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SECTION ONE: ORIENTATION

1.1: INTRODUCTION

Financial plan is regarded as one of the key plans towards the successful implementation of the IDP. It cuts across all IDP issues, strategies and programmes since all of them require funding input. That is, financial plan has an impact on all other development dimensions within the municipality. Hence, financial plan preparation would always seek to find better ways and means of sourcing funding and managing it efficiently while expediting the implementation of IDP priority issues.

Section 26 of the Municipal Systems Act prescribes the key components of an IDP and the financial plan fall within the Implementation framework of the IDP which deals with implementation of financial strategies. The financial plan must be aligned with the vision and mission. Clearly, the proper financial plan should demonstrate linkages between IDP and Budget and most importantly comply with the stipulated legislation.

To this end, it is worth noting that the successful service delivery in any municipality will evolve around availability of financial resources and the manner in which those resources are managed. The survival and financial viability of any municipality always depends on its capacity to mobilise resources and create sound economic base that will support revenue generation strategies.

In the case of Umzinyathi District Municipality and other municipalities located within the Presidential Nodes, the challenge is mounting to overcome limited revenue bases and generate sufficient revenue to implement community desired and IDP development programmes. As a result most of the municipalities located in poverty stricken areas are compelled to depend on external sources or grants in order to execute their programme. Hence, it could be deduced that, the rate and intensity at which they are soliciting those funds will determine the rate at which IDP priorities would be implementation.

The records suggest that, the sources of income available for Umzinyathi District Municipality are government grants, rental income, interest on investment, water sales and sundry income. The payment for services is very poor as most households are unemployed; however the municipality ensures that it uses its limited resources in a sustainable manor and in line with Municipal Finance Management Act.

1.2: BACKGROUND TO UMZINYATHI DISTRICT

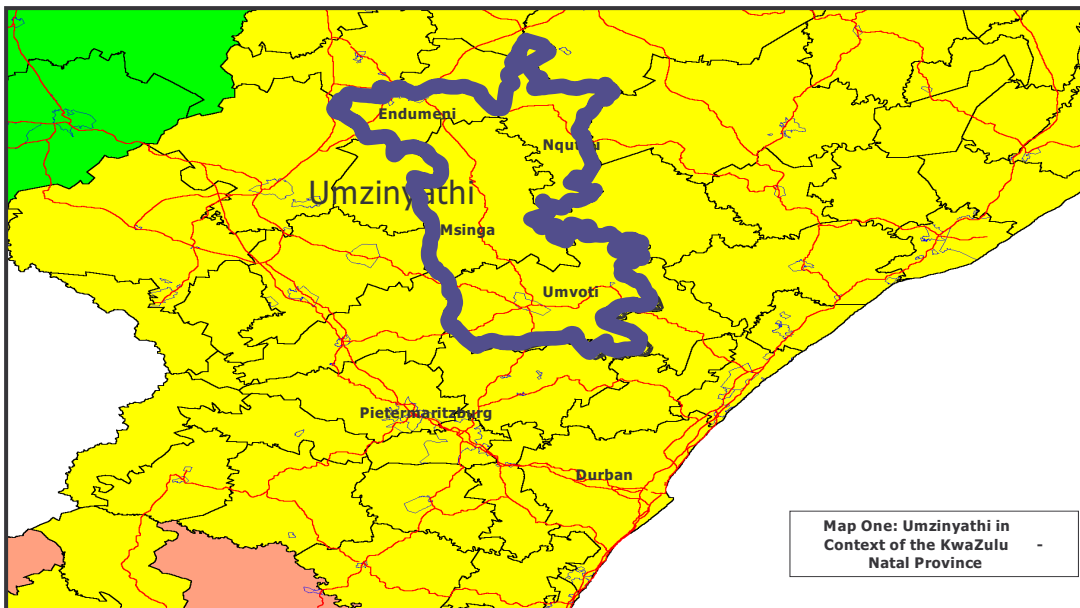
1.2.1 Brief Background

Umzinyathi district Municipality was established in terms of Section 155 (1) (b) of the Constitution of the Republic of South Africa. Umzinyathi District (DC24) is one of the district municipality of KwaZulu Natal.

UMzinyathi District Municipality is located in one of the world’s richest and diverse battlefield areas. However, their attraction does not simply lie in its epic battles, but also in its cultural and natural assets. Its location and mosaic, as part of the “Kingdom of the Zulu” destination, presents the region with several opportunities that can be sustainably developed for tourism, agriculture and industrial growth.

The District of uMzinyathi provides visitors with a journey into the past, where the landscape was filled with the scene of momentous battles, which shaped the course of South African history. The region has a unique concentration of historic sites that blend in with the tranquil countryside, offering unique wild encounters for nature-based and adventurous tourists. The region also offers tourists willing to travel off the beaten track, a way of life that has hardly been affected by the march of time

Map 1: uMzinyathi Within the Context of the KwaZulu-Natal Province



1.2.2 Demographic Assessment based on Global Insight Southern Africa 2007 Projections

Local Municipality		Population	%
Endumeni Municipality		77 717	11.20%
Nquthu		220 560	31.77%
Msinga		255 539	36.81%
Umvoti		140 348	20.22%
Umzinyathi		694 164	100%
Groups	African	673 339	97%
	Indian	6942	1%
	Coloured	2082	0.30%
	White	11 801	1.70%
Gender	Males	312 374	45%
	Females	381 790	55%
Households			
Urban			18%
Non-urban			82%
Literacy rate			44%
Poverty levels			68%
Employment rate			15%
Backlogs			
Water			74%
Sanitation			68%
Energy			75%

Adequately prominent to ignore is the primary government target to reduce poverty significantly in South Africa. The government is said to be utilising the Millennium Development Goals as the appropriate standard against which the progress towards this intention will be measured. In respect of poverty reduction, these goals are targeted to reduce poverty by 50% by 2015 and that will be assessed in terms of the proportion of population with an income level just above the R6.00 per person per day as that is considered as the requirement for basic survival. Umzinyathi as a district municipality also has a role to play in contributing towards the attainment of these targets. As of now, this municipality's poverty gap between poor people and the people above the poverty line is increasing at an alarming rate. To support that, the municipality's IDP reports that within uMzinyathi district, the poverty gap has doubled in the past ten years. In 2005, R800 m was needed to bring the population to the poverty line of one dollar per day whereas in 1996, R400 m was needed. That reality requires a carefully planned and coordinated means of raising funds for a facilitation of reducing this gap thereby contributing to the government's attempt to reduce poverty.

In an attempt to address these poverty problems a due consideration has to be given to the **literacy and skills levels** of the community since these two aspects play a pivotal role in the reduction of the poverty challenges. Currently the literacy rate of the municipality area is calculated at 44%. This presents a reality of a majority of citizens of the district that are not literate and are therefore unable to participate in the programme to eradicate poverty since they are unable to access employment. The employment is currently seating at 15% which is a good indication of a challenge for the communities to access employment partly due to low literacy rates. The municipality is therefore face with a daunting task of improving the skills for easy access to employment.

Amongst other issues that remain a challenge for this municipality and require substantial funding, is the issue of **service backlogs**. . “Service backlog” is usually understood to mean “those still to be served” or “those not yet served to a particular Level of Service (LOS)”. Local municipalities within the district stress the importance of addressing service backlogs including sanitation, water, sources of energy, refuse removal. Approximately 75% of the households are without basic energy, 68% without sanitation and 74% without basic water service. The municipality therefore faces a challenge of addressing these backlogs within a context characterised by the difficulty in accessing funding or spending the available funding.

A closer look at the current sources of funding indicates that a large sum of funding used for the municipality operations to deliver on their expectations is sourced externally. That remains a challenge in a sense that some of the grants are conditional and if their conditions are not met, the municipality stands a good chance of loosing that funding. It is therefore imperative to strategically identify and utilise other funding mechanisms that may minimize the possibility of loosing guaranteed grants, which will allow the municipality to deal with ever-escalating socio-economic ills within the district.

1.3: PURPOSE AND OBJECTIVES OF THE FINANCIAL PLAN

1.3.1 Purpose of the Financial Plan

The primary purpose of the Financial Plan is to provide a clear and sound framework for proper mobilisation, utilisation and management of scarce financial resources within Umzinyathi District Municipality.

1.3.2 Financial Plan

To reach and present an accurate financial position of the organization's operations and to ensure its long term financial viability.

1.3.3 The main objectives for the Plan are:

- To develop sound financial management strategies that are in compliance with the Municipal Financial Management Act
- To maximise revenue collected to enhance service delivery
- To formulate implementable cost recovery and revenue collection strategies
- To strengthen financial viability and sustainability of the council
- To improve effectiveness and efficiency in utilisation of financial scarce resources

1.4: KEY CHALLENGES FOR FINANCIAL PLANNING IN UMZINYATHI

The major challenges of our district appear to be a country wide challenge. The basic questions raised now and again which are facing most of the municipalities (Umzinyathi included) are as follows:

- How should municipalities deal with increasing dependence on national grants and subsidies for capital projects on the one hand; and the concept of developmental local government on the other?
- What can be done to improve the debt collection within and among the family of municipalities, given the growing demand for services and persisting backlog?
- Can municipalities with strong balance sheets exploit borrowing opportunities and expand or accelerate their capital spending programmes?
- How can municipalities increase the pace of capital spending to grow the economy and curb ever-increasing poverty levels?
- How can municipalities ensure better performance by officials to improve service delivery and eradicate backlogs?
- How to curb the ongoing limited capacity within financial departments of municipalities to implement whatever devised strategies?

In the light of the above questions, the financial plan has a mammoth task to devise means and strategies to overcome these challenges that carry a potential to undermine the developmental endeavors, efforts and commitment of the district in eradicating highly rated poverty within the district. It is therefore, in the interest of the plan to balance implementable IDP programmes with the amount of available resources over the next five year period while keeping community expectations at a manageable level.

1.5: KEY ASPECTS OF THE FINANCIAL PLAN

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- This financial plan is has a strong focus on a 5-year financial programme, Capital investment programme as well set of strategies deemed appropriate to bring about financial viability and sustainability of IDP prioritised initiatives
- **5-year Financial Programme-** this serves as a mid term financial framework for managing municipal revenue collection and for expenditure planning. It includes capital and recurrent expenditure and serves as a crucial document for ensuring a close planning or budget link.
- **5-year Capital Investment Programme-** this includes public investments from all funding sources. It informs public investments from different sectors/funders in terms of location and time and provides some orientation for all funding agencies.
- Development of a five year investment programme aligned with the IDP, Budget and Five National Key Performance Indicators will be central in terms of monitoring and evaluation processes
- Cost recovery and Asset management strategies prove as critical components and base of the entire plan

SECTION TWO : STRATEGIC DEVELOPMENT FRAMEWORK

The development of the financial plan is based on the strategic intentions, programmes and projects identified by council through its Integrated Development Plan. To this end, the section seeks to table the developmental framework that guide the district wide ambitions and most importantly attempt to align that with the budgeting process and subsequently culminate into a strategic investment plan for the district.

The IDP developmental objectives will in the main, guide and facilitate the nature of investment required in the district and further assist in proper allocation of resources.

2.1 Powers and Functions of the District

In order to develop a functional capacity of the municipality, it is necessary to be aware of the powers and functions as they were gazetted. The functional responsibilities applicable to uMzinyathi District Municipality in relation to the local municipal functions, which have a bearing on district responsibilities, are shown in the table below.

The District functional responsibilities are shown in light blue and the related local municipality responsibilities for that particular function are shown in orange. The yellow coloured areas represent shared functions. Local jurisdiction is shown with an L.

	DISTRICT MUNICIPALITY FUNCTIONS AND RESPONSIBILITIES	241	242	244	245
1	Water and sanitation				
2	Integrated Development Planning at District Level, Framework Plans & the support of local municipalities	L	L	L	L
3	Passenger transport regulation				
4	Tourism promotion at District level				
5	Local tourism	L	L	L	L
6	Solid waste disposal sites - strategy relating to regulation of waste disposal and establishing operation and control of waste disposal sites, bulk waste transfer facilities and waste disposal facilities for more than one local municipality				
7	Municipal roads which form an integrated part of a road transport system for the area of the district	L	L	L	L
8	Municipal airports serving the area of the District Municipality as a whole				
9	Municipal environmental health serving the area of the District Municipality as a whole				
10	Fire fighting services for district municipality including				

DISTRICT MUNICIPALITY FUNCTIONS AND RESPONSIBILITIES		241	242	244	245
	planning, co-ordination and regulation, specialised services as mountain, veld & chemical fires services; co-ordination of standards of infrastructure, vehicles, equipment and procedures. Training of fire officers	L	L	L	L
11	Fresh produce markets and (abattoirs) serving the area of the District Municipality as a whole				
12	Cemeteries and crematoria	L	L	L	L
13	Municipal public works relating to any of the above functions and/ or other functions assigned to the District Municipality				
15	The receipt, allocation and, if applicable ,distribution of grants made to the District Municipality				
16	The imposition and collection of taxes, levies and duties as related to the above functions or may be assigned to the District Municipality in terms of National legislation.				
17	Air Pollution				
18	Building regulations	L	L	L	L

2.2 Vision

“UMzinyathi District Municipality shall be a self sustainable organisation that promotes integrated development”.

2.3 The Mission

UMzinyathi shall be a dynamic and effective District which:

- Strive to achieve financial, eco-social sustainability,
- Support co-operative governance through participation,
- Commits itself to deliver services according to its constitutional mandate,
- Support poverty alleviation through job creation, and
- Preserve its cultural and natural heritage.

2.3.1 Core Values

- Integrity;
- Transparency;
- Professionalism
- Co-operation
- Innovation , and
- Accountability

2.4 UMzinyathi District Municipality Overall Strategy

UMzinyathi developed strategies in line with key performance indicators of the five year local government agenda which are:

2.4.1 Basic Service delivery and infrastructure Development

This strategy focuses on facilitating the provision of new infrastructure and also the maintenance of existing infrastructure to ensure sustainable service delivery within the community.

2.4.2 Municipal Institutional development and transformation

This strategy focuses in promoting sound administration which is efficient and effective that will enable the municipality to meet its developmental needs

2.4.3 Municipality Financial viability and management

This strategy focuses on ensuring sound financial management and responsible budgeting as per the requirements of the MFMA that will ensure proper alignment with the municipality's IDP.

2.4.4 Promote Economically and Socially Sound District

The strategy aims to identify potential and feasible initiatives that will contribute to the alleviation of poverty within the District Municipality.

2.4.5 Good Governance and Public Participation

This strategy focuses mainly on accountability to the communities on developmental issues and also introducing systems, procedures and processes in place to allow maximum participation.

For the implementation of the municipal strategy the Municipality must have systems to raise revenue and manage its finances in a manner that will see it achieving its developmental priorities as outlined in its capital investment programme.

2.5 Key Development Programmes

The key strategic development objectives have been used extensively to design interventionist programme aimed at mitigating the impact of socio-economic ills and most importantly stimulate much desired economic growth within the district. To this end, the municipality has formed a formidable partnership with Gijima KZN in developing key sector plans within economic development front. Furthermore, it is worth noting that the large percentage of grants is directly allocated towards infrastructure development and improvements.

Indeed, the need persist for our municipality to raise at least relatively sufficient amount of funding to execute most of the planned initiatives within our district. The suggested strategies in this plan, if well implemented will allow the municipality to be driven by initiative, strong financial management principles and private public partnerships in spearheading district wide development.

2.6 IDP Implementation trends and challenges

The municipalities in general are experiencing challenges in implementing their IDP's due to limited funding, duplication of resources and limited income sources. Municipalities become too reliant on grant funding to implement theirs IDPs which is not allocated according to the municipal needs and population growth.

The classical case is found from Jeffares and Green (Pty) Ltd backlog study report where it suggested that it will take approximately 28 years to address the current backlog at a cost of approximately R1.37 billion; this is in relation to the MIG allocation being received by the municipality. It must also be noted that 25% of the MIG projects undertaken by the municipality are EPWP compliant. The clear conclusion to be deduced from this scenario is that, it is highly unlikely for that Umzinyathi Municipality will meet the localised guideline of supplying all households with access to clean water by 2008, sanitation facilities by 2010 and electricity by 2012 as called for in 2005.

2.6.1 Key Challenges

To this end, it could be argued that the development of the district will always be undermined and compromised by its very own socio-economic design. The key socio-economic challenges facing our district presents clearly presents the weakness of our economy and subsequent poor financial or revenue base.

- The district economy remains too dependant on government and social services;
- The GDP per capita value of the district economy is the second smallest in KwaZulu-Natal;
- Mining, manufacturing remain declining sectors but have some strength in their resilient remnants;
- There is a weak social base, with the district having the highest levels of unemployment and illiteracy in KwaZulu –Natal;
- Umzinyathi has the second lowest Human Development Index of all the districts in the province;
- There are low levels of local demand as a result of low household income;
- The southern municipal clusters in particular have an outward focus (towards the Midlands in particular). There is substantial economic leakage from these economies;
- There are low levels of reinvestment into productive sectors. The service sector dominates the economy and there is limited investment in tourism and agriculture;
- The District is largely rural, with a low population density. This means that purchasing power is diluted and service costs are higher;
- There has been a lack of progress around meaningful and practical Growth and Development partnerships between government, business and civil society to optimise the district economies strengths and deal with threats and weaknesses;

SECTION THREE : FINANCIAL PLANNING

Over the last two years, the Municipality has been implementing new national government legislation. The legislation is aimed at improving systems and processes to ensure effective, efficient and economic service delivery. Whilst the impact of implementing the new legislation is demanding, this has not negatively impacted on the Municipality's service delivery programmes to meet the needs of previously disadvantaged communities. In order to fulfill financial, legislative and developmental requirements, much of the Municipality's capital budget has been redirected for new developmental expenditure. It has also extended its existing operating budget over a wider area in order to fulfill developmental goals.

In this regard, the financial response to the challenges facing the Umzinyathi District require that our limited resources are used strategically and that a focus be given to growing the revenue streams available to address current and future needs. Based on the Municipality's strategic focus areas, the allocation of resources in the Medium Term Expenditure Framework (MTEF) should strongly reflect a "Develop and Maintain" budget.

3.2 Financial Strategy Overview

Plugging the holes by:

- Promoting effective expenditure to avoid recurring surpluses on operating budget and conditional grants
- vigorously pursuing credit control policies
- increasing efficiencies by working smarter, managing performance and alternative service delivery mechanisms

Increasing revenue by:

- Improving collections
- Increasing rates base
- Increasing share of intergovernmental grants to pay for unfunded/partially funded mandates
- Vigorously pursuing cost cutting measures
- Pursuing public private partnerships at both programme and project level

3.3 Financial Guidelines

The guidelines and strategies considered during the strategies phase were designed, inter alia, to:

- Expand the revenue base of the Municipality;
- Promote economic development of the Municipality in line with District Spatial Development Framework
- Develop a financial structure for the institutional section of the Municipality and staff it on a prioritized basis as funding became available;
- Centralize information and specialist skills within the Municipality with and access capacity support from the province;
- Ensure the implementation of standard institutional policies and procedures to direct the operation of the Municipality; and
- The strategies were all developed to address identified objectives and provide a step-by-step or sequential process with timeframes to the finalization of each step.

3.4 Financial Arrangements

- All expenditure will be incurred in the Municipality in accordance with the operational budgetary provision.
- Development of the operational budget on an annual basis will be undertaken in consultation with affected communities/stakeholders in accordance with guidelines laid down in the Municipal Finance Management Act.
- Approval of expenditure and effecting of payment in accordance with documented delegations of authority in line with MFMA.
- The principle of separation of duties will be observed at all times – i.e. a person involved in billing of services and issue of statements cannot be responsible for the collection of revenue.
- Each financial official has been provided with a job description outlining his/her duties – acceptance of the responsibilities encapsulated in the job description to be by affixed signature
- On a monthly basis a cash flow projection will be completed for the ensuing six monthly period to facilitate management of cash flow
- A preferred list of suppliers/service providers, based on the principle of supporting the local economy, will be prepared – purchase from any other supplier/service provider will have to be motivated prior to purchase
- Where required, tenders will be called for from the list of approved suppliers/service providers; unless specifically excluded, all other purchases require the prior securing of three quotations in line with Supply Chain Management policy.

- Terms of payment will be negotiated with creditors and advantage taken of cash discounts only when economically justified and possible in terms of cash flow
- Stocktaking of stores items is to be undertaken on a quarterly basis and any significant variances reported to Council
- On an annual basis the asset register, which is updated as assets are acquired/disposed of during the year, is to be reconciled with a physical stock take of assets
- All consumers are to be issued with statements in accordance with the payment arrangement laid down by the Municipality
- A credit control policy is to be approved by Council in terms of which strict debt collection procedures will be enforced including the engagement of legal proceedings to elicit payment
- The top 20 of Consumers to be subject to an inspection on at least a biannual basis
- A monthly report to be submitted to Council reflecting actual revenue and actual expenditure to date against budget, explanation of significant variances, and cash flow projection
- An internal audit function reporting directly to the Municipal Manager will provide an independent review facility of the financial management function

3.5 Financial Guidelines and Procedures

- Debtor, creditor and bank reconciliation to be complied on a monthly basis and reviewed by Chief Financial Officer.
- Payment of services can be affected electronically, by deposit into the Municipality's bank account, by payment at a service delivery centre or by cheque/postal order submitted in the mail
- On a daily basis an interim statement is to be obtained from the bank to establish direct deposits, dishonored cheques and Consumers accounts updated accordingly.
- The debt collection process is to be strictly adhered to and actions specified taken on due date
- Payment to be effected on original invoice, duly authorized, only and then only if accompanied by an approved order or requisition
- Prior to an a order or requisition being forwarded to a supplier, an authorization process is followed including the verification of availability of funds on the operational budget
- No person authorizing the issuing of an order or requisition may also be a signatory to the cheque affecting payment to the supplier
- The financial system will be subject to a monthly closure at which point reconciliation's will be finalized and month end journals completed

SECTION FOUR: CURRENT BUDGET ANALYSIS

4.1 Salaries and allowances budgeted amount is R23 572 913

The budget for this category has increased by 25% due to provisions made on the vacant and new proposed posts. However the individual staff increase will remain inline with Employer Organization three year agreement reached on salary increases, provision was made for a general increase of 6.5% in salaries and allowances.

Provision was made for a 9% increase for salaries, allowances and benefits for councillors, which 8.3% is for the salary increase as per SALGA Bargaining Council circular 04/2008 and 0.7% is budgeted for the restructuring of salaries and wages. Implementation of councillors allowances will be subject to a determination of upper limits by the Minister of Provincial and Local Government. This section equals 24% of the total operating expenditure and 10% of the total operating and capital budget which is acceptable as it is below 35% allowable limit.

4.2 General expense budgeted amount is R67 724 889

The total provision for this category has increased by 5.7% on the previous year. The provision for expenditure of the water service provider has been maintained at R42 411 318. Water service provision costs are 63% of the general expense category. This section equals 69% of the total operating expenditure. Included in the General Expenses is the Operation programs listed the budget book.

4.3 Repairs and Maintenance budgeted amount is R1 412 700

Expenditure in this category increased by 83% to R 644 200 due to provision of renovation of the Municipal Building. This section equals 1% of the total operating expenditure.

4.3 Capital expenditure from income budgeted amount is R5 323 174

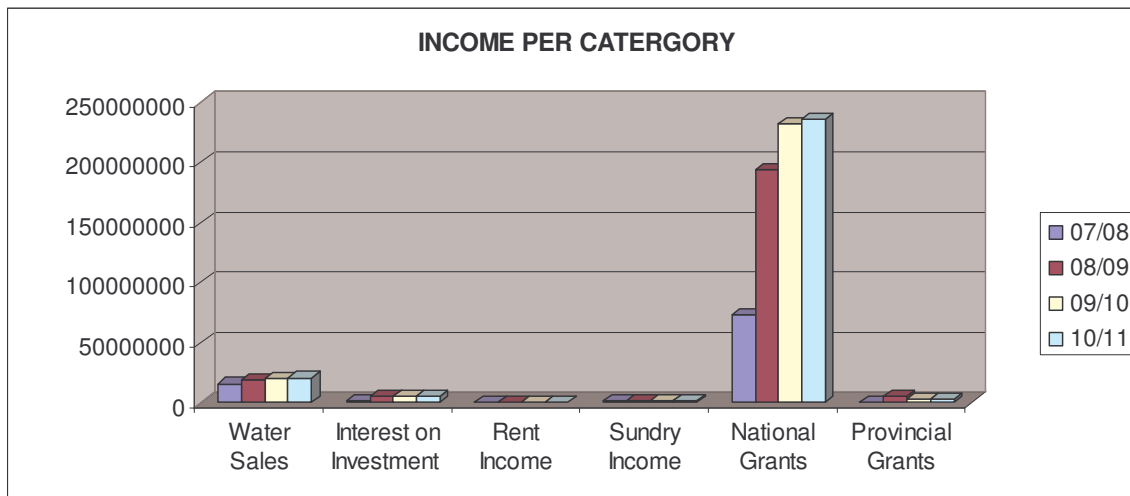
The provision increased from R301 000 to R 5 323 174 due to provision of R1ml for landfill site, R1.2ml for Community Hall – Msinga, R0.7ml for Enseleni Community Hall Greytown, R0.1ml Msinga Poultry Pan and R1ml for vehicles. This section equals 0.05% of the total operating expenditure.

4.4 Loan Charges budget amount is R834 203.00

This category, being interest and redemption on loans, decreased by R 834 203.00. This section equals 1% of the total operating expenditure.

4.5 Five Year Operating and Capital Budget per Income source

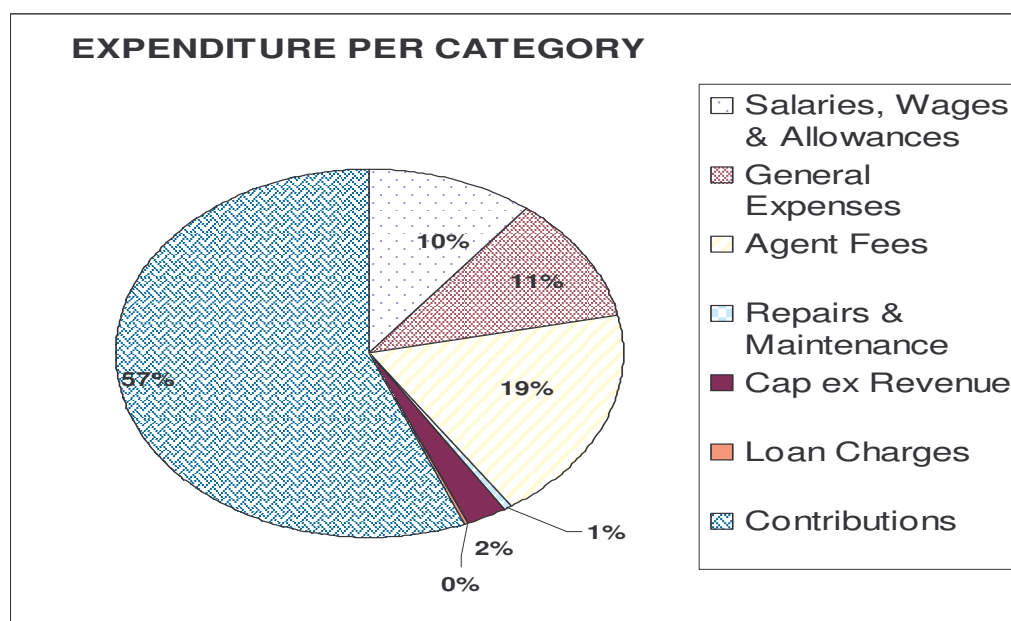
UMZINYATHI DISTRICT MUNICIPALITY					
FIVE YEAR OPERATING AND CAPITAL BUDGET PER INCOME SOURCE					
Department	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
INCOME					
Water Sales	-19,000,000	-19,893,000	-20,808,078	-21,848,482	-22,940,906
Interest on Investment	-5,000,500	-5,235,524	-5,476,358	-5,750,176	-6,037,685
Rent Income	-330,000	-345,510	-361,402	-379,472	-398,446
Sundry Income	-1,533,300	-1,739,365	-1,823,211	-1,914,372	-2,010,090
National Grants	-193,614,000	-232,099,000	-236,201,000	-248,011,050	-260,411,603
Provincial Grants	-5,460,000	-2,636,000	-3,017,000	-3,167,850	-3,326,243
TOTAL	-224,937,800	-261,948,399	-267,687,049	-281,071,401	-295,124,972



The income categories clearly confirm the high dependency of our district on National grants. At least for the next five years the IDP implementation would rely on these grants, while the district will be implementing its newly devised strategies to increased revenue base and grow internal revenue. The water sales appear to be the best internal source of income, however the need still persist for improved collection strategies that bring increase to the collected amount.

4.6 Operating and Capital Expenditure per Main Expenditure Votes

UMZINYATHI DISTRICT MUNICIPALITY					
FIVE YEAR OPERATING AND CAPITAL BUDGET PER MAIN EXPENDITURE VOTES					
Department	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
EXPENDITURE					
Salaries, Wages & Allowances	23,572,913	25,350,739	27,125,279	28,481,543	29,905,620
General Expenses	67,724,889	84,743,333	100,770,217	105,808,728	111,099,164
Repairs & Maintenance	1,412,700	1,479,097	1,547,133	1,624,490	1,705,714
Cap ex Revenue	5,323,174	5,562,894	5,818,785	6,109,724	6,415,210
Loan Charges	834,203	873,412	913,591	959,271	1,007,234
Contributions	126,069,921	143,938,924	131,512,042	138,087,644	144,992,026
TOTAL	224,937,800	261,948,399	267,687,047	281,071,399	295,124,969

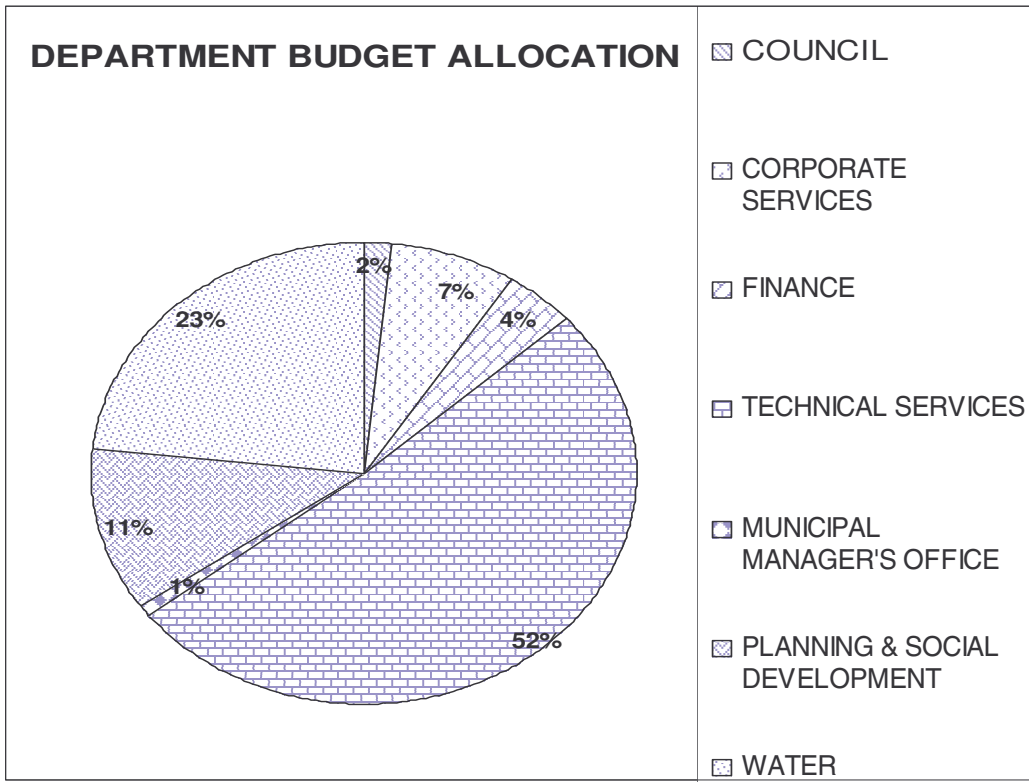


4.7 Five Year Operating and Capital Budget Income per Department

UMZINYATHI DISTRICT MUNICIPALITY					
FIVE YEAR OPERATING AND CAPITAL BUDGET INCOME PER DEPARTMENT					
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
INCOME					
COUNCIL	-32,933,000	-41,214,830	-51,230,100	-53,791,605	-56,481,185
CORPORATE SERVICES	-348,000	-364,356	-381,115	-400,171	-420,179
FINANCE	-20,509,500	-22,264,524	-23,947,358	-25,144,726	-26,401,962
TECHNICAL SERVICES	-107,052,000	-124,330,705	-102,602,427	-107,732,548	-113,119,176
MUNICIPAL MANAGER	-	-2,000,000	-5,000,000	-5,250,000	-5,512,500
PLANNING AND SOCIAL DEV	-6,195,300	-3,505,314	-3,896,328	-4,091,144	-4,295,702
WATER SERVICES	-57,900,000	-68,268,670	-80,629,721	-84,661,207	-88,894,268
TOTAL INCOME	-224,937,800	-261,948,399	-267,687,049	-281,071,401	-295,124,972

4.8 Five Year Operating and Capital Budget Expenditure per Department

UMZINYATHI DISTRICT MUNICIPALITY					
FIVE YEAR OPERATING AND CAPITAL BUDGET EXPENDITURE PER DEPARTMENT					
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
EXPENDITURE					
COUNCIL	4,009,682	4,265,931	4,515,410	4,741,181	4,978,240
CORPORATE SERVICES	16,542,115	17,413,533	18,370,576	19,289,105	20,253,560
FINANCE	9,366,247	14,377,464	23,369,974	24,538,473	25,765,396
TECHNICAL SERVICES	114,856,705	132,616,478	111,359,079	116,927,033	122,773,385
MUNICIPAL MANAGER	2,068,847	4,226,443	7,376,269	7,745,082	8,132,337
PLANNING AND SOCIAL DEV	25,694,335	23,943,691	25,774,530	27,063,257	28,416,419
WATER SERVICES	52,399,869	65,104,859	76,921,211	80,767,272	84,805,635
TOTAL EXPENDITURE	224,937,800	261,948,399	267,687,049	281,071,401	295,124,972

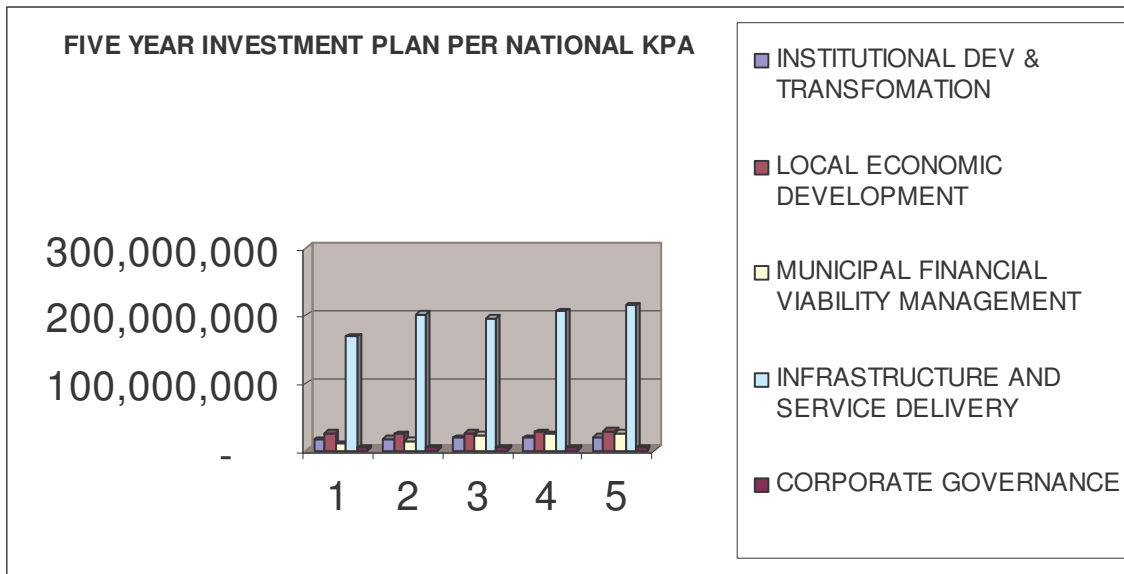


4.9 Five Year Capital Investment Plan Budget per Expenditure Category

UMZINYATHI DISTRICT MUNICIPALITY					
FIVE YEAR CAPITAL INVESTMENT PLAN BUDGET PER EXPENDITURE CATEGORY					
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
OFFICE EQUIPMENT & FURNITURE	1,333,174	1,078,934	1,128,563	1,184,991	1,244,241
VEHICLES	1,000,000	1,047,000	1,095,163	1,149,921	1,207,417
COMMUNITY SERVICES LOCAL ECONOMIC DEVELOPMENT	3,800,000	3,224,760	3,373,099	3,541,754	3,718,842
WASTE MANAGEMENT	3,660,000	2,636,000	3,017,000	3,167,850	3,326,243
WATER SERVICES - MIG	1,000,000	-	-	-	-
SANITATION - MIG	76,868,387	67,929,500	65,983,075	69,282,229	72,746,340
RUDIMENTARY PROGRAMM - MIG	11,761,613	39,288,500	27,602,925	28,983,071	30,432,225
PMU INSTITUTIONAL SUPPORT-MIG	9,500,000	6,500,000	-	-	-
CAPITAL DEVELOPMENT FUND	2,500,000	500,000	-	-	-
WATER SERVICES -OTHER GRANTS	9,639,239	12,650,074	21,442,460	22,514,583	23,640,312
SANITATION - MIG MUNICIPAL SYSTEMS IMPROVEMENT	3,534,682	3,310,050	11,944,542	12,551,219	13,178,780
	5,561,000	9,602,000	-	-	-
	1,235,000	1,735,000	1,735,000	1,821,750	1,912,838
TOTAL	131,393,095	149,501,818	137,321,827	144,197,368	151,407,237

4.10 Five Year Investment Plan Budget as National Key Performance Indicator

UMZINYATHI DISTRICT MUNICIPALITY					
FIVE YEAR INVESTMENT PLAN BUDGET AS NATIONAL KEY PERFORMANCE INDICATOR					
	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
INSTITUTIONAL DEVELOPMENT AND TRANSFORMATION	16,542,115	17,413,533	18,370,576	19,289,105	20,253,560
LOCAL ECONOMIC DEVELOPMENT	25,694,335	23,943,691	25,774,530	27,063,257	28,416,419
MUNICIPAL FINANCIAL VIABILITY MANAGEMENT	9,366,247	14,377,464	23,369,974	24,538,473	25,765,396
INFRASTRUCTURE AND SERVICE DELIVERY	169,325,421	201,947,780	195,656,559	205,439,387	215,711,356
CORPORATE GOVERNANCE	4,009,682	4,265,931	4,515,410	4,741,181	4,978,240
TOTAL	224,937,800	261,948,399	267,687,049	281,071,401	295,124,972



SECTION FIVE: FINANCIAL STRATEGIES

The strategic response to financial viability and sustainability of Umzinyathi District Municipality will need to take into cognisance strategies for plugging existing holes into the system and further increase revenue streams with intent to rely less on external grants in the long run.

Plugging the holes by:

- Promoting effective expenditure to avoid recurring surpluses on operating budget and conditional grants
- vigorously pursuing credit control policies
- increasing efficiencies by working smarter, managing performance and alternative service delivery mechanisms

Increasing revenue by:

- Improving collections
- Increasing rates base
- Increasing share of intergovernmental grants to pay for unfunded/partially funded mandates
- Vigorously pursuing cost cutting measures
- Pursuing public private partnerships at both programme and project level

5.1 Capital and Operational Financial Strategies

- Available monies are to be used in strict accordance with the approved budgets
- The Municipality must ensure the timeous submission of requests for funding to the responsible organizations
- Funds allocated for a specific purpose are to be used for that purpose only
- Where capital projects are to be funded by donor organizations, the Municipality must ensure that the funds have been secured prior to their inclusion in the capital budget

5.2 Revenue Raising Strategies

- All Consumers must be to register and billed for services rendered.
- A debts collection service to be instituted to monitor the billing and payment of services.
- An adoption of credit control policy; part of the debt collection process is the levying of interest on outstanding payments
- Fast racking of formalization of towns.
- Attracting investors for property development in order to enhance rates income.

5.3 Asset Management Strategies

- All assets whether fixed or moveable are to be recorded in a asset register which is electronically maintained
- The asset register is updated when assets are acquired (purchase or transfer once a capital project has been completed) or disposed of
- On an annual basis at least there must be a reconciliation between the physical asset holding and that reflected in the asset register
- Where capital assets are transferred from the District Municipality, budgetary provision for the operation and maintenance of those assets must be included

5.4 Cost Effectiveness Strategies

- Development of a functional organizational structure that is staffed with appropriate personnel who contribute to the efficacy of the Municipality
- The implementation of internal controls that ensure the management of stock holding (control over shrinkage), management of cash flow to reduce usage of overdraft facilities with attendant penal interest rates and ensure efficient investment of surplus monies.

5.5 Policy Development and Refinement Strategy

The council is committed in an ongoing development of policies that are compliant with the Municipal Financial Management Act and other regulations in order to ensure smooth functioning of council and realisation of financial viability status. The council will seek to refine or revise amongst other things, credit control policy, tariff policy, investment and cash management policy so as to enhance income or revenue streams.

SECTION SIX: KEY SUPPORT PROGRAMMES

This section seeks to present compliant driven programmes that would allow the municipality to realise desired financial health, viability and sustainability thereof. It is argued that, the developed strategies will depend heavily on the successful compliance, adherence to internally designed policies and proper management of financial resources.

Programme 1: Produce an annual update of the District's Medium Term Expenditure Framework (MTEF)

While the MTEF sets out a medium term expenditure plan for the Municipality, it must also show the specific intentions of the Council with respect to:

- Clear, affordable development targets
- Development of a 10 year maintenance plan for district infrastructure and services.
- Targeted expenditure to unlock economic development and grow the rates base.

In this regard, a forecasting model will be developed which allows for informed decisions to be made on an ongoing basis in terms of cash flow, investments, borrowings and long term sustainability of the district municipality.

Programme 2: Budget according to IDP priorities

The Municipality has committed itself to ensuring that the budgeting process is aligned to the IDP. The strategy to achieve this programme is to ensure that the budget process is aligned to the IDP so that what gets budgeted is reflected as a priority in the IDP. The programme has given rise to approval of policies and programmes that guide service delivery. Key to this approach is ensuring that the Municipality focuses its limited resources on the challenges expressed by the people of Umzinyathi and, most importantly, improving alignment with other spheres of government, including the development of Public Private Partnerships.

Programme 3: Effectively manage credit control

The focus of the credit control exercise is to reduce the debt of the Municipality by:

- Developing proactive credit control measures to reduce debt and ensure appropriate sanctions are implemented.
- Implementing new revenue systems to ensure timeous, regular and accurate billing of accounts.
- Maintaining ongoing customer communication in order to promote awareness, foster financial responsibility, and promote a culture of payment.

Programme 4: Grow revenue streams

The Department of Finance will champion the drive to sensitise all Council departments to identify cost savings and/or revenue generating opportunities in all areas of operation. Over the next five years, a concerted effort will be needed to focus on increasing the rates base. Proper collection processes as stipulated under financial guidelines above will have to be strictly adhered to.

Programme 5: Seek alternative sources of funding

In addition to the obvious need to grow the District's revenue by increasing its tax base, other means for securing funding for Council projects must be explored in a variety of ways. Some of the focus areas include government grant funding and project and programme funding, partnerships with international agencies like the European Union and other agencies at programme level and entering into partnerships with the private sector on key projects and programmes.

It has been noted that, there is little drive within the municipality to prepare business plans to be used in leveraging additional funding. So, this programme will depend on the joint efforts of Financial and Planning department to drive it vigorously.

Programme 6: Reduce cost to the organisation

The focus here is to ensure that our tariffs are affordable and value for money is being achieved. Accordingly, costs are scrutinised on an ongoing basis, and targets are then selected and prioritised according to the following ratings:

- Most obvious: here the cost element that is most out of line with the budget needs immediate attention.
- Easiest: a small saving that is quickly reaped with little effort cannot be ignored.
- Worst first: sometimes a cost situation is so critical that it begs for immediate attention
- Biggest impact: those cost items that will deliver the biggest long-term savings if reduced.

This Financial Plan is not exhaustive, but it requires an ongoing assessment and be updated accordingly in order to accommodate future challenges within the district.