

# **SISONKE DISTRICT MUNICIPALITY**

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## **FUNDING AND RESERVES POLICY**

**(FINAL)**

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**ADOPTED: 29 May 2012**

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## LEGISLATIVE CONTEXT

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. 56 of 2003).

### 1. OBJECTIVE

This policy intends to set out the assumptions and methodology for estimating the following:

- a) Projected billings, collections and all direct revenues;
- b) The provision for revenue that will not be collected;
- c) The funds the municipality can expect to receive from investments;
- d) The dividends the municipality can expect to receive from municipal entities;
- e) The proceeds the municipality can expect to receive from the transfer or disposal of assets;
- f) The municipality's borrowing requirements; and
- g) The funds to be set aside in reserves

### 2. GUIDING PRINCIPLES

The Sisonke District Municipality's Funding and Reserves Policy is based on the following principles:

- ✚ Affordability,
- ✚ Financial sustainability
- ✚ Equity, and
- ✚ Efficacy

### **3. UNDERLYING POLICIES AND APPLICATION**

#### **3.1 PROJECTED BILLINGS, COLLECTIONS AND DIRECT REVENUE**

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

- ✚ The Credit Control policy, Debt Collection Policy and Indigent Policy. The objective of these policies are as follows:
  - ❖ focus on all outstanding debt as raised on the debtor's account;
  - ❖ provide for a common credit control and debt collection policy;
  - ❖ promote a culture of good payment habits amongst debtors and instill a sense of responsibility towards the payment of accounts and reducing municipal debt;
  - ❖ subject to the principles provided for in this Policy, use innovative, cost effective, efficient and appropriate methods to collect as much of the debt in the shortest possible time without any interference in the process.
  - ❖ effectively and efficiently deal with defaulters in accordance with the terms and conditions of this policy.
- ✚ Tariff Policy which guides the annual setting (or revision) of tariffs, hence the policy does not make specific tariff proposals, nor does it deal in any detail with the implementation of specific tariff proposals. The policy is applicable to all tariffs for water and sanitation services provided by the Sisonke Sisonke District Municipality. This policy is also applicable to all sundry tariffs.

#### **3.2 THE PROVISION FOR REVENUE THAT WILL NOT BE COLLECTED**

The Bad Debts Provision Policy, which is reviewed annually, underpins the manner in which the Sisonke District Municipality makes provision for revenue that will not be collected within a financial year.

### **3.3 THE FUNDS THE MUNICIPALITY CAN EXPECT TO RECEIVE FROM INVESTMENTS**

The Sisonke District Municipality has a Banking and Investment Policy which purpose is to secure the sound and sustainable management of the Sisonke District Municipality's surplus cash and investments.

It is calculated based on the Budgeted cash-flow, taking into consideration the timing of anticipated inflows and outflows of cash during the year.

### **3.4 THE DIVIDENDS THE MUNICIPALITY CAN EXPECT TO RECEIVE FROM MUNICIPAL ENTITIES**

This is not applicable to the Sisonke District Municipality as no dividends are received from any of the Sisonke District Municipality's entities.

### **3.5 THE PROCEEDS THE MUNICIPALITY CAN EXPECT TO RECEIVE FROM THE TRANSFER OR DISPOSAL OF ASSETS**

This methodology is governed by the Asset Control Policy and the Supply Chain Management Policy.

### **3.6 THE MUNICIPALITY'S BORROWING REQUIREMENTS**

The Sisonke District Municipality's borrowing requirements are determined in accordance with the Sisonke District Municipality's affordability thereof.

### **3.7 THE FUNDS TO BE SET ASIDE IN RESERVES**

The funds to be set aside in reserves are subject to affordability.

### **3.8 THE FOLLOWING LIABILITIES SHALL BE CASH BACKED**

- Unspent conditional grant funding
- Retention on projects
- Consumer deposits
- The municipality must ring fence the conditional grants through a specific investment account.

#### **4. GENERAL**

- 4.1 The Municipal Manager shall be responsible for the implementation and administration of this Policy.
- 4.2 This Policy, once adopted by Council, shall come into effect on 01 **July 2012**.

