

## 7. FINANCIAL PLAN

This section of the report contains the **Financial Plan** (extracted from the draft 2012/2013 budget).

### 1. MUNICIPAL FINANCIAL PLANNING

The purpose of the financial plan is to set out details of the financial issues that need to be addressed in a financial year. It is meant to be a tool to highlight any financial shortcomings. Financial planning is the organization of financial data for the purpose of developing a strategic plan to constructively manage revenue, expenditure, assets and liabilities to meet short, medium and long-term goals and objectives. Roy Diliberto contends that financial planning is looking at the future and brings it back to the present while you can still do something about it. It is therefore imperative to scrutinize the state of the municipal finances with regards to possible future income sources and the areas where such income is likely to be applied given the present level of backlogs and community priorities. The Financial Plan is a tool that is generally used by municipalities to influence the contents of the IDP so as to ensure that the IDP is actually funded and that Cash is actually available to implement projects in terms of Municipal IDP objectives.

In order to ensure that projects identified in the IDP are implemented through sound financial planning, the municipality needs to ensure that:

- A financial plan is developed specifying the projects to be undertaken, the associated time frames within which they are to be completed as well as sources of funding for the projects.
- The projects are prioritized in terms of the needs of the community.

The IDP is linked to financial planning. A financial plan involves producing a medium term (five year) projection of capital and operating expenditure. The projections include an overall overview of likely future tariffs assuming that all other things remain equal. For example if Eskom increases tariffs above

the general norm, then the water tariffs will have to be increased accordingly.

## 2. EXTRACTS FROM THE MAYOR'S REPORT ON THE PROPOSED BUDGET FOR 2012/2013

### 2.1 BUDGET SUMMARY

**Table 65: Budget Summary for 2012/2013**

	2011/2012	2012/2013	Change
<b>Total Operating Budget</b>	R344,084,016	R378,947,613	10%
<b>Capital Budget</b>	R313,052,000	R398,018,516	27%
<b>Total Budget</b>	R657,136,016	R776,966,128	19%

The Total Budget increased by R122,874,781

#### 2.1.1 HIGHLIGHTS OF OPERATING EXPENDITURE

##### Employee Related Costs

The employee related costs comprises 26% of the total operating budget. The primary reason for the 15% increase is the increment of 9.1% including the notch increases and new positions of five water tanker drivers, one fire engine driver, three fireman, two administration officers (1 n Tourism previously on the structure and 1 performance administration officer), Chief Accountant and a Customer Care Officer.

##### Remuneration of Councilors

A 9.1% increment for Councilor's remuneration is provided for.

##### Working Capital Reserve

This is the provision for doubtful debts as a result of a non-collection level. The 6% increase is based on the projected inflation level.

Depreciation

This is a non cash item budgeted for as per the stipulation of the new accounting standards and is funded from backlog depreciation. The 5% decreased is based preliminary 2012/2013 depreciation calculation.

Collection costs

This is a provision for collection costs and legal fees by external parties. The provision has increased due to planned vigorous collection including the use of collection agents.

Repairs and Maintenance

*Buildings*

The budgeted amount is for the maintenance of municipal buildings. Decreased by 50%

*Vehicles*

The 29% increased is provided for due to the high expenditure on maintenance of the water tankers and the poor conditions of vehicles. New water tankers were budgeted for to add to the existing fleet of vehicles and this will also necessitate maintenance.

Operation Rural Water Schemes

These funds are set aside for the maintenance of rural water schemes and to ensure sustainability of such schemes. The funds set aside for Repairs and Maintenance actually increased by R 1,077,539. In addition, new positions have been budgeted for the operation of new schemes that will be commissioned in the 2011/2012 financial year. The 6% increase is an inflation provision.

Refurbishment and maintenance

The 21% increase is due to the fact that Water and sanitation treatment plants need to be refurbished regularly to ensure sustainable and reliable water supply.

Moreover, the number of water scheme has increased.

Bulk Water Purification and Sewerage Treatment

Bulk sewerage treatment and bulk water purification is based on the existing contract and there are no major increases except for the 6% provision increase. In addition a budget has been set aside for the purchase of raw water from the Department of Water Affairs (DWA). Previously DWA did not charge although they are legally authorized to.

Bulk electricity has also increased as a result of the expected above average increment by Eskom and the contribution towards the new electricity network for the Water and Waste Water Treatment plants.

Grants and Subsidies Paid

The Grants and Subsidies have been phased out as there are no more grants received as part of equitable share. The only grants that are still payable to the local municipalities are the Tourism grants to local municipalities and the Water Services Provider grant to Abaqulusi local municipality.

**Table 66: General Expenses with a Direct Impact on Communities**

General Expense Items with an impact on Communities		Budget
Disaster Portfolio Projects		R 1 267 200
Unallocated Projects		R 8 000 000
Poverty alleviation		R 1 750 000
LED		R 3 500 000
Community Development		R 1 750 000
Community Participation		R 1 200 000
Emergency water		R 20 000 000

General Expense Items with an impact on Communities		Budget
Budget and IDP community participation		R 6 000 000
Women's day celebration		R 600 000
Annual report back		R 528 000
Elderly function		R 1 500 000
Kids Christmas party		R 600 000
Marathon		R 540 000
KwaNaloga Games		R 2 500 000
Mayoral Cup		R 600 000
<b>LED Ward Projects (R60 000 per ward):</b>		
	Abaqulusi	R 1 320 000
	Edumbe	R 480 000
	Pongola	R 840 000
	Nongoma	R 1 260 000
	Ulundi	R 1 440 000
Widows & Orphans	(89x20, 000)	R 1 780 000
Tourism Portfolio Project		R 337 920
Youth Day Celebration		R 500 000
Youth Summit		R 250 000
Women Summit		R 264 000
Ingoma Dance Competition		R 300 000
Music Festival		R 900 000
Water Loss reduction		R 3 168 000
External Bursaries		R 625 000
Sports Development		R 600 000
Indegenous Games		R 300 000
Gender Conference		R 200 000
Disability Programmes		R 300 000
Princess Mandisi Health Care Centre		R 400 000
<b>Total Community and Social Expenditure</b>		<b>R 65 600 120</b>

Table 67: Capital Expenditure

Revenue contributions (own funds)	Budget
Vehicles	R 3 440 732
Furniture and Equipment	R 416 800
Computers	R 1 109 856
Software & Licenses	R 1 404 480
Electronic Document Management System	R 615 648
New Offices	R 3 000 000
Meters	R 3 168 000
Water Tanker X2	R 4 000 000
WSP Store	R 2 000 000
Tractors X2	R 500 000
<b>Sub Total</b>	<b>R 19 655 516</b>
<b>DWA-Funds</b>	R 81 100 000
<i>DWA Grant has increased by R26,100,000 from R55,000,000</i>	
<b>MIG Funds</b>	R 275 487 000
<i>MIG has increased by R48 387 000 from R227 100 000 to R275,487,000</i>	
<b>Airport Grant</b>	R 20 000 000
<b>Rural Roads Asset Management</b>	R 1 776 000
<b>Sub Total</b>	R 378 363 000
<b>TOTAL CAPITAL</b>	<b>R 398 018 516</b>

2.1.2 HIGHLIGHTS OF OPERATING INCOME

The sources of funding are important to ensure that the budget is actually funded and cash backed. The following items warrant specific mention:

SALE OF WATER AND SEWERAGE FEES

Sale of water is based on the proposed tariff structure. The amounts budgeted for has not taken into account the payment level and as a result, an amount of R3,226,266 has been set aside as a provision for working capital reserve (provision for non collection).

INTEREST INCOME

Interest Income is expected to increase as a result of interest rates, from R12, 066,793 to R12, 566,926.

EQUITABLE SHARE

Equitable share has been substantially increased by R24, 528,000 from R234, 326, 000 to R258, 854,000

PROVINCIAL GRANTS

Provincial grants are based on the provincial 2011/12 budget statements. The Airport grant increased from R10, 000,000 to R20,000,000 and the P700 grant of R14,000,000 was a once-off grant in 2011/2012.

2.1.3 HIGHLIGHTS OF CAPITAL INCOME

Table 68: Capital Income

Capital Income	Budget
Own revenue	R 19 655 516
MIG	R 275 487 000
DWAF	R 81 100 000

Capital Income	Budget
Airport Grant	R 20 000 000
Rural Roads Asset Management	R 1 776 000
<b>TOTAL</b>	<b>R 398 018 516</b>

## 3. ZDM 2012/2013 BUDGET

Table 69: Budgeted Financial Position

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	R thousand Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>ASSETS</b>										
<b>Current assets</b>										
Cash	77 663	148 170	5							
Call investment deposits	–	–	175 008	–	–	–	–	–	–	–
Consumer debtors	3 633	6 288	3 973	3 123	3 123	3 123	3 123	6 766	–	–
Other debtors	4 565	9 566	3 287							
Current portion of long-term receivables	41 878	41	22 004							
Inventory	904	3 993	1 870							
<b>Total current assets</b>	<b>128 643</b>	<b>168 058</b>	<b>206 147</b>	<b>3 123</b>	<b>3 123</b>	<b>3 123</b>	<b>3 123</b>	<b>6 766</b>	<b>–</b>	<b>–</b>
<b>Non current assets</b>										
Long-term receivables	859	1 049	2 516							
Investments										
Investment property										
Investment in Associate										
Property, plant and equipment	1 071 383	1 167 616	1 293 664	248 052	313 052	313 052	313 052	398 019	353 063	333 745
Agricultural										
Biological										
Intangible	379	265	211							
Other non-current assets										
<b>Total non current assets</b>	<b>1 072 622</b>	<b>1 168 929</b>	<b>1 296 390</b>	<b>248 052</b>	<b>313 052</b>	<b>313 052</b>	<b>313 052</b>	<b>398 019</b>	<b>353 063</b>	<b>333 745</b>
<b>TOTAL ASSETS</b>	<b>1 201 266</b>	<b>1 336 988</b>	<b>1 502 538</b>	<b>251 175</b>	<b>316 175</b>	<b>316 175</b>	<b>316 175</b>	<b>404 785</b>	<b>353 063</b>	<b>333 745</b>
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Bank overdraft			30 395							
Borrowing	1 265	1 544	34 666	–	–	–	–	–	–	–
Consumer deposits	3 265	3 263	3 279							
Trade and other payables	79 233	84 056	89 391	–	–	–	–	–	–	–
Provisions										
<b>Total current liabilities</b>	<b>83 762</b>	<b>88 864</b>	<b>157 731</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non current liabilities</b>										
Borrowing	4 364	3 153	1 362	1 265	1 265	1 265	1 265	–	–	–
Provisions	–	–	–	–	–	–	–	–	–	–
<b>Total non current liabilities</b>	<b>4 364</b>	<b>3 153</b>	<b>1 362</b>	<b>1 265</b>	<b>1 265</b>	<b>1 265</b>	<b>1 265</b>	<b>–</b>	<b>–</b>	<b>–</b>

**FINAL: ZULULAND DISTRICT MUNICIPALITY IDP 2012 TO 2016**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>TOTAL LIABILITIES</b>	88 126	92 017	159 093	1 265	1 265	1 265	1 265	–	–	–
<b>NET ASSETS</b>	1 113 139	1 244 971	1 343 444	249 910	314 910	314 910	314 910	404 785	353 063	333 745
<b>COMMUNITY WEALTH/EQUITY</b>										
Accumulated Surplus/(Deficit)	1 113 139	1 244 971	1 343 444	249 910	314 910	314 910	314 910	404 785	353 063	333 745
Reserves	–	–	–	–	–	–	–	–	–	–
Minorities' interests	–	–	–	–	–	–	–	–	–	–
<b>TOTAL COMMUNITY WEALTH/EQUITY</b>	1 113 139	1 244 971	1 343 444	249 910	314 910	314 910	314 910	404 785	353 063	333 745

**Table 70: Budget Summary**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Financial Performance</b>										
Property rates	–	–	–	–	–	–	–	–	–	–
Service charges	18 322	17 692	23 686	19 901	19 901	19 901	19 901	33 163	–	–
Investment revenue	21 195	9 351	12 317	12 067	12 067	12 067	12 067	12 567	13 246	13 961
Transfers recognised - operational	–	410 015	418 603	238 063	252 063	252 063	252 063	271 333	290 097	311 448
Other own revenue	351 821	2 792	2 092	48 803	60 053	60 053	60 053	61 884	50 639	49 921
<b>Total Revenue (excluding capital transfers and contributions)</b>	391 338	439 851	456 698	318 834	344 084	344 084	344 084	378 948	353 982	375 330
Employee costs	59 638	74 960	84 261	85 304	85 304	85 304	85 304	98 499	105 432	115 027
Remuneration of councillors	4 934	5 039	4 792	5 467	5 717	5 717	5 717	5 939	6 479	7 069
Depreciation & asset impairment	30 029	31 979	31 574	33 108	33 108	33 108	33 108	31 574	–	–
Finance charges	833	697	618	310	310	310	310	50	53	56
Materials and bulk purchases	25 188	35 064	39 166	49 929	52 429	52 429	52 429	71 789	75 665	79 751
Transfers and grants	813	845	900	1 081	1 081	1 081	1 081	1 152	490	490
Other expenditure	145 930	160 762	165 223	103 403	125 903	125 903	125 903	129 300	123 021	127 784
<b>Total Expenditure</b>	267 365	309 346	326 534	278 602	303 852	303 852	303 852	338 301	311 141	330 176
<b>Surplus/(Deficit)</b>	123 973	130 505	130 164	40 232	40 232	40 232	40 232	40 646	42 841	45 154
Transfers recognised - capital	–	–	–	228 788	293 788	293 788	293 788	378 363	338 670	318 575
Contributions recognised - capital & contributed assets	–	–	–	19 264	19 264	19 264	19 264	19 656	14 393	15 170

**FINAL: ZULULAND DISTRICT MUNICIPALITY IDP 2012 TO 2016**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousands</b>										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	123 973	130 505	130 164	288 284	353 284	353 284	353 284	438 665	395 904	378 900
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	123 973	130 505	130 164	288 284	353 284	353 284	353 284	438 665	395 904	378 900
<b><u>Capital expenditure &amp; funds sources</u></b>										
<b>Capital expenditure</b>	<b>1 071 383</b>	1 167 616	1 463 068	248 052	313 052	313 052	368 052	398 019	353 063	333 745
Transfers recognised - capital	<b>1 071 383</b>	1 167 616	1 463 068	267 316	332 316	332 316	332 316	398 019	353 063	333 745
Public contributions & donations	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	-	-	-	-	-	-	-
Internally generated funds	-	-	-	-	-	-	-	-	-	-
<b>Total sources of capital funds</b>	<b>1 071 383</b>	1 167 616	1 463 068	267 316	332 316	332 316	332 316	398 019	353 063	333 745
<b><u>Financial position</u></b>										
Total current assets	<b>128 643</b>	168 058	206 147	3 123	3 123	3 123	3 123	6 766	-	-
Total non current assets	<b>1 072 622</b>	1 168 929	1 296 390	248 052	313 052	313 052	313 052	398 019	353 063	333 745
Total current liabilities	<b>83 762</b>	88 864	157 731	-	-	-	-	-	-	-
Total non current liabilities	<b>4 364</b>	3 153	1 362	1 265	1 265	1 265	1 265	-	-	-
Community wealth/Equity	<b>1 113 139</b>	1 244 971	1 343 444	249 910	314 910	314 910	314 910	404 785	353 063	333 745
<b><u>Cash flows</u></b>										
Net cash from (used) operating	<b>108 037</b>	196 602	155 853	324 212	339 215	339 215	339 215	432 819	357 134	338 186
Net cash from (used) investing	<b>(193 658)</b>	(124 969)	(157 685)	(248 052)	(313 052)	(313 052)	(313 052)	(398 019)	(353 063)	(333 745)
Net cash from (used) financing	<b>(1 255)</b>	(1 087)	(1 720)	-	-	-	-	-	-	-
<b>Cash/cash equivalents at the year end</b>	<b>77 624</b>	148 170	144 618	224 330	174 333	174 333	174 333	219 133	223 204	227 645
<b><u>Cash backing/surplus reconciliation</u></b>										
Cash and investments available	<b>77 663</b>	148 170	144 618	-	-	-	-	-	-	-
Application of cash and investments	<b>70 937</b>	(299 899)	(81 264)	(3 123)	(3 123)	(3 123)	(3 123)	(8 165)	-	-
<b>Balance - surplus (shortfall)</b>	<b>6 725</b>	448 069	225 882	3 123	3 123	3 123	3 123	8 165	-	-
<b><u>Asset management</u></b>										
Asset register summary (WDV)	<b>379</b>	265	211	-	-	-	-	-	-	-
Depreciation & asset impairment	<b>30 029</b>	31 979	31 574	33 108	33 108	33 108	31 574	31 574	-	-
Renewal of Existing Assets	<b>1 071 383</b>	1 167 616	-	361 364	361 364	361 364	361 364	-	-	-
Repairs and Maintenance	<b>19 277</b>	26 128	27 837	40 232	40 232	40 232	40 646	40 646	42 841	45 154
<b><u>Free services</u></b>										
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-	-	-
Revenue cost of free services provided	-	-	-	-	-	-	-	-	-	-
<b><u>Households below minimum service level</u></b>										

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Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Water:	59	-	54	-	-	-	48	48	46	46
Sanitation/sewerage:	79	-	70	-	-	-	-	-	-	-
Energy:	-	-	-	-	-	-	-	-	-	-
Refuse:	-	-	-	-	-	-	-	-	-	-

**Table 71: Municipal Revenue and Expenditure**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Revenue By Source</b>										
Property rates	-	-	-	-	-	-	-	-	-	-
Property rates - penalties & collection charges										
Service charges - electricity revenue	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	13 118	12 209	16 239	15 105	15 105	15 105	15 105	24 952	-	-
Service charges - sanitation revenue	5 204	5 483	7 447	4 796	4 796	4 796	4 796	7 820	-	-
Service charges - refuse revenue	-	-	-	-	-	-	-	392	-	-
Service charges - other										
Rental of facilities and equipment	83	95	84							
Interest earned - external investments	21 195	9 351	12 317	12 067	12 067	12 067	12 067	12 567	13 246	13 961
Interest earned - outstanding debtors	272	914	574							
Dividends received										
Fines										
Licences and permits										
Agency services										
Transfers recognised - operational		410 015	418 603	238 063	252 063	252 063	252 063	271 333	290 097	311 448
Other revenue	351 405	1 586	1 411	48 803	60 053	60 053	60 053	61 884	50 639	49 921
Gains on disposal of PPE	61	197	23							
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>391 338</b>	<b>439 851</b>	<b>456 698</b>	<b>318 834</b>	<b>344 084</b>	<b>344 084</b>	<b>344 084</b>	<b>378 948</b>	<b>353 982</b>	<b>375 330</b>
<b>Expenditure By Type</b>										
Employee related costs	59 638	74 960	84 261	85 304	85 304	85 304	85 304	98 499	105 432	115 027



**FINAL: ZULULAND DISTRICT MUNICIPALITY IDP 2012 TO 2016**

Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Remuneration of councillors	4 934	5 039	4 792	5 467	5 717	5 717	5 717	5 939	6 479	7 069
Debt impairment			14 996	3 055	3 055	3 055	3 055	3 226	4 071	4 441
Depreciation & asset impairment	30 029	31 979	31 574	33 108	33 108	33 108	33 108	31 574	–	–
Finance charges	833	697	618	310	310	310	310	50	53	56
Bulk purchases	25 188	35 064	39 166	49 929	52 429	52 429	52 429	71 789	75 665	79 751
Other materials										
Contracted services	3 008	3 707	4 344	10 759	10 759	10 759	10 759	13 757	14 500	15 283
Transfers and grants	813	845	900	1 081	1 081	1 081	1 081	1 152	490	490
Other expenditure	142 921	157 056	145 883	89 588	112 088	112 088	112 088	112 317	104 451	108 060
Loss on disposal of PPE										
<b>Total Expenditure</b>	<b>267 365</b>	<b>309 346</b>	<b>326 534</b>	<b>278 602</b>	<b>303 852</b>	<b>303 852</b>	<b>303 852</b>	<b>338 301</b>	<b>311 141</b>	<b>330 176</b>
<b>Surplus/(Deficit)</b>	<b>123 973</b>	<b>130 505</b>	<b>130 164</b>	<b>40 232</b>	<b>40 232</b>	<b>40 232</b>	<b>40 232</b>	<b>40 646</b>	<b>42 841</b>	<b>45 154</b>
Transfers recognised - capital				228 788	293 788	293 788	293 788	378 363	338 670	318 575
Contributions recognised - capital	–	–	–	19 264	19 264	19 264	19 264	19 656	14 393	15 170
Contributed assets										
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>123 973</b>	<b>130 505</b>	<b>130 164</b>	<b>288 284</b>	<b>353 284</b>	<b>353 284</b>	<b>353 284</b>	<b>438 665</b>	<b>395 904</b>	<b>378 900</b>
Taxation										
<b>Surplus/(Deficit) after taxation</b>	<b>123 973</b>	<b>130 505</b>	<b>130 164</b>	<b>288 284</b>	<b>353 284</b>	<b>353 284</b>	<b>353 284</b>	<b>438 665</b>	<b>395 904</b>	<b>378 900</b>
Attributable to minorities										
<b>Surplus/(Deficit) attributable to municipality</b>	<b>123 973</b>	<b>130 505</b>	<b>130 164</b>	<b>288 284</b>	<b>353 284</b>	<b>353 284</b>	<b>353 284</b>	<b>438 665</b>	<b>395 904</b>	<b>378 900</b>
Share of surplus/ (deficit) of associate										
<b>Surplus/(Deficit) for the year</b>	<b>123 973</b>	<b>130 505</b>	<b>130 164</b>	<b>288 284</b>	<b>353 284</b>	<b>353 284</b>	<b>353 284</b>	<b>438 665</b>	<b>395 904</b>	

**3.1 CHANGES IN OPERATING EXPENDITURE FROM PREVIOUS FINANCIAL YEAR EXPLAINED**

- The employee related cost** comprises 26% of the total operating budget. The primary reason for the 15% increase is the 15% increase is the increment of 9.1% including the notch increases and new positions of five water tanker drivers, one Fire engine driver, three firemen, two administration officers, Chief Accountant and a Customer Care Officer.
- An 9.1% increment for **Councillor's remuneration** is provided for
- Working Capital Reserve:** This is the provision for doubtful debts as results of a non-collection level. The 6% increase is based on the projection.

- **Depreciation:** This is a non cash item budgeted for as per the stipulation of the new accounting standards and is funded from backlog depreciation. The 5% decrease is based on the on the preliminary 2012/2013 depreciation calculation.
- **Repairs and Maintenance**
  - **Buildings:** The budgeted amount is for the maintenance of municipal buildings. Decreased by 50%
  - **Vehicles:** The 29% increase is provided due to high expenditure on maintenance of water tankers and poor condition of vehicles
- **Bulk Water Purification and Sewerage Treatment:**
  - Bulk sewerage treatment and bulk water purification is based on the existing contract and there are no major increases except for the 6% inflation provision increase.
  - Bulk electricity has also increased as a result of the expected above average increment by Eskom and the contribution towards the new electricity network for the water and waste water treatment plants
- **Grants and Subsidies Paid:**
  - The Grants and Subsidies have been phased out as no more grants received as part of equitable share. The only grants that are still payable to the local municipalities are the Tourism grants to local municipalities and the Water Services Provider grant to Abaqulusi local municipality.
- **General expenses** increased by 0.17% from R122,612,604 to R122,825,370 due to the percentage change in inflation of 5.6%.

### 3.2 CHANGES IN OPERATING INCOME FROM PREVIOUS FINANCIAL YEAR EXPLAINED

- **User charges**
  - A tariffs increases of 6% on the tariffs applicable to the band 7-30 kl and 12% on the bands above 30kl
  - Free basic water of 6kl per household per month is provided for.
  - Sale of water is based on the proposed tariffs structure.
  - Other tariffs to increase 6%
- **Interest income**
  - Is expected to Increased as a results of interest rate from R12,066,793 to R12,566,926
- **Grants Income**
  - Equitable share increased by R24,528,000 from R234,326,000 to R258,854,000.
  - Provincial Grants are based on provincial 2011/12 budget statement. The airport grant increased from R10m to R20m and the P700 grant of R14m was once off grant in 2011/2012.

Table 72: CAPEX

Vote Description R thousand	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>Capital expenditure - Vote</b>										
<b>Multi-year expenditure to be appropriated</b>										
Vote 1 - COUNCIL	-	-	-	-	-	-	-	-	-	-
Vote 2 - CORPORATE SERVICES	-	-	-	-	-	-	-	-	-	-
Vote 3 - FINANCE	-	-	-	-	-	-	-	-	-	-
Vote 4 - PLANNING & WSA	-	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY DEVELOPMENT	-	-	-	-	-	-	-	-	-	-
Vote 6 - TECHNICAL SERVICES	-	-	-	-	-	-	-	-	-	-
Vote 7 - WATER PURIFICATION	-	-	-	-	-	-	-	-	-	-
Vote 8 - WATER DISTRIBUTION	-	-	-	-	-	-	-	-	-	-
Vote 9 - WASTE WATER	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
<b>Capital multi-year expenditure sub-total</b>	-	-	-	-	-	-	-	-	-	-
<b>Single-year expenditure to be appropriated</b>										
Vote 1 - COUNCIL	29 731	31 496	49 899	3 800	3 800	3 800	3 800	5 261	5 545	5 844
Vote 2 - CORPORATE SERVICES	2 174	2 174	-	4 037	14 037	14 037	14 037	20 884	932	982
Vote 3 - FINANCE	2 996	4 656	3 820	2 165	2 165	2 165	2 165	4 287	2 410	2 540
Vote 4 - PLANNING & WSA	3 789	3 878	3 789	4 751	4 751	4 751	4 751	5 010	5 273	5 565
Vote 5 - COMMUNITY DEVELOPMENT	356	1 745	3 960	183	183	183	183	693	730	770
Vote 6 - TECHNICAL SERVICES	1 032 338	37	37	227 100	282 100	282 100	282 100	356 587	336 806	316 603
Vote 7 - WATER PURIFICATION	-	-	-	-	-	-	-	780	822	867
Vote 8 - WATER DISTRIBUTION	-	1 123 630	1 401 550	6 016	6 016	6 016	6 016	4 517	544	574
Vote 9 - WASTE WATER	-	-	-	-	-	-	-	-	-	-
Vote 10 - [NAME OF VOTE 10]	-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]	-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]	-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]	-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]	-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]	-	-	-	-	-	-	-	-	-	-
<b>Capital single-year expenditure sub-total</b>	<b>1 071 383</b>	<b>1 167 616</b>	<b>1 463 056</b>	<b>248 052</b>	<b>313 052</b>	<b>313 052</b>	<b>313 052</b>	<b>398 019</b>	<b>353 063</b>	<b>333 745</b>
<b>Total Capital Expenditure - Vote</b>	<b>1 071 383</b>	<b>1 167 616</b>	<b>1 463 056</b>	<b>248 052</b>	<b>313 052</b>	<b>313 052</b>	<b>313 052</b>	<b>398 019</b>	<b>353 063</b>	<b>333 745</b>

**FINAL: ZULULAND DISTRICT MUNICIPALITY IDP 2012 TO 2016**

Vote Description	2008/9	2009/10	2010/11	Current Year 2011/12				2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>										
<b>Capital Expenditure - Standard</b>										
<i>Governance and administration</i>	<b>32 726</b>	<b>36 152</b>	<b>53 719</b>	<b>10 003</b>	<b>20 003</b>	<b>20 003</b>	<b>20 003</b>	<b>30 432</b>	<b>8 887</b>	<b>9 367</b>
Executive and council	29 731	31 496	49 899	3 800	3 800	3 800	3 800	5 261	5 545	5 844
Budget and treasury office	2 996	4 656	3 820	2 165	2 165	2 165	2 165	4 287	2 410	2 540
Corporate services				4 037	14 037	14 037	14 037	20 884	932	982
<i>Community and public safety</i>	<b>2 530</b>	<b>3 919</b>	<b>3 973</b>	<b>183</b>	<b>183</b>	<b>183</b>	<b>183</b>	<b>693</b>	<b>730</b>	<b>770</b>
Community and social services	344	1 732	1 787	183	183	183	183	693	730	770
Sport and recreation										
Public safety	2 174	2 174	2 174							
Housing										
Health	13	13	13							
<i>Economic and environmental services</i>	<b>3 789</b>	<b>3 878</b>	<b>3 789</b>	<b>4 751</b>	<b>4 751</b>	<b>4 751</b>	<b>4 751</b>	<b>5 010</b>	<b>5 273</b>	<b>5 565</b>
Planning and development	3 789	3 878	3 789	4 751	4 751	4 751	4 751	5 010	5 273	5 565
Road transport										
Environmental protection										
<i>Trading services</i>	<b>1 032 338</b>	<b>1 123 630</b>	<b>1 401 550</b>	<b>233 116</b>	<b>288 116</b>	<b>288 116</b>	<b>343 116</b>	<b>361 884</b>	<b>338 173</b>	<b>318 043</b>
Electricity										
Water	1 032 338	1 123 630	1 401 550	233 116	288 116	288 116	343 116	361 884	338 173	318 043
Waste water management										
Waste management										
<i>Other</i>		<b>37</b>	<b>37</b>							
<b>Total Capital Expenditure - Standard</b>	<b>1 071 383</b>	<b>1 167 616</b>	<b>1 463 068</b>	<b>248 052</b>	<b>313 052</b>	<b>313 052</b>	<b>368 052</b>	<b>398 019</b>	<b>353 063</b>	<b>333 745</b>
<b>Funded by:</b>										
National Government	1 032 338	1 123 630	1 401 587	248 052	303 052	303 052	303 052	358 363	338 670	318 575
Provincial Government					10 000	10 000	10 000	20 000		
District Municipality										
Other transfers and grants	39 046	43 986	61 481	19 264	19 264	19 264	19 264	19 656	14 393	15 170
<b>Transfers recognised - capital</b>	<b>1 071 383</b>	<b>1 167 616</b>	<b>1 463 068</b>	<b>267 316</b>	<b>332 316</b>	<b>332 316</b>	<b>332 316</b>	<b>398 019</b>	<b>353 063</b>	<b>333 745</b>
<b>Public contributions &amp; donations</b>										
<b>Borrowing</b>										
<b>Internally generated funds</b>										
<b>Total Capital Funding</b>	<b>1 071 383</b>	<b>1 167 616</b>	<b>1 463 068</b>	<b>267 316</b>	<b>332 316</b>	<b>332 316</b>	<b>332 316</b>	<b>398 019</b>	<b>353 063</b>	<b>333 745</b>

• MIG	275,487,000	69%
• DWAF	81,100,000	20%
• VARIOUS OWN PROJECTS	19,655,516	5%
• UPGRADING OF AIRPORT	20,000,000	5%
• RURAL ROAD ASSET MANAGEMENT	1,776,000	1%
• TOTAL CAPITAL	398,018,516	100%
<ul style="list-style-type: none"> <li>• MIG increased by R48m from R227m to R275m</li> <li>• DWAF increased by R26m from R55m to R81m</li> <li>• Own projects increased by R391,516 from R19,264000 to R19,655,516</li> <li>• Upgrading of airport by R20m from R10m to R30m</li> <li>• Rural roads assets management new R1,776,000</li> </ul>		

Table 73: Transfer and Grants Receipts

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>RECEIPTS:</b>									
<u>Operating Transfers and Grants</u>									
<b>National Government:</b>	-	160 532	-	242 375	236 576	236 576	269 372	288 258	309 509
Local Government Equitable Share		159 047		234 326	234 326	234 326	258 854	277 840	299 001
Finance Management		750		1 250	1 250	1 250	1 250	1 250	1 250
Municipal Systems Improvement		735		1 000	1 000	1 000	1 000	900	1 000
Water Services Operating Subsidy Grant							8 268	8 268	8 258
Other transfers/grants [insert description]				5 799					
<b>Provincial Government:</b>	159 877	222 956	-	1 487	15 487	15 487	1 961	1 839	1 939
DEVELOPMENT PLANNING SHARED SERVICES	159 877	222 656	-				-	200	210
DISTRICT GROWTH DEVELOPMENT							400	-	-

**FINAL: ZULULAND DISTRICT MUNICIPALITY IDP 2012 TO 2016**

SUMMIT				1 487	1 487	1 487	1 561	1 639	1 729
INDONSA GRANT					14 000	14 000			
P700 CORRIDOR DEVELOPMENT									
Other transfers/grants [insert description]		300							
<b>District Municipality:</b> <i>[insert description]</i>	-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b> <i>[insert description]</i>	-	-	-	-	-	-	-	-	-
<b>Total Operating Transfers and Grants</b>	<b>159 877</b>	<b>383 488</b>	<b>-</b>	<b>243 862</b>	<b>252 063</b>	<b>252 063</b>	<b>271 333</b>	<b>290 097</b>	<b>311 448</b>
<b>Capital Transfers and Grants</b>									
<b>National Government:</b>	-	-	-	-	55 000	55 000	358 363	338 670	318 575
Municipal Infrastructure Grant (MIG)							275 487	290 606	316 603
Regional Bulk Infrastructure					55 000	55 000	81 100	46 200	
Rural Roads Assets Management Grants							1 776	1 864	1 972
Other capital transfers/grants [insert desc]							-	-	-
<b>Provincial Government:</b>	-	-	-	-	10 000	10 000	20 000	-	-
Upgrading of airport					10 000	10 000	20 000	-	-
<b>District Municipality:</b> <i>[insert description]</i>	-	-	-	-	-	-	-	-	-
<b>Other grant providers:</b> <i>[insert description]</i>	-	-	-	-	-	-	-	-	-
<b>Total Capital Transfers and Grants</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65 000</b>	<b>65 000</b>	<b>378 363</b>	<b>338 670</b>	<b>318 575</b>
<b>TOTAL RECEIPTS OF TRANSFERS &amp; GRANTS</b>	<b>159 877</b>	<b>383 488</b>	<b>-</b>	<b>243 862</b>	<b>317 063</b>	<b>317 063</b>	<b>649 696</b>	<b>628 767</b>	<b>630 023</b>

**Table 74: Repairs and Maintenance Expenditure**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
<b>R thousand</b>									
<b>Repairs and maintenance expenditure by Asset Class/Sub-class</b>									
<b>Infrastructure</b>	17 496	23 240	23 280	32 080	32 080	32 080	35 436	37 350	39 367
Infrastructure - Road transport <i>Roads, Pavements &amp; Bridges</i> <i>Storm water</i>	-	-	-	-	-	-	-	-	-
Infrastructure - Electricity <i>Generation</i> <i>Transmission &amp; Reticulation</i> <i>Street Lighting</i>	-	-	-	-	-	-	-	-	-
Infrastructure - Water <i>Dams &amp; Reservoirs</i> <i>Water purification</i> <i>Reticulation</i>	17 496	23 240	23 280	32 080	32 080	32 080	35 436	37 350	39 367
Infrastructure - Sanitation <i>Reticulation</i> <i>Sewerage purification</i>	-	-	-	-	-	-	-	-	-
Infrastructure - Other <i>Waste Management</i> <i>Transportation</i> <i>Gas</i> <i>Other</i>	-	-	-	-	-	-	-	-	-
<b>Community</b>	-	587	1 715	-	-	-	-	-	-
Parks & gardens Sportsfields & stadia Swimming pools Community halls Libraries Recreational facilities Fire, safety & emergency Security and policing Buses Clinics		587	1 715						

**FINAL: ZULULAND DISTRICT MUNICIPALITY IDP 2012 TO 2016**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
Museums & Art Galleries									
Cemeteries									
Social rental housing									
Other									
<b>Heritage assets</b>	-	-	-	-	-	-	-	-	-
Buildings									
Other									
<b>Investment properties</b>	-	-	-	-	-	-	-	-	-
Housing development									
Other									
<b>Other assets</b>	<b>1 781</b>	<b>2 301</b>	<b>2 842</b>	<b>8 152</b>	<b>8 152</b>	<b>8 152</b>	<b>5 210</b>	<b>5 491</b>	<b>5 788</b>
General vehicles		1 832	2 087						
Specialised vehicles	-	-	-	-	-	-	-	-	-
Plant & equipment									
Computers - hardware/equipment		66	50						
Furniture and other office equipment		8	13						
Abattoirs									
Markets									
Civic Land and Buildings									
Other Buildings		395	693						
Other Land									
Surplus Assets - (Investment or Inventory)									
Other	1 781			8 152	8 152	8 152	5 210	5 491	5 788
<b>Agricultural assets</b>	-	-	-	-	-	-	-	-	-
<i>List sub-class</i>									
<b>Biological assets</b>	-	-	-	-	-	-	-	-	-
<i>List sub-class</i>									
<b>Intangibles</b>	-	-	-	-	-	-	-	-	-
Computers - software & programming									
Other ( <i>list sub-class</i> )									



**FINAL: ZULULAND DISTRICT MUNICIPALITY IDP 2012 TO 2016**

Description	2008/9	2009/10	2010/11	Current Year 2011/12			2012/13 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2012/13	Budget Year +1 2013/14	Budget Year +2 2014/15
R thousand									
<b>Total Repairs and Maintenance Expenditure</b>	19 277	26 128	27 837	40 232	40 232	40 232	40 646	42 841	45 154

#### 4. REVENUE RAISING STRATEGIES

The following are noted hereunder:

- Revision of implementation of a credit control policy
- Strengthening the Customer Services Centre
- Customer education
- All water and sewerage debtors are to be followed up and collected in terms of the credit control policy. It is imperative to collect debtors so as to be able to undertake service delivery. Writing off bad debts will be dealt with in the delegated powers.

##### 5.1 DEBT MANAGEMENT

The nature and extent of poverty in the district is negatively affecting the ability of the majority of our residents to pay for the services rendered. As a result, the value of outstanding debtors is increasing.

To reduce this outstanding balance, council has resorted to the strict implementation of the credit control and debt collection policy by installing controlled flow meters for the indigent consumers and the restriction of water supply for the non-indigent consumers.

##### 5.2 SUPPLY CHAIN MANAGEMENT

The primary objective of this section is to provide supply chain management which is fair, transparent, efficient, equitable, competitive and which ensures best value of money for the municipality and promotes local economic development.

##### 5.3 INTERNAL CONTROLS

Internal controls are operational and they assist the municipality to identify and address any weaknesses.

The ZDM council does not suffer any liquidity risk due to the process of close monitoring of cashflow forecasts and avoidance of debt that cannot be serviced.

#### 5. FINANCIAL POLICIES

All the financial policies will be revised to ensure that they comply with the most recent legislation and that they are in line with the current policies set by the Council. The following policies will be revised:-

- Subsistence and Traveling policy
- Credit control policy
- Tariff policy
- Investment and cash management policy
- Insurance policy
- Supply chain management policy
- Asset management policy
- Risk management policy
- IT Disaster Recovery Plan
- Fraud Prevention Strategies

The above policies should amongst other legislation, take into account the relevant sections of the MFMA.

#### 6. ANNUAL REPORT

An annual report for the year ending 2011/2012 will be compiled and issued in terms of the Municipal Finance Management Act. The report will be made available to interested stakeholders.

#### 7. GAMAP/GRAP

GAMAP/ GRAP compliance will follow the Implementation Plan in accordance with the medium capacity exemption.

**8. AUDIT COMMITTEE**

The functioning of the district- wide Audit and Performance Management Committee shall be strengthened to ensure compliance with the MFMA provisions.

**9. INTEGRATED DEVELOPMENT PLAN (IDP)**

This Financial Plan forms part of the IDP and the projected Revenue and Expenditure priorities reflect IDP Council objectives and community priorities.