



Budgeting Procedures and Policies

Rev 2 –May 2014

1. Introduction:

This Budgeting Procedures and Policies Manual serves to provide the necessary instructions for the annual budgeting processes of the Association. This manual is designed to instill Home Owners confidence in the budgeting procedures by KGE Management Services (Pty) Ltd (KGEMS) and its employees on behalf of the Association.

2. Definitions:

- 2.1. Budget: Annual operating budget for 12 months
- 2.2. Financial year: 01 January to 31 December
- 2.3. Association: The Kingswood Golf Estate Home Owners Association.
- 2.4. Trustee: Trustee of the Kingswood Golf Estate Home Owners Association
- 2.5. Home Owner: A Member of the KGEHOA
- 2.6. KGEMS: KGE Management Services (Pty) Ltd
- 2.7. KGEHOA: Kingswood Golf Estate Home Owners Association

3. Conflict of Interest:

- 3.1. In order to guard against perceived impropriety all employees of KGEMS and Trustees engaged in any budgeting activity shall comply with the following:
 - 3.1.1. Employees and trustees shall be impartial in the discharge their duties
 - 3.1.2. Employees and trustees shall not solicit, demand or accept a commission, gratuity or offer of employment in relation to any decision or recommendation of vendors and consultants.
 - 3.1.3. Employees and trustees shall not use their position to influence decisions in which they or their relations have a financial interest.

4. Duty to Disclose:

- 4.1. Any employee or trustee who has an interest in a service provider or vendor's business is required to declare the interest to the Home Owners Association

5. Local Preference:

- 5.1. It is the policy of the Association to encourage the hiring of local services firms and vendors.

6. Budgeting timeline:

- 1 Aug: Begin information gathering
- 1 Sep: Provide Trustees with first draft
- Sep and Oct: Work with Trustees to finalize budget.
- 1 Nov: Final draft to be circulated to Trustees
- 20 Nov: Signed approved budget
- 1 Dec: Deadline for communicating new budget and levy to HOA members.

7. Format:

- Separate budgets are necessary for Operating expenses and Capital Maintenance expenses.

8. Procedures to follow

- 8.1 Evaluate the structure and layout of the budget so that it is in line with Management Reports and can be reconciled to the Income Statement in the Annual Financial Statements.
- 8.2 Ensure completeness of expense items by comparing to the latest set of Management Reports
- 8.3 Divide the budget into categories for Administration, Security, Management, Maintenance, etcetera.



- 8.4 Evaluate current year budget to actuals and determine where the variances are and the reasons for these variances
- 8.5 Evaluate all of the subcontractor/service provider agreements currently in place for expiry date, contractual increase clauses, and any information relevant to the budget.
- 8.6 If no agreed increase is provided for, negotiate the increase for the budget period.
- 8.7 Obtain new bids where necessary. For guidance, refer to the Procurement Policies of the HOA.
- 8.8 As far as possible, endeavour to compile a zero-based budget.
- 8.9 Always try to keep increases in costs below CPI.
- 8.10 All increases in excess of CPI must be investigated and explained to the Trustee Board by the management company's financial officer.
- 8.11 All trustees should declare their interests in contracts with current and prospective service providers.
- 8.12 The number of levy paying erven must be verified, as this forms the basis of the levy allocation.
- 8.13 If possible provision must be made in the budget to allocate funds to the Operating Reserve Fund. Note that this is different from the Capital Maintenance Reserve fund.

9. Capital Maintenance Reserve:

- 9.1. Ensure that all capital maintenance items are provided for in the Capital Maintenance Budget.
- 9.2. If, at the time of budgeting, no accurate quotes are available, an estimate of costs must be used. This estimate must be approved by the Trustee board.