



"The Game changer of South Coast Development"

LONG TERM FINANCIAL PLAN

2024/2025

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DEFINITIONS

"**Accounting Officer**"- means the Municipal Manager.

"**GRAP**" means Generally Recognized Accounting Practice.

"**Long term financial plan** "- is a roadmap that guides municipality towards achieving their financial goals over an extended period, typically spanning three to five years or more.

1. OBJECTIVES OF POLICY

The objective of this Long-Term Financial Plan is to-

1. to ensure the long-term financial viability and sustainability of the Ray Nkonyeni Municipality.
2. to adequately provide for both capital requirements as well as the servicing of debt incurred to fund capital infrastructure.
3. to progressively improve collections and reduce the provision for bad debts budget; and
4. to identify new revenue sources as funding option for future years.

2. INTRODUCTION

Financial Management is the cornerstone of any organization. Controls and policies must be in place to achieve sound financial management. During the first year of the new Integrated Development Plan (IDP) all financial regulations and policies will be reviewed to ensure that all legal, internal control and social requirements are met. Implementing the projects included in the IDP and dealing with infrastructure backlogs will require large capital investment: effective financial management and control is therefore of paramount importance. The Ray Nkonyeni Municipality has recognised that to remain viable and sustainable, the IDP must be linked to an achievable financial plan that includes a credible multi-year budget.

3. OVERVIEW OF FINANCIAL STRATEGIES

The following section deals with the various financial strategies that provide present and future guidance to the municipality with regards sound financial management. The financial strategies adopted by council include-

1. a general strategy;
2. a financial resources strategy (capital and operational);
3. a revenue raising strategy;
4. an asset management strategy;
5. a capital projects financing strategy;
6. an operating capital financing strategy; and
7. a cost effectiveness strategy.

3.1 General Strategy

Financial management will always take council's social responsibilities and need for transformation and empowerment into consideration. To increase the revenue base and also assist with alleviation of unemployment, council should attempt to attract investors to the municipal area. An important factor in this regard is the demonstrable ability to practise financial discipline, adhere to legislative requirements and constantly provide uninterrupted, good quality services.

Only suitably qualified and competent individuals will be employed, and Council will strive to ensure that all staff members continuously increase their skills and competencies through personal development plans and training programs.

The Ray Nkonyeni Municipality acknowledges the need for effective oversight with regards its financial activities. To this end, an internal audit unit operating in conjunction with an audit committee has been created to fulfil such an oversight role and provide Council with regular feedback and reports. Accurate and timeous financial reporting forms an integral part of financial management. The municipality is therefore committed to compliance with all legislative requirements with regards to monthly, quarterly, six monthly and annual financial reporting. As is the case with the IDP, the Long-Term Financial Plan and strategies will be reviewed on a regular basis and be amended when required to ensure that actual performance remains aligned with the municipality's predetermined objectives.

3.2 Financial Resources Strategy

The Ray Nkonyeni Municipality has a small revenue base and is largely dependent on grant funding to sustain its day-to-day operations. For this reason, it is critical that own generated resources be optimised. This could only be achieved by employing effective credit control and debt collection procedures. Furthermore, the provision of indigent support should be managed efficiently.

3.3 Revenue Raising Strategy

The main sources of revenue for the Ray Nkonyeni Municipality are state provided grants and own generated revenue from the provision of municipal services such Property Rates. In

addition to effective credit control and debt collection procedures, the municipality will strive to increase its revenue by-

1. Ensuring that all families who qualify for indigent support are listed on the indigents register and do indeed receive such support from the Equitable Share;
2. Utilizing a computerized customer care model to keep track of customer complaints and queries and the solving thereof;
3. ensuring effective use of the computerized billing system. Consumer accounts should be accurate and be provided to consumers regularly and timeously. Receipting procedures should be prompt and accurate. To ensure effective credit control and debt collection, terminating the electricity supply of defaulting consumers will be done monthly without exception.

3.4 Asset Management Strategy

A GRAP compliant asset register forms the backbone to any system of asset management. In addition to an effective maintenance program, it is also critical that adequate, comprehensive insurance coverage is always in place. The municipality will be examining all its inventory and equipment to ensure that redundant and unused items are disposed of according to prescription. This will ensure a more accurate asset register as well as reduce risk and therefore insurance costs. To comply with audit and financial disclosure requirements, often used items and consumables will be taken onto inventory and managed accordingly.

3.5 Capital Projects Financing Strategy

The municipality does not currently have any long-term debt and intends to maintain the status quo as it is believed that the municipality does not have the ability to service loans at present. All capital projects will therefore be financed from own operating funds, contributions from the Capital Replacement Reserve and grants received from National and Provincial Government. The possibility of raising loans to provide or improve infrastructure is not totally excluded, but Council has committed to following a very conservative approach towards loan funding.

3.6 Operating Capital Financing Strategy

Excellent working capital management is of paramount importance to ensure that municipal service provision can continue uninterrupted. Positive cash flow is the life blood of any organisation, and the use of effective credit control and debt collection processes can therefore not be over emphasized. The use of bridging finance for operational purposes will only be considered as an absolute last resort.

3.7 Cost Effectiveness Strategy

The strive for cost effective operations is an integral part of any organisation, even more so in a municipality that operates by using public funds. The municipality will therefore strive to foster an attitude of prudence, transparency and accountability amongst all staff and councillors.

4. CONCLUSION

Only by aligning all municipal activity with the IDP, Budget, SDBIP and Performance Agreements of Managers will the predetermined objectives be achieved and will service delivery to the community of Ray Nkonyeni Municipality be ensured.

5. POLICY REVIEW

The Chief Financial Officer shall be the custodian of the Policy and shall be responsible for the review of the policy, every year (1) as minimum. The approval of this policy shall lie with the Municipal Executive Committee.