

PROVINCE OF KWAZULU-NATAL
PROVINCIAL TREASURY



OFFICE OF THE HEAD OF DEPARTMENT

145 Chief Albert Luthuli Street(Commercial Road)
Pietermaritzburg
3200

PO Box 3613
Pietermaritzburg
3200
Tel: 033 8974556
Fax: 033 3422486
Email: simiso.magagula@kzntreasury.gov.za
Email: ntokozo.mazeka@kzntreasury.gov.za

Date: 8 July 2010
Enquiries: Mr F. Cassimjee

**TO: MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU NATAL MUNICIPALITIES (DELEGATED)**

PROVINCIAL TREASURY CIRCULAR TC/RM 1 OF 2010/11

SUBMISSION AND PUBLICATION OF APPROVED 2010/11 BUDGET DOCUMENTS AND RETURNS

The circular covers the following main reporting areas:

- (A) Submission of Approved Budget Documentation and Schedules for 2010/11 in compliance with Legislation.
- (B) Submissions of 2010/11 Budget Reform Returns to the National Treasury Local Government Database for Publication.
- (C) Reliability of Published Budget and Expenditure Figures
- (D) Publication of 2010/11 Budgets on Municipal Websites.
- (E) Publication of Municipal by By-Laws Related to the Budget in the Provincial Gazette.

(A) Submission of Approved Budget Documentation and Schedules for 2010/11 in compliance with Legislation.

Section 24(3) of the MFMA, read in conjunction with Budget and Reporting Regulation 20(1), requires that the approved annual budget and supporting council resolution must be submitted within ten working days after the Council has approved the annual budget. If the Council only approves the annual budget on 30 June 2010, the final date for the submission of the approved budget and budget documents is **Wednesday, 14 July 2010**, if not an earlier date applies.

Your municipality is reminded to submit electronic and hard copies of the 2010/11 budget and related documents, ensuring full compliance with all the components reflected in the attached Annexure B, to National and Provincial Treasuries within ten working days after the final budget has been approved.

The budgets and budget documents must be forwarded to the following addresses:

Provincial Treasury

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

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

FOR ATTENTION: URASHNA GOBERDHAN

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

National Treasury

Printed copies of the required documents can be sent to:

Posted documents:

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0002

Couriered documents:

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria

Electronic copies of the required documents must be e-mailed to lgdocuments@treasury.gov.za. If the budget documents are too large to be sent via e-mail, arrangements for them to be downloaded from the municipality's website must be made with Elsabe Rossouw (e-mail: Elsabe.Rossouw@treasury.gov.za).

Your municipality is further reminded that the Mayor must approve the Service Delivery and Budget Implementation Programme (SDBIP) within 28 days after the budget is approved. Section 1 of the MFMA defines the SDBIP as:

“a detailed plan approved by the mayor of a municipality in terms of section 53(1)(c)(ii) for implementing the municipality's delivery of services and the execution of its annual budget and which must include (as part of the top-layer) the following:

(a) projections for each month of-

(i) revenue to be collected, by source; and

(ii) operational and capital expenditure, by vote;

(b) service delivery targets and performance indicators for each quarter”.

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

(B) Submissions of 2010/11 Budget Reform Returns to the National Treasury Local Government Database for Publication.

As indicated in National Treasury MFMA Circular 51, municipalities are still required to use the Budget Reform Returns listed in Annexure A to upload the budget and monthly expenditure to the National Treasury Local Government Database (lgdatabase@treasury.gov.za).

These returns are available in the original formats as well as in versions aligned to the Municipal Budget and Reporting Regulations. National Treasury is aware that it will take some time to align the current reporting formats with the new reporting formats and that system vendors need to make adjustments to their accounting software. National Treasury will therefore allow both the current returns as well as the aligned returns to be submitted to lgdatabase@treasury.gov.za for the next two years (i.e. 2010/11 and 2011/12) after which only the aligned version of the electronic returns will be accepted as the source for publications.

The relevant return forms can be downloaded from the National Treasury website http://www.treasury.gov.za/legislation/mfma/return_forms/default.aspx.

Should your municipality require assistance on the completion of these returns, please contact the Provincial Treasury.

(C) Reliability of Published Budget and Expenditure Figures

Provincial Treasury is concerned about the reliability of budget and expenditure figures published by National Treasury. It was noted in the past that there has been discrepancies in the data submitted to the Local Government Database by municipalities. To ensure that the figures published by National Treasury are reliable, it is imperative that your municipality scrutinise, verify and sign-off the verifications schedules sent to you by National Treasury on a quarterly basis. There are two quarterly verification schedules, namely the:

- (a) Statement of Operating and Capital Expenditure; and
- (b) Conditional Grants Actual Transfers and Expenditure Schedule.

Accepted numbers with regard to the *Statement of Operating and Capital Expenditure* must be signed by both the Municipal Manager and the Chief Financial Officer and faxed to (012) 395-6553 for attention Ms Elsabe Rossouw or scanned and mailed to lgdocuments@treasury.gov.za.

Similarly for the *Conditional Grants Actual Transfers and Expenditure Schedule*, the accepted numbers should also be signed by both the Municipal Manager and the Chief Financial Officer and faxed to (012) 395-6732 and (012) 315-5045 for attention Mr Sello Mashaba or scanned and mailed to lgdocuments@treasury.gov.za.

To ensure that the verification schedules submitted are legible, the scanning and e-mailing of the schedules are preferred. Municipalities are also requested to submit copies of the signed-off verification schedules to Provincial Treasury at mfma@kzntreasury.gov.za.

(D) Publication of 2010/11 Budgets on Municipal Websites.

Kindly ensure that your 2010/11 approved budget and other relevant information are published on the municipality's website as required in terms of Section 75 of the MFMA.

(E) Publication of Municipal By-Laws Related to the Budget in the Provincial Gazette.

Section 24(2)(ii) of the MFMA requires municipal budgets to be approved before the start of the new financial year (i.e. 30 June 2010). The council must also adopt resolutions related to any increases in tariffs or changes in tariff policies or other budget related policies in terms of Section 75(1) of the Municipal Systems Act. Municipalities must ensure that the following policies are passed as By-Laws to give effect to the implementation and enforcement of its tariff policy:

- **Tariff Policy:**

Section 74(1) of the Municipal Systems Act requires that a municipal council must adopt and implement a tariff policy on the levying of fees for municipal services. The municipality is also reminded that the electricity tariffs must be approved by NERSA before 30 June 2010 in order for the new tariffs to take effect. Failure to get NERSA approval will render the municipality's tariff increases invalid.

- **Rates Policy:**

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

- **Credit Control And Debt Collection Policy**

In terms of Section 98 of the Municipal Systems Act, a municipal council must adopt by-laws to give effect to the municipality's credit control and debt collection policy, its implementation and enforcement.

According to Section 13 of the Municipal Systems Act, in order for a municipal By-Law passed by a municipal council to take effect, it must be published in the Provincial Gazette and when feasible, also in a local newspaper or any other practical way to bring the contents of the By-Law to the attentions of the local community. Failure to publish By-Laws in the Provincial Gazette will render these policies ineffective and the legality of the municipality's rates, tariffs and credit control and debt collection policies might be questioned by a ratepayer.

The onus rests with Accounting Officer to ensure that their municipality fully complies with all reporting requirements.



MR L.S MAGAGULA
HEAD: PROVINCIAL TREASURY

CC MAYORS
Jan Hatting, National Treasury
Herman van Zyl, Auditor-General