

13918

## ADOPTED 2020/21 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)

*This report is submitted directly to the Executive Committee and Council.*

### PURPOSE

To submit to Council for approval, the Adopted 2020/21 Budget and Medium Term Revenue and Expenditure Framework (MTREF).

### IDP STRATEGY AND OBJECTIVES

NATIONAL KPA 5 : MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT		
GOALS	OBJECTIVES	STRATEGIES
5.1 Sound Financial And Supply Chain Management	5.1.1 Compliance with financial legislation and policies	5.1.1.1 GRAP compliance
		5.1.1.2 mSCOA compliant
		5.1.1.3 Review of all financial related policies
		5.1.1.4 Compliance with all MFMA and related local government financial legislation
	5.2.1 Sustainable Financial and supply chain Management	5.2.1.1 Provide continuous Internal Communication on Budget and Financial Management matters
		5.2.1.2 Asset Accounting Management
		5.2.1.3 Accurate and timeous billing and receipting of revenue
		5.2.1.4 Apply Adequate Internal controls
		5.2.1.5 Demand and acquisition management
		5.2.1.6 Contracts and Logistics management
		5.2.1.7 Apply adequate financial management methodologies

### BACKGROUND

The Municipal Finance Management Act (MFMA), 2003 (No 56 of 2003) issues clear guidelines on the contents of the Budget Framework Plan. The Budget Framework Plan for the City of uMhlathuze has been adapted to incorporate these guidelines.

Section 17 of the Act highlights the following issues relating to the contents of the annual budget.

- “1) The annual budget must be a schedule in the **prescribed format** which should include the following:
- a) realistically anticipated revenue for the budget year from each revenue source;
  - b) appropriating expenditure for the budget year under the different votes of the municipality;
  - c) setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;
  - d) setting out-
    - (i) both estimated revenue and expenditure by vote for the current year; and
    - (ii) actual revenue and expenditure by vote for the financial year preceding the current year.

- e) *A statement containing any other information required by Section 215(3) of the Constitution or as may be prescribed.*
- 2) *The annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed;*
- 3) *When an annual budget is tabled in terms of Section 16(2), it must be accompanied by the following documents:*
  - a) *Draft resolutions-*
    - (i) *Approving the budget of the municipality;*
    - (ii) *Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and*
    - (iii) *Approving any other matter that may be prescribed;*
  - b) *measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;*
  - c) *a projection of cash flow for the budget year by revenue source, broken down per month;*
  - d) *any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of Section 34 of the Municipal Systems Act;*
  - e) *any proposed amendments to the budget-related policies of the municipality;*
  - f) *particulars of the municipality's investments;*
  - g) *any prescribed budget information on municipal entities under the sole or shared control of the municipality;*
  - h) *particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate;*
  - i) *particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements;*
  - j) *particulars of any proposed allocations or grants by the municipality to-*
    - (i) *other municipalities;*
    - (ii) *any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;*
    - (iii) *any other organs of state; and*
    - (iv) *any organisations or bodies referred to in section 67(1);*
  - k) *the proposed cost to the municipality for the budget year of the salary, allowances and benefits of-*
    - (i) *Each political office-bearer of the municipality;*
    - (ii) *councillors of the municipality; and*

- (iii) *the municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;*
- l) *the proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of-*
  - (i) *each member of the entity's board of directors;*
  - (ii) *the chief executive officer and each senior manager of the entity; and*
- m) *any other supporting documentation as may be prescribed."*

National Treasury has issued Municipal Budget and Reporting Regulations in terms of Government Gazette Number 32141 dated 17 April 2009.

The objectives of the budget formats reforms in terms of these regulations are:

- ❖ To ensure that the municipal budget and financial reporting formats support the other financial management reforms introduced by the Municipal Finance Management Act (MFMA).
- ❖ To formalise the norms and standards governing municipal budget and financial reporting formats, so as to improve the credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities.
- ❖ To improve Council's ability to deliver basic services to all by addressing issues of financial sustainability.
- ❖ To facilitate informed policy choices by Council and medium term planning of service delivery by aligning targets to achieve backlog elimination.

Specifically, for the 2020/21 Budget, Circulars No 98 (**DMS 1383790 - Annexure L1**) issued on 6 December 2019 and 99 (**DMS 1398732 – Annexure L2**) issued on 9 March 2020 are included as part of this report. **These circulars need to be read thoroughly by both the Council and the Administration.**

## DISCUSSION

This report and the supporting schedules will be forwarded to the National and Provincial Treasury as required in terms of Section 22 (b)(i) of the MFMA in both printed and electronic formats.

The National Treasury endeavours to ensure that municipalities prepare a budget document that provides concise and understandable financial and non-financial information which will ensure that informed decisions are made to promote effective financial management and service delivery. By ensuring that the allocation of financial resources is aligned to service delivery targets it will be clear what services are being promised when budgets are approved.

The National Treasury created a template called "Batho Pele City" as a guide for municipal officials responsible to produce their real municipal budget documents.

The aim of the "Batho Pele" Budget Guide is to provide more detailed guidance on the format and content of a municipal budget so as to ensure full compliance with both the letter and the spirit of Schedule A of the Municipal Budget and Reporting Regulations. The "Batho Pele" Budget is intended to be a template that municipal officials can use as a basis and guide for producing their own municipality's budget documents.

The Chief Financial Officer has found this template to be very comprehensive and useful for many aspects of assessing financial performance and service delivery monitoring, hence subscribes to the guide fully.

## NATIONAL TREASURY BENCHMARK ENGAGEMENT

In terms of the requirements of the Municipal Finance Management Act and as part of its oversight role over Local Government finances, the National Treasury is responsible for reviewing and commenting on the tabled budgets of all non-delegated municipalities prior to their adoption by the respective Municipal Councils.

The tabled budgets of these municipalities are rigorously assessed in terms of quality and compliance with the prescriptions of the MFMA and the Municipal Budget and Reporting Regulations.

From a quality perspective, the budget is assessed in accordance with three criteria, namely:

- **Credibility:** to determine if the budget is **funded** in terms of Section 18 of the MFMA and whether the City adopted a budget process with evidence of sufficient political oversight and public participation. Political oversight and guidance is crucial for the budget process as the approval of the budget is the responsibility of Council and not that of the Budget and Treasury Office. In assessing the credibility of the budget, the revenue planning framework and associated assumptions are interrogated to determine if they are realistic and indicative of multi-year budgeting.
- **Relevance:** The municipality's performance against the governance KPA is satisfactory considering that it conducts regular strategic public participation meetings.
- **Sustainability:** to determine whether the budget gives effect to the long-term financial and operational sustainability of the municipality. This is crucial that the budget is a **multi-year budget** over the MTREF.
- **mSCOA:** to determine if the tabled budget was prepared directly on the financial system and whether the A1 schedule is aligned to the data strings.

Due to the National Lockdown currently ongoing, the 2020/21 Budget Engagement and Municipal Benchmark exercise will be conducted as a virtual meeting to be held on 21 May 2020.

This report has been finalised prior to the engagement and therefore the Chief Financial Officer will provide feedback on the engagement at the Council Meeting.

## CONSOLIDATED OVERVIEW:

**Table 1 Consolidated Overview of the 2020/21 MTREF:**

Description	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2020/21	Tabled Budget 2021/22	Tabled Budget 2022/23
<b>R thousands</b>				
Total Operating Revenue	3 198 114	3 430 794	3 636 785	3 877 900
Total Operating Expenditure	3 292 395	3 485 274	3 673 862	3 852 144
<b>Surplus/ (Deficit) for the year</b>	<b>(94 280)</b>	<b>(54 480)</b>	<b>(37 077)</b>	<b>25 756</b>
Total Capital Expenditure	622 906	671 834	593 789	654 376
<b>TOTAL OPERATING &amp; CAPITAL BUDGET</b>	<b>3 915 301</b>	<b>4 157 108</b>	<b>4 267 650</b>	<b>4 506 520</b>

**Table 2 - 2020/21 Proposed Tariff increases**

The detailed proposed tariff of charges is not yet available but the overall increases for the 2020/21 financial year is:

Categories	Percentage Increase (%) (Average) 2020/21	Percentage Increase (%) (Average) 2021/22	Percentage Increase (%) (Average) 2022/23
Average for all services	6%	5.5%	5%

The following tables summarise the expenditure and revenue budgets by category and source respectively:

**Table 3 Percentage proportion in revenue by main revenue source**

Description R thousand	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2020/21	%	Budget Year +1 2021/22	%	Budget Year +2 2022/23	%
<b>Revenue By Source</b>								
Property rates	510 227	16.0%	540 840	15.8%	572 209	15.7%	608 108	15.7%
Service charges - electricity revenue	1 571 924	49.2%	1 666 177	48.6%	1 762 757	48.5%	1 877 909	48.4%
Service charges - water revenue	388 299	12.1%	411 574	12.0%	435 424	12.0%	463 924	12.0%
Service charges - sanitation revenue	105 568	3.3%	111 886	3.3%	118 360	3.3%	124 742	3.2%
Service charges - refuse revenue	110 768	3.5%	117 414	3.4%	124 224	3.4%	130 933	3.4%
Rental of facilities and equipment	10 642	0.3%	11 164	0.3%	11 699	0.3%	12 261	0.3%
Interest earned - external investments	58 000	1.8%	63 000	1.8%	65 000	1.8%	67 000	1.7%
Interest earned - outstanding debtors	109	0.0%	114	0.0%	120	0.0%	125	0.0%
Fines, penalties and forfeits	7 481	0.2%	10 597	0.3%	11 143	0.3%	11 702	0.3%
Licences and permits	3 407	0.1%	3 407	0.1%	3 570	0.1%	3 742	0.1%
Agency services	5 970	0.2%	5 970	0.2%	6 257	0.2%	6 557	0.2%
Transfers and subsidies	390 019	12.2%	424 643	12.4%	456 492	12.6%	496 649	12.8%
Other revenue	35 700	1.1%	64 008	1.9%	69 529	1.9%	74 249	1.9%
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>3 198 114</b>	<b>100%</b>	<b>3 430 794</b>	<b>100%</b>	<b>3 636 785</b>	<b>100%</b>	<b>3 877 900</b>	<b>100%</b>
Total revenue from rates and service charges	2 686 786	84.0%	2 847 891	83.0%	3 012 974	82.8%	3 205 615	82.7%

**Table 4 Percentage proportion in revenue by main expenditure type**

Description R thousand	Current Year 2019/20		2020/21 Medium Term Revenue & Expenditure Framework					
	Adjusted Budget	%	Budget Year 2020/21	%	Budget Year +1 2021/22	%	Budget Year +2 2022/23	%
<b>Expenditure By Type</b>								
Employee related costs	859 564	26.1%	986 781	28.3%	1 034 073	28.1%	1 087 004	28.2%
Remuneration of councillors	32 404	1.0%	34 026	1.0%	35 728	1.0%	37 516	1.0%
Debt impairment	31 454	1.0%	35 000	1.0%	36 750	1.0%	38 587	1.0%
Depreciation & asset impairment	441 379	13.4%	474 573	13.6%	505 559	13.8%	546 925	14.2%
Finance charges	67 458	2.0%	79 943	2.3%	82 762	2.3%	84 491	2.2%
Bulk purchases	1 093 949	33.2%	1 139 016	32.7%	1 196 920	32.6%	1 267 357	32.9%
Other materials	119 504	3.6%	143 840	4.1%	150 606	4.1%	145 744	3.8%
Contracted services	363 432	11.0%	289 827	8.3%	300 388	8.2%	307 803	8.0%
Transfers and subsidies	13 755	0.4%	13 778	0.4%	14 329	0.4%	15 007	0.4%
Other expenditure	269 497	8.2%	288 491	8.3%	316 747	8.6%	321 709	8.4%
<b>Total Expenditure</b>	<b>3 292 395</b>	<b>100%</b>	<b>3 485 274</b>	<b>100%</b>	<b>3 673 862</b>	<b>100%</b>	<b>3 852 144</b>	<b>100%</b>

The following tables represent the 2020/21 Tabled Capital Budget:

**Table 5 Proposed Capital Funding:**

Vote Description R thousand	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Funded by:</b>				
National Government	173 051	183 857	146 789	165 376
Provincial Government	8 243	–	8 000	8 000
<b>Transfers recognised - capital</b>	<b>181 294</b>	<b>183 857</b>	<b>154 789</b>	<b>173 376</b>
<b>Borrowing</b>	50 608	157 000	143 000	154 000
<b>Internally generated funds</b>	391 004	330 977	296 000	327 000
<b>Total Capital Funding</b>	<b>622 906</b>	<b>671 834</b>	<b>593 789</b>	<b>654 376</b>

**Table 6 - 2020/21 Medium-term capital budget per Vote:**

Vote Description R thousand	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Capital Expenditure - Functional</b>				
<b>Governance and administration</b>	<b>58 719</b>	<b>34 690</b>	<b>45 271</b>	<b>50 870</b>
Executive and council	–	130	133	142
Finance and administration	58 719	34 560	45 139	50 728
<b>Community and public safety</b>	<b>91 851</b>	<b>55 380</b>	<b>57 561</b>	<b>62 452</b>
Community and social services	55 777	26 633	23 940	33 357
Sport and recreation	29 734	27 847	32 737	27 976
Public safety	–	900	884	1 119
Housing	6 340	–	–	–
<b>Economic and environmental services</b>	<b>157 172</b>	<b>169 926</b>	<b>117 708</b>	<b>128 357</b>
Planning and development	35 615	3 000	–	–
Road transport	121 557	165 326	116 108	128 357
Environmental protection	–	1 600	1 600	–
<b>Trading services</b>	<b>315 164</b>	<b>411 839</b>	<b>373 249</b>	<b>412 697</b>
Energy sources	76 054	85 537	78 647	90 663
Water management	158 951	274 093	214 118	259 052
Waste water management	76 559	48 605	77 587	60 482
Waste management	3 600	3 604	2 896	2 500
<b>Total Capital Expenditure - Functional</b>	<b>622 906</b>	<b>671 834</b>	<b>593 789</b>	<b>654 376</b>

The impact of the Country's lockdown due to the Coronavirus pandemic meant that normal public participation process was not undertaken during this budget process. The Mayor after consultation with Executive Management resolved to present the budget to the community on local radio stations as well as on regional television programmes. The community was invited to phone in their questions and to submit their comments via email.

The following Annexures are included under separate cover and form part of this report:

- **Annexure A (DMS 140241)** - Budget report that has been prepared using the "Batho Pele City" template;
- **Annexure B1 - B56 (DMS 1402205)** - Municipal Annual Budget and MTREF Supporting Tables;
- **Annexure C (DMS 1403878)** - Tariffs of Charges;
- **Annexure D1 (DMS 1403961)** - Rates Policy;

- **Annexure D2 (DMS 1403825)** - Tariff Policy;
- **Annexure E (DMS 1402412)** - 2020/21 Tabled Capital Budget;
- **Annexure F (DMS 1402412)** Component 1: Monthly projections of revenue to be collected for each source;
- **Annexure G (DMS 1402412)** Component 2: Monthly projections of expenditure (operating and capital) and revenue for each Vote;
- **Annexure H1 - H9 (DMS 1402412)** Component 3: Draft annual projections of service delivery targets and performance indicators for each Vote;
- **Annexure I (DMS 1402412)** Component 4: Ward information for Capital expenditure;
- **Annexure J (DMS 1402412)** Component 4: Ward information for operating expenditure;
- **Annexure K (DMS 1402412)** Component 5: Detailed capital works plan broken down by ward over three years;
- **Annexure L1 (DMS 1383790)** - MFMA Budget Circular number 98 dated 6 December 2019; and
- **Annexure L2 (DMS 1398732)** - MFMA Budget Circular number 99 dated 9 March 2020.

## **ENVIRONMENTAL IMPLICATIONS**

No environmental implications.

## **FINANCIAL IMPLICATIONS**

This is dealt with in detail throughout the Budget Report.

## **LEGAL IMPLICATIONS**

This is dealt throughout the report with references to various Acts and Regulations.

## **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

The recommendations are supported.

The Chief Financial Officer's comments have been provided in the attached presentation contained in **Appendix "A" (DMS 1402411)**.

## **RECOMMENDED THAT:**

1. the Adopted Multi-year Medium Term Revenue and Expenditure Framework (MTREF) of the Municipality for the Financial Year 2020/21 and indicative for the projected outer years 2021/22 and 2022/23 be approved as set out in the Budget Report **(DMS 1402411)** and in the Budget tables A1 - A10 **(Annexure B1 - B13) (DMS 1402205)**;
2. the Final Integrated Development Plan (IDP) Review for 2020/2120 **(DMS 1344570)** be incorporated into the Adopted 2020/21 Multi-year Medium Term Revenue and Expenditure Framework (MTREF);

3. the Adopted 2020/21 Medium Term Revenue and Expenditure Framework aligned with the IDP's Developmental Objectives and Goals and the Municipal Regulation on Standard Chart of Accounts (mSCOA) (Government Gazette 37577 dated 22 April 2014) for the City of uMhlathuze be approved as follows:

Description R thousands	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Tabled Budget 2020/21	Tabled Budget 2021/22	Tabled Budget 2022/23
Total Operating Revenue	3 198 114	3 430 794	3 636 785	3 877 900
Total Operating Expenditure	3 292 395	3 485 274	3 673 862	3 852 144
<b>Surplus/ (Deficit) for the year</b>	<b>(94 280)</b>	<b>(54 480)</b>	<b>(37 077)</b>	<b>25 756</b>
<b>Total Capital Expenditure</b>	<b>622 906</b>	<b>671 834</b>	<b>593 789</b>	<b>654 376</b>
<b>TOTAL OPERATING &amp; CAPITAL BUDGET</b>	<b>3 915 301</b>	<b>4 157 108</b>	<b>4 267 650</b>	<b>4 506 520</b>

It be further noted that this Budget in as far as the Municipal's administration ability and financial system capability allowed, is Project based.

4. the following table setting out the surplus/(deficit) across the services be approved:

Description R thousand	Current Year 2019/20	2020/21 Medium Term Revenue & Expenditure Framework		
	Adjusted Budget	Budget Year 2020/21	Budget Year +1 2021/22	Budget Year +2 2022/23
<b>Electricity and Energy Sources</b>				
Surplus/(Deficit) for the year	225 590	241 066	263 957	297 640
<b>Water Management</b>				
Surplus/(Deficit) for the year	16 615	27 667	32 604	41 346
<b>Waste water management</b>				
Surplus/(Deficit) for the year	(48 462)	(43 305)	(35 636)	(28 118)
<b>Waste management</b>				
Surplus/(Deficit) for the year	26 529	29 695	35 359	43 324
<b>Other Services</b>				
Surplus/(Deficit) for the year	(314 552)	(309 603)	(333 360)	(328 436)
<b>Total</b>				
<b>Surplus/(Deficit) for the year</b>	<b>(94 280)</b>	<b>(54 480)</b>	<b>(37 077)</b>	<b>25 756</b>

5. the Adopted Service Delivery and Budget Implementation Plan (SDBIP) 2020/21 (**DMS 1402412**) as submitted be approved;
6. in terms of Section 2(3) of the Local Government: Municipal Property Rates Act the following property rates for the 2020/2021 financial year be approved:



Category	Proposed tariff (from 1 July 2020)	Ratio to Residential Tariff
	<b>C</b>	
Residential Properties	0,0093	1 : 1
Business / Commercial	0,0196	1 : 2,10
Industrial	0,0205	1 : 2,20
Agricultural Properties	0,0023	1 : 0,25
Public Service Purposes (State Owned)	0,0103	1 : 1,10
Public Service Infrastructure	0,0023	1 : 0,25
Public Benefit Organisation Properties	0,0023	1 : 0,25
Mining Properties	0,0214	1 : 2,30
Vacant Land	0,0196	1 : 2,10

7. on application by the relevant rate payers the following rebates be applied subject to the provisions contained in the Rates Policy:
  - Agricultural properties - 5%
  - Non Profit Organisations - 20%
8. the Rates Policy as contained in **Annexure D1 (DMS 1403961)** be approved;
9. in addition to the statutory R15 000 reduction in the valuation on residential properties a further reduction of R115 000 of the valuation on all developed residential properties valued at R400 000 and below be made;
10. in addition to the reductions in recommendation (9) above and subject to the criteria set out in the Property Rates Policy an additional R200 000 reduction in the value of the primary residential property belonging to a pensioner or a social grantee be made;
11. in accordance with the implementation of the universal approach of the indigent policy improved residential property valued at R130 000 or less will be exempted from refuse and sewer charges. The following sliding scale will be applied for charges on improved residential properties higher than R130 000 on the following basis:
  - a) Properties valued between R130 001 and R170 000 will receive a rebate of 25% in respect of the sewer and refuse charges.
  - b) Properties valued at R170 001 and higher will pay the normal tariff.
12. the amendment of the Tariff of Charges as per **Annexure C (DMS 1403878)** be approved;
13. the Tariff policy as per **Annexure D2 (DMS 1403825)**;
14. any work function or tariff not accommodated in the Tariff of Charges be dealt with as cost plus 20%;
15. in addition to the free 50 units, the indigent customers to be granted additional 300 units that can be bought per month but be capped at 350 units each month;
16. the property rates and tariff adjustments as set out above be dealt in terms of Section 14 of the Local Government: Property Rates Act and Section 24 of the Municipal Finance Management Act 2003;

17. in terms of various policies the following increases in allowances are submitted to Council for approval:

	Approved 2019/20 Tariffs	Proposed Tariffs - 2019/20
	R	R
Standby - Travel allowance	104	109
Standby - Subsistence allowance	68	71
<b>Subsistence allowances</b>		
Daily allowance	147	154
Overnight allowance	197	207
Own accommodation	271	284
Interview candidates	71	74
<b>Accommodation</b>		
All employees	1 232	1 292
All councillors and Section 56 employees	2 065	2 166
Municipal Manager, Mayor/ Deputy Mayor, Speaker and Municipal Chief Whip	3 444	3 613
Ward committee members	1 384	1 452
<b>Indigent Burial Assistance</b>		
Adult	2 717	2 850
Child (1 day to 15 years)	2 065	2 166
Stillborn / foetus	1 413	1 482

18. the profit on sale of all erven be allocated 100% to the Rates and General Capital Replacement Reserve account;
19. should there be any unspent conditional grants received from the National Fiscus at year end, Council hereby requests that the Municipal Manager via letters to the respective transferring officers apply for a roll-over of funds received in **2020/21** financial year to the next financial year, namely the 2019/20 financial year;
20. although Council has an approved Virement Policy, in terms of this 2020/21 MTREF Budget appropriation, a new MFMA mSCOA Circular No 8 (**DMS 1402904**) be adopted with the following:
- no virements (transfers) will be allowed out of:
    - All Repairs and Maintenance Projects unless approval has been sort jointly between the Municipal Manager and the Chief Financial Officer;
    - Purchase of Bulk Electricity and Bulk Water Projects;
  - a Project extending over/ incorporating more than one mSCOA function or sub function, then savings in the budgetary allocation in a function or sub-function may be applied across the functions and/ or sub-functions directly linked to the same Project and Funding Source;
  - Where the Finance and Administrative function or sub function is directly linked to another Function or sub function, then savings in the linked function/ sub-function may be applied in the Finance and Administrative function or *vice versa*<sup>2</sup>. This means that virements between Rates Services and Trading Services and across Trading Service are not allowed;

- Virements should not be permitted in relation to the revenue side of the budget;
  - Virements between functions should be permitted where the proposed shifts in funding facilitate sound risk and financial management (e.g. the management of central insurance funds and insurance claims from separate votes);
  - Virements from the capital budget to the operating budget should not be permitted, Operational funds to the Capital Budget may be done, but only via an Adjustments budget;
  - Virements towards employee related costs should not be permitted, except where:
    - temporary/ contracted (budget for as contracted services in terms to the mSCOA Classification) staff status has changed to permanent staff; or
    - the budget savings resulted from Outsourced Services within the same function in terms of a Council delegated authority).
21. to ensure that monies are spent efficiently and effectively in the repairs and maintenance environment for both operating and capital budgets, no Repairs and Maintenance budget can be utilized unless each project for repairs and maintenance is utilized strictly in terms of the 2020/21 asset maintenance plan and captured accordingly on the Work Break-down Structure of the uM-SAP system; and
22. to ensure that all capital budgets are spent efficiently and effectively, no approved tenders can proceed unless clearly defined work deliverables are documented in the project and captured accordingly in the Work Break- down Structure on the uM-SAP system.