

FINANCIAL PLANNING POLICY



Ilembe District Municipality: Financial Planning Policy

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1. Financial Plan Introduction

"To be a world class African Destination with Excellent Services and Quality of Life for all its People"

This Policy and the related strategies are hereby adopted to ensure that the long term vision of the municipality is achieved.

The Financial sustainability of the municipality together with the ability to render affordable services and to extend services to unserved areas whilst providing free basic services to the needy requires a sound financial policy and plan.

2. Financial Management

Financial Management is a cornerstone of a sound financial policy. Compliance with all relevant legislation, prescripts and policies will contribute to effective financial management. The goal of the municipality is to maintain a strong financial position with the ability to withstand local and regional economic impacts and to manage the budget and cash flows to the maximum benefit of the community.

2.1 Applicable Legislation/Policies

- a) The Constitution of the R.S.A. act 108 of 1996
- b) The Municipal Systems Act 32 Of 2000
- c) The Municipal Structures Act 117 of 1998
- d) The Municipal Finance Management Act 56 of 2003
- e) Tariff Policy
- f) Human resources Policy
- g) Credit Control Policy
- h) Asset Management Policy
- i) Funding and Reserves Policy
- j) Cash Management & Investments Policy
- k) Budget Policy
- l) Supply Chain Management Policy
- m) All Applicable Accounting Standards

2.2 Oversight

The oversight role of Internal Audit, External Audit, the Audit Committee, Council, MPAC and the Municipality's Performance Management System in the implementation & compliance with the above policies and legislation provides assurance to our customers at large that sound financial management principles and practices are being employed.

Financial Resources

Sources of Funding for Capital Expenditure are:

- a) National Government
- b) Provincial Government
- c) External Loans
- d) Own Funding
- e) Public Private Partnerships
- f) Service Charges
- g) Other revenues

Sources of Funding for Operational Expenditure are:

- a) Government Grants
- b) Water and Sanitation Service Charges
- c) Investment Income
- d) Other revenues

4. **Capital Financing**

When determining appropriate sources of funding it is important to assess the nature of the projects, expected revenue streams and the time frames for repayment. As a general guide the following principles will apply:

- Statutory funds for funding specific projects (e.g. water and sanitation)
- Provincial and National Government funding for medium term and long term projects.
- External loan funding for medium term and long term projects

5. **Operating Financing**

Council's policy is to fund operating expenses from normal revenue streams with short term funding being used as a last resort. It is expected that strong financial management including accurate cash forecasting will obviate the need to resort to short term borrowings. As indicated earlier it is council's intention to maintain a strong economic base through good working capital management including setting aside of adequate provisions for working capital.

6. Finance Directorate

6.1 Staffing

To achieve the financial and strategic goals of the municipality appropriately qualified staff must be employed and a retention and succession planning strategy must be employed to ensure continuity. The recruitment and training of financial interns must be continued to provide a resource pool for future appointments.

6.2 Financial System

The financial system used must at all times be totally up to date in terms of available technology to ensure legal compliance and to facilitate timeous reporting and up to date data.

6.3 Training

It is imperative that finance staff receive on-going training to keep abreast of changes that occur.

7. Strategic Growth Initiatives

Sound financial management and training coupled with infrastructure development will attract further investments into iLembe District. Investors must be encouraged by way of development incentives to invest in the District.

All-encompassing town planning processes by iLembe family of municipalities to create commercial, industrial and light industrial properties must be employed to promote economic development. Public, Private Partnerships if required, to extend municipal services, must be pursued after the necessary due diligence has been exercised.

Infrastructure maintenance and development is also necessary to attract investment. Growth in the revenue base will assist in promoting more growth and the creation of jobs will attract more potential residents with concomitant demand for water and

sanitation services and other developmental needs. The multiplier effect will enable the iLembe District Municipality to achieve its vision.

8 POLICY ADOPTION

This policy was considered and approved by the Council of **ILEMBE DISTRICT MUNICIPALITY MAY 2018**