!Kheis
Munisipaliteit
Municipality

LONG TERM FINANCIAL PLANNING POLICY

LONG TERM FINANCIAL PLANNING POLICY
LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003

2026/27

For discussion with the Final Budget: 2026/27 MTREF

Date: 28 May 2026

Council Resolution: ITEM NO. 05/05/26

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1. DEFINITIONS

For the purpose of this policy, unless the context indicates otherwise, any word or expression to which a meaning has been attached in the Act shall bear the same meaning and means:

Act: means the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003);
Accounting Officer: means the Municipal Manager and vice versa;

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 but not limited to–

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 officer of the Municipality, designated by the Municipal Manager to be administratively in charge of the financial affairs of the municipality;

Council or Municipality means the Municipal Council of !Kheis Local Municipality as referred to in Section 18 of the Municipal Structures Act;

Creditor in relation to a municipality, means any person or service provider to whom money is owing by the Municipality;

Debt means –

a) a monetary liability of obligation created by a financing agreement, note, debenture, bond, overdraft or the issuance of municipal securities; or

b) a contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

Financing Agreement" means any long-term agreement, lease, instalment purchase contract or hire purchase agreement under which the municipality undertakes to pay the capital cost of property, plant or equipment over a period of time;

Financial Statement – means statements consisting of at least –

a) a statement of financial position;
b) a statement of financial performance;
c) a cash-flow statement;
d) any other statements that may be prescribed; and
e) any notes to these statements.

IDP means the Integrated Development Plan;
LTFP means Long Term Financial Plan;
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 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;

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;

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 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.

2. INTRODUCTION

(a) The municipality is responsible for directly providing residents in its jurisdictional area, a wide range of public services, and access to essential utilities and community facilities. This requires the municipality to hold and maintain a significant base of infrastructure assets, which necessitates not only substantial initial investments, but also continued expenditure to maintain and renew assets over the course of their respective useful lives.

(b) It is paramount that long-term financial and asset management planning is undertaken to ensure local governments can continue to provide the desired levels of services to residents now and into the future, within the confines of their respective financial capacities.

(c) This requires the development of a financial model that aims to determine the appropriate mix of parameters and assumptions within which the municipality should operate to facilitate budgets which are affordable and sustainable at least 5 years into the future. In addition, it identifies the consequential financial impact of planned capital projects on the municipality's operational budget.

3. LEGISLATIVE FRAMEWORK

(a) **The Municipal Finance Management Act (MFMA) 56 of 2003, the Municipal Systems Act (MSA) 32 of 2000,** and all other applicable legislation, policies and circulars make reference.

(b) Section 21 of the MFMA requires the Executive Mayor to table before council 10 months before the start of the budget year a time schedule outlining key deadlines inclusive of the annual budget process, the Integrated Development Plan as prescribed by section 34 of the MSA, the budget related policies, any amendments to the IDP or budget related policies, and the necessary consultative process which need to give effect to the above.

(c) Section 7(1) of the **Municipal Budget Reporting Regulations (MBRR)** makes reference to the fact that the annual budget of the municipality should include a policy related to long term financial planning.

(d) Section 26(h) of the **MSA** holds that the IDP needs to incorporate a financial plan inclusive of three years budget projections.

(e) Section 7 (1) of the Local Government: Municipal Finance Management Act, 2003, Municipal Budget and Reporting Regulations, 2008 (hereafter MBRR) states that:
"the Municipal Manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of budget-related policies of the municipality, or any or any necessary amendments to such policies, in accordance with the legislation

(f) Section 7 (1) reference (1) of the MBRR, further states that *"as defined in section 1 of the MFMA. Policies that affect or are affected by the annual budget of a municipality include …. (g) a policy related to the long term financial plan".*

4. OBJECTIVES

The annual updated LTFP should identify the following:

(a) Assumptions and parameters to be used to compile the Operating and Capital budgets over the next MTREF;

(b) Identify revenue enhancement and cost saving strategies in order to improve service delivery at affordable rates;

(c) Future Operating revenue and expenditure projections based on assumptions and parameters;

(d) Future affordability of projected Capital Plans;

(e) The level of infrastructure development required to achieve the Municipal priorities, within the funding restrictions; and

(f) External funding requirements in respect of long term debt.

(g) A seamless integration of the financial relationship between the various revenue and expenditure streams upon which the Integrated Development Plan (IDP) is based – by clustering the current budgets to allow cost benefit effects to be tested on the overall budgets and thereby on service tariffs.

5. POLICY AMENDMENT

The Accounting Officer must–

(a) at least annually review the implementation of this Policy; and

(b) when the Accounting Officer 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. PRINCIPLES

The policy is based on the following principles:

(a) Viability and sustainability of the municipality;

(b) Optimisation of the municipal revenue basket, taking into consideration the following:

- Grand funding is optimally utilised and managed; and
- Effective credit control and debt collection, ensuring optimal revenue collection in the context of the socio-economic environment.

(c) Continuous improvement and expansion in service delivery framework, and

(d) Effective financial strategies.

During the process of compilation of the LTFP the Municipality should take cognisance of the following additional factors regarding the process:-

(e) A collaborative and visionary process. The LTFP does not just forecast the status quo into the future but considers different possible scenarios.

(f) A combination of technical analysis and strategizing. Long-term forecasts and analysis are used to identify long-term imbalances and financial strategies are developed to counteract these imbalances or inequities.

(g) An anchor of financial sustainability and policy development. The plan develops big-picture and long-term thinking among elected and appointed Councillors and Officials and also aims to ensure alignment and credibility of the IDP.

(h) Long term in nature. The plan will cover five (5) years.

7. DEVELOPMENT OF A LONG TERM FINANCIAL PLAN

7.1 Status Quo assessment and data collection

Perform a current 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

(p) Summarise the gaps and challenges to be addressed in the financial and funding plan.

In reviewing the current revenue sources in terms of:

(a) Existing service charges and fees.

(b) Options for increasing user charges and fees based on:
- the impact of inflation;
- other cost increases;
- number of registered indigents;
- the adequacy of the coverage of costs and current competitiveness of rates; and
- impact on households, particularly poorer households.

(c) The nature and extent, purpose and predictability of National and Provincial Grants and Agency Payments.

(d) Future opportunities and threats in terms of revenue:

(e) Other revenue opportunities, such as leases and the sale of non-core assets.

(f) Revenue constraints, such as maximum service charges and poor payment levels.

(g) Potential threats to Municipal revenue, including changes in Grant allocations.

(h) Potential expansion of the current revenue base.

(i) Factors, which influence revenue collections.

Other non-financial issues to consider during status quo analysis

a) Proposed organisational structure and assessing its cost implications;

b) Proposed community projects and programmes by Departments, such as Housing and Health, and assessing their cost implications; and

c) Current state of Information Communication and Technology

7.2 Financial Modelling

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.

7.3 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.

7.4 Analyse results

For the short-term needs of the Municipality based on the Financial Modelling, perform scenario planning to identify the optimum balance between revenue collection and municipal spending, taking into account the following:-

a) Potential revenue enhancement strategies which may have an immediate impact on the revenue base of the Municipality;
b) Evaluate cost saving mechanisms to minimise the cost of effective service delivery; and
c) Current infrastructure investments and maintenance programs which may influence revenue streams or the cost of service delivery.

7.5 Prepare Financial plan for approval

The Long Term Financial Plan should indicate the following:-

a) Illustrate the projected result for a three (3) year period.

b) Forecasting of revenues and the forecasting of expenditures into a single financial forecast.

c) Finalisation of the Financial Plan includes collating all financial data and develop a financial plan that:-

(i) Identifies future revenue projections based on current and projected revenue streams, as well as those projects required to achieve these projections;

(ii) Identifies future expenditure frameworks and cost of service delivery based on current and projected expenditure patterns;

(iii) Identifies the level of infrastructure development required to achieve the municipal priorities, within the funding restrictions; and

(iv) Identifies external funding requirements required for capital investment.

7.6 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:-

(i) any direct change in financial status or internal factors, other than previously predicted, which may influence the financial status and viability of the Municipality;

(ii) any changes in the economic and socio economic environment, other than previously predicted, which may influence the financial status of the Municipality;

(iii) any changes in the revenue base or composition which may have an impact on the financial viability of the Municipality;

(iv) any changes in the national or municipal priorities as previously identified; and

(v) any factors which may have an impact on the ability to implement previously identified projects.

8. IMPLEMENTATION AND REVIEW OF THE POLICY

The policy will be effective as from 01 July 2025

SHORT TITLE

This policy will be known as the long term financial planning policy

This policy had been presented to Council on the **28th May 2026** in the Council Chambers of !Kheis Municipality.

Municipal Manager:	**Date:** **28/05/2026**
Mayor:	**Date:** **28/05/2026**