



KZN Housing

uMnyango:

wezeZindlu

ISIFUNDAZWE SAKWAZULU-NATALI

GUIDELINES FOR THE UTILIZATION OF THE ESTABLISHMENT GRANT FUNDING

1 INTRODUCTION

The department is currently experiencing problems with the monitoring of the establishment grant funding(EGF). There are no reporting systems and procedures in place to ensure effective monitoring of these funds. It often happens that the monies expended are not aligned to the development program, and as a result the funding is exhausted before the project is complete.

2 POLICY INTENT

The purpose of this guideline is to ensure that the establishment grant fund is monitored effectively, by putting reporting systems and procedures in place. The Support Organisation (SO) must timeously submit reports to department in the required formats. The establishment grant funding must be used for its intended purpose and cash flows must be aligned to the development program of the project.

3.1 CALCULATION FOR THE ESTABLISHMENT GRANT FUNDING

- 3.1.1** The formula for the calculation of the EGF is:
2.5% of maximum prevailing subsidy amount (MPSA) X no. of beneficiaries.
- 3.1.2** The establishment grant funding for the 2007/2008 financial year is $2.5\% \times 38\,984 = R974.60$ per beneficiary. It must be noted that R974.60 per beneficiary is the maximum amount that may be claimed. The establishment grant will be adjusted annually.
- 3.1.3** The funding that may be applied for can be lower than R913.20 per beneficiary but may not exceed this amount.
- 3.1.4** The actual amount applied for must be motivated by a business plan that sets out in detail the planned activities, acquisitions and costs associated with the running of a support organisation for the entire lifespan of the project.

3.2 APPLICATION FOR ESTABLISHMENT GRANT FUNDING

When applying for establishment grant funding the following must be taken into account.

- How much funding is required? This amount cannot exceed the calculation based on the formula in paragraph 3.1
- The operational costs of the SO. The business plan must indicate each of the activities that will be undertaken and the costs attached thereto.
- The resources that will be required for example, human resources, computers etc.
- The roles and responsibilities of the stakeholders i.e. the Provincial Housing Department, the Municipality and the SO
- Support that the SO may require from the Municipality or other departments
- A skills audit of the beneficiary community must be conducted. The audit will assist with identifying the training needs of the community.

3.3 THE BUSINESS PLAN

The following information must be included in the business plan.

- Type of project for example, consolidation, institutional etc.
- No. of beneficiaries
- Duration of the project.
- The SO must list the activities that will be undertaken for the duration of the project and the costs attached thereto.
How the cost was determined and proof thereof must be submitted with application.
- The business plan must also indicate the support and training that will be provided to the beneficiary community- who will provide the training and how the training will be financed.

3.4 TYPE OF ACCOUNT

- 3.4.1 If the SO is a municipality a specified bank account in terms of the Municipal Finance Management Act must be maintained.
- 3.4.2 If the SO is not a municipality a trust account must be opened in the name of the SO.
- 3.4.3 If the SO is a municipality all payments will be made in the name of the specified account. If the SO is not a municipality all payments will be made in the name of the trust account
- 3.4.4 The interest on the bank account may be used to pay bank charges, and thereafter credited to the specified account/trust account.
- 3.4.5 When the project is completed the outstanding credit balance in the trust account or specified account must be transferred to the MHOA of the respective municipality. Proof of such transfer must be submitted to the MHOA sub-directorate.

3.5 PROCEDURE FOR PAYMENTS

The Support Organization when submitting payments must provide the following information.

- The name of the account
- The name of the person who is raising the invoice
- The amount claimed previously
- The balance in the EGF
- A cash flow forecast must be submitted
- A copy of the invoice
- A copy of the payment must be submitted to the Municipal Housing Operating Account Sub-directorate of the Department

3.6 PROCEDURE WHEN THE PROJECT IS BLOCKED

In the event of the project becoming blocked the following procedure must be followed.

- If the project has not commenced no draw downs must be made against the EGF.
- If the project becomes blocked after the project has commenced all draw downs must stop. The SO must negotiate the suspension of services. Payment may be made for essential services for example, a lease agreement. It must be noted that payments must be stopped to avoid funds being depleted before the project is completed.
- When the project becomes unblocked a revised cash flow that is aligned to the new development programme must be submitted. All payments must be submitted as per the procedure in paragraph 3.5.

3.7 PROCEDURE FOR THE MONITORING OF THE EGF

- 3.7.1 The EGF will be monitored by the Municipal Housing Operating Account sub-directorate
- 3.7.2 The Project Management sub-directorate must ensure that all supporting documents (as outlined in paragraph 3.5) required for payment are submitted. The Project Management sub-directorate must make a copy of the payment available to the Municipal Housing Operating Account sub-directorate.
- 3.7.3 All payments must be made in terms of the business plan and/or cash flow forecast.
- 3.7.4 All payments must be aligned to the project milestones so that the establishment grant funding is not depleted before the project is completed.
- 3.7.5 Professional fees must be claimed proportionately between the EGF and the project budget. The fees must be according to the norms.

3.8 PROCEDURE FOR MONITORING USE OF EQUIPMENT PURCHASED WITH EGF FUNDING

- 3.8.1 An assets register must be maintained of all furniture and equipment that is purchased.
- 3.8.2 Equipment that is obsolete or can no longer be used due to fair and tear must be written off. When writing off is undertaken the a representative from the MHOA component must be present. The person representing the MHOA must sign such write off and disposal of the equipment.
- 3.8.3 Furniture and equipment which can still be used after the project is completed may be transferred to another project in order to reduce costs on the new project. When equipment is transferred to a new project a representative from the MHOA component must be present. The MHOA representative must sign off the transfer of the equipment and furniture to the new project.

3.9 PROCUREMENT

- 3.9.1 If the SO is a municipality, the procurement policy of the municipality must be adhered to.
- 3.9.2 If the SO is not a municipality it must ensure that goods and services are procured in a fair,

equitable, transparent, competitive and cost effective manner.

3.9.3 The SO must have a system/policy in place for evaluating all quotations or tenders received.

3.9.4 The SO must prevent irregular, fruitless and wasteful expenditure.

3.10 REPORTING

3.10.1 The SO maintain proper financial records (in terms of accounting practices) of its affairs.

3.10.2 The SO must submit monthly reconciliation reports (as per the attached annexure) to the Department by the 7th working of the following month.

3.10.3 Asset register of furniture and equipment purchased must be maintained and must be made available to the MHOA sub-directorate on request.

3.10.4 Audited financial statements must be submitted to the MHOA sub-directorate no later than four months after the end of the SO's financial year.

Annexures: Reconciliation Forms

ANNEXURE

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NAME OF SUPPORT ORGANISATION

RECONCILIATION OF ESTABLISHMENT GRANT

		NOTES
GRANT AWARDED		
ADD MISCELLANEOUS DEPOSITS		
LESS EXPENDITURE RECORDED		
ADD INTEREST		
LESS BANK CHARGES		
ADD SUNDRY CREDITS		
ADD UNPRESENTED CHEQUES		
BALANCE AS PER BANK		

CHEQUE CHECK

CHEQUE NO	AMOUNT	PRESENTED	NOT PRESENTED

SCHEDULE 7

BUDGET

HOUSING PROJECT	
ESTABLISHMENT GRANT BUDGET	
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