POLICY TITLE	BUDGET POLICY
DATE OF APPROVAL	22 May 2025
REVIEW DATES	21 May 2026

1. DEFINITIONS

In this Policy, unless the context indicates otherwise, the following definitions are applied:

"Entity"	for the purpose of this Policy it means shortened name for South Coast Tourism and Investment Enterprise.
"GM: Finance, HR and Admin"	means the GM: Finance, CS and Administration of the South Coast Tourism and Investment Enterprise,
"Chief Executive Officer"	means the Accounting Officer of South Coast Tourism and Investment Enterprise,
"Council"	means Council of the Parent Municipality
"Board of Directors"	means individuals elected as representatives to oversee the management of South Coast Tourism and Investment Enterprise,
"Budget Year"	means the financial year of the municipal entity for which an annual budget is to be approved in terms of section 16(1) of the MFMA,
"Current year"	means the financial year, which has already commenced, but not yet ended,
"Financial year"	means a twelve month period commencing on 1 July and ending on 30 June each year,
"Financial Agreement"	includes any loan agreement, lease and instalment purchase contract or hire purchase arrangement under which a municipal entity undertakes to repay a long-term debt over a period of time.
"Parent Municipality"	for the purpose of this Policy it means Ugu District Municipality.

2. OBJECTIVE OF THE POLICY

The objective of this Policy is to set out the budgeting principles which the Entity must follow in preparing each annual budget, as well as the responsibilities of the Chief Executive Officer and GM: Finance, CS and Administration in compiling such budget.

3. LEGAL COMPLIANCE

The Entity shall at all times manage its expenditure and conduct its cash management policy in compliance with the provisions of and any further prescriptions made by the Minister of Finance in terms of the Municipal Finance Management Act No. 56 of 2003. This policy must be read with the MFMA and the regulations promulgated under the Act.

4. BUDGETING PRINCIPLES

4.1 Financing

a) The budget shall be financed from the following sources of financing:

i) *Grants and subsidies* shall be based on grants and subsidies allocated by the Ugu District Municipality (Parent Municipality), Local Municipalities, and any other donor organisations plus all other subsidies received by the Entity.

ii) *Interest on Investments*
The budget for interest on investment shall be in accordance with Investment policy of the Entity.

iii) *Other Income*
All other income items will be budgeted for based on the actual income received in the preceding year and the percentage growth as determined by the Manager: Finance, HR and Administration for a particular budget year.

4.2 Capital Budgets

a) The capital budget refers to the allocations made to specific infrastructural projects and the purchase of equipment and other forms of assets having a lifespan of more than one year and cost value of more than R10 000.

b) Zero-based budgeting shall be used, except in cases of contractual commitment that would span over more than one year.

c) The budget will be funded from funds allocated by the Parent and Local Municipalities; cash backed accumulated funds not committed for other purposes and borrowed funds.

d) The impact of the capital budget on the current and future operating budgets in terms of finance charges to be incurred on external loans, depreciation of fixed assets, maintenance of fixed assets and any other operating expenditure to be incurred resulting directly from the capital expenditure, should be carefully analysed when the annual capital budget is being compiled.

4.3 Operational Budget

a) The operational budget refers to the funds that would be raised in the delivery of services, grants & subsidies and any other services rendered. These funds are in turn used to cover the expenses incurred in the day to day running of the Entity.

b) The incremental approach to budgeting is used in preparing the annual operating budget, except in cases where a contractual commitment has been made that would span over more than one financial year. In these instances the zero based method will be followed.

4.4 Operating Budget Categories

The following expenditure categories shall be accommodated in the operating budget:

a. Salaries, Wages 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 (currently between 25% to 40%). If the salary budget, exceed the parameter (percentage) of the aggregate operating budget as issued by National Treasury the Entity will be advised and provided with reasons and remedial action. The remuneration of Directors and other office bearers shall be excluded from this limit.

b. Other general expenditures
A percentage growth for all other general expenditure will be based on the percentage determined by GM: Finance, CS and Administration in line with prevailing growth rates and the Consumer Price Index (CPIX).

c. Repairs and Maintenance
The Entity shall adequately provide in each annual and adjustments budget for the maintenance of its fixed assets in accordance with its asset management policy. At least 8% of the property, plant and equipment and investment property carrying value component of each annual and adjustments budget shall be set aside for such maintenance (This is in line with Circular No. 71 of National Treasury).

d. *Capital Expenses*
Capital expenses refer to interest and redemption that has to be paid on an external loan taken up by the Entity. The budget for capital expense will be determined by the repayments that the Entity is liable for based on the agreements entered into with other parties.

e. *Depreciation and finance charges* together shall not exceed 20% of the aggregate expenses budgeted for in the operating budget component of each annual or adjustments budget.

5. The process to be followed in the compilation of budget

As per Chapter 10, Section 87 – Municipal Finance Management Act

5.1 The Board of Directors of the Entity must for each financial year submit a proposed budget for the entity to its parent municipality not later than 150 days before the start of the entity's financial year, or earlier if requested by the parent municipality.

5.2 The parent municipality must consider the proposed budget of the Entity and assess the Entity's priorities and objectives. If the parent municipality makes any recommendations on the proposed budget, the Board of Directors must consider those recommendations and, if necessary, submit a revised budget to the parent municipality no later than 100 days before the start of the financial year. (

5.3 The Mayor of the parent municipality must table the proposed budget of the Entity in the Council when the annual budget of the municipality for the relevant year is tabled.

5.4 The Board of Directors of the Entity must approve the budget of the Entity not later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the Council of the parent municipality.

5.5 The budget of the Entity must –

a. Be balanced
b. Be consistent with any service delivery agreement or other agreement between the Entity and the parent municipality.
c. Be within the limits determined by the parent municipality, including any limits on tariffs, revenue, expenditure and borrowing;
d. Include a multi-year business plan for the Entity that –
   i. sets key financial and non-financial performance objectives and measurement criteria as agreed with the parent municipality;
   ii. is consistent with the budget and integrated development plan of the entity's parent municipality
   iii. reflects actual and potential liabilities and commitments, including particulars of any proposed borrowing of money during the period to which the plan relates; and
e. Otherwise comply with the requirements of section 17(1) and (2) to the extent that such requirements can reasonably be applied to the Entity.

5.6 The Board of Directors of the Entity may, with the approval of the Mayor, revise the budget of the Entity, but only for the following reasons:
   a. To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
   b. To authorise expenditure of any additional allocations to the Entity from its parent municipality;
   c. To authorise, within a prescribed framework, any unforeseeable and unavoidable expenditure approved by the mayor of the parent municipality;
   d. To authorise any other expenditure within a prescribed framework.

5.7 Any projected allocation to the Entity from its parent municipality must be provided for in the annual budget of the parent municipality, and to the extent not so provided, the entity's budget must be adjusted.

5.8 The Entity may incur expenditure only in accordance with its approved budget or an adjustments budget.

5.9 The Mayor must table the budget or adjusted budget and any adjustments budget of the Entity as approved by its Board of Directors, at the next council meeting of the municipality. The Entity's approved budget or adjusted budget must be made public insubstantially the same way as the budget of a municipality must be made public.

5.10 The Accounting Officer of the Entity must by no later than seven working days after the end of each month submit to the Accounting Officer of the parent municipality a statement in the prescribed format on the state of the entity's budget reflecting the following particulars for that month and for the financial year up to the end of that month:

a) Actual revenue, per revenue source;
b) Actual borrowings;
c) Actual expenditure;
d) Actual capital expenditure;
e) The amount of any allocations received;
f) Actual expenditure on those allocations, excluding expenditure on allocations exempted by the annual Division of Revenue Act from compliance with this paragraph; and
g) when necessary, an explanation of—
    i) any material variances from the Entity's projected revenue by source, and from the Entity's expenditure projections;
    ii) any material variances from the service delivery agreement and the business plan; and
    iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the Entity's approved budget.

5.11 The statement must include a projection of revenue and expenditure for the rest of the financial year, and any revisions from initial projections.

5.12 The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the Entity's approved budget.

5.13 The statement to the Accounting Officer of the parent municipality must be on a hardcopy format (signed document) and in electronic format.

6. EXPENDITURE MANAGEMENT

As per Chapter 10, of the MFMA, Section 99

6.1.1 The Accounting Officer of a municipal Entity is responsible for the management of the expenditure of the Entity.

6.1.2 The Accounting Officer must for the purpose of subsection (1) take all reasonable steps to ensure –

a. That the Entity has and maintains an effective system of expenditure control, including procedures for the approval, authorisation, withdrawal and payment of funds;
b. That all money owing by the Entity is paid within 30 days of receiving the relevant invoice or statement unless prescribed otherwise for certain categories of expenditure;
c. That the Entity has and maintains a management, accounting and information system which –
    i. recognises expenditure when it is incurred;
    ii. accounts for creditors of the Entity; and
    iii. accounts for payments made by the Entity;

d. That the Entity has and maintains a system of internal control in respect of creditors and payments;
e. That payments by the Entity are made –
    i. Directly to the person to whom it is due unless agreed otherwise or reasons as may be prescribed; and
    ii. Either electronically or by way of non-transferable cheques, provided that cash payments and payments by way of cash cheques may be made for exceptional reasons only, and only up to a prescribed limit;
f. That the Entity complies with its tax, duty, pension, medical aid, audit fees and other statutory commitments;
g. That the Entity's available working capital is managed effectively and economically in terms of the prescribed cash management and investment framework;
h. That the Entity has and implements a supply chain management policy in accordance with section 111 of the MFMA in a way that is fair, equitable, transparent and cost effective.

7. BUDGET IMPLEMENTATION

7.1 As per Chapter 10 the MFMA, section 100:

7.1.1 The Accounting Officer of a municipal Entity is responsible for implementing the Entity's budget, including taking effective and appropriate steps to ensure that –
a. The spending of funds is in accordance with the budget;
b. Revenue and expenditure are properly monitored; and
c. Spending is reduced as necessary when revenue is anticipated to be less than the projected budget.

8. MID-YEAR BUDGET AND PERFORMANCE ASSESSMENT

As per Chapter 10 of the Municipal System Finance Act, Section 88

8.1 The Accounting Officer of the 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— 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 parent municipality; and 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.

8.2 The report referred to in subsection (1) above must be made public.

9. SUPPLY CHAIN MANAGEMENT

Each head of department shall ensure that such department's expenditure is compliant to the Entity's Supply Chain Management Policy.

10. APPROVAL

NAME	SIGNATURE	DESIGNATION	DATE
Mr Sandile Dlomo		**CHAIRPERSON: SCTIE**	**21.05.2026**