

**URBAN ENVIRONMENT
MANAGEMENT PROGRAMME
COMPONENT 1 and 3
(National, Provincial, rsp. Municipal partners)**

Proposal:

**Updated (revised) budgets, 2007-08,
based on the financial reporting as of
end of the budget year 2006-07**

**For circulation and endorsement
with the PSC**

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based on the financial reporting as of end of the budget year 2006-07.**

Presentation

The PSC meetings # 4 and #5 endorsed the budgets for 2007-08 before the end of the previous budget year. Thus background information for this endorsement was based on *estimates* of anticipated spending in the previous fin. year, as reported from the partners.

However in the financial reports, submitted after the end of the budget year, it has appeared that the actual spending of 2006-07 was substantially less than anticipated in several cases.

For transparency, PSC should have an overview of the actual spending in 2006-07 in relation to the next years budget. Also in many cases the money, not spent in 2006-07 needs to be rolled over or reallocated. The partners have made specific proposals for this.

This document aims to present the overview and the proposals for PSC endorsement. The table annexes and updates to the extracts of business plans from Ekurhuleni and CT are to be seen as an integrated part of this.

The tables summarize for National and Provincial partners, resp. for Municipal partners:

- The *actual* spending, 2006-07, based on the partners' financial statements, after the end of the budget year.
- Budgets for 2007-08, as already endorsed by PSC meetings # 4 and 5, with *except for the partners: DEAT, Cape Town and Ekurhuleni, in which new budget lines and new budget figures are proposed*

What is new?

In the budget tables cells in PINK cells changes from the budgets endorsed by PSC #4 and PSC #5. The overall changes and principles applied may be summarized as follows:

1. **Background figures** of *actual* spending in previous year, are reduced in comparison to the previous *estimates*.
2. **Money not spent in the previous year** is either rolled over to complete the project of the line item or reallocated. No money is returned.
3. **Rollovers:** According to guidelines from the NT (memo of 15 April. 2007) rollovers can be done without special financial operations. When the partner has requested that the budget line is rolled over, and informed that this money will be spent in line with last year's business plan, with a new date for anticipated successful completion, this is has been included in the proposal.

ITEM 4 (a)

4. **Reallocations:** CT and Ekurhuleni have suggested new projects and budget lines for these, according to revised business plans. These proposals have been followed.
5. **No reduction of 2007-08 budgets.** With budget money from last year and from this year each partner has signed up for tasks corresponding to a total spending of 1.5 – 2 times the budget of a “normal” year - or more. *Some partners have signed up for a spending about 10 ten) times the spending performed in 2006-07.* No partner has proposed to reduce the budgets for 2007-08.
6. **Need for accurate financial management:** As discussed in the Progress Report and the technical update report, both submitted to PSC # 6, this is an absolute necessity.

An UEMP Manual of financial management, edited with the NT was available to all partners by 15 April, 2007. The issue of financial management was also discussed at the UEMP progress workshop (on the 14 Sep 2007). **This needs to be followed up by each partner administration**, inter alia by secure the establishment of line items in the financial system and checking procedures and paper trails, task assignments, etc. (Which have been the typical pitfalls of the previous year).
7. **Need to decide budgets for year 3, which are reasonable in relation to partners’ ability to absorb:** This need for budgeting for year 3 was also highlighted in the presentation of the budgets for year 2 (the year 2007-08).
8. **No changes required in reports or transfers, etc.** With the amendments, proposed by the table, the situation does in general not call for changes in the compiled progress report submitted by the PSC Secretariat to the PSC # 6. Likewise, with the proposed budget update, no changes need be initiated in the transfer of money etc. from Danida to NT and on to the partners.

Proposal:

On this background it is proposed that

- The PSC makes note of the points above, in particular the points 5, 6 and 7 which have direct implication to financial management and to the procedures for next years budgets.
- The PSC endorses the budget update as the budgets to be followed for the year 2007-08.

Annexes

1. UEMP NP Budgets, 2007-08, revised Oct. 07 according to actual spending 2006-07
2. UEMP M Budgets, 2007-08, revised Oct. 07 according to actual spending 2006-07
3. Supplementary Extracts of Business Plan, Ekurhuleni 2007-08
4. Supplementary Extracts of Business Plan, Cape Town 2007-08

(1+ 2 are one xL file, sheets 2 + 3)