

The scope of the project is as follows:

1. Develop a precinct development plan to promote social and economic growth and development in Sicelo with specific focus on road structure and movement system, block layout and location of all social and community facilities required.
2. Identify key catalytic interventions that will leverage economic and community growth and development in the node.

5. CHAPTER 5: FINANCIAL PLAN

The Financial Plan forms the cornerstone of any planning and financial strategy of Council. The principle within such a financial plan is depending on the resources available to the Council.

The Provincial Treasury Objectives are as follows :

➤ WORKING TOGETHER WE CAN DO MORE

DEVELOPMENTAL STATE :

Financial Management Renewal (1)

- Improve financial viability and sustainability of municipalities (1)
 - Adoption & implementation of revenue enhancement strategy (Oct 09; DLGH & munic)

- GPG to pay outstanding municipal rates & taxes (Nov 09; DF)
- Tracking & monthly reports on govt debt payment (Monthly; DF, DLGH & munic)
- Address cash flow challenges in Tshwane & Jhb (Jan 2010; DLGH, COT and COJ)

Financial Management Renewal (2)

- Improve financial viability and sustainability of municipalities (cont)
 - Performance & contract management of debt collectors
 - Consideration of political implications of debt recovery from indigent households (Nov 09; DLGH & munic)
 - Special measures for Nokeng and Kungwini (Nov 09; DLGH & munic)

Financial Management Renewal (3)

- Improve capacity to spend Capex: (Nov 09; DLGH & munic)
 - provincial tracking (monthly)
 - building project management capacity including at centralised level (DLGH)
- Allocation of a certain percentage for maintenance budgets and monitoring of this (Oct 09; DID, DLGH & munic)

- Continued efforts to improve financial management capacity & get clean audits (April 10; DF & munic)
- Implementation of cost-cutting measures across spheres (Oct 09; DF & munic)

Financial Management Renewal (4)

- Review of procurement frameworks to promote (Dec 09, DF & munic):
 - decent work & shared economic growth
 - affirmative procurement
 - localisation (Buy Local Campaign – SA, Gauteng, regional and local)
 - local cooperatives and SMMEs
- Cooperation to achieve economies of scale (Dec 09, DF & munic)

Financial Management Renewal (5)

- Review framework on disclosure of interests (Nov 09, OP, DLGH & munic)
- Integrity Commissioner to play expanded role, incl irt local govt (Nov 09, DLGH & munic)
- Risk Management Frameworks and systems at political and administrative level (Jan 2010, DF & munic)

- The impact of the constitutional court judgement removing the immunity of government wrt to the protection of the state assets from attachment and execution to enforce court judgement (Oct 09; OP)

The Integrated Development Plan (IDP) is therefore supported by a realistic estimation of available funding towards the capital and operational budget of Council. This estimation is encapsulated within the medium term expenditure framework (MTEF) of Council. The MTEF provides for a three year budget clearly indicating the tariff and income base of Council. The income base of Council is built on several pillars that support the operational and capital requirements of Council. (Community)

The pillars of the income base can be listed and linked as follows:

<u>Income Base</u>	<u>Funding</u>
Assessment Rates (Tax Base) And General	Council administration Roads and Stormwater Public facilities Facilitation not listed – Economic Or Trading Services
 <u>Trading Services</u>	
Electricity Sales	Electricity admin Electricity reticulation
Water Sales	Water admin Water reticulation

Economic Services

Cleansing	Cleansing admin
	Refuse & Solid waste function
Sewerage	Sewerage admin
	Purification works
	Sewerage reticulation

The income derived from these income services during the last two financial years are as follows:

Source	2006/07	2007/08
Assessment Rates & General	106 543 869	101 995 017
Trading Services		
Water	57 289 516	60 627 725
Electrical	72 923 759	86 506 161
Economic Services		
Waste Management	38 429 045	34 010 868
Total Income	275 186 189	283 139 771

The estimated income for the current 2008/09 year and 2009/10 financial year are as follows:

Source	2008/09	2009/10
Assessment rates & general	100 850 833	133 393 501
Trading Services		
Water	70 002 026	79 613 745
Electrical	110 696 596	127 355 808
Economic Services		
Cleansing	15 419 548	23 782 046
Sewerage	30 715 904	37 460 988
Total Income	327 684 847	401 606 088

Expenditure for the financial year 2008/09 and 2009/10 amounted to the following:

Source / Function	2008/09	2009/10
Assessment Rates & General	191 380 231	187 375 225
Trading Services		
Water	66 758 949	73 064 951
Electricity	93 214 625	96 263 899
Economic Services		
Cleansing	24 657 197	20 822 965
Sewerage	23 132 997	22 424 359
Total Expenditure	399 143 999	399 951 399

Capital Budget	2008/09	2009/10
	59 385 800	77 685 850

The MTEF for capital projects budgeted and financed as well as linked to the IDP is as follows:

IDP – Capital Projects

MIDVAAL LOCAL MUNICIPALITY	Preceding Year	Current Year			Budget Year
	2007/08	2008/09			2009/10
CAPITAL EXPENDITURE BY GFS	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Full Year Forecast R'000 D	Budget R'000 E
Executive & Council	9 641	4 886	80	80	130
Finance & Admin	409	113	9 596	9 596	5 210
Planning & Development	2 354	6 140	40	40	-
Health	1 655		300	300	400
Community & Social Services	727	4 956	1 252	1 252	3 005
Housing	-				
Public Safety	2 241	690	651	651	-
Parks and Recreation	3 467		3 647	3 647	3 350
Environmental Protection			150	150	225
Waste Management	168	2 300	782	782	3 491
Waste Water Management	37 972	12 000	9 150	9 150	13 900
Road Transport	8 853	10 105	4 050	4 050	33 150
Water	5 294	11 320	10 493	10 493	8 625
Electricity	13 546	6 875	7 675	7 675	6 200
CAPITAL EXPENDITURE BY VOTE	86 927	59 385	47 866	47 866	77 686

MIDVAAL LOCAL MUNICIPALITY CAPITAL FUNDING BY SOURCE	Preceding Year 2007/08	Current Year 2008/09			Budget Year 2009/10
	Audited Actual R'000 A	Approved Budget R'000 B	Adjusted Budget R'000 C	Budget R'000 D	Budget R'000 E
National Government Amounts allocated / gazetted for that year Amounts carried over from previous years	7 462	9 361	6 461	6 461	16 191 8 750
Total Grants & Subsidies - National Government	7 462	9 361	6 461	6 461	24 941
Provincial Government Amounts allocated / gazetted for that year Amounts carried over from previous years	419 933	1 237 100	1 737	1 737	2 505
Total Grants & Subsidies - Provincial Government	1 352	1 337	1 737	1 737	2 505
District Municipality Amounts allocated for that year	4 300	5 805	750	750	5 625
Total Grants & Subsidies - District Municipalities	4 300	5 805	750	750	5 625
Total Government Grants & Subsidies	13 114	16 503	8 948	8 948	33 071
Public Contributions & Donations	1 180	1 000			
Accumulated Surplus (Own Funds)	22 223	22 683	6 028	6 028	915
External Loans	47 433	19 200	32 889	32 889	43 700
TOTAL FUNDING OF CAPITAL EXPENDITURE³	83 950	59 386	47 865	47 865	77 686

In order to support the financial plan various strategies were developed. These strategies can be listed as follows:

1. INCOME GENERATION / DEBT COLLECTION STRATEGY

The Local Government Municipal Systems Act no. 32 of 2000, Section 96, rules as follows:

- “(a) must collect all money that is due and payable to it, subject to this Act and any other applicable legislation; and
- (b) for this purpose, must adopt, maintain and implement a credit control and debt collection policy which is consistent with its rates and tariff policies and complies with the provisions of this Act.”

Midvaal Local Municipality has adopted a Credit Control and Indigent Policy that ensure full compliance to relevant legislation. The principles and objectives of the above are as follows:

- Provide for indigents as determined in Salga guidelines. Council's policy is very sensitive towards these households.
- Ensure that all monies due are collected.
- Provide for credit control procedures and mechanisms for debt collection.
- Ensure that By-Laws as developed are enforced by officials and public.

2. INVESTMENT AND BANKING STRATEGY

The Council have adopted a policy to ensure that monies received by Council are accounted for as required by Section 64 (b) – (e) of MFM no. 56 of 2003.

- “(b) that revenue due to the municipality is calculated on a monthly basis;
- (c) that accounts for municipal tax and charges for municipal services are prepared on a monthly basis, or less often as may be prescribed where monthly accounts are uneconomical;
- (d) that all money received is promptly deposited in accordance with this Act into the municipality's primary and other bank accounts;
- (e) that the municipality has and maintains a management, accounting and information system which-
- (i) recognises revenue when it is earned;
 - (ii) accounts for debtors; and
 - (iii) accounts for receipts of revenue;”

Where surplus funds realise or grants are received, Council invest these funds as determined in the investment policy to ensure that minimum risk is realised on these funds.

3. PROCUREMENT AND PAYABLES POLICY

Council has developed a policy as required by chapter 11 of MFMA no. 56 of 2003.

The following issues are addressed in this policy.

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4. ASSET MANAGEMENT STRATEGY

The Generally Accepted Municipal Accounting Principles [GAMAP] requirement indicates that it will no longer be good enough merely to have an entry in the financial statement reflecting the value of assets. The requirement is for an asset register substantiating the financial entry.

Section 35[g] of the Local Government: Municipal Finance Management Bill, 2000 defines one of the responsibilities of the Municipal Manager as being responsible for the management of:

- The assets of the municipality, including the safeguarding and the maintenance of those assets; and
- The liabilities of the municipality.

Council has already adopted a Fixed Asset management Policy. Such a policy mainly incorporates and defines the following concepts:

- Definition of a fixed asset.
- Role of the Municipal Manager and the Chief Financial Officer.

- Format and classification of the fixed asset register.
- Recognition of heritage and donated assets.
- Identification and safekeeping of fixed assets.
- Procedure for loss, theft, destruction, or impairment of fixed assets.
- Capital criteria: Material value, Intangible items: Reinstatement and maintenance expenses.
- Maintenance Plans, Deferred maintenance, General maintenance.
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- Amendment of asset lives.
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- Carrying values and Revaluation of fixed assets.
- Verification, Alienation and Write offs of fixed assets.
- Insurance of fixed assets and Replacement norms.

5. FINANCIAL MANAGEMENT

The challenge to implement the new Legislation in terms of the Property Rates Act and new reporting for annual financial statements (GRAP) created new opportunities within Council's financial position.

The implementation of the above new legislation and strategies will create more financial resources for financing of capital projects. The unqualified financial statements gave Council a strong point of departure for the correct implementation of financial strategies.

The reporting of Council's financial position on a monthly basis as required by the MFMA does not only ensure compliance, but also sufficient time to implement corrections of strategies, deviates from the planned objectives of the IDP & SDBIP's.

CONCLUSION

In terms of Section 44 of the Local Government, Municipal Systems Act, Act No. 32 of 2000 a municipality, in a manner determined by its council, must make known, internally and to the public, the key performance indicators and performance targets set by it for purposes of its performance management system.

The cost-effectiveness of Council will mainly be measured by implementing realistic Performance Management Systems [PMS] on each Project Milestone. This will materialize by adhering to the following guideline:

- Setting appropriate targets and Key Performance Indicators [KPI's].
- Setting measurable outcomes and impacts.
- Annual performance monitoring.
- Formulation of remedial actions.
- Regular internal and external reporting.
- The PMS must serve as an early warning system for under-performance.