



DR. BEYERS NAUDÈ LOCAL MUNICIPALITY

LONG TERM FINANCIAL PLANNING POLICY

<p>APPROVED & ADOPTED BY COUNCIL ON (RESOLUTION NO.....)</p>	<p>TO BE REVIEWED: 30TH JUNE 2024.</p>	<p>RESPONSIBLE ADMINISTRATION UNIT: BUDGET AND TREASURY</p> <p>DIRECTORATE: FINANCIAL SERVICES</p>
<p>DR. E.M RANKWANA: MUNICIPAL MANAGER</p>		

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1. **DEFINITIONS**

“Basic municipal service” means a municipal service that is necessary to ensure an acceptable and reasonable quality of life and which, if not provided, would endanger public health or safety or the environment.

“BSC” means Budget Steering Committee, a committee established in terms of regulation 4 of the Municipal Budget Reporting Regulations (MBRR), to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Municipal Finance Management Act (MFMA).

“Budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the municipality, including— (a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act; (b) the rates policy which the municipality must adopt in terms of legislation regulating municipal property rates; or (c) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act.

“Chief Financial Officer (CFO)” means a person designated in terms of section 80(2)(a) of the MFMA.

“IDP” means the Integrated Development Plan.

“LTFP” means Long Term Financial Plan.

“Long Term” refers to any period longer than 5 (five) years).

“Long-term debt” means debt repayable over a period exceeding one year.

“MBRR” means the Municipal Budget and Reporting Regulations.

“MFMA” means the Municipal Finance Management Act No 56 of 2003.

“MTREF” means Medium Term Revenue and Expenditure Framework, as prescribed by the MFMA. It sets out indicative revenue and projected expenditure for the budget year, plus two outer financial years.

“Municipality” means the Dr Beyers Naudé Local Municipality.

“Medium Term” refers to a period between 3 (three) and 5 (five) years.

"Municipal Council" or "council" means the council of a municipality referred to in section 18 of the Municipal Structures Act.

“Municipal tariff” means a tariff for services, which a municipality may set for the provision of a service to the local community and includes a surcharge on such tariff.

“Municipal tax” means property rates or other taxes, levies, or duties that a municipality may impose.

“National Treasury” means the National Treasury established by Section 5 of the Public Finance Management Act.

“Short Term” refers to a period up to 3 (three) years.

2. **INTRODUCTION**

A municipality’s financial plan integrates the financial relationships of various revenue and expenditure streams to give effect to the Integrated Development Plan (IDP). It provides guidance for the development of current budgets and assesses financial impacts on outer years’ budgets by incorporating capital expenditure outcomes, operating expenditure trends, optimal asset management plans and the consequential impact on rates, tariffs, and other service charges.

The policy aims to ensure that all long-term financial planning is based on a structured and consistent methodology therefore enabling delivery of the municipality’s strategies whilst ensuring long term financial sustainability and affordability to achieve objectives over the medium and long term.

3. **LEGISLATIVE FRAMEWORK**

Section 17 (3) of the MFMA states that when an annual budget is tabled it must be accompanied by, amongst others, “any proposed amendments to the budget-related policies of the municipality”.

Section 7 (1)(g) of the Local Government: Municipal Finance Management Act, 2003, Municipal Budget and Reporting Regulations, 2009 (hereafter MBRR) states that policies that affect or are affected by the annual budget of a municipality include “**a policy related to the long-term financial plan**”.

4. POLICY PRINCIPLES

This policy is based on the following principles:

- 4.1 Long-term financial sustainability.
- 4.2 Effective collection of revenue, taking into consideration the socio-economic impact.
- 4.3 Effective utilisation of grant funding.
- 4.4 Continuous improvement and expansion in service delivery framework.
- 4.5 Realistic budgeting.

5. STRATEGIC ALIGNMENT

The key performance areas as outlined in the Integrated Development Plan (IDP) are as follows:

- 5.1 Organizational Transformation & Institutional Development
- 5.2 Service Delivery & Infrastructure Planning
- 5.3 Local Economic Development
- 5.4 Financial Viability
- 5.5 Good Governance & Public Participation

6. POLICY DIRECTIVES

The LTFP is key in achieving the strategic objectives embodied in the IDP. The process of compiling the LTFP must include a review of the past financial performance and considering strategic and policy direction of the municipality to ensure sustainability. The LTFP being a forecasting model requires assumptions on, amongst other, the following internal and external factors:

- a) External factors – demographic trends related to socio economic factors e.g., Population, employment, health, economic development, and new residential areas, etc.
- b) General inflation outlook and its impact on the municipal activities.
- c) Credit rating outlook.
- d) Interest rates for borrowing and investment of funds.
- e) Rates, tariffs, charges, and timing of revenue collection.
- f) Growth or decline in tax base of the municipality.
- g) Collection rates for each revenue source.
- h) Price movements on specifics e.g., bulk purchases of water and electricity, etc.
- i) Average salary increases.
- j) Industrial relations climate, reorganisation, and capacity building.
- k) Changing demand characteristics.
- l) Trends in demand for subsidised basic services.
- m) Impact of national, provincial, and local policies.
- n) Ability of the municipality to spend and deliver on the programmes.
- o) Implications of organisational restructuring.
- p) Consideration of the Cost Containment Regulatory measures; and
- q) Sector Plans and Infrastructure Masterplans.

The annual updated LTFP must identify the following:

- a) Assumptions and parameters to be used to compile the operating- and capital budget over the next MTREF.
- b) Future operating revenue and expenditure projections based on assumptions and parameters.
- c) Future affordability of projected capital plans; and
- d) Funding requirements, which include external funding.
- e) Intergovernmental fiscal transfers/allocations/subsidies from National and Provincial government.

7. ROLES AND RESPONSIBILITIES

The following role players will ensure that the LTFP is implemented in accordance with the prescribed legislative requirements and Council processes.

7.1 The Budget & Treasury Office

- a) Responsible for the preparation, compilation, and presentation of the LTFP in line with this policy; and
- b) Review this policy, in consultation with relevant stakeholders, to ensure maximum compliance in terms of legislation.

7.2 Heads of Departments

- a) Responsible for providing information to the Budget Office to update the long-term financial plan.
- b) Required to identify revenue and expenditure plans for both operating and capital budgets for at least 3 years; and
- c) Required to make recommendations on future service delivery matters.

7.3 Budget Steering Committee

- a) Responsible for providing guidance on technical budget principles on matters relevant to the LTFP; and
- b) Responsible for endorsing the projected MTREF assumptions and parameters contemplated by the LTFP.

7.4 The Mayor

- a) Responsible for providing guidance in terms of section 53 of the MFMA.

8. EVALUATION AND REVIEW

This policy shall be implemented once approved by Council. The policy must be reviewed on an annual basis, or as required due to any legislative changes. Changes in financial strategy, non-financial strategic strategies and legislation must be considered for future amendments to this policy. Any amendments must be tabled to Council for approval as part of the budget process.