



**MID-TERM REVIEW
BUDGET AND PERFORMANCE ASSESSMENT
FOR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2018
DRAFT BUDGET FOR 2019/2020**

Submission: January 2018

Prepared by:

Mandla Mabece – Chief Executive Officer

Prepared in terms of:

The Local Government: Municipal Finance Management Act (56/2003); and the
Municipal Budget and Reporting Regulations, Government Gazette 32141, 17 April 2009.

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SECTION 1 – Introduction

Purpose

The Ugu South Coast Development Agency, had approved an Annual Performance Plan for the **2018/19** financial period. The agency has continuously monitored the performance against the plan. This report, the Mid-year review seeks to take stock of what has been achieved or not achieved in the first six months of the financial year, the challenges experienced and the remedial actions where there has been non-achievement.

Linked to this is the financial performance against the approved budget, and whether given the challenges in the APP, is there a need for an adjustment of the budget.

It is therefore the intention of the agency, to inform the Board and Parent Municipality of progress made in the implementation of the Annual Budget and Performance Plan in respect of the first six months of the 2018/19 financial year; and to recommend to the board whether an Adjustment Budget is necessary.

Background

Section 88 of Local Government: Municipal Finance Management Act, 2003 (ACT 56 of 2003 dictates that:

Mid-year budget and performance assessment

1. The accounting officer of a municipal entity must by 20 January of each year -
 - a) assess the performance of the entity during the first half of the financial year, taking into account -
 - I. the monthly statements referred to in section 87 for the first half of the financial year and the targets set in the service delivery, business plan or other agreement with the entity's parent municipality; and
 - II. the entity's annual report for the past year, and progress on resolving problems identified in the annual report; and
 - b) submit a report on such assessment to -
 - I. the board of directors of the entity; and
 - II. the parent municipality of the entity.
2. A report referred to in subsection (i) must be made public.

SECTION 2 – Report of the Accounting Officer (CEO)

THE CHIEF EXECUTIVE OFFICER'S REPORT ON THE AFFAIRS OF THE UGU SOUTH COAST DEVELOPMENT AGENCY – JULY 01, 2018 TO DECEMBER 31, 2018.

2.1 Introduction

The Ugu South Coast Development Agency has been established by the parent, Ugu District, as a special purpose vehicle aimed at harnessing competitive edge and marketing the area to international and domestic investors for inward investment. It is therefore not an extension of the economic development arm of the municipality but rather a value-add in providing catalytic interventions that will bolster economic development and job creation and thereby giving true meaning to the concept of shared economic growth. It is particularly important to note that the period under review, July 01 to December 30, 2018, signals the end of the 3-year period after establishment following the disbandment of the erstwhile Hibiscus Development Agency. Establishment processes have since been concluded and teething processes surpassed and the snapshot of performance gives an indication of targets achieved and those that have not been achieved.

2.2 Institutional Matters and Governance

During the period in question the Agency managed to commence with the full staff complement following the resignation of the then Finance Manager, Mr Ntando Duma, and the subsequent appointment of the new incumbent, Mr Buhle Fikeni. It is worth mentioning that this heralded a relative era of stability and institutional maturity as it signalled a qualitative improvement of financial reports, financial statements were done and all issues raised by the Auditor General were adequately addressed on time. Positive comments have been received from the external Audit Committee and the expectation is that high standards of performance will be maintained for the years to come.

Committees managed to sit on time with no issues of quorum with the result that oversight function was performed qualitatively and Management put to account on regular basis by the Board. This in turn assisted in the improvement of the overall performance of the Agency with the result that indeed Ugu Development Agency has gradually moved into the maturity stage in terms of playing the catalytic role and not merely serving as an extension of the LED unit of the Ugu District Municipality.

2.3 Finances

The Board has mandated the CEO to look beyond the traditional sources of funding, focussing on the private sector and other government agencies, mainly serving as an implementing agent in return for a nominal project management fee. In line with this the CEO assisted by the Finance Manager managed to raise R3m from KwaZulu Natal Department of Cooperative Governance and Traditional Affairs for the roll-out of the National School's Nutrition Project. A breakthrough was also made in partnering with the private sector, a local mining company, in rolling out an agricultural project for the traditional area of KwaMadlala, cultivation of moringa trees. Resource mobilization initiatives are ongoing and the CEO submits reports to the Board on quarterly basis on work done in this regard. The harsh reality that needs to be confronted is the negative impact of municipalities delaying in honouring their financial commitments to the Agency. To date, funds that have been received from the Ugu are only for the 1st quarter of the financial year and the subsequent invoice is more than 90 days

outstanding. Without funds being received the Agency is on the precipice of collapse and the CEO is engaging the Municipal Managers on this.

2.4 Performance

Highlights entail:

- Compiling financial statements and submission to the Auditor General on time
- Responding to Auditor General queries within the 3-days stipulated time period and addressing 100% of queries received
- Accessing R3M from KZN Cogta for the implementation of the NSNP programme
- Securing commitment from the Ray Nkonyeni and Umzumbe municipality that R1.5M and R2.5M respectively will be set aside for the implementation of Phase 1 of Umzumbe River Trail
- Concluding the appointment of a service provider for the construction of the walkway for the innovative and ground breaking KwaXolo Caves Project
- Receiving commitment from all local municipalities on the new service level agreements that will confirm projects to be implemented, and thereby removing the blurred lines on mandates
- Completing the review of the Growth and Development Plan making sure it is aligned to the KZN Growth and Development Plan as well as the National Development Plan
- Approaching all strategic South African embassies abroad reinforcing Ugu as an ideal investment destination and further requesting partnership with the ambassadors in attracting significant inflows of investment into Ugu – a first class choice destination to live, work and play in
- Engaging effectively, through public participation, with stakeholders, partners, and the broader civil society to bolster understanding and buy-in.

In conclusion it will be unrealistic to allude on success stories without touching base on challenges and the greatest being the lack of understanding on the practical meaning of catalytic interventions as the tendency has been to focus on short term interventions. That notwithstanding, the Ugu South Coast Development Agency has begun the uncharted terrain of being a developmental ambassador and support from the Board, the municipalities and the private sector is highly appreciated. Going forward, it is hoped that financial pledges / commitments made by the municipalities at the beginning of the financial year will be honoured on time as any delay negatively affects the operations as well as the financial sustainability of the Agency. The current situation is untenable and engagements with the respective Municipal Managers are ongoing and a positive outcome is anticipated.

It is indeed true that economic development is everybody's business and fostering mutually beneficial strategic partnerships is the way to go.

MANDLA MABECE
CHIEF EXECUTIVE OFFICER

08 JANUARY 2019

SECTION 3 - Administration

3.1 Performance Plan

As indicated in the earlier paragraphs, it is important that the agency assesses its performance against set targets. Where there have been challenges or targets have not been achieved, revised timeframes must be set, or targets that are not achievable for one or other reason, must then be removed. The following is a summary of the targets that have been revised.

SO1 - Institutional Compliance: To ensure that USCDA operations are compliant with all regulatory framework

SO 1.2 Risk Policy review will be moved to quarter 3 as the processes didn't allow for it to be completed in Q2. This relates mainly to the scheduling of meetings as the policy must first go through Corporate and Finance Committee.

SO 1.18, and SO 1.19 The project to be implemented will be amended to allow management to submit the business plans, and share with the board, not necessarily for approval by the board.

The target will be moved to Quarter 3

SO2 - Capacity Building: To capacitate USCDA to deliver and implement its core functions efficiently and effectively

SO 2.2 Staff Development – Training will occur in the 3rd and 4th Quarter. The plan was only approved in the second Quarter of the financial year.

SO3 - Investment Promotion: To promote growth and development of Ugu District Vision 2030

SO 3.2.1 Date GDS review completed. The target will be moved to the 3rd Quarter as it was only tabled at MANCO in the 2nd Quarter.

SO 3.1.3 and SO 3.1.4 Reports on Jobs created and amount spent 30% expenditure on local businesses – Despite several reminders to District Directors of all government departments operating within Ugu no information has been forthcoming. This has since been escalated to the Mayors Forum for onward transmission to the Premier's Coordinating Forum where-in Mayors, MECs and the respective Heads of Departments meet to discuss challenges experienced.

SO 3.2.4 The target for the hosting of Ugu Investment Conference will be moved to Q4 due to the fact that the Presidential Investment Summit was held late in comparison to the initially planned date. The KZN Investment Conference is yet to be convened and an optimistic approach has been taken to convene Ugu's by the 4th quarter. Both events are a pre-cursor to the District Investment Conference.

SO4 - Agriculture: To promote small scale farming in Ugu District

Support the growth of local emerging farmer and encourage market for their product

SO 4.1.2 The number of hectares of follow fields cultivated in the Amakhosi areas will be reduced to 45 hectares due to budgetary limitations.

SO 4.1.8 Business plans have been developed, although they have not been submitted to the board. The POE needs to be amended such that the board is upraised about business plans already submitted, acknowledgment by recipients of the plans or results achieved as a result of the submission of the business plans.

SO6 - Property Development:

SO 6.1.3, SO 6.1.4 and SO 6.1.5 targets will all be moved to the 4th Quarter. This is due to the fact that the Ray Nkonyeni Municipality is finalising its project list for the USFDA.

SO 6.2.2 Conclusion of development agreement with the developer will be moved to the 4th Quarter considering that there were issues of ownership and another process had to be initiated with the Department of Public Works

SO7 - Marine: To promote economic development within coastal and riverine zones

SO 7.1.2 Multi-trails Network: Funding secured for URT – Resource mobilization for the implementation of the concept into a project is ongoing and a plea was made to both the Ray Nkonyeni and Mzombe municipalities, to respectively allocate R1.5M and R2.5M during budget adjustment process, which in turn will enable with implementation of the Phase 1 of the project. Regular feedbacks are provided to stakeholders, particularly the beneficiary communities as this is not well managed can easily be misconstrued as a pie-in-the-sky project. The private sector and other government department have been approached and follow ups will be made in the 3rd term.

SO 7.1.5 Scottburgh Beach Front will need to be re-advertised as there were no responses received in the initial invitation.

SO 8 Catalytic Projects: facilitate catalytic within the Ugu District

SO 8.1 Finalize the application for the Release of Agricultural Land for Industrial Development (Ifafa). Application has been declined by the National Department of Agriculture and the agency has lodged an appeal on the matter and awaiting results of that. Follow ups are being made on an ongoing manner and the CEO has set up an appointment for end January to meet with the Director General for Agriculture and Fisheries to plead the case.

3.2 Adjustment Budget

The 2018/19 Budget was approved with the assumption that all realistically anticipated revenues were going to be received on time, and to the values promised. The most important revenues would be received from the Parent Municipality and Local Municipalities within the district. Additional revenues were expected from government departments and other institutions. Although only a low percentage of these revenues has been received, it is not necessary to revise these down as we expect the continued engagements to yield positive results.

The agency also expected to generate its own revenues in its quest to be financially and operationally sustainable. This is so as most of the anticipated revenue streams did not perform as expected and efforts at self-sustenance will be intensified.

The Adjustment Budget prepared in this Mid-Term Review with the assumption that all local municipalities will honour their obligations.

3.2.1 Revenue

Total revenue earned as at 31 December 2018 amounts to R4 146 691 and includes:

- Interest received R 56 491.53
- Grant Income: UGU, USCT & LMs R 3 692 405.00
- Other Income R 397 794.55

Account	Approved Budget	Budget YTD	Actual YTD	Full Year Forecast	Adjustment	Adjusted Budget
1820 - Intercompany/Parent-subsidiary Transactions						
D0001/R01380/F0041/D049/R0393/001/F (Parent Allocation - Ugu District Municipality)	6 282 310.00	2 617 628.17	3 141 155.00	7 539 772.00	-294 778.75	6 077 531.25
D0001/R01059/F0001/D049/R0393/001/F (Interest Received - Bank Accounts)	300 000.00	125 000.00	56 491.53	135 578.67	-150 000.00	150 000.00
D0001/R01411/F0045/D049/R0523/001/F (Municipal Allocations - Umdoni Local Municipality)	551 250.00	229 687.50	0.00	0.00	0.00	551 250.00
D0001/R01113/F0001/D049/R0393/001/F (Sale of Tender Documents)	50 000.04	20 833.35	1 347.78	3 234.70		50 000.04
D0001/R01443/F0001/D049/R0394/001/F (Entrance Fees KwaXolo)	1 551 678.00	646 532.92	0.00	0.00	-1 551 678.00	0.00
D0001/R01451/F0001/D049/R0393/001/F (Management Fees - Ifafa Farm Elystun)	300 000.00	125 000.00	62 870.76	150 889.82	-140 000.00	160 000.00
D0001/R03070-1/F0045/D049/R0523/001/F (Grant Received - Umzumbi Local Municipality)	551 250.00	229 687.50	551 250.00	1 323 000.00		551 250.00
D0001/R02397-1/F0045/D049/R0523/001/F (Grant Received - Ray Nkonyeni Municipality)	1 785 000.00	743 750.00	0.00	0.00		1 785 000.00
D0001/R02397-2/F0045/D049/R0523/001/F (Grant Received - Umuzkwabantu Local Municipality)	551 250.00	229 687.50	0.00	0.00		551 250.00
D0001/R02397-3/F0001/D049/R0393/001/F (Grant Received - National School Nutrition Programme)	3 000 000.00	1 250 000.00	233 576.00	560 582.40		3 000 000.00
D0001/R02397-4/F0001/D049/R0393/001/F (Grant Received - Fish Farming)	3 000 000.00	1 250 000.00	0.00	0.00	-3 000 000.00	0.00
D0001/R02397-5/F0001/D049/R0393/001/F (Grant Received - Aquaculture)	300 000.00	125 000.00	0.00	0.00		300 000.00
D0001/R02397-6/F0001/D049/R0393/001/F (Grant Received - KZNDET/EA Ifafa Farm)	500 000.00	208 333.33	0.00	0.00		500 000.00
Grant Received - Ikwale Industrial Holdings	0.00	0.00	100 000.00	240 000.00	200 000.00	200 000.00
Gross Profit	16 722 739.04	7 801 141.27	4 146 691.08	9 952 058.59	-4 846 457.75	13 876 281.29

From what can be viewed in the table above, there is a need for revenue to be revised downwards as the revenue streams did not perform as expected. Overall, revenue needs to be revised downwards by R4 846 457.75 and the main reason relates to the R1,5 million expected to be received from KwaXolo Caves and construction has not commenced, and R3million expected for Fish Farming which it doesn't seem will be realised.

3.2.2 Operating Expenditure

The operating expenditure for 2018/19 financial year was budgeted at R12 623 808 and up to the time of the compilation of the adjustments budget, R1 241 923.23 had been spent. This equals to just under 10% expenditure on what was budgeted for. However, this must be seen in the context that given that some revenues had not been realised, example, fish farming, no expenditure could be incurred. Seeing that this expenditure on fish farming has been revised downwards in terms of revenue, it follows that the corresponding budgeted expenditure must be revised downwards.

3.2.3 Directors Fees

The agency budgeted R898 462 under this category. As at November 2018 R 374 339 had been spent. There is no need for this budget to be revised either way.

3.2.4 Salaries and Wages

R5 100 471 was budgeted for the employee costs for 2018/19. Considering the 7% increment approved as per the bargaining council agreement, and looking at the current expenditure trends on the salaries and wages have been adjusted upwards by 7%.

3.2.5 Capital Expenditure (Fixed Assets)

No capital expenditure has been incurred in the period since the beginning of the financial year and the amount budgeted has been adjusted down by 50% to R50 000.

3.2.6 Cashflow

The opening bank balance in July 2018 was R2 751 478. It is important to note that the agency had in June 2018 received R3 million as a grant for RASET, and this remained as unspent at year end.

USCDA received, R1 570 577 from Ugu District Municipality, only. Although the agency has invoiced the parent for the second quarter as well, payment has not been received as yet.

The other municipalities have not made payments in the current financial year and part of this is due to the fact that all the service level agreements had expired at the end of 2017/18 and as such the new ones have not been finalised as yet, making it difficult for the transfers to be made to the agency.

The above factors place the agency at a very difficult position as implementation of all projects, as well as operational activities required a healthy cashflow status.

3.2.7 Debtors' Age Analysis

The age analysis shows that the agency is being currently owed just over R3,2 million. Of this amount R1,8 million is owed by Ugu District Municipality for Q2 and just over R600 000 from Umzumbe Local Municipality.

3.2.8 Recruitment

Key issues worth noting on recruitment are highlighted hereunder:

- The employment contracts of Development Manager: Agriculture and Development Manager: Special Projects are coming to an end on 31 January 2019 and 31 March 2018 respectively. The process of recruitment for both positions has commenced and the deadline for submission of applications was 14 December 2018. It is important that these critical positions are filled expeditiously as the agency cannot afford to operate with vacancies in these positions.
- The contract for the 2 internship students came to an end in August 2018 and due to austerity and cost containment measures the programme has been put on hold.

3.3 Draft 2019/20 Budget

The MFMA Section 87, requires that the board of directors of a municipal entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days from the start of the entity's financial year or earlier if requested by the parent municipality.

A draft annual budget is prepared mainly looking at the provision of the MFMA Treasury Circular No. 93 in terms of the projected inflation rate. We also take into consideration the service level agreements that are currently in place in relation to the Parent Municipality and other local municipalities within the district.

SECTION 4 - Issues Raised in the Audit Report

A schedule listing the findings of the Auditor General and the Corrective Actions required of the entity is appended at Annexure B of this report. The proposed action plan, with timeframes is also indicated.

SECTION 5 - Recommendations

- That the Board receives and notes the mid-term review report;
- That the Board note that the mid-year budget and performance assessment indicates that an adjustment budget for 2018/19 is required;
- That the Board approves the Adjustment Budget for submission to the parent.
- That the Board approves the Draft Budget 2019 for submission to the parent.

SECTION 6 – Addendums

The following documents form an integral part of this report:

- Annexure A – Adjustment Budget & Draft Budget 2019
- Annexure B – Audit findings June 2016 and Corrective Actions

Adjusted Budget 2018/19

Ugu South Coast Development Agency

		-2.35	784 309.01	200 002.35	0.00	0.00	0.00	0.00
Account	Approved Budget 2018/19	Actual 2018/19	Adjusted Budget 2018/19	Approved Budget 2018/19	Actual 2018/19	Adjusted Budget 2018/19	Approved Budget 2018/19	Actual 2018/19
1020 - Intercompany/Parent-subsidary Transactions								
D0001/R01380/F0041/X049/R0393/001/F (Parent Allocation - Ugu District Municipality)								
D0001/R01059/F0001/X049/R0393/001/F (Interest Received - Bank Accounts)	6 282 310.00	3 141 155.00	-204 778.75	6 077 531.25	6 381 407.81	6 700 478.20	7 035 502.11	
D0001/R01411/F0045/X049/R0523/001/F (Municipal Allocations - Umdoni Local Municipality)	300 000.00	56 491.53	-150 000.00	150 000.00	530 800.00	612 163.20	645 219.96	
D0001/R01113/F0001/X049/R0393/001/F (Sale of Tender Documents)	551 250.00	0.00	0.00	551 250.00	578 812.50	607 753.13	638 140.78	
D0001/R01443/F0001/X049/R0394/001/F (Entrance Fees KwaXolo)	50 000.04	1 347.79		50 000.04	52 800.04	55 651.24	58 656.41	
D0001/R01451/F0001/X049/R0393/001/F (Management Fees - Ifafa Farm Etyatum)	1 551 679.00	0.00	-1 299 338.76	252 340.24	711 258.47	267 531.80	415 408.27	
D0001/R00070-1/F0045/X049/R0523/001/F (Grant Received - Umzumbi Local Municipality)	300 000.00	62 870.76		300 000.00	316 800.00	333 907.20	351 958.19	
D0001/R02397-1/F0045/X049/R0524/001/F (Grant Received - Ray Nkonyeni Municipality)	551 250.00	551 250.00		551 250.00	578 812.50	607 753.13	638 140.78	
D0001/R02397-2/F0045/X049/R0525/001/F (Grant Received - Umuziwabantu Local Municipality)	1 785 000.00	0.00		1 785 000.00	1 874 250.00	1 967 962.50	2 066 360.63	
D0001/R02397-3/F0001/X049/R0393/001/F (Grant Received - National School Nutrition Programme)	551 250.00	0.00		551 250.00	578 812.50	607 753.13	638 140.78	
D0001/R02397-4/F0001/X049/R0393/001/F (Grant Received - Fish Farming)	3 000 000.00	233 576.00		3 000 000.00				
D0001/R02397-5/F0001/X049/R0393/001/F (Grant Received - Aquaculture)	3 000 000.00	0.00	-3 000 000.00	0.00				
D0001/R02397-6/F0001/X049/R0393/001/F (Grant Received - KZNDETEA Ifafa Farm)	300 000.00	0.00		300 000.00				
Grant Received - Idwala Industrial Holdings	500 000.00	0.00		500 000.00				
Gross Profit	0.00	100 000.00	200 000.00	200 000.00				
4200 - Contracted Services [Expenditure]								
O1291-1/E00877/F4349/X045/R0393/001/C (Catering Services Chief Executive Officer)	18 722 739.04	4 146 691.08	-4 454 117.51	14 268 621.53	11 603 753.82	11 760 953.52	12 487 507.92	
O1217-2/E00008/F4349/X098/R0394/001/D (Legal Fees Ugu Fresh Produce Market)	10 000.00	2 785.60		10 000.00	10 560.00	11 130.24	11 731.27	
	20 000.00	0.00	-20 000.00	0.00	0.00	0.00	0.00	

Project Name	15 000.00	0.00	-15 000.00	0.00	0.00	0.00	0.00	0.00	0.00
O1217-2/IE00694/F4349/X098/R0394/001/D (Ugu Fresh Produce Market Maintenance of Buildings)	15 000.00	0.00	-15 000.00	0.00	0.00	0.00	0.00	0.00	0.00
O1217-2/IE00694/F4349/X098/R0394/001/D (Safeguard and Security Ugu Fresh Produce Market)	15 000.00	0.00	-15 000.00	0.00	0.00	0.00	0.00	0.00	0.00
O1238-1/IE00649/F0041/X097/R0394/001/D (Repairs and Maintenance of Buildings)	10 000.00	1 040.00		10 000.00	0.00	0.00	0.00	0.00	0.00
O1238-1/IE00683/F4349/X097/R0394/001/D (Safeguard and Security)	24 150.00	2 274.88		24 150.00	0.00	0.00	0.00	0.00	0.00
O1303-10/IE00694/F4349/X097/R0394/001/D (Tutorinn Beach Front Concept Document - Tender Documents)	200 000.00	0.00	-200 000.00	0.00	0.00	0.00	0.00	0.00	0.00
O1303-11/IE00008/F4349/X097/R0394/001/D (Legal Fees Hibberdene Mixed Use)	500 000.00	0.00	-400 000.00	100 000.00	105 600.00	111 302.40	117 312.73	117 312.73	117 312.73
O1303-12/IE00677/F4349/X097/R0394/001/D (Umzumbe River Trails Catering Services)	120 000.00	0.00		120 000.00	126 720.00	133 562.88	140 775.28	140 775.28	140 775.28
O1303-13/IE00703/F4349/X097/R0394/001/D (Umzumbe River Trails Transport Services)	10 000.00	0.00		10 000.00	10 560.00	11 130.24	11 731.27	11 731.27	11 731.27
O1303-3/IE00631/F0045/X097/R0394/001/D (KwaXolo Caves Building)	80 000.00	1 192.80		80 000.00	84 480.00	89 041.92	93 850.18	93 850.18	93 850.18
O1303-5/IE00008/F4349/X097/R0394/001/D (Legal Fees John Mason Park)	950 000.00	0.00	-400 000.00	550 000.00	400 000.00	0.00	0.00	0.00	0.00
O1303-9/IE00008/F4349/X097/R0394/001/D (Legal Costs Fish Farming)	120 000.00	80 065.53		120 000.00	126 720.00	0.00	0.00	0.00	0.00
O1305-1/IE00677/F4349/X098/R0394/001/D (Business Support Catering Services)	3 000 000.00	0.00	-3 000 000.00	0.00	0.00	0.00	0.00	0.00	0.00
O0007/IE00833/F4349/X049/R0394/001/F (Audit Committee Fees Business and Advisory)	15 000.00	1 600.00		15 000.00	15 840.00	16 695.36	17 596.91	17 596.91	17 596.91
O0029-2/IE00694/F4349/X049/R0394/001/F (Website Development)	121 275.00	38 086.83		121 275.00	128 066.40	134 981.99	142 271.01	142 271.01	142 271.01
O1283-1/IE00830/F4349/X049/R0394/001/F (Accounting and Audit Fees Professional Services)	60 000.00	18 616.08		60 000.00	63 360.00	66 781.44	70 387.64	70 387.64	70 387.64
O1487-1/IE00677/F4349/X049/R0394/001/F (Strategic Planning Catering Services)	126 000.00	41 439.57	-26 000.00	100 000.00	105 600.00	111 302.40	117 312.73	117 312.73	117 312.73
O1487-1/IE00694/F4349/X049/R0394/001/F (Strategic Planning Professional Fees)	15 000.00	0.00		15 000.00	15 840.00	16 695.36	17 596.91	17 596.91	17 596.91
O1304-3/IE00677/F4349/X098/R0394/001/M (Investment Conference Catering Services)	70 000.00	190.00		70 000.00	73 920.00	77 911.68	82 118.91	82 118.91	82 118.91
O1304-3/IE00702/F4349/X098/R0394/001/M (Investment Conference Translators, Scribes and Editors)	30 000.00	0.00		30 000.00	31 680.00	33 390.72	35 193.82	35 193.82	35 193.82
O0001/IE00677/F4349/X098/R0393/001/SP (Catering Services Special Projects)	5 000.00	0.00		5 000.00	5 280.00	5 565.12	5 865.64	5 865.64	5 865.64
O1217-1/IE00694/F4349/X097/R0394/001/SP (Assistance and Support Aquaculture Business Plan-DAFF)	2 000.00	0.00		2 000.00	2 112.00	2 226.05	2 346.25	2 346.25	2 346.25
Grant Received - Idwala Industrial Holdings	271 155.35	0.00	-100 000.00	171 155.35	180 740.05	190 500.01	200 787.01	200 787.01	200 787.01
	0.00	0.00	200 000.00	200 000.00					0.00

Total	5 789 580.35	187 291.29	-4 176 000.00	1 813 580.35	1 523 140.85	1 050 227.58	1 106 939.86
4400 - Depreciation and Amortisation [Expenditure]							
O0001/IE00709/F4349/X049/R0393/001/F (Depreciation: Computer Equipment)							
O0001/IE00711/F4349/X049/R0393/001/F (Depreciation: Furniture and Office Equipment)	32 500.00	12 670.44		32 500.00	34 320.00	36 173.28	38 126.64
Total	32 500.00	10 060.33		32 500.00	34 320.00	36 173.28	38 126.64
4600 - Inventory Consumed [Expenditure]							
O0001/IE00738/F0045/X049/R0393/001/F (Inventory Consumed: Other Materials)							
O1217-3/IE00738/F4349/X098/R0394/001/SP (Assistance and Support Agriculture Support)	14 884.00	0.00		14 884.00	15 717.50	16 566.25	17 460.83
O1250-1/IE00738/F4349/X098/R0394/001/SP (DC21 SO1 Feeding/Nutrit/Standard Rated/Finance and School Nutrition)	300 000.00	0.00	-150 000.00	150 000.00	158 400.00	166 953.60	175 969.09
Total	3 000 000.00	276 960.00		3 000 000.00	0.00	0.00	0.00
4700 - Operating Leases [Expenditure]							
O0001/IE00546/F0045/X049/R0393/001/F (Operating Lease: Other Assets)	3 314 884.00	276 960.00	-150 000.00	3 164 884.00	174 117.50	183 519.85	193 429.92
Total	600 000.00	241 960.38		600 000.00	633 600.00	667 814.40	703 876.38
4710 - Operational Cost [Expenditure]							
O0001/IE00059/F4349/X045/R0393/001/C (Registration Fees: Seminars, Conferences, Workshops and Events: National) - TRAINING							
O0001/IE00595/F4349/X045/R0393/001/C (Skills Development Levy: Chief Executive Officer)	50 000.00	0.00		50 000.00	52 800.00	55 651.20	58 656.36
O1291-1/IE00571/F4349/X045/R0394/001/C (Hire Charges: Events Chief Executive Officer)	17 318.00	6 404.06	1 212.26	18 530.26	19 567.95	20 624.62	21 738.35
O0001/IE00144/F4349/X013/R0394/001/D (Own Transport: Development)	20 000.00	0.00		20 000.00	21 120.00	22 260.48	23 462.55
O0001/IE00590/F4349/X013/R0394/001/D (Samples and Specimens)	150 000.00	0.00		150 000.00	158 400.00	166 953.60	175 969.09
O0017-1/IE00768/F0041/X097/R0394/001/D (Tender Documents: Scarborough)	200 000.00	0.00	-200 000.00	0.00	0.00	0.00	0.00
O1217-2/IE00578/F4349/X098/R0394/001/D (Municipal Services: Ugu Fresh Produce Market)	200 000.00	0.00	-200 000.00	0.00	0.00	0.00	0.00
O1232-3/IE00060/F4349/X098/R0394/001/D (SNT: Accommodation Development)	50 000.00	0.00	-50 000.00	0.00	0.00	0.00	0.00
O1232-3/IE00143/F4349/X098/R0394/001/D (SNT: Car Rental Development)	85 762.00	63 711.51		85 762.00	90 564.67	95 455.16	100 609.74
O1232-3/IE01581/F4349/X098/R0394/001/D (SNT: Air Transport Development)	18 000.00	31 634.44	57 000.00	75 000.00	79 200.00	83 476.80	87 984.55
Total	23 000.00	18 769.16	22 000.00	45 000.00	47 520.00	50 086.08	52 790.73

O1238-1/IE00584/F4349/X097/R0394/001/D (Professional Bodies, Membership and Subscription)	2 500.00	0.00			2 500.00	2 640.00	2 782.56	2 932.82
O1238-1/IE00753/F4349/X097/R0394/001/D (Customer/Client Information)	100 000.00	25 814.24			100 000.00	105 600.00	111 302.40	117 312.73
O1238-1/IE00772/F4349/X097/R0394/001/D (Radio and TV Transmissions)	20 000.00	0.00			20 000.00	21 120.00	22 260.48	23 462.55
O1238-1/IE00778/F4349/X097/R0394/001/D (Telephone, Fax, Telegraph and Telex)	2 205.00	0.00			2 205.00	2 328.48	2 454.22	2 586.75
O1238-1/IE00792/F4349/X097/R0394/001/D (Software Licences)	157 500.00	28 949.53			157 500.00	166 320.00	175 301.28	184 767.55
O1303-13/IE00754/F4349/X097/R0394/001/D (Gifts and Promotional Items Development)	52 500.00	3 986.95			52 500.00	55 440.00	58 433.76	61 589.18
O1303-6/IE00751/F4349/X097/R0394/001/D (Legal Fees: Corporate and Municipal Activities)	130 000.00	470.87			130 000.00	137 280.00	144 693.12	152 506.55
O1305-1/IE00571/F4349/X098/R0394/001/D (Business Support Hire Charges: Development)	255 000.00	0.00	-255 000.00		0.00	0.00	0.00	0.00
O0001/IE00567/F4349/X049/R0394/001/F (External Audit Fees)	15 000.00	0.00			15 000.00	15 840.00	16 695.36	17 596.91
O0001/IE00579/F0041/X049/R0393/001/F (Municipal Services)	500 000.04	36 826.56			500 000.04	528 000.04	556 512.04	586 563.69
O0001/IE00583/F4349/X049/R0394/001/F (Printing and Publications)	86 400.00	25 300.07			86 400.00	91 238.40	96 165.27	101 358.20
O0001/IE00595/F4349/X049/R0393/001/F (Skills Development Levy: Finance)	141 000.00	82 415.47			141 000.00	148 896.00	156 936.38	165 410.95
O0001/IE00753/F4349/X049/R0393/001/F (Customer/Client Information)	14 011.00	6404.06	980.77		14 991.77	15 831.31	16 686.20	17 587.25
O0001/IE00759/F4349/X049/R0393/001/F (Bank Charges)	190 000.00	64 722.04			190 000.00	200 640.00	211 474.56	222 894.19
O0001/IE00805/F4349/X049/R0394/001/F (Premiums)	40 000.00	8 714.86	-15 000.00		25 000.00	26 400.00	27 825.60	29 338.18
O1225-1/IE00579/F4349/X049/R0393/001/F (Capacity Building, Unemployed)	31 500.00	14 726.56			31 500.00	33 264.00	35 060.26	36 953.51
O1487-1/IE00571/F4349/X049/R0394/001/F (DC21_2017/2018_Plan Development_Strategic Planning, Hire Charge)	37 800.00	1 831.20			37 800.00	39 916.80	42 072.31	44 344.21
O0001/IE00559/F4349/X065/R0394/001/M (Counter and Delivery Service)	15 000.00	0.00			15 000.00	15 840.00	16 695.36	17 596.91
O0001/IE00595/F4349/X065/R0393/001/M (Skills Development Levy: Marketing)	2 646.00	2 626.08			2 646.00	2 794.18	2 945.06	3 104.09
O1304-3/IE00571/F4349/X098/R0394/001/M (Investment Conference: Hire Charges)	5 320.00	6404.06	372.40		5 692.40	6 011.17	6 335.78	6 677.91
O1304-3/IE00753/F4349/X098/R0394/001/M (Investment Conference: Client/Customer Information)	15 000.00	0.00			15 000.00	15 840.00	16 695.36	17 596.91
O1304-3/IE00764/F4349/X098/R0394/001/M (Investment Conference: Gifts and Promotional Items)	50 000.00	0.00			50 000.00	52 800.00	55 651.20	58 656.36
	50 000.00	165.00			50 000.00	52 800.00	55 651.20	58 656.36

O0001/IE000595/F4349/X098/R0393/001/SP (Skills Development Levy: Special Projects)	46 882.00	6404.06	3 281.74	50 163.74	52 372.91	55 833.45	58 848.45
O0001/IE00772/F4349/X099/R0393/001/SP (Radio and TV Transmissions)	80 000.00	76 700.00		80 000.00	84 480.00	89 041.92	93 850.18
Total	2 854 344.04	512 980.78	-635 152.83	2 219 191.21	2 343 485.92	2 470 013.08	2 603 393.78
4900 - Employee Related Cost [Expenditure]							
O0001/IE00036/F4349/X045/R0393/001/C (Basic Salaries and Wages: Chief Executive Officer)	455 456.00	107 918.31	31 881.92	487 337.92	521 938.91	556 647.85	593 664.93
O0001/IE00038/F4349/X045/R0393/001/C (Bonuses: Chief Executive Officer)	37 955.00	0.00	2 656.86	40 611.85	43 495.29	46 387.73	49 472.51
O0001/IE00044/F4349/X045/R0393/001/C (Pension: Chief Executive Officer)	34 159.00	5 223.28	2 391.13	36 550.13	39 145.19	41 748.34	44 524.61
O0001/IE00045/F4349/X045/R0393/001/C (Unemployment Insurance Fund: Chief Executive Officer)							
O0001/IE00128/F4349/X045/R0393/001/C (Basic Salaries and Wages: Chief Executive Officer)	4 975.00	1 107.01	348.25	5 323.25	5 701.20	6 080.33	6 484.67
O0001/IE00140/F4349/X045/R0393/001/C (Unemployment Insurance Fund: Chief Executive Officer)	1 168 078.00	475 159.20	81 765.46	1 249 843.46	1 338 582.35	1 427 598.07	1 522 533.34
FEES	2 880.00	0.00	201.60	3 081.60	3 300.39	3 519.87	3 753.94
O0001/IE00725/F4349/X045/R0393/001/C (Basic Salaries and Wages: Chief Executive Officer) - BOARD							
O0001/IE00036/F4349/X049/R0393/001/F (Basic Salaries and Wages: Finance)	898 462.00	0.00	0.00	898 462.00	962 252.80	1 026 242.61	1 094 487.75
O0001/IE00038/F4349/X049/R0393/001/F (Bonuses - Finance)	506 076.00	544 851.32	35 425.32	541 501.32	579 947.91	618 514.45	659 645.66
O0001/IE00044/F4349/X049/R0393/001/F (Pension: Finance)	42 146.00	0.00	2 950.22	45 096.22	48 298.05	51 509.87	54 935.28
O0001/IE00045/F4349/X049/R0393/001/F (Unemployment Insurance Fund: Finance)	37 232.00	26 600.08	2 606.24	39 838.24	42 666.76	45 504.09	48 530.12
O0001/IE00059/F4349/X049/R0393/001/F (Basic Salaries and Wages: Finance)	4 701.00	2 352.39	329.07	5 030.07	5 387.20	5 745.45	6 127.53
O0001/IE00069/F4349/X049/R0393/001/F (Pension: Finance)	810 020.00	367 784.18	56 701.40	866 721.40	928 258.62	989 987.82	1 055 822.01
O0001/IE00071/F4349/X049/R0393/001/F (Unemployment Insurance Fund: Finance)	67 129.00	0.00	4 699.03	71 828.03	76 927.82	82 043.52	87 499.41
O0001/IE00078/F4349/X065/R0393/001/M (Basic Salaries and Wages: Marketing)	8 951.00	0.00	626.57	9 577.57	10 257.58	10 939.71	11 667.20
O0001/IE00223/F4349/X065/R0393/001/M (Pension: Marketing)	531 952.00	226 437.57	37 236.64	569 188.64	609 601.03	650 139.50	693 373.78
O0001/IE00253/F4349/X065/R0393/001/M (Unemployment Insurance Fund: Marketing)	39 896.00	16 266.70	2 792.72	42 688.72	45 719.62	48 759.97	52 002.51
O0001/IE00036/F4349/X098/R0393/001/SP (Basic Salaries and Wages: Special Projects)	2 860.00	743.60	201.60	3 081.60	3 300.39	3 519.87	3 753.94
Total	171 596.00	102 798.08	12 011.72	183 607.72	196 643.87	209 720.69	223 667.11

Annexure B

DRAFT AUDIT CORRECTIVE ACTION FOR THE 2017/18 FINANCIAL PERIOD

ANNEXURE A: MATTERS AFFECTING THE AUDIT REPORT

1	Grant income was received and recognised in excess of the amount per the signed SLA	Ensure that revenue is recognised as per the signed agreement	Finance Manager	Financial Administrator	01-Jul-18	Monthly	Yes and In Progress	Review the invoices raised to ensure compliance with the signed agreements	SLA's and Invoices raised	Y
2	Not all receivable balances could be supported with verifiable supporting evidence and documentation.	Review all transactions/balances in the general ledger to ensure that they are supported by evidence	Finance Manager	Financial Administrator	01-Jul-18	Monthly	Yes and In Progress	Ensure accurate filling of all documents that support balances disclosed	Supporting Documents	Y
3	Reason for deviation from the SCM Process not justifiable	Ensure that SCM processes are applied as provided for in the legislation, policies and regulations	Finance Manager	SCM Officer	01-Jul-18	Monthly	No	The identified instance of irregular expenditure must be investigated and the decision must be taken by the Board	Board Resolution and current year's scm transactions	N

4	Failure to prevent fruitless and wasteful expenditure	Ensure that the recurrence of fruitless and wasteful expenditure is prevented	Finance Manager	SCM Officer	01-Jul-18	Monthly	Yes and In Progress	It is important that the instances of fruitless and wasteful expenditure are prevented from recurring as the board has dealt with the instances for prior periods	Report to the Board - Minutes of the Board meeting	Y
ANNEXURE B: OTHER IMPORTANT MATTERS										
5	No information provided to confirm that the final budget was approved by the board of directors	Management must ensure compliance with the legislations and that the compliance is accurately documented	CEO	Finance Manager	01-Jul-18	Quarterly	Yes	Management must ensure accurate documentation of resolutions taken by the board	Board Resolution approving the 2018/19 Budget	Y
6	Monthly management accounts not submitted to	Management must ensure that monthly management accounts are	CEO	Finance Manager	01-Jul-18	Monthly	Yes and In Progress	Ensure that the reports are submitted and	Proof of monthly submissions to the parent	Y

	the parent municipality	submitted to the parent municipality						evidence to that effect is maintained		
7	Adjustment budget not made public on the municipal entity's website	Ensure that all legislated documents are uploaded to the website	CEO	Manager: IPM	01-Jul-18	On-going	Yes	All information required for the website must be uploaded	Updated website	Y
8	Section 36 deviations schedule is misstated in the financials	Ensure that supporting information is accurate and supports the balances disclosed in the AFS	Finance Manager	SCM Officer	01-Oct-18	Quarterly	Yes	Review processes must be such that errors are identified and corrected on time	Schedule and AFS	Y
9	Reliability of information reported in annual performance report	Management must ensure that the disclosed information is reliable and accurate in the Annual Performance report	Finance Manager	All Managers	01-Oct-18	Quarterly	Yes	This must be monitored on a quarterly basis	APP reports	Y



**EXTRACT OF DRAFT MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS
OF THE UGU SOUTH COAST DEVELOPMENT AGENCY**

HELD AT

**USCDA BOARDROOM
4 BEREA ROAD, PORT SHEPSTONE**

ON TUESDAY 15 JANUARY 2019

AT 09h00

PRESENT	:	Dr S. Nzimande	Chairperson
	:	Mr. L. Shezi	Board Member
	:	Ms. J. Crutchfield	Board Member
	:	Mr. S. Diomo	Board Member
	:	Dr. E. Zungu	Board Member
	:	Mrs. Z. Mthuli	Board Member
	:	Mr. V. Naidoo	Board Member
IN ATTENDANCE	:	Mr. M. Mabece	CEO
	:	Mr. B. Fikeni	Finance Manager
	:	Ms. A. Naidoo	USCDA Secretariat
APOLOGIES	:	Cllr. M. Chiliza	Ugu Observer - Ugu Mayor
ABSENT	:	Inkosi Machi	Board Member

10.3 Mid-Year Review and Budget Adjustment 2018/2019

Resolution 10.3

THAT the Board received, noted and approved the Mid-Year Review and Budget Adjustment for 2018/2019 as tabled by Management, which is to be submitted to the Parent.

10.4. Draft Budget 2019/2020

Resolution 10.4

THAT the Board received, noted and approved the Draft Budget for 2019/2020 as tabled by Management, which is to be submitted to the Parent.

----- CERTIFIED AS TRUE EXTRACT OF MINUTES -----

UGU DISTRICT MUNICIPALITY

"The Municipality"



BUDGET 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.

“Accounting Officer” means the Municipal Manager of Ugu Municipality;

“Allocation” means –

- i) a municipality's share of the local government's equitable share referred to in Section 214(l) (a) of the Constitution;
- ii) an allocation of money to a municipality in terms of Section 214(1) (c) of the Constitution;
- iii) an allocation of money to a municipality in terms of a provincial budget; or
- iv) any other allocation of money to a municipality by an organ of state, including by another municipality, otherwise than in compliance with a commercial or other business transaction.

“Annual Division of Revenue Act” means the Act of Parliament, which must be enacted annually in terms of Section 214(1) of the Constitution;

“Approved budget” means an annual budget -

- a) approved by a municipal Council, or
- b) includes such an annual budget as revised by an adjustments budget in terms of section 28 of the MFMA.

“Budget-related policy” means a policy of a municipality affecting or affected by the annual budget of the Municipality, including -

- a) the tariffs policy, which the Municipality must adopt in terms of Section 74 of the Municipal Systems Act;
- b) the rates policy which the Municipality must adopt in terms of Section 3 of the Municipal Property Rates Act;
- c) the credit control and debt collection policy, which the Municipality must adopt in terms of Section 96 of the Municipal Systems Act;

“Budget year” means the financial year of the Municipality for which an annual budget is to be approved in terms of Section 16(1) of the MFMA;

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

“Council” means the Council of Ugu Municipality;

“Current year” means the financial year, which has already commenced, but not yet ended;

“Delegation” in relation to a duty, includes an instruction or request to perform or to assist in performing the duty;

“Financial Statements” means statements consisting of at least –

- a) a statement of financial position;
- b) a statement of financial performance;
- c) a cash-flow statement;
- d) any other statements that may be prescribed; and
- e) any notes to these statements;

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

“Fruitless and wasteful expenditure” means expenditure that was made in vain and would have been avoided had reasonable care been exercised;

“Irregular expenditure”, means –

- a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the MFMA Act, and which has not been condoned in terms of Section 170 of the MFMA;
- b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act 20 of 1998); or

- d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure";

"Investment" in relation to funds of a municipality, means -

- a) the placing on deposit of funds of a municipality with a financial institution; or
- b) the acquisition of assets with funds of a municipality not immediately required, with the primary aim of preserving those funds;

"long-term debt" means debt repayable over a period exceeding one year;

"Mayor" means the Mayor of Ugu Municipality;

"Municipality" refers to Ugu District Municipality

"National Treasury" means the National Treasury established by Section 5 of the Public Finance Management Act;

"Official" means -

- a) an employee of a municipality or municipal entity;
- b) a person seconded to a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity; or
- c) a person contracted by a municipality or municipal entity to work as a member of the staff of the municipality or municipal entity otherwise than as an employee;

"Overspending" means -

- a) causing the operational or capital expenditure incurred by the Municipality during a financial year to exceed the total amount appropriated in that year's budget for its operational or capital expenditure, as the case may be;
- b) in relation to a vote, means causing expenditure under the vote to exceed the amount appropriated for that vote; or

- c) in relation to expenditure under Section 26 of the MFMA, means causing expenditure under that section to exceed the limits allowed in subsection (5) of this section;

"Quarter" means any of the following periods in a financial year:

- a) 1 July to 30 September;
- b) 1 October to 31 December;
- c) 1 January to 31 March; or
- d) 1 April to 30 June.

"Service Delivery and Budget Implementation Plan" means a detailed plan approved by the Mayor of a municipality in terms of Section 53 (l) (c) (ii) of the MFMA for implementing the Municipality's delivery of municipal services and its annual budget, and which must indicate:

- a) projections for each month of:
 - i) revenue to be collected, by source and vote; and
 - ii) operational and capital expenditure, by vote;
- b) service delivery targets and performance indicators for each quarter; and
- c) any other matters that may be prescribed, and includes any revisions of such plan by the Mayor in terms of Section 54(l)(c) of the MFMA;

"Unauthorised expenditure" means any expenditure incurred by a municipality otherwise than in accordance with section 15 or 11(3) of the MFMA, and includes –

- a) overspending of the total amount appropriated in the Municipality's approved budget;
- b) overspending of the total amount appropriated for a vote in the approved budget;
- c) expenditure from a vote unrelated to the department or functional area covered by the vote;
- d) expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- e) spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- f) a grant by the Municipality otherwise than in accordance with the MFMA;

"Virement" means transfer of funds between functions / votes

"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. PRINCIPLES

- 2.1 Section 215 (1) of the Constitution of the Republic of South Africa states that National, provincial and municipal budgets and budgetary processes must promote transparency, accountability and the effective financial management of the economy, debt and the public sector. It also states in S215 (3), that Budgets in each sphere of government must contain;
- a. Estimates of revenue and expenditure, differentiating between capital and current expenditure;
 - b. Proposals for financing any anticipated deficit for the period to which they apply; and
 - c. An indication of intentions regarding borrowing and other forms of public liability that will increase public debt during the ensuing year.
- 2.2 Section 26(h) of the Municipal Systems Act (Act 32 of 2000) requires a municipality's Integrated Development Plan to reflect a financial plan, which must include a budget projection for at least the next three years (Medium Term Expenditure Framework);
- 2.3 Section 21 of the Municipal Finance Management Act (Act 56 of 2003) prescribes the function of the Mayor who must coordinate the processes for preparing the annual budget and for the reviewing of the municipality's Integrated Development Plan and budget related policies and to ensure that any revisions are mutually consistent and credible;
- 2.4 Section 16 of the Municipal Finance Management Act, requires the municipal council to approve an annual budget for the municipality before the start of the financial year;
- 2.5 The Minister with the concurrence of the Minister for Provincial and Local Government, has in terms of S168 of the Municipal Finance Management Act issued the Municipal Budget and Reporting Regulations which aim to secure sound and sustainable management of the budgeting and the reporting practices of the municipalities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes; Now therefore, the Council of Ugu District Municipality adopts the Budget Policy as set out in this document.

3. OBJECTIVES OF THE POLICY

To set a broad framework within which Budget related decisions of the Municipality will be taken and implemented to ensure efficient and transparent financial planning that will promote sound and sustainable financial management, essential for the achievement of the Municipality's developmental priorities as contained in its Integrated Development Plan.

4. SCOPE AND INTENDED AUDIENCE

- 4.1 This Policy will serve as a guideline for the effective management of the Municipal budgetary processes, in order to attain the strategic objectives of the Municipality within the ambits of the applicable legislation, and shall apply to all departments within the Municipality.
- 4.2 Council has considered the guidelines distributed by National Treasury to local government which detail the processes and formats to be followed when preparing the budget policy.
- 4.3 The Municipality shall comply with the provisions of this Policy in the compilation of each of its budgets.

5. REGULATORY FRAMEWORK

In the process of preparing the Municipal budget, The Mayor, political office bearers (Councillors), Accounting Officer, Chief Financial Officer and other officials shall comply with all relevant legal requirements, including:-

- a) The provisions of Chapter 4 of the Municipal Finance Management Act, 2003, ('the MFMA'), as well as Sections 42, 43, 53, 54, 55, 68, 69, 70, 71, 72, 75, 80, 81, and 83 thereof; and
- 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.

6. ROLES AND RESPONSIBILITIES

6.1 Role of Council

- a) Must provide political leadership and direction

- b) Play an oversight role by approving budget related policies, and ensuring that the priorities are reflected in the budget. (Council may not delegate approval of budgets and policies)
- c) Approve the Integrated Development Plan, the Annual Budgets and the Service Delivery Budget Implementation Plan.
- d) Monitor the outcomes of the implementation of the policies and budgets.

6.2 **Role of the Mayor**

- a) Provide general political guidance over the budget process and the priorities that must guide the preparation of the budget. (S53, MFMA)
- b) Prepare and table a schedule of key deadlines for the preparation, tabling and approval of the budget, annual review of the IDP and the consultative process. (S21, MFMA)
- c) Take all reasonable steps to ensure that the Municipality approves its annual budget before the start of the financial year and report to the Municipal Council and the MEC for finance in the province any delays in the tabling of the annual budget. (S53, MFMA)
- d) Must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in S53, MFMA

6.3 **Role of the Accounting Officer**

- a) Assist the Mayor in performing budgetary functions assigned to him/her in terms of Chapter 4 & 7 of the MFMA and to provide administrative support, resources and information necessary for the performance of those functions. (S68, MFMA)
- b) Is responsible for the implementation of the approved budget and must take all reasonable steps to ensure that the spending of funds is in accordance with the budget and is reduced as necessary when the revenue is anticipated to be less than the projected in the budget.
- c) Ensure that revenue and expenditure are properly monitored.
- d) Must prepare an adjustments budget and submit it to the Mayor for consideration and tabling in the Municipal Council when necessary.
- e) Report to the Municipal Council any shortfalls in budget revenue, overspending and necessary steps taken to prevent shortfalls and overspending.
- f) Submit to the Mayor actual revenue, borrowings, expenditure and where necessary report variances on projected revenue and the budget.

6.4 **Role of the Chief Financial Officer (CFO)**

- a) Without derogating in any way from the legal responsibilities of the Accounting Officer as Accounting Officer, the Chief Financial Officer shall be responsible for preparing the draft annual capital and operating budgets (including the budget components required for the ensuing financial years), any required adjustments budgets, the projections of revenues and expenses for the service delivery and budget implementation plan (including the alignment of such projections with the cash management programme prepared in terms of the banking, cash management and investments policy), and shall be accountable to the Accounting Officer in regard to the performance of these functions.
- b) Must advise the Accounting Officer on the exercise of powers and duties assigned to him in terms of the MFMA.
- c) Must assist the Accounting Officer in the preparation and implementation of the Municipality's budget.
- d) The Chief Financial Officer shall draft the budget timetable for the ensuing financial year for the Council's approval, and shall indicate in such timetable the target dates for the draft revision of the annual budget and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the Municipal Finance Management Act, and target dates for the submission of all the budget-related documentation to the Management Committee, Finance Portfolio, Executive Committee and Council.
- e) Except where the Chief Financial Officer, with the consent of the Mayor and Accounting Officer, decides otherwise, the sequence in which each annual budget and adjustments budget shall be prepared, shall be: first, the capital component, and second, the operating component. The operating component shall duly reflect the impact of the capital component on:
 - i) depreciation charges;
 - ii) repairs and maintenance expenses;
 - iii) interest payable on external borrowings; and
 - iv) other operating expenses.
- f) In preparing the operating budget, the Chief Financial Officer shall determine the number and type of votes to be used and the line-items to be shown under each

vote, provided that in so doing the Chief Financial Officer shall properly and adequately reflect the organisational structure of the Municipality, and further in so doing shall comply – in so far as the organisational structure permits – also with the prescribed budget format of National Treasury

- g) Must perform all budgeting and other duties as delegated by the Accounting Officer in terms of S79, MFMA.
- h) The Chief Financial Officer shall determine the depreciation expenses to be charged to each vote, the apportionment of interest payable to the appropriate votes, the estimates of withdrawals from (claims) and contributions to (premiums) the self-insurance reserve, and the contributions to the provisions for debt impairment, accrued leave entitlements and obsolescence of stocks
- i) The Chief Financial Officer shall further, with the approval of the Mayor and the Accounting Officer, determine the recommended contribution to the asset financing reserve and any special contributions to the self-insurance reserve.
- j) The Chief Financial Officer shall also, again with the approval of the Mayor and the Accounting Officer, and having regard to the Municipality's current financial performance, determines the recommended aggregate growth factor(s) according to which the budgets for the various votes shall be drafted.
- k) The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall timeously and adequately furnish the Chief Financial Officer with all explanations required for deviations from the budget. The Chief Financial Officer shall submit these monthly reports to the Mayor, Finance Portfolio and Executive Committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.
- l) The Chief Financial Officer shall provide technical and administrative support to the Mayor in the preparation and approval of the annual and adjustment budgets, as well as in the consultative processes, which must precede the approval of such budget.
- m) The Chief Financial Officer shall ensure that the annual and adjustments budgets comply with the requirements of the National Treasury, reflect the budget priorities

determined by the Mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the Mayor on the revision of the IDP and the budget-related policies where these are indicated.

- n) The Chief Financial Officer shall make recommendations on the financing of the draft capital budget for the ensuing and future financial years, indicating the impact of viable alternative financing scenarios on future expenses, and specifically commenting on the relative financial merits of internal and external financing options.
- o) The Chief Financial Officer shall determine the basis for allocating overhead expenses not directly chargeable to votes. The expenses associated with the democratic process shall be allocated to a separate vote, and shall not be charged out as an overhead.
- p) The Chief Financial Officer shall ensure that the cost of indigent relief is separately reflected in the appropriate votes.
- q) The Chief Financial Officer shall ensure that the allocations from other organs of state are properly reflected in the annual and adjustments budget, and that the estimated expenses against such allocations (other than the equitable share) are appropriately recorded.

6.5 Role of Senior Managers & Other Officials

- a) Each Senior Manager and each Municipal official exercising financial management responsibilities must take all reasonable steps within his/her area of responsibility to ensure that the financial resources of the Municipality are utilised effectively, efficiently, economically and transparently.
- b) Must prevent unauthorised, irregular and fruitless or wasteful expenditure and other losses within his/her Department.
- c) Must ensure that all revenue due to the Municipality is collected.
- d) Must ensure that all information required by the Accounting Officer for compliance with the provisions of the Acts is timeously submitted.

6.6 Role of the Budgeting Steering Committee

6.6.1 The Municipal Budget and Reporting regulations (Government Gazette 32141) chapter 2 requires the Mayor to establish a Budget steering comprising of the following members:-

- a) The Mayor – Chairperson
- b) The Speaker
- c) The Whips of Political Parties
- d) The Accounting Officer (Municipal Manager)
- e) The Chief Financial Officer
- f) The IDP Manager
- g) The Manager Budget Office and,
- h) Members of Senior Management (Top Management)

6.6.2 The role of the Committee shall be:-

- a) To assist the Mayor in carrying out his/her statutory roles and responsibilities in accordance with S52 and S53 of the MFMA.
- b) To provide technical assistance to the Municipal political office bearers during policy formulation and to assist priority determination.
- c) To interrogate and make recommendations on the adoption of the Annual Budget, the Service Delivery and Budget Implementation Plan (SDBIP), S71 monthly budget statements and S72 Midyear budget and performance report and the Adjustments Budget.
- d) To evaluate the progress report of the Accounting Officer with regard to the financial year end closure and compilation of the Municipal audit file.
- e) To evaluate progress report on the statutory audit by the office of the Auditor General.
- f) To exercise oversight in the compilation of the Annual Report.
- g) To evaluate action plans from the Accounting Officer on corrective measures to be taken on issues raised by the Auditor General.
- h) To evaluate and recommend payment of Annual Performance Bonuses to the Accounting Officer and Senior Management after the annual report has been adopted by Council on 31 January each year.

6.6.3 Council may adopt its existing Finance Portfolio Committee as its Budget and Steering Committee.

6.7 Role of the Budget and Treasury Office

- a) To assist the Accounting Officer in tabulating key time frames for the Budget Process.
- b) To provide guidance to the Accounting Officer and Senior Managers during the budget preparation process in accordance with National Treasury MFMA Reforms.
- c) To consolidate departmental Capital and Operating budgets.
- d) To consolidate departmental S71 monthly budget statements, quarterly returns and the Midyear monitoring report and submit to the Finance Portfolio Committee.
- e) To report any unauthorised, irregular, fruitless and wasteful expenditure or any deviations from the approved budget to the Finance Portfolio Committee.
- f) To assist the Accounting Officer in implementing recommendations of the Finance Portfolio Committee.
- g) To manage the administrative operations of the Budget and Treasury Office to ensure full compliance with the MFMA and any issued guidelines or Circulars from National Treasury.

6.8 Delegation of roles and responsibilities

6.8.1 All delegations by the Mayor to the Accounting Officer, Mayor to the members of the Finance portfolio Committee, the Accounting Officer to the Chief Financial Officer and other Senior Managers, of their roles, duties and responsibilities as per the MFMA:-

- a) Must be in writing,
- b) Are subject to the limitations as may be imposed by the Act,
- c) Does not absolve the Mayor, the Accounting Officer or the Senior Officials of the responsibilities concerning the exercise of the delegated power or the performance of the fiduciary duties, and
- d) Should not be indefinite and must be reviewed annually.

7 ANNUAL SCHEDULE OF KEY DEADLINES

- 7.1 The deadline dates for all budget preparation processes shall be as per the approved Process Plan as tabled by the Mayor to Council in August.
- 7.2 Such Process Plan shall indicate the target dates for the draft revision of the Integrated Development Plan and the preparation of the annual budget for the ensuing financial year, which target dates shall follow the prescriptions of the MFMA, for the submission

of all the budget-related documentation to the Mayor, Finance Committee, Executive Committee and Council.

- 7.3 Such time schedule shall provide for the deadlines set out in Appendix A, unless the Mayor, after consultation with the Chief Financial Officer, determines otherwise and provided that the requirements of the MFMA shall at all times be adhered to.
- 7.4 The Chief Financial Officer shall be responsible for ensuring that the time schedule is adhered to.

8 BUDGET PRINCIPLES

The sequence in which the Annual Budget shall be prepared shall be, first, the capital component and second, the operating component, except where the Chief Financial Officer with the consent of the Mayor decides otherwise. The Municipality's annual budget should:-

- a) Move towards the achievement of goals and objectives of the Municipality within the constraints of the available resources.
- b) Consider the Priorities as identified in the State of the Nation Address, State of the Province Address and the State of the District Address.
- c) Reflect the priorities contained in the Municipality's Integrated Development Plan.
- d) Be credible and fully funded from realistically anticipated revenues.
- e) Consider any resolutions taken by Council or the Executive Committee in the previous Budget Year which have financial implications on the current Medium Term Revenue Expenditure Framework.
- f) The basis of measurement and accounting policies underpinning the Municipality's annual financial statements must be the same as those used in the preparation of the Municipality's annual budget and supporting documentation.
- g) Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each vote in the approved budget.

9 FUNDING OF EXPENDITURE

An Annual budget must be funded only from:

- a) Realistically anticipated revenues to be collected.
- b) Cash-backed accumulated surpluses from previous years not committed for other purposes;

- c) Borrowed funds, but only for revenue-generating capital projects; and
- d) Grants and subsidies as per DORA.

10 THE CAPITAL BUDGET

- 10.1 The Budget shall be prepared in the prescribed budget format of National Treasury.
- 10.2 The annual capital budget shall be prepared from a zero base, except in so far as capital projects represent a contractual commitment to the Municipality extending over more than one financial year.
- 10.3 The annual capital budget shall only be approved by Council if it is properly balanced (i.e. if the sources of finance have been secured to fund the budget and are equal to the proposed capital expenditure).
- 10.4 Before approving the capital budget, the Council shall consider the impact on the present and future operating budgets in relation to Finance Charges on external loans, Depreciation on fixed assets, Maintenance costs of fixed assets, and any other ordinary operational expenses associated with any item in that capital budget.
- 10.5 The Council shall also consider any impact of operating expenses – net of any revenues to be generated from the project – i.e. on future service tariffs.
- 10.6 Expenditure of a project shall be included in the Capital Budget if it meets the asset definition in terms of Council's approved Asset Management Policy

11 OPERATING REVENUE

- 11.1 The Operating revenue must include:
 - a) Estimates for all municipal revenue sources and;
 - b) All gazetted grants and subsidies, donations and subsidies in kind or emergency relief funding.
- 11.2 The allocation of interest on investments shall be budgeted for in terms of the cash, banking and investment policy.
- 11.3 In preparing the revenue budget, the Municipality shall strive to maintain the aggregate revenues from service charges at not less than 90% of the aggregate revenues net of operating grants.
- 11.4 The proposed increases in tariffs should be affordable, i.e. in line with CPIX, and should take into account the need to address infrastructure backlogs.
- 11.5 Tariff increases must respond to the population growth rate and the Division of Revenue Act.

- 11.6 The water and sanitation charges shall be calculated and levied as per the reviewed Water and Sanitation Tariffs Policy for that MTREF.
- 11.7 All tariffs shall be published in a local newspaper, and placed on the Municipal website and at the entrance of Ugu offices at least 30 days before the start of the financial year.
- 11.8 All tariffs must be gazetted in the Government Gazette before the 1st July each year.

12 OPERATING EXPENDITURE

- 12.1 The Municipality shall budget in each annual and adjustments budget for the contribution to:
- a) provision for accrued leave entitlements.
 - b) entitlement of officials as at 30 June of each financial year;
 - c) provision for impairment of debtors in accordance with its Rates and Tariffs Policies;
 - d) provision for the obsolescence and deterioration of stock in accordance with its Supply Chain Management Policy;
 - e) depreciation and finance charges shall be charged to or apportioned only between the departments or votes to which the projects relate;
- 12.2 The operating budget shall duly reflect the impact of the capital component on:
- a) Depreciation and impairment charges;
 - b) Repairs and maintenance expenses;
 - c) Interest payable on external loans, and
 - d) Any other operating expenses associated with fixed assets.
 - e) The operating budget must be in the prescribed National Treasury Format.

12.3 SALARIES AND ALLOWANCES

The budget for salaries and allowances shall be separately prepared and shall not exceed the parameter (percentage) of the aggregate operating budget component of the annual or adjustments budget, the parameters as may be contained in the budget circular issued by National Treasury from time to time. If the salary budget, exceed the parameter (percentage) of the aggregate operating budget as issued by National Treasury Council will be advised and provided with reasons and remedial action. The remuneration of Councillors and other political office bearers shall be excluded from this limit.

12.4 PROVISION FOR MAINTENANCE

The Municipality shall adequately provide in each annual and adjustments budget, for the maintenance of its fixed assets in accordance with its Fixed Asset Management and Accounting Policy as well as the routine maintenance plans. A minimum of 8% of the carrying amount of the fixed assets shall be provided for the expenditure on Repairs and Maintenance in the annual budget of the Municipality in accordance with the National Treasury norms.

12.5 FINANCE CHARGES, DEPRECIATION AND IMPAIRMENT

12.5.1 The Finance Charges payable by the Municipality shall be apportioned between departments or votes on the basis of the proportion at the last balance sheet date of the outstanding loan balances belonging to such department or vote to the aggregate outstanding loan balances. However, should Council decide to raise loans only for financing of fixed assets in a specified service or vote, finance charges shall be charged to or apportioned only between the departments or votes relating to such service.

12.5.2 The depreciation expenses shall be apportioned to each department based on the cost of assets allocated to that department. The depreciation method used shall be in terms of the Fixed Assets Management and Accounting Policies.

13 CONSULTATION ON TABLED DRAFT BUDGETS

The Municipality shall, after the annual draft budget is tabled in Council, consider the views of the local community, the National and Provincial Treasuries, organs of state and local municipalities, as required by Section 23 of the MFMA, and shall comply with all other requirements of that section. For the purpose of consultation, the draft budget will be made available to the community, through the community libraries, the municipal offices and the municipal website soon after tabling in Council.

14 APPROVAL OF THE ANNUAL BUDGET

The Council shall approve the budget before the start of the financial year, in accordance the provisions of Section 24 of the MFMA, failing which, the Municipality shall be subject to the provisions of Section 25 of the MFMA.

15 PUBLICATION OF THE BUDGETS

In accordance with Section 22 of the MFMA, the Municipal Manager shall ensure that immediately after the annual budget is tabled in the Council:

- a) The budget is made public in accordance with the provisions of Section 17 (3) of the Local Government Municipal Systems Act.
- b) The budget is submitted to the National Treasury and Provincial Treasury in printed and electronic formats;
- c) The budget is submitted to any prescribed organs of state and to other municipalities affected by it.

16 MONTHLY BUDGET REPORTS

The Chief Financial Officer shall compile monthly budget reports, with recommendations, comparing actual results with budgeted projections, and the heads of departments shall furnish the Chief Financial Officer with all explanations required for deviations from the budget.

The Chief Financial Officer shall submit these monthly reports to the Mayor, Finance Committee and Executive Committee, and all other prescribed parties, in accordance with the prescriptions of the Municipal Finance Management Act.

17 RELATED POLICIES

This Policy must be read in conjunction with the following budget-related policies of the Municipality:-

- 17.1.1 Indigent Support Policy
- 17.1.2 Asset Management Policy
- 17.1.3 Water Services Policy (Incorporating the Tariff Policy)
- 17.1.4 Cash, Banking and Investments Policy
- 17.1.5 Supply Chain Management Policy
- 17.1.6 Credit Control and Debt Collection Policy
- 17.1.7 Funding and Reserves Policy
- 17.1.8 Virement Policy
- 17.1.9 Basic Services Policy

18 REVIEW OF THE POLICY

This Policy will be reviewed annually by the Budget Steering Committee prior to the commencement of the budget process to ensure compliance with any changes in

legislation or any 'best practice' guidelines and MFMA Circulars as may be issued by National Treasury from time to time.

19 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.

20 EFFECTIVE DATE

This Policy shall come to effect upon approval by Council.

21 POLICY ADOPTION

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

Resolution No:.....

Approval Date:.....

ANNEXURE: LEGAL REQUIREMENTS

MUNICIPAL FINANCE MANAGEMENT ACT

Section 15 Appropriation of funds for expenditure

Expenses may only be incurred in terms of the approved annual budget (or adjustments budget) and within the limits of the amounts appropriated for each budget vote.

Section 16 Annual budgets

The Council of the municipality must approve the annual budget before the start of the financial year to which it relates.

The Mayor must table the annual budget at least ninety days before the start of such financial year.

The capital budget may extend over three years, provided that it is separated into annual appropriations for that period.

Section 17 Contents of annual budgets and supporting documents

The budget must be in the prescribed format, and must be divided into a capital and an operating budget.

The budget must reflect the realistically expected revenues by major source for the budget year concerned.

The expenses reflected in the budget must be divided into votes.

The budget must also contain the foregoing information for the two financial years following the financial year to which the budget relates, as well as the actual revenues and expenses for the year before the current year, and the estimated revenues and expenses for the current year.

The budget must be accompanied by all the following documents:

- draft resolutions approving the budget and levying property rates, other taxes and tariffs for the financial year concerned;
- draft resolutions (where applicable) amending the IDP and the budget-related policies;

- measurable performance objectives for each budget vote, taking into account the municipality's IDP;
- the projected cash flows for the financial year by revenue sources and expenditure votes;
- any proposed amendments to the IDP;
- any proposed amendments to the budget-related policies;
- the cost to the municipality of the salaries, allowances and other benefits of its political office bearers and other councillors, the municipal manager, the chief financial officer, and other senior managers;
- particulars of any proposed allocations or grants to other municipalities, municipal entities, external mechanisms assisting the municipality in service delivery, other organs of state, and organisations such as NGOs, welfare institutions and so on;
- particulars of the municipality's investments; and
- various information in regard to municipal entities under the shared or sole control of the municipality.

Section 18 Funding of expenditures

The budget may be financed only from:

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

Section 19 Capital projects

A municipality may spend money on a capital project only if the money for the project (excluding the cost of any required feasibility studies) has been appropriated in the capital budget.

The total cost of the project must also be approved by the Council.

The envisaged sources of funding for the capital budget must be properly considered, and the Council must be satisfied that this funding is available and has not been committed for other purposes.

Before approving a capital project, the Council must consider the projected cost of the project over all the ensuing financial years until the project becomes operational, as well as the future operational costs and any revenues which may arise in respect of such project, including the likely future impact on property rates and service tariffs.

Section 20 Matters to be prescribed

The Minister of Finance must prescribe the form of the annual budget, and may further prescribe a variety of other matters, including the inflation projections which the municipality must use in compiling its budget.

The Minister may also prescribe uniform norms and standards in regard to the setting of tariffs where a municipality entity or other external mechanisms is used to perform a municipal service; and may also take appropriate steps to ensure that a municipality does not, in exceeding its fiscal powers, materially and unreasonably prejudice national economic policies (particularly on inflation, administered pricing and equity), economic activities across municipal boundaries, and the national mobility of goods, services, capital or labour.

Section 21 Budget preparation process

The Mayor of the municipality must:

- Co-ordinate the processes for preparing the annual budget, and for reviewing the municipality's IDP and budget-related policies to ensure that the budget, the IDP, and the policies are mutually consistent and credible.
- At least ten months before the start of the ensuing financial year, table in the Council the time schedule with key deadlines for the preparation, tabling and approval of the following year's annual budget, the review of the IDP and budget-related policies, and the consultative processes required in the approval of the budget.

- When preparing the annual budget, take into account the municipality's IDP, the national budget, provincial budget, the National Government's fiscal and macro-economic policies, and the annual Division of Revenue Act.
- Take all reasonable steps to ensure that the municipality revises its IDP in line with realistic revenue and expenditure projections for future years.
- Consult the district municipality (if it is a local municipality) and all other local municipalities in the district, and all other local municipalities in the district if it is a district municipality.
- Consult the National Treasury when requested, the Provincial Treasury, and such other provincial and national organs of state as may be prescribed.
- Provide, on request, any budget-related information to the National Treasury, other national and provincial organs of state, and any other municipality affected by the budget.

Section 22 Publication of annual budgets

Immediately after the annual budget has been tabled, the Municipal Manager must make this budget and other budget-related documentation public, and must invite the local community to submit representations in regard to such budget.

The Accounting Officer must also immediately submit the tabled budget in both printed and electronic formats to the National Treasury, the Provincial Treasury, and in either format to prescribed national and provincial organs of state and other municipalities affected by the budget.

Section 23 Consultations on tabled budgets

After the budget has been tabled, the Council of the municipality must consider the views of the local community, the National Treasury, the Provincial Treasury, and any provincial or national organs of state or municipalities which have made submissions on the budget.

After considering these views, the Council must give the Mayor the opportunity to respond to the submissions received, and – if necessary – revise the budget and table the relevant amendments for consideration by the Council.

The National Treasury may issue guidelines on the manner in which the Council must process the annual budget, including guidelines on the formation of a committee of the Council to consider the budget and hold public hearings. Such guidelines shall be binding only if they are adopted by the Council.

Section 24 Approval of annual budgets

The Council must consider approval of the budget at least thirty days before the start of the financial year to which such budget relates.

The budget must be approved before the start of such financial year, and the resolutions and performance objectives referred to in Section 17 must simultaneously be adopted.

Section 25 Failure to approve budget before start of budget year

This Section sets out the process which must be followed if the budget is not approved in the normal course of events. Briefly the Council must reconsider and vote on the budget, or an amended version of the budget, every seven days until a budget is approved. The Mayor must immediately inform the MEC for Local Government if the budget is not adopted by the start of the budget year, and may request a provincial intervention.

Section 26 Consequences of failure to approve budget before start of budget year

The provincial executive must intervene in any municipality which has not approved its annual budget by the start of the relevant financial year. Such intervention must entail the taking of any appropriate steps to ensure a budget is approved, including dissolving the Council and appointing an administrator until a new Council can be elected, and approving a temporary budget until such new Council can adopt a permanent budget for the municipality. The Section also imposes restrictions on what may be spent in terms of such temporary budget.

Section 27 Non-compliance with provisions of this chapter

This Section sets out the duties of the Mayor to report any impending non-compliance and the general consequences of non-compliance with the requirements of the various foregoing prescriptions.

Section 28 Municipal adjustments budgets

A municipality may revise its annual budget by means of an adjustments budget.

However, a municipality must promptly adjust its budgeted revenues and expenses if a material under-collection of revenues arises or is apparent.

A municipality may appropriate additional revenues which have become available but only to revise or accelerate spending programmes already budgeted for.

A municipality may in such adjustments budget, and within the prescribed framework, authorise unforeseen and unavoidable expenses on the recommendation of the Mayor.

A municipality may authorise the utilisation of projected savings on any vote towards spending under another vote.

Municipalities may also authorise the spending of funds unspent at the end of the previous financial year, where such under-spending could not reasonably have been foreseen at the time the annual budget was approved by the Council.

Only the Mayor of the municipality may table an adjustments budget. Such budget may be tabled whenever necessary, but limitations on the timing and frequency of such tabling may be prescribed.

An adjustments budget must contain all of the following:

- an explanation of how the adjustments affect the approved annual budget;
- appropriate motivations for material adjustments; and
- an explanation of the impact of any increased spending on the current and future annual budgets.

Municipal taxes and tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

Section 29 Unforeseen and unavoidable expenditure

In regard to unforeseen and unavoidable expenses, the following apply:

- the Mayor may authorise such expenses in an emergency or other exceptional circumstances;
- the municipality may not exceed a prescribed percentage of the approved annual budget in respect of such unforeseen and unavoidable expenses;
- these expenses must be reported by the Mayor to the next Council meeting;
- the expenses must be appropriated in an adjustments budget; and
- the adjustments budget must be passed within sixty days after the expenses were incurred.

Section 30 Unspent funds

The appropriation of funds in an annual or adjustments budget will lapse to the extent that they are unspent by the end of the relevant budget year, but except for the expenses referred to above in Section 16.

Section 31 Shifting of funds between multi-year appropriations

If the funds for a capital project have been appropriated for more than one financial year (see Section 16) these expenses may exceed the appropriation for any one financial year, provided:

- the increase is not more than 20% of that financial year's allocation;
- the increase is funded in the next financial year's appropriations;
- the Municipal Manager certifies that actual revenues are expected to exceed budgeted revenues, and that enough funds will be available to finance such increased appropriation without incurring further borrowing beyond the annual budget limit;
- the Mayor gives prior written approval for such increased appropriation; and
- all the above documentation is provided to the Auditor-General.

Section 32 Unauthorised, irregular or fruitless and wasteful expenditure

Unauthorised expenses may be authorised in an adjustments budget.

Section 33 Contracts having future budgetary implications

Contracts extending beyond one financial year may be entered into by a municipality, but if such contract extends beyond the three years covered in the annual budget, the municipality may enter into such contract only if:

- The Municipal Manager, at least sixty days before the Council meeting at which the contract is to be approved, has made the contract public, with an information statement summarising the municipality's obligations, and inviting the local community and other interested parties to submit comments or make representations.
- The Municipal Manager solicits the views and recommendations of the National Treasury and Provincial Treasury in respect to such contract, as well as those of the National Department of Provincial and Local Government, and any national department concerned with water, sanitation or electricity, if the contract relates to any of these services.
- The Council has taken into account the projected financial obligations in regard to such contract, the impact on tariffs, and the views and comments received from all the foregoing parties.
- The Council adopts a resolution determining that the municipality will secure a significant capital investment or derive a significant financial or economic benefit from the contract, and approves the entire contract exactly as it is to be executed.

A contract for purposes of this Section shall exclude any contract relating to the incurring of long-term debt by the municipality, employment contracts, contracts for categories of goods as may be prescribed, or contracts where the value of the contract is less than a prescribed value or a prescribed percentage of the annual budget.

Section 42 Price increases of bulk resources for provision of municipal services

National and provincial organs of state which supply water, electricity or any other bulk resources to municipalities or municipal entities for the provision of municipal services may increase the price of such resources only after doing all the following:

- The proposed increase must be submitted to the organ's executive authority and (where legislation so requires) to any regulatory agency for approval.
- At least forty days prior to the above submission the National Treasury and organised local government must be invited to submit written comments on the proposed increase.
- The executive authority, after taking into account the comments received, must table the price increase in Parliament or the provincial legislature, as the case may be, with a full motivation and certain other prescribed explanatory documentation.

Unless the Minister of Finance otherwise directs, a price increase must be tabled on or before 15 March to take effect from 1 July of the same year. If it is tabled after 15 March it may only take effect from 1 July of the following year.

Section 43 Applicability of tax and tariff capping on municipalities

If a national or provincial organ of state is legislatively empowered to determine the upper limits of any municipal tax or tariff, such determination takes effect on the date specified in the determination, but provided that, unless the Minister of Finance otherwise directs:

- A determination promulgated on or before 15 March shall not take effect before 1 July of the same year.
- A determination promulgated after 15 March shall not take effect before 1 July of the following year.
- A determination shall not be allowed to impair a municipality's ability to meet any annual or periodic escalations in the payments it must make in respect of any contract legally entered into by a municipality.

Section 53 Budget processes and related matters

The Mayor of the municipality must:

- Provide general political guidance over the annual budget process and the priorities that guide the preparation of each budget.

- Co-ordinate the annual revision of the IDP, as well as the preparation of the annual budget, and determine how the IDP is to be taken into account or is to be revised for purposes of such budget.
- Take all reasonable steps to ensure that the Council approves the annual budget before the start of the financial year to which it relates, and that the municipality's service delivery and budget implementation plan is approved within twenty-eight days after the approval of the budget.
- Ensure that the annual performance agreements for the Municipal Manager and the senior managers of the municipality are linked to measurable performance objectives which are approved with the budget and the service delivery and budget implementation plan.

The Mayor must promptly report to the Council and the MEC for Local Government any delay in tabling the annual budget, approving the service delivery and budget implementation plan or signing the annual performance agreements.

The Mayor must further ensure that the service delivery targets and quarterly performance indicators, and the monthly projections of revenues and expenses in the service delivery and budget implementation plan, are made public not later than fourteen days after these matters have been approved; and that the performance agreements of the Municipal Manager and other senior officials are similarly made public not later than fourteen days after their approval.

Section 68 Budget preparation

The Municipal Manager must assist the Mayor in performing the assigned budgetary functions and must provide the Mayor with administrative support, operational resources and the information necessary to perform these functions.

Section 69 Budget implementation

The Municipal Manager is responsible for implementing the budget, and must take reasonable steps to ensure that:

- funds are spent in accordance with the budget;
- expenses are reduced if expected revenues are less than projected; and

- revenues and expenses are properly monitored.

The Municipal Manager must prepare any adjustments budget when such budget is necessary and submit it to the Mayor for consideration and tabling in Council.

The Municipal Manager must submit a draft service delivery and budget implementation plan to the Mayor fourteen days after the annual budget has been approved, and must also within the same period submit drafts of the annual performance agreements to the Mayor.

Section 70 Impending shortfalls, overspending and overdrafts

The Municipal Manager must report in writing to the Council any impending shortfalls in the annual revenue budget, as well as any impending overspending, together with the steps taken to prevent or rectify these problems.

Section 71 Monthly budget statements

The Municipal Manager must, not later than ten working days after the end of each calendar month, submit to the Mayor and Provincial Treasury a report in the prescribed format on the state of the municipality's budget for such calendar month, as well as on the state of the budget cumulatively for the financial year to date.

This report must reflect the following:

- actual revenues per source, compared with budgeted revenues;
- actual expenses per vote, compared with budgeted expenses;
- actual capital expenditure per vote, compared with budgeted expenses;
- actual borrowings, compared with the borrowings envisaged to fund the capital budget;
- the amount of allocations received, compared with the budgeted amount;
- actual expenses against allocations, but excluding expenses in respect of the equitable share;
- explanations of any material variances between the actual revenues and expenses as indicated above and the projected revenues by source and expenses by vote as set out in the service delivery and budget implementation plan;
- the remedial or corrective steps to be taken to ensure that the relevant projections remain within the approved or revised budget; and

projections of the revenues and expenses for the remainder of the financial year, together with an indication of how and where the original projections have been revised.

The report to the National Treasury must be both in electronic format and in a signed written document.

Section 54 Budgetary control and early identification of financial problems

On receipt of the report from the Municipal Manager, the Mayor must:

- consider the report;
- check whether the budget has been implemented in accordance with the service delivery and budget implementation plan;
- issue appropriate instructions to the Municipal Manager to ensure that the budget is implemented in accordance with this plan, and that the spending of funds and the collection of revenues proceed in accordance with the approved budget;
- identify any financial problems facing the municipality, as well as any emerging or impending financial problems; and
- submit to the Council within thirty days of the end of each quarter a report on the implementation of the budget and the financial state of affairs of the municipality.

If the municipality faces any serious financial problems, the Mayor must:

- promptly respond to and initiate the remedial or corrective steps proposed by the Municipal Manager, and
- alert the MEC for Local Government and the Council of the municipality to the problems concerned.

The Mayor may revise the details of the service delivery and budget implementation plan, but any revisions to the service delivery targets and quarterly performance indicators must be approved by the Council, and be supported by an adjustments budget. Any changes made to the projections of revenues and expenses as set out in the plan must promptly be made public.

Section 55 Report to provincial executive if conditions for provincial intervention exist

If the Council has not approved its annual budget by the first day of the financial year to which it relates, or if the municipality encounters serious financial problems, the Mayor must

immediately report this matter to the MEC for Local Government and may recommend a provincial intervention.

Section 72 Mid-year budget and performance assessment

The Municipal Manager must assess the budgetary performance of the municipality for the first half of the financial year, taking into account all the monthly budget reports for the first six months, the service delivery performance of the municipality as against the service delivery targets and performance indicators which were set in the service delivery and budget implementation plan, and the past financial year's annual report and the progress made in resolving problems identified in such report.

The Municipal Manager must then submit a report on such assessment to the Mayor, the National Treasury and the Provincial Treasury.

The Municipal Manager may in such report make recommendations for adjusting the annual budget and for revising the projections of revenues and expenses set out in the service delivery and budget implementation plan.

In terms of Section 54(1)(f) the Mayor must promptly submit this assessment report to the Council of the municipality.

Section 73 Reports on failure to adopt or implement budget-related and other policies

The Municipal Manager must inform the Provincial Treasury, in writing, of any failure by the Council to adopt or implement any budget-related policy or a supply chain management policy, and of any non-compliance by an office bearer or political structure with such policy.

Section 75 Information to be placed on websites of municipalities

The Municipal Manager must place on the municipality's official website (inter alia) the following:

- the annual and adjustments budgets and all budget-related documents;
- all budget-related policies;
- the annual report;
- all performance agreements;
- all service delivery agreements;

- all long-term borrowing contracts;
- all quarterly reports submitted to the Council on the implementation of the budget and the financial state of affairs of the municipality.

Section 80 Establishment (of municipal budget and treasury office)

Every municipality must have a budget and treasury office comprising a Chief Financial Officer supported by appointed officials and contracted staff.

Section 81 Role of chief financial officer

The Chief Financial Officer is administratively in charge of the budget and treasury office and must, inter alia,

- assist the Municipal Manager in preparing and implementing the budget;
- perform such budgeting, financial reporting and financial management and review duties as are delegated by the Municipal Manager;
- account to the Municipal Manager for the performance of all the foregoing responsibilities.

Section 83 Competency levels of professional financial officials

The Municipal Manager, senior managers, the Chief Financial Officer and the other financial officials in a municipality must all meet prescribed financial management competency levels.

SUMMARISED TIMETABLE

NOTE: DATES IN BRACKETS ARE PUTATIVE

FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
31 August	Table in council timetable for preparation of coming year's annual budget	-
20 January	-	Assess current year's budget performance and submit report to board of directors and municipality
25 January	Assess current year's budget performance	-
31 January	Table assessment report in council	-
31 January or earlier	-	Submit proposed budget for coming year to municipality
(31 January)	Consider municipal entity's proposed budget for coming year and make recommendations	-
(31 January or earlier)	Table municipal entity's adjustments budget for coming year	Submit adjustments budget for current year to municipality and make budget public
(Between 31 January and 31 March)	Table municipality's adjustments budget for current year and changes to service delivery targets and KPIs	-
(Between 31 January and 31 March)	Make public (adjustments budget and) revisions to service delivery and budget implementation plan for current year	-
Mid-March	-	Submit revised budget for coming year to municipality
31 March	Table municipality's draft budget for coming year	-
31 March	Table municipal entity's revised budget for coming year	-
Immediately after 31 March	Make public draft budget for coming year and invite submissions from community, provincial treasury and others	-
FINAL DATE	ACTION BY MUNICIPALITY	ACTION BY MUNICIPAL ENTITY
Before 31 May	Respond to submissions and revise draft budget for coming year	-
31 May	Consider approval of budget for coming year and attendant resolutions	Approve revised budget for coming year and make budget public

30 June	Budget for coming year and attendant resolutions must be approved by 30 June. Approved budget of entity must be tabled.	-	
Early June to early July: immediately after budget approved	Submit budget to national treasury and provincial treasury	-	
Early June to early July: immediately after approval dates	Place on website annual budgets and all budget-related documents	-	
Mid June to mid July: 14 days after budget approved	Finalise draft service delivery and budget implementation plan and draft performance agreements	-	
Late June to late July: 28 days after budget approved	Approve service delivery and budget implementation plan	-	
Late June to late July: 28 days after budget approved	Conclude performance agreements	-	
Mid July to mid August: 14 days after service delivery and budget implementation plan approved	Make public projections of revenues and expenses for each month of coming year, service delivery targets for each quarter, and performance agreements	-	

DETAILED BUDGET TIMETABLE

Section of Municipal Finance Management Act No. 56 of 2003	Date by which action must be completed	Action required	Responsible party	Practical considerations
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21(1)(b)	31 August	Mayor must at least 10 months before start of budget year table in council time schedule outlining key deadlines for - preparation, tabling and approval of annual budget - annual review of IDP - annual review of budget-related policies - tabling and adoption of any amendments to IDP and budget-related policies - any consultative processes forming part of foregoing	Mayor	Time schedule must either fit in with already scheduled council meetings or must indicate when special council meetings must be scheduled.
Section 88	20 January	Accounting officer of municipal entity must assess entity's budgetary and financial performance for first six months of financial year, and submit assessment report to board of directors and parent municipality.		
72(1), (2) and (3)	25 January	Accounting officer of municipality must assess budgetary and financial performance of municipality for first six months of financial year, make recommendations on whether adjustments budget necessary, and recommend revised projections for revenues and expenses. This assessment must be submitted to the mayor, national treasury and the provincial treasury (presumably immediately).	Accounting officer	
54(1)(i)	31 January	Mayor must submit accounting officer's report to council.	Mayor	Special council meeting may have to be scheduled.
87	31 January or earlier if so requested by parent municipality	Board of directors of municipal entity must submit to parent municipality proposed budget for entity for ensuing financial year.	Board of directors of entity	It is not clear to what person or structure in the parent municipality this budget must be submitted. However, it makes good sense for the council of the municipality to consider this budget at the same meeting that it considers the municipality's own proposed adjustments budget.

87		(31 January to mid-March)	Parent municipality must consider proposed budget, and make any necessary recommendations.		It is not clear what person or structure in the parent municipality must perform this action, but the council seems the logical party. It would also make sense for the council to consider this budget by 31 January.
87		(Tabled in council by 31 January)	Board of directors of entity may, with approval of mayor of parent municipality, revise budget of entity for certain prescribed reasons. Adjustments budget once approved by board of directors of entity must be tabled by mayor at next meeting of council of parent municipality. Adjustments budget must be made public.	Board of directors and mayor of parent municipality	Evidently such an adjustments budget may be prepared at any stage. It would make good sense, however, for the parent municipality to insist that the entity's revised budget be prepared and submitted to the mayor at the same time that or before the entity's proposed budget for the new financial year is considered.
54(1) and (2)		(Between 31 January and 31 March)	If municipality faces "serious financial problems" mayor must "promptly" respond to and initiate remedial steps proposed by accounting officer, including steps to reduce expenses and tabling of adjustments budget. Mayor must also consider revisions to service delivery and budget implementation plan. (Note that only council may approve changes to service delivery targets and KPIs – these changes must therefore be tabled with the adjustments budget).	Mayor	Again the potential problem of different parent municipalities having different views will have to be resolved by (presumably) the mayors considered. Adjustments budgets may be prepared by the accounting officer, and tabled in council by the Mayor "when necessary". They must be so prepared and tabled (within prescribed limits as to timing and frequency) whenever material adjustments to expenses or revenues are required, and not only when "serious financial problems" are looming. In general, adjustments budgets should preferably be tabled by or as soon as possible after 31 January, and certainly not later than 31 March when the draft annual budget for the next year is first tabled.

54(3)	(Between 31 January and 31 March)	Mayor must ensure that revisions to service delivery and budget implementation plan are "promptly" made public. (Note that no concomitant revision of performance agreements is evidently envisaged).	Mayor	Presumably the accounting officer must make these revisions for the mayor's approval as part of the process of adjusting the annual budget. The deadline for these revisions must be by or as soon as possible after 31 January, but certainly not later than 31 March. See also 54(1) and (2).
87	100 days before start of financial year (approximately mid March)	Board of directors of entity must consider recommendations, and if necessary submit revised budget to parent municipality.	Board of directors of entity	
16(2)	31 March	Mayor must table (draft) annual budget of municipality at council meeting at least 90 days before start of budget year.	Mayor	Council meeting must be scheduled appropriately.
87	31 March	Mayor of parent municipality must table originally proposed or proposed revised budget (as case may be) of entity when (draft) annual budget of municipality first tabled.	Mayor	-
22(a) and 22(b)	Immediately after 31 March or earlier date if annual budget tabled before 31 March	Immediately after (draft) annual budget tabled in council, accounting officer must (1) make public budget and documents referred to in Section 17(3), and invite local community to submit representations in connexion with budget, and (2) submit annual budget in both printed and electronic formats to provincial treasury, and in either format to prescribed national and provincial organs of state and to other municipalities affected by the budget.	Accounting officer	
23(2)	Before 31 May	Council must give mayor opportunity (1) to respond to submissions received on (draft) annual budget and attendant documentation and (2) to revise budget, if necessary, and table amendments for consideration by council.	Mayor and council	-

24(1) and (2)	31 May	Council must consider approval of annual budget, together with resolutions imposing rates and levies, setting tariffs, approving measurable performance objectives for revenue from each source and for each vote, approving any changes to IDP, and approving any changes to budget-related policies.	Council	Although council has until 30 June to approve budget, best practice will be to approve budget not later than 31 May.
87(4)	31 May	Board of directors of municipal entity must approve budget for coming year, having taken into account recommendations of council of parent municipality, and must make budget public.	Board of directors of municipal entity	
24(3)	(Immediate after approval date)	Accounting officer must submit approved annual budget to national treasury and provincial treasury.	Accounting officer	No time limit is specified for this action, and neither is the format in which the budget is to be submitted specified. Common sense dictates that the submission should be at least in electronic format and that it should be made as soon as possible after the approval date.
25(1) and (2)	Within 7 days of date of council meeting which failed to approve annual budget	If council fails to approve annual budget at meeting scheduled in terms of Section 24, must reconsider budget within 7 days of date of such meeting. If necessary, process must be repeated until budget approved by 30 June.	Council	As province will intervene if budget not approved by 30 June, mayor, councillors and accounting officer must co-operate to ensure obstacles to approval timeously removed.
69(3)(a) and (b)	14 days after approval of annual budget (mid June to mid July)	Accounting officer must submit to mayor draft service delivery and budget implementation plan, and drafts of annual performance agreements for municipal manager and all senior managers.	Accounting officer	
53(1)(c)(ii)	Within 28 days after date annual budget approved (late June to late July)	Service delivery and budget implementation plan must be approved by mayor, including projections of revenues and expenses for each month, and service delivery targets and performance indicators for each quarter. (Note that though the mayor approves these targets and KPIs, only the council	Mayor	-

53(1)(c)(iii)(aa) & (bb)	Within 28 days after annual budget approved (late June to late July)	may change them and then only following the approval of an adjustments budget. See Section 54(1)(c)).	Mayor	No date is specified for the completion of this requirement, but the logical inference is that the date should not be much later than the date on which the service delivery and budget implementation plan must be approved. See Section 53(3)(b).
16(1)	30 June	Annual budget must be approved by council	Council	-
53(3)(a) and (b)	14 days after approval of service delivery and budget implementation plan (mid July to mid August, depending on date plan approved)	Projections of revenues and expenses for each month and service delivery targets for each quarter (as set out in approved service delivery and budget implementation plan), and performance agreements of municipal manager and senior manager must be made public, and copies of performance agreements must be submitted to council and MEC for local government.	Mayor	Although this is not specified as a requirement, logic dictates that copies of the service delivery and budget implementation plan should also be submitted to council and the MEC.

UGU DISTRICT MUNICIPALITY

“The Municipality”



VIREMENT POLICY

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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.

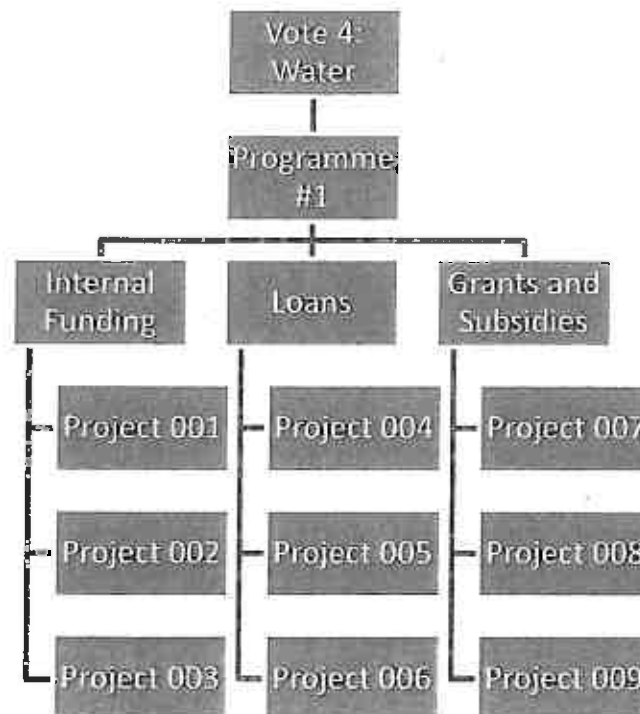
- 9.2 All requests for the transfer of funds must be in writing using the prescribed request forms in Appendix A and B, and must be properly authorised by the Manager and General Manager responsible for that vote and the Chief Financial Officer as per the set limits.

- 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:.....

UGU DISTRICT MUNICIPALITY
"The Municipality"



FREE WATER SERVICES POLICY

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7. QUALIFICATION CRITERIA
8. FREE BASIC SANITATION
9. EFFECTIVE DATE
10. POLICY ADOPTION

1. DEFINITIONS

"Accounting Officer" is the Accounting Officer of the Municipality;

"Basic water supply" means the minimum standards of water supply services necessary for the reliable supply of water to households to support life and personal hygiene;

"Basic sanitation" means the prescribed minimum standard of services necessary for the safe, hygienic and adequate collection, removal, disposal or purification of human excreta, domestic waste-water and sewage from households, including informal households;

"Chief Financial Officer" means the Chief Financial Officer of the Municipality;

"Council" means the Council of the Ugu Municipality;

"Household" means all the people who permanently reside in the dwelling;

"Indigent person" means a person who meets criteria on qualification for indigent support;

"Municipality" means Ugu Local Municipality.

2. THE LEGAL CONTEXT

2.1 This Policy is informed by the following legislations:

Municipal Finance Management Act, No 56 of 2003

Water Services Act, No 108 of 1997

Municipal Systems Act, No. 32 of 2000, section 74.

3. OBJECTIVE OF THE POLICY

3.1 The Ugu District Municipality fully supports the National Government's Policy on providing free basic services to the poorer of the community. In that regard it will fully co-operate in implementing the Policy.

3.2 However, being committed to the fundamental principle set out in paragraph 4 above, the financial implication must determine the extent to which water can be provided free to certain consumers. In conjunction with the Provincial Support Units established by the Department of Water Affairs and that Department, the Ugu District Municipality will progressively introduce the Policy to its area. Full advantage will be taken of subsidies and grants made available by other spheres of government to enable the Ugu District Municipality to implement a policy of free basic water without violatin the fundamental principle. In line with the principles of transparency inherent in paragraph 7.1, the people of the area will be informed and consulted on the implementation of the Policy

as it unfolds. There are two inter-related long term objectives which will guide the Ugu Municipality in regards to the provision of free basic services and these are:

- a) The elimination of poverty in the Ugu District area, and
- b) The equal treatment of all persons in the area

Whilst the historic imbalances between the citizens of South Africa are a fact, resulting in a mass of poor people badly provided with basic services, this should not be seen as normal and everlasting. Initially therefore, different levels of service must be provided at affordable or no cost, but the Policy is accepted that, over time, realistically computed, these distinction should be eliminated and everyone should be treated equally.

4. PURPOSE

- 4.1 The primary purpose of ~~the basic water services~~ this Policy is to assist in promoting sustainable access to basic water supply and sanitation to all households.

5. ADMINISTRATION OF FREE BASIC WATER SERVICES

- 5.1 In recognition of the primary importance of having a clean and adequate water supply, the South African Government in 2000 introduced the Free Basic Water Policy, which allows for households to get 6 000 litres (6kl) of water per month at no cost. Such service is dependent on the Municipality receiving equitable share from National Treasury and as determined by Council from time to time.

5.2 Free basic water

5.2.1 Private Connections:

Commercial, Government, Bulk users and industrial users, and other categories be retained with no Free Basic Water allocation, except for users classified in paragraph 5.2.2 below. All households who fall in the group who qualify for free basic water in terms of ~~Ugu District~~ the Municipality will receive a free water usage of 200 litres per day, based on the quota allocation and number of days in a meter reading period. The customer will forfeit this benefit should the consumption exceed the allocation per quota per month depending on the number of days.

5.2.2 Qualification Criteria:

- a) Indigents households
- b) Rural communities where water is supplied by stand pipes
- c) Informal settlements where water is supplied by stand pipes
- d) People served from springs and borehole water in rural areas
- e) Rain water harvesting schemes

- f) The Authority or the Authorised Provider may convey any water required as a temporary measure by tanker to any place where such temporary supply of water is required, subject to such conditions and period, which shall not exceed three months, as may be prescribed by it.

6. FREE BASIC SANITATION

6.1 Free basic sanitation shall be provided to the following

- a) Indigents households
- b) Rural communities where there is no sanitation infrastructure
- c) Informal settlements

7. EFFECTIVE DATE

The policy shall come to effect upon approval by Council.

8. 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:.....