

PROVINCE OF KWAZULU-NATAL
PROVINCIAL TREASURY

OFFICE OF THE HEAD OF DEPARTMENT



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Date: 14 June 2012
Enquiries: Mr F. Cassimjee
Our Reference: 11/6/13/6

**TO: MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU NATAL MUNICIPALITIES**

PROVINCIAL TREASURY CIRCULAR TC/RM 6 OF 2011/12

SUBMISSION AND PUBLICATION OF APPROVED 2012/13 BUDGET DOCUMENTS AND RETURNS

Reference is made to Provincial Treasury Circulars TC/RM2 of 2011/12 dated 14 December 2011 and TC/RM5 of 2011/12 dated 16 March 2012.

This circular serves to remind municipalities of the pertinent issues raised by Provincial Treasury on the 2012/13 budget process and covers the following main areas:

- (A) Response on the 2012/13 Draft Budget Comments from Provincial Treasury;
- (B) Submission of the Approved Service Delivery and Budget Implementation Plan (SDBIP);
- (C) 2012/13 Budget Verification Process;
- (D) Submission of the 2012/13 Budget Reform Returns to the National Treasury Local Government Database;
- (E) Publication of the Approved Rate Randages, Service Charges and Municipal by By-Laws Related to the Budget;
- (F) Publication of the 2012/13 Approved Budgets on Municipal Websites; and
- (G) Submission of the 2012/13 Approved Budget Documentation.

(A) Response on the 2012/13 Draft Budget Comments from Provincial Treasury

Section 23(1)(b) of the Municipal Finance Management Act (MFMA) states that *the municipal council must consider any views of the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget.*

Section 23(2)(b) of the MFMA further states that *after considering all the budget submissions, the council must give the mayor an opportunity to respond to the submissions.*

Furthermore, in the budget comments issued by Provincial Treasury, your municipality was requested to ensure that when tabling your final budget to Council for approval, a copy of our correspondence on the budget is included and that a copy of the relevant resolution is forwarded to our offices.

You are reminded to forward to Provincial Treasury your response on our budget comments and the Council resolution indicating that our comments were tabled in Council within ten working days after the Council has approved the annual budget.

(B) Submission of the Approved Service Delivery and Budget Implementation Plan (SDBIP)

Your municipality is further reminded that the Mayor must approve the Service Delivery and Budget Implementation Plan (SDBIP) within 28 days after the budget is approved as per Section 53(1)(c)(ii) of the MFMA.

Please ensure that the SDBIP contains the following five necessary components and that the information reflected reconciles to the information in the budget:

- i. Monthly projections of revenue to be collected for each source;
- ii. Monthly projections of expenditure (operating and capital) and revenue for each vote;
- iii. Quarterly projections of service delivery targets and performance indicators for each vote;
- iv. Ward information for expenditure and service delivery; and
- v. Detailed Capital works plan broken down by ward over three years.

In terms of Section 20(2)(b) of the Municipal Budget and Reporting Regulations (MBRR), *the Municipal Manager must submit to the National Treasury and the relevant Provincial Treasury, in both printed and electronic format, the approved service delivery and budget implementation plan within ten working days after the mayor has approved the plan.*

(C) 2012/13 Budget Verification Process

Prior to publishing the budget information for all municipalities, National Treasury verifies the correctness of the information submitted by municipalities by comparing the following three sources of information:

- The approved budget, which consists of the components reflected in the attached Annexure A;
- Schedule A1, which is the electronic version of the main budget Tables A1 to A10 and supporting Tables SA1 to SA37; and
- The annual budget reform returns submitted to the National Treasury Local Government Database (lgdatabase).

Municipalities must ensure that all these three sources of information reconcile. The Provincial Treasury and National Treasury will conduct a budget verification process before publishing the 2012/13 approved municipal budgets.

(D) Submission of the 2012/13 Budget Reform Returns to the National Treasury Local Government Database

Each year National Treasury publishes a consolidated set of budget information for all municipalities. To enable National Treasury to publish this information, municipalities are required to upload the following Annual Budget Returns to the National Treasury Local Government Database (lgdocuments@treasury.gov.za) in July of each year:

OSB – Statement of Financial Performance

CA – Budgeted Capital Acquisition

CFB – Budgeted Cash Flow

GSR – Grants and Subsidies Received

GSG – Grants and Subsidies Given

SP – Strategic Plan with links to budget

AM – Asset Management

BS – Budgeted Balance Sheet

It must be noted that the budget figures published quarterly by National Treasury in the *Local Government Revenue and Expenditure Section 71 Report* is derived from the Annual Budget Returns.

To ensure that correct numbers are published by National Treasury, the A1 budgets schedule, as adopted by Council, must correspond with the budget information reflected in the Annual Budget Returns.

The Annual Budget Returns may be downloaded from National Treasury's website at www.treasury.gov.za. Should your municipality require assistance on the completion of these returns, please contact the Provincial Treasury. The onus rests with Accounting Officer to ensure that their municipality fully complies with all reporting requirements.

(E) Publication of the Approved Rate Randages, Service Charges and Municipal By-Laws Related to the Budget

Section 24(2)(ii) of the MFMA requires municipal budgets to be approved before the start of the new financial year. The council must also adopt resolutions relating to municipal taxes and tariffs and any proposed amendments to the budget related policies as per Section 17(3)(a)(ii) and 17(3)(e) of the MFMA. In terms of the Municipal Systems Act (MSA), municipalities must adopt by-laws to give effect to the implementation and enforcement of their budget related policies, which includes, inter alia, the following policies:

- **Tariff Policy**

Section 74(1) of the Municipal Systems Act (MSA) requires that *a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality or by way of service agreements*. The municipality is also reminded that the electricity tariffs must be approved by NERSA before 30 June 2012 in order for the new tariffs to take effect.

- **Rates Policy**

In terms of Section 6 of the Municipal Property Rates Act (MPRA), a municipality must adopt By-Laws to give effect to the implementation of its rates policy.

- **Credit Control and Debt Collection Policy**

In terms of Section 98 of the Municipal Systems Act (MSA), the Council must adopt by-laws to give effect to the municipality's Credit Control and Debt Collection policy, its implementation and enforcement.

According to Section 13 of the Municipal Systems Act (MSA), in order for a municipal by-law passed by a municipal council to take effect, *it must be published promptly in the Provincial Gazette and, when feasible, also in a local newspaper or any other practical way to bring the contents of the by-law to the attentions of the local community.* Furthermore, a municipal by-law *takes effect when published or on a future date determined in or in terms of the by-law.*

The onus rests with Accounting Officer to ensure that the municipality fully complies with these requirements.

(F) Publication of the 2012/13 Approved Budgets on Municipal Websites

In terms of Section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets and all related-documents, annual reports (containing audited Annual Financial Statements), all budget-related policies and all quarterly reports tabled in Council in terms of Section 52(1)(d) of MFMA and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance and compliance with the MFMA.

(G) Submission of the 2012/13 Approved Budget Documentation

In terms of Section 9 of the Municipal Budget and Reporting Regulations (MBRR), *the annual budget and supporting documentation of a municipality must be in the format specified in Schedule A and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.* Information that should be included in Schedule A is listed in the attached Annexure A.

Section 24(3) of the MFMA, read in conjunction with Section 20(1) of the Budget and Reporting Regulations (MBRR), further requires that the approved annual budget and supporting council resolution must be submitted to the Provincial and National Treasuries in electronic and hard copy format within ten working days after the Council has approved the annual budget. For example, if the Council approves the annual budget on 31 May 2012, the final date for the submission of the approved budget and budget documents is **Wednesday, 14 June 2012**, otherwise an earlier date applies.

Your municipality is reminded to forward the 2012/13 approved budget and related documents, ensuring full compliance with all the components reflected in the attached Annexure A, to the following addresses:

PROVINCIAL TREASURY

Printed copies of the required documents can be couriered or hand delivered to:

The Provincial MFMA Coordinator
Provincial Treasury
7th Floor Treasury House
145 Chief Albert Luthuli Street
Pietermaritzburg
3201

FOR ATTENTION: URASHNA GOBERDHAN

Electronic copies of the required documents must be e-mailed to mfma@kzntreasury.gov.za.

NATIONAL TREASURY

Printed copies of the required documents can be sent to:

Posted documents:

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

Couriered documents:

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

Electronic copies of the required documents must be e-mailed to lgdocuments@treasury.gov.za. In the event that the file size exceeds 4 Mega Bytes (MB), then please send them to lgbigfiles@gmail.com.

Yours sincerely



MR L.S. MAGAGULA
HEAD: PROVINCIAL TREASURY

CC MAYORS

Schedule A

As per the Municipal Budget and Reporting Regulations, the following information should be included in Schedule A:

PART 1 – ANNUAL BUDGET

- Mayor's report
- Resolutions
- Executive summary
- Annual budget tables

PART 2 – SUPPORTING DOCUMENTATION

- Overview of annual budget process
- Overview of alignment of annual budget with Integrated Development Plan
- Measurable performance objectives and indicators
- Overview of budget-related policies
- Overview of budget assumptions
- Overview budget funding
- Expenditure on allocations and grants programmes
- Allocation and grants made by the municipality
- Councillor and board member allowances and employee benefits
- Monthly targets for revenue, expenditure and cash flow
- Annual budgets and service delivery and budget implementation plans internal – departments
- Annual budgets and service delivery agreements – municipal entities and other external mechanisms
- Contracts having future budgetary implications
- Capital expenditure details
- Legislation compliance status
- Other supporting documents
- Annual budgets of municipal entities attached to the municipalities annual budget
- Municipal manager's quality certification

Details on the contents of each of the above sections are provided in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 of 2 of the Government Gazette No. 32141 dated 17 April 2009.