



Medium Term Expenditure Framework Treasury Guidelines

**KwaZulu-Natal Provincial Treasury
June 2024**

To obtain additional copies of this document, please contact:

Provincial Treasury
5th Floor
Treasury House
145 Chief Albert Luthuli Street, 3201
P.O. Box 3613
Pietermaritzburg, 3200
Tel: +27 (0) 33 897 4442
Fax: +27 (0) 33 897 4617
E-mail: dhavisha.jugmohan@kzntreasury.gov.za

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Introduction

The *Medium Term Expenditure Framework (MTEF) Treasury Guidelines* document is issued to departments and public entities each year to facilitate the preparation of the MTEF budget submissions. This document serves as a tool for provincial government and public entities to implement budget reforms, and the following are some of the major developments that affect the 2025/26 MTEF budget process:

- The world at large is still recovering from the effects of the Covid-19 pandemic on the economy and supply chains. Following the pandemic, the South African economy remains weak, with massive unemployment, and is burdened by energy crises, the largest budget deficit since the end of the apartheid era and rapidly growing public debt. Compounding this situation is the ongoing impact of events such as the war between Russia and Ukraine and natural disasters on the macro-economic environment, including the KwaZulu-Natal (KZN) 2022 floods and the recent tornado in oThongathi, as well as the July 2021 unrest in KZN.
- Government's fiscal strategy has been to stabilise debt and put South Africa on course to achieve a primary surplus in 2024/25 and stabilise the debt-to-GDP ratio in 2025/26. Over time, debt stabilisation will reduce borrowing costs and the cost of capital, attracting investment that can support the economy.
- This government's chosen fiscal path is not easy, as it is mainly achieved through expenditure reduction, which has resulted in massive cuts to provincial budgets. KZN has already suffered a series of significant cuts in the previous MTEF cycles, mainly attributed to fiscal consolidation budget cuts and compounded by the continuous Provincial Equitable Share (PES) review and data updates. Over the 2021/22 MTEF, KZN lost R10.628 billion, R16.616 billion and R22.085 billion in PES funding as a result of the fiscal consolidation budget cuts, as well as amendments made due the annual updates of the formula and update of the population date feeding into the PES formula. Included in this reduction are the wage freeze. All of these fiscal consolidation cuts have a carry-through impact on the 2025/26 MTEF. These cuts were effected by National Treasury across government in order to rein in *Compensation of employees* spending, which is crowding out service delivery spending. In addition, there were further PES cuts in the 2023/24 MTEF process as a result of data updates and under-funding of the 2023 wage agreement. Furthermore, there were fiscal consolidation budget cuts in the 2024/25 MTEF due to National Treasury collecting lower than anticipated revenue through SARS which necessitated these cuts.
- These fiscal consolidation cuts that specifically target *Compensation of employees* require that departments and public entities carefully assess their organograms and take decisions to not fill certain non-essential posts when they become vacant. Departments and public entities are required to consider the impact of the cuts on their mandates and to undertake budget reprioritisation in time and in line with budget submission deadlines, which are as follows:
 - o First draft 2025/26 MTEF budget submissions, including draft *EPRE* chapter and database are due to Provincial Treasury by **15 July 2024**. It is stressed that public entities must submit their budget submissions to their parent departments a few days prior to this date. **The aim is that parent departments must assess each entity's submission and then forward the input, as well as their own analysis and recommendations, to Provincial Treasury.**
 - o Second draft 2024/25 MTEF budget submissions, including draft *EPRE* chapter and database are due to Provincial Treasury by **4 November 2024**. Again, public entities must submit their

budget submissions to their parent departments a few days prior to this date. **The aim is that parent departments must assess each entity's submission and then forward the input, as well as their own analysis and recommendations, to Provincial Treasury by 4 November 2024.** Draft Annual Performance Plans (APPs) must be submitted to the Office of the Premier (OTP) and Provincial Treasury on **15 October 2024.**

The elements above are discussed in the ensuing chapters of the document:

Chapter 2 highlights the focus of the 2025/26 MTEF policy priorities, as well as the alignment of the budget with national and provincial strategic priorities.

Chapter 3 describes the budget process.

Chapter 4 describes the reprioritisation of the budget.

Chapter 5 describes the alignment of the infrastructure process with the budget process.

Chapter 6 describes the format of the 2024/25 MTEF budget submissions.

Chapter 7 contains the budget submission tables.

Chapter 8 contains Annexures.

2

Focus of the 2025/26 MTEF policy priorities

The government continues to conduct critical re-assessments of existing expenditures and the policies upon which they are based on the principles of efficiency, effectiveness and affordability. These are widely known as the spending reviews, which have the primary purpose of re-examining expenditure baselines to identify efficiency gains and savings, as well as to implement an evidence based analytical budgeting system. These expenditure analyses will inform cost models that anticipate different spending scenarios and their impact on service delivery. Departments and public entities need to carefully consider undertaking spending reviews when preparing their budgets, or to use the results of spending reviews that have already been undertaken.

The government is also in the process of adopting three budget reforms as a tool to identify, clarify, weight and mark relevant expenditures in government's budget system. National Treasury is undertaking a process to refine the objectives, assess capacity needs and raise awareness within government departments and entities in order to implement these budget reforms, namely the Gender Responsive Budgeting (GRB), the Science, Technology and Innovation, as well as the Climate Budget Tagging (CBT). At present, National Treasury is in the process of piloting GRB in various departments prior to roll-out across national and provincial departments. National Treasury is also intending to run pilot projects relating to zero-based budgeting and it can be expected that this will also impact future budget preparation processes. Departments and public entities are therefore encouraged to start considering these budget reforms on their respective budgets and to be mindful of these aspects.

For the 2025/26 MTEF, the fiscal consolidation programme continues, though National Treasury has not indicated, at this stage, that there will be further budget cuts. The budget cuts made to date remain in the province's baseline though and the provincial focus, taking into account the current baseline, will continue to be on addressing the triple challenges of poverty, unemployment and inequality, in line with the 2021 version of the PGDS, in an attempt to eliminate poverty.

In light of the highly constrained fiscal environment the province finds itself in, departments and public entities should **not motivate** for funding new initiatives over the 2025/26 MTEF, as **no new initiative** can be funded in the 2025/26 budget. However, departments and public entities should provide detailed information in relation to **one** core service delivery area that has been negatively affected by the carry-through budget cuts implemented over the 2021/22 MTEF with financial implications. This information will be used for discussions by the Ministers' Committee on the Budget (MinComBud) and will be presented to the Provincial Executive Council on the funding needs of the province.

2.1 Managing fiscal constraints

The impact of the higher than budgeted carry-through wage bill and fiscal consolidation reductions against provinces' baselines continues over the 2025/26 MTEF, due to declining national revenues, and also due to a need to fund sectors that are most affected by the extensive budget cuts, such as Health, Education and Social Development. These carry-through amounts are R22.596 billion, R23.613 billion and R24.671 billion in 2023/24, 2024/25 and 2025/26, respectively. Furthermore, the Covid-19 pandemic highlighted the urgent need for broad-based reforms in public entities so that they can become efficient and financially sustainable. These reforms include finalisation of the rationalisation process and stronger policy certainty and implementation among others.

2.2 Alignment of the national and provincial strategic priorities with the budget

Planning and budgeting are closely related processes, therefore it is important for budget plans to link to strategic plans to ensure that the outcomes, outputs and priorities are budgeted for. As previously mentioned, departments and public entities are required to forward their various draft APPs to OTP who will share these with Provincial Treasury. The oversight departments will assess these plans and give departments and public entities feedback.

Departments must therefore ensure that, where applicable, sectorally defined service delivery information (sector specific indicators) is used in determining their budgets and this must be included in the second draft *EPRE* inputs. In cases where departments are not following sectoral measures, then a letter requesting deviation must be forwarded to OTP (and copied to Provincial Treasury) for annual submission to DPME.

It is important that departmental budget and strategic planning teams do not work in isolation from one another. There is a need for close liaison between them to ensure that what is planned is budgeted for. This is of particular importance in compiling Sections 2 and 3 of the *EPRE* (the Review and Outlook). However, Provincial Treasury acknowledges that the budget and APP planning cycles are currently not properly aligned, and that the first draft budget submission is due before the draft APP is finalised. DPME has been made aware of this disjuncture. In the interim, however, the deadline for the first draft budget submission needs to be adhered to, and major strategy changes that impacts on the budget will have to be incorporated at the second draft budget submission.

3

The budget process

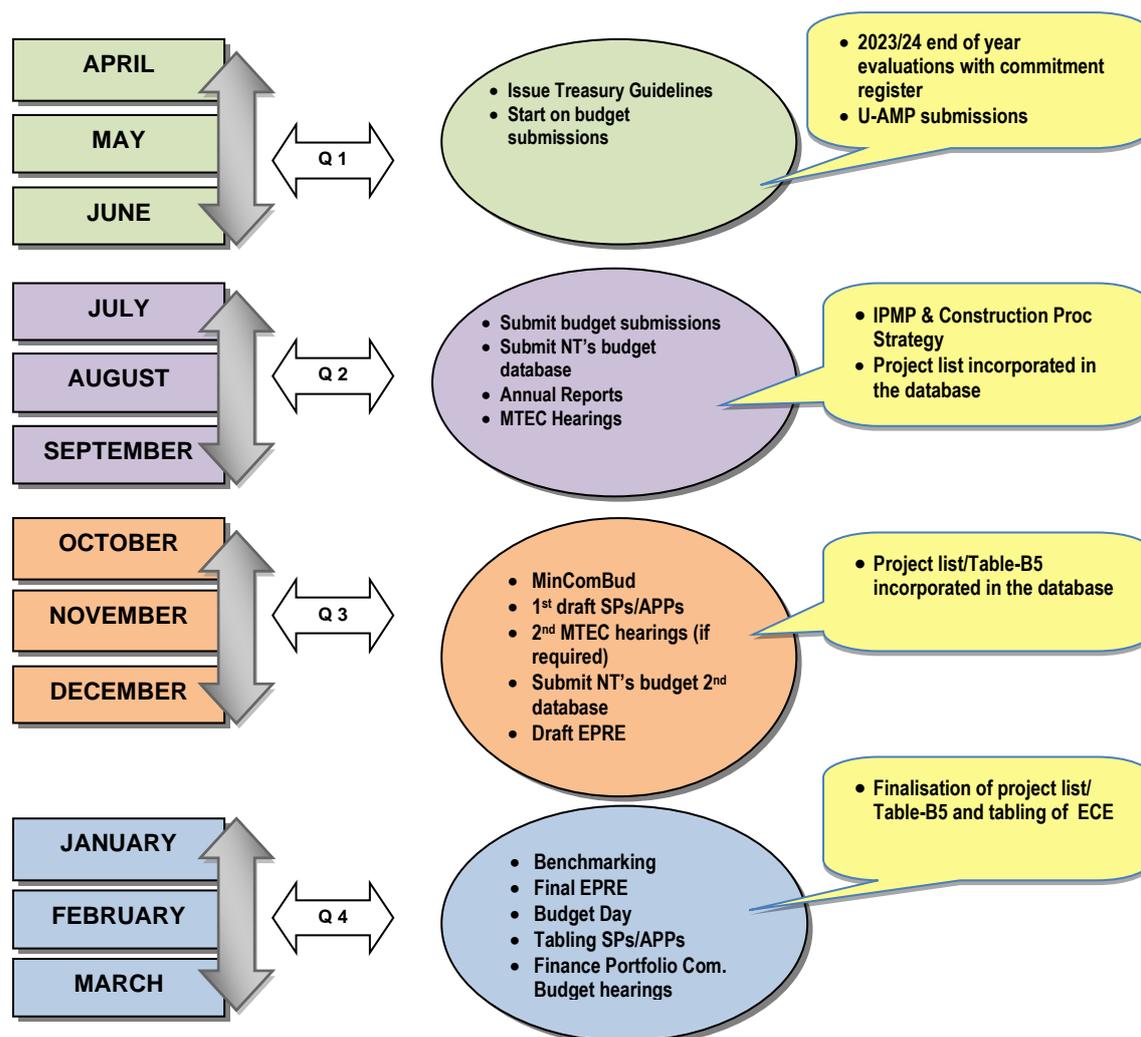
The MTEF details a three-year rolling expenditure and revenue plan for provincial departments and public entities, and is designed to match the overall resource envelope, estimated through ‘top-down’ macro-economic and fiscal policy processes, with the bottom-up estimation of the current and medium-term cost of existing departmental plans and expenditure programmes.

The budget process allows government to:

- Prepare the 2025/26 expenditure estimates in the context of enhancing service delivery and ensuring value for money.
- Strengthen and evaluate the alignment between medium and long-term plans, with special focus on the new 2025/26 to 2029/30 Strategic Plans.
- Revise its policy priorities, macro-economic framework and resource envelope.
- Evaluate departmental and public entities’ plans in line with the national outcomes, provincial priorities and the objectives of the PGDS.
- Involve various role-players that provide political and technical advice when faced with trade-offs between competing spending priorities.
- Focus on changing the structure of the economy from a resource extraction economy to a more production-led economy that can create employment opportunities.
- Focus on fiscal prudence by way of cost-cutting, ensuring enhanced service delivery, as well as value for money.
- Compile a reprioritised budget (with the focus on cost-cutting) that is aligned with the national outcomes, as well as provincial priorities. Note that this approach builds on previous years’ budget reforms. Note that, following the 2024 national and provincial elections there may be changes in national and provincial priorities and, once these are known, they will be communicated to budget and planning teams.
- Obtain the required authority (voting process) from the Provincial Legislature to spend.

3.1 The budget process diagram

Diagram 1 provides an outline of the budget process, which is explained in more detail in the paragraphs below:



3.2 The 2025/26 MTEF budget submission

For the 2025/26 MTEF, departments and public entities are expected to prepare budget submissions in accordance with the format prescribed in Chapter 6 of these *Guidelines*. These submissions include the first draft *EPRE* chapter and the first draft database which must be submitted to Provincial Treasury by **15 July 2024**.

Departments are further required to submit the second draft *EPRE* chapter and the second draft database to Provincial Treasury by **4 November 2024** in accordance with the same format prescribed in Chapter 6 of these *Guidelines*, with the first draft SPs/APPs due on **15 October 2024** to OTP.

Spending at District Municipal level

For the 2024/25 MTEF, departments and public entities were required to provide a summary of their budget spending at District Municipal level. This is to show how the departmental and public entity budget spending is allocated across the various districts in the province. This will be continued over the 2025/26 MTEF to provide a better spatial perspective of the provincial budget, in line with the Provincial Spatial Development Framework and the District Development Model.

In summary, the 2025/26 MTEF budget submissions should include the documents listed in Chapter 6 of this guideline document.

3.3 Medium-term allocation process (MTEC Hearings) and Provincial Executive Council approval

The documents listed in Chapter 6 will be used by the budget analysts from Provincial Treasury when preparing for the Medium Term Expenditure Committee (MTEC) Hearings.

The MTEC is a technical committee responsible for the evaluation of budget submissions, and making recommendations thereon to the MinComBud and subsequently to the Provincial Executive Council and consists of various units from Provincial Treasury, as well as officials from National Treasury.

This year, there is no MTEC Hearing planned at this stage, and any matters for discussion will be communicated to departments for responses via formal letters in late **September 2024**.

Departments' Accounting Officers, Chief Financial Officers, senior officials, as well as public entities are invited to the MTEC Hearings, where your budget inputs will be considered. It is anticipated that the province will receive its first draft allocation letter from National Treasury after the Minister of Finance has tabled the Medium-Term Budget Policy Statement (likely in early November). The MTEC will then make preliminary recommendations, based on discussions held, and allocations received from National Treasury, to MinComBud, for consideration in **November 2024**. Thereafter, the MinComBud recommendations will be presented to the Provincial Executive Council for approval.

It is noted that departments and public entities should not wait for the preliminary allocation letters before preparing the *EPRE* chapters, but they can start preparing the documents earlier and can always update these inputs when the allocation letters are received.

Following the Provincial Executive Council's approval, preliminary allocation letters will be issued by Provincial Treasury to departments in **November 2024**. Once these letters have been received, departments will be required to update their 2025/26 *EPRE* (including the MTEC database), and finalise their draft SPs/APPs for the 2025/26 MTEF period, accordingly. **Please note that the detailed financial summary tables for public entities included in the *EPRE* as an annexure need to be submitted, together with the second draft budget submission, to the parent departments.**

3.4 Recurrent problems and potential risk areas

Provincial Treasury is still experiencing recurrent problems including potential risk areas that might impact negatively on the 2025/26 MTEF budget process. Departments and public entities are urged to address these problems and risk areas. There is also guidance provided to improve the quality of budgeting and reporting documents, as follows:

- **Budget/Database/EPRE related matters:**

- Some departments and public entities are still not involving the relevant portfolio committees in the budget process early enough, and this area needs to receive greater focus. Departments need to be aware that there are likely to be new portfolio committee members following the 2024 elections. Departments must involve their portfolio committees during the planning process, particularly with regard to the reprioritisation and the impact of national and provincial priorities. **This should be done before the submission is finalised and submitted to Provincial Treasury.** Departments and public entities are required to provide Provincial Treasury with the minutes from the portfolio committee meetings, or written confirmation from the HODs/CFOs, to allow the budget analysts to verify the committees' involvement.
- There continues to be difficulties in some departments/entities to align budgets and plans (both implementation plans and service delivery planning). This will be closely monitored by OTP and DPME going forward. In order to address this, and to ensure that there is clear alignment between plans and budgets, OTP will continue to build the capacity of departments and public entities in this regard.
- Several departments and public entities are still not complying with both Treasury and statutory deadlines. For example, some do not submit their budget submissions on time, and/or the

budget submissions are not signed off by the MEC and/or the Accounting Officer. Late submissions make it difficult for Provincial Treasury to meet the many tight deadlines stipulated during the process. **In cases of consistent non-compliance with deadlines, Provincial Treasury will refer the matter to the relevant MEC, via the MEC for Finance.** Departments are reminded that MECs must sign-off on the first and second draft budget submissions by way of an MEC letter. The third draft budget submission, if not signed off by the MEC, needs to be signed off by the Accounting Officer.

- o Departments are reminded that their Executive Authority is accountable for the accuracy and management of the budget. As such, departments **MUST** ensure that budget figures that are submitted to Provincial Treasury are accurate and reflective of the strategic mandate of the department. Where funds are gazetted to municipalities, departments should make sure that the correct budget has been gazetted to specific municipalities in line with the service level agreements (SLAs).
- o Departments need to ensure that the strategic plans of the department are achievable within the available baseline, especially in light of the fiscal challenges that the country faces. Furthermore, departments need to ensure that priority is given to the roll-out of their core service delivery mandates, and that non-core service delivery areas of spending, such as events, are scaled down.
- o It has been noted that some departments do not accurately populate the *Personnel* sheet of the database. Departments are reminded to involve the Human Resource unit in completing the database to ensure that accurate personnel figures are provided, as this information is used to provide analysis of the department's *Compensation of employees* composition. PT notes that there have been instances where departments submitted negative headcounts, which are clearly erroneous.
- o There is still a lack of communication between public entities and parent departments, in particular where allocation letters and funding agreements are concerned. Departments **MUST** provide an analysis of the budget submissions of their public entities, with particular focus on the initiatives funded by them. The onus is on public entities to ensure they submit their inputs to their parent departments in good time.
- o Some departments are still not fully aligned to the sector specific budget and programme structures. In addition, some sectors continuously revise their budget structures, and this complicates and confuses the budget and planning processes unnecessarily. Provincial Treasury (Public Finance) needs to be kept informed of any progress where some sectors are still reviewing programme structures. If a department's budget and programme structure is not aligned to the sector, formal reasons for deviations need to be provided, and authority to deviate must be sought from National Treasury on or before **30 June 2024**.
- o The ongoing restructuring of departments' and public entities' organograms needs to be carefully examined, monitored and controlled, as a large proportion of the provincial budget is tied up in *Compensation of employees* spending and, hence, growth in staff numbers is likely to crowd out service delivery spending unless these numbers are carefully controlled. Departments should ensure that they comply with the Amended 2015 Organisational Design directive on changes to the organisational structures by departments which was issued by DPSA on 13 September 2016, specifically Section 9.6 in respect of consultation requirements.
- o As such, departments/public entities were told to implement a moratorium on the filling of non-critical posts, and to look at staff becoming more focused and streamlined in their various work processes. Some departments and public entities over-spend due to lack of control of the restructuring process and the filling of unbudgeted posts. **Departments and public entities must therefore ensure that all newly created structures/posts are funded from their existing baseline, because of the impact that this might have on the MTEF budgets, as well as ensure that approval is obtained from the MEC for Finance and the Premier for the filling of posts, as per Circular PT (12) of 2015/16, PT (10) of 2016/17, PT (3) of 2019/20,**

PT (2) of 2019/20, PT (1) of 2021/22 and PT (5) of 2022/23. In 2023/24, DPME issued a national directive regarding the filling of posts and OTP has issued circulars guiding departments on the process to be followed when filling vacant posts in relation to cost-cutting measures. The DPME's latest directive is dated 23 March 2024, as well as DPSA circular 20 of 2024 (dated 2 April 2024). In addition, OTP has issued a number of letters to HODs and CEOs dated 20 October 2023, 12 December 2023 and 10 April 2024. Departments and public entities should note that there is a drive to control growth in headcount numbers in view of the recent unbudgeted wage agreement and this should be kept in mind when planning human resource requirements.

- o Inputs provided in the third draft budget submission relating to the *Review of the 2023/24 financial year* and the *Outlook for the 2024/25 financial year* must be signed off by the Accounting Officer as parts of these inputs are used when the MEC for Finance's budget speech is prepared and the inputs must thus be factually correct.
- o There are still many departments/entities that capture decimals in the database. These result in balancing issues and create significant extra work for PT staff. All departments/entities **must ensure that all decimals are removed prior to submitting the database**, otherwise databases will be returned for correction.
- o Some departments captured reprioritisation in the wrong columns in the database. The reprioritisation columns are clearly marked and follow immediately after the "Indicative baseline" columns for the first two years of the MTEF. The remaining columns headed "Reductions to baseline" and "Additional funds" are for budget cuts and additional funding (equitable share and/or conditional grants), respectively, and should correspond to cuts or additions set out in PT's allocation letters.
- o The narrative for the Review and Outlook section of the EPRE is often received very late resulting in delays in finalising the EPRE on time. Departmental budget teams and M&E/Strategic Planning unit are requested to begin liaising in December 2024 in this regard so that the input is available early in January 2025.
- o Departments are reminded that there has been a change in the order of some level 4 *Goods and services* items and this will need to be carefully monitored when capturing in the prior years, current and MTEF numbers in the database. PT has requested NT to provide a macro to address this when moving data from the 2024/25 databases to the 2025/26 database, but PT has not received any feedback in this regard as yet.
- o NT sent a report after the 2024/25 process outlining areas where we could improve in the EPRE narrative. The report was shared with departments (with examples of best practice) and focus primarily on the Procurement and Training sections. The report will be shared on request later in the year when departments begin compiling their EPRE narrative inputs.
- o The departments of Health, Education and Transport need to note that they will be subjected to First Charge budget reductions in 2025/26 and over the MTEF. The treatment of these cuts will be communicated when the first allocation letter is issued.
- **IYM related matters:**
 - o A number of public entities continue to submit their IYMs after the due dates. Also, some departments and public entities submit incomplete IYMs and the quality of information is poor and projections are not credible. In addition, some of the departments' actual expenditure figures do not tie back to the Vulindlela figures (which feed from BAS reports). Departments and public entities are reminded to carefully revise their projections monthly, taking into account unforeseen delays in projects, delays in filling of posts, etc. Where departments and public entities require assistance with their projections, they can approach their Budget Analyst for guidance. Note that the 2024 wage agreement costs should be included in projections even though there is no indication yet of any additional funding in this regard.

- o Departments with transfers to municipalities and transfers to public entities must ensure that both the transfers section and the spending section are correctly captured. Departments need to follow up with their transfer recipients to get accurate spending information. It is not a given that the spending section is a mirror image of the transfers section.
- o It has been noted that some transfers commence much later in the year than initially anticipated in the annual cash-flow document. Departments often attribute this to delays in finalising SLAs with recipients. It is requested that departments prioritise these processes and finalise them earlier in the year as budgets are known well before the commencement of the financial year in April.
- o **THERE MUST BE NO DECIMALS USED** in the IYM as this results in programmes, sub-programmes and economic classification categories not balancing. **Where formulas have been used they must be removed. Note that if the IYM model is received with decimals, this will be returned for correction.**
- o In terms of **Section 40(4) (c) of the PFMA**, an accounting officer of a department must, within **15 days** of the end of each month, submit the actual revenue and expenditure and projections for the remainder of the financial year in the prescribed format (IYM) to the relevant treasury and executive authority responsible for that department. Projections are invaluable for planning purposes, and serve as an early warning system for departments and Provincial Treasury, should over/under-expenditure be anticipated. It is noted that some departments' projections are calculated by dividing the budget available by the number of months remaining in the financial year, and that should not be the case. Accurate projections are required from each department in order that Provincial Treasury can anticipate the monthly and annual spending of the province as a whole, and can undertake meaningful decisions. Despite this being raised as an issue every year, the problem still remains and needs to be addressed. Where departments and public entities require assistance with their projections, they can approach their Budget Analyst for guidance.
- o Some departments show IYM projections that are not reflective of the anticipated spending patterns and pressures of the department. Departments are encouraged to show credible IYM projections that are in line with their spending patterns. Projected spending pressures should be credible and the department should be able to substantiate such projections.
- o It is noted that some departments continue to spend specifically and exclusively appropriated funds, as well as conditional grant funding for different purposes than those for which these funds were appropriated. This is in contravention of the PFMA and Treasury Regulations. Departments are reminded that, if funds that are specifically and exclusively appropriated are not spent by year-end, the department should show year-end under-expenditure by an amount that is equivalent to or larger than the amount specifically and exclusively appropriated (including conditional grants).
- o Departments are reminded of the PFMA and Treasury Regulations rules regarding *Transfers* and *Capital*. New transfers may not be introduced and existing transfers may not be increased without Provincial Treasury approval. This needs to be obtained **prior** to the transfer taking place. **Note that *ex post facto* approval for these requests will not be approved.** Any reduction in a *Transfer* or *Capital* requires Legislature approval. This means that, once the Adjustments Estimate process in November is complete, no further reductions in *Transfers* or *Capital* can be undertaken, as there is no further window of opportunity to approve these. Note also that departments cannot move more than 8 per cent of either the source programme or the receiving programme after the Adjustments Estimate, as this requires Legislature approval. Department are also reminded that requests for approval of virements should come to PT via your budget offices. There have been instances where individual units send request directly to PT without involving their budget teams, resulting in request being in breach of the PFMA/Treasury Regulations requirements.

- o Public entities are reminded that their IYM submissions need to be signed off by both the CFO and COE.
- o Departments and entities are reminded to complete the deviation sheet on the IYM where prompted by the model. PT requests that deviation of less than 2 per cent (which are not prompted by the model) are also completed as this assist in compiling monthly variation reports for Cabinet and reduced the number of emails/phonecalls seeking reasons for deviations.
- o Departments and entities are reminded that the Main budget column (column “Y”) may not be changed after capturing the EPRE budget. If there are amendments (virements, shifts, etc.) up to the Adjustments Estimate these need to be captured in the adjustments columns to the right of the spreadsheet. For departments these are columns AE to AP and for entities columns AE to AH. Movements after the Adjustments Estimate need to be captured in columns AR to AT for departments and AR to AS for entities. These columns automatically update the “Adjusted” and “Available funds” columns.
- o The March “cash outflow” spike continues to be noted by Provincial Treasury, suggesting lack of proper planning on the part of departments and public entities, as well as fiscal dumping.

Figure 1 shows an example of the spike, in respect of one of the departments, and the spending of many departments reflected a similar picture.

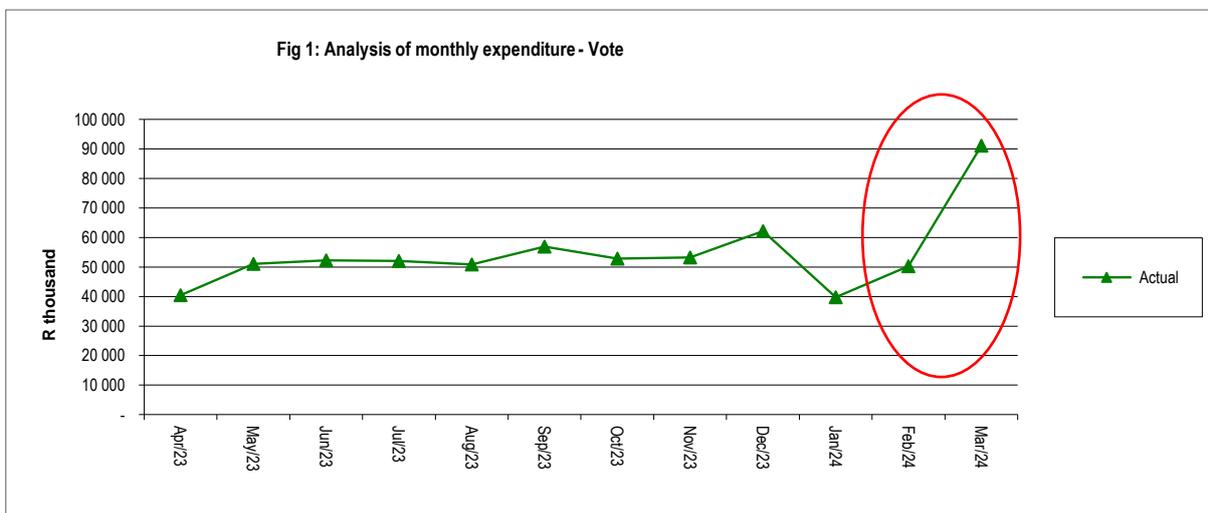
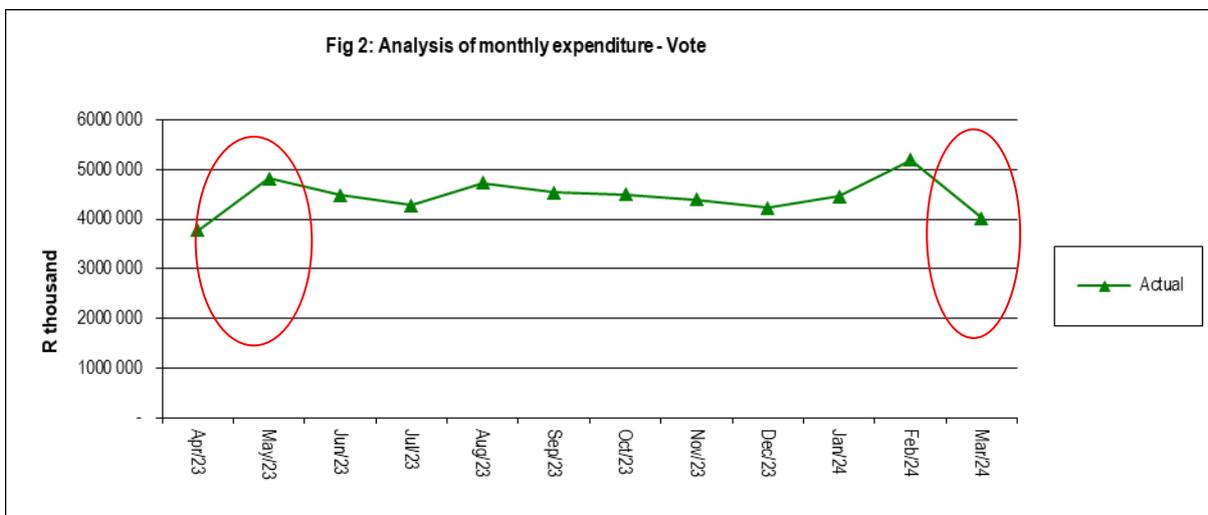


Figure 2 shows a new trend where there are instances of a March dip and April/May spike in spending. This is indicative of departments not managing their cashflow correctly and the resultant annual accruals increasing year-on-year.



- **Cost-cutting related challenges:**

- The cost-cutting oversight process (excluding the filling of posts) has been devolved to the Accounting Officers/ Accounting Authorities and that the oversight role is no longer carried out by the Public Finance unit in PT.
- As a guide to cost-cutting, the 2023/24 circular (PT 1) remains in effect.
- The approval process for the filling of posts will remain unchanged with submissions to be sent to the Office of the Premier, who will then forward these to PT for processing. For the confirmation of available budgets (acting allowances), submission are to be sent directly to PT.
- Departments and public entities are reminded that it is imperative to adhere to the cost-cutting measures as part of good governance, in order to protect service delivery spending in the province.

3.5 Final stages of the budget process (EPRE)

The preparation of the provincial budget goes through various stages that span over a period of nine months, including reprioritisation of budgets by departments and public entities, political oversight, MTEC budget hearings, recommendations by MinComBud and approval by the Provincial Executive Council. Once these processes are finalised, departments receive allocation letters which may include additional funding from National Treasury and provincial cash resources, as well as budget cuts.

The format used in preparing the *EPRE* is determined by National Treasury and thereafter customised by Provincial Treasury to include other information that is beneficial to the reader. Once departments and public entities have prepared their draft *EPRE* chapters and submitted them to Provincial Treasury, a process of refining the documents will begin with the following steps (over a period of two months):

- Provincial Treasury sends comments on the second draft 2025/26 *EPRE* inputs to departments and public entities, focusing on compliance to the format and update of information in November/ December 2024.
- Departments and public entities will then incorporate Provincial Treasury comments and submit revised **final EPRE** inputs on **09 January 2024**. **NOTE, the third draft is the final input and no changes to the database initiated by departments/public entities will be permitted, thereafter.**
- Provincial Treasury thereafter begins a process of quality control, involving a review team, which checks the documents for quality of information provided and comments on areas that need improvement. Alignment of the inputs submitted to the Provincial Treasury Infrastructure unit is also checked to ensure that the budgets contained in the *Estimates of Provincial Revenue and Expenditure* corresponds to the inputs into the *Estimates of Capital Expenditure*. It is, thus, imperative that the budget units and the infrastructure units in departments work closely together.

The MEC for Finance will table the provincial 2025/26 budget in the Provincial Legislature in early **March 2025**.

3.6 Draft 2025/26 budget planning process timetable

The draft 2025/26 budget planning process timetable is outlined in the attached Annexure A and provides the specific dates for the submission, comments and finalisation of the *EPRE* document. **Note that the dates in the timetable are subject to change once the final National Treasury timetable is received.**

3.7 Political oversight of the budget process

The key to strengthening the link between national and provincial goals and spending plans lies in enhancing political oversight of the budget process. The various portfolio committees of the Provincial Legislature, as well as the Provincial Executive Council supported by MinComBud and

MTEC, should play a leading role in this regard. The political executive is responsible for policy and prioritisation, and hence political oversight of the budget is essential to ensure that:

- Departments' and public entities' spending plans and the delivery of quality services are linked to the policy priorities of the time.
- Available resources are channeled to critical service delivery projects, taking into account competing priorities and fiscal realities.

This political oversight has become even more critical in the current context, taking into account that the budget cuts are likely to have a long-term impact on both the way in which the provincial government functions, as well as on the limited resources available, meaning that difficult choices will have to be made. In a time of limited financial resources, it is likely that difficult trade-offs will need to be made to ensure that all departments and public entities remain within budget.

Departments and public entities must therefore ensure that **ALL** draft budget submissions are first discussed with their MECs and relevant portfolio committees before they are submitted to Provincial Treasury. Proof must be provided that this interaction has indeed taken place, such as minutes of the portfolio committee meeting, written confirmation signed by the HOD and MEC certifying that the MEC and the portfolio committee was involved, etc. Departments are reminded that MECs must sign-off on the first and second draft budget submissions by way of an MEC letter. The third draft budget submission, if not signed off by the MEC, needs to be signed off by the Accounting Officer.

Reprioritisation

The purpose of the 2025/26 MTEF budget process is to ensure that all departments and public entities reprioritise their budget in line with their service delivery plans, national and provincial priorities, the PGDS, the impact of the carry-through of the 2021/22 budget cuts, which have had a significant negative impact on the country's public finances, as well as the impact of the July 2021 unrest and April 2022 flood disasters in the province. In the 2025/26 MTEF, reprioritisation needs to be further strengthened extensively in light of the deepening budget cuts, and departments and public entities are required to provide details of the approach taken in their Explanatory memorandum. Departments and public entities are to note the following:

- No additional resources are expected to be available for allocation in the 2025/26 MTEF, therefore the budget should focus on expenditure control within the existing budget limits, with a focus on trade-offs where the budget is insufficient to undertake all planned activities.
- Extensive reprioritisation is expected to continue over the 2025/26 MTEF in line with the budget cuts, particularly for the three social sector departments, namely Education, Health and Social Development.
- The outcomes of a detailed budget baseline analysis must inform strategic reprioritisation (this, in essence, is zero-based budgeting – i.e. an assessment of all activities that can be funded in the current baseline and removing those of lower significance from your plans if the budget is insufficient to continue with these).
- No motivation should be submitted for new initiatives over the 2025/26 MTEF because there are unlikely to be additional funds available to be allocated to departments and public entities. However, departments and public entities should provide detailed information in relation to **one** core service delivery area that has been negatively affected by the carry-through budget cuts implemented over the 2021/22 MTEF, with financial implications. This information will be for the purpose of discussions to be held with relevant decision makers on the funding needs/impact of funding shortfalls of the province.

4.1 Provincial own revenue projections for the 2025/26 MTEF period

In the current macro-environment, characterised by low economic growth and subsequent low tax collections nationally, revenue maximising efforts in the province have become increasingly important to offset the budget pressures. More specifically, the APPs of major revenue collecting departments and public entities should clearly state the intention to optimise revenue generation and collection in the ensuing MTEF, as also mandated by a Cabinet Lekgotla resolution. Clear and measurable APP targets should be set in this regard, and this should also become evident in the MTEF revenue budgets.

Other than those efforts where departments are including new revenue generating streams in their APPs, all other departments and public entities should increase their budgets for their regular revenue streams by an inflationary adjustment (CPI) in order to formulate the revenue budget for the 2025/26 MTEF using the projected end-of-year collection for 2024/25 (refer to Section 4.2.6 of this document for the CPI figure). This will enable departments and public entities to realise positive growth in their overall revenue collection. Where there are exceptions, these should be well motivated.

A conservative revenue budgeting approach should be avoided as far as possible. The focus from 2025/26 onward, particularly with regard to any adjustments and the growth over the MTEF, should

not be **below 4.6** per cent from 2026/27 to 2027/28 and, in cases where the growth is below **4.6** per cent, departments and public entities should provide strong and convincing motivation. **It is usually unacceptable for revenue forecasts to be less than the previous actual or estimated collection, unless there has been significant once-off revenue collected or any other exception.**

According to section 4 (a) to (c) of the PFMA, all departments should submit a **cashflow statement** at the beginning of the financial year. Section 4 (b) and (c) of the PFMA also state that all departments should submit the **detailed Revenue Variance Report** monthly together with the Revenue In-Year Monitoring (RIYM) reports. Departments must ensure that their IYMs are aligned to the monthly signed IYMs that are submitted to National Treasury. Electronic reports are due on the **15th** of each month, while signed copies are to be submitted by the **end of each month**. KZN Treasury will send a circular to remind all departments to submit their revenue tariff reviews as stated according to the Treasury Regulation 7.3.1. This section requires that all departments submit their tariff revisions at least annually, therefore tariff reviews for the 2025/26 financial year must be submitted to Provincial Treasury by **15 October 2024** for approval, in order to incorporate the revised tariffs in the second draft budget submission for the 2025/26 MTEF which is due to Provincial Treasury **by 4 November 2024**. The request for departmental tariffs to be reviewed should include all items for which the state collects revenue (e.g. parking fees, laboratory services fees, etc.). Where a below inflation-related increase is being requested, this should be well motivated. Where new revenue sources are being investigated or proposed, these should be highlighted in the submission.

4.2 Expenditure

To finalise the budget, the baseline and reprioritisation exercise must cover the following:

4.2.1 Identification of non-recurrent expenditure

Amounts for “once-off” projects or where spending takes place over a defined period should be excluded when the baseline is re-examined.

4.2.2 Slow spending programmes

Programmes that may not have met historic targets due to slow SCM processes, lack of human resources or poor planning, among others, should be identified, and decisions may need to be taken to modify or cut non-priority programmes. These are some of the programmes that could be considered when making decisions on trade-offs, as explained earlier.

4.2.3 Under-performing programmes

The baseline examination, supported by a realistic assessment of actual performance indicators and outcomes against targets, should identify possible areas of savings. This should also be supported by rigorous analysis of previous year’s spending trends to determine possible savings.

4.2.4 Efficiency savings/Cost-cutting

In view of the continuous fiscal consolidation budget cuts, efficiency savings can be achieved through reducing operating costs and non-service delivery activities in all programmes (e.g. advertising, catering, vehicle hire, travel, security, non-essential telecommunications, entertainment costs and consultant fees, where relevant, etc.).

As mentioned, Provincial Treasury would normally issue an updated cost-cutting measures every year. However, the oversight of ensuring compliance with the cost-cutting measures has been devolved to the Accounting Officer/Accounting Authority.

4.2.5 Rescheduling of projects or activities

Where implementation of projects or activities has been rescheduled to a later financial year, departments and public entities should provide a detailed explanation for this rescheduling and the impact thereof on the budget.

4.2.6 Inflation-related adjustments

The MTEF allocations already provide for average growth of about **4.5** per cent over the 2025/26 MTEF. The programme baseline allocation for all three years is only indicative and may change following rigorous examination of baselines. CPI inflation is projected at **4.6** per cent over the MTEF period. Based on these figures, the new outer year allocation for the 2025/26 MTEF (2027/28) has been calculated by removing non-recurrent items from the 2024/25 baseline and growing the remainder by **4.6** per cent.

4.2.7 Specifically and exclusively appropriated funds

Some departments and public entities are unsure of the difference between funds that are earmarked for a specific purpose and funds that are specifically and exclusively appropriated in terms of an Appropriation Act. Departments and public entities are reminded of the differences, which are as follows:

- Funds may be earmarked/ring-fenced for a specific purpose by Provincial Treasury, MTEC, Provincial Executive Council, etc. In this case, these funds will be shown to be earmarked in Provincial Treasury's allocation letter. In terms of Section 6.3.1(c) of the Treasury Regulations, **Treasury approval** can be obtained to use these earmarked funds for other purposes.
- Funds may be specifically and exclusively appropriated for a specific purpose by Provincial Treasury, MTEC, the Provincial Executive Council, National Treasury, etc. In this case, these funds will be highlighted as such in the Main Appropriation Act or the Adjustments Appropriation Act. In terms of Section 43(4) (a) of the PFMA, these funds cannot be used for any other purpose without **Legislature approval** (i.e. through another Appropriation Act). As such, Provincial Treasury cannot grant approval in this regard. This also means that, if funds that are specifically and exclusively appropriated are not spent by year-end, departments and public entities should show year-end under-expenditure for the Vote as a whole by an amount that is equivalent to or larger than the amount specifically and exclusively appropriated.
- Funds budgeted for transfer to municipalities should be gazetted after the tabling of the budget and are also considered to be specifically and exclusively appropriated, and are indicated as such in the Main Appropriation Act and/ or the Adjusted Appropriation Act. Transferring departments should monitor the spending of provincial funds by municipalities, so that unspent funds are returned to the Provincial Revenue Fund where they are not committed. In 2016/17, Provincial Treasury started reporting on the spending of provincial funds by municipalities. Note that municipal transfers that are invoice-based, such as property rates and transfers to municipal clinics, are not included in this definition.

4.2.8 Establishing the 2027/28 baseline budget and salary adjustments

The PES baseline for 2026/27 should be increased by **4.6** per cent to create the 2027/28 baseline. This percentage is only indicative at this stage, but provides for real growth in the baselines of key sectors like Education, Health and Social Development.

In respect to *Compensation of employees* the following should be applied:

- The 2023 wage agreement was for two years only, thus impacted on 2023/24 and 2024/25 only. The 2023/24 increase included the incorporation of the monthly non-pensionable allowance to form part of pensionable income, with an average 3.3 per cent increase for 2023/24. This was not funded and departments had to reprioritise within their baseline to fund it. In this regard, only Education, Health and Social Development received partial funding for the wage agreement.
- The 2024 wage agreement is currently not funded and decisions regarding additional funding are still to be made by National Treasury.
- The wage agreement allows for an increase in 2024/25 in line with inflation. Departments need to bear in mind that, when 2024/25 was the outer year of the 2022/23 MTEF process, they were required to provide for a 4.4 per cent increase. It is therefore likely that National Treasury will only provide any funding should the increase exceed 4.4 per cent.
- The growth in *Compensation of employees* in 2025/26 needs to include **4.6** per cent cost-of-living adjustment, 1.5 per cent adjustment for pay progression, as well as the increases for housing allowance and medical allowance.
- The growth in *Compensation of employees* in 2026/27 needs to include **4.6** per cent cost-of-living adjustment, 1.5 per cent adjustment for pay progression, as well as the increases for housing allowance and medical allowance.
- The growth in *Compensation of employees* in 2027/28 needs to include **4.6** per cent cost-of-living adjustment, 1.5 per cent adjustment for pay progression, as well as the increases for housing allowance and medical allowance.

The Provincial Legislature and those public entities that are not aligned to the PSCBC must ensure that they make adequate provision for salary increases within their baselines.

Note: Note that conditional grants should be kept constant for 2027/28, as the revisions to these will only be finalised later in the budget cycle. Furthermore, in the past, the progression rates differed according to the remuneration policies in different sectors.

Note: The above projections for Compensation of employees are only a guide for the costing of compensation ceilings by departments based on available information. They are not meant to pre-empt the outcome of future wage negotiations over the 2025/26 MTEF.

*Note: The Housing allowance will increase at **4.53** per cent in 2024/25, with increases at **4.6** per cent, **4.6** per cent and **4.6** per cent, respectively, over the 2025/26 MTEF. The increases for employer contributions to medical aid are higher than the wage increases at **8.53** per cent for 2024/25 and **8.42** per cent, **8.45** per cent and **8.48** per cent, respectively, over the 2025/26 MTEF. Departments need to ensure that these rates are applied in their calculations and are funded through reprioritisation.*

Departments and public entities are urged to pro-actively manage their personnel establishments and be able to provide services with fewer staff/non-filling of vacant posts taking into account minimal or negative growth in *Compensation of employees*. This is in line with the fiscal consolidation budget cuts by National Treasury in the 2021/22 MTEF baseline enforcing the reduction of headcount in departments.

4.3 Public entities

Public entities are required to submit the budget submission documentation to their parent departments in the format prescribed in the Treasury Guidelines. The date of first submission should be by arrangement with the parent department, to allow for evaluation and the inclusion thereof in the parent department's input to Provincial Treasury by **15 July 2024**.

It should be noted that the rationalisation of public entities process has been finalised and the following Acts were gazetted on 24 May 2024

- KwaZulu-Natal Economic Regulatory Authority Act

- KwaZulu-Natal Tourism and Film Authority Act and
- KwaZulu-Natal Moses Kotane Research Institute Act
- KZN Growth Fund Agency Act

The entities that have been rationalised by merging need to submit a combined budget database from the first draft submission onwards.

Note that the departmental chapters of the 2025/26 *EPRE* narrative must include a section relating specifically to each public entity. Departments need to briefly outline the purpose and objectives of the public entities receiving transfers, highlight the major achievements of 2024/25 and the planned activities and projects of each of the public entities for the 2025/26 MTEF, as well as significant challenges facing the public entities. The database tables for public entities will be updated and must be submitted together with the budget submissions and draft APPs. **The second draft is due on 4 November 2024**, while the final draft is due on **9 January 2025**.

Public entities are to provide a detailed narrative of the budget submitted, outlining the top priority areas over the MTEF. Public entities are required to plan on how services can be delivered more effectively, efficiently and economically, taking into account potential savings on staff costs and efficiency gains through the implementation of newer technologies, more efficient structures and reporting lines, etc. The newly created merger entities also need to reflect how the rationalisation has impacted on the budget over the MTEF and provide a narrative on the additional costs of implementing the necessary transitional measures.

It is important for merged entities to provide a combined breakdown of the following over the MTEF, with a detailed explanation:

- Estimated value of additional once-off costs as a result of the merger, e.g. integration of IT systems.
- Estimated additional recurring costs as a result of the merger, e.g. upgrade to WAN link between offices or creation of additional posts.
- Estimated potential once-off savings as a result of the merger, e.g. cancellation of some labour saving devices' rental agreements.
- Estimated potential recurring savings as a result of the merger, e.g. abolition of posts, savings of Board fees, etc.

Over the last few years, public entities' budgets have been affected by the Covid-19 pandemic, the July 2021 unrests and the April 2022 floods. Furthermore, the weaker economic outlook and the sharp increase in fuel prices will continue to impact on the budgets of entities over the MTEF. Entities must factor this into their revenue and expense budgets, together with an explanatory narrative.

Furthermore, public entities should provide detailed information in relation to **one** core service delivery area that has been negatively affected by the carry-through budget cuts implemented over the 2021/22 MTEF, with financial implications. This information will be used for discussions at MinComBud and will be presented to the Provincial Executive Council on the funding needs of the province.

Infrastructure

The Framework for Infrastructure Delivery and Procurement Management (FIDPM) which was promulgated by National Treasury is a policy which outlines roles, responsibilities, and deliverables related to infrastructure planning, delivery and reporting. The FIDPM and the Infrastructure Delivery Management System (IDMS) require the departments to develop and implement Infrastructure Planning Documents. Infrastructure planning therefore requires the submission of the following documents:

- User Asset Management Plan (U-AMP) and/or Road Asset Management Plan (RAMP) which has a minimum 10-year horizon that contains future infrastructure demands, committed multi-year projects and ongoing operational requirements of assets' lifecycle costs,
- Infrastructure Programme Management Plan (IPMP) and Infrastructure Procurement Strategy (IPS) which stipulates what infrastructure projects and maintenance an organisation intends to achieve in the MTEF period (i.e. the next 3 years) of implementation,
- Infrastructure Programme Implementation Plan (IPIP) which is focused on preparing accurate MTEF infrastructure projects and maintenance cash flow forecasts using the most recent expenditure performance. Particular focus is on year 1, where detailed monthly forecasts are prepared and the final estimates for the MTEF captured in the project lists schedule (Table B5). The IPIP, which is a short-term plan that is mostly focusing on 2025/26 financial year, is required to be developed by the Implementing Agent (IA).

Both the provincial department and the IA need to enter into a Service Delivery Agreement (SDA). In-year reporting on infrastructure spending and project progress is reported in the IRM. Monitoring of infrastructure delivery is also done through planned sites visits.

Existing infrastructure remains a priority therefore all departments are encouraged to prioritise the maintenance of existing infrastructure. Maintenance and repairs, upgrades and additions, as well as refurbishment and rehabilitation should be prioritised to ensure that existing infrastructure is maintained before it deteriorates. This will minimise the effects of the disruption of service due to damage caused by natural environmentally driven factors, such as storm damages. This is also in line with the IDMS best practices in terms of Infrastructure Asset Management principles and the Government Immovable Assets Management Act (GIAMA). Building new infrastructure needs to be considered only when compelling need arises, for instance to promote social and economic inclusion, redress the imbalances of the past, as well as ensure equity in the province.

5.1 Infrastructure planning

The planning undertaken by departments has to follow the schedule for Infrastructure planning and reporting that is aligned to the 2024/25 budget process. The schedule is provided below.

Table 5.1: 2024/25 Infrastructure Planning and Reporting Schedule

Month	NOTICE / DOCUMENT REQUIRED	Date	ACTIVITY REQUIREMENT	Requirement by:	
				Provincial Treasury	National Treasury
April 2024	Report: Infrastructure Reporting Model (IRM) Monthly Progress Report	22 April 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of March 2024 .	✓	✓
		30 April 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓
	Site Visits: Treasury Site Visits	29 April to 03 May 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
May 2024	Report: Draft 2023/24 End of Year (EoY) Evaluation Report for Infrastructure Programmes and Projects	13 May 2024	Provincial departments submit Draft 2023/24 EoY Report to Provincial Treasury.	✓	
		20 - 21 May 2024	Provincial Treasury provides feedback on Draft 2022/23 EoY Reports to Provincial Departments.	✓	
	Report: Infrastructure Reporting Model (IRM)	22 May 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of April 2024 .	✓	✓
	Report: Final 2023-24 EoY Evaluation Reports for Infrastructure Programmes and Projects	29 May 2024	Provincial Departments Final signed 2023/24 EoY Evaluation Report is submitted to Provincial Treasury.	✓	
		31 May 2024	Departments submit Final signed 2023/24 EoY Report is submitted to National Treasury.	✓	✓
	Infrastructure Reporting Model (IRM) Closeout Report	31 May 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓
June 2024	Site Visits: Treasury Site Visits	10 - 13 June 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Planning: Draft User Asset Management Plans (U-AMP) & Road Asset Management Plans (RAMP)	13 June 2024	<ul style="list-style-type: none"> Provincial Departments and Entities submit Draft 2025/26 U-AMPs (min 5-year plan) to Provincial Treasury and KZN Department of Public Works. KZN Departments of Transport submit Draft 2025/26 RAMP to Provincial Treasury. 	✓	
	Report: Infrastructure Reporting Model (IRM)	21 June 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of May 2024 .	✓	✓
			Incentive Grant - Provincial Departments of Education and Health (only) submit 1 st Quarter filled HR posts quarterly report for approved establishments for infrastructure units.	✓	
Planning: Draft Infrastructure Asset Management Plan (IAMP) & Road Asset Management Plan (R-AMP)	19-21 June 2024	<ul style="list-style-type: none"> Provincial Treasury and KZN Department of Public Works provides assessment feedback on the Draft 2025/26 U-AMPs to Provincial Departments and Entities. Provincial Treasury provides assessment feedback on the Draft 2025/26 RAMP to KZN Departments of Transport. 	✓		

Month	NOTICE / DOCUMENT REQUIRED	Date	ACTIVITY REQUIREMENT	Requirement by:	
				Provincial Treasury	National Treasury
	Planning: Final Infrastructure Asset Management Plans (IAMP) & Road Asset Management Plans (RAMP)	27 June 2024	<ul style="list-style-type: none"> Provincial Departments and Entities submit Final signed (by HOD) 2025/26 U-AMPs to Provincial Treasury and Provincial Department of Public Works. KZN Departments of Transport submit Final signed (by HOD) 2025/26 RAMP to Provincial Treasury. 	✓	
		28 June 2024	<ul style="list-style-type: none"> Provincial Treasury submit Final Signed 2025/26 U-AMPs and RAMP with assessment reports to National Treasury. 	✓	✓
	Report: Infrastructure Reporting Model (IRM)	28 June 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓
July 2024	Site Visits: Treasury Site Visits	15 – 19 July 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Report: Infrastructure Reporting Model (IRM)	22 July 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of June 2024 .	✓	
			Incentive Grant - Provincial Departments of Education and Health (only) submit 1 st Quarter filled HR posts quarterly report for approved establishments for infrastructure units.	✓	✓
	Report: Gateway Review Report	19 July 2024	Provincial Departments to submit 2024/25 Quarter 1 Gateway Review Reports to Provincial Treasury	✓	
Report: Infrastructure Reporting Model (IRM)	26 July 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓	
August 2024	Site Visits: Treasury Site Visits	05 - 09 August 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Planning: Draft Infrastructure Programme Management Plans (IPMP) & Infrastructure Procurement Strategy (IPS)	09 August 2024	Provincial Departments and Entities submit draft 2025/26 IPMP and IPS to Provincial Treasury.	✓	
	Report: Infrastructure Reporting Model (IRM)	22 August 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of July 2024 .	✓	✓
	Planning: Infrastructure Programme Management Plans (IPMP) & Infrastructure Procurement Strategy (IPS)	21-23 August 2024	Provincial Treasury facilitates assessments engagements on the draft 2025/26 IPMP and IPS with Provincial Departments and Entities.	✓	
		28 August 2024	Provincial-Departments and Entities submit Final signed (by HOD) 2025/26 IPMP and IPS to Provincial Treasury.	✓	
	Report: Infrastructure Reporting Model (IRM)	30 August 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓

Month	NOTICE / DOCUMENT REQUIRED	Date	ACTIVITY REQUIREMENT	Requirement by:	
				Provincial Treasury	National Treasury
	Planning: Final Infrastructure Programme Management Plans (IPMP) and Infrastructure Procurement Strategy (IPS)	30 August 2024	Provincial Treasury submit Final 2023/24 IPMP and IPS with assessment reports to National Treasury.	✓	✓
September 2024	Planning: Final Infrastructure Programme Management Plans (IPMP) and Infrastructure Procurement Strategy (IPS)	6 September 2024	Provincial Departments submit relevant applicable information from 2025/26 IPMP and IPS and IPS to Department Public Works and/or to Implementing Agent(s).	✓	
	Site Visits: Treasury Site Visits	09 - 13 September 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Report: Infrastructure Reporting Model (IRM)	20 September 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of August 2024.	✓	✓
30 September 2024		Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).			
October 2024	Site Visits: Treasury Site Visits	07 - 11 October 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Report: Infrastructure Reporting Model (IRM)	22 October 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of September 2024.	✓	✓
			Incentive Grant - Provincial Departments of Education and Health (only) submit 2 nd Quarter filled HR posts quarterly report for approved establishments for infrastructure units.		
	Report: Gateway Review Report	22 October 2024	Provincial Departments to submit 2024/25 Quarter 2 Gateway Review Reports to Provincial Treasury	✓	
	Planning: 1st Draft Infrastructure Programme Implementation Plan (IPIP) together with Service Delivery Agreement (SDA)	25 October 2024	Public Works and/or the Implementing Agent(s) submit the Draft 2024/25 IPIP to the Provincial Departments.	✓	
		01 Nov 2024 - 29 Nov 2024	Provincial Departments facilitate engagements on the Draft 2024/25 IPIPs and SDAs with Public Works and/or Implementing Agents.	✓	
Report: Infrastructure Reporting Model (IRM)	29 October 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓	
November 2024	Review: Provincial Infrastructure Review and Combined Moderation.	November 2024		✓	
	Site Visits: Treasury Site Visits	18- 22 November 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Report: Infrastructure Reporting Model (IRM)	22 November 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of October 2024.	✓	✓

Month	NOTICE / DOCUMENT REQUIRED	Date	ACTIVITY REQUIREMENT	Requirement by:	
				Provincial Treasury	National Treasury
		29 November 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓
December 2024	2025/26 Budget: 2025/26 Budget allocation letters from National Treasury	December 2024		✓	✓
	Site Visits: Treasury Site Visits	02 - 05 December 2024	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Infrastructure Reporting Model (IRM)	20 December 2024	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of November 2024.	✓	✓
		27 December 2024	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓
January 2025	Report: Infrastructure Reporting Model (IRM)	22 January 2025	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of December 2024. Incentive Grant - Provincial Departments of Education and Health (only) submit 3 rd Quarter filled HR posts quarterly report for approved establishments for infrastructure units.	✓	✓
				✓	✓
	Report: Gateway Review Report	22 January 2025	Provincial Departments to submit 2024/25 Quarter 3 Gateway Review Reports to Provincial Treasury	✓	
	Report: Infrastructure Reporting Model (IRM)	31 January 2025	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓
February 2025	Planning: Final Infrastructure Programme implementation Plan (IPIP) together with Service Delivery Agreement (SDA)	21 February 2025	Public Works and/or the Implementing Agent(s) submit Final signed (by HOD) 2025/26 IPIP and SDA (<i>Note: existing applicable SDA does not need re-signing</i>) to Provincial Departments for acceptance and approval (signed by HOD).	✓	
	Report: Infrastructure Reporting Model (IRM)	21 February 2025	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of January 2024.	✓	✓
		28 February 2025	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓
	Planning: Final Infrastructure Programme implementation Plan (IPIP) together with Service Delivery Agreement (SDA)	28 February 2025	Provincial Departments to submit a copy of the signed IPIP AND SDA (<i>Note: existing applicable SDA does not need re-signing</i>) to Provincial Treasury.	✓	
March 2025	Site Visits: Treasury Site Visits	03 - 07 March 2025	Provincial Treasury to conduct site visits to departments as a part of monitoring and overview	✓	
	Report: Infrastructure Reporting Model (IRM)	21 March 2025	Provincial departments electronically transmit on-line the monthly web based IRM report that contains progress as end of February 2025.	✓	✓
		31 March 2025	Provincial Departments submit the manually signed Monthly IRM (PDF Hardcopy).	✓	✓

Format of the 2025/26 MTEF budget submissions

The 2025/26 MTEF budget submissions of departments/public entities (i.e. submission of the reprioritised baseline allocations) must follow the format described here and should include the following:

- MEC's letter.
- Accounting Officer's/Accounting Authority's covering letter.
- Explanatory memorandum including departmental analysis and recommendations regarding all public entity inputs (where applicable).
- Departments and public entities are required to provide Provincial Treasury with proof that the draft budget was presented to respective **portfolio committees**. This could be minutes from the portfolio committee meetings, or written confirmation from the HODs/CFOs, to allow the budget analysts to verify the committees' involvement.
- 2025/26 MTEF budget submission, i.e. the Excel template comprising:
 - **Baseline analysis**
 - *MTEC database (for departments and public entities)*
- Draft 2023/24 Annual Report.
- Draft 2025/26 APP (to be included in second draft budget submission).

If necessary, Provincial Treasury may request additional information in support of a particular department's/public entity's submission.

The above documents are explained in more detail below.

6.1 MEC's letter

The letter from the respective MEC must be signed and confirm that:

- The MEC concurs with and approves of the reprioritised budget submission of departments (and public entities, where applicable) and the priorities indicated.
- The relevant portfolio committees have been involved in the budget process providing details, such as the date that the department and public entity met with the portfolio committee, or copies of minutes of the portfolio committee meeting where the budget proposal was supported.

This MEC's letter is intended to indicate political oversight of the budget process, and to facilitate an improvement in the manner in which budget submissions are evaluated and should be submitted with the first and second draft budget submissions, as mentioned.

6.2 Accounting Officer's/Accounting Authority's covering letter

The Accounting Officer's/Accounting Authority's covering letter must report on the departmental/public entity's planning process leading to the formulation of the reprioritised medium-term budget submission of the department/public entity, and must be signed and provide a concise summary of:

- Key strategic objectives and performance indicators to be achieved over the medium-term period and how they contribute toward achieving the national and provincial priorities and the objectives of the PGDS.
- The priority areas for the department/public entity and how these will be funded, taking into account the lower baseline after the 2021/22 MTEF budget cuts. These priority areas must take cognisance of all regulatory and statutory obligations. Any trade-offs that were made to remain within budget should be highlighted here.
- How services can be delivered more efficiently, effectively and economically (e.g. introducing technological improvements, reducing staff numbers, combining units, improving workflows, etc.).
- Proposed changes to programme aims, strategic objectives and performance indicators.
- Reprioritisation within baseline and the addition of spending plans for the third year of the new medium-term period.
- An update in respect of progress on the head count exercise and the organisational review.
- Comments on the spatial distribution of the department's budget indicating the budget to be spent per district and some of the projects to be rolled out in the various districts.
- Written confirmation that public entities reporting to the department concerned have been involved in the compilation of the budget submission.

6.3 Explanatory memorandum

An explanatory memorandum should be compiled in a MS Word document that will accompany the completed baseline analysis template. It should be divided into two parts as follows:

Part 1: Baseline Analysis:

Part 1 should talk to the Baseline Analysis tables (MTEC database and reprioritisation tables), and should include motivation for any significant changes in the reprioritised budget and evidence of cost-cutting, and any major annual fluctuations. The explanations should be detailed, meaningful, and should cover both programme and economic classification. The analysis should include the following:

- Reprioritisation over the MTEF – Departments and public entities should comment on the main areas of reprioritisation and why such reprioritisation was undertaken – e.g., perhaps an activity was under-budgeted for in the 2024/25 MTEF, or funds needed to be shifted to correct the budget, among others. This should include any reprioritisation undertaken to mitigate the impact of the April 2022 floods and any future natural disasters.
- Baseline cuts – Departments and public entities should comment on the main areas where the carry-through cuts were effected and the assumptions behind this. As a first instance, there should be efficiency savings (for example limiting travel by continuing with virtual meetings), while the commentary should also indicate trade-offs that were made to remain within the lower baseline.
- Programmes/activities that can be stopped/scaled down over the MTEF – Departments and public entities should comment on any programmes or activities that will be stopped, scaled down, or reworked/ undertaken at a lower cost if further budget cuts were to be made by National Treasury.
- Top priorities of the department over the MTEF – Departments and public entities should comment on their top priorities over the MTEF, after taking into account the impact of the above-mentioned programmes or activities that will be stopped or where trade-offs have had to be made.
- How can services be delivered with fewer staff/non-filling of vacant posts taking into account minimal or negative growth in *Compensation of employees* – Departments and public entities should comment on the impact on service delivery if there is minimal or negative growth in their *Compensation of employees*' budget. Consideration should be given to the fact that some programmes and projects will be halted and thus fewer staff may be required.

- No motivation should be submitted for new initiatives over the 2025/26 MTEF because there are unlikely to be no additional funds available to be allocated to departments and public entities. However, departments and public entities are requested to provide detailed information regarding **one** core service delivery area that has been negatively affected by the carry-through budget cuts implemented over the 2021/22 MTEF, with financial implications, as mentioned in Chapter 2.

Part 2: Evaluation of public entity's input:

Where relevant, Part 2 should provide a brief evaluation of the public entity's input. This section should be comprehensive and **not a mere one-liner**.

Explanation of tables in the budget submission

The 2025/26 MTEF budget submission, which must be accompanied by a detailed explanatory memorandum, consists of a template that comprises one file, made up of the following tables:

Baseline analysis

- A. MTEC database for departments.**
- B. MTEC database for public entities.**

Details as to how these tables are to be completed by departments/public entities are given in the paragraphs below.

A. MTEC database for departments

The MTEC database is a comprehensive tool for budgeting as it also takes into account the non-financial information. When used optimally, it provides departments and Provincial Treasury with the ability to evaluate how the budget changes affect service delivery. Therefore, it is imperative that departments and public entities complete the database fully, with accurate information (both financial and non-financial). Below is a look at various sections of the database and what information is required and the possible sources of information.

Departments must bear in mind that the MTEC database must be completed at a sub-programme level per level 4 SCOA items. Understanding the level of complexity of the MTEC database tool, it is important for Provincial Treasury to clarify some of the issues that result in incomplete and inaccurate submissions. The sections below provide as much information as possible to assist departments in completing the tool.

The following are sheets in the database, and details of how to complete these sheets are provided below and also in the database (under the *General* sheet, *Help* button):

- *General* – For creating a datafile, Help function and Provincial Treasury settings.
- *Settings* – For setting the database for the relevant department, financial year and province, and provision of officials responsible for submission of database to Provincial Treasury.
- *Summary* – formula driven, providing summarised information for the department.
- *Programme sheets* – for capturing expenditure and budget estimates and non-financial information.
- *Direct charges* – to be used by Provincial Legislature only (for Members' remuneration).
- *Functions shifts* – for information on function shifts between Votes and also between programmes.
- *Additions and reduction* – an overview of any additional funds received, as well as any reductions to the department's baseline.
- *Performance measures* – an overview of performance indicators on each programme sheet.
- *Reprioritisation* – an overview of reprioritisation undertaken under each programme.

- *Personnel* – providing details of personnel estimates, for the Vote, per programme.
- *Training* – providing details of training provided by the department.
- *PPP projects* – providing details of PPP costs per project.
- *Entities* – providing financial information on public entities and other entities receiving transfers from provincial departments.
- *Municipalities* – providing details of transfers to municipalities made by provincial departments. Department must also provide Payments and Estimates by District Municipal area.
- *Own receipts/ Revenue sheet* for public entities – providing details of provincial receipts estimates for Votes and revenue and budget estimates.
- *C-grant* – providing details of conditional grants receipts and payments per Vote.
- *Analysis* – providing an overview of the baseline for the department and other analysis.
- *Infrastructure* – for capturing infrastructure details per project (Table B5).
- *Infrastructure Summary* – providing an overview of infrastructure expenditure and estimates in various categories.
- *ODA Summary* – providing details of donor funding and agency receipts.
- *Deviations* – providing details of deviations from the Annual Report in respect of previous financial years and reasons thereof.
- *Checks* – indicators of errors in the information captured under various sheets.

1. Explaining the financial years and the data required

The MTEC database requires information over a period of seven years (similar to the *EPRE* tables). There are three previous years, the current year and three MTEF years (future years). For the 2025/26 MTEC process, the financial years are as follows:

Financial year	Data source
2021/22	2021/22 Audited AFS/Annual Report
2022/23	2022/23 Audited AFS/Annual Report
2023/24	2023/24 Unaudited AFS (to be updated to the Audited AFS in the second draft)
2024/25 Budget	2024/25 <i>EPRE</i>
2024/25 Adjusted Budget	2024/25 Adjustments Estimate (in the second draft)
2024/25 Revised Estimate	2024/25 May IYM (to be updated to December IYM in the third draft)
2025/26 Baseline	2025/26 column in 2024/25 <i>EPRE</i>
2026/27 Baseline	2026/27 column in 2024/25 <i>EPRE</i>
2027/28 Baseline	As per formula in the Treasury Guidelines

2. General workings

Budget structures

The MTEC database must be completed in terms of approved budget structures for provincial departments. Previous years' expenditure must be recalculated where there has been a change in the budget structure or a function shift across departments, for comparative purposes.

Completing the MTEC database

The template contains cells that need to be completed by the department, as well as cells that are formula driven. The formula driven cells are locked and departments **should not try to change any formula** as that will render the entire template corrupt and will require recapturing on an entirely new template (these cells can only be amended by National Treasury, not Provincial Treasury). The cells for capturing are highlighted in yellow.

The numbers must be completed in Rand thousands (meaning rounded off to the nearest thousand, e.g. R1 million will appear as 1 000 in the template not 1 000 000). **THERE MUST BE NO DECIMALS USED** as this may result in programmes, sub-programmes and economic classification not balancing. **Where formulas have been used to calculate the increase from one year to another, the formulas must be removed by copying and pasting the cells as values and then decimals must be removed. Note that if tables are received with decimals, these will be returned for correction.** Clarifying the shaded areas:

- Yellow shaded – for manual capturing.
- White and grey – locked and formula driven.
- Blue – drop-down lists.

3. Summary sheet

This sheet provides a summary of payments and estimates for the Vote as a whole and there is not a lot of capturing required except for the following areas:

- Name of the Executive Authority (MEC).
- Name of the Accounting Officer (HOD).
- Source of funding section where information must be provided in respect of the total *PES* and *conditional grant funding*. Provincial Treasury to assist in differentiating between national equitable share funding and provincial cash resources (which fall under *Other*). This section is at the bottom of the sheet, before the Accounting Officer's signature.
- The MTEC database **must be signed off** by the Accounting Officer.

4. Programme sheets

On each of the programme sheets, the department must provide details pertaining to the following:

- Programme manager (official) responsible for that particular programme and official's post.
- Programme purpose as per the APP.
- Performance and operation information that must be aligned with the APP and Annual Reports (for previous financial years). The source of this information for the current financial year will be the QPR for the first quarter.
- The bulk of information at programme summary is formula driven and the information at sub-programme is utilised to automatically complete the relevant cells. Where the sub-programme total and economic classification do not balance, the deviation will be reflected in red.
- The departments must ignore the National Conditional grants section as the province does not make transfers as conditional grants.

Capturing information in transfers and subsidies

The transfers and subsidies are captured differently from other categories which are captured under each sub-programme. The transfers and subsidies are captured in a separate section where all transfers for sub-programmes are classified. In this section, the department will provide the detail of the transfers such as:

- The recipient or transfer name (where there are numerous recipients), expenditure and budget estimates.
- Economic classification using the drop-down list available on the far right of the section.
- Current/capital classification of the transfer.
- Sub-programme (to ensure that the expenditure and budget estimates are linked to the correct sub-programme).
- Whether the funds are ‘specifically and exclusively appropriated’.
- Purpose and description of the transfer payment.

More details are available in the MTEC Database template under the General sheet, Help button.

Detail of payments for financial assets

The *Payments for financial assets* category has also been provided with a separate section in the same way as the transfers, where the information for sub-programmes must be captured. The descriptions are available on the drop-down list. On the far right of the section, are cells where to choose the sub-programme from the drop-down list and to provide purpose and description of the payment.

Specifically and exclusively appropriated

A section has been provided to capture details of the specifically and exclusively appropriated funds for the first year of the MTEF (2025/26) only. The department will use the 2024/25 Appropriation Act, as well as the 2025/26 allocation letter from Provincial Treasury, to identify funds that are specifically and exclusively appropriated. The department must provide the description and purpose of the funding and budget estimates for 2025/26. This information will appear in the 2025/26 Appropriation Act.

Sub-programme section

On each of the sub-programme sections, the department must capture the following information:

- The name of the official responsible for the sub-programme.
- The purpose of the sub-programme.
- Performance information aligned to the APP and QPR. Outcome and output related to outcome must be selected from the drop-down list for each Performance Indicator. Targets to be provided must be absolute values/numbers (not percentages). Where the department has to use percentages, these must be accompanied by values in brackets.
- Expenditure and budget estimates for all seven years as per the table above. Note that *Goods and services* is as per the current level 4 SCOA classifications.

Performance information

- The estimated performance for the financial year (2024/25) must be sourced from the final 2024/25 APP.
- MTEF baselines must be sourced from the draft 2025/26 APP and information provided for the columns as follows:
 - Change in the indicative baseline target should talk to the increase or decrease in the target which must be in line with the reprioritisation. Where there is reprioritisation within projects, this should be reflected by a reduction in one performance indicator and an increase in another.
 - Revised indicative baseline after the reprioritisation. This must correspond to the targets in the draft 2025/26 APP.

- o Indicative baseline reprioritisation. It is ideal to see a reduction or increase in the budget if the service delivery target is reduced or increase and *vice versa*. Any change in the budget must be reflected in the reprioritisation of the budget under the sub-programme.

Reprioritisation

Reprioritisation of baselines can only be done under each programme sheet, at a sub-programme level, per level 4 SCOA items.

Explaining the **Reprioritisation** columns:

- Indicative baseline must be as per the 2024/25 EPRE (or final database).
- There are two columns to be used for reprioritisation. The first column (*From*) is for the reduction of baseline in a particular item, and the second column (*To*) is for increasing the baseline in a particular item, using funds reprioritised from somewhere else, not additional funding.
- Note that the two columns must offset each other at a departmental level if there was reprioritisation between programmes. If the two columns do not equal to **zero** then there is an error in the reprioritisation which will need to be rectified.

The **Reduction to baseline** column must not be used for reprioritisation of the baseline but only for reduction of the department's/public entity's baseline, where the funds go back into the provincial fiscus. Note that any the fiscal consolidation and *Compensation of employees* cuts should be captured in this column.

The **Additional funds** column caters for additional funding allocated by Provincial Treasury which will be indicated in the allocation letter to the department/public entity.

Spending at District Municipal level spreadsheet

This sheet provides for a summary of spending by the department at District Municipal level. Departments are to ensure that this table is accurately captured and reflective of the spending at district municipal level.

5. Direct charges

This sheet relates to payments that are charged directly to the Provincial Revenue Fund and this relates only to the Members' remuneration under the Provincial Legislature in the case of KZN.

6. Function shifts

This section provides details of function shifts between Votes and within Votes over the period of seven years. This section is checked against the total expenditure outcomes and budget estimates for the Vote. The first section must provide the numbers prior to the function shift being undertaken, in line with the Annual Financial Statements and 2024/25 EPRE. Function shifts that took place in 2023/24 must also be provided, as well as those in the 2025/26 MTEF.

7. Performance indicators

This section is linked to programme sheets and gives a view of performance indicators for all programmes. The department must specify in the programme sheet whether they want to see the performance indicator under this overview.

8. Reprioritisation

Under this section, departments must capture summarised details of the reprioritisation undertaken at each programme per economic classification. This section splits the reprioritisation into two sections, one where the funds are reduced and where the budget is being increased. Programme and economic classification details are available in the drop-down list.

9. Personnel

Departments to complete the personnel sheet to provide details of personnel numbers per programme and salary level for all seven years. This is to give an overview of trends in personnel numbers. When providing the information, departments must complete the table and take the following into account:

- There should be a logical inflationary progression per salary level, and a realistic advancement from one level to the next.
- Current establishment numbers must be provided for proper analysis of trends and movement of numbers. The number of posts on the approved establishment refers to the number of employment positions approved. The detail of the approved estimate must be in the context of the current financial year (2024/25).

10. Training

Departments must provide information on training provided for officials. These relate to the number of personnel trained and the number of training opportunities, bursaries offered, internships provided, learnerships provided, etc.

11. Public-Private Partnerships (PPP) projects

Departments must provide information on PPP projects in the table provided, per each project. Where there is more than one project, the template has a macro built-in to unhide rows that can be used to capture information.

12. Entities (public entities and other entities)

Departments must obtain financial information from their public entities and this should be captured under this section, using the tables provided. This section caters for public entities and other entities.

13. Municipalities

This section is available to provide information on transfers to municipalities, **not the spending by departments at district municipal level** and the database does not cater for this level of information.

14. Own receipts

Departments should provide details of any estimated receipts that are deposited into the Provincial Revenue Fund. Public entities should provide details of any estimated receipts. With regard to 2025/26 and 2026/27, departments must capture their original estimates as reflected in the 2024/25 EPRE. In the absence of the adjustments columns in the database, reprioritisation must be taken into account in the columns for the medium-term receipts estimates and reported in the explanatory memorandum, providing original numbers and the reasons for the changes. When calculating the estimates for 2027/28 the departments must follow the guidelines provided as per Section 4.2.

15. Conditional grants

This section provides information such as conditional grants receipts from national, provincial roll-over (funds that were not surrendered to National Treasury and rolled over) and actual expenditure for previous years. The information provided for previous financial years must be in line with the Audited AFS (for 2021/22, 2022/23 and 2023/24) and 2024/25 EPRE in respect of 2024/25, 2025/26 – 2027/28. For 2024/25, the *Amount received* must be the same as the DORA allocation, as the assumption is that all funds will be received (not the amount received to date as per the Exchequer grant account). *Note that 2027/28 must be kept constant in the first draft database as the final allocations will be received from National Treasury at a later stage.*

16. Infrastructure

There are two documents for infrastructure information. The first document (the B5) is for capturing all information pertaining to infrastructure projects and is part of the Infrastructure Reporting Model (IRM). The second document (*Infrastructure Summary*) is part of the database and provides an overview of summary for infrastructure in the various infrastructure categories, and should balance to the B5 totals for these categories.

The detailed Table B5 document must be completed as follows:

- Departments must provide a list of all projects which are implemented in the current financial year (2024/25) and those to be implemented over the 2025/26 MTEF. The information must be provided per project.
- Departments should capture in all fields on the B5 and use the drop down lists where these are available.
- Departments must avoid copying and pasting onto the B5 and should rather use the drop-down lists provided.

B. MTEC database for public entities

The MTEC database is a comprehensive tool for budgeting. It is imperative that public entities complete the database fully, with accurate information. Below is a look at various sections of the database and what information is required and the possible sources of information. Each entity will complete its own individual database for the first submission.

Public entities must bear in mind that the MTEC database must be completed at a programme level per economic classification and at SCOA item level 4. Understanding the level of complexity of the MTEC database tool, it is important for Provincial Treasury to clarify some of the issues that result in incomplete and inaccurate submissions. The sections below provide as much information as possible to assist public entities in completing the tool.

The following are sheets in the database, and details of how to complete these sheets are provided below and also in the database (under the *General* sheet, *Help* button):

- *General* – For creating a datafile, Help function and Provincial Treasury settings.
- *Settings* – For setting the database for the relevant entity, financial year and province, and provision of details of officials responsible for submission of the database to Provincial Treasury.
- *Expenditure sheet* – for capturing expenditure and budget estimates by programme and economic classification, as well as some non-financial information.
- *Revenue sheet* – for capturing revenue and budget estimates.
- *Personnel* – providing details of personnel estimates for the entity.
- *Reprioritisation* – an overview of reprioritisation undertaken by the entity.
- *Infrastructure* – for capturing infrastructure details per project.
- *Infrastructure Summary* – providing an overview of infrastructure expenditure and estimates in various categories.
- *Conditional Grants* – for capturing conditional grants receipts from National Treasury and national departments.
- *ODA Summary* – providing details of donor funding and agency receipts (not applicable to public entities).
- *Analysis* – providing an overview of the baseline for the entity and other analysis of trends. (not compulsory for public entities).

- *Financial position* – largely formula driven, providing summarised information for the entity. In addition, it provides for the cash flow and balance sheet information.
- *Checks* – indicators of errors in the information captured under various sheets.

1. Explaining the financial years and the data required

The MTEC database requires information over a period of seven years (similar to the *EPRE* tables), as outlined in Chapter 6 of this guideline document.

2. Completing the template

Budget structure

Previous years' expenditure must be recalculated/restated where there has been a change in the budget structure or a function shift across programmes/ economic classification, for comparative purposes. The newly created merger entities must have a combined recalculated/restated history for the new programme structure for previous years' expenditure.

The template contains cells that need to be completed by the entity, as well as cells that are formula driven. The formula driven cells are locked and entities **should not try to change any formula** as that will render the entire template corrupt and will require recapturing on an entirely new template (these cells can only be amended by National Treasury, not Provincial Treasury). The cells for capturing are highlighted in yellow.

3. Revenue

On the revenue sheet, the entity must provide details on own revenue and transfers from the department(s). Roll-overs need to be captured in the Adjusted Appropriation and transfers from other departments/institutions need to be indicated separately under *Transfers received*. With regard to 2025/26 and 2026/27, entities must capture their original estimates as reflected in the 2024/25 *EPRE*. In the absence of the adjustments columns in the database, reprioritisation must be taken into account in the columns for the medium-term receipts estimates and reported in the explanatory memorandum, providing original numbers and the reasons for the changes. When calculating the estimates for 2027/28, the entities must follow the guidelines provided as per Section 4.2. of this guideline.

4. Expenditure sheet

On the expenditure sheet, the entity must provide the entity's purpose, programme names and a summary of performance information.

The bulk of information at summary level is formula driven and the information at programme level is utilised to automatically complete the relevant cells. Where the programme total and economic classification do not balance, the deviation will be reflected in red. Remember to add expenses in respect of roll-over funds to balance with revenue.

Performance information

- Only capture key service delivery performance measures and targets on the database.
- The estimated targets for the previous year (2023/24) must be sourced from the draft Annual Report (preliminary result) and tabled 2024/25 APP (target).
- MTEF baselines must be sourced from the 2024/25 APP.
- The targets for 2024/25 must be sourced from the 2024/25 APP.
- MTEF targets must be sourced from the draft 2025/26 APP.

Reprioritisation

Indicative baseline reprioritisation – It is expected to see a commensurate reduction and/or increase in the budget if the service delivery target is reduced or increase and *vice versa*.

Reprioritisation of baselines must be done per programme, per level 4 SCOA items.

Explaining the **Reprioritisation** columns:

- Indicative baseline must be as per the 2024/25 EPRE.
- There are two columns to be used for reprioritisation. The first column (*From*) is for the reduction of baseline in a particular item, and the second column (*To*) is for increasing the baseline in a particular item, using funds reprioritised from somewhere else, not additional funding.
- Note that the two columns must offset each other at an entity level if there was reprioritisation between programmes. If the two columns do not equal to **zero** then there is an error in the reprioritisation which will need to be rectified.

The **Reduction to reprioritised** column must not be used for reprioritisation of the baseline but only for reduction of the entity's baseline, where the transfer is reduced.

The **Additional funds** column caters for additional funding allocated by the departments and/or Provincial Treasury, which will be indicated in an allocation letter or addendum to the funding agreement of the entity.

5. Reprioritisation

Under this worksheet, entities must capture summarised details of the reasons for reprioritisation undertaken at each programme per economic classification. This section splits the reprioritisation into two sections, one where the funds are reduced and where the budget is being increased. Programme and economic classification details are available in the drop-down list. The purpose column provides for the original purpose of the funding. The yellow reason column provides for the motivation of why funds were moved or how such will be applied. The completion of this sheet is not compulsory.

Spending at District Municipal level worksheet

This sheet provides for a summary of spending by the entity at District Municipal level. Public entities are to ensure that this table is accurately captured and reflective of the spending at district municipal level. The total expenditure must total balance to overall expenditure.

6. Personnel

Entities complete the personnel sheet to provide details of personnel numbers for the entity, per salary level for all seven years. This is to give an overview of trends in personnel numbers. When providing the information, the entities must complete both tables and take the following into account:

- The newly created merger entities must have a combined recalculated/restated history for the new programme structure for previous years' expenditure.
- There should be a logical inflationary progression per salary level, and a realistic advancement from one level to the next.
- Current establishment numbers must be provided for proper analysis of trends and movement of numbers. The number of posts on the approved establishment refers to the number of employment positions approved by the Accounting Authority and Executive Authority. The detail of the approved estimate must be in the context of the current financial year (2024/25).
- In the absence of an instruction note on the budgeting for compensation of employees for public entities, all public entities are advised to engage with Labour at respective sectoral bargaining councils to negotiate in respect of salary adjustments, both in-year and over the 2025/26 MTEF considering the economic and fiscal challenges the country faces, and budget availability. It must be borne in mind that salary costs have recurring financial implications. In light of this, where

possible, public entities are urged to reduce huge commitments and spending in this area by managing their annual increments within their baselines, taking into account other spending pressures relating to service delivery demands.

- Public entities also need to take into account any binding contractual agreements which had been entered into with their organised labour representatives, and the financial implications thereof.
- In addition, when budgeting for *Compensation of employees*, entities are urged to undertake a detailed review of critical posts. Furthermore, the entities that have been identified for rationalisation must also consider the impact of the mergers on the post establishment and the budget and reduce staff numbers and costs accordingly, as mentioned.

7. Infrastructure

There are two documents for infrastructure information. These sheets are only relevant to entities that own infrastructure assets. The first sheet (*Infrastructure*) is for capturing all information pertaining to infrastructure projects. The second sheet (*Infrastructure Summary*) provides an overview of summary for infrastructure by category and is largely formula driven.

The detailed infrastructure sheet (capturing sheet) must be completed as follows:

- Entities must provide a list of all projects to be implemented in the current financial year (2024/25) and those to be implemented over the 2025/26 MTEF. The information must be provided per project.
- For infrastructure projects implemented in the previous financial years, the entities must also provide details per project. However, where the number of projects is huge, these must be summarised according to types of projects, per infrastructure category, e.g. Upgrading of clinics – *Nature of investment – Upgrading and additions: Capital* (selected from the drop-down list) or Construction of new clinics – *Nature of investment – New infrastructure assets: Capital* (selected from the drop-down list). The entities must ensure that, where information is copied from other sources, they must paste it as *values* to avoid corrupting the template.
- Entities must avoid copying and pasting on the blue shaded areas and should rather use the drop-down list provided.

8. Conditional Grants

Under this worksheet, entities must capture conditional grants receipts from National Treasury that were received in previous years and, the current year, as well as budgeted to be received over the MTEF.

9. ODA Summary

Entities to ignore.

10. Analysis

It provides an overview of the baseline for the entity and other analysis of trends. (not compulsory for public entities)

11. Financial Position

This sheet provides for a summary of revenue and expenditure data as captured in the respective sheets. Entities need to capture **Balance Sheet** data and the **Cash Flow** data on the template.

12. Checks

It a helpful tool to assess programme expenditure, but entities can ignore

Public entities must note that Provincial Treasury will require documents to be formally signed off, but acknowledges that this may not be possible for the first draft submission, due to the planning processes of the Accounting Authority only being concluded in the third quarter. Entities are therefore requested to ensure that the second draft budget database is accompanied by a covering letter signed by the Accounting Authority or its delegate.

7

Budget submission tables

Annexure