

## **9. Financial profile**

The financials of water services are divided into two aspects namely, new capital projects and operations and maintenance (O&M) of existing infrastructure. The financial budgets of the ZDM are divided between income and expenditure for each of these aspects, and are further separated between water and sanitation.

### **9.1 Capital funds**

Indicated below in Tables 9.1 (a) & (b) is the capital required to meet the national objectives of eradicating backlogs for water and sanitation by providing at least the RDP level of service to all households. The costs indicated have been calculated at present value and therefore excludes an allowance for future escalation. Tables 9.1 (c) & (d) indicate available funding up to 2014 and the shortfall in funding in order to eradicate backlogs by not later than 2014.

Current and future refurbishment requirements have not yet been included since investigations in this regard are still being done and the results will be included in future revisions of the document.

**Table 9.1 (a): Capital requirements: water**

<b>WATER</b>	<b>Capital requirements</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>&gt;2015</b>
Regional bulk	R 1 747 706 529	R 118 082 700	R 140 246 274	R 132 648 474	R 118 142 374	R 118 142 374	R 1 120 444 333
Secondary bulk	R 1 327 564 922	R 33 737 914	R 40 070 364	R 37 899 564	R 33 754 964	R 33 754 964	R 1 148 347 152
Reticulation	R 157 862 420	R 16 868 957	R 20 035 182	R 18 949 782	R 16 877 482	R 16 877 482	R 68 253 535
<b>Total capital (new)</b>	<b>R 3 233 133 871</b>	<b>R 168 689 571</b>	<b>R 200 351 820</b>	<b>R 189 497 820</b>	<b>R 168 774 820</b>	<b>R 168 774 820</b>	<b>R 2 337 045 020</b>
Regional bulk	tbd	tbd	tbd	tbd	tbd	tbd	tbd
Secondary bulk	tbd	tbd	tbd	tbd	tbd	tbd	tbd
Reticulation	tbd	tbd	tbd	tbd	tbd	tbd	tbd
<b>Total capital (refurbishment)</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>
<b>Total capital</b>	<b>R 3 233 133 871</b>	<b>R 168 689 571</b>	<b>R 200 351 820</b>	<b>R 189 497 820</b>	<b>R 168 774 820</b>	<b>R 168 774 820</b>	<b>R 2 337 045 020</b>

**Table 9.1 (b): Capital requirements: sanitation**

<b>SANITATION</b>	<b>Capital requirements</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>&gt;2015</b>
Bulk infrastructure	R -	R -	R -	R -	R -	R -	R -
Reticulation	R -	R -	R -	R -	R -	R -	R -
VIP toilets	R 418 168 000	R 40 830 800	R 42 398 600	R 42 398 600	R 42 398 600	R 42 398 600	R 207 742 800
<b>Total capital (new)</b>	<b>R 418 168 000</b>	<b>R 40 830 800</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	<b>R 207 742 800</b>
Bulk infrastructure	tbd	tbd	tbd	tbd	tbd	tbd	tbd
Reticulation	tbd	tbd	tbd	tbd	tbd	tbd	tbd
VIP toilets	tbd	tbd	tbd	tbd	tbd	tbd	tbd
<b>Total capital (refurbishment)</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>	<b>tbd</b>
<b>Total capital</b>	<b>R 418 168 000</b>	<b>R 40 830 800</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	<b>R 207 742 800</b>

**Table 9.1(c)**

**Sources of capital income: water**

<b>WATER</b>	<b>Expected Funding</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>&gt;2014</b>
MIG	R 614 314 031	R 143 689 571	R 156 874 820	R 156 874 820	R 156 874 820	Unknown
DWAF	R 111 000 000	R 23 000 000	R 43 477 000	R 32 623 000	R 11 900 000	Unknown
Housing	R -	R -	R -	R -	R -	Unknown
Other grant funding	R -	R -	R -	R -	R -	Unknown
Loans	R -	R -	R -	R -	R -	Unknown
<b>Confirmed funding</b>	<b>R 725 314 031</b>	<b>R 166 689 571</b>	<b>R 200 351 820</b>	<b>R 189 497 820</b>	<b>R 168 774 820</b>	
Capital requirements	R 3 233 133 871					
<b>Shortfall</b>	<b>R -2 507 819 840</b>					

**Table 9.1(d)**

**Sources of capital income: sanitation**

<b>SANITATION</b>	<b>Expected Funding</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>&gt;2014</b>
MIG	R 166 026 600	R 38 830 800	R 42 398 600	R 42 398 600	R 42 398 600	Unknown
DWAF	R 2 000 000	R 2 000 000	R -	R -	R -	Unknown
Housing	R -	R -	R -	R -	R -	Unknown
Other grant funding	R -	R -	R -	R -	R -	Unknown
Loans	R -	R -	R -	R -	R -	Unknown
<b>Confirmed funding</b>	<b>R 168 026 600</b>	<b>R 40 830 800</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	<b>R 42 398 600</b>	
Capital requirements	R 418 168 000					
<b>Shortfall</b>	<b>R -250 141 400</b>					

## **9.2 Operating costs and income (water & sanitation)**

Of critical importance is the funding of Operations and Maintenance of existing and future schemes as they are being commissioned. Correct O&M of physical infrastructure is arguably more important than infrastructure construction because unless successful preventative maintenance procedures are instituted schemes will become inoperative. As a large proportion of expenditure relates to staff, competent personnel are required to ensure that the large investments in water services are not negated through dysfunction or dereliction.

Table 9.2 (a) below shows the operational costs associated with the provision of water services in the district. The figures have been derived from the ZDM budget of 2009/10.

## **9.3 Tariffs and charges**

The ZDM tariff structure for various levels of water and sanitation services, including the Free Basic Services (FBS) allowance to households, are indicated in Table 9.3 (a) below. The demographics of the ZDM indicate that the level of poverty in the ZDM is high (Section 1). The ZDM cannot afford the expenses of maintaining an indigent roster and therefore provides all households in the district with FBS. Only institutions (schools, clinics, etc.) are not provided with FBS. ZDM might in future refine the above approach to a more targeted approach based on different residential areas.

**Table 9.2 (a): Operational costs and income**

<b>Operating costs and income</b>	<b>Total (5 years)</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
Operational costs	R 666 999 959	R 114 139 090	R 126 379 291	R 133 962 049	R 141 999 771	R 150 519 758
Personnel costs	R 444 666 639	R 76 092 727	R 84 252 861	R 89 308 032	R 94 666 514	R 100 346 505
<b>Total O&amp;M costs</b>	<b>R 1 111 666 598</b>	<b>R 190 231 817</b>	<b>R 210 632 152</b>	<b>R 223 270 081</b>	<b>R 236 666 286</b>	<b>R 250 866 263</b>
Equitable share	R 1 003 196 990	R 170 778 345	R 190 283 820	R 201 700 849	R 213 802 900	R 226 631 074
Income: sales	R 108 469 608	R 19 453 472	R 20 348 332	R 21 569 231	R 22 863 385	R 24 235 188
<b>Total income</b>	<b>R 1 111 666 598</b>	<b>R 190 231 817</b>	<b>R 210 632 152</b>	<b>R 223 270 081</b>	<b>R 236 666 286</b>	<b>R 250 866 263</b>

Table 9.3 (a): ZDM water services tariffs

ZDM Water and Sewage Tariffs	Ulundi	Nongoma	Pongola	eDumbe
<b>Water tariffs</b>				
0-6/kl	-	-	-	-
7-30/kl	4.40	4.40	3.34	4.40
31-40/kl	5.30	5.30	4.90	5.30
>40 kl	6.15	6.15	6.15	6.07
Commercial and Industrial	5.83	-	5.83	5.57
Unmetered	73.51	-	73.51	-
Other business and state	4.82	4.77	3.34	4.82
Residential-3 months consumption limited to R250	273.79	273.27	273.27	273.79
<b>Water connections</b>				
Residential	cost +10%	cost +10%	cost +10%	cost +10%
Businesses	cost +10%	cost +10%	cost +10%	cost +10%
<b>Meter tampering</b>				
First offence	985.65	985.65	985.65	985.65
Second offence	1 971.29	1 971.29	1 971.29	1 971.29
Third offence				
<b>Water reconnection fee</b>	114.44	114.44	114.44	114.44
<b>Water tankers</b>				
Loads	-	-	-	-
Rate per kilometer	4.36	4.36	4.36	4.36
Rate per kiloliter	5.68	5.68	5.68	5.68
<b>Other consumers</b>				
Where no working water meter is installed on which the property is occupied	Average based on previous consumption will apply			
<b>Stand alone/ dedicated schemes</b>	cost + 10%	cost + 10%	cost + 10%	cost + 10%
<b>Sewerage tariffs</b>				
<b>Domestic</b>				
Basic 0-40kl	50.38	50.38	50.38	50.38
Sewer excess >40kl of water consumption				
Sewer excess - Fixed charge				
<b>Non domestic, Commercial, High density</b>				
Basic 0-40kl	50.38	50.38	50.38	50.38
Sewer excess >40kl of water consumption	2.16	2.16	2.16	2.16
<b>Vacuum Tank Service per 5kl or part thereof</b>				
Normal week days	91.56	91.56	91.56	91.56
Weekends and Public Holidays	320.44	320.44	320.44	320.44
Rate per Kl	4.34	4.34	4.34	4.34
<b>Stand alone/ dedicated schemes</b>	cost + 10%	cost + 10%	cost + 10%	cost + 10%

## **9.4 Income and sales**

ZDM has developed a WSP reporting system, which is in the process of being rolled out, where actual income from water sales will be monitored on a monthly basis. Data from this system will be included in future revisions of the WSDP.

## **9.5 Metering and billing**

The WSP reporting system referred to above will also report on metered and unmetered supply points and strategies being implemented to improve the situation. Data from this system will be included in future revisions of the WSDP.