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FUNDING AND RESERVES POLICY

THEMBELIHLE LOCAL MUNICIPALITY
POLICY ON FUNDING AND RESERVES POLICY
2016/2017.

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1. Applications and Scope

This policy is mandate by Section 8 of the Local Government: Municipal Budget and Reporting Regulations which is made in terms of section 168 of the Municipal Finance Management Act, 2003 Act no. 56 of 2003 This funding and Reserves Policy is applicable to Thembelihle Municipality.

2. Objectives of Policy

- i) To ensure the operating and capital budget of council are appropriately funded.
- ii) To ensure that provisions and reserves are maintained at the required levels to avoid future unfunded liabilities.

3. Introduction

The funding of the operating and capital budgets is done on an annual basis for a three year period. The budget must be balanced both from and accounting as well as cash perspective. The impact of movement in the Statement of financial Position is taken into account when considering the balancing of the budget.

4. Projected billings, collections and direct revenue

These projections are prepared in accordance to the following annual approved council policies:

- 4.1 The Rates policy which sets out the manner in which the municipality may impose rates on property.
- 4.2 The Tariffs Policy which guides the annual setting (or revision) of tariffs. The Policy is applicable to all tariffs for electricity, water, sanitation and solid waste services provided by the municipality. This policy is also applicable to all sundry tariffs.

5. Funding sources for operating and capital budget

5.1 Operating Budget

The operating budget shall be financed from the following sources

- a) Service Charges
 - i) Electricity Charges
 - ii) Water Sales
 - iii) Refuse Removal Fees

iv) Sewerage Fees

b) Property taxes

Increases in tariffs and rates will be based on actual billed revenue and as far as possible be limited to inflation plus an additional percentage increase to accommodate the growth of the town and more important to remain affordable and realistic. Detailed information can be found in the Tariff Policy.

c) Grants & Subsidies

Grants and subsidies shall be based on all the gazette grants and subsidies plus all other subsidies received by the organization.

d) Rental Fees

Fees for rental property will be budgeted for based on the percentage growth rate as determined by Financial Services for a particular budget year.

e) Fines

Fees for fines will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year

f) Other Income

All other income items will be budgeted for based on the actual income received in the preceding year and the percentage growth rate as determined by Financial Services for a particular budget year.

5.2 Capital Budget

Own Funding Sources

The Council shall establish a Capital Replacement Reserve(CRR) for the purpose of financial capital projects and the acquisition of capital assets.

Other Funding Sources

The capital budget shall also be financed from external sources such as the following:

- a) Grants and subsidies as allocated in the annual Division of Revenue of Act
- b) Grants and subsidies as allocated by Provincial government
- c) External Loans
- d) Private Contributions

- e) Contributions from the Capital Development Fund(developer's contributions) and
- f) Any other financing source recurred by the local authority.

6. Provision for revenue that will not be collected

The municipality makes provision in the operational budget for revenue that will not be collected in the budget year. This provision that will be made must be based on past trends and payments rates. More detail can be found in the Accounting Policy of the municipality.

7. The funds the municipality can expect to receive from investment

The municipality makes provision in the operational revenue budget for revenue that will be realized on investment. The interest received on investment will be budgeted for in the revenue budget. Forecast will be based on projected interest rates and projected investments for the period.

8. Proceeds from transfer or disposal of assets

The proceeds from transfer or disposal of assets will be budgeted in the operational revenue budget.

9. Borrowing requirement

The affordability of loans over the Medium Term Revenue and Expenditure Framework (MTREF) period should be determined before external loans are considered. Capital costs (interest and redemption payments) should be within the acceptable norms and in terms of the Borrowing Policy

10. Capital Replacement Reserve(CRR)

Council shall establish a CRR for the purpose of financing capital projects and the acquisition of assets.'

Such reserve shall be established from the following sources of revenue:

- a) Un-appropriated cash-backed surpluses to the extent that such surpluses are not requires for operational purposes:
- b) Interest on the investments of the CRR, appropriated in terms of the investments policy;
- c) Additional amounts appropriated as contributions in each annual or adjustments budget and;

- d) Before any assets can be financed from the CRR the financing must be available within the reserve and available to fund the CRR this reserve fund must then be adjusted the available cash
- e) Transfers to the CRR must be budget for in the cash budget.