



HEAD OF DEPARTMENT

Our Ref: 11/6/13/1
Enquiries: Mr F. Cassimjee
Date: 30 September 2019

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

PROVINCIAL TREASURY CIRCULAR PT/MF 04 OF 2019/20

TIME SCHEDULE OUTLINING KEY DEADLINES FOR THE 2020/21 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET

PURPOSE

The purpose of this circular is to:

- a) advise municipalities of their compliance with the requirements of Sections 21(1)(b), 27(1) and 27(3) of the Municipal Finance Management Act, No. 56 of 2003 (MFMA); and
- b) advise municipalities on the process to be undertaken by the Provincial Treasury regarding the Time schedule outlining key deadlines for the preparation of the 2020/21 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.*

FINDINGS

The Provincial Treasury through its Short Message Service (SMS) facility reminded **Speakers, Mayors, Municipal Managers and Chief Financial Officers** of their responsibilities in respect of Section 21 of the MFMA on 21 August 2019.

Municipalities were requested through email correspondence to forward to the Provincial Treasury a copy of their *2020/21 budget timelines with a council resolution by no later than Monday 10:00 am 09 September 2019* in terms of Section 74 of the MFMA in order to-

- (a) *determine compliance by municipalities with Sections 21(1)(b), 27(1) and 27(3) of the MFMA; and*
- (b) *determine whether there was an improvement or regression in terms of compliance by municipalities with the relevant sections of the MFMA in this regard.*

Despite our email request, to date the municipalities shown in Table 1 below have not submitted all the requested information and were issued with non-compliance letters by the MEC for Finance in terms of Section 74 of the MFMA.

Table 1: Municipalities that have not submitted all the requested information

No.	2019/20	No.	2020/21
1	Dannhauser	1	Dannhauser
		2	uMgungundlovu DM
		3	Nquthu

Source: KZN Provincial Treasury

It is noted with concern that the Dannhauser Local Municipality has not submitted the requested information for the second consecutive year.

The municipalities shown in Table 2 below did not table their 2020/21 Time schedule outlining key deadlines by 31 August 2019 and were issued with non-compliance letters by the MEC for Finance in terms of Sections 21(1)(b) and 27 of the MFMA.

Table 2: Municipalities that did not table their 2020/21 Time schedule outlining key deadlines by 31 August 2019

No.	2019/20	No.	2020/21
1	eMadiangeni	1	uPhongolo
2	Dannhauser	2	iLembe DM
3	eNdumeni	3	eDumbe
4	Zululand DM	4	Richmond
5	Dr. Nkosazane Dlamini Zuma	5	Newcastle

Source: KZN Provincial Treasury

Municipalities who did not table their 2019/20 Time schedule outlining key deadlines timeously are also included in Table 2 for comparative purposes.

The Mayor of Newcastle Local Municipality submitted a “post facto” application for extension for the tabling of its 2020/21 Time schedule outlining key deadlines to which the MEC for Finance responded accordingly.

WAY FORWARD

The municipal Time schedules outlining key deadlines submitted by municipalities for the 2020/21 financial year will be subjected to a high level review by the Provincial Treasury against the minimum requirements as detailed in the attached Annexure A issued by National Treasury as part of MFMA Circular No. 10, as was undertaken for the 2019/20 financial year. Municipalities are encouraged to consider feedback from Provincial Treasury following the high level review. The feedback will assist in improving future Time schedules outlining key deadlines submitted by municipalities.

Municipalities that have not tabled their 2020/21 Time schedules outlining key deadlines are still required to table and subsequent to the tabling thereof, the municipality must immediately submit their **2020/21 Time schedule outlining key deadlines and a copy of the Council resolution for the tabling thereof** to Provincial Treasury.

Yours faithfully



MR L. S. MAGAGULA

HEAD OF DEPARTMENT: PROVINCIAL TREASURY

cc **Mr R. Pillay – 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	Mayor begins planning for next three-year budget in accordance with co-ordination role of budget process MFMA s 53 Planning includes review of the previous years budget process and completion of the Budget Evaluation Checklist	Accounting officers and senior officials of municipality and entities begin planning for next three-year budget MFMA s 68, 77 Accounting officers and senior officials of municipality and entities review options and contracts for service delivery MSA s 76-81
August	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 Mayor establishes committees and consultation forums for the budget process	
September	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	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 Engages with Provincial and National sector departments on sector specific programmes for alignment with municipalities plans (schools, libraries, clinics, water, electricity, roads, etc)
October		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
November		Accounting officer reviews and drafts initial changes to IDP MSA s 34
December	Council finalises tariff (rates and service charges) policies for next financial year MSA s 74, 75	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
January	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)	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
February	Council considers municipal entity proposed budget and service delivery plan and accepts or makes recommendations to the entity MFMA s 87(2)	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 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)
March	Entity board of directors considers recommendations of parent municipality and submit revised budget by 22nd of month MFMA s 87(2) 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	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 Accounting officer reviews any changes in prices for bulk resources as communicated by 15 March MFMA s 42
April	Consultation with national and provincial treasuries and finalise sector plans for water, sanitation, electricity etc MFMA s 21	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
May	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 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	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
June	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 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) Council must finalise a system of delegations. MFMA s 59, 79, 82; MSA s 59-65	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 Accounting officers of municipality and entities publishes adopted budget and plans MFMA s 75, 87

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