

PROVINCE OF KWAZULU-NATAL  
PROVINCIAL TREASURY



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Date: 10 March 2011  
Enquiries: Mr F. Cassimjee

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

**PROVINCIAL TREASURY CIRCULAR TC/RM 6 OF 2010/11**

**MUNICIPAL BUDGET PROCESS 2011/12**

In terms of Section 16 (2) of the Municipal Finance Management Act, "*the mayor of the municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year*". This circular provides guidance to municipalities for the preparation and submission of their 2011/12 MTREF Budgets and supplements MFMA Circular No. 54 and MFMA Circular No. 55 issued by National Treasury. The following issues are covered in the circular:

- A. Preparation of the 2011/12 Municipal Budget
- B. Dummy Budget Guide
- C. Conditional Transfers to Municipalities
- D. Budget Documents Required
- E. Submission Process
- F. Submissions of 2011/12 Budget Reform Returns to the National Treasury Local Government Database for Publication.
- G. Reliability of Published Budget and Expenditure Figures
- H. Publication of budgets on municipal websites

**A. Preparation of the 2011/12 Municipal Budget**

As stated in Government Gazette No. 32141 dated 17 April 2009, all municipalities must prepare their 2011/12 budgets in accordance with the Municipal Budget and Reporting Regulations. In this regard, municipalities must comply with both:

- The formats set out in Schedule A (Version 2.3 dated 10 December 2010)
- The relevant attachments to each of the schedules (the Excel Formats).

Section 9 of the Municipal Budget and Reporting Regulations states that:

*“The annual budget and supporting documentation must be in the format specified in Schedule A and include all required tables, charts and explanatory information taking into account any guidelines by the Minister in terms of Section 168(1) of the Act.”*

Section 14 of the Municipal Budget and Reporting Regulations further requires that:

*“An annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17(3) of the Act must be in the format in which it will eventually be approved by the council.”*

Therefore, the municipality needs to both **table to council and submit to National Treasury and Provincial Treasury**, the 2011/12 budget in the required format and with the relevant supporting schedules.

Since the original format for the annual budget and supporting documentation was amended a number of times, it is imperative that municipalities ensure that they use Version 2.3 of Schedule A. This version can be downloaded from the National Treasury Website:

[http://mfma.treasury.gov.za/regulationsand\\_gazettes/Pages/default.aspx](http://mfma.treasury.gov.za/regulationsand_gazettes/Pages/default.aspx).

Furthermore, all municipalities must undertake a funding compliance assessment of their 2011/12 budgets in accordance with the guidance given in MFMA Circular 42 and the MFMA Funding Compliance Guideline before tabling their budget.

The information listed below must be considered when preparing municipal budgets for the 2011/12 MTREF:

- State of the Nation Address - 2011/12
- State of the Province Address - 2011/12
- Budget Speech of the Minister for Finance - 2011/12
- Budget Speech of the MEC for Finance - 2011/12
- 2011 Division of Revenue Bill
- Provincial Gazette 558 dated 04 March 2011
- MFMA Circular No. 54
- MFMA Circular No. 55

Most of the above documents are available on the National Treasury and Provincial Treasury Websites: [www.treasury.gov.za](http://www.treasury.gov.za) and [www.kzntreasury.gov.za](http://www.kzntreasury.gov.za).

## **B. Dummy Budget Guide**

National Treasury has issued a *Dummy Budget Guide* to assist municipalities with the preparation of their MTREF budgets in accordance with the format prescribed in Schedule A of the Municipal Budget and Reporting Regulations. The Dummy Budget Guide consists of the following components:

1. The MFMA Dummy Budget Guide
2. *The Annual Budget of Batho Pele City* – Annexure to the Guide
3. The Schedule A1 for the *Batho Pele City* – the ‘Excel’ budget format schedule
4. The Schedule A1 Graphs and Figures Template.



The *Annual Budget of Batho Pele City* is intended to be a template that municipal officials can use as a basis and guide for producing their own municipality's budget documents. The guide and associated templates and documents can be downloaded from:

<http://mfma.treasury.gov.za/Guidelines/Pages/DummyBudgetGuide.aspx>

If you require any further assistance, please contact Ilze Baron (email: [Ilze.Baron@treasury.gov.za](mailto:Ilze.Baron@treasury.gov.za)) or Conrad Barberton (email: [Conrad.Barberton@treasury.gov.za](mailto:Conrad.Barberton@treasury.gov.za)).

### C. Conditional Transfers to Municipalities

The 2011 Division of Revenue Bill provides that-

- In terms of Section 14, National Treasury is required to publish in the Government Gazette, the allocations or indicative allocations for all national grants to municipalities;
- In terms of Section 29, each provincial treasury is required to publish in the Government Gazette, the indicative allocation per municipality for every allocation to be made by the province to municipalities from the provinces own funds; and
- In terms of Section 28, each category C municipality must indicate in their budget all allocations from its equitable share and conditional allocations to be transferred to each category B municipality within the category C municipality's area of jurisdiction.

The Government Gazette reflecting the allocations and indicative allocations for all national grants to municipalities is available at: <http://www.treasury.gov.za/legislation/bills/2011/Default.aspx>.

The 2011 /12 Provincial budget, which includes transfers to municipalities, was tabled by the MEC for Finance on 8 March 2011. These allocations have been gazetted in Provincial Gazette 558 on 4 March 2011. The Government Gazette is available at the Provincial Treasury website: [www.kzntreasury.gov.za](http://www.kzntreasury.gov.za).

All allocations reflected in the budgets of municipalities must correspond to the allocations listed in the 2011 Division of Revenue Act, the Provincial Gazette No 558 dated 04 March 2011 and the budget of the district.

### D. Budget Documents Required

Section 22(b)(i) of the MFMA requires that *immediately* after an annual budget is tabled in a municipal Council, it must be submitted to the National Treasury and the relevant Provincial Treasury in both printed and electronic formats. In order for Provincial Treasury to comment fairly and accurately on the draft budget, municipalities are encouraged to submit their draft budgets as soon as possible after tabling in Council. Depending on when municipalities table their draft budgets, the final deadline for the submission of the 2011/12 draft budget to National Treasury and Provincial Treasury is **Friday, 8 April 2011**. Any 2011/12 draft budget received after the final deadline will be considered as non-submission.

In terms of Section 74 of the MFMA, all municipalities must submit the documents listed in the attached Annexure A, as well as the following documents in both **printed and electronic format**:

- The draft Service Delivery and Budget Implementation Plan (SDBIP) for 2011/12;
- The revised Integrated Development Plan (IDP) for 2011/12;
- All relevant policies to the 2011/12 budget and any other budget related policy amended by Council for 2011/12;

- The municipality's loan schedule, if the municipality is funding the budget through borrowings;
- The municipality's investment schedule, if the municipality have reflected investments on their budget;
- Funding Compliance Table (SA10), including:
  - A narrative assessment of each of the funding compliance variables noted in the MFMA Funding Compliance Guideline; and
  - Steps taken during the funding compliance assessment to ensure compliance with Section 18 of the MFMA.

Section 24(3) of the MFMA, read together with 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 2011, the final date for such a submission is Wednesday, 14 July 2011, otherwise an earlier date applies.

#### **E. Submission Process**

The submission of budget documents for 2011/12 to National Treasury is detailed in MFMA Circular 55.

In addition to submitting the budget documents and schedules for 2011/12 to National Treasury, municipalities are required to courier or hand deliver printed copies of the required documents to:

##### **Physical Address:**

The MFMA Coordinator  
 Provincial Treasury  
 7<sup>th</sup> 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](mailto:mfma@kzntreasury.gov.za).

#### **F. Submissions of 2011/12 Budget Reform Returns to the National Treasury Local Government Database for Publication.**

As indicated in National Treasury MFMA Circular 55, municipalities are required to use the Budget Reform Returns listed in the attached Annexure B to upload the budget and monthly expenditure to the National Treasury Local Government Database ([lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za)).

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

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

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

Provincial Treasury is concerned about the reliability of budget 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 the Budget Reform Returns submitted to the National Treasury Local Government Database for Publication reconcile to Schedule A of your 2011/12 Budget.**

**H. Publication of budgets on Municipal Websites**

In terms of Section 75 of the MFMA, all municipalities are required to publish their budgets, annual reports (containing audited Annual Financial Statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

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.

Yours sincerely



**L.S. MAGAGULA**  
**HEAD OF DEPARTMENT**

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