

Annexure C

Terms of Reference for a Long Term Financial Plan (LTFP) for Matzikama Municipality

1. INTRODUCTION

The following sets out the scope for the development of a Long-Term Financial Plan (LTFP) to be developed as part of the Matzikama Capital Expenditure Framework (CEF) which will inform and be an integral part of the Municipal Spatial Development Framework (MSDF). The municipality will require a new LTFP document and there is no consolidated document from which to work.

The requirement under this tender is that the LTFP must be both dynamic and simplistic to ensure that municipal officials can update the various components themselves for future periods without any external assistance.

The drafters of the Matzikama Municipality (MLM) LTFP will utilize the pilot developed LTFP "TOOL" for use in municipalities in the Western Cape,

2 REQUIREMENTS FROM THE SERVICE PROVIDER

The bidder must submit proof for the items listed below. Failure to do so will result in the tender being found non-responsive.

- 2.1. Training must be provided to empower the relevant officials to update the LTFP. A signed declaration must be provided for this important requirement with an indication how this will be done.
- 2.2. Allocate appropriate time for working sessions and training sessions with Matzikama personnel and other relevant stakeholders.
- 2.3. Hold capacity building training sessions with relevant stakeholders.
- For end user equipment.

- For server equipment.
 - List the software requirements for the use of the LTFP
- The below software licenses for all the required Microsoft products must be provided:
- SQL (Supplier provide [Retail / OEM / Non-government]);
 - Windows Server and Office software (Supplier provide [Retail / OEM / Non-government]);

All other essential software must be clearly identified, listed, and costed as part of the usage solution of the end-product (the LTFP) which must include original software procurement cost as well as annual license fees and all other related costs.

3. REQUIREMENTS OF THE LTFP

- 3.1. Use the information contained in the TOOL (economic, financial and revenue forecasting) in the compilation of the LTFP for the municipality.
- 3.2. In the compilation of the LTFP, the IDP, infrastructure growth plan and infrastructure master plan must be considered to ensure alignment.
- 3.3. The successful bidder must include the infrastructure projects for the next 10 years in the LTFP. These projects will be provided by the municipality. It will be required from the bidder to have discussions with the relevant stakeholders, most notably the Director: Infrastructure and Planning Services, the Chief Financial Officer, and Municipal Manager on these projects, and to make appropriate recommendations.
- 3.4. The impact of the Matzikama Land Disposal Strategy, Spatial Development Framework and Planned Development must be considered in the compilation of the LTFP. Scenarios must be provided in the LTFP on the impact of the commercial and new residential complex developments on the municipality, detailing both the financial and non-financial considerations and implications.

- 3.5. The Western Cape Provincial Government data must also be considered. The sector plans must be included in the LTFP. A comprehensive review of this is therefore required. This data must specifically be sourced from the Western Cape Provincial Government.
- 3.6. The previous 3 year's historical information as per the audited Annual Financial Statements must be included in the LTFP to provide the reader with a basis to reflect on the financial performance of Matzikama in the past and to plot future financial trends.
- 3.7. The latest 3-year MTREF operating budget, plus the next 7 years thereafter must be included in the LTFP to provide the financial performance of Matzikama for the next 3 years. The format must be the same as the historical Income Statement aforementioned.
- 3.88. Also include the final adjustment budget for 2024/25.
- 3.99. Appropriate summary tables must be provided for the capital budget for the next 3 years, plus the next 7 years thereafter. These same tables must also be provided for the previous 3 years.
- 3.10. The first draft LTFP must be submitted to the CFO for timeous consideration of the IDP.
- 3.11. The second draft LTFP must be submitted to the CFO so that it can be included in the forthcoming tabled budget that will be submitted to Council to allow for input from the public.
- 3.12. The updated LTFP must be submitted to the CFO for timeous consideration and inclusion in the next municipal IDP.

- 3.13. The final LTFP must be updated with the final 2024/27 MTREF information and submitted so that it can be included in the final budget that is submitted to Council for approval.
- 3.14. The LTFP must provide sensitivity analysis of external funding calculations to indicate the impact on the financial position and future rates and tariffs of future borrowings within the policy framework of Council.
- 3.15. In the compilation of the LTFP document the following must be included:
 - (a) Index with the appropriate table of contents and where relevant a list of tables used in the document and a list of figures used in the document;
 - (b) Executive summary;
 - (c) Recommendations;
 - (d) Introduction;
 - (e) Objectives of the LTFP;
 - (f) Alignment with the IDP, infrastructure growth plan and infrastructure master plan;
 - (g) Development of a long term, economic based, sustainable water funding model;

- (h) Assessment of the current challenges facing the municipality;
- (i) Water, Sewage, Electricity, Roads, Stormwater and Solid Waste infrastructure planning;
- (j) Financial overview (2024/25, 2026/27 and 207/28) and Budget overview (2024/25, 2025/26, 2026/27 MTREF), plus the next 7 years thereafter. Also provide for the final adjustment budget of 2024/25.
- (k) Funding resources;
- (l) Cash management;

3.16. The "Recommendations" (paragraph (c) above) must be provided in a separate document with the following headings:

- Project (Item) Number, Recommendation, Responsible director, Date required and Comments from responsible director.
- The objective of this is provide for a separate document to assign responsibility to the respective directors for the implementation of these recommendations.

3.17. In the "Development of a long term, economic based, sustainable water funding model" (paragraph (g) above) category, a separate section must be dedicated to Water. A dedicated Meeting/s with the Municipal Manager and his directors must be held in order for the bidder to be provided with the information and context.

3.18. In the "Water, Sewage, Electricity, Roads, Stormwater and Solid Waste infrastructure planning" (paragraph (i) above) category,

at least the following must be provided for:

- A summary of the current state of infrastructure;
- The estimated R-value investment required to replace the infrastructure over the next 30 years;
- The financing options available for the replacement.

3.19. In the "ratio and benchmark analysis" category (paragraph (n) above), the following ratios must be provided for (use the formulas in MFMA circular 71)

- Current ratio;
- Debtors collection ratio;
- Employee cost ratio;
- Cash generated from operations as % of own Revenue;
- Cost coverage;
- Debt to Revenue
- Gearing ratio;
- Water distribution losses;
- Electricity distribution losses;
- Outstanding services debtors as % of total annual service revenue;
- Cost coverage ratio;
- Revenue growth

- 3.20. The ratios listed above must be done for the 2024/25, 2026/27 and 2027/28 audited AFS numbers, as well as for the 3 year MTREF budget (2024/25 – 2026/27), plus the next 7 years that are covered in the LTFP. Also provide for the final adjustment budget of 2024/25.
- 3.21. Currently there is a presence of informal settlement in the municipal area of the municipality.

The general definition of informal settlements is that it is unplanned settlements on land which has not been surveyed or proclaimed as residential, consisting mainly of informal dwellings. An informal dwelling is a makeshift structure not approved by the local authority and not intended as a permanent dwelling.

The Municipality currently provides basic services to informal settlements. The growth estimation and estimated financial impact of informal settlements on the municipality must be included in the LTFP document.

- 3.22. The municipality has various ring-fenced financial reserves and provisions. The LTFP must include an estimation of this for a 10year planning period. The format to be used must be similar than the reconciliation that is currently disclosed in the Annual Financial Statements of the municipality.
- 3.23. The LTFP must provide for a shadow credit rating of the municipality financial performance benchmarked against an absolute set of financial parameters and the relative performance of the municipal sector. The shadow credit rating will indicate the mostly likely conclusion any lender would come to as it relates to the level of risk involved in providing long term funding to the Matzikama Municipality.
- 3.24. The successful bidder must make recommendations to improve the municipality's financial sustainability and overall sustainability.