

- a) Additional personnel cost to staff new facilities once operational;
- b) Additional contracted services, that is, security, cleaning etc.
- c) Additional general expenditure, that is, services cost, stationery, telephones, material etc.
- d) Additional other capital requirements to the operate facility, that is, vehicles, plant and equipment, furniture and office equipment etc.
- e) Additional costs to maintain the assets;
- f) Additional interest and redemption in the case of borrowings;
- g) Additional depreciation charges;
- h) Additional revenue generation. The impact of expenditure items must be offset by additional revenue generated to determine the real impact on tariffs.

8. CASH FLOW MANAGEMENT

- 8.1 The availability of cash is the most important requirement for financial sustainability and must be closely monitored by the Chief Financial Officer. In doing so the Chief Financial Officer must ensure a minimum cash on hand to cover 90 days operational expenditure.
- 8.2 Surplus cash not immediately required for operational purposes must be invested in terms of the Municipality's Cash Banking and Investment Policy to maximise the return on cash.

9. MANAGEMENT OF DEBTORS

- 9.1 Debt is managed in terms of the Municipal credit control and debt collection policy.
- 9.2 The provision for bad debts is budgeted as an expense and is based on the projected annual non-payment rate for each service.

10. DONATIONS, GRANTS AND SUBSIDIES.

- 10.1 Revenue from donations or any other grants may only be included in the budget if there is acceptable documentation that guarantees the funds such as:
 - a) Signed service level agreement;
 - b) Contract or written confirmation; or
 - c) Any other legally binding document.
- 10.2 The conditions of the specific grant must be taken into consideration when allocated to a specific project. Government grants and subsidies allocated to specific capital projects are provided for on the relevant department's operating budget to the extent that the conditions will be met during the financial year.

11. THE CAPITAL REPLACEMENT RESERVE

11.1 All reserves must be "*ring fenced*" and "*cash backed*" as internal reserves within the accumulated surplus, except for provisions as allowed by GRAP.

11.2 Once the Municipality has reached its maximum gearing ability, no further borrowings can be taken up. The Municipality must invest in a capital replacement reserve. This reserve provides internal funding for the Municipality's capital replacement and renewal programme. Contributions to the capital replacement reserve through the operating budget will be:

- a) Interest received on investments;
- b) Proceeds from sale of assets.

12. THE CAPITAL CONTRIBUTIONS

These supplement capital expenditure for the necessary expansions and upgrading of bulk infrastructure. Revenue generated from capital contributions is allocated to this reserve for each applicable service. The unspent contributions must be cash backed to ensure availability of cash when the infrastructure upgrades are required.

13. PROVISIONS

A provision is recognised when the Municipality has a present obligation as a result of a past event and it is probable, more likely than not, that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are revised annually and those estimates to be settled within the next twelve (12) months are treated as current liabilities.

The Municipality has the following provisions:

(a) *Leave provision*

Liabilities for annual leave are recognised as they accrue to employees. An annual provision is made from the operating budget to the leave provision. Due to the fact that not all leave balances are redeemed for cash, only 75% of the leave provision is cash backed.

(b) *Long services awards*

Municipal employees are awarded leave days according to years in service at year end. Due to the fact that not all long service leave balances are redeemed for cash, only 75% of the long service leave provision is cash backed.

(c) *Post employment medical care benefits*

The Municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost of these benefits is accrued over a period of employment.

14. OTHER ITEMS TO BE CASH BACKED

14.1 Unspent conditional grant funding

Revenue received from conditional grants is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Amounts in relation to the unspent grant funding are therefore retained in cash and are not available to fund any other items on the operating or capital budget other than that for which it was intended for.

14.2 Consumer Deposits

Consumer deposits are partial security for a future payment. Deposits are considered a liability as the deposit is utilised once the agreement is terminated. The funds are owed to consumers and can therefore not be utilised to fund the operating or capital budget. Consumer deposits should be retained in cash and be ring-fenced.

15. POLICY REVIEW

This Policy will be reviewed annually to ensure that it complies with changes in applicable legislation and accounting standards.

16. COMPLIANCE AND ENFORCEMENT

- a. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.
- b. It will be the responsibility of Accounting Officer to enforce compliance with this Policy.

17. EFFECTIVE DATE

This Policy shall come to effect upon approval by Council of Ugu District Municipality.

18. POLICY ADOPTION

This Policy has been considered and approved by the **COUNCIL OF UGU DISTRICT MUNICIPLAITY** as follows:

Resolution No:.....

Approval Date:.....

UGU DISTRICT MUNICIPALITY
("the Municipality")



DRAFT
BORROWING POLICY

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1. Definitions

"Act" means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

"Disclosure statements" means a statement issued or to be issued by:

- a municipality which intends to incur debt by issuing municipal debt instruments; and
- a person who intends to incur debt by issuing securities backed by municipal debt.

"Financing agreement" means any loan agreement, lease, instalment, purchase arrangement under which a municipality undertakes to repay a long-term debt over a period of time.

"Lender" means a person who provides debt finance to the Municipality.

"Long term debt" means debt repayable by the Municipality over a period exceeding one (1) year.

"Municipal debt" means:

- (a) A monetary liability or obligation on a municipality by:
 - a financing agreement, note, debenture, bond or overdraft; and
 - the issuance of municipal debt instruments.
- (b) A contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

"Municipality" means Ugu District Municipality

"Security" means any mechanism intended to secure the interest of a lender or investor and includes any of the mechanisms mentioned.

"Short term debt" means debt that is repayable over a period not exceeding one (1) year.

2. Purpose

The purpose of this Policy is to establish a borrowing framework for the Municipality and to set out the objectives, policies, statutory requirements and guidelines for the borrowing of funds, in order to:

- 2.1. Manage interest rate and credit risk exposure;
- 2.2. Maintain debt within specified limits and ensure adequate provision for the repayment of debt;
- 2.3. Ensure compliance with all Legislation and Council policy governing borrowing of funds.

3. Legislative Framework

All borrowings made by the Municipality shall be subject to the requirements of the Local Government: Municipal Finance Act, 2003 ("the MFMA") and the Municipal Regulations on Debt Disclosure ("the Disclosure Regulations") made there under and published under GN R 492 in Government Gazette 29966 of 15 June 2007.

4. Types of Debt

- 4.1. This Policy applies to the debt incurred by the Municipality through the issue of municipal debt instruments or in any other way.
- 4.2. Without derogating from the generality of the preceding subparagraph, this policy will apply:
 - 4.2.1. To any debt, whether short -term or long term;
 - 4.2.2. To any debt incurred pursuant to any financing agreement, which includes any of the following agreements under which the Municipality undertakes to repay a long-term debt over a period of time:
 - 4.2.2.1. Loan agreements;
 - 4.2.2.2. Leases;
 - 4.2.2.3. Instalment purchase contracts;
 - 4.2.2.4. Hire purchase arrangements;
 - 4.2.3. To any debt created by the issuance of municipal debt instruments, including:
 - 4.2.3.1. Any note;
 - 4.2.3.2. Bond; or
 - 4.2.3.3. Debenture; and

- 4.2.4. To any contingent liability such as that created by guaranteeing a monetary liability or obligation of another.

5. Principles Guiding Borrowing Practices

The following principle shall guide the borrowing practices of the Municipality, namely:

- 5.1. Risk Management: The need to manage interest rate risk, credit risk exposure and to maintain debt within specified limits is the foremost objective of the borrowing policy. To attain this objective, diversification is required to ensure that the Chief Financial Officer prudently manages interest rate and credit risk exposure;
- 5.2. Cost of Borrowings : The borrowings should be structured to obtain the lowest possible interest rate, on the most advantageous terms and conditions, taking cognisance of borrowing risk constraints, infrastructure needs and the borrowing limits determined by Legislation;
- 5.3. Prudence: Borrowings shall be made with care, skill, prudence and diligence. To this end, officials of the Municipality are required to:
- 5.3.1. adhere to this policy, and other procedures and guidelines;
 - 5.3.2. exercise due diligence;
 - 5.3.3. prepare all reports in a timely fashion;
 - 5.3.4. ensure strict compliance with all Legislation and Council policy.

6. Factors to be taken into account when borrowing

- 6.1. The Municipality shall take into account the following factors when deciding whether to incur debt:
- 6.1.1. the type and extent of benefits to be obtained from the borrowing;
 - 6.1.2. the length of time the benefits will be received;
 - 6.1.3. beneficiaries of the acquisition or development financed by the debt;
 - 6.1.4. the impact of interest and redemption payments on both current and forecast income;
 - 6.1.5. the current and future capacity of the Municipality's revenue base to pay for borrowings;

- 6.1.6. other current and projected sources of funds;
 - 6.1.7. likely movements in interest rates for variable rate borrowings;
 - 6.1.8. competing demands for funds;
 - 6.1.9. timing of money market interest rate movements and the long term rates on the interest rate curve.
- 6.2. The Municipality will, in general, seek to minimise its dependence on borrowings in order to minimise future revenue committed to debt servicing and redemption charges.

7. Sources of Borrowings

- 7.1. Subject to any particular determination of the Council of the Municipality, the Municipality may enter into financing agreements with:
- 7.1.1. Registered South African Banks;
 - 7.1.2. The Development Bank of Southern Africa;
 - 7.1.3. Vendors of goods acquired under instalment purchase contracts or hire purchase arrangements;
 - 7.1.4. Any other institution approved by the Council from time to time.
- 7.2. Unless the Council of the Municipality specifically determines otherwise, the Municipality shall not incur any debt by the issuance of any municipal debt instruments.

8. Short-term Debt

- 8.1. The Municipality may incur short –term debt only in accordance with and in the circumstances contemplated in Section 45 of the MFMA.
- 8.2. In particular, the provisions of section 45 (1) of the MFMA must be noted, these requiring that the Municipality may incur short –term debt only when necessary to bridge:
- 8.2.1. Shortfalls within a financial year during which the debt is incurred, in expectation of specific and realistic anticipated income to be received within that financial year; or
 - 8.2.2. Capital needs within a financial year, to be repaid from specific funds to be received from enforceable allocations or long-term debt commitments.

8.3. Furthermore, as required by section 45 (4) of the MFMA, the Municipality must pay off short term debt within the financial year.

9. Overdraft Facility

9.1. Overdraft facilities are regulated by Section 45(3) of the MFMA.

10. Long Term Debt

10.1. The Municipality may incur long-term debt only in accordance with and in the circumstances contemplated in Section 46 of the MFMA.

10.2. Long-term debt may be incurred only for the purposes contemplated in Section 46(1) of the MFMA, namely:

10.2.1. Capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government, as set out in Section 152 of the Constitution; or

10.2.2. Re-financing existing long term debt, subject to section 46(5).

11. Council approval

Sections 45(2) and 46(2) require that short-term debt and long-term debt respectively may be incurred only if:

11.1. A resolution of the Council, signed by the Mayor, has approved the debt agreement;

11.2. The Accounting Officer has signed the agreement or other document which creates or acknowledges the debt.

12. Refinancing

12.1. Short-term debt may not be renewed or refinanced where that would have the effect of extending the short-term debt into a new financial year.

12.2. The Municipality may borrow in order to refinance long-term debt subject to the conditions contained in Section 46(5) of the MFMA.

13. Early repayment of loans

- 13.1. No loans will be repaid before due date unless there is a financial benefit to the Municipality.
- 13.2. The Municipality shall therefore assess the nature and extent of any benefits of early repayment before it makes any such early repayment.
- 13.3. Cognisance must be taken of any early repayment penalty clauses in the initial loan agreement, as part of the assessment.

14. Debt Repayment Period

- 14.1. As far as is practical, cognisance must be taken of the useful lives of the underlying assets to be financed by the debt for purposes of determining the duration of the debt.
- 14.2. Should it be established that it is cost effective to borrow the funds for a duration shorter than that of the life of the asset, the Municipality should endeavour to negotiate terms for the loan agreement on a shorter duration.

15. Provision for Redemption of Loans

- 15.1. The Municipality may set up sinking funds to facilitate loan repayments, especially when the repayment is to be met by a bullet payment on the maturity date of the loan.
- 15.2. Such sinking funds may be invested directly with the Lender's Bank.
- 15.3. The maturity date and accumulated value of such investment must coincide with the maturity date and amount of the intended loan that is to be repaid.

16. Non-Repayment or Non-Servicing of Loan

- 16.1. The Municipality must honour all its loan obligations.
- 16.2. Failure to effect prompt payment may jeopardise the Municipality's credit rating and adversely affect the ability of the Municipality to raise loans in the future loans at favourable interest rates.

16.3. In addition to ensuring the timely payment of the loans, the Municipality must adhere to the covenants stipulated in the loan agreements, including, in particular, the following where applicable:

16.3.1. furnishing audited annual financial statements;

16.3.2. maintaining long-term credit rating;

16.3.3. reporting of material changes in financial position of the Municipality.

17. Borrowing for Investment Prohibited

The Municipality shall not under any circumstances borrow funds for the purposes of investing them.

18. Security

18.1. Section 48 of the MFMA provides that the Municipality may provide security for any of its debt obligations in any of the forms referred to in Section 48(2).

18.2. Such security shall be given only pursuant to a resolution of the Council, which resolution must comply with the provisions of Section 48(3), (4) and (5) of the MFMA.

19. Disclosure

19.1. Section 49 of the MFMA requires that any person involved in the borrowing of money by a municipality must, when interfacing with a prospective lender or when preparing documentation for consideration by a prospective investor Any Official involved in the securing of loans by the Municipality must, when interacting disclose all relevant information in that persons possession or within that person's knowledge that may be material to the decision of that lender or investor, and take reasonable care to ensure the accuracy of any information disclosed.

19.2. In addition the Disclosure Regulations establish detailed requirements for the disclosure of information to prospective lenders and investors. Regulations 2, 3, 4, 5, 15, 16 and 17 are of particular importance to the Municipality, given the nature of the borrowings which it intends to make.

20. Guarantees

The Municipality may issues guarantees only in accordance with the provisions of Section 50 of the MFMA.

21. Internal Control

The Accounting Officer shall ensure that mechanisms, procedures and systems are put in place to ensure that:

- 21.1. Duties are separated in order to prevent fraud, collusion and other misconduct;
- 21.2. loan agreements and contracts are kept in proper safe custody;
- 21.3. there is a clear delegation of duties relating to the borrowing process;
- 21.4. senior officials check and verify all transactions;
- 21.5. transactions and repayments are properly documented;
- 21.6. a Code of ethics and standards is established and adhered to;
- 21.7. procedures relating to the borrowing process are established.

22. National Treasury Reporting and Monitoring Requirements

The Municipality shall promptly submit all returns and reports relating to borrowings as required by National Treasury, including reports on the Municipality's external interest paid each month, and the quarterly itemization of all of its external borrowings.

23. Other Reporting and Monitoring Requirements

- 23.1. The Municipality shall on a monthly basis perform the following control and reporting functions relevant to borrowings:
 - 23.1.1. Reconciliation of bank accounts;
 - 23.1.2. Payment requisition verification and authorization;
 - 23.1.3. Completion of South African Reserve Bank returns;
 - 23.1.4. Maintain schedule of payment dates and amounts;
 - 23.1.5. Complete National Treasury Cash Flow returns;
 - 23.1.6. Submission of particulars of borrowings as required by Section 71 of MFMA;
 - 23.1.7. Perform analysis of ratios;
 - 23.1.8. Scrutinise loan agreements to ensure compliance with loan covenants.

23.2. The Municipality shall on a quarterly basis perform the following control and reporting functions relevant to borrowings:

23.2.1. Submit National Treasury Borrowings return

23.2.2. Prepare debt schedules for reporting to the Executive Committee.

24. Related Policies

This Policy must be read in conjunction with the following other policies of the Municipality:

24.1. Budget Process Policy;

24.2. Cash Management and Investment Policy;

24.3. Virement Policy.

25. Municipal Manager to Implement Policy

The Municipal Manager, as Accounting Officer of the Municipality, shall be responsible for implementing this Policy, provided that he or she may delegate in writing any of his or her powers under this Policy to any other official of the Municipality.

26. Effective Date

The Policy shall come to effect upon approval by Council.

27. Policy Adoption

This revised Policy replaces the current Policy; it has been considered and approved by the **COUNCIL OF UGU DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....

Appendix A

DISCLOSURE REGULATIONS

UGU DISTRICT MUNICIPALITY

“The Municipality”



DRAFT

STORES MANAGEMENT POLICY

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1. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act, has the same meaning as in that Act.

<i>"Accounting Officer"</i>	means the Municipal Manager of Ugu District Municipality
<i>"CFO"</i>	means the Chief Financial Officer of Ugu District Municipality
<i>"Delegated authority"</i>	means the official who is given the authority for relevant functions in terms of the municipality's written delegations;
<i>"Inventories"</i>	are assets: In the form of material or supplies to be consumed in the production process, In the form of materials or supplies to be consumed or distributed in the rendering of services Held for sale or distribution in the ordinary course of operations, or, in the process of production for sale or distribution
<i>"Obsolete inventory"</i>	means items that have expired, are redundant or damaged;
<i>"Re-order level"</i>	means the level of inventory at which inventory is re-ordered;
<i>"Requisition form"</i>	means a written request to the Inventory Supervisor to supply specified inventory;
<i>"Responsibility manager"</i>	means the official responsible for the budget of an organisational unit in the municipality, directorate or institution;
<i>"Store"</i>	means a place where inventory is stored and reserved for future use, or a source from which supplies may be drawn;
<i>"Assistant Storeman"</i>	means the official responsible for the requisition, receipt, issue, recording and safeguarding of inventory; and

"Storeman"

means the official responsible for the cost-effective and efficient management of inventory.

2. OBJECTIVE OF THE POLICY

2.1 The Policy aims to achieve the following objectives which are to:-

- a) Provide guidelines that employees of the Municipality must follow in the management and control of inventory, including safeguarding and disposal of inventory.
- b) Procure inventory in line with the established procurement principles contained in the Municipality's Supply Chain Management Policy.
- c) Eliminate any potential misuse of inventory and possible theft.

3. SCOPE

3.1 This Policy applies to Ugu District Municipality's inventory received by the Assistant Storeman and issued to users.

3.2 This Policy specifically excludes:

- a) Pharmaceutical inventory, livestock and face value forms; and
- b) Equipment and other assets not defined as inventory;

4. LEGAL FRAMEWORK

4.1 In terms of the MFMA, the Accounting Officer for a municipality must:

- a) Be responsible for the effective, efficient, economical and transparent use of the resources of the municipality as per section 62 (1)(a);
- b) Take all reasonable steps to prevent unauthorised, irregular and fruitless and wasteful expenditure and other losses as per section 62(1)(d);
- c) Be responsible for the management, including the safeguarding and the maintenance of the assets, and for the management of the liabilities, of the municipality as per section 63 (1)(a) and (b).

4.2 In terms of the following paragraph of GRAP 12:

4.2.1 Inventories shall be recognised as an asset if, and only if,

- a) It is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- b) The cost of the inventories can be measured reliably

5. MEASUREMENT AT RECOGNITION

Inventories that qualify for recognition as assets shall initially be measured at cost. Where inventories are acquired at no cost, or for nominal consideration, their costs shall be their fair value as at the date of acquisition

6. MEASUREMENT AFTER RECOGNITION

- 6.1 Inventories shall be measured at the lower of cost and net realisation value, except where paragraph 6.2 applies
- 6.2 Inventories shall be measured at the lower of cost and current replacement cost where they are held for:
- a) Distribution at no charge or for a nominal charge, or
 - b) Consumption in the production process of goods to be distributed at no charge or for a nominal charge.

7. RECOGNITION AS AN EXPENSE

- 7.1 When inventories are sold, exchanged or distributed the carrying amount of those inventories shall be recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expense is recognised when the goods are distributed, or related service is rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.
- 7.2 Some inventories may be allocated to other assets accounts, for example, inventory used as a component of self-constructed property, plant or equipment. Inventories allocated to other assets in this way are recognised as an expense during the useful life of that asset.

8. INVENTORY PROCEDURES

- 8.1 The procedures for inventory must be followed to ensure that:
- a) Inventory is safeguarded at all times;
 - b) There are accurate records of quantities on hand at all times;
 - c) Optimum inventory levels are maintained to meet the needs of users;

- d) Only authorised issues of inventory are made to users; and
- e) Items placed in store are secured and only used for the purpose for which they were purchased.

5.2 Appointment of Responsible Officials

- 5.2.1 The Chief Financial Officer must appoint, in writing, officials to perform the duties of an Assistant Storeman and those of a Storeman in terms of this Policy.
- 5.2.2 Adequate segregation of duties between the requisition, receipt, recording, storage and safekeeping of inventory and the management and control thereof must be maintained to avoid the potential occurrence of errors and fraud.

5.3 Ordering of Inventory

- 5.3.1 Each department must set its own Inventory reorder levels for all items in consultation with the Chief Financial Officer, the inventory levels must indicate the minimum and maximum inventory that can be maintained.
- 5.3.2 Due diligence and care shall be exercised in identifying low value and high value items of inventory
- 5.3.3 Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory.
- 5.3.4 A re-order listing should be printed daily and reviewed by the Assistant Storeman
- 5.3.5 The Assistant Storeman must use the listing as a primary source of information to complete the purchasing requisition form, attached hereto as Annexure C.
- 5.3.6 The purchasing requisition form must be completed in duplicate, with one copy kept in the requisition book and an original copy forwarded to the procurement section.
- 5.3.7 A copy of the purchase order form will then be forwarded by the procurement department to the inventory department.
- 5.3.8 Orders must thereafter be filed in date sequence.
- 5.3.9 This file must form the basis for follow up of orders and for matching goods that are delivered to inventory department.
- 5.3.10 The orders file should be reviewed daily by the Assistant Storeman and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately.

5.4 Receipt of Inventory

- 5.4.1 The quantity and quality of the inventory received from suppliers must be according to specifications.
- 5.4.2 The Assistant Storeman must compare the delivery note to the purchase order before accepting the goods.
- 5.4.3 The invoice must match the supplier name and order number.
- 5.4.4 Inventory Supervisor must ensure that:
 - a) All delivery notes are signed
 - b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery note; and
 - c) The supplier signs all amendments
- 5.4.5 The inventory received must be transferred to the secured store by the Inventory Supervisor and the inventories must be stored in their respective sections as detailed in 5.5.
- 5.4.6 The inventory record/register/database must be updated.

5.5 Storage of Inventory

- 5.5.1 Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured in terms of the Risk Management Policy of the municipality.
- 5.5.2 The area must be used exclusively for the storage of inventory, with limited authorised access only.
- 5.5.3 Inventory must be positioned to facilitate efficient handling and checking.
- 5.5.4 All items must be stored separately, with proper segregation.
- 5.5.5 Inventory must be clearly labeled for easy identification. Inventory tag/bin cards or inventory labels may be used to identify each item and to aid in the physical verification of the items. Details should include the following:
 - a) Order number;
 - b) Quantity received;
 - c) Date of receipt;
 - d) Quantity issued;
 - e) Date of issue;
 - f) Maximum stock level;
 - g) Re-order level;
 - h) Re-order quantity;
 - i) Closing stock; and

j) Any other relevant information.

- 5.5.6 Where possible, all items of the same type and reference must be stored together as per the description on the inventory records.
- 5.5.7 Items with limited shelf life must be rotated on a first in first out basis, in accordance with paragraph .35 of GRAP, to reduce the occurrence of expired or obsolete stocks.
- 5.5.8 Due diligence and care must be exercised to prevent damage of, or deterioration of inventory.
- 5.5.9 Due regard must be given to any safety standards which may apply to the storage of certain inventories.
- 5.5.10 Steps must be taken to ensure safe custody of items, including precautions against loss or theft.
- 5.5.11 The Assistant Storeman or Delegated Official responsible for the custody and care of inventory must ensure that in his/her absence, such items, where applicable, are securely stored.
- 5.5.12 The responsibility for the custody of the storeroom keys must be allocated by the delegated authority to an official who is accountable for its use.
- 5.5.13 No unauthorised persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the responsible official.
- 5.5.14 Whenever a change in the Assistant Storeman or Storeman occurs, an inventory count must be conducted.
- 5.5.15 An independent official shall be nominated in writing by the delegated authority to assist the official handing and taking over with the checking of the inventory and any discrepancies.
- 5.5.16 Should the above not be complied with, the official taking over shall be liable for any discrepancies.
- 5.5.17 A handing-over certificate, attached here to as Annexure A, must be completed by the handing and taking over officials and a copy retained for record purposes.
- 5.5.18 The following fire protection precautions must be adhered to:
- a) Inventories of an inflammable or dangerous nature shall be stored and handled in such a manner that persons or property are not endangered and in compliance with the requirements of any local authority;
 - b) The area must be clearly signposted; and
 - c) Fire extinguishing equipment must be placed in the area where inventories are held and must be serviced regularly.

5.6 Issue of Inventory

- 5.6.1 Only the Assistant Storeman is authorised to issue inventory from the storeroom.
- 5.6.2 Inventory must only be issued in terms of the approved requisition form of the Municipality.
- 5.6.3 All requisition forms must be ruled off immediately below the last item to prevent items being added once the requisition is authorised by the responsibility manager.
- 5.6.4 The Assistant Storeman must verify that items ordered match items reflected on the requisition form.
- 5.6.5 The official receiving the inventory must acknowledge in writing, the receipt of inventory.
- 5.6.6 Inventories must be issued and used for official purposes only.

5.7 Obsolete inventory

- 5.7.1 The preparatory work for the disposal of obsolete inventory must be undertaken by the Assistant Storeman and verified by the Inventory Supervisor.
- 5.7.2 The Accounting Officer or delegated authority must convene a Disposal Committee for the disposal of obsolete inventory.
- 5.7.3 The Disposal Committee should consist of at least three officials, one of whom must act as the chairperson.
- 5.7.4 The delegated authority may approve the write-off of inventory, if satisfied that: -
 - a) The inventory has expired and is redundant;
 - b) The inventory is of a specialised nature and has become outdated due to the introduction of upgraded and more effective products;
 - c) The inventory cannot be used for the purpose for which it was originally intended; or
 - d) The inventory has been damaged and is rendered useless.
- 5.7.5 All disposed of items must be updated in the inventory records/register/database for the purposes of proper management and control.

5.8 Inventory count

- 5.8.1 Items may be subject to an inventory count on a monthly basis.
- 5.8.2 Where the quantity of inventory is too large for the count to be completed on a single occasion, inventory counts may be carried out on a rotational basis with a full inventory count at the end of each financial year.
- 5.8.3 All approved Municipal procedures and processes must be complied with during the inventory count.

- 5.8.4 The Storeman must document in Annexure B and report to the CFO after investigating any discrepancies between the inventory records/register/database, bin/tag cards or inventory labels and the physical inventory.
- 5.8.5 The Chief Financial Officer must submit a report with the findings to the Accounting Officer, in order to have the matter reported to the Executive Committee of the Municipality for the write-off of any inventories losses, or the write-up of surpluses.
- 5.8.6 The appropriate disciplinary action must be instituted when applicable.
- 5.8.7 The inventory record/register/database must be updated accordingly.

6 INVENTORY RECORDS

- 6.1 An inventory record/register/database must be maintained for all inventory items, either manually and / or electronically.
- 6.2 All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:
 - a) Order number/date;
 - b) Item description;
 - c) Quantity and value of stock on hand;
 - d) Quantity and value of stock received;
 - e) Quantity and value of stock issued;
 - f) Re-order level;
 - g) Optimum inventory level;
 - h) Quantity and value of obsolete stock; and
 - i) Opening/closing balance.
- 6.3 An inventory register/database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail.

7 REPORTING

- 7.1 A report must be submitted at least quarterly to the Chief Financial Officer and/or the Responsibility Manager detailing the following:
 - a) Any inventory shortages or surpluses and the reasons for such;
 - b) Any inventory deficits proposed to be written-off; and
 - c) Any obsolete inventory items.

7.2 Inventories purchased during the financial year must be disclosed at cost in the disclosure notes of the Annual Financial Statements of the Municipality.

7.3 In terms of GRAP the financial statements shall disclose:

- a) The accounting policies adopted in measuring inventories, including the cost formula used,
- b) The total carrying amount of inventories and the carrying amount in classifications appropriate to the entity,
- c) The carrying amount of inventories carried at fair value less costs to sell,
- d) The amount of inventories recognized as an expense during the period,
- e) The amount of any write-down of inventories recognized as an expense in the period in accordance with paragraph .43,
- f) The amount of any reversal of any write-down that is recognized as a reduction in the amount of inventories recognized as an expense in the period in accordance with paragraph .43,
- g) The circumstances or events that led to the reversal of a write-down of inventories in accordance with paragraph .43, and
- h) The carrying amount of inventories pledged as security for liabilities.

8 COMPLIANCE AND ENFORCEMENT

- a. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.
- b. It will be the responsibility of Accounting Officer to enforce compliance with this Policy.

9 EFFECTIVE DATE

This Policy shall come to effect upon approval by Council of Ugu District Municipality.

10 POLICY ADOPTION

This Policy has been considered and approved by the **COUNCIL OF UGU DISTRICT MUNICIPALITY** as follows:

Resolution No:.....

Approval Date:.....

ANNEXURE A

HANDING-OVER CERTIFICATE

I certify that this is a true statement of inventory as per stock report attached hereto and that inventory has been duly accounted for.

Signature of official handing over inventory: _____

Designation : _____

Date : _____

I certify that this is a true statement of inventory as per stock report attached hereto and that l inventory has been duly accounted for

Signature of official taking over inventory: _____

Designation : _____

Date : _____

ANNEXURE B

Reference: _____

Enquiries: _____

Date: _____

FINANCIAL DEPARTMENT

Attention: Chief Financial Officer

QUARTERLY INVENTORY COUNT FOR THE PERIOD: _____

This is to certify that the quarterly inventory count has been undertaken for all items.

The under-mentioned discrepancies were found:

1. SURPLUS INVENTORY

	DESCRIPTION OF ITEM	QUANTITY	VALUE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

The following factors gave rise to the surplus items:

ANNEXURE B (CONT.)**2. DEFICIT INVENTORY**

	DESCRIPTION OF ITEM	QUANTITY	VALUE
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			
9.			
10.			

Total value of issues for the period under review R _____

The following factors gave rise to the deficit items:

We certify that an inventory count of items was undertaken by:

1. Name: _____ Rank: _____ Signature: _____
2. Name: _____ Rank: _____ Signature: _____
3. Name: _____ Rank: _____ Signature: _____

HEAD OF DEPARTMENT

DATE

ITEM	DESCRIPTION	REQUEST		ISSUED		
		UNIT	PRICE PER UNIT	TOTAL	UNIT ISSUED	TOTAL COST
TOTAL BALANCE CARRIED DOWN				0.00		
TOTAL VALUE OF STOCK ISSUED				0		

APPROVED BY

RESPONSIBILITY MANAGER

ISSUED BY

DATE _____

DATE _____

100

UGU DISTRICT MUNICIPALITY

“The Municipality”



**DRAFT
VIREMENT POLICY**

CONTENTS

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2. Objectives of the policy	4
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Annexure: Virement Request Form (PLEASE ATTACH THE VIREMENT FORM)

1. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act, has the same meaning as in that Act.

“Accounting Officer” means the Municipal Manager of Ugu District Municipality,

“Chief Financial Officer” means the Chief Financial Officer of Ugu District Municipality

“Financial year” means a twelve months period commencing on 1 July and ending on 30 June each year;

“Identified Savings”, the original budget less all the expenditure incurred and committed orders on that account.

“Virement”, means “a regulated transfer or re-allocation of money from one line item account to another, within the same vote especially public funds.”

“Vote” means

- a) one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
- b) which specifies the total amount that is appropriated for the purposes of the department or functional area concerned.

2. OBJECTIVES OF THE POLICY

To introduce a Framework by which departmental budgets can be managed by Heads Of Department's to ensure effective financial management.

A virement represents a flexible mechanism to effect budgetary amendments within a municipal financial year.

3. LEGISLATIVE FRAMEWORK

- a. Chapter 4 of the Municipal Finance Management Act.
- b. The Municipal Budget and Reporting Regulations published in terms of Section 168 of the MFMA.
- c. All relevant budget related Circulars and notices issued by the National Treasury.

4. DETERMINATION OF VOTE

Chief Financial Officer shall determine the number and type of votes to be used and line items to be shown under each vote. In so doing, the Chief Financial Officer shall consider and properly reflect the organisational structure and shall comply with the prescribed budget format of National Treasury. The operating expenditure shall be classified as per the Government Financial Statistics classifications used in the prescribed National Treasury format.

5. AUTHORISATION OF VIREMENTS

- 5.1 A transfer of funds from one line item to another under this Policy may, subject to the provisions of this Policy, be authorised as follows:
- a) If the amount does not exceed R1 000 000.00 the transfer may be authorised by the Chief Financial Officer of the Municipality or the Accounting Officer of the Municipality after consultation with the Chief Financial Officer;
 - b) If the amount exceeds R1 000 000.00 but does not exceed R5 000 000.00 the transfer may be authorised by the Accounting Officer after consultation with the Chief Financial Officer;
 - c) The Mayor may authorise expenses in an emergency or other exceptional circumstances and the adjustment budget must be passed during the adjustment period after the expenses were incurred.

- d) Notwithstanding the provisions of 5.1.a, a transfer of funds between cost or functional centres within a particular Vote/Department may not be authorised by the Chief Financial Officer but may only be authorised by:

- a) The Accounting Officer, if the amount does not exceed the amount of
R5 000 000.00

6. RESTRICTIONS ON AMOUNT OF VIREMENTS

6.1 Notwithstanding the provisions of section 5:

- 6.1.1 The total amount transferred from and to line items within a particular vote in any financial year may not exceed 40 % of the amount allocated to that vote;
- 6.1.2 The total amount transferred from and to line items in the entire budget in any financial year may not exceed 25 % of the total operating budget for that year;
- 6.2 A transfer which exceeds, or which would result in the exceeding of any of the limits referred to in 6.1 above may, however, be performed if the Council by resolution approves thereof.
- 6.3 No transfer of funds shall be made if such transfer would constitute a transgression or contravention of any statute, regulation or other law, any policy, directive or guideline binding upon the Municipality, or the avoidance by the Municipality of any obligation imposed upon it by contract or any other cause.

7. MANAGEABLE GROUPS OF REVENUE

All manageable revenue which is budgeted for under a department is the responsibility of each Head Of Department to ensure that it is collected.

Must report to the Chief Financial Officer and budget office any deviations that they become aware of which might affect the budgeted estimates.

Head Of Department's are responsible for all grants and donations which are budgeted for under their departments. They must report any deviations to the Chief Financial Officer or the budget office in writing. They must seek reasons for deviations from the responsible donor or the transferring sector departments.

If Head Of Department's become aware that budgeted revenue will not materialise or will not be collected, they must inform the Chief Financial Officer or the Budget Office to ensure that revenue will be adjusted downwards in the Adjustments Budget.

8. NON-MANAGEABLE GROUPS OF REVENUE AND EXPENDITURE

No funds Transfers can be made on these groups:-

- a) Depreciation,
- b) Finance Charges,
- c) Departmental Charges,
- d) Investment Income and
- e) Employee Related Costs

9. OPERATING BUDGET VIREMENTS

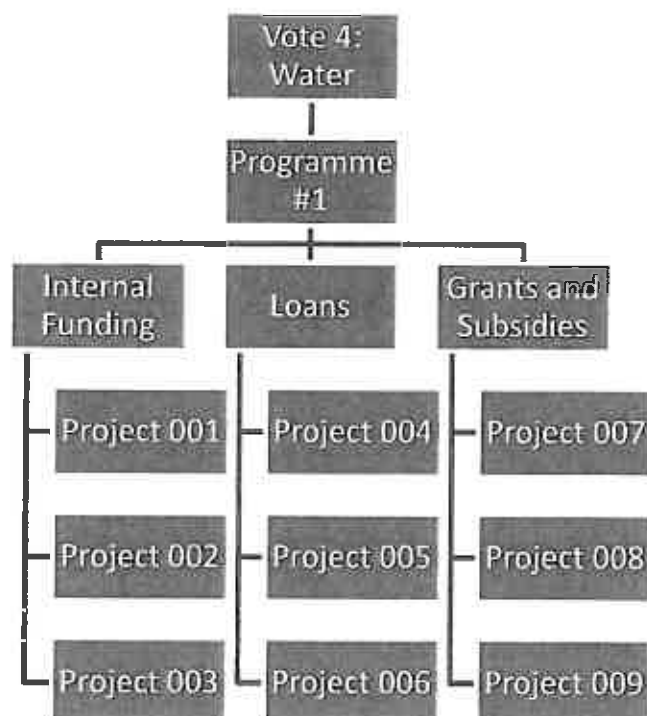
- 9.1 Operating budget virements can only be done on General Expenses, Contracted Services and Repairs and Maintenance items.

Funds transfer can take place within these groups provided the total approved budget allocation per vote is not exceeded. In order for an account to transfer funds from one item to another, there must be identified savings within the limitations of the approved budget for that group. These must be clearly stated in the formal funding requests submitted to the Chief Financial Officer and the Budget Office. Funds may not be transferred to new line items of the operating budget.

- 9.2 All requests for the transfer of funds must be in writing using the prescribed request forms in Appendix A and B, and must be properly authorised by the Manager and General Manager responsible for that vote and the Chief Financial Officer as per the set limits.
- 9.3 The prescribed request form shall include, but not limited to, provisions for the following:
- a) The name of the department concerned;
 - b) Descriptions of the line items from and to which the transfer is to be made;
 - c) The amount of the proposed transfer;
 - d) The cause of the saving in the line item from which the transfer is to be made;
 - e) The justification for the transfer;
 - f) A description of any consequences that such transfer may have for the Integrated Development Plan or the Service Delivery and Budget Implementation Plan.
- 9.4 Each Head Of Department is responsible for his/her own operational budget and must ensure that all expenditure is contained to the approved allocations by Council.

- 9.5 Movement of funds from different sectors and categories will be attended to in the normal Adjustments Budget process annually in February.

10. CAPITAL BUDGET VIREMENTS



- 10.1 Virements on the Capital budget allocations can be done from one project to another within the same vote and source of funding, i.e. from Water, CRR to Water CRR. Virements cannot be done to a new project which was not part of the approved capital budget. Any other transfer of funds or requests for new allocations must be done through an adjustments budget and approved by Council.
- 10.2 Virements can be done on conditional grant funded projects; provided that there is a written agreement by the said funder.
- 10.3 All requests must be in writing on the prescribed form in Appendix B and must be properly authorised by the responsible Manager, General Manager and the Chief Financial Officer.

11. REVIEW OF POLICY

This Policy will be reviewed once annually during the Annual Budget Process.

12. COMPLIANCE AND ENFORCEMENT

- a. Violation of or non-compliance with this Policy may give a just cause of disciplinary steps to be taken.

- b. It will be the responsibility of Accounting Officer to enforce compliance with this Policy.

13. EFFECTIVE DATE

This Policy shall come to effect upon approval by Council of Ugu District Municipality.

14. POLICY ADOPTION

This Policy has been considered and approved by the **COUNCIL OF UGU DISTRICT MUNICIPLAITY** as follows:

Resolution No:.....

Approval Date:.....

SERVICE LEVEL AGREEMENT

ENTERED INTO BY AND BETWEEN

UGU DISTRICT MUNICIPALITY

**(Duly represented by Mr D D Naidoo in his capacity as
Municipal Manager) of the one part**

AND

UGU SOUTH COAST DEVELOPMENT AGENCY (RF) SOC LTD (2016/158371/30)

**(Duly represented BY Ms E J Crutchfield in her
capacity as Interim Chief Executive Officer) of the
other**

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1. Preamble

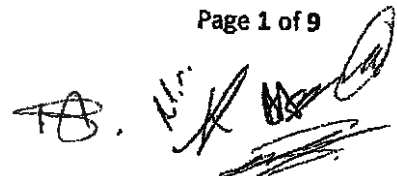
Whereas the Municipality adopted the Integrated Development Plan in compliance with the Municipal Systems Act. Economic Development has been identified as a key performance area hence necessitates the need to invest in economic development implementing agency.

And Whereas Ugu South Coast Development Agency is an economic development implementing agent. Its mandate is to engage in economic development projects that grow the economic development footprint of the municipality.

And Whereas the Municipality has resolved to grant funding to the economic development implementing agent namely the Ugu South Coast Development Agency, to the tune of R5 250 000.00 per annum escalating at 5% per annum.

And Whereas Ugu South Coast Development Agency hereby accepts the funding from the municipality.

The parties as stated above hereby choose the terms and conditions stated below to regulate their business relationship.

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2. Definitions

- Business Day/s:** Means all days excluding Saturday, Sunday and Public Holidays, as determined by the Republic of South African Government.
- Contract:** Means this contract as set-out in the various clauses and all its annexures.
- Municipality:** Means the Ugu District Municipality
- Agency:** Means Ugu South Coast Development Agency
- Funding:** Mean the financial resource that will be transferred to the Ugu South Coast Development Agency.
- Parties:** Mean Ugu District Municipality and the Ugu South Coast Development Agency.

3. Interpretations

Unless inconsistent with the context, an expression which denotes:

- 3.1.** One gender includes the other gender.
- 3.2.** A natural person includes a juristic person and vice versa.
- 3.3.** The singular includes the plural and vice versa.
- 3.4.** When any number of days is prescribed in this contract, the same shall be reckoned exclusively of the first and inclusively of the last day unless day falls on a Saturday, Sunday or proclaimed public holiday in the Republic of South Africa, in which event the last day shall be the next succeeding day which is not a Saturday, Sunday or public holiday.
- 3.5.** Figures are referred to in numerals and in words, if there is any conflict between the two, the words shall prevail.
- 3.6.** Any reference in this contract to "goods" includes works and/or services.
- 3.7.** The written and signed contract represents the final agreed terms and conditions between the parties and it super cedes any prior oral contracts or discussions.
- 3.8.** All annexure and appendices shall form part of the contract.

4. Contract Duration

- 4.1. This contract will commence on 01 July ~~2014~~²⁰¹⁵ and will endure for the period of 3 (Three) years.

5. Contract Termination

- 5.1. This contract may be terminated by either party by giving the other party not less than 90 (Ninety) business days written notice of termination.
- 5.2. Due to the nature of the service required and the duration of the contract, the termination procedure stated in clause 5.1 above is applicable only if the termination of the contract does not materially affect the deliverables of the services required by the Agency.

6. Undertakings

- 6.1. The municipality hereby undertakes to make available to the Ugu South Coast Development Agency an amount of R5 250 000 per annum escalating at 5% per annum.
- 6.2. The Ugu South Coast Development Agency hereby accepts the funds stated in clause 6.1 above.

7. Obligation of the parties

7.1. Obligations of the Municipality:

- a. To transfer to the Agency the amount referred to in clause 6.1.
- b. In addition to the above obligation, the amount referred escalates at a rate of 5% per annum.
- c. To transfer the funds to the following banking details.
Account Name: Ugu South Coast Development Agency
Account Number: 4057525673
Bank: ABSA
Branch: Port Shepstone
Branch Code: 632005
- d. The bank details stated in clause 7.1(c) may be amended by the Ugu South Coast Development Agency and will be deemed to be amended upon receipt of a written notice from the Ugu South Coast Development Agency.

7.2. Obligation of the Ugu South Coast Development Agency.

- In utilizing the funding the Ugu South Coast Development Agency undertakes to
- a. Implement effective, efficient and transparent financial management and internal controls systems to guard against fraud, theft and financial management and internal

[Handwritten signatures and initials]

control systems to guard against fraud, theft and financial mismanagement in handling the funds.

- b. Provide reports detailing financial and operational performance to the municipality on quarterly basis or as and when required, provided that reasonable notice has been given.
- c. To utilize the funds to further the economic development initiatives of the District.
- d. In addition to the above, the Agency shall undertake projects given by the municipality in line with Agency corporate strategy. The projects which may be undertaken are included in the District Growth & Development Strategy; as well as any other projects as may be identified by the Municipality.

8. Performance Standards

- 8.1. The parties must ensure that all time frames are adhered to in order to ensure efficiency.

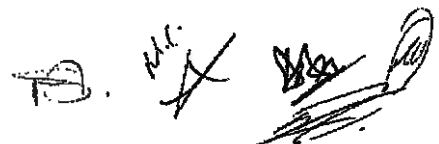
9. Contract Amendments/Variations.

- 9.1. No variation in or modification of the terms of this contract shall be made except by written amendment signed by the parties concerned.

10. Confidentiality

The Parties shall:

- 10.1. Treat as strictly confidential any and all Confidential Information given or made except by written amendment signed by the parties concerned.
- 10.2. Keep all such Confidential Information confidential towards third parties and only use it in co-operation with each other for the purpose expressly agreed upon by the Parties and to disclose same to their employees only on the basis as the need to know.
- 10.3. The foregoing obligations shall not apply to any information which:
 - 10.3.1. Is lawfully in the public domain at the time of disclosure;
 - 10.3.2. Subsequently becomes available to one party from a source other than the other party, which source is lawfully entitled without any restriction on disclosure to disclose such confidential information; and



10.3.3. Is disclosed pursuant to a requirement or request by operation of law, regulation or order of a competent court.

10.3.4. This clause is severable from the rest of this contract and shall remain valid and binding on the parties notwithstanding any termination of this Contract.

11. Intellectual Property

The intellectual property discovered or created as the direct or indirect result of this contract shall remain the property of the Ugu South Coast Development Agency.

12. Warranties

12.1. The parties warrant that they have the required authority to enter into this contract.

13. Breach

13.1. In the event of breach any party may issue a written notice requiring the defaulting party to remedy a breach of this contract within 30 business days of the date of receipt of the notice.

13.2. If the defaulting party fails to remedy the breach within the 14 days specified in 12.1, the aggrieved party shall be entitled without notice, in addition to any other remedy available to them at law or under this contract:

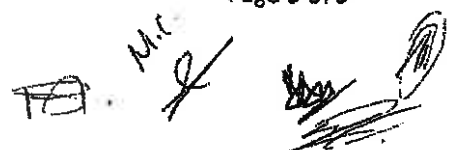
13.2.1. To claim specific performance of any obligation whether or not the due date for performance has arrived; or

13.2.2. To terminate this contract with accordance with paragraph 5 of this contract, against the defaulting party, in either event without prejudice to the aggrieved part's rights to claim damages.

14. Dispute Resolution

Provision is hereby made for arbitration in the following manner:

14.1. Any dispute arising from the performance or terms or conditions or termination or cancellation of this contract, and which cannot be settled between the parties themselves, shall be way of independent arbitration.

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The identity of the Arbitrator and terms of reference must be agreed to by the parties prior to any arbitration commencing.

14.1.1. Manner

The arbitration takes place in an informal manner.

14.1.2. Place

The arbitration takes place in Port Shepstone, in the Republic of South Africa.

14.1.3. Secrecy

Any arbitration in terms hereof shall be deemed to be strictly confidential between the parties involved therein.

14.1.4. The Arbitrator

If the dispute is primarily by nature:

14.1.4.1. An accountancy matter

The Arbitrator shall be an independent, registered Chartered Accountant.

14.1.4.2. A legal or any other matter

The Arbitrator shall be a practicing Advocate or Attorney of at least five (5) years standing.

14.1.5. Failure to appoint an Arbitrator

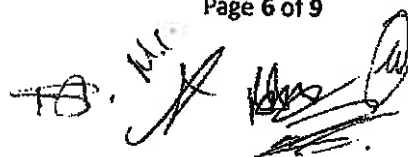
If the parties cannot agree on an arbitrator within seven (7) days of the reference, either party shall be entitled to request the Chairman, for the time being, of the KwaZulu-Natal Bar Council or his/her successor in title to appoint a suitable arbitrator.

14.1.6. Binding

The parties hereby irrevocably agree that the award made in any arbitration in terms hereof shall be final and binding upon them and they shall comply with it.

14.2. The provisions of this paragraph:

14.2.1. Are severable from the rest of this contract and shall remain in force despite the termination of this contract or its invalidity for any other reason; and



14.2.2. Does not preclude a party from obtaining interim relief on an urgent basis from a court of competent jurisdiction, pending the decision of the arbitrator.

15. Monitoring and Evaluation

15.1. The parties hereby agree that there will be quarterly meetings per annum to discuss the implementation progress of all the economic development projects.

15.2. The reports may be extended to other relevant municipal structures and or committees.

16. Notices

For the purposes of this contract, the parties choose their respective domicilia citandi et executandi as follows:

16.1. Ugu District Municipality

28 Connor Street

Port Shepstone

4240

Tel: 039 688 5700

Fax: 039 682 1720

16.2. Ugu South Coast Development Agency

10 Berea Road

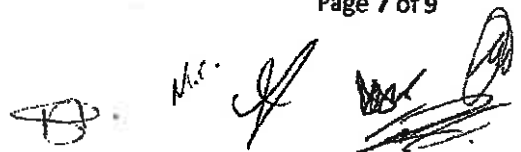
Port Shepstone

4240

Tel: 039 682 3881/2

Fax: 039 682 3883

16.3. The parties hereby choose domicilium citandi et executandi for all notices and processes to be given and served in pursuance hereof at their respective addresses given on the first page of this contract. Any notice of any change in such address shall be given in writing by the parties concerned and delivered by hand or sent by registered mail to the other party, upon notification of which address so notified shall serve as the new citandi et executandi.

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16.4. A party may at any time change that party's domicilium by notice in writing, provided that new domicilium is in the Republic of South Africa and consists of, or includes, a physical address at which the process can be served.

16.5. Any notice to a party:

16.5.1. Sent by prepaid registered post in a correctly addressed envelope, to it, shall be deemed to have been received on the 7th (seventh) day after posting (unless the contrary is proved);

16.5.2. Delivered by hand to a responsible person during ordinary business hours at the physical address chosen as its domicilium, shall be deemed to have been received on the day of delivery; or

16.5.3. Sent by telefax to its chosen telefax number, shall be deemed to have been received on the date of dispatch (unless the contrary is proved).

17. Whole Contract

This contract constitutes the whole contract between the parties in relation to its subject matter and supercedes all prior contracts and no documentation, presentation; warranty or contract not contained herein shall be of any force between the parties.

18. Signatures

SIGNED AT PORT SHEPSTONE ON THIS 29 DAY OF JUNE 2015



SIGNATURE ON BEHALF OF THE

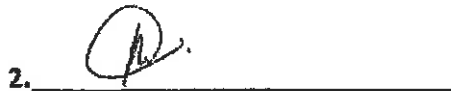
UGU SOUTH COAST DEVELOPMENT AGENCY

NAME: JOP CRUTCHER

POSITION: ACTING CHIEF EXECUTIVE OFFICER

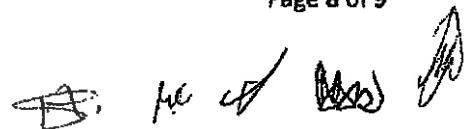
In the presence of the following witnesses:

1. 

2. 

NAME: MVIQUE HERIST

NAME: MBAN MKHIZE



SIGNED AT Port Shepstone ON THIS 24th DAY OF June 2015

[Signature]

NAME: D. D. Ndodo

SIGNATURE ON BEHALF OF

POSITION: Municipal Manager

UGU DISTRICT MUNICIPALITY

In the presence of the following witnesses:

1. [Signature]

2. [Signature]

NAME: M. S. Olivier

NAME: N. Sengobally

[Signature]
 APPROVED
 MANAGER: LEGAL SERVICES
 MELANIE OLIVIER
 DATE: 29/6/16

[Signature] Mc. [Signature]

SERVICE LEVEL AGREEMENT

BETWEEN

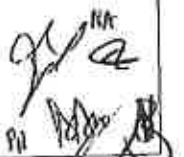
**UGU SOUTH COAST TOURISM (PTY) LTD
(2009/003419/07)**

AND

UGU DISTRICT MUNICIPALITY

(together herein referred to as "the Parties")

**And established in terms of Section 93C of Act
32 of 2000**

Handwritten signatures and initials in the bottom right corner, including what appears to be 'HA' and 'PI'.

INDEX

PREAMBLE

DEFINITIONS

INTERPRETATION

1. RECORDAL
2. FUNCTIONS OF SOUTH COAST TOURISM
3. POWERS OF UGU SOUTH COAST TOURISM
4. RESTRICTIONS ON UGU SOUTH COAST TOURISM
5. ACTIVITIES OF UGU SOUTH COAST TOURISM
6. OWNERSHIP OF COMPANY
7. DUTIES OF PARENTAL MUNICIPALITIES
8. POWERS AND DUTIES OF DIRECTORS OF TOURISM
9. EMPLOYMENT OF STAFF OF SOUTH COAST TOURISM
10. ACCOUNTABILITY TO THE UGU COMMUNITY
11. MANAGEMENT BY THE CHIEF EXECUTIVE OFFICER OF TOURISM
12. MEETINGS OF THE BOARD OF DIRECTORS
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15. CODE OF CONDUCT FOR STAFF OF TOURISM
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19. FINANCIAL CONTRIBUTION BY MUNICIPALITY
20. FUTURE DEVELOPMENT
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23. PERFORMANCE EVALUATION
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PREAMBLE

WHEREAS the District Municipality is a Municipality as defined in terms of the Local Government: Municipal Systems Act 32 of 2000, the Municipal Structures Act 117 of 1998;

AND WHEREAS the parties wish to give effect to and recognition of the Principles enshrined in the Constitution of the Republic of South Africa of 1996, and with specific reference to Section 156 of such Constitution and the parties are obliged to take cognizance of Section 93C and 93D of the Systems Act.

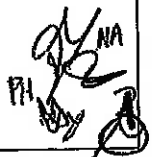
AND WHEREAS the parties are also cognizant of and acknowledge that they are properly bound by the Municipal Finance Management Act 56 of 2003, and more specifically Section 87 of such Act as well as rules pertaining to National Treasury Funding.

AND WHEREAS Section 38 of the Kwa Zulu Natal Tourism Act of 1996 has application to the relationships between the parties.

AND WHEREAS Ugu is, inter alia, empowered, and wishes to in terms of the Municipal Structures Act and Systems conclude such an agreement.

AND WHEREAS Ugu South Coast Tourism as a properly created Municipal Entity as defined herein has the capacity, experience and know-how to implement its statutory functions.

NOW THEREFORE, THE PARTIES AGREE AS FOLLOWS:-

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DEFINITIONS

The definitions as contained in all Acts mentioned in the text of this Agreement and Regulations are applicable to this contract. In addition, the following definitions are applicable:-

- 1.1 "Ugu District Municipality area" or "Ugu" is a District Municipality as provided for in the Local Government: Municipal Structures Act, Act 117 of 1998 as amended;
- 1.2 "Ugu South Coast Tourism (Pty) Ltd" a Private Company Registration No. 2009/003419/07 which is a Municipal entity as defined in the Municipal's Systems Act.
- 1.3 "Preferential Procurement" means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000).
- 1.4 "Tourism or references to Tourism" shall specifically include the provisions of Section 38 of the Kwa Zulu Natal Tourism Act of 1996 which shall also refer to the Constitution of the Entity.
- 1.5 "Integrated Development Plan" or "IDP" shall mean development planning as provided for in terms of the Division of Revenue Act 1 of 2007 and the Act and the Municipal Systems Act.
- 1.6 "The Constitution" shall mean the Constitution of Ugu South Coast Tourism (Pty) Ltd.



- 1.7 "Contract" means this Service Level Agreement of which the only two parties, shall be Ugu and Tourism, and shall, in context, hereinafter be referred to as the "parties"; as well as any addenda hereto as may be concluded from time to time by the Parties, and properly annexed hereto.
- 1.8 "Person" includes reference to a juristic person.
- 1.9 "The CEO" means the Chief Executive Officer in the company appointed by the Board of Directors of the Company;
- 1.10 "Constituent member" shall mean the Ugu Regional Tourism and Community Tourism organisations as provided for in Ugu Tourism Constitution or a member of them.
- 1.10 "The Municipal Finance Management Act" means Local Government Municipal Finance Management Act No. 56 of 2003;
- 1.11 "Parent Municipality" means the Ugu District Municipality;
- 1.12 "the Companies Act" means the Act 61 of 1973, as amended or any Act which replaces it, and any and every other statute or subordinate legislation from time to time in force concerning companies and necessarily affecting the company, South Coast Tourism (Pty) Ltd.
- 1.13 "a sponsorship" or "a sponsor" shall mean the support of an event, activity, person, organisation financially or through the provision of products or services. A sponsor is the individual or group that

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provides the support, similar to a benefactor, as it applies to the Municipal Entity.

1.14 "the Municipality" or "Ugu" means the Ugu District Municipality, established in terms of section 12 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998), represented herein by Mr. Dhanpalan D Naidoo in his capacity as the Municipal Manager thereof, he being duly authorized.

1.15 "South Coast Tourism" means Ugu South Coast Tourism or Tourism (a company incorporated under the Companies Act, 1973) and represented herein by Mr. Justin Macrory as the Chief Executive Officer; he being duly authorized, as Chief Executive Officer.

1.16 "The Articles" means the Articles of the Company and any and every other Statute or subordinate legislation from time in force concerning companies and necessarily affecting the Company.

1.17 "The Systems Act" or "the Act" means the Local Government: Municipal Systems Act 32 of 2000;

1.18 "Effective date: means the 1st of July 2014

1.19 "The Municipality's address" means:

1.19.1 PO Box 33, Port Shepstone, 4240

1.19.2 For communications by

Facsimile: 039 682 1720

Telephone 039 688 5700

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1.19.3 For other purposes: Ugu Municipal Offices,
28 Connor Street,
Port Shepstone

1.20 "South Coast Tourism's address" means:

1.20.1 For postal purposes: PO Box 570, Port Shepstone, 4240.

1.20.2 For communications by telephone and facsimile:

Telephone (039) 682 7944 and Fax (039) 682 1034

1.20.3 For other purposes: 16 Bisset Street, Port Shepstone, 4240;

1.21 "the Company" or "the Entity" shall mean South Coast Tourism (Pty) Ltd.

INTERPRETATION

2.1 Headings of clauses shall be deemed to have been included for purposes of convenience only and shall not effect the interpretation of this Agreement.

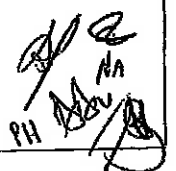
2.2 Unless inconsistent with the context, words relating to any gender shall include the other genders, words relating to the singular shall include the plural and vice versa and words relating to natural persons shall include associations of persons having corporate status by statute or common law.

2.3 In the event that any of the provisions of this Agreement or its collateral Constitution, are found to be invalid, unlawful or

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unenforceable, such terms shall be severable from the remaining terms which shall continue to be valid and enforceable.

- 2.4 This Agreement incorporates the Annexures and Constitution, which Annexures shall have the same force and effect as if set out in the body of this Agreement. The various documents forming part of this Agreement are to be taken as mutually explanatory. In the event of any conflict or inconsistency the provisions contained in the main body of the Agreement will prevail.
- 2.5 If any provision in a definition is a substantive provision conferring any right or imposing any obligation on any party, then notwithstanding that such provision is only in this Interpretation clause or in a definition elsewhere in this agreement, effect shall be given to it as a substantive provision of this agreement.
- 2.6 When any number of days is prescribed in this agreement, the same shall be reckoned exclusively of the first and inclusively of the last day unless that last day falls on a Saturday, Sunday or proclaimed public holiday in the Republic of South Africa, in which event the last day shall be the next succeeding day which is not a Saturday, Sunday or public holiday.
- 2.7 Any reference to an enactment is to that enactment as at the date of signature hereof and as amended or re-enacted from time to time.
- 2.8 If any provision in this agreement is in conflict or inconsistent with any law, the invalidity of any such provision shall not affect the validity of the remainder of the provision hereof.

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- 2.9 Where figures are referred to in words and in numerals, if there is any conflict between the two, the words shall prevail.

NOW THEREFORE

1. RECORDAL

- 1.1 Ugu South Coast Tourism is a Destination Management Organisation/Community Tourism Organisation responsible through its mandate to grow, promote and develop tourism within the area of jurisdiction of the Ugu District Municipality.
- 1.2 Ugu South Coast Tourism strives to align its own strategies to those being applied by entities such as the National Department of Tourism (NDT), the KwaZulu Natal Department of Economic Development and Tourism and Tourism KwaZulu-Natal (TKZN).

2. FUNCTION OF UGU SOUTH COAST TOURISM

- 2.1 The main business which the Company is to carry on; is the promotion and implementation of tourism within the Parent Municipality's area of jurisdiction, predicated on the Kwa Zulu Natal Tourism Act as needs be, based on the Parent Municipality's Integrated Development Plan, its District Growth & Development Strategy and other Strategies and Policies of the Parent, from time to time.
- 2.2 To develop and implement a Tourism Strategy, which is informed by, inter alia:

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Strategic Thrust	Implication to Ugu SCT Strategy (O= Operational, M = Marketing/Communications and D = Developmental)
Policy and a Legislative Framework	Operations needs to be aligned with key legislation and regulatory frameworks applicable to a State Owned Enterprise (O)
Collaborative Partnerships	Public and private partner relationships are fundamental in within the mandates for the entity (M)
Prioritising Tourism at National, Provincial and Local Government Level	Through reporting compliance and communications actions, the sector and operational performances can be conveyed to National, Provincial and our District and Local Municipalities (O /M)
Marketing and Brand Management	This is fundamental in terms of strengthening the South Coast brand within a broader geographic context (M)
Regional Tourism	The destination should to some degree seek new markets from within some SADC countries (M)
Business and Events Tourism	Marketing should use these segments and niches as a forefront part of applied actions (M/D)
Relevant Capacity Building	Internal (personnel) and external development of people within tourism should be applied throughout each municipal area (D)
Product Information	Awareness of tourism product needs to be quantified for presentation to the destination's captive markets and niches and via Visitor Information Centres and hard/soft marketing tools (M)
Responsible Tourism	Through member protocols and codes of conduct the entity will enhance responsible tourism within stakeholder groupings (M)
Investment Promotion	The entity will need to assist the newly formed development agency for the Ugu District through packaged investment opportunities within the tourism sector (M/D)
Quality Assurance	Members will need to be encouraged to meet sector standards (M)
Transformation	Stakeholders through protocols should aspire towards compliance with transformation and empowerment directives for the sector (M)
Community Beneficiation	Community orientated tourism and tourism awareness should be included in strategies towards 2017 and beyond (M/D)



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- 2.3 Notwithstanding the foregoing, the main object of Tourism shall be to contribute to the economic, social and environmental development of the area of jurisdiction of the Parent Municipality through Tourism as contemplated in Section 8 read with Section 86E of the Local Government: Municipal Systems Act.

3. POWERS OF UGU SOUTH COAST TOURISM

- 3.1. Schedule 2 of the Companies Act of 1973 shall not apply to the Company.

- 3.2. The Company is a private company established in terms of Section 86C of the Systems Act and accordingly is restricted to act as a municipal entity in terms of:

3.2.1 Chapter 8A of the Systems Act; and

3.2.2 Chapter 10 and 11 of the Local Government Municipal Finance Management Act No. 56 of 2003; and

3.2.3 Section 41 of the Systems Act; and

3.2.4 Section 38 of the Kwa Zulu Natal Tourism Act 113 of 1996; and

3.2.5 Its Articles and Memorandum of Association.

- 3.3. Section 86D(2) of the Systems Act shall apply namely that Tourism must restrict its activities to the purpose for which it is created by its Parent Municipality in terms of Section 86E(1)(a); and Tourism shall have no competence to perform any activity which falls outside the functions and powers of its Parent Municipality contemplated by Chapter 8 of the Act.

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3.4. Ugu South Coast Tourism shall register as a Community Tourism Association with the accredited Government approved Tourism Bodies, and as provided in the Tourism Act.

4. RESTRICTIONS ON UGU SOUTH COAST TOURISM

4.1. All the income, expenditure, sponsorship and property of Tourism shall be applied solely towards the promotion of its main objective;

4.2. No portion of Tourism's income, expenditure and property shall be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise, to Ugu or directors of the Company, or its Parent Municipality; provided that nothing herein contained shall prevent the payment in good faith or reasonable remuneration to an officer or servant of the Company or to any member in return for any services actually rendered to the company, nor shall Tourism be precluded from acquiring bona-fide sponsors to improve and further its objects and functions.

4.3. The winding-up of the company, shall be in terms of the stipulations contained in the Local Government: Municipal Systems Act, The Local Government: Municipal Finance Management Act and other relevant Acts.

4.4. The company shall monitor, and annually review its annual budget process as set out in Section 87 of the Municipal Finance Management Act.

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4.5. Ownership of, equity interest or shares or any alienation or transfer of that share in the Company may only be alienated or disposed of in terms of Section 86G of the Systems Act.

4.6. To only provide goods and services as provided for in respect of the achievement of its objectives as outlined in this Agreement.

4.7. To acquire goods and services only as provided for in the Preferential Procurement Policy Framework Act of 2000 (Act 5 of 2000), the Broad Based Black Economic Empowerment Act of 2003 (Act 53 of 2003), Local Government: Municipal Finance Management Act of 2003 (Act 56 of 2003) and the Supply Chain Management Policy of the Company or the Parent Municipality, should the Company not have adopted such Policy at the time of procurement of any goods and services.

5. ACTIVITIES OF UGU SOUTH COAST TOURISM

5.1. The activities of the Company shall, for the duration of this Agreement, be aligned to the duly adopted Ugu South Coast Tourism Strategic Plan for the period 2013 – 2017, and as may be amended from time to time, and is annexed hereto as Annexure "A".

5.2. Section 86D (2) of the Systems Act shall apply and provides that:

A private company which is a municipal entity –

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- (a) must restrict its activities to the purpose for which it is used by its parent municipality in terms of Section 86H(1)(a);
- (b) and has no competence to perform any activity which falls outside the functions and powers of its parent municipality contemplated by Chapter 8.

6. OWNERSHIP OF COMPANY

- (a) The Company is established and fully owned by the Parent Municipality in terms of Section 86C of the Systems Act, and as such holds all the shares therein.
- (b) No other party shall be a party to this agreement, or claim enforceable rights, or obligations from the parties arising from this agreement, or resulting from the Constitution of South Coast Tourism (Pty) Ltd.
- (c) No District or Area Tourism Committee shall have any enforceable rights in respect of the Company.

7. DUTIES OF PARENT MUNICIPALITY

Sections 93A and 93B of the Systems Act stipulates the following duties of the Parent Municipality with respect to the Company:


- 1 The parent municipality must:

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- (a) exercise any shareholder, statutory, contractual or other rights and powers it may have in respect of the municipal entity to ensure that –
 - (i) both the municipality and the municipal entity comply with the Systems Act, the Municipal Finance Management Act and any other applicable legislation; and
 - (ii) the municipal entity is managed responsibly and transparently, and meets its statutory, contractual and other obligations as well as the provisions of its own Constitution;
- (b) allow the board of directors and chief executive officer of the municipal entity to fulfill their responsibilities; and
- (c) establish and maintain clear channels of communication between the municipality and the municipal entity.

2 The Parent Municipality must:

- (a) ensure that annual performance objectives and indicators for the municipal entity are established by agreement with the municipal entity and included in the municipal entity's multi-year business plan in accordance with Section 87(5)(d) of the Municipal Finance Management Act;
- (b) must monitor and annually review, as part of the municipal entity's annual budget process as set out in Section 87 of the Municipal Finance Management Act, the performance of the


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municipal entity against the agreed performance objectives and indicators; and

(c) may liquidate and disestablish the municipal entity –

- (i) following an annual performance review, if the performance of the municipal entity is unsatisfactory;
- (ii) in the event of financial difficulties if the municipality does not impose a financial recovery plan in terms of the Municipal Finance Management Act and the municipal entity continues to experience serious or persistent financial problems; or
- (iii) if the municipality has terminated the services delivery agreement or other agreement it had with the municipal entity.

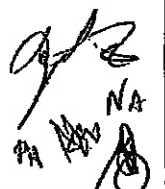
(d) If the company is liquidated and/or disestablished: –

- (i) take charge and possession of all assets, liabilities, rights and obligations of the company, due to fact that it then vest in the parent municipality; and
- (ii) ensure that the staff of the company be dealt with in accordance with applicable labour legislation.

8. POWERS AND DUTIES OF DIRECTORS OF TOURISM

1 in terms of Section 93H of the Systems Act:

(a) the board of directors of Ugu South Coast Tourism shall


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- (i) provide effective, transparent, accountable and coherent corporate governance and conduct effective oversight of the affairs of tourism;
 - (ii) ensure that Tourism comply with all applicable legislation agreements;
 - (iii) communicate openly and promptly with the parent municipality of Tourism; and
 - (iv) deal with the parent municipality in good faith.
 - (v) give effect to the Constitution of the Republic of South Africa.
 - (vi) ensure that the rights to operate an exclusive Tourism Structure by the parent municipality are upheld.
 - (vii) attend its meetings punctually and regularly.
- (b) A director of South Coast Tourism must at all times act in accordance with the Code of Conduct for directors referred to in Section 93L of the Systems Act.

2 Tourism shall comply with the Systems Act and ensure in terms of Section 93J of the Act, that:

- (a) the board of directors of Tourism appoint a Chief Executive Officer (CEO) of the municipal entity.
- (b) The chief executive officer of Tourism shall be accountable to the board of directors for the management of the municipal entity.

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3. The board of directors of the municipal entity shall also be responsible to in consultation with the parent appoint all the Executive Managers and the Managers reporting directly to the Chief Executive Officer (the CEO) of the company.
4. The Municipal Entity is enjoined to divert as far as possible resources, time funding and skills to the non coastal areas within the Municipality and shall develop Tourism destinations in rural and traditional areas within the Municipality areas of the District as far as may reasonably possible, and subject to budgets and demand and desirability.
5. In giving effect to clause 9.4 Tourism shall, as far as possible develop websites alerting visitors to places of historical and cultural interest and importance as well as to places in which the bio-diversity or natural beauty of the area is recognised.

9. THE CHIEF EXECUTIVE OFFICER AND STAFF OF SOUTH COAST TOURISM

1. The Chief Executive Officer of Tourism shall be accountable to the board of directors for the management of Tourism.
2. The Chief Executive Officer as the head of administration of Tourism is subject to the policy directions of the board of directors and is responsible and accountable to the board of directors for: -
 - (a) the formation and development of an economical, effective, efficient and accountable administrative unit: -

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- (i) equipped to carry out the task of implementing the functions of Tourism;
 - (ii) responsive to the needs of the community to participate in the affairs of the Tourism;
 - (iii) to deal with subordinate Tourism Communities;
 - (iv) to liaise with the Offices of the Municipal Managers of the Municipalities.
- (b) the management of the affairs of Tourism in accordance with the articles of Association and other legislation applicable to the Company;
- (c) the implementation of the Company's development plans, and policies of the company and monitoring of progress with the implementation thereof;
- (d) the appointment of staff, other than the senior managers directly accountable to the Chief Executive Officer, and subject to the Employment Equity Act No. 55 of 1998 and shall regulate;
- (e) the management, effective utilisation and training of staff;
- (f) the maintenance of discipline of staff;
- (g) the promotion of sound labour relations and compliance by Tourism with applicable labour legislation;
- (h) advising the board of directors of the company;


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- (i) deciding from time to time the number of meetings to be held in respect of:
 - (i) Board Meetings;
 - (ii) Tourism Committees; and
 - (iii) any other meetings of the Company.
- (j) the drafting of standing rules for Directors and Committees.

10. ACCOUNTABILITY TO THE UGU COMMUNITY

10.1. Both parties shall facilitate participation by the community in the affairs of Tourism and shall, as far as may be reasonably possible; with further reference to Section 80(2) of the Systems Act: -

- 10.1.1 develop and maintain a network whereby community satisfaction or dissatisfaction with the work of Tourism is assessed through its committees where practical;
- 10.1.2 the implementation of national and provincial legislation applicable to the functions of Tourism;
- 10.1.3 the performance of any other function that may be assigned by the parent company.
- 10.1.4 Give attention, and preference as far as may be reasonably possible, to the development of Tourism destinations other than within the Coastal areas of the District.


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11. MANAGEMENT BY THE CHIEF EXECUTIVE OFFICER OF TOURISM

1. Section 57 of the Systems Act, read with the necessary amendments thereto, shall mutatis mutandis be applicable to the Chief Executive Officer and the managers directly accountable to the Chief Executive Officer.
2. The upper limits of the salary, allowances and other benefits of the Chief Executive Officer and senior managers of the Company shall be determined by the Parent Municipality in terms of Section 89(a) of the Municipal Finance Management Act.

12. MEETINGS OF THE BOARD OF DIRECTORS

1. Section 93I of the Systems Act stipulates that at the Meetings of board of directors and shall sit as a committee as far as may be possible serving the interests of Tourism in the District:
 - (a) Meetings of the board of directors of Tourism must be open to the Municipal representatives referred to in Section 93D(1)(a).
 - (b) Municipal representatives referred to in Section 93D(1)(a) have non-participating observer status in a meeting of the board of directors of the Company.
2. Every meeting of directors as a committee shall, be held in the area of jurisdiction of the Parent Municipality in which the company's registered office is for the time being situated.

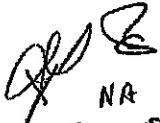
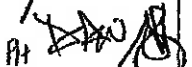

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13. GENERAL MEETINGS OF TOURISM

1. The Mayor or executive Mayor, as the case may be, of the parent municipality may at any time call or convene any meeting of the shareholders or any other General Meeting comprising the Board of Directors and the representatives of the parent municipality, in order for the board of directors to give account for actions taken by it.
2. Should such meeting be called, the Manager or Executive Mayor shall as far as reasonably possible, give written notice of the meeting, and an Agenda for such meeting.

14. REPRESENTATION AT GENERAL MEETINGS OF TOURISM

1. Save as otherwise herein provided, there shall be no less than one (1) of the representatives, mandated by the parent Municipality to represent it at the General Meeting.
2. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place, or at which the poll is demanded, shall be entitled to a second or casting vote.
3. All business that is transacted at a general meeting, and all that is transacted at the annual general meeting, shall be deemed to be special business.


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- 3.1 The parties record that it was of paramount importance that the directors of the Entity play a purposeful and ongoing role in the running of the Entity as stipulated in Section 93D of the Act.
- 3.2 Should it occur that any director of the Company and for any reason whatsoever misses three consecutive committee meetings of the Company, or misses a cumulative total of 3 out of any 5 meetings of the company then;
- 3.3 The Chairman shall forward a written communication, to be delivered by hand to such director who shall be invited to furnish viva voce reasons at the next sitting of the committee of the Company, or if the Chairman accepts otherwise, written reason to explain his/her ongoing absence from such meetings;
- 3.4 If no reasons are given on the date designated by the Chairman, or if the reasons given are unacceptable to a quorum of the meeting of the representatives present; who shall evaluate such reasons; then such director shall be reported to the Parent Municipality for intervention.
- 3.5 following such report, the Mayor or Executive Mayor as well as the affected Director shall be notified in writing of such report, and shall be furnished with a copy of the relevant minutes of the meeting.
- 3.6 The provisions of 14.3.1 to 14.3.5 set out hereinabove shall mutatis mutandis apply to the Ugu representative as

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contemplated in clause 14.1 and the same procedural steps shall apply mutatis mutandis to such representative.

15. CODE OF CONDUCT FOR DIRECTORS AND STAFF OF TOURISM

1. In terms of Section 93L of the Systems Act the following applies to the Directors of the Company:

(a) The Code of Conduct for Councilors contained in Schedule 1 of the Systems Act applies.

(b) In the application of item 14 and 15 of the Code of Conduct in respect of the Directors of the Company.

2. In terms of Section 93L of the Systems Act the following applies to any member of Staff (employees) of the Company:

The Code of Conduct for municipal staff members contained in Schedule 2 of the Systems Act applies with the applicable and necessary changes, to members of staff (employees) of the Company.

16. MUNICIPAL REPRESENTATIVES

1. The Parties shall comply with 93D of the Systems Act namely that:

(a) The Council of the Parent Municipality must designate a councilor or an official of the parent Municipality, or both, as the representative or representatives of the Parent Municipality –

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- (i) to represent the parent municipality as a non-participating observer at meetings of the board of directors of Tourism; and
 - (ii) to attend Directors meetings and to exercise the parent municipality's rights and responsibilities as a shareholder, together with such other councilors or officials that the council may designate as representatives.
 - (iii) failure by any representative to attend any such meeting shall be recorded in the minutes of such meeting
- (b)
 - (i) The official lines of communications between Tourism and the parent municipality exist between the Chairperson of the board of directors of Tourism and the Mayor or Executive Mayor, as the case may be, of the parent municipality.
 - (ii) The Mayor or executive Mayor, as the case may be, of a parent municipality may at any time call or convene any meeting of shareholders or other general meeting comprising to board of directors of the Company concerned and the representatives of the parent municipality, in order for the board of directors to give account for actions taken by it.
 - (iii) The council of a parent municipality may determine the reporting responsibilities of a municipal representative.
- (c)
 - (i) A municipal representative must represent the parent municipality faithfully at shareholder meetings, without consideration of personal interest or gain, and shall keep the council informed of –

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- (a) how voting rights were exercised; and
 - (b) all relevant actions taken on behalf of the municipality by the representative.
- (ii) A municipal representative
 - (a) must act in accordance with the instructions of the council; and
 - (b) may be reimbursed for expenses in connection with his or her duties as a municipal representative, but may not receive any additional compensation or salary for such duties.

17. EXISTING AGREEMENT

This agreement shall supercede any other agreements between any Tourism Association, and any Municipality which falls within the Ugu District.

18. DURATION

1. This agreement shall commence on the effective date and shall continue for a fixed period of 5 years, whereafter a new agreement must be negotiated between the parties.
2. Should any of the Parties be desirous of terminating this Agreement before the attainment of the five (5) year period, the Party wishing to terminate must provide one (1) year's written notice of it's intention to terminate to the other Party. Such Notice must be delivered to the other Party's domicilium as recorded in 24 below.


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19. FINANCIAL CONTRIBUTION BY MUNICIPALITY

1. South Coast Tourism shall annually –

- 1.1 prepare a business plan linked to and taking cognizance of the Ugu District Municipality Integrated Development Plan. This annual business plan shall be submitted to the Municipality which shall annually make a grant to South Coast Tourism as stipulated herein;
- 1.2 not more than six months after the end of its financial year, after completion of the annual audit, submit to the Municipal Manager of the Municipality a report on its affairs and activities during the financial year and its audited annual financial statements, which report and financial statements shall be tabled at the next meeting of the Municipality; and
- 1.3 before or on the date prescribed, submit a budget for the ensuing financial year and a business plan as prescribed, to the Municipal Manager, which budget and business plan shall be considered by the Municipal Council in line with its budgeting process when considering the increase referred to in clause 19.5 below.
- 1.4 The funds of South Coast Tourism shall consist of –
 - 1.4.1 Grant in Aid from District and Local Municipalities of the Ugu District;

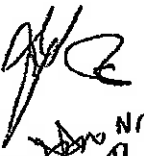

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1.4.2 donations, bequests, sponsorships or contributions;

1.4.3 subject to the KwaZulu-Natal Tourism Act, income generated so as to achieve its objects; and

1.4.4 membership fees;

- 2 When the annual business plan of South Coast Tourism is so submitted. Without limiting the generality of such report it shall incorporate therein all information which may be called for by the Municipal Manager or other authorised officials of the Municipality. The report shall be comprehensive enough to enable the Municipality to assess whether South Coast Tourism has fully complied with this agreement, what service levels it has maintained and generally what its performance has been.
3. The parties record that Ugu District Municipality has committed itself to make a financial contribution to South Coast Tourism from the municipal budget.
4. The parties therefore record that the Municipality has committed itself to a base level contribution as a Grant-In-Aid to South Coast Tourism for the duration of this contract period .The amount will inline with the annual budget increases of the Municipality, subject to the availability of funds etc. per annum as it applies to Municipalities subject however to the availability of funds and any unforeseen/impending shortfalls in budgeted revenue.


PH  NN

5. Ugu District Municipality will inform South Coast Tourism by not later than 31 May each year of the approved increase in the base level Grant-in Aid.
6. Sponsorships of each less than R200 000.00 (Two Hundred Thousand Rand) shall form part of the ordinary income received by Tourism, and not be subject to any Preferential Procurement policy and shall be treated as sponsorship funding as provided for in the Kwa Zulu Natal Tourism Act.

20. FUTURE DEVELOPMENT OF SOUTH COAST TOURISM

South Coast Tourism shall, within a reasonable period:

1. Effect such changes as maybe necessary or appropriate for it to function as a Local Tourism Association in terms of the KwaZulu-Natal Tourism Act, 1996 (KwaZulu-Natal Tourism Act, Act 11 of 1996). Without limiting the generality of the requirement, it shall adopt and follow the objects set out in the said Tourism Act, and any other relevant legislation regarding tourism and the local authority.
2. South Coast Tourism is to conduct its activities as laid out in the Memorandum of Association, as per its core business, being tourism marketing and development.
3. South Coast Tourism shall in the course of its daily business, and by way of its Constitution as far as may be permitted; be entitled to procure funding by way of Sponsorships either with reference to:



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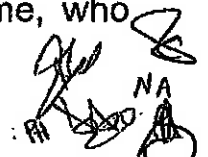
- (a) a sponsorship panel;
 - (b) ad hoc sponsorships.
- 4. Such sponsorships shall not have to comply with the MFMA or the supply Chain Management Policy subject to Section 93C(a)(iii) of the Systems Act.
- 5. If any doubts exist as to whether or not a sponsorship or monies received should be dealt with in terms of the MFMA, this item shall be tabled and minuted and resolved at a director's meeting as defined herein.

22. PREMISES

- 1. South Coast Tourism has entered into separate formal lease with a Wideprops 118 Pty Ltd 2002/030541/08 (a private landlord) for the sole occupation of the premises at 16 Blisset Street, Port Shepstone for a period not more than 2 years and 11 months, which lease may be renewed by mutual consent.

22. AUDIT

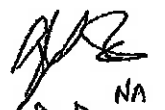
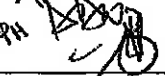
- (a) The parties record that the books and records of South Coast Tourism will be subject to an annual audit and the results thereof made available to the Ugu District Municipality.
- (b) For the purposes of cost efficacy, the Municipalities Chief Financial Officer, or his nominated representative will engage the services of the Company Auditors from time to time, who

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shall prepare an Audit Report, which shall together, with working papers in support thereof be submitted to the Auditor General in compliance with all statutory requirements.

23. PERFORMANCE EVALUATION

1. The parties agree that the activities of South Coast Tourism will be monitored and evaluated.
2. The monitoring and evaluation shall be done in accordance with the reasonable requirements of the Municipal Manager of the Municipality, who reserves this right and who is, in any event obliged to comply with Section 87 of the Municipal Finance Management Act. He may utilise the services of consultants or other experts for this purpose including the conducting of periodic or ongoing and / or annual market research as to the views of the public generally and the members of South Coast Tourism in this regard.
3. The following reports shall be submitted to the Municipal Manager to evaluate the ongoing performance of South Coast Tourism:
 - 3.1 Audited financial statements, within 60 days of South Coast Tourism year end.
 - 3.2 Mid year Budget and Performance Assessment report.
 - 3.3 A quarterly summary activity report
4. Board minutes from time to time shall be forwarded to the Municipal Manager.


PH  NA

5. Annual board review of company performance to be forwarded to the municipal manager within 90 days of its year-end.

24. DOMICILIUM AND NOTICES

The parties select their addresses as hereinbefore stated as their respective *domicilia citandi et executandi* for all purposes arising out of this agreement or the cancellation thereof.

Any notice sent to the *domicilia citandi et executandi* of a party by previous registered post or delivered there by hand shall be deemed to have been received on the fifth business day after posting or on the date of delivery, as the case may be.

Any party may, by written notice to the other, change his *domicilia citandi et executandi* to another physical address (not being a post office box number or poste restante) within the Republic of South Africa and such change shall become effective seven days after the giving of such notice.

All notices which may or may have to be given in terms of this agreement shall be in writing.

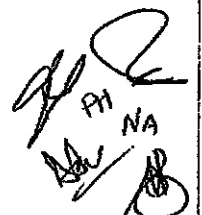
25. JUDICIAL PROCEEDINGS AND DISPUTE RESOLUTION

1. The parties acknowledge that with reference to interpretation of powers and obligations of the parties, and in the event of a dispute between the parties that:

1.1 This Service Level Agreement shall have application and;

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- 1.2 The Articles and Memorandum of the Company shall have application.
2. Should a dispute arise at any level between the parties, which cannot be resolved by intervention, of the CEO, the Municipal Manager, and/or the directors of the Entity, then the parties acknowledge that Chapter 4 of The Intergovernmental Relations Framework Act 113 of 1995 shall have application (Act 113 of 2005).
3. In terms of Section 41 read with 42(2) of Act 113 of 2005,
- 3.1. Any dispute which may arise between the parties relating to the interpretation, effect or termination of this agreement or to their rights or obligations in terms hereof shall be submitted for facilitation if any party to the dispute so requires.
- 3.2. The Facilitator shall then make his/her finding available to the relevant MEC in terms of Section 44 of Act 113 of 2005.
4. The Arbitrator shall be a practising or retired attorney or Senior Government Official who have had not less than 10 (ten) years experience. He/she shall be appointed by agreement between the parties to the dispute, and failing such agreement, within 7 (seven) days after the date upon which the arbitration is demanded, by the relevant MEC in Kwa Zulu Natal, or his nominee.

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26. ENTIRE AGREEMENT – NO VARIATION**Non Variation**

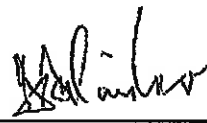
This agreement shall constitute the entire agreement between the parties, as to the regulation of the Municipal Entity, and no addition to or variation, consensual cancellation or novation of this Service Level Agreement and no waiver of any right arising from this Agreement or its breach or termination shall be of any force or effect unless reduced to writing and signed by all the parties or their duly authorized representatives.

THUS DONE and SIGNED by UGU DISTRICT MUNICIPALITY at Port Shepstone on this 20th day of MAY 2015.

AS WITNESSES:

1. 


2. 



D D NAIDOO

MUNICIPAL MANAGER

Duly Authorised



 APPROVED
 MANAGER: LEGAL SERVICES
 MELANIE OLIVIER
 DATE: 20/05/2015

NA

 PH

THUS DONE and SIGNED by SOUTH COAST TOURISM at Port
Shepstone on this 28th day of May 2015.

AS WITNESSES :

1. [Signature]

2. [Signature]

[Signature]

JUSTIN MACRORY

CHIEF EXECUTIVE OFFICER -
SOUTH COAST TOURISM

NA
[Signature]
[Signature]



Ugu District Municipality

Quality Certificate

I **Dhanpalan Devaraj Naidoo, Municipal Manager of Ugu District Municipality** hereby certify that the Annual Budget 2018/2019 and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality

Name: Dhanpalan D. Naidoo
Municipal Manager of Ugu District Municipality- DC21

Signature: 

Date: _____