



## CHAPTER 4: FINANCIAL PLAN

### 4.1 INTRODUCTION

The 2006 Local Government Elections which was held on 1 March 2006 brought about change, not only to the composition of Tshwane's political leadership, but also to the strategic objectives mandated by the residents of Tshwane through the said democratic process.

The tabling of the Draft 2006/07 Medium-term Revenue and Expenditure Framework (MTREF) on 17 February 2006, in accordance with the Municipal Finance Management Act (MFMA), 2003 (Act 56 of 2003), and the subsequent community consultation process, has ensured the principles of Batho Pele, of transparency, and a people-centred government, which remains the driving force behind the Tshwane administration.

The CTMM has pioneered the way in improving the critical alignment between planning, budgeting and long term sustainable service delivery in the local government sphere. The further refinement of the Long-Term Financial Strategy (LTFS) and subsequent integration of the Municipal Infrastructure Investment Framework (MIIF), aligned to the imperatives of the Five Year Strategic Plan, provides the basis for affordable and equitable planning ensuring long-term financial sustainability for the City.

This chapter provides a brief background to the financial planning process, highlights the core elements of the LTFS, which has informed the compilation of this budget and reflect on the core process of integrating the CDS, TIDP and Budget.

The following Table 4.1 illustrates a summary of the high-level revenue and expenditure, as well as cash flow perspective, of the 2006/07 MTREF:



**Table 4.1: Summary of High-level Revenue and Expenditure**

<b>SUMMARY</b>					
<b>Description</b>	<b>Budget 2005/06</b>	<b>Adj Budget 2005/06</b>	<b>Budget 2006/07</b>	<b>Budget 2007/08</b>	<b>Budget 2008/09</b>
	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
<b>Consolidated Operating</b>					
Total Revenue By Source	(7,921)	(8,317)	(8,449)	(9,148)	(9,828)
Operating Expenditure by Vote	7,279	7,396	7,900	8,476	9,051
(SURPLUS)/DEFICIT (1)	(642)	(922)	(549)	(672)	(777)
<b>Cash flow</b>					
Net cash from Operating	1,264	1,169	1,127	1,325	1,499
Borrowing long term	400	400	500	550	500
Capital program – total	1,641	1,974	1,725	1,926	2,077
Capital from internal funds	953	1,056	1,200	1,360	1,476
Capital from internal funds %	58%	54%	70%	71%	71%

Note 1: The surplus is appropriated to fund the proposed capital budget

## 4.2 BACKGROUND

The departure point for the current financial planning process was the approval of the time schedule by Council on 28 July 2005.

A set of comprehensive financial planning and annual TIDP review guidelines were compiled and distributed to all strategic units/departments. In addition to the distribution of the financial planning and annual TIDP review guidelines, various detailed training sessions were undertaken with all departmental support staff in order to ensure continued skills transfer and understanding of the planning process.

The outcome of the above mentioned process was the submission of the Draft 2006/07 MTREF on 17 February 2006 which preceded the community consultation process in accordance with the requirements of the MFMA.

The appointment of a new Executive Mayor, as well as Mayoral Committee subsequent to the elections, resulted in the development of a **Five Year Strategic and Business Plan (5SBP)** which contains **strategic objectives** and **key performance areas**. The outcome of the development process was the need for alignment of the planning process and resource allocations to the imperatives of the strategic direction.