



HEAD OF DEPARTMENT

Our Ref: 11/6/13/1
Enquiries: Mr F. Cassimjee
Date: 15 August 2018

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

PROVINCIAL TREASURY CIRCULAR PT/MF 03 OF 2018/19

TIME SCHEDULE OUTLINING KEY DEADLINES FOR THE 2019/20 MTREF BUDGET

PURPOSE

The purpose of this circular is:

- To remind municipalities of the requirements of Section 21 of the Municipal Finance Management Act, No. 56 of 2003, (MFMA); and
- To remind municipalities about additional key processes to be included in the time schedule outlining key deadlines for the preparation of the 2019/20 Medium Term Revenue and Expenditure Framework (MTREF) Budget.

BACKGROUND:

Section 21 of the MFMA, Budget preparation process states that:

(1) The mayor of a municipality must –

- (a) co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget related policies are mutually consistent and credible;*
- (b) at least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for-*
 - (i) the preparation, tabling and approval of the annual budget;*
 - (ii) the annual review of-*
 - (aa) the integrated development plan in terms of section 34 of the Municipal Systems Act; and*
 - (bb) the budget related policies;*

- (iii) *the tabling and adoption of any amendments to the integrated development plan and budget-related policies; and*
 - (iv) *any consultative processes forming part of the processes referred to in subparagraphs (i), (ii) and (iii).*
- (2) *When preparing the annual budget, the mayor of a municipality must-*
- (a) *take into account the municipality's integrated development plan;*
 - (b) *take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;*
 - (c) *take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;*
 - (d) *consult-*
 - (i) *the relevant district municipality and all other local municipalities within the area of the district municipality, if the municipality is a local municipality;*
 - (ii) *all local municipalities within its area, if the municipality is a district municipality;*
 - (iii) *the relevant provincial treasury, and when requested, the National Treasury; and*
 - (iv) *any national or provincial organs of state, as may be prescribed; and*
 - (e) *provide, on request, any information relating to the budget-*
 - (i) *to the National Treasury; and*
 - (ii) *subject to any limitations that may be prescribed, to-*
 - (aa) *the national departments responsible for water, sanitation, electricity and any other service as may be prescribed;*
 - (bb) *any other national and provincial organ of states, as may be prescribed; and*
 - (cc) *another municipality affected by the budget.*

IMPLEMENTATION

In order to achieve the approval of a consistent and credible budget, the municipalities' time schedule outlining key deadlines must contain key processes with realistic and compliant deadlines. Municipalities are also encouraged to detail the activities required for each key process and to highlight the responsible unit or department for each process. Furthermore, municipalities with entities should also ensure that the processes and timelines in the budget process plan of the entity supports the achievement of the time schedule outlining the key deadlines of the municipality. At a minimum, the time schedule should at least cover the processes shown in Annexure A to this Circular, however, ideally more processes should be included in greater detail for the budget process.

In terms of the 2019/20 MTREF Budget process, municipalities are requested to make provision for engagements with Provincial Treasury in their time schedules outlining key deadlines for:

1. Mid-year budget and performance assessment visits (January – March 2019); and
2. Tabled (Draft) Budget Assessments (April – May 2019).

COMPLIANCE ASSESSMENTS

All municipal time schedules outlining key deadlines submitted by municipalities will be subjected to a high level comparison with the minimum requirements shown in the attached Annexure A. Municipalities are kindly encouraged to consider any feedback from Provincial Treasury which might be sent to municipalities after the high level review is conducted. This feedback will be given in order to improve future time schedules submitted by municipalities.

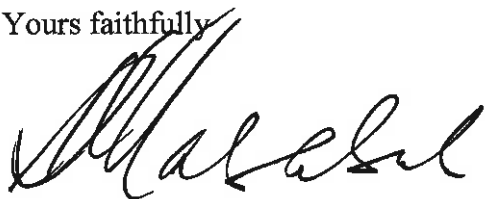
SUBMISSION REMINDER

You are reminded to table your time schedule outlining key deadlines for the 2019/20 budget year to Council by **31 August 2018** as required by Section 21(1)(b) of the MFMA. Furthermore Section 74(1) of the MFMA states:

The accounting officer of a municipality must submit to the National Treasury, the Provincial Treasury, the department for local government in the province or the Auditor-General such information, returns, documents, explanations and motivations as may be prescribed or as may be required.

The municipality is therefore reminded to submit the approved time schedule outlining key deadlines document together with a copy of the signed Council resolution to National Treasury at lgdocuments@treasury.gov.za and copy the KwaZulu-Natal Provincial Treasury at mfma@kzntreasury.gov.za by 3 September 2018 at the latest.

Yours faithfully



MR L. S. MAGAGULA
HEAD OF DEPARTMENT: PROVINCIAL TREASURY

CC **Ms B. F. Scott – MEC for Finance**
Mr J. Hatting – National Treasury

Annexure A

TIME SCHEDULE OF KEY DEADLINES		
Mayor to Table in Council 10 Months Prior to Start of Budget Year		
Month	Municipality	Budget Year
Mayor and Council / Entity Board		Administration - Municipality and Entity
July	<p>Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process MFMA s 53</p> <p>Planning Includes review of the previous years budget process and completion of the Budget Evaluation Checklist</p>	<p>Accounting officers and senior officials of municipality and entities begin planning for next three-year budget MFMA s 68, 77</p> <p>Accounting officers and senior officials of municipality and entities review options and contracts for service delivery MSA s 76-81</p>
August	<p>Mayor tables in Council a time schedule outlining key deadlines for: preparing, tabling and approving the budget; reviewing the IDP (as per s 34 of MSA) and budget related policies and consultation processes at least 10 months before the start of the budget year. MFMA s 21, 22, 23; MSA s 34, Ch 4 as amended</p> <p>Mayor establishes committees and consultation forums for the budget process</p>	
September	<p>Council through the IDP review process determines strategic objectives for service delivery and development for next three-year budgets including review of provincial and national government sector and strategic plans</p>	<p>Budget offices of municipality and entities determine revenue projections and proposed rate and service charges and drafts initial allocations to functions and departments for the next financial year after taking into account strategic objectives</p> <p>Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)</p>
October		<p>Accounting officer does initial review of national policies and budget plans and potential price increases of bulk resources with function and department officials MFMA s 35, 36, 42; MTBPS</p>
November		<p>Accounting officer reviews and drafts initial changes to IDP MSA s 34</p>
December	<p>Council finalises tariff (rates and service charges) policies for next financial year MSA s 74, 75</p>	<p>Accounting officer and senior officials consolidate and prepare proposed budget and plans for next financial year taking into account previous years performance as per audited financial statements</p>
January	<p>Entity board of directors must approve and submit proposed budget and plans for next three-year budgets to parent municipality at least 150 days before the start of the budget year MFMA s 87(1)</p>	<p>Accounting officer reviews proposed national and provincial allocations to municipality for incorporation into the draft budget for tabling. (Proposed national and provincial allocations for three years must be available by 20 January) MFMA s 36</p>
February	<p>Council considers municipal entity proposed budget and service delivery plan and accepts or makes recommendations to the entity MFMA s 87(2)</p>	<p>Accounting officer finalises and submits to Mayor proposed budgets and plans for next three-year budgets taking into account the recent mid-year review and any corrective measures proposed as part of the oversight report for the previous years audited financial statements and annual report</p> <p>Accounting officer to notify relevant municipalities of projected allocations for next three budget years 120 days prior to start of budget year MFMA s 37(2)</p>
March	<p>Entity board of directors considers recommendations of parent municipality and submit revised budget by 22nd of month MFMA s 87(2)</p> <p>Mayor tables municipality budget, budgets of entities, resolutions, plans, and proposed revisions to IDP at least 90 days before start of budget year MFMA s 16, 22, 23, 87; MSA s 34</p>	<p>Accounting officer publishes tabled budget, plans, and proposed revisions to IDP, invites local community comment and submits to NT, PT and others as prescribed MFMA s 22 & 37; MSA Ch 4 as amended</p> <p>Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March MFMA s 42</p>
April	<p>Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc MFMA s 21</p>	<p>Accounting officer assists the Mayor in revising budget documentation in accordance with consultative processes and taking into account the results from the third quarterly review of the current year</p>
May	<p>Public hearings on the budget, and council debate. Council consider views of the local community, NT, PT, other provincial and national organs of state and municipalities. Mayor to be provided with an opportunity to respond to submissions during consultation and table amendments for council consideration. Council to consider approval of budget and plans at least 30 days before start of budget year. MFMA s 23, 24; MSA Ch 4 as amended</p> <p>Entity board of directors to approve the budget of the entity not later than 30 days before the start of the financial year, taking into account any hearings or recommendations of the council of the parent municipality MFMA s 87</p>	<p>Accounting officer assists the Mayor in preparing the final budget documentation for consideration for approval at least 30 days before the start of the budget year taking into account consultative processes and any other new information of a material nature</p>
June	<p>Council must approve annual budget by resolution, setting taxes and tariffs, approving changes to IDP and budget related policies, approving measurable performance objectives for revenue by source and expenditure by vote before start of budget year MFMA s 16, 24, 26, 53</p> <p>Mayor must approve SDBIP within 28 days after approval of the budget and ensure that annual performance contracts are concluded in accordance with s 57(2) of the MSA. Mayor to ensure that the annual performance agreements are linked to the measurable performance objectives approved with the budget and SDBIP. The mayor submits the approved SDBIP and performance agreements to council, MEC for local government and makes public within 14 days after approval. MFMA s 53; MSA s 38-45, 57(2)</p> <p>Council must finalise a system of delegations. MFMA s 59, 79, 82; MSA s 59-65</p>	<p>Accounting officer submits to the mayor no later than 14 days after approval of the budget a draft of the SDBIP and annual performance agreements required by s 57(1)(b) of the MSA. MFMA s 69; MSA s 57</p> <p>Accounting officers of municipality and entities publishes adopted budget and plans MFMA s 75, 87</p>

Abbreviations: IDP - Integrated Development Plan; MFMA - Local Government: Municipal Finance Management Act, No. 56 of 2003; MSA - Local Government: Municipal Systems Act, No. 32 of 2000, as amended; MTBPS - National Treasury annual publication, Medium Term Budget and Policy Statement; NT - National Treasury; PT - Provincial Treasuries; SDBIP - Service Delivery and Budget Implementation Plan