



**O.R. TAMBO
DISTRICT MUNICIPALITY**

FUNDING AND RESERVES POLICY

O.R. TAMBO DISTRICT MUNICIPALITY
APPROVED

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1. PREAMBLE/INTRODUCTION

Policy is a guide to ensure operating and capital budget are funded and municipality to maintain reserves.

2. ACRONYMS AND ABBREVIATIONS

CFO : Chief Financial Officer

COGTA : Department of Cooperative Governance and Traditional Affairs

DM : District Municipality

3. DEFINITION OF TERMS

FUNDING AND RESERVES: Means the Funding and Reserves Policy of the Municipality as envisaged in terms of regulation 8 of the Regulations.

CAPITAL BUDGET: Means an estimate/projection for the financial year of items of property plant and equipment such as infrastructure, buildings, plant, office equipment and fittings the cost of which is normally written off over a number of financial periods

OPERATING BUDGET: Means an estimate/projection for the financial year of revenue and expenditure for the fulfilment of operations during the financial year.

TARIFF: Means a fee, charge or tariff for services which the Municipality may levy in terms of the provisions of section 75A of the Systems Act for the provision of a municipal service to the local community, and includes a surcharge on such fee, charge or tariff.

4. LEGAL/STATUTORY FRAMEWORK

- Municipal Finance Management Act (Act 1 of 2003)
- Municipal Budget Reporting Regulations

5. PURPOSE AND OBJECTIVES OF THE POLICY

- I. To ensure that operating and capital budgets of the municipality are appropriately funded and that provisions and reserves are maintained at required levels to avoid future year unfunded liabilities.

6. SCOPE/APPLICATION OF THE POLICY

6.1 GUIDING PRINCIPLES

Set out the assumptions and methodology for estimating:

- I. projected billings, collections and all direct revenues;
- II. the provision for revenue that will not be collected;
- III. the funds the municipality can expect to receive from investments;
- IV. the dividends the municipality can expect to receive from municipal entities;
- V. the proceeds the municipality can expect to receive from the transfer or – disposal of assets;
- VI. the municipality's borrowing requirements; and
- VII. the funds to be set aside in reserves.

6.2 LINKS TO OTHER POLICIES

- Budget Policy
- Credit Control and Debt Collection Policy
- Tariff Policy
- Asset Management Policy

6.3 WHO USES THE POLICY

- Councillors;
- Staff;
- Communities

6.4 WHO SHOULD BE CONSULTED UPFRONT IN RESPECT OF POLICY CHANGES

- Council as a policy formulator;
- Staff as implementers of the policy;

- Communities if the policy directly affects them; or
- Any relevant stakeholders;

6.5 IMPLICATIONS OF THE POLICY

- Intended consequences;
- Unintended consequences;

6.6 WHO DRIVES THE POLICY

- Municipal Manager to drive the policy with delegation to CFO
- Executive Mayor to monitor the implementation of the policy
- Budget and Treasury Office to drive the policy

7. POLICY PROVISIONS/STATEMENTS

1.1 Projected billings, collections and all direct revenues

1.1.1 Finding for the Operating and Capital budget

1.1.1.1 Operating Budget

(a) According to section 18 of the MFMA, annual budget may only be funded from

- I. realistically anticipated revenues to be collected
- II. cash-backed accumulated funds from previous years' surpluses not committed for other purposes
- III. Grants and subsidies as allocated in the annual Division of Revenue Act

(b) Revenue projections in the budget must be realistic, taking into account

- I. projected revenue for the current year based on collection levels to date
- II. actual revenue collected in previous financial years

1.1.1.2 Capital Budget

(c) According to section 19 of the MFMA a municipality may spend money on a capital project only if:

- I. the money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget
- II. the project, including the total cost, has been approved by the council
- III. the sources of funding have been considered, are available and have not been committed for other purposes.

(d) Capital project shall be funded from

- I. Own funding sources
- II. Grants and subsidies as allocated in the annual Division of Revenue Act
- III. Grants and subsidies as allocated by Provincial government

1.2 Provision for revenue that will not be collected

The municipality shall make provision in the operational expenditure budget for revenue that will not be collected in the budget year. The provision shall be made based on the past payment trends.

1.3 The funds the municipality can expect to receive from investments

The municipality shall budget for the revenue that is expected to be realised on investment. The interest revenue shall be projected based on projected interest rates and projected investment for the budget year.

1.4 Dividends the municipality can expect to receive from municipal entities

The municipality does not expect any dividends from the municipal entity.

1.5 Proceeds the municipality can expect to receive from the transfer or disposal of assets

Proceeds from transfer or disposal of assets shall be budgeted in the operational revenue budget.

1.6 Municipality's borrowing requirements

Affordability of loans over the Mid-Term Revenue and Expenditure Framework (MTREF) period is determined before external loans are considered

1.7 Funds to be set aside in reserves

Council shall establish a Capital Replacement Reserve for the purpose of financing capital projects and acquisition of assets. Such reserve shall be established from:

- a. Unappropriated cash surpluses to the extent that surpluses are not required for operational purposes.
- b. Interest on investment of Capital Replacement Reserves
- c. Additional amounts appropriated as contributions in each annual or adjustment budget.

8. INTERPRETATION OF THIS POLICY

- Municipal Manager has the authority to interpret the policy

9. PERMANENT/TEMPORARY WAIVER OR SUSPENSION

- Council has the authority to waive the policy
- Process of waiver is as follows:
 - Municipal Manager to prepare the waiver
 - Executive Mayor to table to council
 - Council to approve the waiver

10. POLICY APPROVAL

- Following will be consulted before the adoption of the policy
 - Councillors;

- Management and staff;
- Community
- Council to Adopt the policy

11. COMPLIANCE, IMPLEMENTATION AND ENFORCEMENT

- Policy to be communicated through website, printed, radio and social media, public participation
- Municipal Manager to sign after its adoption;
- Policy to be reviewed annually
- Executive Mayor to monitor the implementation of the policy
- Violation of the Policy shall constitute an offence and may lead to disciplinary action;

12. AUTHENTICATION

The Funding and Reserves Policy is approved by the O.R Tambo District Municipality Council on 29 May 2025.

Council Resolution Number.....

Signature

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B. Mase

Municipal Manager

