

**NGQUSHWA LOCAL
MUNICIPALITY**

**FINAL LONG TERM FINANCIAL
PLANNING POLICY**

2024/2025

ABBREVIATIONS

NLM	NGQUSHWA LOCAL MUNICIPALITY
AO	Accounting Officer
CFO	Chief Financial Officer
LTFP	Long Term Financial Plan
IDP	Integrated Development Plan MFMA Municipal Finance Management Act
MSA	Municipal Systems Act

1. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Local Government: Municipal Finance Management Act, 2003 (Act No 56 of 2003), has the meaning so assigned, and:

“Accounting Officer” – means the Municipal Manager and vice versa;

“Act” – means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“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;

“Budget Steering Committee”, a committee established to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the 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 Policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;

“Chief Financial Officer” – means an employee appointed as such by the Municipal Council as provided for in section 56 of the Structures Act;

“Council” means the Municipal Council of the Ngqushwa Local Municipality

“MFMA” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 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 Local Municipality of Ngqushwa established in terms of sections 12 and 14 of the Municipal Structures Act;

“Municipal debt instrument” – means any note, bond, debenture or other evidence of indebtedness issued by a municipality, including virtual or electronic evidence of indebtedness intended to be used in raising debt;

“municipal tariff” means a tariff for services which a municipality may set in terms of its Tariff Policy for the provision of a service to the local community, and includes a surcharge on such tariff;

“National Treasury” means the National Treasury established by Section 216(1) of the Constitution and section 5 of the Public Finance Management Act;

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

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

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

“Security” – means a lien, pledge, mortgage, cession or other form of collateral intended to secure the interest of a creditor; and

“Short Term Debt” – means a debt which is repayable over a period not exceeding 12 months.

5. APPROVAL AND EFFECTIVE DATE

The policy will be effective as from date of approval by Council

The Accounting Officer must–

- (a) at least annually review the implementation of this Policy; and
- (b) when the AO considers it necessary, submit proposals for the amendment of this Policy to the Council.

The review of this policy and any amendment should be made with due consideration and in conjunction with the annual review of the budget related policies as prescribed in the Municipal Budget and Reporting Regulations, 2008.

6. RELATIONSHIP WITH OTHER POLICIES

This policy needs to be read in conjunction with other relevant adopted policies of the municipality, including the following:

- Delegation of Powers;
- Accounting Policy;
- Credit Control and Debt Collection Policy;
- Tariff, Indigent and Free Basic Services Policy;
- Property Rates Policy;
- Budget Implementation and Monitoring Policy;

7. LEGAL FRAMEWORK

The following prescripts informed this Policy:

- Municipal Finance Management Act, 2003
- Municipal Systems Act, 2000
- Municipal Structures Act, 1998
- Accounting Standards Board

appointed Councilors and Officials and also aims to ensure alignment and credibility of the IDP.

- (iv) Long term nature of the plan that will cover three (3) years.

9. DEVELOPMENT OF FINANCIAL PLAN

9.1 Process Map

Perform a Status Quo assessment under the following criteria: -

- (a) The Municipality's current financial status;
- (b) Audit Outcome for prior Financial Years;
- (c) Current revenue sources, internal and external proportion of revenue;
- (d) Main cost drivers impacting on the sustainability of the Municipality;
- (e) Determine the main expenditure categories and the scale of each;
- (f) Identify internal and external factors, which influence expenditure levels;
- (g) Loan and liability obligations;
- (h) Status of municipal infrastructure;
- (i) Repairs and maintenance and refurbishments as per the Infrastructure Asset Management Plans;
- (j) Distribution Losses;
- (k) Reviewing the Municipality's funding requirements as per:
 - financial plan; and
 - IDP.
- (l) Ability to finance capital expenditure;
- (m) Trends and the implications including the financial problems; opportunities and constraints/risks facing the Municipality;
- (n) Powers and Functions of the Municipality;
- (o) Service backlogs and population projections in order to determine service needs; and

- (c) Current state of Information Communication and Technology

9.4 Financial Modeling

Upon completion of the status quo assessment, resulting in an understanding of the Municipality's financial position, the next phase is to determine the Municipality's financing need over the medium-term: -

- (a) Develop a financial forecast model to identify immediate opportunities and risks; and
- (b) To identify future opportunities and risks.

This entails determining what expenditure the Municipality plans to undertake over the medium-term and what its financing requirements are likely to be and how these can be funded either internally or externally.

As the Municipality evolves and expands its service delivery framework, so do those of the National Government. Long term community development and economic development projects will therefore also be included under this phase.

9.5 Financial Strategies

A key feature of the LTFP is to give effect to the Municipality's financial strategies. These strategies should include:

- (a) Increasing funding for asset maintenance and renewal;
- (b) Continuous improvement to the financial position;
- (c) Ensuring affordable debt levels to fund the capital budget;
- (d) Maintaining fair, equitable and affordable rates and tariff increase;
- (e) Maintaining or improving basic municipal services;
- (f) Achieving and maintaining a breakeven/surplus Operating budget; and
- (g) Ensuring full cost recovery for the provision of internal services.

9.8 Annual Review

The success of the LTFP lies in continuous revision:

- (a) The financial plan must be reviewed on an annual basis as part of the annual review of the IDP and updated with at least the following information: -
- (b) any direct change in financial status or internal factors, other than previously predicted, which may influence the financial status and viability of the Municipality;
- (c) any changes in the economic and socio economic environment, other than previously predicted, which may influence the financial status of the Municipality;
- (d) any changes in the revenue base or composition which may have an impact on the financial viability of the Municipality;
- (e) any changes in the national or municipal priorities as previously identified; and
- (f) any factors which may have an impact on the ability to implement previously identified projects.


10. IMPLEMENTATION AND REVIEW OF THE POLICY

This policy shall be implemented once approved by Council. All future Long Term Financial Planning must be considered in accordance with this policy and the prevailing financial position of the Municipality.

APPROVED BY COUNCIL ON 31 MAY 2024



MUNICIPAL MANAGER



MAYOR OBO COUNCIL