30<sup>th</sup> June 2005

Reconciliation of Carrying Value	<u>Land and Buildings</u>	<u>Infra-structure</u>	<u>Community</u>	<u>Heritage</u>	<u>Other</u>	<u>Total</u>
	R	R	R	R	R	R
<b>Carrying values at 1 July 2004</b>	<b>71 069 754</b>	<b>144 976 972</b>	<b>27 297 457</b>	<b>359 068</b>	<b>29 846 132</b>	<b>273 549 383</b>
Cost	84 836 233	252 843 308	39 082 421	359 068	80 870 950	457 991 980
Accumulated depreciation	(13 766 479)	(107 866 336)	(11 784 964)	-	(51 024 818)	(184 442 597)
Acquisitions	6 364 408	26 162 017	683 019	-	3 309 027	36 518 471
Capital under construction	-	-	-	-	-	-
Depreciation	(650 175)	(10 237 561)	(1 593 971)	-	(3 545 178)	(16 026 885)
Carrying value of disposals	(8 395 882)	(79 510 099)	(12 604 880)	-	(2 448 300)	(102 959 161)
Cost/revaluation	(8 917 616)	(101 256 783)	(16 346 624)	-	(2 892 066)	(129 413 089)
Accumulated depreciation	521 734	21 746 683	3 741 744	-	443 766	26 453 927
<b>Carrying values at 30 June 2005</b>	<b>68 388 104</b>	<b>81 391 329</b>	<b>13 781 626</b>	<b>359 068</b>	<b>27 161 681</b>	<b>191 081 808</b>
Cost	82 283 024	177 748 542	23 418 816	359 068	81 287 912	365 097 363
Accumulated depreciation	(13 894 921)	(96 357 213)	(9 637 190)	-	(54 126 230)	(174 015 555)

The Municipality has taken advantage of the transitional provisions set out in GAMAP 17. The Municipality is in the process of itemizing all infrastructure and community assets and will recalculate accumulated depreciation once this exercise has been completed by 30 June 2007. At present depreciation on these assets is calculated on an averaging basis whereby an average useful life has been estimated for each category of infrastructure and community assets, using global historical costs recorded in the accounting records. Furthermore, the Municipality has not assessed whether the items of property, plant and equipment are impaired. It is expected that an assessment of impairments will be done by 30 June 2007.

	<b>2006</b>	<b>2005</b>
	R	R
<b>9. INVESTMENTS</b>		
<u>Unlisted</u>		
Investment in Municipal Entities – Uthukela Water	30 627 330	18 736 353
Housing Advance	-	274 031
<b>Total Investments</b>	<b>30 627 330</b>	<b>19 010 384</b>

**10. LONG-TERM RECEIVABLES**

Land Sales	277 812	5 597 203
Car loans	1 061 445	2 206 156
Staff housing loans	23 962	29 781
Study loans and bursaries	1 711 899	536 839
Loan to municipal entity	3 994 674	4 269 691
Housing selling scheme loans	3 470 954	3 819 142
Less : Current portion transferred to current receivables	784 049	2 305 126
<b>Total Receivables</b>	<b>9 756 697</b>	<b>14 153 685</b>

***CAR LOANS***

Staff who participate in the car allowance scheme were entitled to car loans, attracting interest at 8% per annum and repayable over a maximum period of five years. In terms of the Municipal Finance Management Act, No. 56 of 2003, no new loans have been granted since 1 July 2006.

***LAND SALES***

Public purchasing properties from Council were able to settle the purchase price over a period of twelve months at the prime interest rate of Council's bankers at the date of purchasing the property. These loans are no longer allowed in terms of the Municipal Finance Management Act, No. 56 of 2003, and all property is now sold for payment to be effected on or before date of registration of transfer. The transaction is initiated when the sale agreement is signed and finalised on date of registration of transfer in the purchaser's name when full payment of the purchase price is effected.

***STUDY LOANS***

Dependants of staff were entitled to a low interest loan for study purposes. Since 1 July 2004 new agreements have not been concluded due to the requirements of the Municipal Finance Management Act, No. 56 of 2003. The agreements concluded prior to 1 July 2004 are the only transactions still being processed.

**NEWCASTLE MUNICIPALITY**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

**2006**  
**R**

**2005**  
**R**

***LOANS TO MUNICIPAL ENTITY***

The loan to the municipal entity was obtained from the Development Bank of Southern Africa and is for the installation of water meters in areas previously having none. The loan is repayable by the entity on the same terms and conditions as imposed by the Development Bank of Southern Africa on the Municipality.

***HOUSING SCHEME LOANS***

Housing loans were granted to qualifying individuals in terms of the Housing Act, No. 107 of 1997. These loans attract interest at 13, 5% per annum and are repayable over thirty years. No new loans have been granted since 1 July 2004.

11

**INVENTORY**

Consumable stores

**3 811 145**

**4 041 062**

12

**CONSUMER DEBTORS**

**Gross  
Balances**

**Provision  
for Bad  
Debts**

**Net  
Balances**

**As at 30 June 2006**

Service debtors

190 333 157

145 386 706

44 946 451

Rates

76 869 977

62 038 617

14 831 360

Electricity

13 378 255

1 453 633

11 924 622

Water

44 070 918

34 507 844

9 563 074

Sewerage

11 270 602

8 963 627

2 306 975

Refuse

44 743 405

38 422 985

6 320 420

Housing rentals

716 752

7 104

709 648

VAT and Sundry services

23 574 400

17 622 740

5 951 660

**Total**

**214 624 309**

**163 016 550**

**51 607 759**

**As at 30 June 2005**

Service debtors

174 047 076

69 292 074

104 755 002

Rates

72 526 445

27 716 830

44 809 615

Electricity

12 647 419

4 850 445

7 796 974

Water	43 706 082	15 937 177	27 768 905
Sewerage	10 266 625	4 157 524	6 109 101
Refuse	34 900 505	16 630 098	
Housing rentals	746 054	-	746 054
VAT and Sundry services	18 731 951	14 048 962	4 682 989
Less Uthukela Water debtors transferred to Other debtors	(53 463 061)	-	(53 463 061)
<b>Total</b>	<b>140 062 020</b>	<b>83 341 036</b>	<b>56 720 984</b>

## NEWCASTLE MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

	2006	2005
	R	R
12		
CONSUMER DEBTORS (continued)		
<b><u>Rates: Ageing</u></b>		
Current	6 958 701	6 163 769
30 Days	2 838 838	2 418 783
60 Days	2 648 761	2 220 251
90 Days	2 385 060	2 121 937
120 Days and more	62 038 617	59 601 704
<b>Total</b>	<b>76 869 977</b>	<b>72 526 445</b>
<b><u>(Electricity, Water, Sewerage and Refuse): Ageing</u></b>		
Current	21 142 514	18 593 009
30 Days	10 076 355	4 343 149
60 Days	12 531 108	3 864 985
90 Days	6 342 946	3 555 798
120 Days and more	63 370 257	71 163 689
Less Uthukela Water debtors	-	(53 463 061)
<b>Total</b>	<b>113 463 180</b>	<b>48 057 569</b>

**Vat and Sundry: Ageing**

Current	(733 876)	(591 819)
30 Days	2 449 994	887 486
60 Days	2 605 525	2 173 642
90 Days	1 630 016	1 799 264
120 Days and more	17 622 741	14 463 378
<b>Total</b>	<b>23 574 400</b>	<b>18 731 951</b>

**Housing rentals: Ageing**

Current	(380 941)	(357 823)
30 Days	561 813	572 624
60 Days	476 533	511 448
90 Days	52 243	19 728
120 Days and more	7 104	76
<b>Total</b>	<b>716 752</b>	<b>746 054</b>

**Reconciliation of the bad debt provision**

Balance at beginning of the year	83 341 036	90 735 185
Contributions to provision	84 989 109	28 783 754
Bad debts written off against provision	(5 756 865)	(36 510 185)
Reversal of provision	461 655	332 282
Adjustment to provision	(18 385)	-
Balance at end of year	<b>163 016 550</b>	<b>83 341 036</b>

**NEWCASTLE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>13. OTHER DEBTORS</b>		
Sundry debtors	25 316 657	11 207 096
Other debtors	803 569	1 085 866
Debtors suspense	2 473 540	13 237 332
Receipts in advance	6 119 622	6 722 821
Uthukela Water debtors	-	53 463 061
	<u><b>34 713 388</b></u>	<u><b>85 716 176</b></u>
<b>14. CALL INVESTMENT DEPOSITS</b>		
Other deposits	<u><b>71 003 275</b></u>	<u><b>105 216 582</b></u>
<b>15. BANK BALANCES AND CASH</b>		
The Municipality has the following bank account: -		
<b><u>Cheque Account (Primary Bank Account)</u></b>		
First National Bank - Newcastle Branch - Account Number 53140035974		
Cash book balance at beginning of year	<u>(3 637 486)</u>	<u>5 097 209</u>
Cash book balance at end of year	<u><b>18 099 719</b></u>	<u><b>(3 637 486)</b></u>
Bank statement balance at beginning of year	<u>29 058 860</u>	<u>20 256 420</u>
Bank statement balance at end of year	<u><b>49 784 049</b></u>	<u><b>29 058 860</b></u>
Refer to Note 27 for total cash and cash equivalents		
<b>16. PROPERTY RATES</b>		

<b><u>Actual</u></b>		
Residential	32 616 385	36 831 567
Commercial	39 909 956	36 215 485
State	2 337 025	2 185 041
Industrial	4 722 202	4 021 216
Vacant	7 787 981	-
Rate levies – Madadeni and Osizweni	25 494 619	24 067 294
<b>Total Assessment Rates</b>	<b>112 868 169</b>	<b>103 320 603</b>

<b><u>Property Valuations</u></b>		
Residential	61 017 750	74 741 945
Commercial	72 943 260	73 134 235
State	4 326 325	4 326 325
Industrial	8 076 810	8 104 660
Vacant	15 869 600	-
<b>Total Property Valuations</b>	<b>162 233 745</b>	<b>160 307 165</b>

**NEWCASTLE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>17. SERVICE CHARGES</b>		
Sale of electricity	163 879 453	136 636 755
Refuse removal	31 980 992	28 686 329
Sewerage and sanitation charges	130 590	357 431
Other	2 183 418	1 875 946
<b>Total Service Charges</b>	<b>198 174 453</b>	<b>167 556 461</b>
<b>18. GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable share	73 899 621	25 523 343

Conditional grants: Conditions met – transferred to revenue	25 822 027	19 485 294
<b>Total Government Grant and Subsidies</b>	<b>99 721 648</b>	<b>45 008 637</b>

**18.1 Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members in terms of the indigent register. Households with a total monthly income less than R800 (2005: R800) may apply to be registered as indigent.

**18.2 Conditional grants**

Balance unspent at beginning of year	13 726 509	15 610 259
Current year receipts	26 839 219	25 273 956
Less transfer to Uthukela Water	-	(7 672 416)
Conditions met - transferred to revenue	(25 140 090)	(19 485 294)
Conditions still to be met - transferred to liabilities (see note 6)	<b>15 425 638</b>	<b>13 726 505</b>

These grants are used for capital and operating expenditure

**18.3 Other grant receipts**

Balance unspent at beginning of year	3 947 536	3 915 474
Current year receipts	2 859 603	32 062
Conditions met - transferred to revenue	(681 937)	-
Conditions still to be met - transferred to liabilities (see note 6)	<b>6 125 202</b>	<b>3 947 536</b>

These grants are used for capital and operating expenditure

**18.4 Conditional grants**

Balance unspent at beginning of year	17 674 041	19 525 733
Current year receipts	29 698 822	25 306 018
Less expenditure	(25 822 022)	(27 157 710)
Conditions still to be met - transferred to liabilities (see note 6)	<b>21 550 841</b>	<b>17 674 041</b>



Refer to Annexure 1 for more information on Government grants and subsidies

**NEWCASTLE MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	R	R
<b>19. EMPLOYEE RELATED COSTS</b>		
Employee related costs - Salaries and Wages	65 506 314	62 147 823
Employee related costs - Contributions for UIF, pensions and medical aids	18 577 732	17 323 323
Travel, motor car, accommodation, subsistence and other allowances	735 649	623 026
Housing benefits and allowances	9 798 819	9 481 694
Overtime payments	5 217 766	5 009 766
Performance bonus	-	-
Long-service awards	17 414	4 006
Add/ Less other employee costs	705 170	(10 324 742)
<b>Total Employee Related Costs</b>	<b>100 558 864</b>	<b>84 264 896</b>
 <i>Remuneration of the Municipal Manager</i>		
Annual Remuneration	412 861	381 041
Performance Bonuses	-	-
Car Allowance	236 576	236 575
Contributions to UIF, Medical and Pension Funds	114 389	98 665
<b>Total</b>	<b>763 826</b>	<b>716 281</b>
 <i>Remuneration of the Chief Finance Officer</i>		
Annual Remuneration	290 911	271 625
Performance Bonuses	0	0
Car Allowance	113 383	102 442
Contributions to UIF, Medical and Pension Funds	88 009	77 258
<b>Total</b>	<b>492 303</b>	<b>451 325</b>

**Remuneration of Individual Executive Directors**

	<u>Infrastructural Services</u>	<u>Administration Services</u>	<u>Community Services</u>
	R	R	R
<b>30 June 2006</b>			
Annual Remuneration	241 233	295 679	295 679
Performance Bonuses	-	-	-
Car Allowance	135 000	115 094	105 133
Medical and pension funds	21 267	89 253	74 585
<b>Total</b>	<b>397 500</b>	<b>500 026</b>	<b>475 397</b>

Note: Remuneration for Infrastructural Services is only for 9 months

**NEWCASTLE MUNICIPALITY  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>	
	R	R	
<b>Remuneration of Individual Executive Directors (continued)</b>			
	<u>Human Resources</u>	<u>Deputy Municipal Manager</u>	<u>Housing and Land</u>
	R	R	R
<b>30 June 2006</b>			
Annual Remuneration	269 457	424 923	269 457
Performance Bonuses	-	-	-
Car Allowance	111 265	120 000	103 309
Medical and pension funds	80 817	99 753	46 955

<b>Total</b>	<u>461 539</u>	<u>644 676</u>	<u>419 721</u>
	<u><b>Town Planning</b></u>	<u><b>Economic Development</b></u>	<u><b>Culture and Recreational Amenities</b></u>
	R	R	R
<b>30 June 2006</b>			
Annual Remuneration	269 457	294 901	269 456
Performance Bonuses	-	-	-
Car Allowance	115 094	103 309	105 133
Medical and pension funds	83 945	80 348	73 815
<b>Total</b>	<u>468 496</u>	<u>478 558</u>	<u>448 404</u>

	<u><b>Infrastructural Services</b></u>	<u><b>Administration Services</b></u>	<u><b>Community Services</b></u>
	R	R	R
<b>30 June 2005</b>			
Annual Remuneration	-	279 533	279 533
Performance Bonuses	-	-	-
Car Allowance	-	74 982	105 133
Medical and pension funds	-	-	59 015
<b>Total</b>	<u>-</u>	<u>354 515</u>	<u>443 681</u>

	<u><b>Human Resources</b></u>	<u><b>Deputy Municipal Manager</b></u>	<u><b>Housing and Land</b></u>
	R	R	R
<b>30 June 2005</b>			
Annual Remuneration	254 678	375 422	254 678
Performance Bonuses	-	-	-
Car Allowance	103 309	120 000	103 309

Medical and pension funds	67 920	86 233	338 864
<b>Total</b>	<b>425 907</b>	<b>581 655</b>	<b>696 851</b>

**NEWCASTLE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

*Remuneration of Individual Executive Directors (continued)*

	<u>Town Planning</u>	<u>Economic Development</u>	<u>Culture and Recreational Amenities</u>
	R	R	R
<b>30 June 2005</b>			
Annual Remuneration	254 678	275 014	254 678
Performance Bonuses	-	-	-
Car Allowance	104 154	103 309	105 133
Medical and pension funds	76 413	71 558	61 140
<b>Total</b>	<b>435 245</b>	<b>449 881</b>	<b>420 951</b>

	<b>2006</b>	<b>2005</b>
	R	R
<b>20. REMUNERATION OF COUNCILLORS</b>		
Executive Mayor	406 526	312 487
Deputy Executive Mayor	33 614	263 944
Speaker	33 614	263 944
Mayoral Committee Members	2 202 144	1 751 106
Councillors	5 213 597	3 294 663
Councillors' pension contribution	67 469	466 001
<b>Total Councillors' Remuneration</b>	<b>7 956 964</b>	<b>6 352 145</b>

**21. INTEREST PAID**

Long-term liabilities

1 273 939

2 874 957

**22. BULK PURCHASES**

Electricity

102 803 073

99 874 745

**23. GRANTS AND SUBSIDIES PAID**

Rates rebate

12 682 854

11 781 879

**NEWCASTLE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	R	R
<b>24. CHANGE IN ACCOUNTING POLICY - IMPLEMENTATION OF GAMAP</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GAMAP: -		
<b>24.1 Statutory Funds</b>		
<b>Balance previously reported: -</b>		
Capital Development Fund		154 288 398
Public Improvement Fund		40 642 159
Trust Funds		2 256 905
<b>Total</b>		<u><u>197 187 462</u></u>
<b>Implementation of GAMAP</b>		
Transfer to the Housing Development Fund		1 545 191
Transferred to the Capital Replacement Reserve		-
Transferred to the Capitalisation Reserve		124 773 126
Transferred to Accumulated Surplus (see 24.6 below)		70 869 145
<b>Total</b>		<u><u>197 187 462</u></u>
<b>24.2 Loans Redeemed and Other Capital Receipts</b>		
<b>Balance previously reported</b>		<u><u>289 219 359</u></u>
<b>Implementation of GAMAP</b>		
Transferred to Government Grant Reserve		28 892 876
Transferred to Accumulated Surplus (see 24.6 below)		260 326 483
<b>Total</b>		<u><u>289 219 359</u></u>
<b>24.3 Provisions and Reserves</b>		

<b>Balance previously reported</b>	
Self Insurance Reserve	4 230 783
Housing Development Fund	5 068 414
Leave Pay Provision	8 705 637
Study Loans Reserve	1 343 369
Loan Redemption Provision	3 078 532
Surpluses and Deficits Provision	17 866
Audit Fee Provision	89 777
<b>Total</b>	<b>22 534 378</b>
<b>Implementation of GAMAP</b>	
Transferred to Accumulated Surplus (see 24.6 below)	4 529 544

**NEWCASTLE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	R	R
<b>24. CHANGE IN ACCOUNTING POLICY – IMPLEMENTATION OF GAMAP (Continued)</b>		
<b>24.4 Property, plant and equipment</b>		
<b>Balance previously reported</b>		<b>437 412 902</b>
<b>Implementation of GAMAP</b>		
Credited to Accumulated Surplus (see 24.6 below)		20 579 079
<b>Total</b>		<b>457 991 981</b>
<b>24.5 Accumulated Depreciation</b>		
<b>Balance previously reported</b>		<b>-</b>
<b>Implementation of GAMAP</b>		
Backlog depreciation: Land and buildings		(13 766 479)
Backlog depreciation: Infrastructure		(107 866 336)
Backlog depreciation: Community		(11 784 964)
Backlog depreciation: Other		(51 024 818)
Backlog depreciation: Housing Development Fund		-
<b>Total (debited to Accumulated Surplus (see 24.6 below))</b>		<b>(184 442 597)</b>

**24.6 Accumulated Surplus****Implementation of GAMAP**

Excessive provisions and reserves no longer permitted (see 24.3 above)	4 529 544
Transferred from statutory funds (see 24.1 above)	70 869 145
Transferred from Loans Redeemed and Other Capital Receipts (see 24.2 above)	260 326 483
Fair value of Property, Plant and Equipment previously not recorded (see 24.4 above)	20 579 079
Backlog depreciation (see 24.5 above)	<u>(184 442 597)</u>
<b>Total</b>	<b><u><u>171 861 654</u></u></b>

**25. CORRECTION OF ERROR**

During the year transactions were made in respect of the previous year:

The comparative amount has been restated as follows:

Correction of capitalisation reserve	<u>2 822 091</u>	<u>-</u>
Net effect on accumulated surplus for the year	<b><u><u>2 822 091</u></u></b>	<b><u><u>-</u></u></b>

**NEWCASTLE MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	R	R
<b>26. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	25 796 026	24 848 569
Adjustment for:-		
Depreciation	19 458 053	16 026 885
Gain on disposal of property, plant and equipment	-	(80 000)
Non-operating income	6 663 562	120 350 823



Non-operating expenditure	(13 179 386)	(5 987 847)
Contribution to bad debt provision	(82 269 360)	(17 023 440)
Capital grants used to purchase property, plant and equipment	(9 347 661)	(19 485 294)
Offsetting of depreciation	14 709 886	8 884 598
Prior year adjustments	(85 001)	-
Transfer of water appropriation balances	14 982 060	-
Write off of VAT	25 047 338	-
Correction of error	2 822 091	-
Gamap adjustments	-	(86 186 016)
Contribution to Self Insurance Reserve	-	(597 854)
Insurance claims processed	-	649 997
Transfer to Housing Development Fund	-	(1 521 038)
Investment income	(4 908 065)	(7 768 610)
Interest paid	1 273 939	2 874 957
<b>Operating surplus before working capital changes:</b>	<b>963 482</b>	<b>34 985 730</b>
Decrease in inventories	229 917	1 701 925
Decrease/ (increase) in consumer and other debtors	67 738 385	(12 055 059)
Increase/ (decrease) in conditional grants and receipts	3 876 800	(1 851 694)
Decrease in creditors	(52 403 917)	(18 774 097)
Decrease in provisions	(374 612)	(637 909)
(Decrease)/ increase in VAT	(18 333 220)	11 848 701
<b>Cash generated by operations</b>	<b>1 696 835</b>	<b>15 217 597</b>

## 27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position :

Bank balances and cash	22 193 461	12 645 856
<b>Total cash and cash equivalents</b>	<b>22 193 461</b>	<b>12 645 856</b>

**NEWCASTLE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	<b>2006</b>	<b>2005</b>
	<b>R</b>	<b>R</b>
<b>28. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION</b>		
Long-term liabilities (see Note 2)	35 737 186	15 567 455
Used to finance property, plant and equipment – at cost	35 737 186	15 567 455
Sub- total	-	-
Cash set aside for the repayment of long-term liabilities (see Note 2)	2 708 871	2 329 295
<b>Cash invested for repayment of long-term liabilities</b>	<b>2 708 871</b>	<b>2 329 295</b>

**29. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**29.1 Contributions to organized local government**

Opening balance	-	-
Council subscriptions	458 815	152 917
Amount paid - current year	(458 815)	(152 917)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**29.2 Audit fees**

Opening balance	-	89 777
Current year audit fee	858 770	495 240
Amount paid - current year	(858 770)	585 017
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**29.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in note 7. All VAT returns have been submitted by the due date

throughout the year.

**29.4 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	12 054 932	11 366 471
Amount paid - current year	(12 054 932)	(11 366 471)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**NEWCASTLE MUNICIPALITY**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	R	R
<b>ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)</b>		

**29.5 Pension and Medical Aid Deductions**

Opening balance	-	-
Current year payroll deductions and Council Contributions	19 189 474	19 189 474
Amount paid - current year	(19 189 474)	(19 189 474)
Amount paid - previous years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**30. CAPITAL COMMITMENTS**

Commitments in respect of capital expenditure:

- Approved and contracted for	11 183 240	-
Land and Buildings	-	-
Infrastructure	1 229 130	-
Community	2 830 910	-
Heritage	-	-
Other	7 123 000	-
- Approved but not yet contracted for	64 220 220	159 833 480
Land and buildings	6 064 000	6 969 880

Infrastructure	40 576 220	43 443 150
Community	6 440 000	3 590 400
Heritage	1 220 00	-
Other	9 920 000	105 830 050

<b>Total</b>	<b>75 403 460</b>	<b>159 833 480</b>
--------------	-------------------	--------------------

This expenditure will be financed from:

- External Loans	36 401 910	41 929 350
- Capital Replacement Reserve	-	-
- Government Grants	35 256 460	117 642 130
- District Council Grants	3 745 090	262 000
	<b>75 403 460</b>	<b>159 833 480</b>

**NEWCASTLE MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006**

**31. RETIREMENT BENEFIT INFORMATION**

All councillors and employees belong to five pension funds, as follows:

Councillors: Defined contribution Retirement Fund administered by Pension Fund Services (Pty) Ltd.

Employees:

- New employees join the defined contribution Provident Fund administered by KwaZulu-Natal Joint Pension Fund.
- Employees employed prior to 1 July 2004 had the choice to join the defined contribution Provident Fund, defined benefit Superannuation Fund or the defined benefit Retirement Fund all of which are administered by KwaZulu-Natal Joint Pension Fund.
- Employees transferred to the Municipality during 2001 belonging to the Government Employees Pension Fund were not compelled to resign and join any of the other pension funds. They remain as members of this fund until they leave the Municipality's service.

These funds are each subject to a triennial actuarial valuation which indicates that these funds are each in a sound financial position.

An amount of R11,1 million (2005: R10,6 million) was contributed by Council in respect of councillor and employee retirement funding. These contributions have been expensed.

**32. CONTINGENT LIABILITY**

32.1 Guarantees for staff housing loans with financial institutions: R 98 740 (2005: R116 540).

32.2 Several claims made against Council with regard to damages arising from accidents, etc. have been submitted to Council's insurers for payment thereof. There is no indication that the claims may result in legal claims against the Municipality.

**33. CONTINGENT ASSET**

Civil proceedings have commenced against an employee with regard to the theft of cash, over the period 1999 to 2006, to recover an amount of R2,7 million. Recovery of the amount is not certain as the financial investigation headed by the Asset Forfeiture Unit is still underway.

#### **34. IN-KIND DONATIONS AND ASSISTANCE**

The Municipality received the following in-kind donations and assistance:

- Secondment of International Financial Advisor by National Treasury for two years.
- Secondment of Advisor by the Department of Provincial and Local Government to manage the CMTP programme.
- Secondment of five Community Development Workers to be used as and when required by the Department of Provincial and Local Government.

#### **35. EVENTS AFTER THE REPORTING DATE**

An investigation in the latter part of August 2006 culminated in the Municipality laying a charge of fraud with the South African Police Services against one of the employees for the theft of cash amounting to R2,7 million. The Asset Forfeiture Unit is currently involved in the case in order to recover as much as possible from the employee.

#### **36. COMPARISON WITH BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

APPENDIX A

NEWCASTLE MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2006

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/05	Received during the period	Redeemed written off during the period	Balance at 30/06/06
<b>LONG-TERM LOANS</b>			<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
DBSA @ 9.26%	101965/1	2015/06/30	12 109 988	4 261 347	815 146	15 556 189
DBSA @ 9.10%	101965/2	2010/06/30	631 071	344 428	112 002	863 497
DBSA @ 9.31%	102322/1	2011/06/30	-	861 274	-	861 274
DBSA @ 9.40%	102322/2	2013/06/30	-	2 961 691	-	2 961 691
DBSA @ 9.45%	102322/3	2016/06/30	-	1 695 228	-	1 695 228
DBSA @ 9.37%	102322/4	2021/06/30	-	7 483 644	-	7 483 644
DBSA @ 9.31/ 9.45%	102322/1-4	Various	-	4 018 486	-	4 018 486
Expenditure incurred to 30/06/2006 – claim not submitted to DBSA						
<b>Total long-term loans</b>			<b>12 741 059</b>	<b>21 626 098</b>	<b>927 148</b>	<b>33 440 009</b>
<b>ANNUITY LOAN</b>						
SA Eagle @ 7.75%	S16	2008/06/30	37 912	-	11 689	26 223
Sanlam @ 7.875%	S6	2008/12/31	27 761	-	10 569	17 192
Housing Development			274 031	-	274 031	-
<b>Total annuity loans</b>			<b>339 704</b>	<b>-</b>	<b>296 289</b>	<b>43 415</b>
<b>LEASE LIABILITY</b>						
Motor vehicles @ 9.5%			2 486 692	490 689	723 619	2 253 762
<b>TOTAL EXTERNAL LOANS</b>			<b>15 567 455</b>	<b>22 116 787</b>	<b>1 947 056</b>	<b>35 737 186</b>

APPENDIX B

NEWCASTLE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost/Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Current year	Disposals	Closing Balance	
<b>Land and Buildings</b>										
Land	51 898 635	7 363 295	0	0	59 261 930	2 549 602	0	0	2 549 602	56 712 328
Buildings	30 384 389	13 552 144	0	0	43 936 533	11 345 319	1 829 111	0	13 174 430	30 762 104
	<b>82 283 024</b>	<b>20 915 439</b>	<b>0</b>	<b>0</b>	<b>103 198 463</b>	<b>13 894 921</b>	<b>1 829 111</b>	<b>0</b>	<b>15 724 032</b>	<b>87 474 432</b>
<b>Infrastructure</b>										
Airports	262 520	0	0	0	262 520	52 504	13 126	0	65 630	196 890
Roads	114 454 687	14 216 322	0	0	128 671 010	56 052 410	6 554 927	0	62 607 337	66 063 673
Electricity	52 498 337	1 163 105	0	0	53 661 442	32 776 343	2 223 317	0	34 999 660	18 661 782
Water	304 336	0	0	0	304 336	259 589	4 045	0	263 634	40 702
Sewerage	237 645	0	0	0	237 645	211 048	2 953	0	214 000	23 645
Service Connections	9 990 677	950 557	0	0	10 941 233	7 005 320	681 173	0	7 686 493	3 254 740
Reservoirs and Tanks	340	0	0	0	340	0	17	0	17	323
	<b>177 748 542</b>	<b>16 329 984</b>	<b>0</b>		<b>194 078 526</b>	<b>96 357 213</b>	<b>9 479 557</b>	<b>0</b>	<b>105 836 771</b>	<b>88 241 755</b>
<b>Community Assets</b>										
Security System	2 073 002	164 855	0	0	2 237 857	1 750 911	130 749	0	1 881 660	356 197
Dams	55 499	0	0	0	55 499	21 229	8 234	0	29 463	26 036
Libraries	2 621 336	0	0	0	2 621 336	1 761 474	49 764	0	1 811 238	810 098
Parks and Gardens	425 673	0	0	0	425 673	224 538	16 348	0	240 886	184 787
Recreation Facilities	5 715 350	9 731	0	0	5 725 081	2 257 926	267 759	0	2 525 685	3 199 396
Cemeteries	664 383	21 391	0	0	685 774	206 864	38 932	0	245 796	439 979
Community Centres	11 863 573	0	0	(24 915)	11 838 657	3 414 247	536 603	0	3 950 850	7 887 807
	<b>23 418 816</b>	<b>195 977</b>	<b>0</b>	<b>(24 915)</b>	<b>23 589 878</b>	<b>9 637 190</b>	<b>1 048 388</b>	<b>0</b>	<b>10 685 578</b>	<b>12 904 300</b>
<b>Heritage Assets</b>										
Paintings and Art Galleries	257 820	0	0	0	257 820	0	0	0	0	257 820
Historical Buildings	84 737	0	0	0	84 737	0	0	0	0	84 737
Museums	16 511	0	0	0	16 511	0	0	0	0	16 511
	<b>359 068</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>359 068</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>359 068</b>



APPENDIX B (continued)

NEWCASTLE MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2006

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
<b>Other Assets</b>										
Buildings Other	0	0	0	0	0	0	0	0	0	0
Office Equipment	13 753 254	753 804	0	0	14 507 058	9 487 297	1 610 648	0	11 097 945	3 409 113
Motor Vehicles	20 830 914	2 706 858	0	0	23 537 772	12 175 783	1 991 568	0	14 167 350	9 370 422
Plant and Equipment	12 907 297	1 950 051	0	0	14 857 348	9 838 110	1 025 314	0	10 863 424	3 993 924
Furniture and Fittings	3 290 861	234 505	0	0	3 525 366	2 153 965	444 434	0	2 598 400	926 967
Bins and Containers	1 841 057	1 625 893	0	0	3 466 951	1 732 005	92 031	0	1 824 036	1 642 915
Emergency Equipment	1 429 144	0	0	0	1 429 144	1 066 967	149 534	0	1 216 501	212 643
Other	27 235 385	0	0	0	27 235 385	17 672 104	1 787 468	0	19 459 571	7 775 813
	<b>81 287 912</b>	<b>7 271 111</b>	<b>0</b>	<b>0</b>	<b>88 559 023</b>	<b>54 126 230</b>	<b>7 100 997</b>	<b>0</b>	<b>61 227 227</b>	<b>27 331 796</b>
<b>Total</b>	<b>365 097 363</b>	<b>44 712 511</b>	<b>0</b>	<b>(24 915)</b>	<b>409 784 958</b>	<b>174 015 555</b>	<b>19 458 053</b>	<b>0</b>	<b>193 473 608</b>	<b>216 311 350</b>

APPENDIX C

NEWCASTLE MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2006

	Cost					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive & Council	22 901 941	282 429	-	-	23 184 370	5 965 149	1 250 994	-	7 216 143	15 968 227
Finance & Admin	36 895 886	217 194	-	-	37 113 080	14 487 859	2 390 375	-	16 878 234	20 234 846
Planning & Development	33 259 474	5 232 695	-	-	38 492 169	7 007 242	1 198 099	-	8 205 341	30 286 828
Health	3 931 412	-	-	-	3 931 412	1 454 728	213 102	-	1 667 831	2 263 581
Community & Social Services	44 339 935	472 826	-	-	44 812 761	10 327 787	1 706 764	-	12 034 551	32 778 209
Housing	2 815 029	1 395 858	-	(24 915)	4 185 972	129 983	181 746	-	311 729	3 874 243
Public Safety	9 926 707	94 469	-	-	10 021 176	4 641 108	882 332	-	5 523 440	4 497 736
Sport & Recreation	14 083 280	7 647 977	-	-	21 731 257	10 150 334	1 038 722	-	11 189 056	10 542 202
Environmental Protection	184 402	-	-	-	184 402	66 417	27 851	-	94 267	90 134
Waste Water Management	923 068	-	-	-	923 068	408 366	38 811	-	447 176	475 892
Waste Management	14 599 503	5 277 113	-	-	19 876 616	9 768 146	1 278 083	-	11 046 229	8 830 387
Road Transport	99 075 073	16 379 750	-	-	115 454 823	51 156 138	5 390 937	-	56 547 076	58 907 748
Water	475 630	-	-	-	475 630	350 833	48 142	-	398 975	76 655
Electricity	68 705 926	2 310 050	-	-	71 015 975	49 340 821	3 109 278	-	52 450 099	18 565 876
Other	12 980 096	5 402 150	-	-	18 382 246	8 760 644	702 817	-	9 463 461	8 918 784
<b>TOTAL</b>	<b>365 097 363</b>	<b>44 712 511</b>	<b>-</b>	<b>(24 915)</b>	<b>409 784 958</b>	<b>174 015 555</b>	<b>19 458 053</b>	<b>-</b>	<b>193 473 608</b>	<b>216 311 350</b>

APPENDIX D

NEWCASTLE MUNICIPALITY: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED

30 JUNE 2006

2005 Actual Income	2005 Actual Expenditure	2005 Surplus/ (Deficit)		2006 Actual Income	2006 Actual Expenditure	2006 Surplus/ (Deficit)
R	R	R		R	R	R
115 905 566	45 041 068	70 864 498	Executive & Council	157 852 195	66 853 572	90 998 623
4 036 348	23 386 914	(19 350 566)	Finance & Admin	10 814 229	20 376 898	(9 562 669)
837 688	9 028 554	(8 190 866)	Planning & Development	5 237 309	9 971 958	(4 734 649)
1 744 300	2 900 988	(1 156 688)	Health	(497 110)	3 483 358	(3 980 468)
1 849 370	11 060 995	(9 211 625)	Community & Social Services	1 556 050	9 876 876	(8 320 826)
1 792 706	4 976 104	(3 183 398)	Housing	973 406	5 680 502	(4 707 096)
3 508 908	16 272 631	(12 763 723)	Public Safety	2 415 778	17 810 830	(15 395 052)
578 730	11 295 429	(10 716 699)	Sport & Recreation	214 340	13 441 536	(13 270 453)
455	8 331	(7 876)	Environmental Protection	15	112 038	(112 023)
332 552	1 233 557	(901 005)	Waste Water Management	4 830 244	1 189 504	3 640 740
44 473 179	42 727 864	1 745 315	Waste Management	45 288 203	37 174 907	8 113 297
1 085 785	21 601 364	(20 515 579)	Road Transport	25 327	24 227 951	(24 202 624)
-	242 046	(242 046)	Water	52 904 196	66 239 756	(13 336 417)
140 679 910	126 271 611	14 408 299	Electricity	150 590 535	129 235 548	21 354 987
365 814	1 418 066	(1 052 252)	Other	1 713 378	2 446 833	(733 455)
28 884 913	3 762 133	25 122 780	Restated Gamap adjustments	-	-	-
<b>346 076 224</b>	<b>321 227 655</b>	<b>24 848 569</b>	<b>Total</b>	<b>433 918 094</b>	<b>408 122 068</b>	<b>25 796 026</b>

APPENDIX E(1)

**NEWCASTLE MUNICIPALITY: ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2006**

	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>2006</u>	<u>Explanation of Significant Variances</u>
<b>REVENUE</b>	<b>Actual (R)</b>	<b>Budget (R)</b>	<b>Variance (R)</b>	<b>Variance (%)</b>	<b>greater than 10% versus Budget</b>
Property rates	112 866 169	111 604 950	1 261 219	1	
Property rates - penalties imposed and collection charges	2 176 003	2 064 770	111 233	5	
Service charges	195 991 035	190 260 401	5 730 634	3	
Service charges - other	2 183 418	2 108 970	74 448	4	
Rental of facilities and equipment	2 883 462	3 118 930	(235 468)	-8	
Interest earned - external investments	4 211 146	3 030 050	1 181 096	39	Budget prepared in terms of IMFO where interest is allocated to the CLF. With conversion to Gamap/Grap all interest was allocated to the operating statement.
Interest earned - outstanding debtors	698 919	659 890	39 029	6	
Fines	3 643 164	3 152 210	490 954	16	Effective law enforcement with regard to Parking Services.
Licences and permits	167 978	165 036	2 942	2	
Income from agency services	6 547 207	6 550 340	(3 133)	0	
Government grants and subsidies	99 721 648	78 735 960	20 985 688	27	Grants received were not budgeted for as revenue
Other income	2 827 945	1 680 530	1 147 415	68	Additional revenue from law enforcement with regard to parking services and interest received from SARS not budgeted for.
Gains on disposal of property, plant and equipment	0	0	0	0	
<b>Total Revenue</b>	<b>433 918 094</b>	<b>403 132 037</b>	<b>30 786 057</b>	<b>8</b>	
<b>EXPENDITURE</b>					
Executive & Council	66 853 572	67 476 342	(622 770)	-1	
Finance & Admin	20 376 898	16 415 242	3 961 656	24	Reversal of landsales not budgeted for
Planning & Development	9 971 958	10 685 896	(713 938)	-7	
Health	3 483 358	3 519 408	(36 050)	-1	
Community & Social Services	9 876 876	14 553 172	(4 676 296)	-32	Savings made on salaries, consultants fees and expenses relating to services accordingly not rendered.
Housing	5 680 502	5 717 890	(37 388)	-1	
Public Safety	17 810 830	17 538 906	271 924	2	
Sport & Recreation	13 441 536	13 214 023	227 513	2	
Environmental Protection	112 038	80 257	31 781	40	Salaries and related staff costs budgeted elsewhere
Waste Water Management	1 189 504	999 270	190 234	19	Salaries and related staff costs budgeted elsewhere
Waste Management	37 174 907	42 517 330	(5 342 423)	-13	Salaries and staff related costs budgeted elsewhere
Road Transport	24 227 951	24 364 840	(136 889)	-1	
Water	66 239 756	60 078 638	6 161 118	10	
Electricity	129 235 548	132 060 957	(2 825 409)	-2	
Other	2 446 833	0	2 446 833	100	
<b>Total Expenditure</b>	<b>408 122 068</b>	<b>409 222 171</b>	<b>(1 100 103)</b>	<b>0</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>25 796 026</b>	<b>(6 090 134)</b>			

APPENDIX E(2)

NEWCASTLE MUNICIPALITY: ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2006

	<u>2006</u> <u>Actual</u>	<u>2006</u> <u>Under</u> <u>Construction</u>	<u>2006</u> <u>Total</u> <u>Additions</u>	<u>2006</u> <u>Budget</u>	<u>2006</u> <u>Variance</u>	<u>2006</u> <u>Variance</u>	<u>Explanation of Significant Variances</u> <u>greater than 5% versus Budget</u>
	R	R	R	R	R	%	
Executive & Council	282 429	-	282 429	113 000	169 429	150	Additional equipment purchased
Finance & Admin	217 194	-	217 194	125 000	92 194	74	Assets purchased not budgeted for
Planning & Development	5 232 695	-	5 232 695	8 550 000	(3 317 305)	-39	Expenditure still to be incurred
Health	-	-	-	-	-	0	
Community & Social Services	472 826	-	472 826	2 590 400	(2 117 574)	-82	Delay in obtaining approval
Housing	1 395 858	-	1 395 858	93 219 130	(91 823 272)	-99	Delays in waiting for approval
Public Safety	94 469	-	94 469	-	94 469	100	Misallocation of expenditure
Sport & Recreation	7 647 977	-	7 647 977	1 485 000	6 162 977	415	Misallocation of expenditure
Environmental Protection	-	-	-	-	-	0	
Waste Water Management	-	-	-	20 000 000	(20 000 000)	-100	Still to be approved
Waste Management	5 277 113	-	5 277 113	13 107 800	(7 830 687)	-60	Awaiting approval
Road Transport	16 379 750	-	16 379 750	13 796 150	2 583 600	19	Increase in costs
Water	-	-	-	4 247 000	(4 247 000)	-100	Water meters not installed
Electricity	2 310 050	-	2 310 050	2 600 000	(289 950)	-11	Ongoing projects which will continue in the next year
Other	5 402 150	-	5 402 150	-	5 402 150	100	Amounts budgeted elsewhere
<b>TOTAL</b>	<b>44 712 511</b>	<b>-</b>	<b>44 712 511</b>	<b>159 833 480</b>	<b>(115 120 969)</b>	<b>-72</b>	

## CHAPTER 5

### FUNCTIONAL SERVICE DELIVERY REPORTING

#### 5.1 DIRECTORATE: ADMINISTRATION

##### 5.1.1 Overview

The Directorate Administration provides an administrative and secretarial service to the Council and Executive Committee as well as the offices of the Mayor and Speaker.

##### 5.1.2 Description of Activity

The services provided by the directorate are as follows;

- General Administration
- Secretariat
- Legal Support
- Community Communication
- Public Relations
- Property Valuations

All the above services with the exception of legal support are rendered in house by the directorate.

##### 5.1.3 Key Issues

- Lack of community consultation strategy

- Lack of comprehensive organisational online filing system.
- Ward committees not established

##### 5.1.4 Analysis of the Function

1. Personnel Employed	Number
Total staff employed by Administration	28

##### 5.1.5 Key Achievements

- Council approval and adoption of a ward committee system and the submission of an application to the MEC for the change in municipal classification
- Appointment of rates committee for the development of rates policy and property valuation system
- Adoption of a customer care policy.

##### 5.1.6 Preliminary Plan for 2005/2006

- compiling by laws relating to property valuations
- implementing community communication strategy.
- acquiring an integrated document management system which could serve all the departments of the municipality.
- Establishment of ward committees for each ward in the municipality.
- Implementation of the Property Rates Act.

## 5.2 DIRECTORATE: CHIEF FINANCIAL OFFICER

Clerical	56
Blue Collar	04

### 5.2.1 Overview

The financial treasury department is responsible for the financial administration, financial control and financial reporting of the local authority as a whole.

### 5.2.2 Description of Activity

The services provided by the Finance/Treasury Directorate are as follows;

- Budgets and Costing
- Management Accounting
- Financial Reporting
- Procurement
- Revenue
- Internal Audit
- Credit Control and Debt Collection
- Creditors and Salaries
- Investments

All the above services are rendered in house by Financial/Treasury staff with the exception of Credit Control and Debt Collection which has been outsourced.

### 5.2.3 Analysis of the Function

PERSONNEL EMPLOYED	NUMBER
Financial treasury services total	72
Managerial	3
Supervisory	13

### 5.2.4 Key Issues

- Low payment factor and educating customers with regard to the benefits of paying for services
- Lack of office space
- Staff shortages in key positions and capacitating of existing staff
- Implementation of the Property Rates Act, No. 6 of 2004
- Increase the revenue base
- Improve customer satisfaction
- Improve on the quality of the reporting in terms of GRAP

### 5.2.5 Indigent Support

Consumer Debtors Including Indigents	55259
Indigents	18717

An account holder is defined as indigent if the total household income does not exceed R800- 00 per month. The onus is on the applicant to come forward and register as indigent in line with the Council approved indigent policy. For the period under review, 18717 indigents were registered and received indigent support. However the process of registering the indigent is on going and all those with total household income of less than R800 per month are encouraged to register for support.

### 5.2.6 Monthly Payment Factor on current accounts

	All Accounts		Exclusive of Indigent Accounts	
	% Receipts	% Value	% Receipts	% Value
June 2004 (Previously submitted)	40,2736	78,1761	44,7397	80,8036
June 2005	69,1736	68,9191	54,8451	78,1217
July 2005	68,2741	79,6963	53,2778	77,6927
August 2005	70,5014	83,8661	56,4384	82,3323
September 2005	70,2702	82,1388	55,8179	80,5613
October 2005	69,6543	81,8620	54,8794	80,2852
November 2005	69,7219	81,3525	54,6635	79,6104
December 2005	70,0818	81,2855	55,0387	79,6386
January 2006	69,8288	81,0508	54,5663	79,1206
February 2006	71,2875	82,4403	56,5956	80,5448
March 2006	69,0681	55,8602	53,6574	52,9408
April 2006	70,7644	51,6654	55,9533	56,5468
May 2006	69,5868	62,8053	54,2069	68,8011
June 2006	70,5152	67,8230	55,7011	73,0935

Due to the implementation of the council credit control policy, debt escalation has been controlled. The payment factor values noted in the above table relates only to current debt and does not include the collection of arrear debt.

### 5.2.7 Debt by age and type as at 30 June 2006

AGE OF DEBT	WATER	ELECTRICITY	RATES/ SERVICE LEVY	OTHER	TOTAL
Current	5,695,310.60	5,276,402.26	6,958,701.29	2,825,861.83	20,756,275.98
30 days	6,619,672.29	444,483.41	2,838,837.97	6,024,006.02	15,926,999.69
60 days	8,813,291.97	123,376.87	2,648,760.77	6,676,497.77	18,261,927.38
90 days	38,395,765.82	1,550,499.57	64,423,677.43	69,056,873.33	173,426,816.15
Total debt	59,524,040.68	7,394,762.11	76,869,977.46	84,583,238.95	228,372,019.20

### 5.2.8 Bad debt written off as at 30 June 2006

Debtors are written off annually and indigent account holder's arrears are written off at the date of registration as indigent. This is all in line with Council Resolutions

AREA	ANNUAL WRITE OFFS	INDIGENT WRITE OFFS
Newcastle General	5 262 089	0
Electricity	4 680 335	0
Water	10 022 258	14 873
Madadeni General	2 606 770	1 525 983
Water Madadeni	12 118 065	385 230
Osizweni General	24 474 214	2 626 624
Water Osizweni	6 986 734	905 207



### 5.2.9 Valuation

The table below presents information on the valuation of property in Newcastle.

Area	Type	Date of last Valuation
Newcastle West	Land	1988
	Buildings	1997
Townships	Non residential	March 1996
	residential	No valuation

The municipality is in the process of compiling a rates policy and valuation roll in line with the newly promulgated Property Rates Act.

### 5.2.10 Total rateable properties by Area – July 2005

DESCRIPTION CODE	NUMBER OF PROPERTIES	LAND VALUE	BUILDING VALUE
Rateable Newcastle	10992	154 060 815	1 856 688 900
Rateable Madadeni	234	3 458 480	1 607 600
Rateable Osizweni	170	1 507 750	697 000
Rateable Ingagane	297	1 737 200	0
Rateable Kilbarchan	186	727 300	0
Total rateable	223	764 700	0
	<b>12102</b>	<b>162 256 245</b>	<b>1 858 993 500</b>

### 5.2.11 Total Rateable Property by Zoning – July 2005

DESCRIPTION OF TARIFFS	NUMBER OF PROPERTIES	LAND VALUE	BUILDING VALUE
Residential	9208	61 017 750	971 533 050
Commercial	1521	77 269 585	659 273 650
Industry	155	8 076 810	228 033 900
Vacant Land	1217	15 892 100	
Total Rateable	<b>12102</b>	<b>162 256 245</b>	<b>1 858 993</b>

### 5.2.12 Non Rateable Properties – July 2005

DESCRIPTION	NUMBER OF PROPERTIES	LAND VALUE	BUILDING VALUE
Churches	315	2 486 770	41 921 600
Council	864	4 950 160	8 895 000
Service Reserve	41	476 780	
Parks	196	364 750	
Old Age	36	872 700	20 356 900
INDUSTRY Ithala	119	3 642 200	
Proclaimed	1220	0	
Isacor Farms	722	2 177 700	
Total Non Rateable	<b>3514</b>	<b>14 988 460</b>	<b>71 173 500</b>

### 5.2.13 Assessment Rates 2004/05 as at the beginning of the financial year:

	DESCRIPTION	NUMBER	LAND VALUE	IMPROVEMENT VALUE
Newcastle West	Commercial	1082	71 217 055	656 969 050
	Industry	147	8 038 810	228 033 900
	Residential	8748	59 584 250	961 572 350
Newcastle	Madadeni	234	3 458 480	1 607 600

East	Osizweni	169	1 507 750	697 000
Ingagane	Commercial	16	639 300	
	Residential			
	Vacant Land	248	914 200	
Kilbarchan	Commercial	7	319 500	
	Residential			
	Vacant Land	126	278 600	
Charlestown	Commercial	13	127 500	
	Residential	3	38 000	
	Vacant Land	86	240 700	

#### 5.2..14 Debtors Billings: Number and Amount of Monthly Billings

Month	Debtors Billings		Debtors Collections	
	Number	Amount R	Number	Amount R
July 2005	55056	R19 185 589.65	37589	R24 176 337
August 2005	54962	R19 636 130.13	38749	R27 674 594
September 2005	54918	R18 930 149.84	38591	R21 178 618
October 2005	54947	R19 013 213.01	38273	R21 888 240
November 2005	54964	R18 802 314.59	38322	R21 277 705
December 2005	54950	R18 800 046.57	38510	R20 099 233
January 2006	54804	R18 293 429.02	38269	R23 239 144
February 2006	54816	R18 355 324.87	39077	R20 688 566
March 2006	56020	R30 314 207.15	38692	R21 143 338
April 2006	55306	R35 241 225.20	39137	R34 848 909
May 2006	55259	R30 254 936.21	38453	R24 817 354
June 2006	55259	R29 342 614 .16	38966	R16 280 384

#### 5.2.15 Key Performance Area

- Indigent account holders continue to be registered and receive subsidized services
- Appointed Service Provider continues to collect arrear debt in terms of the approved Debt collection process
- The Supply Chain Management Policy was approved during September 2006
- Billing of water services was re-incorporated on the municipal accounts on 1 March 2006
- The mid-year review was tabled to the Executive Committee during January 2006
- The 2006/2007 budget and supporting documentation was approved in compliance with the Municipal Finance Management Act, No 56 of 2003
- The Matters of Emphasis as contained in the Auditor General's report for the 2005 financial year were reduced over the previous financial year
- Further compliance with regard to the requirements of the Municipal Finance Management Act, No 56 of 2003
- Terminals are being replaced with computers on an annual basis
- Council has not defaulted on the repayment of any loans
- 2005/2006 Annual Financial Statements GAMAP/GRAP compliant

## 5.3 DIRECTORATE HUMAN RESOURCES

### 5.3.1 Overview

The Directorate is responsible for all the human resources issues of the organisation.

### 5.3.2 Description of Activity

The services provided by the Human Resources Directorate are as follows:-

- Recruitment and Selection
- Labour Relations
- Training and Development
- Personnel Administration
- Occupational Health and Safety

All the above services are rendered in house by the Human Resources Directorate.

### 5.2.3 Key issues

- Finalisation of the Organisational review
- Implementation of evaluated job descriptions
- Accreditation of the Municipal Training Centre

### 5.2.4 Analysis of the Function

1. Personnel Employed	Number
Director	1
Divisional Head : Personnel & Labour	1

Relations	
Occupational Health & Safety Officers	1
Training & Development Officers	3
Personnel Officers & Assistant Personnel Officers	4
Administration	4
Supervisor Compound	1
<b>2. Recruitment &amp; Selection</b>	
Requests Received	164
Posts advertised internally	118
Posts advertised externally	56
Applications Received	9385
Applicants Interviewed	644
<b>3. Movements</b>	
Promotions	17
Appointments – Temporary	164
Appointments – Permanent	73
<b>4. Other Human Resources Activities</b>	
Disciplinary Hearings – requests received	51
Enquiries held	35
Enquiries withdrawn	16
Guilty findings	34
<b>5. Intergovernmental Relations</b>	
CDW facilitation meetings / sessions held	22
<b>6. Occupational Health &amp; Safety</b>	
Number of safety committees held	50
Number of safety inspections conducted	128

### Human Resources Budget for 05/06

Vote	Description	Budget
130	Human Resources	R 848 986
133	Compound	R 90 890
134	Training	R 1 702 081
<b>Total</b>		<b>R 2 641 957</b>

### 5.2.5 Key Achievements

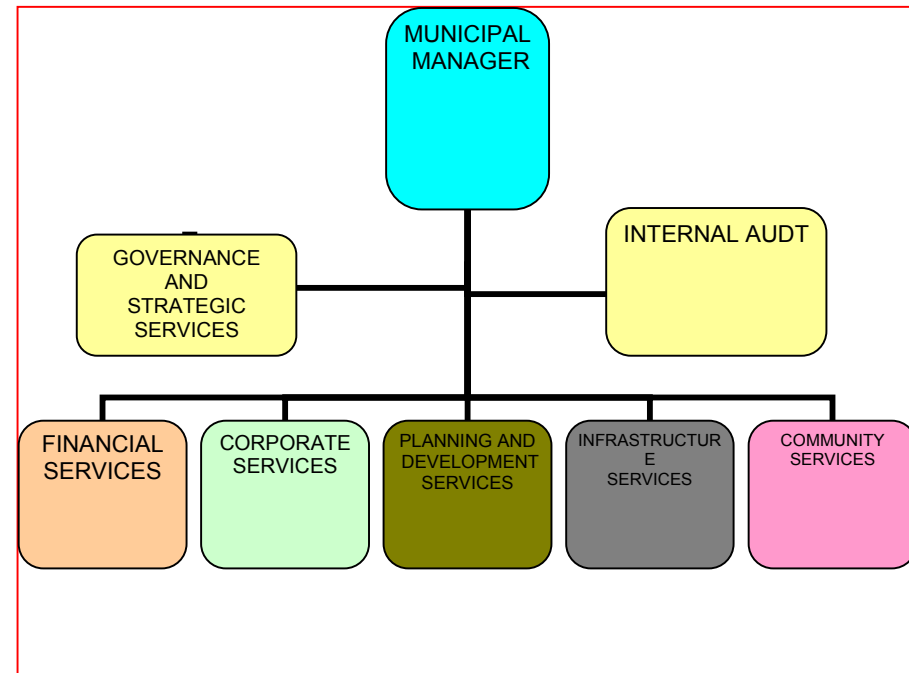
The drafting and approval of the following policies:-

- Workplace Skills Plan compiled and submitted to LGSETA
- Job Descriptions compiled and submitted to Job Evaluation Committee
- HIV/Aids policy compiled and submitted to the Portfolio Committee
- Human Resources policies reviewed and submitted to the Portfolio Committee
- Skills Audit conducted and finalised

### 5.2.6 Preliminary Plan 2006/2007

- Finalise the Organisational Review
- Accreditation of the Municipal Training Centre
- Implementation of the Job Evaluation results
- Implementation of the new structure which is depicted below

The approved structure for the municipality that will be implemented in the 2006/07 year is depicted as follows



Provisions have been made in the budget for the filling in of vacancies shown above in accordance with Section 57 of the Municipal Systems Act.

## 5.4 COMMUNITY SERVICES

### 5.4.1 CLINICS

#### 5.4.1.1 Overview

The primary health care Clinic is situated in Murchison Street and was opened in 2000. It includes all activities associated with the provision of primary health care.

Description of the Activity:

The function for the provision of community health clinics within the municipality is administered as follows and includes:

- HIV/AIDS – voluntary counseling and testing and PMTCT
- Maternal health – ante and post natal care
- Women’s health
- Emergency care
- Child and adolescent health
- Infection control
- Tuberculosis control and management
- Surgical and chronic care
- Health Education
- Drug control and management
- Health promotion and education programmes

These services extend to include primary health care, but do not take account of Environmental Health which resides within the jurisdiction of another sub section in the Newcastle Municipality. The municipality has a mandate to: Render the above services on behalf of the Department of Health. The strategic objectives of this function are to improve the quality of primary health care rendered to the public

#### 5.4.1.2 The key issues for 2004/5

- Inadequate youth health facilities
- Lack of adequate health educators to address HIV and other health issues
- Lack of adequate space and consulting rooms
- Lack of staff

#### 5.4.1.3 Analysis of the Function:

	Analysis	No.	Amount
	The below mention is statistical information on services rendered in 2005/2006:	7 362	
	• Immunizations administered	3 409	
	• HIV Counseling sessions	9 794	
	• Antenatal visits	602	
	• TB visits	1 616	
	• Clients – Post natal	3 939	
	• Clients – Sexually transmitted infections	2 533	
	• Referrals to hospital	265	
	• Rabies vaccines administered	8 083	
	• Minor ailments attended		
1	Number and cost to employer of all health personnel:	12	R1 448 504
	- Professional (Doctors/Specialists)	0	0
	- Professional (Nurses/Aides)	5	
	- Para-professional (Clinic staff qualified)	3	
	- Non-professional (Clinic staff unqualified)	1	
	- Temporary	2	
	- Contract	0	0
	Total cost includes total salary package		R1 448 504
2	Number, cost of public clinic servicing population:	1	R1 655 430
	- Public Clinics (owned by municipality)	1	R1 655 430

	- Private Clinics	0	0
3	Total annual patient head count for service provided by the municipality:		
	- 5 years and under	17 171	
	- older than 5 years	63 710	
5	Type and number of grants and subsidies received:	1	R2 129 092
	Subsidy from the Department of Health	1	R2 129 092
6	Total operating cost of health (clinic) function:		R3 784 522

#### 5.4.1.4 Key Achievements

Key Performance Area	Key Achievement	Current
Primary Health	To improve health through the provision of efficient, well managed health care facilities and services	80 881
HIV /Aids	To promote HIV/Aids Awareness - voluntary testing & counseling	3 409
Establish a sustainable and functional clinic committee	New Clinic Committee to be established.	
Investigate additional clinic space requirements	Additional requirements identified <ul style="list-style-type: none"> <li>• 3 x consulting rooms</li> <li>• Youth Centre</li> <li>• ARK 2 Consulting rooms and 1 x</li> </ul>	

	data office <ul style="list-style-type: none"> <li>• ARK 1 Additional space Dispensary</li> </ul>	
Investigate alternative options for health education and youth facilities	Youth that volunteer are counseled on an ad hoc basis	
Investigate possibilities of sustainability of nutrition programme	Presently vegetables are grown by volunteers. Gardening project sustained by HIV/AIDS Support Group. Soup kitchen within Clinic sustained by HIV/AIDS support group once a week.	

#### 5.4.2 PUBLIC SAFETY: TRAFFIC

##### 5.4.2.1 Overview

Traffic and parking control are services provided by Protection Services, a division within the Directorate of Community Services

##### 5.4.2.2 Description of the Activity:

The traffic control functions of the municipality are administered as follows and include:

- Traffic control
- Law enforcement and patrol

- Law enforcement Administration
- Road safety education
- Parking control
- Escort and special duties
- Technical services (Traffic infrastructure– road markings, erection of road signs etc)

These services extend to include all traffic functions, but do not take account for patrols and law enforcement on National Roads which resides within the jurisdiction of the Provincial Road Traffic Inspectorate.

The strategic objectives of the function are

- Effective law enforcement and traffic control.
- Ensure free flow of traffic in the Newcastle Municipal area.
- Control and create a safer road environment for all road users.

Key Issues for the 2006/07 year

- Vacant positions on management level/ insufficient staff
- Inadequate equipment

### 5.4.2.3 Analysis of Function

	Analysis	Number	Amount
	Personnel and services rendered		
1	Number and cost to employer of all personnel associated with policing and traffic control:	80	R6 463 482
	- Professional (Senior Management) (Director Community Services)	1 Traffic not sole function	

	- Field (Traffic Officers /Supervisors)	27	
	- Office (Clerical/Administration)	6 1 – Traffic not sole function	
	- Technical staff	8	
	- Volunteer	0	
	- Temporary Traffic Wardens	37	
	-Temporary Nursing Sisters	1	
	-Contract	0	
2	Total number of call-outs attended:	765	
	- Emergency call-outs	376	
	- Standard call-outs	389	
	Note: provide total number registered, based on call classification at municipality	765	
3	Average response time to call-outs:		
	- Emergency call-outs		
	- Standard call-outs		
	Note: provide average by dividing total response time by number of call-outs		
4	Total number of targeted violations e.g. traffic offences:	446 200	R7 958 102
	<ul style="list-style-type: none"> <li>• Camera prosecutions</li> <li>• Parking fines captured</li> <li>• Summons (Section 56) captured</li> </ul>	1 490 36 871	R300 750 R3 016 430 R4 640 922
		7 839	
5	Total number and type of emergencies leading to a loss of life or disaster:		
	<list details, including the number and type of emergencies recorded>		

6	Type and number of grants and subsidies received:	0	
	Asiphephe – Additional law enforcement		
7	Total operating cost of traffic function	R9 590 682	

#### 5.4.2.4 Key Achievements

Key Performance Area	Key Achievements	Current
Ensure that road traffic signs and markings are in accordance with the Road Traffic Act	Allocated funds utilized in 2005/2006 on project	R742 868
Visit each school in the area at least once for road safety awareness	43 schools visited – 12 Secondary 21 Primary 10 Pre-primary	
Joint Operations with the South African Police for road blocks, stop & search etc	27 Joint Operations undertaken	
Assist with the national Arrive Alive Campaign	Participated from November 2005 to end January 2006	

### 5.4.3 PUBLIC SAFETY: FIRE

#### 5.4.3.1 Overview

Fire Services are provided by Protection Services, a division within the Directorate of Community Services

#### 5.4.3.2 Description of Activity

An emergency 24 hours, seven days a week fire service is provided from the two stations located at Osizweni and Newcastle. The following service is provided to Newcastle

- Fire Prevention
- Fire Safety and education
- Fire Fighting
- Emergency Control Room
- Rescue
- Disaster Management

All of the above functions are rendered internally. The fire Services is also rendering an emergency, disaster and rescue fire service on behalf of the Amajuba district Municipality which includes Charlestown, Dundee, Utrecht, Dannhauser and up to the Free State Border.

The strategic objectives of this function are to render an effective and efficient fire and emergency service within the allocated resources

#### 5.4.3.3 The key issues for 2005/6

- Unreliable appliances and outdated equipment



- Insufficient fire hydrants to facilitate fire fighting
- Lack of street names and numbers in some areas
- Absence of vehicles and equipment to deal with hazardous incidents
- Staff shortage
- Lack of efficient communication (radio & telephone)

#### 5.4.3.4 Analysis of function

	Vehicles Major Appliances - 1984 Other Appliances – 1980, 1984 Foam Appliance – 1978 Water Tanker	2 2 1 1	
1	Number and cost to employer of all personnel associated with fire fighting and emergency services	43 2 –Fire not sole function	R6 322 778
	- Professional (Senior Management) (Director -- Community Services)	1	
	- Fire Fighters	36	
	-Office (Clerical/Administration) (Acting Administration Officer Protection Services)	1 Fire not sole – function	
	-Communications Operator	4	
	- Volunteer	0	

	Note: total number calculated on full-time equivalent (FTE) basis, total cost to include total salary package. Office includes desk bound personnel	43 2 - share other Functions outside of Fire	R6 322 778
2	Total number of call-outs attended:	1 216	
	- Emergency call-outs		
	- Standard call-outs		
	Note: provide total number registered, based on call classification at municipality	1 216	
3	Average response time to call-outs:		
	- Emergency call-outs	7 min	
	- Standard call-outs	10 min	
4	Total number and type of emergencies leading to a loss of life or disaster:	83	
	Emergency Calls		
	Fire – Dwelling	148	
	Fire - Vehicles	45	
	Fire - grass	415	
	Fire - Other	25	
	Fire – Large industry & trade	18	
	Motor Vehicle Rescues	49	
	Chemical	16	
5	Type and number of grants and subsidies received:	0	0
7	Total operating cost of fire and emergency function		R7 611 227

### 5.4.3.5 Key Achievements

Key Performance Area	Key Achievements
Investigate sources of funding for replacement of appliances and equipment	Approached District Municipality for funding of fire fighting equipment. Funds requested on the IDP. Business Plan for funding to DPLG, also approached the Provincial Disaster Management offices.
Raise awareness of the urgent need for street names to be allocated	R500 000 allocated on the 2005/2006 budget for purchasing and installation of street names
Completion of Madadeni Fire Station	No funds allocated – Project on the IDP – prioritized by the EXCO for application for MIG (Municipal Infrastructure Grant) Funding
Purchasing of a utility vehicle for the sub station	No funds allocated. Project on IDP.
Replacement of fire fighting equipment	No funds allocated. Project on IDP.

## 5.4.4 WASTE MANAGEMENT :SOLID WASTE

### 5.4.4.1 Overview

Includes refuse removal, solid waste disposal and landfill, street cleaning and recycling

### 5.4.4.2 Description of Activity

The refuse collection functions of the municipality are administered as follows and include:

- Collection and removal of solid waste from business and households
- Waste Disposal
- Manage the Landfill Site (Waste Disposal Site)
- Street sweeping – CBD & Industrial area, Madadeni & Osizweni
- Clearance of litter
- Chemical verge control
- Removal of illegal dumping
- Skip service for garden waste

These services extend to include Madadeni, Osizweni, Kwamathukuza, Section E Phase 3 Osizweni, Kilbarchan, Ngagane, Charlestown, Johnstown, Blaaubosch, Cavan, Leslie, Dicks/Mndozo, Ingogo and Stafford.

The strategic objectives of this function are to:

To deliver an effective, efficient and sustainable refuse removal service to the entire KZ252

### 5.4.4.3 The key issues for 2005/06

- Limited lifespan of current landfill site (approximately 2 years)
- Lack of resources to expand service to unserved areas
- Standardisation of service delivery options across the municipality

### 5.4.4.4 Analysis of function

	Analysis	No.	Amount
	Resources available as follows:		
1	Number and cost to employer of all personnel associated with refuse removal:	211	R11 795 703
	- Professional (Consultants)	0	
	- Field (Supervisors/Foremen/Manager/Chief Cleansing)	6	
	- Office (Clerical/Administration)	5	
	- Non-professional ( outside workforce)	135	
	- Temporary	0	
	- Contract	65	
	Note: total number calculated on full-time equivalent (FTE) basis, total cost to include total salary package		
2	Number of households receiving regular refuse removal services, and frequency and cost of service:	53 535	
	- Removed by municipality at least once a week	53 535	

	- Removed by municipality less often		
	- Communal refuse dump used	0	
	- Own waste disposal site	1	
	- No rubbish disposal		
3	Total and projected tonnage of all refuse disposed:		

	- Domestic/Commercial	108 650 tons	2.5% p.a projected growth
	Note: provide total tonnage for current and future years activity		
4	Total number, capacity and life expectancy of refuse disposal sites:		
	- Domestic/Commercial /garden (number)	1 site	2 years
	Note: provide the number of tip sites and the expected lifespan as at end of reporting period		
5	Anticipated expansion of refuse removal service:		
	- Domestic/Commercial/garden	<total>	<cost>
	Note: provide total number of households anticipated to benefit and total additional operating cost per year to the municipality		

6	Free Basic Service Provision:		
	- Quantity (number of households affected)	18 500	
	- Quantum (value to each household)	R45	
	Note: Provide details of how many households receive the FBS provision, and the average value it means per household. Describe in detail the level of Free Basic Services provided.		
7	Total operating cost of solid waste management function		R54 015 544

	<ul style="list-style-type: none"> <li>• 70 x 1.75m<sup>3</sup> Containers</li> <li>• 100 x 5.5m<sup>3</sup> Skip Containers</li> <li>• 105 Pole litter bins</li> </ul>
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#### 5.4.4.5 Key Achievements

Key Performance Area	Key Achievements
Identity new landfill site	Landfill site identified. Environmental Impact Assessment in progress
Provision for and sourcing of funding for plant and equipment at the Landfill site in capital budget	Projects on the IDP (Purchased) : <ul style="list-style-type: none"> <li>• 2 x 26 Ton GVM Refuse Compactor Trucks</li> <li>• 1 x Waste Handling Truck fitted with a 12 ton skip lifting unit</li> <li>• 1 x 180KW four wheel drive steel wheeled refuse Compactor</li> <li>• 1 x Hydraulic Excavator</li> <li>• 4 x 10m<sup>3</sup> Containers</li> </ul>

## 5.5 DIRECTORATE: CULTURE RECREATION AND AMENITIES

### 5.5.1 LIBRARIES

#### 5.5.1.1 Overview

The Newcastle library service provides an information service to the community and consists of the following libraries: Newcastle library, Fairleigh, Lennoxton, Madadeni and Osizweni library

#### 5.5.1.2 Description of activity

The Newcastle library service provides information to the community for recreational and educational purposes. This service is affiliated with the Kwa-Zulu Natal Provincial Information Service, which provide information resources to the libraries as well as subsidy funding in order to improve service delivery. Services provided to the community are as follows:

- Information resources such as books, references material, daily newspapers, popular magazines and audio visual material.
- Internet facility – enables the librarian to provide information to patrons
- Assistance with recreational needs – wide variety of information resources, holiday programmes
- Assistance with educational needs – photocopying facilities, study facilities, library orientation programs for schools

- Extension services to old aged homes, cripple care and home bound citizens

The Strategic Objective of the function is the provision of adequate library facilities in the community, in order to provide up to date information for recreational and educational purposes.'

#### 5.5.1.3 Key Issues

Backlogs are as follows:

- Inadequate study and shelving space at the current facilities
- Staff shortages to deal with enquiries
- Insufficient funds to purchase new information and enhance current facilities .No capital funding were received to develop services in areas where no information facilities are available.

#### 5.5.1.4 Analysis of function

1. Nature and extent of facilities provided

Library	Circulation	Membership	Total information
Newcastle	378 438	10 867	37 233
Fairleigh	12 103	632	1 795
Lennoxton	75 027	2 549	4 276
Madadeni	52 900	5 287	4 607
Osizweni	33 400	4 646	1 642
TOTAL	551 868	23 981	49 553

2. Number and cost to employer of all personnel with each community service function

Library	Permanent	Temporary	Cost to employer
Newcastle	16	1	1 564 140
Fairleigh	1	2	154 312
Lennoxton	6	2	501 440
Madadeni	5	3	423 443
Osizweni	5	2	364 154
Total	33	10	3 007 489

There is a variance between performance planned and actual performance. A subsidy was requested from the KZNPLIS for the Fairleigh library to be extended. The KZNPLIS however indicated that this project had to be placed on a waiting list for future consideration.

#### 5.5.1.5 Preliminary Plans for 06/07

- Subsidy funding to be requested from the KZNPLIS for the conversion of the Group activities room at the Newcastle library into a project library
- Completion of the Osizweni library extension
- Installation of public use computers at all the libraries



## 5.5.2 HALLS

### 5.5.2.1 Overview

The halls within the Council's area of jurisdiction are as follows:

- Town hall
- Farmers hall
- Show hall
- Richview Civic Centre
- Fairleigh Community hall
- Madadeni Community hall
- Osizweni Community hall
- Charlestown Community hall

The above facilities are offered to the community of Newcastle as well as visitors to the town at set tariffs as approved by the Council on an annual basis.

### 5.5.2.2 Description of activity

The main objective of this function is to provide facilities to the community for the purposes of events such as:

- Weddings
- Memorial services
- Concerts
- Exhibitions
- Shows
- Church services
- Political meetings
- Any gatherings as per request



These facilities (except Charlestown) are all equipped with the basic requirements such as: ablution facilities, tables, chairs, curtains, public address system. Caretakers and cleaners are employed at each hall for the following functions:

- Preparing facility for the function
- Ensuring that the hall, kitchen and ablution facilities are clean and presentable
- Putting out chairs and tables as per hirer's request
- Ensuring that the public address system if required, is ready for use
- Clean the facility after the function
- Caretaking of facility during function
- Safekeeping of facilities key
- Reporting of damages or loss after function
- Maintenance of facility inside and outside

A senior building caretaker is overall in charge of the staff and all the buildings relating to this function.

### 5.5.2.3 Key issues

- Insufficient and obsolete furniture and equipment, i.e. tables, chairs, stoves and fridges
  - Furniture and equipment irreparable
  - Budget not sufficient to replace broken furniture and equipment and therefore available chairs and tables for each hall are not sufficient.
- Inadequate cleaning equipment
  - Scrubbers and polishers have to be carried from one facility to the next which is impractical, time consuming and not cost or time effective
  - Cleaning of halls can not always be done timeously after an event in readiness for next occupation
- Maintenance of facilities
  - Insufficient budget to do proper maintenance and therefore the condition of facilities deteriorate
- Vandalism of properties
  - Facilities, i.e. Richview civic hall and Farleigh community hall not secured. Regularly vandalized which further deplete available budget
- Overtime salaries
  - As many functions take place after hours and over weekends - the salaries bills are high
- Ever increasing cost of cleaning
- Staff shortages during times when current personnel has to take leave, or are absent for the reasons of illness, family responsibility, etc.

## **5.6.4 MUSEUMS: FORT AMIEL**

### **5.6.4.1 Overview**

Newcastle's cultural history museum is situated at Fort Amiel. The fort consists of seven restored buildings and a dry stone wall which was originally built in 1877 as a British Military Base. The Museum was opened in 1990 and contains all the historical collections of Newcastle. It is an important place of interest for the Battle route but also serves as an educational purpose for the whole community and wants to reflect all cultures including Indian and Zulu Umuzi/hut. Muthi and vegetables garden have also been established at the Museum.

The Museum houses a valuable collection that consist of hundreds of cultural items and artifacts, a comprehensive research file collection, a large number of historical photographs and a small book collection.

### **5.6.4.2 Description of activities**

Fort Amiel Museum serves the community of Newcastle and Greater Amajuba District, national and international visitors as follows:

- Development, control and management of Museum with assistance of the KZN Museum Services of which it is an affiliate
- Historical research to produce pamphlets, books, reports and enquiries
- Conservation and documentation of Museum collection to determine gaps and strong areas in collection on to enable the transformation of the acquisition policy
- Presenting of exhibition and displays to make museum vibrant and relevant for community

- Facilitation of traveling exhibitions and displays in liaison with Provincial and National Department of Arts and Culture
- Promoting and marketing via craft and hobby markets, pamphlets, websites and television programmes,
- Conducting tours and organizing school groups for tours in conjunction with tour operator and Department of Education
- School holiday workshops at Museum and community libraries in conjunction with Newcastle library services
- Oral history projects Newcastle and wider district with the assistance of volunteers from the community
- Participation in Amajuba District Municipality Tourism Forum
- Provision of report for Town Planning for the purpose of compliance with KZN Heritage Act with regard to buildings older than 60 years. This function is performed in collaboration with AMAFA KZN.

### **5.6.4.3 Key Issues**



- Low prioritization results in inadequate transformation to take place.
- Insufficient staff hence museum cannot reach its potential. Optimum opening hours cannot be reached



especially over week-ends to comply with visitor and tourism needs. The development of oral history projects and outreach to communities and schools are hampered by lack of staff

- Incomplete lapa facility hampers optimal recreational potential of terrain.
- Inadequate facilities and equipment.
  - Insufficient ablution facilities for large groups of visitors, i.e. tour busses, schools, etc.
  - Insufficient space for lectures, workroom, displays, etc.
  - Audio visual equipment for educational purposes
  - Cleaning equipment for proper conservation



#### 5.6.4.4 Analysis of function

Number of exhibitions hosted	4
Number of enquiries handled	32
Number of museum items added to collection	20

Number of visitors	3804
Number of groups visits	47
Number of publications (press articles, newsletters etc.)	24
Number of workshops conducted or facilitated with community groups	8
Number of meetings held and attended by Museum Services	2
Number of reports submitted to AMAFA KZN	6

#### 5.6.4.5 Key Achievements

1. The hosting of the traveling exhibition “Cleansing and healing” from the freedom park in Pretoria in conjunction with the Office of the Premier of KZN, in November to December 2005 was a major event at the Museum. It was transformation of Museum. This exhibition was opened by the then Portfolio Councillor L.G. Shabalala. Speeches were also given by Mrs D. Khumalo, Director KZN Museum Services and Mr S. Mdanda of Freedom Park Trust. A traditional ceremony was done by Mrs T. Hadebe and a music performance was rendered by Mr. V. Nkosi and His group.
2. In February 2006 the 125<sup>th</sup> Anniverssary of the first Anglo Boer War was commemorated at the Museum. During the festivities, historical flags were hosted, a service was conducted and the wreaths were laid at a Boer and English monument. The local Moths, Red cross and other cultural bodies participated in the ceremony. Mr Dave Sutcliffe was the guest of honour. The Volkspele group also participated at this event.
3. The R.E. Store building was insulated to stabilize the temperature and to keep out dust.

4. Museum's eight outreach programme through holiday workshops were held at Osizweni, Fairleigh and Lennoxton

#### **5.6.4.6 Preliminary Plans**

1. Source funding for the extension of ablution facilities as well as additional display space
2. Rezoning of additional land to extend Museum premises
3. Establishment of uMuzi which will include a traditional Beehive hut, muthi garden and vegetable garden.
4. Establishment of quarterly Hobby and craft markets at Fort Amiel.

### **5.6.5 CARNEGIE ART GALLERY**

#### **5.6.5.1 Overview**

The Carnegie Art Gallery was opened in 1991 as a regional centre for the arts.



#### **5.6.5.2 Description of Activity**

The gallery is funded by the Municipality and an annual subsidy is received from Province. The Gallery works in partnership with a Board of Trustees who raises funds for workshops, exhibitions and artworks. The Trustees receive a subsidy of 70c for every R1 raised from the Natal Arts Trust on an amount determined each year. The services provided by the Art Gallery are as follows:

- Collect, document, conserve and research works of art acquired.
- To make the collection and the knowledge contained therein available to the general public, scholars and educators.
- To fulfil a role as a primary education institute.

- To facilitate, develop and promote the local art and craft sector.

### 5.6.5.3 Analysis of Function

1. Nature and extent of service provided:

Group visits to the gallery	64
Mentorship meetings on product development for crafters	9
Exhibitions in gallery	2
Exhibitions elsewhere	2
Workshops for teachers	16
Evening functions	4
Artworks sourced and purchased by Board of Trustees	8

Research was carried out on the designing and creating of a guided cultural experience to the townships.

### 5.6.5.4 Key achievements 2005/2006

1. Isiphethu, a women's empowerment group initiated by the Gallery continued to receive acclaim and success for work produced.
2. King Zwelithini KaBhekuzulu honoured Newcastle with his presence when he opened an exhibition by this group. This exhibition went on to tour public art galleries in KwaZulu-Natal and 90% of available works were sold.
3. Local craft works of significance were submitted by the Gallery to various national exhibitions of craft. This resulted in 4 works being purchased for a major

corporate collection; exhibition of local works overseas and large cash award was presented to one of the crafters in recognition of his achievement.

4. Record sales were achieved at the annual Art Gallery Christmas Bazaar at which 28 local crafters submitted items. Through the bazaar, contacts were made with shop owners which have resulted in orders being placed with local crafters.
5. Research was carried out on designing and creating a guided cultural experience for tourists. Both Gallery staff obtained their qualifications to act as tour guides.
6. Workshops held for teachers working with the Arts and Culture curriculum proved to be very popular and this resulted in additional workshops being offered.

### 5.6.5.5. Key Issues 2005/2006

1. Lack of exhibition space for e.g. touring exhibitions as well as Council owned artwork.
2. The lack of space has meant that visits from school groups and group visits had to be curtailed as the facilities at the Gallery are inadequate.
3. Lack of proper storage space as well as insufficient maintenance to old building has resulted in valuable artworks getting ruined;
4. The current building has no adequate space for an office for the curator. Reception, Gallery shop and office for the curator where records are kept is all in one room which results in the public giving access to confidential records.

## **5.6.6. PARKS & RECREATION**

### **5.6.6.1 OVERVIEW**

The Parks and Recreation Section provide the greening, conservation and cemetery services as well as sport facilities for the entire Newcastle Municipal area.

### **5.6.6.2 DESCRIPTION OF ACTIVITIES**

The Parks and Recreation Section maintain, sustain and conserve the green environment and cemeteries for present and future generations, in a safe and cost effective manner. The services provided are as follows:

- Horticulture - planning, design, development, landscaping and planting of parks and open spaces
- Arboriculture - tree maintenance
- Local sports facilities
- Cemeteries
- Recreation grounds
- Park utilisation and management
- Nursery operations

All the above services are rendered internally in accordance with the service delivery commitments of the Newcastle Municipality

### **5.6.6.3 Key Issues 2005/2006**

- Lack of resources to expand services to where they were not previously rendered
- Environmental factors and policies
- Lack of sufficient burial space
- Lack of security

- Vandalism of equipment and facilities

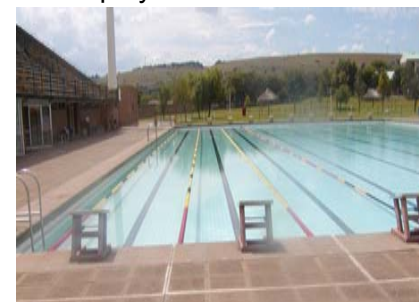
### **5.6.6.4 Analysis of Function**

The Parks and Recreation Section is managed by the Divisional Head: Parks and Recreation, a Senior Horticulturist, Horticulturist and Assistant Horticulturist with several skilled and semi-skilled workers. Additional workers are employed on a contractual basis annually during the summer season. The following areas are mowed and maintained on a regular basis: Newcastle, Madadeni, Osizweni, Kilbarchan, Ngagane, Charlestown

Number of play parks in council's area of jurisdiction	40
Number of sports facilities provided and serviced	70
Street tree maintenance	KZN 252
Cemeteries : Managed and maintained	5
Swimming pools : Managed and maintained	5

### **5.6.6.5 Key Achievements 2005/2006**

- Completion of six complete cutting cycles
- Maintenance of all parks, open spaces and cemeteries
- Poverty alleviation through the employment of seasonal workers
- Maintenance of Kilbarchan, Ngagane and Charlestown
- Level one gala at Newcastle Pool and level 2 South African National Gala



- Northern Natal Districts Swimming Gala
- Christian Schools Gala and Northern Natal Schools Gala
- Municipal District Games and sports open day
- HIV/Aids Awareness day at Osizweni
- Lifesavers Tower officially opened
- Launch of learn to swim campaign for previously disadvantaged children and adults
- Completion of renovation of Osizweni Football Stadium
- Purchase of new machinery and equipment

#### 5.6.6.6 Preliminary Plan for 2006/2007

##### Cemeteries

- Complete the development and opening of Dry Cut Cemetery
- The extension of Roy Point Cemetery
- The extension of Charlestown Cemetery
- Formalisation of a cemetery at Kilbarchan/Ingagane

##### Local Sports Facilities

- Completion of Osizweni Cricket Club house and ablution facilities
- Complete renovation of Osizweni Football Stadium

##### Municipal Parks and Recreation Grounds

- Upkeep of good maintenance schedule to meet public demand
- Develop creative and workable strategies to render services with available resources
- Greening and conservation plans / strategies to eradicate alien invaders.

- In-house training of an arboriculture to a assist street maintenance



## 5.7 DIRECTORATE: TOWN PLANNING

### 5.7.1 Overview

The fundamental role of the Directorate of Town Planning is to provide strategic direction to the Municipality with regards to development issues and ensure that the Municipality's vision and strategies are achieved in the fields of development planning and transportation planning.

#### Departmental Vision

To ensure success in all its development endeavours, the Department of Town Planning has always been committed to the following collectively crafted vision:

*“Providing a vibrant, integrated and sustainable living environment offering opportunities for all”*

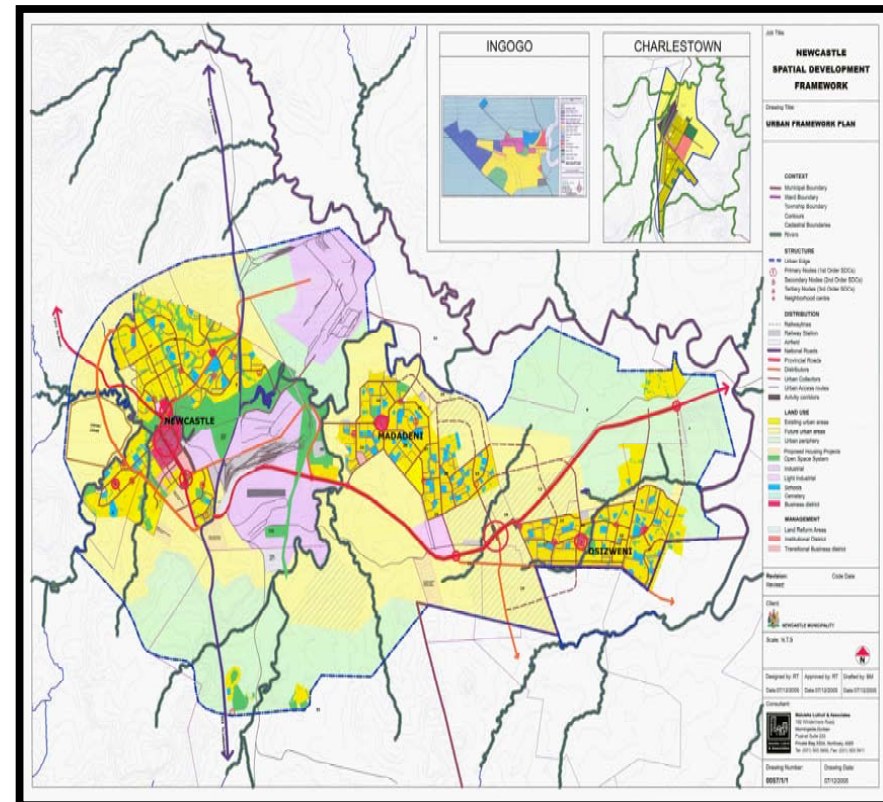
### 4.7.2 Activity Description

To bridge the gap between the current reality and its vision, the Department of Town Planning had adopted the following activities as part of its key functions:

- Processing land development applications
- Processing outdoor advertising applications
- Managing spatial development projects
- Facilitating development initiatives
- Data capture and manipulation through GIS
- Processing special consent and rezoning applications
- Deal with unauthorized land usage and enforcement

- Processing of building line relaxation applications provide building control services
- Processing building plans
- Packaging and facilitating DFA applications

All the above service functions are carried-out and managed internally with limited out-sourcing of specialist services and/or input.



### 5.7.3 Key Issues

- Lack of capacity in terms of professional town planners
- Lack of enforcement
- Constant changes of administrative procedures and responsibilities
- Lack of communication between line function departments
- Overlapping of departmental functions
- Lack/shortage of resources
- Not processing land development and subdivision applications within the stipulated time frames.
- Land ownership issues which has delayed a number of projects undertaken by the department
- Shortage of personnel in the Building Inspectorate

### 5.7.4 Analysis of Function

1. Personnel Employed – Municipal Staff Only	Number: 2005/06
Town Planners	5
Assistant Town Planners	2
GIS Officers	1
Building Inspectors	3
Development Inspector	1
Temporary Staff (In Service Trainees)	1
Clerical and Administrative staff	9
2. Number of Land Development Applications	74
3. Number of processed Special Consents	52
4. Number of processed Rezoning Applications	18

5. Number of processed Subdivisions and Consolidations	10
6. Number of on-going spatial development projects	17
7. Number of processed Building Plans	599
8. Number of Building line Relaxation Applications	60

### Cost per vote/function: 2005/2006 Financial Year

	Function	Cost	%
Town Planning Vote 161	Salaries	R2,565,480-00	38,4%
	General Expenses	R4,121,100-00	61,6%
	<b>Total</b>	R6,686,580-00	<b>100%</b>
<b>Building Inspectorate Vote 160</b>	Salaries	R446,050-00	56,2%
	General Expenses	R347,420-00	43,8%
	<b>Total</b>	R793,470-00	<b>100%</b>

Value of Building Plans approved: **R 203,426,000**

### 5.7.5 2005/2006 Achievements

Departmental KPA	Departmental Objective	Key Achievements
Advertising	To regulate and control advertising within Newcastle Municipality	<p>Was able to finalise contracts/agreements with the relevant Advertising companies.</p> <ol style="list-style-type: none"> <li>1. Was able to deal with some of the illegal advertising signs despite capacity problems.</li> <li>2. A total amount of R287,649 was collected through advertising.</li> </ol>
Building Control	To provide efficient and effective building control services	<ol style="list-style-type: none"> <li>1. The section has improved the processing of residential building plans from 14 days to 4 days.</li> <li>2. It has also improved the processing of commercial and industrial building plans from 21 days to 9 days.</li> <li>3. The value of building approved is R 203,426,000 which is</li> </ol>

		the highest we are ever had in Newcastle. This figure reflects the building boom that is currently taking place in Newcastle.
Development Facilitation	To regulate and facilitate development in a harmonious manner	The department was able to process town planning applications within the statutory timeframes (i.e. from 40% to 100%).
GIS	To develop maintain and manage spatial information.	Capacitating and upgrading of GIS unit through grant funding from province.
Policies and Plans	To produce policies and plans which guide and manage development	<ol style="list-style-type: none"> <li>1. The department was able to facilitate the revision and adoption of the existing SDF, which is now understood by a number of councillors, municipal officials and the public.</li> <li>2. The department was able to ensure that the Draft CBD Development Plan is finalized.</li> </ol>



### 5.7.6 Key Projects undertaken

#### A: Sector Plans as part of IDP:

Newcastle Municipality Spatial Development Framework  
Land Use Management System (LUMS)

#### B: Corridor Development Projects:

MR483 Mixed used Development Corridor  
Allen Street Mixed-used Corridor

#### C: Precinct Planning (i.e. Area Based Development Plans):

Ingogo Rural Development Plan  
Charlestown Development Plan  
JBC Development Plan  
CBD Development Plan  
Soulcity (Stafford Hill) Development Plan  
Kilbarchan & Ingagane areas Development Plan  
Dicks & Mdonzo areas Development Plan  
Newcastle Regional Stadium

#### D: Policy development and Implementation:

Street naming policy  
Policy on tuckshops, taverns and homebased  
Advertising Policy  
Policy on establishment of Shipping Containers

#### E: Settlement Layout Planning:

Proposed Tuam/Roypoint Housing Project  
Proposed Viljoen Park Housing Project

Proposed Erf 15048/49 Housing Project

Proposed Fairleigh(Siyahlalala) Housing Project

#### F: Government Programmes:

Capacity Building Programme  
GIS Capacity Building Programme  
Urban Renewal Programme



*CBD Development Plan*

## 5.8 DIRECTORATE: ECONOMIC DEVELOPMENT

### 5.8.1 Overview

The Directorate Economic Development is the smallest department in the Municipality. It consists of 3 staff members and due to a lack of finance the filling of vacancies on the approved structure has not taken place.

### 5.8.2 Description of Activity

The function of economic planning/development within the municipality is administered as follows and includes:-

- Local Economic Development
- Tourism
- Marketing
- Informal trade

The above functions are executed in conjunction with other government departments, private sector, parastatals and community organisations. The municipality has a constitutional mandate to promote local economic development. The strategic objectives of these functions are:-

- To promote job creation and economic development projects
- To provide a one stop shop for investment enquiries
- To investigate alternative economic activities in the manufacturing, agricultural and tourism sectors
- To promote SMME and BEE projects
- To actively market Newcastle as an investment destination

The following is a brief overview of activities

### 5.8.3 Local Economic Development

This function has been severely affected due to lack of capacity in the department. We have however managed to still fulfill our mandate in terms of providing assistance for LED projects.

#### Projects

#### **Fernwood Chicken Project And Hydroponic Project**

The hydroponic project has had a major drawback when the tunnel was damaged due to heavy storms. We have however also started a chicken project which consists of a single unit with has 500 chickens. This project has proven very sustainable as we are in our third cycle. Each cycle runs for six weeks where the day old chicks are bought from the wholesaler and then hand reared by the community. The chickens are then sent to a local abattoir for processing and they are then wholesaled to 3 butchers in Newcastle. This project however needs and economic boost in setting up another two units. This project is sustaining two families at present.

#### **Surayville Hawkers Shelters**

This project has taken some time to commence has been budgeted to commence in the 2006/07 year.

#### **Tourism**

The function of tourism promotion is done through a community based tourism organisation i.e. Newcastle Tourism and this department serves on the Executive Committee of the organisation and provides advice direction and assistance to the organisation. The department was also closely involved with arrangements for the annual show, training of tourism

operators, further development of the battlefields route and the formation of a Tourism Committee for the Newcastle area.

**Marketing**

During the year under review the department participated in a TIK/Newcastle mission to China and Taiwan with the view to attract foreign investment to Newcastle. Various companies were visited and tentative Memorandums of Agreement were signed. We are now awaiting the reciprocal visits by the investors to finalise the investments.

**Informal trade**

The strategic objective of this function is to:-

- formalise the informal sector
- create opportunities for this sector to enter the formal market
- to assist with training and access to funding



This sector was neglected for many years and through the efforts of the Economic Development Directorate a sound working relationship has been built with all the hawker associations.

The process of formalising this sector has begun and hawker permits are being issued to registered hawkers. Hawkers Shelter has been provided to the sector

**5.8.4 Key issues for 2005/2006**

- Lack of a formal LED strategy
- New department and a lack of capacity to perform
- Uncertainty regarding roles and responsibilities of the department
- Local and international influences on marketing efforts – new agreement entered into between TIK and Newcastle and new marketing efforts in place
- Influence of labour legislation, law and crime rated on investors locally and foreign – various meetings held with stakeholders
- Major job losses in clothing sector- Clothing center of Excellence formed but awaiting funding from Provincial Government.

**5.8.5 Analysis of the function**

Personnel employed	<b>4</b>
Municipal staff cost to employer	R550 640
Detail and cost of industrial marketing	R184 080
Subsistence and travelling	
Commission to agents for establishment of project	R442 500
Total expenditure for the Economic Development Section	R 2253624
Detail and cost of tourism promotion ( grant to Newcastle Tourism	R202 488
Detail and cost of economic development strategies	
LED Strategy	R350 000
KENAF Study	R160 000
Madadeni Cultural Village	R1000000
Number of people employed through job schemes	
LED Projects	12
Details of industrial properties sold	1
Value of industrial properties sold	R40 000

## 5.9 DIRECTORATE HOUSING AND LAND



### 5.9.1 Overview

#### Departmental Vision

*“Striving For Excellence in Providing Housing and Land For Our People”*

#### Departmental Mission

*“To facilitate the provision of applicable land and housing opportunities that would be instrumental in contributing*

*towards a higher standard of living of our people resulting in economic growth.”*

Complimenting the Vision and coupled with the Mission Statement the Department of Housing and Land is actively involved in providing Newcastle with a built environment that is sustainable, promotes safety and security and enhances the environment while creating economic opportunity to redress the social and economic imbalances of the past. This Department prides itself with bestowing hope, honour; dignity and most importantly introduce people from the “Grassroots” to a standard way of living. The management and co-ordination of planning projects identified through community participation as well as to manage and control Council’s fixed assets and to attend to the acquisition and alienation of property are matters that this department is involved with.

### 5.9.2 Description of Activities

- To reduce housing and land provision backlogs in the Newcastle Municipal area
- To facilitate access and information in regard to funding for housing development
- To ensure a range of tenure options (including rental housing)
- To administer and maintain all existing Municipal dwellings in accordance to the Rental Housing Act 50 of 1999
- The provision of home owner education to beneficiaries of low income housing units

- The conclusion of surveys, re-zonings, subdivisions, consolidations, road closures and removal of restrictions applications in conjunction with the Department of Town Planning
- The continuous update of the 5 year planned building maintenance programme

### 5.9.3 Key Issues

- Informal Settlements
- Land Invasions
- Purchasers fall in arrears which results in cancellation of Sale Agreements – Loss of income to Council
- Unserviced pieces of land pose a constraint
- Budget Constraints

### 5.9.4 Analysis of Functions

DESCRIPTION		NUMBER	R
1. Number and cost of all personnel associated with provision of municipal housing	PROFESSIONAL	01	R 467 273,24
	Field (Supervisor / Foremen)	04	R 742 060,41
	Office (Administration / Clerical)	18	R 2 808 550,17
	Non-professional (blue collar, outside)	04	R 3731 013,61

DESCRIPTION		NUMBER	R
	workforce)	01	R 124 397,87
	Temporary / Contract		
2. Number and total value of housing projects planned and current	Current	03	R 274 531 400,00
		09	
	Planned		
3. Total, type, number and value of housing provided	Discount Benefit Scheme	1250	R 26 055 000,00
	Project Linked subsidy	1702	R 31 396 800,00
	Personnel housing	40	R 3 904 800,00
	Sub Economical housing	154	R 7 799 583,00
4. Total number and value of rent received from municipal owned rental units	Total rental stock	362	R 1 198 055,00
5. Estimated backlog in number of (and costs to build) housing	Waiting lists regarding accommodation	13104	R 41 8 017 600,00
6. People living in a house or brick structure	59 423		
7 People living in traditional dwelling	4649		

DESCRIPTION		NUMBER	R
8. People living in a block of flats/semi detached or cluster	241		
9. People living in an informal dwelling or shack	2102 Current Projects and 17 939 in Housing Sector Plan Report		R76 781 856.00
10. Type and number of grants and subsidies received	Upgrade subsidies	4 000	
	Flat renovations	2	

### 5.9.5 Key Achievements



*Informal settlement to be relocated*

- A total number of informal settlements have reduced to 2217 units
- A land audit has been initiated through the Property valuation process
- A consultant has been appointed to prepare a Housing Sector Plan and work is in progress
- At least 4 flood victims have been relocated
- The lift at Arbor heights has been budgeted to be replaced

### 5.9.6 Preliminary Plans for the 06/07 year

- Opening of scheme registers for enhanced discount benefit scheme to enable occupiers to get legal ownership
- Implementation of the housing sector plan
- Relocation of flood victims

*Arbor Heights lift to be refurbished*



## 5.10 DIRECTORATE: INFRASTRUCTURE SERVICES



### SERVICES PROVIDED BY THE MUNICIPALITY

The Municipality key functions in service delivery are supply of electricity, water and sanitation, roads and stormwater, street lighting, railway siding services, economic development and housing development.

#### 1. **ELECTRIFICATION**

During the 2005/2006 financial year 605 houses were electrified in KwaMathukuza. The funds were made available by the Department of Mineral and Energy. Repairs and maintenance programmes were followed; however, the desired goals were not achieved due to the excessive electrical breakdowns and shortage of electrical staff.

#### 2. **WATER AND SANITATION**

It was the second year after take-over by the water provider, uThukela Water (Pty) Ltd, and a number of projects were completed or were close to completion:

- (a) Water and sewer project to commercial site next to the BMW complex was completed.
- (b) The Stafford Hill water and sewer project progressed well and was on track at the end of the financial year.

#### 3. **ROADS AND STORMWATER**

The following roads were constructed in Blaauwbosch and Madadeni:- BR10, BR11 and BR12 roads.

#### 4. **STREETLIGHTING**

High-mast lights in an amount of ±R1 400 000,00 were installed in Madadeni and Osizweni.

## **5.10.1 ROADS & STORMWATER**

### **5.10.1.1 Overview**

### **5.10.1.2 Description of Activities**



- \* To provide safe & accessible civil infrastructure for vehicles & pedestrian traffic.
- \* To provide & upgrade stormwater drainage.

#### **MUNICIPAL RAILWAY SIDING**

- To provide a safe & accessible civil infrastructure for trains & rolling stock.
- Improve, redesign curves.

- To provide & upgrade stormwater drainage on the railway lines.
- To reduce high repair costs in future.

### **5.10.1.3 Key Issues for 2005/2006**

- Gravel road upgrades - lack of funds.
- Stormwater upgrades - lack of funds (To compile a master plan for stormwater - proper maintenance).
- To improve catch pits which are continuously vandalised.
- Shortage of funds, equipment & staff.
- Lack of trained & experienced supervisory staff.
- Lack of administrative capacity to monitor performance.
- Budget constraints.
- Inadequate funding available for maintenance.
- Shortage of plant & machinery.

### **5.10.1.4 Analysis of Function**

Staff component & maintenance costs

<b>Personnel Employed</b>	<b>Newcastle West</b>	<b>Madadeni</b>	<b>Osizweni</b>	<b>Rural Areas</b>
Management	2			
Middle Management	3	1	1	0
Workers	61	17	20	0



Clerical	2	1	1	0
Contract Workers	20	13	8	0
Maintenance Cost	R3 510 410	R2 750 000	R2 000 000	R300 000
Resealing Cost	R3 565 200	R 553 600	R 553 600	0
Resealing km	7.16	1.9	3.8	0

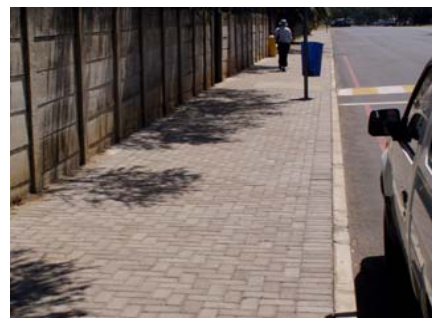
- Osizweni E & F Sewer reticulation R 21 000 000,00
- Stafford Hill Sewer reticulation R 34 000 000,00
- Mad & Osizweni Roads R 15 000 000,00
- EIA Scoping Reports R 303 720,00



### 5.10.1.5 Key Achievements for 2005/2006

#### Capital projects

- Allen Street re-alignment (Practical completion portion)
- Practical completion of MAD12 access road
- Practical completion of BR2 & BR3 Road
- Practical completion of portion of Allen Street re-alignment
- Practical completion of portion of BR1 Phase
- CR1, Cavan R 4 290 000,00
- MAD12 Road (Practical completion portion)
- BR1 (Practical completion portion)
- BR2 & BR3
- BR10 R 1 800 000,00
- BR11 1 800 000,00
- BR12 1 800 000,00
- MAD4 R 4 736 901,00
- JR2 R 3 453 000,00
- JR3R 4 105 915,00



### Major maintenance

- Opening & cleaning of streams & open drains.
- Construction and upgrading of stormwater systems.
- Upgrading of sidewalks.
- Roads resealed in Newcastle West Madadeni & Osizweni.
- Regravelling & grading of gravel roads in Madadeni & Osizweni.
- Construction and major road repairs



### **5.10.1.6 Preliminary Plan for 2006/2007**

- Outcomes - to be monitored to ensure customer satisfaction.
- Improve on reporting systems: Action Plan & performance reporting.
- Ensure a safe & accessible civil infrastructure for vehicle & pedestrian traffic within available resources.
- Upgrading stormwater systems within available resources.



## **5.10.2 BUILDINGS**

### **5.10.2.1 Overview**

The service involves the provision, maintenance and administration of buildings, houses, flats and municipal airport. Service areas include Newcastle west, Madadeni, Osizweni, Blaauwbosch, Kilbarchan and Ngagane

### **5.10.2.2 Description of activities**

**The main functions are as follows:**

- Repairs and maintenance of houses and flats (general and unforeseen)
- Civil maintenance to buildings (Newcastle west and east)
- Repairs/painting of houses and flats (civil work)
- Unforeseen repairs to municipal buildings
- Repairs to blocked/collapsed sewers and burst water pipes at houses, flats and buildings
- Paving and concreting to buildings and dwellings

### **5.10.2.3 Key issues**

- a) Lack of funds to:
  - Upgrade municipal buildings
  - Perform full maintenance on buildings
  - Maintain machinery
  - Purchase equipment for specialised work
- b) Lack of experienced and trained staff
- c) Insufficient administrative and supervisory staff
- d) Lack of administrative staff to monitor performance
- e) Insufficient vehicles to carry out full maintenance on buildings

### **5.10.2.4 Key achievements for 2005/2006**

- a) Relocation of flood victims
- b) Relocation of houses which were within road reserves:
  - i. BR2 AND BR3 ACCESS ROAD
  - ii. MAD12 ROAD
  - iii. MAD8 ROAD
- c) Repairs/painting of staff houses
- d) Provide water tanks with booster pumps at Madadeni and Osizweni halls
- e) Upgrading of runway at airport and airport building
- f) Replace water pipes at Suryaville and Fairleigh flats (R1 590 000)

### **5.10.2.5 Preliminary plan for 2006/2007**

- Customer satisfaction – monitor services
- Improve reporting systems – action plan and performance reporting
- Ensure safe and accessible service to public
- Upgrading of municipal buildings including houses and flats



**5.10.2.6 Analysis of Function**

Staff component

	Newcastle West	Madadeni	Osizweni
MANAGEMENT	1	0	0
MIDDLE MANAGEMENT	1	0	0
WORKERS (Permanent)	10	0	0
CLERICAL	0	0	0
CONTRACT WORKERS	23	0	7

Relocating of houses



### **5.10.3 ADMINISTRATION**

#### **5.10.3.1 Overview**

The administration section provides An administrative and secretarial Service to the department infra-Structural services as well as Supportive services to the dept. Town planning, IDP and PMU section.

#### **5.10.3.2 Description of activities**

The main functions are as follows:

- Operating of switchboard and reception duties for various departments
- Secretarial services
- Records section servicing various departments in building
- Responsible for upkeep / cleaning of building and yard at infrastructural services as well as engineering workshop and yard
- Supportive services to Dept. Town planning, IDP and PMU section
- Compile annual tenders
- Compile annual budget

#### **5.10.3.3. Analysis of function**

Staff component

- Total personnel employed 14
- Total posts not filled 11

Total staff compliment 25

#### **5.10.3.4 Key issues 2005/2006**

- Approval of new structure
- Job evaluations
- Lack of staff
- Serious shortage of office accommodation
- Realisation of staff training
- Staff shortage impacts negatively on the services to be rendered within certain time frames

## **5.10.4 ELECTRICITY DISTRIBUTION**

### **5.10.4.1 Overview:**

Newcastle Municipality is responsible for the provision of electricity within only a portion of its area of jurisdiction, KZ252. The National Electricity Regulator (NER) awarded a temporary electricity license in anticipation of the formation of the RED's. This situation is historical with the new restructuring of the electricity distribution industry in South Africa of which Newcastle Electricity Department is part, having evolved over more than 100 years. Currently the electrical industry is fragmented and National Government has initiated a process for its restructuring.

It was decided to restructure the country into 6 RED's (Regional Electricity Distributors), however, a model of 6 metro RED's as well as a National RED is being investigated. A report in this regard was to be submitted to Government by March 2006. To prepare for the restructuring, the Electricity Department has completed a Section 78 process as determined by the Municipal Systems Act.

### **5.10.4.2 Description of activities**

The Department consists of 5 subsections namely: Administration, Distribution, Test, Planning and Mechanical Workshops.

#### **a) Administration:**

This section mostly deals with the administration of the Department including reception and telephone services. This section also does the following:

- Administers the two-way radios of council;
- Administers the air-conditioning systems in council buildings;
- Administers the compilation of the annual departmental budget.

#### **b) Distribution Section:**

This section is responsible for the maintenance, repairs and construction of the electrical network, substations and overhead lines. This section is also responsible for:

- Upgrading of substations;
- Upgrading of networks;
- Ensuring a continuous electricity supply;
- Control of capital projects;
- Controls external providers when used;
- Maintains and repairs electrical networks in council buildings.



c) **Test Section:**

This section is responsible for repairs, maintenance and upgrading of council's electronic equipment and includes the following:

- Repairs and testing of electricity meters;
- Maintenance and upgrade of substations switchgear protection;
- Design of traffic signal intersections;
- Controls all network operations of 11kV and 132kV;
- Controls the demand side management equipment on hot water cylinders;
- Manage fault reporting from the public;
- Controls external service providers when used.

d) **Planning Section:**

This section is responsible for the planning and design of the electrical networks and capturing the network changes and asset data. It also does the following:

- Compiles tenders and tender documents for the department;
- Planning, design and control of capital work;
- Compilation of network drawings and other designed equipment drawings;
- Compiles data on assets and keeps assets register up to date;
- Controls external service providers when needed.

e) **Mechanical Workshop:**

This section is responsible for the repairs and maintenance of council's vehicle fleet and includes:

- Controlling budget allocations;
- Administration section;
- Controlling part purchases; and

- Managing the health and safety aspects at the workshop.

### 5.10.4.3 Key Issues

The key issues of the previous financial year have been unresolved mainly because of a lack of funds. These included:

- Lack of staff in critical areas.
- Non-compliance of payment point distances for purchasing of prepayment tokens.
- Shortage of funds for repairs and maintenance as required by the National Electricity Regulator.
- Theft of cables and equipment. Council made R380 000,00 available for CCTV's which were installed in all the substations.

### 5.10.4.4 Analysis of functions

i. **Bulk Purchases:**

During the 2005/2006 financial year council purchased 693 million electricity units from Eskom at a total cost of R102, 8 million.

ii. **Sale of Electricity:**

During the 2005/2006 financial year, council sold 649, 6 million units of electricity in Newcastle West with a total income of R141, 5 million.

The electricity losses amounted to 41, 7 units at a cost of ±R6, 1 million. The Municipality's two largest consumers use an average of 50% of the electricity units sold during a financial year.

iii. **Demand Side Management:**

Effective use is made of the load management system to keep the monthly electricity demand from the Eskom network as low as possible in order to limit the demand portion of the Eskom bill.

iv. **Network and Assets:**

The network and assets consists of the following:

- A 132kV sub-transmission network supplied from Eskom’s 400/132kV Ncandu substation.
- The network comprises of 23 kilometres of 132kV lines supplying seven 132kV substations.
- The 11kV network is largely underground with 270 kilometres of cables and 21 kilometres of overhead lines.
- The network also includes 446 medium voltage (11kV) substations and 272 kilometres of underground low voltage (400V) cables.

v. **Capital Budget:**

The capital budget approved was in an amount of R1 400 000 for high-mast lights in Madadeni and Osizweni.

vi. **Human Resources:**



The staff compliment of the department consists of the following:

a) **Electricity:**

<b>Personnel Employed</b>	<b>Technical</b>	<b>Non-Technical</b>
Management	4	
Skilled Labour	12	3
Semi-skilled Labour	19	
Unskilled Labour	10	4
<b>Sub-Total</b>	<b>45</b>	<b>7</b>
	<b>TOTAL</b>	<b>52</b>



b) **Mechanical Workshop:**

<b>Personnel Employed</b>	<b>Technical</b>	<b>Non-Technical</b>
Skilled Labour	3	2
Semi-skilled Labour	4	
Unskilled Labour		1
	<b>TOTAL</b>	<b>10</b>

vii. **Electricity Sales 2005/2006:**

The electricity sales for the year under review amounted to R131, 614, 834, 61 and the breakdown is as follows:

CONSUMPTION	131,614,834,61
BASICS	9,502,893,61
DR/CR's	443,123,81
	<b>141,560,852,03</b>
<b>Electricity Proceeds Allocation</b>	
<b>Votes</b>	<b>Value</b>
601 084	15,702,257.00
601 086	17,490,301.35
601 089	35,350,896.02
601 091	18,965,921.78
601 096	54,051,475.88
	<b>141,560,852.03</b>



**5.10.4.5 Key Achievement 2004/2005:**

- 888 Preventative Maintenance Order inspections were completed.
- 21 O.C.B.'s were maintained.
- 58 O.C.B.'s were trip tested.
- 18 transformers were maintained.
- 25 meter kiosks were replaced.
- 150 service connections were completed.
- 78 3- and 5-yearly Preventative Maintenance Orders were completed.

- 943 streetlight complaints were attended to.
- 583 general consumer complaints from the public were attended to.
- 436 internal complaints on council properties were attended to.
- 80 robot complaints were attended to.



The following faults occurred and were attended to:

- 90 LT cable faults.
- 162 streetlight cable faults.
- 48 HT cable faults.
- 44 high-mast lights repaired in Madadeni.
- 38 High-mast lights repaired in Osizweni.
- 182 streetlight covers were replaced.

- 265 houses at KwaMathukuza were supplied with electricity.
- The 132kV 15MVA transformer at Glen substation failed (awaiting repairs).
- Replaced Schönland substation 400kVA transformer.
- Replaced Horse Farm 150kVA transformer.
- Replaced Keyway 150kVA transformer.
- Replaced Harding substation 500kVA transformer.
- Replaced Roy Point 16kVA transformer.
- Replaced Stephenson substation 400kVA transformer.
- Replaced Marconi mini-substation with 11kV overhead line and a 300kVA transformer.
- Replaced a lightning damaged “T3” R.M.U. in Schönland Street.
- Replaced an 11kV R.M.U. in Gutenberg Street (vandalised).
- KFC electricity supply relocated to feed from Toyota mini-substation.
- Installed a new 500kVA mini-substation in Rooibok Street.
- BMW area reticulation upgraded, viz
  - 3x315kVA mini-stations,
  - 4x9-way meter kiosks,
  - 1,5km HT cable, and
  - 440 meters LT cable.

The following mini-substations were replaced with refurbished mini-substations:

- Impala M/S 13
- Toucan M/S 32
- Uranus M/S 4
- Loxton M/S 5
- Scott M/S 18
- Tugela M/S 22

The following major works were done



- Balanced electricity load at Paterson S/S 20 and Montigue M/S 42.
- Repaired Airport area lighting.
- Repaired Airport P.A.P.I. lighting.
- Repaired Airport Runway lighting.
- Maintenance conducted at:
  - Keyway 11kV overhead line
  - Airport 11kV overhead line
  - Boschhoek 11kV overhead line
  - Trickey's 11kV overhead line
  - Ngagane 11kV overhead line
  - Roy Point 11kV overhead line

Repairs were carried out on the following 11kV overhead lines (lightning damage):

- Ngagane
- Boschhoek

- Trickey's
- Ngagane

- Installed earth wires on Ngagane 11kV overhead line poles
- Repaired 132kV dropper conductor at Signal Hill substation (lightning).
- Slegspruit L/T overhead line blown down during storm was repaired.
- Hilldrop L/T overhead line blown down during storm. Replaced with underground cable.
- Installed new 11kV cable to Airport 11kV overhead line.
- Installed 11kV panels at Glen substation.
- Replaced the following 400V panels:
  - Harding S/S 14
  - Hippo Ready Mix
  - Kirkland S/S 59
- Replaced stolen HT cable at KwaMathukuza.
- Repaired Lennoxton 11kV 20MVA transformer outdoor terminations.
- Installed 11kV auto recloser on NPA 11kV overhead line.
- Installed 11kV auto recloser on Kwamathukuza overhead line.
- Replaced Jooste Road 11kV overhead line fuse link assembly.
- Replaced Roy Point 11kV overhead line fuse link assembly.
- Replaced 15 knocked over robot poles.
- Replaced 32 streetlight poles.
- Cleared 132kV overhead line servitude.
- Maintenance carried out at:
  - Paterson S/S 20
  - Capricornia S/S

- Sunset View S/S
  - Murchison S/S
  - Pick & Pay S/S
  - Electrical Centre
  - Marconi S/S 62
  - Stephenson S/S 6
- 56 dual structure towers carrying 16,8km of Wolf conductor supplying the 132kV network was inspected by Eskom and no major problems were exposed.
  - Refurbished robot on N11 – Albert Wessels Drive.



The following Magnefix units were replaced:

- F W Beyers M/S
- School of Industries M/S
- Sun Avenue M/S
- Tugela M/S
- Borough Engineers M/S
- Star M/S

The desired workload figures were not achieved due to excessive breakdowns and a shortage of electrical staff.

#### **5.10.4.6 Preliminary Plan for 2006/2007**

1. To complete all the planned repairs and maintenance for the year.
2. To complete the electrification of KwaMathukuza.

## **5.10.5 STREETLIGHTING**

### **5.10.5.2 Overview**

Streetlighting costs are budgeted under the Roads, Stormwater and Buildings Section; however, the Electricity Department performs the repairs and maintenance. There are approximately 2 500 streetlights within the Newcastle licensed area of supply and 96 high-mast lights in Madadeni and Osizweni. The number of streetlights within the Eskom area is 6 338 which were installed and maintained by Eskom on behalf of Council.

### **5.10.5.3 Description of Activities**

- Repairs to streetlight supply cables.
- Repairs to streetlight poles.
- Maintaining floodlights.

### **5.10.5.4 Key Issues**

- Lack of funds to upgrade old streetlight fittings.
- Shortage of staff. A second Streetlight Attendant is required.
- Theft of cables and pole covers is an ongoing problem and the Department cannot keep up with the replacement thereof.
- Streetlight poles and robot poles are continuously being damaged as a result of accidents and in most cases the guilty parties are not apprehended.

### **5.10.5.5 Analysis of function**

The staff for streetlights is also included in the electricity distribution figure.

<b>Personnel Employed</b>	
Skilled	1
Semi-skilled	2
<b>TOTAL</b>	<b>3</b>

The operating budget is ± R2, 7 million.

### **5.10.5.5 Key Activities**

The key activities are to repair and maintain the streetlight network:

- Replacing lamps.
- Replacing luminaries.
- Replacing pole covers.
- Repairing and replacing cables.

### **5.10.5.6 Preliminary Plan 2005/2006**

- To improve the streetlight service by purchasing better quality equipment.
- To install all the high-mast lights.

**ANNEXURE A  
PERFORMANCE REPORT**

# NEWCASTLE MUNICIPALITY

## ANNUAL PERFORMANCE REPORT: 2005/2006

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### Introduction

In terms of the Municipal Systems Act (as amended), municipalities are required to prepare an Annual Performance Report that is to form part of the Annual Report to be prepared in terms of the Municipal Finance Management Act.

### Purpose of a Performance Management System

The Department of Provincial and Local Government defines PMS as “ a strategic approach to management which equips leaders, managers, employees and stakeholders at different levels, with a set of tools and techniques to regularly plan, continuously monitor and periodically measure and review performance of the organisation(municipality) in terms of indicators and targets for efficiency, effectiveness and impact.”

A PMS is also intended to assist the Council to improve service delivery by channelling its resources to meet performance targets and in doing so, ensure that the municipality achieves its strategic objectives as contained in its IDP. A PMS should fulfil the following objectives:

- Facilitate increased accountability
- Facilitate learning and improvement
- Provide early warning signs
- Facilitate decision making

### Background to Performance Management in Newcastle Municipality

During 2001 Newcastle Municipality was nominated by DPLG for piloting performance management system but due to unforeseen circumstances, the project was not completed, but a draft Framework was prepared in consultation with Senior Management



The Municipality has since the appointment of an IDP/PMS Manager in November 2003, pursued the development of a PMS. A service provider was appointed in December 2004 to assist in this regard.

For the 2005/2006 Financial Year, and in the absence of a PMS, an Interim Planning and Performance Reporting template was developed for specifically reporting of performance of the Capital budget. The intention of the template was to prepare officials for reporting once a PMS was in place. However, the process was suspended in January 2005, when the Council commenced with the development of the PMS.

### **Legislative Requirements**

The legislative requirement for the development of PMS includes the Constitution, The Municipal Systems Act, the Municipal Finance Management Act, Municipal Planning and Performance Management Regulations, the White Paper on Local Government and the Batho Pele principles. However, the main regulatory mechanism for Performance Management System is Chapter 6 of the Municipal Systems Act, (Act 32 of 2000) and the related Municipal Performance Management Regulations and Municipal Finance Management Act.

The MSA requires that all Municipalities:

- ➔ develop a Performance Management System,
- ➔ set target and monitor and review performance based on indicators linked to their IDP;
- ➔ Prepare an Annual Performance Report on the performance of a municipality forming part of its Annual Report as required in terms of the MFMA;
- ➔ Incorporate and report on a set of general/national indicators prescribed by the Minister responsible for local government
- ➔ Conduct on a continuous basis, an internal audit of all performance measures

- ➔ Have their annual performance report audited by the Auditor-General
- ➔ Involve the community in setting indicators, targets and reviewing of municipal performance

The Municipal Planning and Performance Management Regulations further details the requirements of a PMS.

### **Development of a Performance Management System**

#### ***Preparing Newcastle for Performance Management***

The Newcastle Municipality through grant funding received as part of the Pilot Programme, appointed a PMS Service provider in December 2004 to assist in the Development of a Performance Management System.

Considering that performance management is a fairly new concept within the local government environment, it was deemed appropriate to first prepare the organisation for Performance Management and to promote the culture of performance amongst internal role-players.

The municipality has since completed the following key deliverables of the project:

- ➔ Development of Awareness Questionnaire to interview role-players to assess their level of awareness of PMS concepts
- ➔ An Assessment Audit was conducted during January and February 2005 by interviewing all employees (L0 to L10 and supervisors) and EXCO. The results were analysed and role-players were allocated to awareness categories.
- ➔ Training Material was then developed and printed

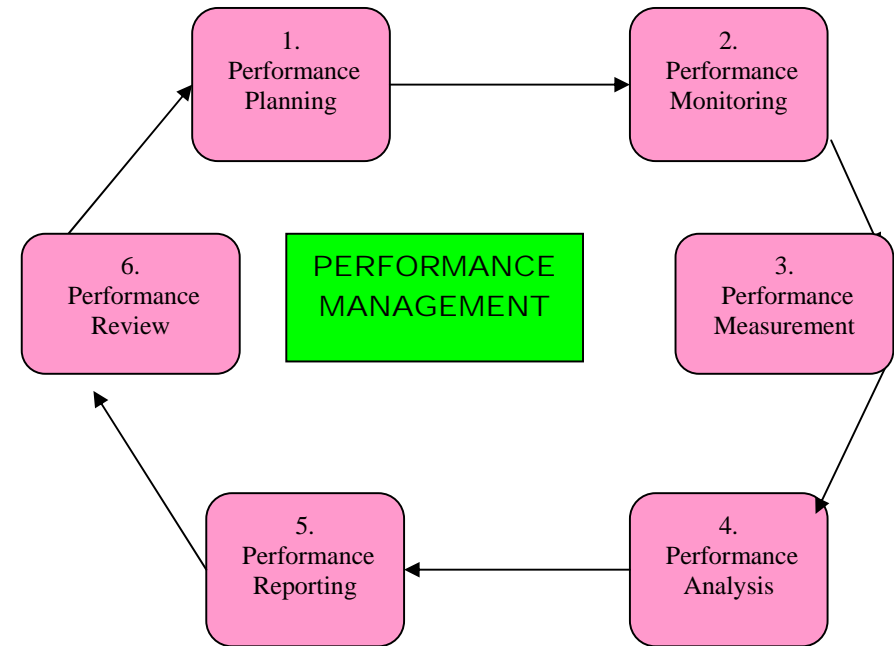
- ➔ Training of Councillors as well as of all employees identified during the Assessment Audit was then carried out completed during June 2005. A total of 256 employees were trained on the basic concepts of performance management. All trainees were issued with a PMS manual for future reference.
- ➔ Workshops were also conducted for the IDP Representative Forum and full Council on the basic concepts of a PMS

### **Development of Performance Management Framework**

In compliance with Municipal Systems Act (Act 32, 2000) as well as the Municipal, Planning and Performance Regulations, 2001, and in consultation with the community and community stakeholders a Performance Management Framework was developed and approved by Council.

The framework describes how the municipality's performance cycle in respect of planning, monitoring, measurement, review, reporting and improvement will be conducted. It also specifies the institutional arrangements for the management of PMS, and includes the roles and responsibilities of the respective role-players. The framework was approved by council and was advertised in the press for community input.

The following figure illustrates the PMS cycle as specified in the approved Framework:



The Newcastle Municipality also developed a PMS brochure summarising the core features of the PMS, together with the organisational scorecard. The brochure was circulated to all households in the municipal area prior to community meetings. A total of 8 community meetings were held with the community and no adverse comments were received.

**Figure 1 : PMS Framework Cycle**

### **IDP, Budget, PMS integration through SDBIP's**

During the 2005/2006 IDP Review and Budget process an attempt was made to align the IDP with the budget to comply with both the MFMA and MSA. At a strategic level, the IDP Priorities were aligned to the National Key Performance Areas. Organisational objectives in terms of the IDP, was incorporated into the Organisational PMS by developing applicable indicators for measuring of performance and then setting of targets( within the

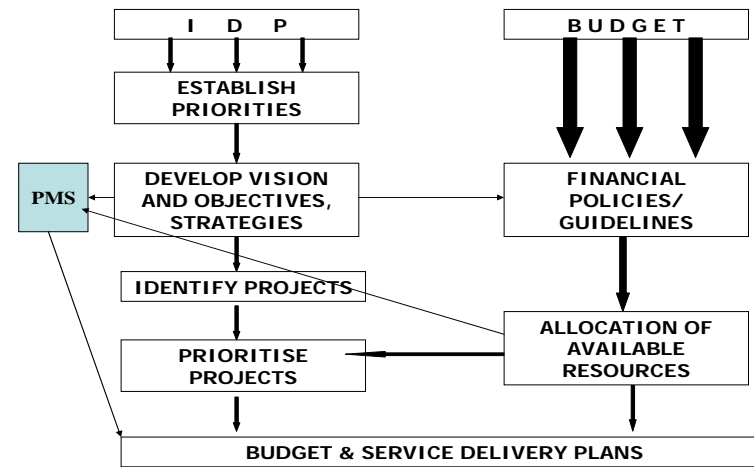
available resources as specified in the Budget for the 2005/2006 Financial Year). All of this was consolidated into an Organisational Score-card (Annexure 4) in line with the NKPA Model selected as specified in the Framework mentioned above to allow for measuring and reporting of performance at an Organisational/Strategic level.

The Organisational Score-card was then unpacked at a departmental/Vote level and informed the development of Service Delivery Budget Implementation Plans (SDBIP's)(Annexure 5) to allow for performance reporting at an operational level as is required in terms of the MFMA.

It should also be noted that the Municipal Manager and Deputy Municipal Manager Performance Agreements now exist aligned to the Organisational Score-card and in line with IDP requirements.

The following Figure illustrates the link between the IDP, Budget and PMS.

**Figure 2 : IDP, Budget, PMS & SDBIP link**



**Monitoring, Evaluation and Review**

In terms of the PMS Framework, at the end of every quarter Directorates are expected to submit to the Office of the IDP Manager their completed Organisational Scorecard and SDBIP's for further submission to Internal Audit. Internal Audit thereafter submits to the External Audit Committee, which in turn reviews the PMS and submits recommendations thereon to the EXCO. In the absence of a functional Internal Audit unit, reports were submitted directly to the Municipal Manager, Audit committee and EXCO. An audit review was conducted for the Mid-year assessment only

The above process is intended to allow the municipality to monitor, evaluate and review its performance based on the National and its own IDP key performance areas. The following table, derived from both the legislative framework for performance management and PMS framework, summarizes for ease of reference and understanding the various performance reporting deadlines as it applies to the Municipality:

**Table 1 : PMS Reporting requirements**

Report	Frequency	Submitted for consideration and/or review to	Remarks
1. SDBIPs	Quarterly	Executive Committee	See MFMA Circular 13 of National Treasury for further information
2. Monthly budget statements	Monthly	Mayor (in consultation with Exco)	See sections 71 and 54 of the MFMA
3. Organisational Scorecard	Quarterly	Executive Committee	This PMS framework (see section 7.5.1 above)
4. SDBIP mid-year budget and performance assessment	Annually during January of each year	Mayor (in consultation with Exco)	See sections 72 and 54 of the MFMA
5. Performance report	Annually	Council	See section 46 of the Municipal Systems Act as amended. Said report to form part of the annual report (see 7 below)

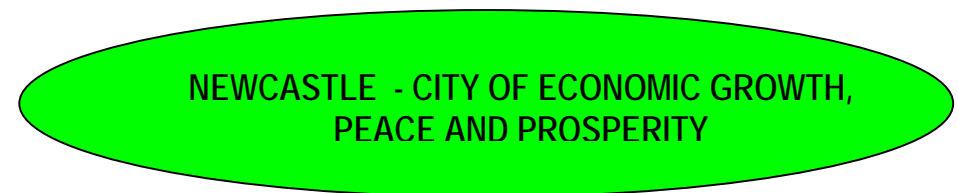
6. Annual report	Annually	Council	See chapter 12 of the MFMA
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**Communication Model/ Strategy**

The Newcastle Municipality adopted a Communication Model/Strategy developed for PMS which identified and detailed how and when the different role-players of PMS was to be involved in the development and implementation of the PMS. In line with the PMS Communication strategy the following means of Community Participation was carried out :

- IDP Representative Forum
- Radio broadcasts and interviews with the IDP Manager
- Local Newspaper
- PMS Brochure distribution to all households
- Community Meetings

MUNICIPAL VISION



This Performance Report is unaudited and until audited by the Auditor-General is subject to change

## Mission Statement

The **Batho Pele** principles will guide the Mission statement of the Newcastle Municipality. These principles are:

- To consult
- To communicate levels of service
- To be courteous, open, transparent and responsive
- To educate and inform communities about the operations, functions and responsibilities of our municipality

The Municipal Manager will be embarking on a process to revisit the vision and develop a mission statement as part of the on going strategic workshops to inform the broad institutional reform.

## Municipal priorities/Key Performance Areas

The Priority Issues/Key Performance Areas have been revised by the Newcastle Municipality as follows:

*(The Issues listed are in random order. It is anticipated that the issues are to be prioritized in the next IDP Review Process together with the mission statement and values for the organisation)*

- ◆ Financial Stability
- ◆ Job Creation(Economic Development)
- ◆ Water and Sanitation
- ◆ Housing and Land
- ◆ Roads and Stormwater
- ◆ Electricity
- ◆ Institutional Restructuring
- ◆ Recreational Facilities

- ◆ Community Safety and Security
- ◆ Education
- ◆ Environmental Quality
- ◆ HIV/AIDS
- ◆ Primary Health

## Implementation of PMS

### Organisational Performance (Assessment)

#### Results: Organisational Score-card

DIRECTORATE	NUMBER OF INDICATORS TO BE REPORTED ON	NUMBER OF TARGETS ACHIEVED/ EXCEEDED	NUMBER OF TARGETS NOT ACHIEVED
Administration	6	3	3
Chief Financial Officer	11	6	5
Community Services	23	18	5
Culture, Recreation & Amenities	5	4	1
Economic Development	8	6	2
Housing and Land	6	0	6
Human Resources	9	5	4
Infrastructure Services	17	13	4
Town Planning	6	5	1

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<b>TOTAL</b>	<b>91</b>	<b>60</b>	<b>31</b>
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### Departmental Performance (Assessment)

#### Results: Service Delivery Budget Implementation Plans (SDBIP's) for 05/06

DIRECTORATE	NUMBER OF INDICATORS TO BE REPORTED ON	NUMBER OF TARGETS ACHIEVED/ EXCEEDED	NUMBER OF TARGETS NOT ACHIEVED
Administration	18	10	8
Chief Financial Officer	32	16	16
Community Services	45	35	10
Culture, Recreation & Amenities	39	28	11
Economic Development	29	15	14
Housing and Land	44	12	32
Human Resources	32	22	10
Infrastructure Services	63	49	14
Town Planning	33	24	9

#### General Observations:

1. The Assessment is based on Unaudited Performance Reports
2. In certain instances, no reason for performance status is given and no corrective action is recommended where targets are not achieved.

3. Some Departments have not set targets for certain indicators
4. In certain instances, Frequency of Reporting is not aligned to quarterly targets and actuals reported
5. Actuals in respect of reportable indicators have not been given in certain instances. For the purpose of this assessment, it is assumed that where there is no Actual specified that the target was not achieved.
6. In certain instances, the reason for targets not being achieved is "No budget provision" or "Staff Shortage" or "competing priorities". This indicated that targets determined did not take into account available resources
7. In certain instances, non- alignment of Organisational KPA's and indicators to Departmental KPA's and indicators.

#### Overall Comment

This being the first year of PMS implementation for the Newcastle Municipality, and it is expected that gaps will exist as indicated above. However, it must be emphasized that the development and implementation of a Performance Management System should be considered "**work- in – progress**".

Considering that Performance Management has just been introduced to Management and Staff, and that the PMS section is in its infancy, the efforts made to ensure reporting compliance must be complimented. It is with this co-operation, that the Newcastle PMS will serve as a management tool to identify performance gaps and implement corrective action when necessary.

Under the circumstances, performance as reported should not be seen negatively - as areas for improvement have been identified for corrective action, and it is encouraged that improved performance is achieved in the 2006/2007 Financial year.

## **GAPS IDENTIFIED FOR IMPROVEMENT**

1. Implementation of an effective automated system linked to a project management system and the Financial system;
2. Human Resources constraints that restrict attainment of targets- this would require consideration for the filling of vacancies of critical posts
3. Reporting on National KPA's be given a priority
4. Credibility be given to the PMS by ensuring an internal audit process in line with legislation
5. Absence of a clear monitoring mechanism for Service Providers (entities and contractual)
6. The cascading of PMS to all employees to ensure strategic alignment of Organisational Objectives

### **Notes to following Table**

Please note that where possible the 2001 statistics have been used as baseline information as no performance baselines were available between the period 2001 to 2005 due there being no PMS in place. In respect of Water and Sanitation, information as per the WSDP has been used. Status Quo information as at June where available has been extracted from the Organisational Score-card approved for implementation in the 2006/2007 Financial year

**NATIONAL KEY PERFORMANCE INDICATORS – STATUS AS AT 30 JUNE 2006**

<b>STATUS AGAINST GENERAL KEY PERFORMANCE INDICATORS: 2005/2006</b>					
<b>General Key Performance Indicators (GKPI)</b>	<b>Development objective</b>	<b>Key Performance Indicator</b>	<b>Baseline</b>	<b>Status</b>	
			<b>July-05</b>	<b>June-06</b>	
<b>1</b> The Percentage of households with access to basic level of water, sanitation ; electricity and solid waste removal	Access to Water Provision	% of hh with access to at least a basic level	84%	84%	
	Access to Sanitation	% of hh with access to at least a VIP level of sanitation service.	63%	67%	
	Access to Electricity	% of hh with electricity within the Newcastle licenced area	99.5% (census 2001 information)	99.5%	
	Access to Solid Waste Removal	% of hh with access to refuse removal services	67%	83%	
<b>2</b> The percentage of households earning less than R800 per month with access to free basic services as per Indigent register	Access to free basic services	% of hh with access to free basic services	31,8%	100%	
<b>3</b> The percentage of municipal capital budget actually spent	To improve capital budget spending by the municipality	% capital budget spent within budgeted financial year	50,13		
<b>4</b> The number of jobs created through the municipality's local economic development initiatives including capital projects	To create temporary employment through LED initiatives	No. of temporary jobs created		Unknown	



<b>STATUS AGAINST GENERAL KEY PERFORMANCE INDICATORS: 2005/2006</b>						
<b>General Key Performance Indicators (GKPI)</b>	<b>Development objective</b>	<b>Key Performance Indicator</b>	<b>Baseline</b>	<b>Status</b>		
			<b>July-05</b>	<b>June-06</b>		
5	The percentage of municipal budget spent on implementation of Workplace skills plan	To improve investment on workplace skills development by the municipality	% of SDL claimed/received from SETA	60%	0%	
		Implementation of skills development plan and employment equity	Percentage of staff in three highest levels of management who are from the designated groups (race and gender)	60%	65%	
14	Financial viability	To ensure adequate funds are available to meet external loan financing charges	Debt coverage	26,42	Did not calculate (pending finalisation of Financial Statements)	
	1. $A = \frac{B-C}{D}$					
	(II) $A = \frac{B}{C}$					
	1. $A = \frac{B + C}{D}$					
	(formulas explained in appendix-I above)	To improve revenue collection and service payment levels within the Newcastle municipal areas currently receiving service.	Outstanding service debtors to revenue –	0,52	Did not calculate (pending finalisation of Financial Statements)	