NDLAMBE LOCAL MUNICIPALITY

FUNDING AND RESERVE POLICY 2026/2027

1. APPLICATION AND SCOPE

The Funding and Reserves Policy is applicable to the Ndlambe Municipality.

2. OBJECTIVES OF POLICY

- To ensure the operating and capital budgets of 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 horizon. The budget must be balanced both from an accounting perspective 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. FUNDING OF CAPITAL AND OPERATING BUDGET

The budget may be financed only from:

i. realistically expected revenues, based on current and previous collection level, and
ii. cash-backed funds available from previous surpluses where such funds are not required for other purposes; and borrowed funds in respect of the capital budget only.

5. PROVISION FOR RVENUE 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, subject to the availability of prior surpluses to make such provisions.

6. THE FUNDS THE MUNICPALITY 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. This forecast will be based on projected interest rates and projected investments for the period.

7. SURPLUS FROM TRANSFER OR DISPOSAL OF ASSET

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

8. 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:

i. Unappropriated cash-backed surpluses to the extent that such surpluses are not required for operational purposes.
ii. Interest on the investments of the CRR, appropriated in terms of the investments policy.
iii. VAT refunds from SARS on conditional capital grants.
iv. Proceeds from sale of assets.
v. Proceeds from insurance claims,
vi. Additional amounts appropriated as contributions in each annual or adjustments budget and
vii. The portion of the minimum of 10% to the maximum of 30% of the monthly depreciation cost.