

PROVINCE OF KWAZULU-NATAL  
PROVINCIAL TREASURY

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Date: 10 January 2011  
Enquiries: Mr. F. Cassimjee

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

**PROVINCIAL TREASURY CIRCULAR TC/RM 4 OF 2010/11**

**SUBMISSION AND PUBLICATION OF 2010/11 MID-YEAR BUDGET/PERFORMANCE  
ASSESSMENT AND 2010/11 ADJUSTMENT BUDGET**

The circular covers the following main areas:

- A. 2010/11 Mid-year Budget and Performance assessment - Process;
- B. 2010/11 Adjustment Budget - Process;
- C. 2010/11 Mid-year Budget and Performance Assessment and Adjustment Budget - Templates;
- D. 2010/11 National and Provincial Adjustment Estimates;
- E. 2010/11 Mid-year Budget and Performance Assessment and Adjustment Budget - Submission and Publications;
- F. 2010/11 Adjustment Budget Reform Returns - Submissions to the National Treasury Local Government Database for Publication; and
- G. Reliability of Published Budget and Expenditure Figures.

**A. 2010/11 Mid-year Budget and Performance Assessment - Process**

In terms of Section 72(1) of the Municipal Finance Management Act (MFMA) (Act No. 56 of 2003)<sup>1</sup>, the accounting officer of a municipality must by 25 January of each year;

- (a) assess the performance of the municipality during the first half of the financial year, taking into account-
  - (i) the monthly statements referred to in section 71 for the first half of the financial year;

<sup>1</sup> In this circular, unless context indicates otherwise, the 'Act' refers to the Municipal Finance Management Act (MFMA)(Act No. 56 of 2003)

- (ii) *the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;*
  - (iii) *the past year's annual report, and progress on resolving problems identified in the annual report; and*
  - (iv) *the performance of every municipal entity under the sole or shared control of the municipality, taking into account reports in terms of section 88 from any such entities; and*
- b) *submit a report on such assessment to –*
- (i) *the mayor of the municipality;*
  - (ii) *the National Treasury; and*
  - (iii) *the relevant provincial treasury.*

Section 72(3) of the MFMA further states that *the accounting officer must, as part of the review –*

- a) *make recommendations as to whether an adjustments budget is necessary; and*
- b) *recommend revised projections for revenue and expenditure to the extent that this may be necessary.*

In terms of Section 33 of the Budget and Reporting Regulations issued on 17 April 2009 (Government Gazette 32141), a mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

To conduct the mid-year performance assessment, the monthly statement in the Schedule C format, as required in terms of Section 71 of the MFMA for the period ending 31 December 2010, must first be prepared to explain the progress made in achieving the original budget. Any variance explanation, as specified in supporting Table C1 of Schedule C for your respective municipality, should serve as a basis for consideration of the need for an adjustments budget.

## **B. 2010/11 Adjustment Budget Process**

In terms of Section 28 of the MFMA, *a municipality may revise an approved annual budget through an adjustments budget. An adjustments budget –*

- a) *must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;*
- b) *may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;*
- c) *may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;*
- d) *may authorise the utilisation of projected savings in one vote towards spending under another vote;*
- e) *may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when current year was approved by the council;*
- f) *may correct any errors in the annual budget; and*

g) *may provide for any other expenditure within a prescribed framework.*

Section 21 of the Budget and Reporting Regulations specifies that an adjustments budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.

Section 22 of the Budget and Reporting Regulations further states that (1) an adjustment budget of a municipality must be appropriately funded and that (2) the supporting documentation to accompany an adjustment budget in terms of section 28(5) of the Act must contain an explanation of how the adjustment budget is funded.

In accordance with Section 23(1) of the Budget and Reporting Regulation, an adjustments budget may be tabled in the municipal council at any time after the Mid-Year Budget and Performance Assessment is tabled in Council, but not later than 28 February. Furthermore, in accordance with Section 23 (2) only one adjustment budget referred to Section 23(1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in Section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case Section 23(3) as discussed below applies.

### **C. 2010/11 Mid-year Budget and Performance Assessment and 2010/11 Adjustment Budget - Templates**

The latest version (i.e. version 2.3 dated 2 December 2010) of the Schedule B and C templates are available on National Treasury's website at: <http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>.

Budget Formats Guide (February 2010) provides guidance on the completion of the templates and can be downloaded at: <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>.

### **D. 2010/11 National and Provincial Adjustment Estimates**

In terms of Sections 30(1) of the Public Finance Management Act (PFMA) (Act No. 1 of 1999), *the Minister may table adjustments budgets in the National Assembly as and when necessary* and Section 31(1) of the same Act require the MEC of Finance in the province to table the adjustments budget in the provincial legislature subject to Section 31(3) which state that *the Minister may determine the time when an adjustment budget may be tabled in provincial legislature as well as the format of such budgets*. Towards this end, the 2010 Adjustment Estimate of National Expenditure was tabled on 27 October 2010 and the 2010 Provincial Adjustments Estimate was tabled on 26 November 2010.

Section 23(3) of the Budget and Reporting Regulations requires that if a national or provincial adjustments budget allocates or transfers additional revenues to a municipality, the mayor of the municipality must, at the next available council meeting, but within 60 days of the approval of the relevant national or provincial adjustments budgets, table an adjustments budget referred to in section 28(2) (b) of the Act in the municipal council to appropriate these additional revenues.

Attached are copies of the following documents:

- a) Division of Revenue Amendment Act, 2010 (Government Gazette No.33830 dated 2 December 2010) indicating the adjustments in National Transfers for the 2010/11 financial year. In addition, Gazette



No. 32794 and 33879, which can be downloaded from the national Treasury's website indicates further adjustments to the allocation and should also be taken into account; and

- b) An extract from Provincial Gazette No. 524 (Practice Note No. 226) dated 2 December 2010 indicates the adjustments of Provincial Transfers for the 2010/11 financial year. Kindly note that the gazette contains amended transfers in terms of section 29(3) of the Division of Revenue Act, 2010 (DoRA). Some schedules in the gazette replaces schedules previously published in terms of section 29(2) and (3) of DoRA 2010, others correct tables published in the 2010/11 Adjustments Estimate and also withdraw transfers which were originally allocated to municipalities.

***Kindly take note of the above adjustments to the allocations for your respective municipality and ensure the relevant adjustments are reflected in your 2010/11 adjustments budget.***

#### **E. 2010/11 Mid-year Budget and Performance Assessment and 2010/11 Adjustment Budget - Submission and Publication**

In accordance with Section 72(b)(iii) of the MFMA, the accounting officer of the municipality must submit the Mid – Year Budget and Performance Assessment to the relevant treasury.

Furthermore, Section 27(2) of the the Budget and Reporting Regulations states that when submitting an adjustment budgets to the National Treasury and the relevant Provincial Treasury in terms of section 28(7) of the Act read together with section 24(3) of the Act, the municipal manager must submit to the National Treasury and relevant Provincial Treasury, in both printed and electronic form-

- (a) the supporting documentation within ten days after the municipal council has approved the adjustments budget.
- (b) the amended service delivery and budget implementation plan, within ten days after the council has approved the amended plan in terms of section 54(1)(c) of the Act; and
- (c) any other information as may be required by the National Treasury.

Your municipality is reminded to submit the documents listed in Annexure A to the following addresses:

##### Provincial Treasury

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

The Provincial MFMA Coordinator  
Provincial Treasury  
7<sup>th</sup> Floor Treasury House  
145 Chief Albert Luthuli Road  
Pietermaritzburg, 3201

##### FOR ATTENTION: F. Cassimjee

Electronic copies of the required documents must be e-mailed to [mfma@kzntreasury.gov.za](mailto: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 also be e-mailed to [lgdocuments@treasury.gov.za](mailto: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](mailto:Elsabe.Rossouw@treasury.gov.za))

Section 34(1) of the Budget and Reporting Regulations also require that the municipal manager must make the mid-year budget and performance assessment and adjustment budget public by placing it on the municipal website.

#### **F. 2010/11 Adjustment Budget Reform Returns – Submissions to the National Treasury Local Government Database for Publication**

In addition to submitting the 2010/11 Mid-year Budget and Performance Assessment and Adjustment Budget, municipalities are reminded to submit the following Budget Reform Returns to the National Treasury Local Government Database ([lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za)) within ten working days after the adjustment budget has been approved in council:

- (a) Statement of Financial Position Revised (BSR)
- (b) Budgeted Capital Acquisition Revised (CAR)
- (c) Statement of Financial Performance Revised (OSR)
- (d) Cash Flow Budget Revised (CFR)

These returns are required for the publication of the municipal adjustment budget and quarterly performance figures by National Treasury.

The relevant return forms can be downloaded from the National Treasury website [http://mfma.treasury.gov.za/Return\\_Forms/Pages/default.aspx](http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx). Should your municipality require assistance on the completion of these returns, please contact the Provincial Treasury.

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

#### **G. Reliability of Published Budget and Expenditure Figures**

Provincial Treasury is still concerned about the reliability of budget and expenditure figures published by National Treasury using data submitted by municipalities. It was noted in the past that there were discrepancies in the data submitted to the Local Government Database by municipalities. To ensure that both the budgeted and expenditure 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 budget and expenditure figures 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](mailto:lgdocuments@treasury.gov.za)

Similarly for the Conditional Grants Actual Transfers and Expenditure Schedule, the accepted schedules 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](mailto: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](mailto:mfma@kzntreasury.gov.za).



**MR L.S MAGAGULA**  
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