



MARULENG LOCAL MUNICIPALITY

FIVE YEAR FINANCIAL PLAN

2024/2025 – 2028/2029

2.	Purpose	3
3	Responsibility	3
4	Capital and Operating Budget Estimates	4
5	Financial Strategy	6
6	Strategies and Programmes	7
7	Financial Management policies	10
8	Key Financial Targets	15
9	Key Performance Indicators	15

2) PURPOSE

To create a medium term strategic financial framework for allocation municipal resources, through the municipal budgeting process in order to ensure the financial viability and sustainability of the municipality's investments and operations.

3) RESPONSIBILITY

The finance department collects revenues due to the municipality and pays all amounts due for payrolls and outside vendors. The finance department also manages the investments of municipal funds and municipal borrowings, if any.

The Finance Department is therefore charged with the responsibility of compiling the financial plan in close consultation with the municipal manager, heads of department, IDP, Representative forum, and council or the mayor.

A Finance Portfolio Committee assisted by competent financial planners (Treasurers) should assist in the formulation of alternative financial strategies to be presented to the IDP Representative Forum under the leadership of the councillor Responsible for financial matters.

It is important to note that the priority issue from a financial perspective is the viability and sustainability of the municipality. This goal can best be achieved through efficient and effective financial management. The plans and the strategies that have been formulated were prepared with this in mind.

Maintaining healthy financial base that fully supports municipal services according to mayoral priorities requires constant vigilance. This too is reflected in restructuring and reshaping municipal services, implementing new financial management systems, securing sound recurring revenues and making responsible spending adjustments in light of the revenue growth limitations in order to achieve a balanced budget.

Budget assumptions and parameters are determined in advance of the budget process to allow budgets to be constructed to support the achievement of the longer-term financial and strategic targets.

The municipal fiscal environment is influenced by a variety of macro-economic control measures. National Treasury determines the ceiling of year-on-year increases in the total Operating Budget. Various government departments also affect municipal service delivery through the level of grants and subsidies.

Equitable share capital portion as well as other conditional grants reflected in the funding sources for capital investment programme (Table 2) may also be allocated to revenue.

Table 1: Operating Budget (Revenue and Expenditure)

Choose name from list - Table A4 Budgeted Financial Performance (revenue and expenditure)										2023/24 Medium Term Revenue & Expenditure Framework		
Description	Ref	2019/20	2020/21	2021/22	Current Year 2022/23				Budget Year 2023/24	Budget Year +1 2024/25	Budget Year +2 2025/26	
K thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre audit outcome				
Revenue												
Exchange Revenue												
Service charges - Electricity	2	-	-	-	-	-	-	-	-	-	-	
Service charges - Water	2	0	2,213	0	-	-	-	-	-	-	-	
Service charges - Waste Water Management	2	0	(2,177)	0	-	-	-	-	-	-	-	
Service charges - Waste Management	2	3,735	3,979	4,387	4,775	4,000	4,900	4,900	5,200	5,455	5,711	
Sale of Goods and Rendering of Services		1,511	1,884	2,805	3,828	3,236	3,236	3,236	3,414	3,581	3,748	
Agency services		-	-	216	13,380	13,380	13,380	13,380	14,089	14,779	15,474	
Interest		-	-	-	-	-	-	-	-	-	-	
Interest earned from Receivables		9,301	13,150	14,315	8,872	4,691	4,691	4,691	4,840	5,182	5,426	
Interest earned from Current and Non Current Assets		7,297	4,163	4,409	4,500	8,500	6,500	6,500	7,000	7,343	7,688	
Dividends		-	-	-	-	-	-	-	-	-	-	
Rent on Land		-	-	-	-	-	-	-	-	-	-	
Rent on Fixed Assets		-	-	-	445	445	445	445	445	491	514	
Licence and permits		1,777	2,452	2,257	2,515	2,515	2,515	2,515	2,700	2,832	2,955	
Operational Revenue		1,905	2,606	415	233	456	456	456	483	506	530	
Non-Exchange Revenue												
Property rates	2	91,002	106,898	117,430	125,556	125,556	125,556	125,556	132,444	138,934	145,454	
Surcharges and Taxes		-	-	-	-	-	-	-	-	-	-	
Fines, penalties and forfeits		532	2,950	321	690	690	690	690	759	786	834	
Licences or permits		(71)	19	2,658	-	-	-	-	-	-	-	
Transfer and subsidies - Operational		127,554	162,391	142,768	157,000	157,000	157,000	157,000	166,133	176,726	175,295	
Interest		-	-	-	4,691	8,872	8,872	8,872	9,342	9,800	10,200	
Fuel Levy		-	-	-	-	-	-	-	-	-	-	
Operational Revenue		-	-	-	-	-	-	-	-	-	-	
Gains on disposal of Assets		-	738	(183)	-	-	-	-	-	-	-	
Other Gains		159	-	1,736	-	-	-	-	-	-	-	
Discontinued Operations												
Total Revenue (excluding capital transfers and Expenditure)		243,181	301,365	293,493	326,484	329,241	328,241	328,241	348,971	368,425	373,919	
Expenditure												
Employee related costs	2	63,265	75,972	79,163	93,566	90,051	90,051	90,051	101,015	103,132	107,980	
Remuneration of councillors		11,101	11,120	11,097	11,492	12,185	12,185	12,185	12,246	12,801	13,402	
Bulk purchases - electricity	2	608	652	721	1,500	1,000	1,000	1,000	1,000	1,049	1,098	
Inventory consumed	8	2,298	4,195	4,500	5,650	5,650	5,650	5,650	5,200	5,455	5,711	
Debt impairment	3	-	476	10	23,400	23,400	23,400	23,400	24,500	25,700	26,908	
Depreciation and amortisation		22,919	22,302	25,000	32,750	30,750	30,750	30,750	32,257	33,837	35,428	
Interest		372	744	1,021	850	850	850	850	850	934	934	
Contracted services		23,563	32,006	37,610	43,680	49,620	49,620	49,620	52,110	49,943	57,233	
Transfers and subsidies		-	-	-	-	-	-	-	-	-	-	
Recoverable debts written off		29,402	36,556	21,113	-	-	-	-	-	-	-	
Operational costs		30,596	34,137	33,766	54,166	57,429	57,429	57,429	56,112	58,061	61,628	
Losses on disposal of Assets		558	114	-	550	550	550	550	750	787	824	
Other Losses		-	-	-	-	-	-	-	-	-	-	
Total Expenditure		183,203	218,572	212,992	266,434	271,485	271,485	269,959	286,039	292,457	311,147	
Surplus/(Deficit)		59,978	82,793	80,502	69,950	56,756	56,756	58,445	62,932	75,968	62,765	
Transfers and subsidies - capital (monetary)	6	28,517	48,298	33,659	30,170	41,450	41,450	41,450	31,372	32,651	33,984	
Transfers and subsidies - capital (in-kind)	6	-	-	18,552	-	-	-	-	-	-	-	
Surplus/(Deficit) after capital transfers & contributions		86,795	129,089	132,723	99,220	98,205	98,205	100,095	94,304	108,619	96,745	
Income Tax		-	-	-	-	-	-	-	-	-	-	
Surplus/(Deficit) after income tax		86,795	129,089	132,723	99,220	98,205	98,205	100,095	94,304	108,619	96,745	
Surplus/(Deficit) attributable to Joint Venture		-	-	-	-	-	-	-	-	-	-	

Vote 10 - WATER		-	-	-	-	-	-	-	-	-	-
Vote 11 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 12 - ELECTRICITY DISTRIBUTION		-	-	-	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - EXECUTIVE AND COUNCIL		150	-	-	1,500	1,500	1,500	1,500	-	-	-
Vote 2 - BUDGET AND TREASURY		(56,072)	5,083	38,752	8,250	7,300	7,300	7,300	11,600	4,690	9,470
Vote 3 - CORPORATE SERVICES		-	-	-	-	-	-	-	-	-	-
Vote 4 - PLANNING AND DEVELOPMENT		(209,696)	-	-	-	-	-	-	-	-	-
Vote 5 - COMMUNITY AND SOCIAL SERVICES		17,697	2,862	6,739	19,550	12,380	12,380	12,380	6,150	2,199	200
Vote 6 - SPORT AND RECREATION		-	-	-	-	-	-	-	-	-	-
Vote 7 - WASTE MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 8 - WASTE WATER MANAGEMENT		-	-	-	-	-	-	-	-	-	-
Vote 9 - ROADS AND TRANSPORT		151,706	211,723	222,503	112,773	128,351	128,351	128,351	143,916	112,944	128,274
Vote 10 - WATER		-	-	-	-	-	-	-	-	-	-
Vote 11 - PUBLIC SAFETY		-	-	-	-	-	-	-	-	-	-
Vote 12 - ELECTRICITY DISTRIBUTION		963	31	1,120	-	-	-	-	-	-	-
Vote 13 -		-	-	-	-	-	-	-	-	-	-
Vote 14 -		-	-	-	-	-	-	-	-	-	-
Vote 15 -		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		(95,251)	219,698	269,114	142,073	149,531	149,531	149,531	161,666	119,833	137,944
Total Capital Expenditure - Vote		(95,251)	219,698	269,114	142,073	149,531	149,531	149,531	161,666	119,833	137,944
Capital Expenditure - Functional											
Governance and administration		(55,922)	5,083	38,752	9,750	8,800	8,800	8,800	11,600	4,690	9,470
Executive and council		150	-	-	1,500	1,500	1,500	1,500	-	-	-
Finance and administration		(56,072)	5,083	38,752	8,250	7,300	7,300	7,300	11,600	4,690	9,470
Internal audit		-	-	-	-	-	-	-	-	-	-
Community and public safety		17,697	2,862	6,739	19,550	12,380	12,380	12,380	6,150	2,199	200
Community and social services		17,697	2,862	6,739	19,550	12,380	12,380	12,380	6,150	2,199	200
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		(57,990)	211,723	222,503	112,773	128,351	128,351	128,351	143,916	112,944	128,274
Planning and development		(192,262)	12,611	2,153	2,250	2,250	2,250	2,250	1,600	1,700	1,200
Road transport		134,272	199,111	220,349	110,523	126,101	126,101	126,101	142,316	111,244	127,074
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		963	31	1,120	-	-	-	-	-	-	-
Energy sources		963	31	1,120	-	-	-	-	-	-	-
Water management		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Functional	3	(95,251)	219,698	269,114	142,073	149,531	149,531	149,531	161,666	119,833	137,944
Funded by:											
National Government		83,826	34,796	36,268	24,903	34,731	34,731	34,731	25,916	26,973	28,074
Provincial Government		-	-	-	-	-	-	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-

revenues. Operationally, the municipality must put in place clear financial goals, policies, and tools to implement its strategic plan.

It must be noted that not all municipalities are the same and this should be kept in mind when assessing the financial health of and the setting of benchmarks for a municipality. A municipality can be categorized into either:

- Developed – maintenance
- Developing – growing

Maruleng Local Municipality can be categorized as a developing – growing municipality. Such municipalities require significant additional resources and funding to conduct the growth that is expected of them. In contrast, already developed – maintenance municipalities are mainly concerned with the need to maintain existing infrastructure.

With the demands for growth, come risks that need to be managed. Wherever possible, the Municipality will set benchmarks appropriate for a developing – growing municipality and strive to achieve these benchmarks within the medium term.

As mentioned at the beginning of this plan, the priority from the financial perspective is the viability and sustainability of the Municipality. The financial plan and related strategies will need to address a number of key areas in order to achieve this goal. The areas, which have been identified, are detailed below.

5.1 The Financial Framework

5.1.1 Revenue Adequacy and Certainty

It is essential that the municipality has access to adequate sources of revenue, from both its own operations and intergovernmental transfers, to enable it to carry out its functions. It is further more necessary that there is a reasonable degree of certainty with regard to source, amount and timing of revenue. The Division of Revenue Act has laid out the level of funding from national government that will be received in 2023/24 to 2025/26 financial years.

It is important to track the respective sources of revenue received by the municipality as they can be quite different and can vary substantially depending upon the phase that the municipality is in. Knowledge of the sources of funds will illustrate the municipality's position more accurately. Its ability to secure loans relative to its income streams and its borrowing capacity.

I. Cash / Liquidity position

Cash and cash management is vital for the short and long term survival and good management of any organisation. The appropriate benchmark s which can assist in assessing the financial health of the municipality is:

investment will increase poor people's access to basic services.

IV. Accountability, Transparency and Good Governance

The municipality is accountable to the people who provide the resources, for what they do with the resources. The budgeting process and other financial decisions must therefore be open to public scrutiny and participation. In addition, the accounting and financial reporting procedures must minimise opportunities for corruption. It is also essential that accurate financial information is produced within acceptable timeframes.

V. Equity and Redistribution

The municipality must treat people fairly and justly when it comes to the provision of services. In the same way, the municipality should be treated equitably by national and provincial government when it comes to inter-governmental transfers. "The equitable share" from national government will be used primarily for targeted subsidies to poorer households. In addition, the municipality reserves the right to cross subsidize between high and low income consumers within a specific service or between services.

VI. Development and Investment

In order to deal effectively with backlogs in services there is a need for the municipality to maximise its investment in municipal infrastructure (see table 2). In restructuring the financial systems of the municipality, the underlying policies should encourage the maximum degree of private sector investment.

VII. Macro Economic Investment

As the municipality plays a significant role in the area, it is essential that it operates efficiently within the national macro – economic framework. The municipality's financial and developmental activities should therefore support national fiscal policy.

VIII. Borrowing

The strong capital market in South Africa (banks and other lending institutions like DBSA, etc) provides additional instrument to access financial resources. However, it is clear that the municipality cannot borrow to balance its budget and pay for overspending.

Safeguards need to be put in place to ensure that the municipality borrows in a responsible way. In order to have access to this market, the Municipality will need to have accurate and appropriate financial accounting policies and procedures and effective reporting systems.

The manner in which the municipality manages debt or takes on new debt to finance activities will have a significant impact on the solvency and long – term viability of the council.

This policy will define qualification criteria of an indigent, the level of free basic services that will be supplied to indigent households, penalties for abuse, etc.

The development and implementation of a uniform tariff policy.

This policy will ensure that fair tariffs are charged in a uniform manner throughout the municipal area.

The development and implementation of a customer incentive policy

This policy will detail the incentive and prizes that will be made available to encourage customers to pay their accounts promptly.

Project consolidate – Free basic services , billing systems and municipal service debt

This project aims to enhance the delivery of free basic services to poor households and assist the municipality in developing innovative, reliable and integrated billing systems that would allow for improved delivery of services and an effective and efficient billing system for the debtors / consumers of the municipality.

Improved Payment Strategy

This strategy aims at implementing innovative cost effective processes to encourage customers to pay their accounts fully on time every month. Ensure that effective and efficient customer care and repayment procedures are implemented.

Customer care and Prepayment

Ensure that effective and efficient customer care and prepayment procedures are implemented.

Ensuring Effective and Efficient Customer Services

The municipality's technological advancement needs must be continually assessed and updated. The municipality must perform an analysis of strategies to strengthen its Citizens Relationship Management systems that should result in operational efficiencies and improved customs service. An implementation plan must be developed to improve the handling of citizen service calls and implement supporting technology in selected front – line agencies

6.2 Asset Management Strategies and Programmes

The following are some of the more significant program that has been identified:

6.3 Financial Management Strategies and Programmes

The following are some of the more significant program that has been identified:

The development and implementation of an integrated information technology plan.

Such a plan will ensure that the municipality 's IT needs are met in the most cost effective manner , that the IT resources are well – managed and secured and that the administrators and users are well -trained .

Integration of all computerised systems and acquisition of hardware and software required.

Financial management is supported through the municipality's eVenus accounting systems. This integrated financial management system is designed to track and control s daily activities and report the financial position and performance of the municipality. This system support the rigorous monitoring control and reporting requirements required of the municipality.

The integration of all other computerised to this financial management system and the acquisition of the required hardware and the software must be finalized to ensure that information is accurate ,relevant and prompt , which in turn will facilitate the smooth running and effective management of the municipality .

Upgrading and restructuring of the budget office in line with the budget reform process initiated by National Treasury .This will result in better control of expenditure and improved reporting.

6.4 Capital Financing Strategies and Programmes

The following are some of the more significant program that has been identified:

The development and implementation of a debt capacity policy

This policy will ensure that any borrowings taken by the municipality will be done in a responsible manner and that the repayment and servicing of such a debt will be affordable.

The development and implementation of a large scale economic policy.

This policy, including targeted procurement, will set out ways in which the municipality can become more effective in attracting large scale economic investment. It will be the framework to provide an environment that is investor friendly, efficient (with quick decision – making ability) and will detail any incentives, which may be given to attract large business.

The development and implementation of a policy for accessing donor finance

This policy will create a framework for the accessing of funds from local and overseas donors. It will detail the type of projects for which funding will be sought, the procedures to be used and donor conditions which are

- Enhanced budgetary controls and timeliness of financial data
- To improve the operation of the budget office, in respect of producing financial information and the monitoring and reporting of budget variances. Some of the more significant measures of acceptable performance in this area will be, financial bottom line matched to forecast to a 10% variance level, receipt of unqualified audit reports, monthly financial statements produced within 10 working days of month end, etc.

7) FINANCIAL MANAGENT POLICIES

7.1 General Financial Philosophy

The financial policy of the Maruleng Municipality is to provide a sound financial base and the resources necessary to sustain a satisfactory level of municipal services for the citizens of the municipality.

It is the goal of the municipality to achieve a strong financial position with the ability to:

- Withstand local and regional economic impact
- Adjust efficiently to the community 's changing service requirements
- Effectively maintain and improve and expand the municipal infrastructure ;
- Manage the municipality 's budget and cash flow to the maximum benefit of the community ;
- Prudently plan , coordinate and implement responsible and sustainable community development and growth;
- Provide a high level of social services to assure public health and safety

Maruleng Municipality's financial policy shall address the following fiscal goals:

- Keep the municipality in a sound financial position in both the short and long term ;
- Maintain sufficient financial liquidity through regular reviews and adjustments to meet normal operating and contingent obligations ;
- Apply a credit control and debt collection policies which maximise collection while providing relief for the indigent;
- Credit control and debt collection policies that recognises the basic policy for customer care and convenience
- Operate utilities in a responsive and fiscally sound manner ;
- Maintain existing infrastructure and capital assets;
- Provide framework for prudent use of debt financing ;

budget cycle, allowing for the regular reassessment of capital needs and projections, as well as the update of the rolling five year capital plan. An annual capital investment budget will be developed and adopted by the municipality as part of the annual budget. The Municipality will make all capital improvements in accordance with the CIP. Unexpected capital project budget shall not be carried forward or rolled over to future fiscal years unless the projected Expenditure is omitted or funded from grant funding.

Routine and administrative capital needs shall be financed from current revenues (Capital Replacement Reserve) as opposed to the issuance of long – term debt. The municipality will maintain all assets at a level adequate to protect the Municipality's capital investment and to minimize future maintenance and replacement costs.

7.4 Revenue Policies

The municipality will estimate annual revenues through a conservative, prudent, objective and analytical process based on realistically expected income. The municipality will consider market rates charged levied by other public and private organisations for similar services in establishing tariffs and charges. The municipality will set fees and user charges at a level that fully supports the total direct and indirect cost of operations. Tariffs will be set to reflect the Development and Social Policies of the Municipality. The municipality will continue to identify and pursue grants and appropriations from provincial and national government and other agencies that are consistent with the municipality's goals and strategic plan. The municipality will follow an aggressive policy of collecting revenues.

7.5 Credit Control and Debt Collection Policies and Procedures

The municipality must adopt a credit control and debt collection policy

The principles supported in this policy, amongst others, should cover at least the following:

- The administrative integrity of the municipality must be maintained at all costs. The democratically elected councillors are responsible for the policy making, while it is the responsibility of the Municipal Manager to ensure the execution of these policies.
- All customers must complete an official application form , formally requesting the municipality to connect them to a service supply .Existing customers may be required to complete new application forms from time to time , as determined by the municipal manager .
- A copy of the application form, conditions of service and relevant exactions of the council's credit control and

- the policy document must, amongst others cover:
- Duties and Functions of Council, Mayor, Ward Councillors, Municipal Manager and of the communities.
 - Area of Application
 - Application of services
 - Deposits and guarantees
 - Accounts and billing
 - Metering of services
 - Customer Assistance Programmes
 - Communication
 - Payment facilities and Methods
 - Enquiries and appeals
 - Tenders for business
 - Debt collection
 - Theft and fraud
 - Reporting and performance management
 - Income collection target
 - Application of the policy

Impact of the National Credit Act.

A document titled "Debt Collection Procedures" must support or form an integral part of the Credit Control and Debt Collection Policy.

7.6 Indigent Support Policy

An indigent support policy must be adopted by council.

This policy should identify the conditions that must be satisfied to be regarded as an indigent and the process to be followed to apply for indigent status.

The form of subsidy is identified, as is the process of auditing the indigent applications.

In addition, procedures which will be followed in the event of a death of an indigent and a false indigent application must be covered. Finally, the treatment of the outstanding debt of a customer on becoming an indigent must be addressed.

Investment officials are required to:

- a) Adhere to written procedures and policy guidelines.
- b) Exercise due diligence
- c) Prepare all reports timeously
- d) Exercise strict compliance with all legislation

The municipality shall attempt to match its investments with anticipated cash flow requirements .Unless matched to a specific requirement, the municipality will not directly invest in securities maturing more than two years from date of issue.

The municipality's financial information systems will provide adequate information concerning cash position and investment performance. The municipality will not invest monies in contradiction to the policy guidelines as adopted by council. The Municipality is also discouraged from investing more than 30 %of available funds with a single institution.

The minister of finance may identify by regulation of section 168 of the Municipal Finance Management Act, instrument or investments other than those referred to below in which municipality may invest.

- Deposits with banks registered in terms of the Banks Act 1990 (Act no 94 of 1990);
- Securities issued by the National Government ;
- Investment with the public investment commissioners as contemplated by the Public Investment Commissions Act ,1984 (Act no 5 of 1984);
- Listed corporate bonds with an investment grade rating from a nationally or internationally recognised credit rating agency;
- Deposits with the corporation for public deposits as contemplated by the corporation for Public deposits Act 1984 (Act 46 of 1984)
- Bankers acceptance certificates or negotiable certificates of deposits of banks registered in terms of a banks Act 1990 (Act 94 of 1990) ;
- Municipal bonds issued by a municipality ;
- Guaranteed endowment policies with the intention of establishing a sinking fund ; and
- Repurchase agreements with banks registered in terms of the Banks Act , 1990 (Act 94 of 1990)

7.8 Investment and Cash Management Policies

financing of vehicle, computers other specialised types of equipment, or other capital refurbishment programmes.

7.9 Asset management Policy

The objective of the asset management policy is to prescribe the accounting and administrative policies and procedures relating to Property, Plant & Equipment (PPE).which are fixed assets of the Maruleng Municipality.

A summary of the principle supported in this policy amongst others, should cover:

- A fixed asset shall mean an asset, either movable or immovable, under the control of the municipality, and from which the municipality reasonably expects to derive economic benefits, or reasonably expects to use in- service delivery, over a period extending beyond 12 month.
- The fixed asset register shall comply with the requirements of Generally Recognized Accounting Practice (GRAP) and any other accounting requirements, which may be prescribed.
- Fixed assets are classified under the following heading:
 - Land
 - Infrastructure assets
 - Community assets
 - Heritage assets
 - Investment properties
 - Other assets
- Every Head of Department shall be directly responsible for the physical safekeeping of any fixed asset controlled or used by the department in question.
- PPE is stated at cost less accumulated depreciation or fair value at date of acquisition less accumulated depreciation where assets have been acquired by grant or donation.
- Subsequent expenditure relating to property, Plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only tore's the originally assessed standard performance, then it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset, so that it's use is expanded or; the further development of an asset so that its original life is extended, are examples of subsequent expenditure which should be

7.10 Asset management Information

To ensure that assets are adequately maintained, a programme for the planned maintenance and replacement of all fixed and movable assets is essential.

The magnitude of differed maintenance due to past lack of funding must be reviewed , quantified and appropriate steps taken to address same within these next five years , whilst at the same time ensuring that the current and ongoing preventative maintenance plan does not fall behind and end up as unbudgeted for differed maintenance in future years.

8 KEY FINANCIAL TARGETS

The multi – year budget is underpinned by the following key financial target assumptions:

- Tariff increase ,
- Macro Growth factor indicator
- Capital Charges
- Total expenditure increases allowed (excluding repairs and maintenance)
- Increase in repairs and maintenance.

9 KEY PERFORMANCE INDICATORS

Table 5 overleaf, gives details of commonly used financial ratios / benchmarks. The information in this table is the targeted position the municipality shall strive to achieve year on year, over the next five financial years.

Liquidity		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Current Ratio	Current assets/current liabilities	1.7	1.8	1.5	1.3	1.3	1.3	1.3	1.3	1.1	1.0
Current Ratio adjusted for aged debtors	Current assets less debtors > 90 day's current liabilities	1.7	1.8	1.0	0.9	0.8	0.8	0.8	0.8	1.0	0.4
Liquidity Ratio	Monetary Assets/Current Liabilities	1.0	1.0	0.8	0.7	0.7	0.7	0.7	0.7	0.6	0.3
Revenue Management											
Annual Debtors' Collection Rate (Payment Level %)	Last 12 Mths Receipts/Last 12 Mths Billing	0.0%	0.0%	0.0%	84.0%	83.9%	83.9%	83.9%	0.0%	0.0%	0.0%
Current Debtors' Collection Rate (Cash receipts % of Ratepayer & Other revenue)		0.0%	0.0%	0.0%	81.6%	81.9%	81.9%	81.9%	0.0%	0.0%	0.0%
Outstanding Debtors to Revenue	Total Outstanding Debtors to Annual Revenue	56.4%	54.5%	67.5%	34.5%	38.9%	38.9%	38.9%	100.2%	34.8%	35.9%
Longstanding Debtors Recovered	Debtors > 12 Mths Recovered/Total Debtors > 12 Months Old	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Creditors Management											
Creditors' System Efficiency	% of Creditors Paid Within Terms (within MFMA s 85(e))	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%	98.5%
Creditors to Cash and Investments		14.9%	24.8%	13.4%	108.1%	111.2%	41.1%	41.1%	145.5%	79.3%	68.1%
Other Indicators											
Electricity Distribution Losses (2)	Total Volume Losses (kWh technical)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total Volume Losses (kWh non technical)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total Cost of Losses (Rand '000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	% Volume (units purchased and generated less units sold)/units purchased and generated	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water Volumes - System input	Bulk Purchase	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Water treatment works	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Natural sources	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Water Distribution Losses (2)	Total Volume Losses (k/l)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Total Cost of Losses (Rand '000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	% Volume (units purchased and generated less units sold)/units purchased and generated	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employee costs	Employee costs/(Total Revenue - capital revenue)	25.6%	25.2%	27.0%	28.7%	27.4%	27.4%	27.4%	26.9%	28.0%	28.9%
Remuneration	Total remuneration/(Total Revenue - capital revenue)	25.3%	24.5%	26.8%	31.6%	30.9%	30.9%		32.2%	31.2%	32.2%
Repairs & Maintenance	R&M/(Total Revenue excluding capital revenue)	1.0%	0.9%	0.8%	2.3%	2.2%	2.2%		2.0%	2.0%	2.0%
Finance charges & Depreciation	FC&D/(Total Revenue - capital revenue)	9.5%	7.6%	8.9%	10.3%	9.6%	9.6%	9.6%	9.5%	9.4%	9.7%
IDP regulation financial viability indicators											
i. Debt coverage	(Total Operating Revenue - Operating Grants)/Debt service payments due within financial year	-	(450.8)	53.9	43.8	43.8	43.8	46.9	47.5	47.9	48.6
ii. O/S Service Debtors to Revenue	Total outstanding service debtors/annual revenue received for services	2332.0%	2597.7%	2556.3%	468.1%	549.2%	549.2%	549.2%	1490.0%	538.9%	538.9%
iii. Cost coverage	(Available cash + investments)/monthly fixed operational expenditure	42.0	22.2	43.0	8.4	9.3	25.3	25.4	11.1	15.6	17.9

References

infrastructure.

The five year financial plan forms an integral part of the integrated development plan of the municipality. These exact ingredients are in fact the financial plan, for without it being included in the integrated development plan, service delivery would cease to exist.

11. RECOMMENDATIONS

That Council **approved** the five year financial plan to be integrated with integrated development plan and budget.

SIGNED BY


DR/SEBASHE SS

ACTING MUNICIPAL MANAGER

DATE

17/5/2024

COUNCIL RESOLUTION: SC08/05/2024



COST CONTAINMENT POLICY

2024-2025

Council Resolution no: SC08/05/2024

Approval Date: 17 MAY 2024

TABLE OF CONTENTS

	Index	Page
1	Definitions	2
2	Object of Policy	2
3	Application of Policy	3
4	Use of consultants	3
5	Vehicles used for political office-bearers	4
6	Travel and subsistence	5
7	Domestic accommodation	6
8	Credit cards	6
9	Sponsorships, events and catering	7
10	Communication	8
11	Conferences, meetings and study tours	8
12	Other related expenditure items	9
13	Enforcement procedures	9

Chapter 8 of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);

“conferences and events” means conferences, events, meetings and study tours hosted or attended by political office bearers or officials of the municipality;

"consultant" means a professional person, individual, partnership, corporation, or a company appointed to provide technical and specialist advice or to assist with a design and implementation of projects or to assist a municipality or municipal entity to perform its functions to achieve the objects of local government in terms of section 152 of the Constitution;

"cost containment" means measures implemented to curtail spending in terms of this policy;

"credit card" means a card issued by a financial services provider, which creates a revolving account and grants a line of credit to the cardholder;

“political office bearer” means the Speaker, Executive Mayor, Deputy Mayor or Member of the Executive Mayoral Committee which for purposes of this policy will have the meaning to include ordinary councillors as referred to in the Municipal Structures Act;

“officials” shall, for the purpose of clarity, include persons reporting directly to the accounting officer; and

“social events” means events involving only municipal councillors and/or officials of the municipality and do not include events where the public is involved or held to the benefit of the public.

2. OBJECT OF POLICY

The object of this policy is to ensure that the municipality complies with the provisions of the Municipal Finance Management Act, 2003 (Act 56 of 2003) and the Municipal Structures Act, 1998 (Act 152 of 1998).

resources in its full-time employ to perform the function.

- 4.2 The Accounting Officer adopts the below-mentioned reference to rates as the municipality's fair and reasonable remuneration framework for consultants, provided that where no prescribed rates are available, the municipality may from time to time adjust the rates as per prevailing market conditions.

"Guideline on fees for audits undertaken on behalf of the Auditor-General of South Africa", issued by the South African Institute of Chartered Accountants;

- (a) "Guide on Hourly Fee Rates for Consultants", issued by the Department of Public Service and Administration;
- (b) rates as prescribed by the body regulating the profession of the consultant, including but not limited to
 - Engineering Council of South Africa (ECSA)
 - South African Council for the Quantity Surveying Profession (SACQSP)
 - South African Council for the Architectural Profession (SACAP)
 - South African Council for the Landscape Architectural Profession (SACLAP)
 - South African Council for Project and Construction Management Professions (SACPCMP)
 - 2018 Guideline Professional Fees in terms of section 29 of the Planning Professions Act (less 30%)
 - June 2009 fee scale as per Draft Guidelines issued by PLATO and SAGI (less 30%)
- (c) any other reasonable framework prescribed by Professional Bodies and/or spheres of Government.

- 4.3 The tender documentation for the appointment of consultants must include a clause that the remuneration rates will be subject to the following:

- (e) Undertake all engagements of consultants in accordance with the Municipal Supply Chain Management Regulations, 2005 and the municipality's Supply Chain Management Policy.
 - (f) Develop consultancy reduction plans to reduce the reliance on consultants.
- 4.7 All contracts with consultants must include a fee retention or penalty clause for poor performance.
 - 4.8 The municipality must ensure that the specifications and performance are used as a monitoring tool for the work to be undertaken and are appropriately recorded and monitored.
 - 4.9 The travel and subsistence costs of consultants must be in accordance with the national travel policy issued by the National Department of transport, as updated from time to time.
 - 4.10 The contact price must specify all travel and subsistence costs and if the travel and subsistence costs for appointed consultants are excluded from the contact price, such costs must be reimbursed in accordance with the national travel policy of the National Department of transport.

5. VEHICLES USED FOR POLITICAL OFFICE-BEARERS

- 5.1 The threshold limit for vehicle purchases relating to official use by political office-bearers must not exceed R700 000 or 70% (VAT inclusive)¹ of the total annual remuneration package for the different grades of municipalities, as defined in the Public Office Bearers Act and the notices issued in terms thereof by the Minister of Cooperative Governance and Traditional Affairs, whichever is lower.
- 5.2 The procurement of vehicles as referred to in 5.1 must be undertaken using the national government transversal contract mechanism, unless it may be procured at a lower cost

- 5.5 Notwithstanding 5.4, the municipality may replace a vehicle for official use by political office bearers before the completion of 150 000km only in instances where the vehicle has a serious mechanical problem and is in a poor condition and subject to obtaining a detailed mechanical report by the vehicle manufacturer or approved dealer.
- 5.7 The accounting officer or delegated official in terms of his/her System of Delegation must ensure that the use of municipal vehicles for official purposes is addressed in the municipality's Fleet Management Policy.

6. TRAVEL AND SUBSISTENCE

6.1 accounting officer-

- (a) May approve the purchase of economy class tickets for all officials or political office bearers where the flying time for the flights is five hours or less; and
- (b) May only approve the purchase of business class tickets for officials, political office bearers and persons reporting directly to the accounting officer for flights exceeding five hours.

6.2 In the case of the accounting officer, the mayor may approve the purchase of economy class tickets where the flying time is five hours or less and business class tickets for flights exceeding five hours.

6.3 Notwithstanding sub -regulation (1) or (2), an accounting officer, or the mayor in the case of an accounting officer, may approve the purchase of business class tickets for an official or a political office bearer with a disability or a medically certified condition.

6.4 The cost containment policy must limit international travel to meetings or events that are considered critical. The number of officials or political office bearers attending such

(i) the cost of hiring a vehicle;

(ii) the cost of kilometres claimable by the official or political office bearer; and

(iii) the cost of parking.

c) not hire vehicles from a category higher than Group B or an equivalent class; and

(d) where a different class of vehicle is required for a particular terrain or to cater for the special needs of an official, seek the written approval of the accounting officer before hiring the vehicle.

6.7 A municipality or a municipal entity must utilise the negotiated rates for flights and accommodation as communicated from time to time by the National Treasury through a notice or any other available cheaper flight and accommodation.

7. DOMESTIC ACCOMMODATION

7.1 An accounting officer must ensure that costs incurred for domestic accommodation and meals are in accordance with the maximum allowable rates for domestic accommodation and meals as communicated from time to time by the National Treasury through a notice.

7.2 Overnight accommodation may only be booked where the return trip exceeds 500 kilometres.

8. CREDIT AND DEBIT CARDS

8.1. The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that no credit card or debit card linked to a bank account of the municipality is issued to any official or political office bearer. Debit cards are used for petty cash purposes only and are regulated via the Cash Management policy.

hours, provided that a budget exists.

- 9.3 All expenses in terms of 9.2 and 9.3 must be allocated to the mSCOA classification created for catering accounts under the various cost centres the cost relates to.
- 9.4 Entertainment allowances of qualifying officials may not exceed two thousand rand (R2 000) per person per financial year, unless approved otherwise by the Accounting Officer.
- 9.5 The municipality shall not incur expenses on alcoholic beverages.
- 9.6 The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that social events, team building exercises, year-end functions, sporting events and budget vote dinners are not financed from the municipality's budgets or by any suppliers or sponsors.
- 9.7 The municipality may not incur expenditure on corporate branded items like clothing or goods for personal use of officials, other than uniforms, office supplies and tools of trade unless costs related thereto are recovered from affected officials or is an integral part of the business model.
- 9.8 The Accounting Officer may incur expenditure not exceeding the limits for petty cash usage to host farewell functions in recognition of officials who retire after serving the municipality for ten or more years or retire on grounds of ill health.

10. COMMUNICATION

- 10.1 Unless required by legislation the municipality may, as far as possible, advertise municipal related events on its website instead of advertising in magazines or newspapers.
- 10.2 The Accounting Officer or delegated official in terms of his/her System of Delegation must ensure that allowances to officials for private calls and data costs are limited to

- (b) Whether the conference or event addresses relevant concerns of the institution;
 - (c) The appropriate number of officials or political office bearers, not exceeding three, attending the conference or event; and
 - (d) The availability of funds to meet expenses related to the conference or event.
- 11.2 An accounting officer may consider appropriate benchmark costs with other professional bodies or regulatory bodies prior to granting approval for an official to attend a conference or event within and outside the borders of South Africa.
- 11.3 The benchmark costs referred to in sub -regulation (3) may not exceed an amount as determined from time to time by the National Treasury through a notice.
- 11.4 The amount referred to in sub -regulation (4) excludes costs related to travel, accommodation and related expenses, but includes
 - (a) Conference or event registration expenses; and
 - (b) Any other expense incurred in relation to the conference or event.
- 11.5 When considering costs for conferences or events these may not include items such as laptops, tablets and other similar tokens that are built into the price of such conferences or events.
- 11.6 The accounting officer of a municipality or municipal entity must ensure that meetings and planning sessions that entail the use of municipal funds are, as far as may be practically possible, held in- house.
- 11.7 Municipal office facilities must be utilised for conference, meetings, and strategic planning sessions, where an appropriate venue exists within the municipal jurisdiction.
- 11.8 An accounting officer must grant the approval for officials and in the case of political

limits as approved and published by the Cabinet member responsible for local government in terms of the Remuneration of Public Office Bearers Act, 1998.

12.4 The municipality shall not incur expenditure on elaborate and expensive office furniture.

12.5 Subject to 12.6, the municipality may only use the services of the South African Police Service (SAPS) to conduct periodical or quarterly security threat assessments of political office bearers and key officials and a report must be submitted to the speaker's office.

12.6 As the safety of the officials and political office bearers are important, the Accounting Officer may deviate from section 16.5 where the SAPS services required could not be obtained within a reasonable time.

12.6 The municipality may consider providing additional time-off in lieu of payment for overtime worked. The Accounting Officer or delegated official in terms of his/her System of Delegation shall ensure that matters pertaining to the payment of overtime are regulated in the municipality's Overtime Policy.

12.7 A municipality must ensure that due process is followed when suspending or dismissing officials to avoid unnecessary litigation costs.

13. ENFORCEMENT PROCEDURES

Any allegation brought to the attention of the Accounting Officer or Senior Manager must be investigated and will be dealt with in accordance with the Code of Conduct.

14. DISCLOSURES OF COST CONTAINMENT MEASURES

14.1 The disclosure of cost containment measures applied by the municipality must be

irrespective of the date of approval of said policy, unless specifically otherwise dictated in this policy.

- 15.2 The Accounting Officer or delegated official in terms of his/her System of Delegation shall ensure that the policy is reviewed annually and submitted in council along with the municipality's budget-related policies, where after the policy shall be communicated on the municipality's website.

SIGNED BY


DR SEBASHE SS

ACTING MUNICIPAL MANAGER

DATE

17/5/2024