

THABAZIMBI LOCAL MUNICIPALITY



FUNDING AND RESERVES POLICY 2026/27

POLICY NUMBER XXXXXX

APPROVED BY COUNCIL: DD/MM/YYY

SPEAKER'S SIGNATURE: _____

DATE: _____

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1. Application and Scope

This policy is mandated 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. of 2003). This Funding and Reverses Policy is applicable to Thabazimbi Local Municipality.

2. Objectives of Policy

- To ensure the operating and capital budget of the council are appropriately funded.
- To ensure that provisions and reserves are maintained at the required levels to avoid future year 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 a cash perspective. The impact of movements 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:

- The Rates Policy which sets out the manner in which the municipality may impose rates on property.

- The Tariff 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:

- Service Charges
- Electricity Charges
- Water Sales
- Refuse Removal Fees
- Sewerage Fees
- Property Taxes
- Grants & Subsidies
- Rental Fees
- Fines
- Other Income

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:

- i. Grants and subsidies as allocated in the annual Division of Revenue of Act
- ii. Grants and subsidies as allocated by Provincial Government
- iii. External Loans
- iv. Private Contributions
- v. Contributions from the Capital Development Fund (developer's contributions) and
- vi. Any other financing source recurred by the local authority.
- vii. Provision for revenue that will not be collected

The municipality makes provision in the operational expenditure 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 payment rates. More detail can be found in the Accounting Policy of the municipality.

- viii. 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.

- ix. Proceeds from transfer or disposal of assets

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

- x. 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.

xi. Capital Replacement Reserve (CRR)

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

- xii. Such reserve shall be established from the following sources of revenue:
- Un-appropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes;
 - Interest on the investments of the CRR, appropriated in terms of the investments policy;
 - Additional amounts appropriated as contributions in each annual or adjustments budget and;
 - Before any assets can be financed from the CRR the financing must be available within the reserve and available as cash as this fund must be cash backed;
 - If there is insufficient cash available to fund the CRR this reserve fund must then be adjusted the available cash
 - Transfers to the CRR must be budgeted for in the cash budget.

6. Effective Date

The effective date of this policy shall be 1 July 2026 and shall be reviewed on an annual basis to ensure that it is in line with Thabazimbi Local Municipality's strategic objectives and within the required legislative framework.