



## HEAD OF DEPARTMENT

Our ref: 11/6/13/1

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Date: 16 March 2020

**TO: MAYORS  
MUNICIPAL MANAGERS  
CHIEF FINANCIAL OFFICERS**

### **PROVINCIAL TREASURY CIRCULAR PT/MF 10 OF 2019/20**

#### **PREPARATION, SUBMISSION AND PUBLICATION OF THE 2020/21 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET**

The objectives of this circular are:

- To draw the attention of municipalities to the legislative requirements regarding the preparation of the 2020/21 MTREF Budget and to guide and support municipal officials in their responsibility to prepare reliable, credible and funded budgets to be approved by Council;
- To inform municipalities of Provincial Treasury's intention to undertake an assessment of their 2020/21 MTREF Budgets to be tabled in terms of Section 16(2) and submitted in terms of Section 22(b)(1) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA);
- To remind municipalities of the requirements of Section 23(1)(b) of the MFMA for Council to consider any views of Provincial Treasury on the 2020/21 MTREF Budget and that Provincial Treasury intends to engage all delegated municipalities on Provincial Treasury's findings during the assessment of the 2020/21 MTREF Budgets.
- To inform municipalities of the availability and intention of officials from Provincial Treasury to provide technical support on the preparation of the budget and attend Budget Steering Committee meetings prior to the tabling of the Draft (Tabled) Budget and Final (Approved) Budget to Council;
- To circulate a Budget Preparation Process Checklist which will be useful in assessing the compliance of the budget with the requirements of the MFMA and the Municipal Budget and Reporting Regulations (MBRR) during the budget preparation process, refer to **Annexure A**;
- To circulate the minimum information required as supporting evidence for the preparation of a budget, refer to **Annexure B**. This will assist municipalities to document the evidence for all sources of information used in the compilation of the budget;
- To circulate the basic content and information which the 2020/21 MTREF Budgets are expected to include as per the requirements of the MBRR, refer to **Annexure C**;
- To alert municipalities of the 2020 Division of Revenue Bill (DoRB) reflecting allocations from National Government for consideration and incorporation by municipalities in their 2020/21 MTREF Budgets; and

- To remind municipalities of the areas of weakness and common errors noted by both the Provincial and National Treasuries in previous budget assessments, with the intention for municipalities to address these weaknesses and errors (where applicable) in their 2020/21 MTREF Budgets.

This circular compliments MFMA Circular No. 99 dated 09 March 2020 and MFMA Circular No. 98 dated 06 December 2019 on the 2020/21 MTREF Budgets issued by National Treasury. In the process of compiling their budgets, it is important that municipalities consider the State of the Nation Address, the National Budget Speech and other National Directives as well as the Provincial Directives such as the State of the Province Address by the Premier and the Provincial Budget speech by the MEC for Finance.

The following areas are covered in this circular:

- A. Preparation of the 2020/21 MTREF Municipal Budgets;
- B. Format Requirements for the 2020/21 MTREF Municipal Budgets;
- C. Balance Sheet and Cash Flow Budgeting;
- D. Funding Position of the 2020/21 MTREF Municipal Budgets;
- E. Technical Assistance on the 2020/21 MTREF Tabled Budgets;
- F. Engagement with municipalities on the 2020/21 MTREF Tabled Budgets;
- G. Submission of the 2020/21 MTREF Municipal Budgets;
- H. Publication of the 2020/21 MTREF Municipal Budgets;
- I. 2020/21 MTREF Municipal Budget Verification Process;
- J. Budget Steering Committee (BSC);
- K. Service Delivery and Budget Implementation Plans (SDBIPs);
- L. National and Provincial Transfers to municipalities;
- M. Further matters for consideration in the 2020/21 MTREF Municipal Budget Process; and
- N. Municipal Budget Submission Process.

#### **A. Preparation of the 2020/21 MTREF Municipal Budgets**

The following is intended to guide municipalities to streamline their budget preparation process and to provide appropriate and relevant information required by Provincial Treasury for the purpose of monitoring and evaluating the 2020/21 MTREF Municipal Budgets.

#### **Municipal Standard Chart of Accounts (mSCOA)**

All municipalities **must** prepare their 2020/21 MTREF budgets in their financial systems and the **Schedule A1 must be produced directly from their financial system** as per the guidance provided in MFMA Circular No. 98.

**National Treasury has released Version 6.4.1 of the mSCOA Chart to be used for the compilation of the 2020/21 MTREF Budget.** Municipalities are referred to MFMA Circular No. 99 to note all the amendments that have been incorporated into Version 6.4.1.

## **Budget Preparation Process Checklist**

Provincial Treasury has included a Budget Preparation Process Checklist, **Annexure A**, which will assist in assessing the extent to which municipalities have complied with the Budget Preparation Process as specified in the MFMA and MBRR. This checklist also includes a number of non-financial information requirements which the municipality should review once the budget has been extracted and the balance of the supporting information has been populated. The municipality should prepare to discuss these requirements during the technical assistance and engagements as per parts E and F of this circular. The key focus areas listed in this Checklist are not exhaustive therefore municipalities are required to not rely solely on these areas but to introduce more measures when assessing their level of compliance in terms of their budget preparation process.

## **The Municipal Budget Working Paper File**

The Municipal Budget Working Paper File is a set of workings and supporting documents which is prepared, referenced and arranged in order to enable the municipality to support the figures and assumptions contained in the budget.

The Working Paper File should assist in streamlining the budget process and address many of the queries which arise during the annual budget review process by the National and Provincial Treasuries. The content of the file will enable a meaningful and constructive annual budget evaluation process.

The order of documentation contained in the file should follow the order of information as it appears in Schedule A1 in terms of the MBRR.

Guidance is hereby provided as to the content of the Municipal Budget Working Paper File, which may vary from municipality to municipality. **Annexure B** provides details of the minimum information to be included in the Budget Working Paper File. It is at the discretion of the municipality to include any further relevant supporting documentation.

However, the Chief Financial Officer (CFO) should provide overall guidance on the final content of the file. The information contained in the file should support the figures in the 2020/21 Tabled and Approved Budgets.

The CFO should sign off on the content of the file. The file should incorporate all documents which support the information produced in relation to each process as specified in the *Time Schedule Outlining Key Deadlines*. Once completed, the file should be reviewed and verified by the CFO. A copy of the file should be retained by the Mayor and Municipal Manager for record and reference purposes.

## **B. Format Requirements for the 2020/21 MTREF Municipal Budgets**

Section 17(1) of the MFMA states that *an annual budget of a municipality must be a schedule in the prescribed format*. Regulation 9 of the MBRR further prescribes that *the annual budget and supporting documentation of a municipality must be in the format specified in Schedule A 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 [MFMA]*.

**ALL** municipalities **MUST** prepare their 2020/21 MTREF budgets in their financial systems and extract Schedule A1 directly from their financial systems.

Furthermore, Regulation 14(1)(a) of the MBRR specifies that *an annual budget and supporting documentation tabled in a municipal council in terms of Sections 16(2) and 17(3) of the MFMA must be in the format in which it will eventually be approved by the council*.

Therefore, all municipalities are required to ensure that their 2020/21 MTREF Budgets are tabled in Council on or before 31 March 2020 which must include all the information as set out in Schedule A1 of the MBRR and submitted to the National and Provincial Treasuries.

**Failure to ensure that your Tabled Budget includes all the information as set out in Schedule A1 of the MBRR constitutes financial misconduct in terms of Section 171(1)(a) of the MFMA and municipalities face the risk of Provincial Treasury not providing any views/comments on the budget for municipalities to consider as required by Section 23(1)(b) of the MFMA. The Provincial Treasury would like to emphasise that where municipalities have not complied with the MBRR, they will be required to go back to the municipal Council and table a complete budget document aligned to the requirements of the MBRR and the Municipal Standard Chart of Accounts Regulations as per the requirement of MFMA Circular No. 98.**

### **C. Balance Sheet and Cash Flow Budgeting**

In terms of Balance Sheet and Cash Flow Budgeting, MFMA Circular No. 99 has provided guidance as detailed below.

The Schedule A that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and the budget of the parent municipality. Schedule D must be submitted for each entity.

It is critical that municipalities undertake balance sheet and cash flow budgeting to provide accurate cash flow information. The general rule that applies is that the “Funding” and “Item” Segments must be combined to provide cash flow information on how funds have been spent and on what.

This means that the budget is available at a cash flow level (A1 Schedule Budget Tables SA30 and A7) and not when billing is done or when invoices are processed (A1 Schedule Budget Table A4: Statement of Financial Performance). Municipalities must apply the budgeted assumed collection rate to determine the cash flow budgets. Therefore, expenditure can only be processed against items with funding in line with the anticipated cash inflow and not billing.

Municipalities should therefore identify the relevant source in the Funding Segment where revenue is received from and identify the funds to be used when payments are made. Guidance on this was provided in MFMA Circular No. 98.

However, there are still challenges to populate the detail of cash payments by type in the A1 Schedule Budget Table SA30 from Item Liabilities: Current Liabilities: Trade and other payables from exchange transactions as payables and accruals are not broken down by type (e.g. other materials, contracted services etc.). This omission of detail in the mSCOA chart will be addressed through chart amendments in version 6.5 of the chart.

As an interim measure the cash flow will be populated as follows:

#### **For Cash Receipts:**

The **cash receipts by source** will be populated using Item Assets: Current Assets: Cash and cash equivalents: Cash at bank: Bank account: Deposits in conjunction with the Funding Segment.

#### **For Cash Payments:**

The **cash payments by type** will be populated using Item Liabilities: Current Liabilities: Trade and other payables Exchange and Non- Exchange Transactions: Withdrawals in conjunction with the Funding Segment.

The cash payments that are not classified by type will be grouped together as other payments on table SA30. This will enable population of suppliers and employees on the cash flow (Table A7: *Budgeted cash flows*). National Treasury will share the linking of A1 Schedule Budget Tables SA30 and A7: *Budgeted cash flows* to the mSCOA chart items to ensure that the cash flow information is populated correctly with municipalities and system vendors.



#### **D. Funding Position of the 2020/21 MTREF Municipal Budgets**

Section 18 of MFMA states that *an annual budget may only be funded from realistically anticipated revenue to be collected, cash backed accumulated funds from previous years surpluses not committed for other purposes and borrowed funds, but only for the capital budget.*

Tables A7: *Budgeted cash flows* and A8: *Cash backed reserves/accumulated surplus reconciliation* of Schedule A1 are critical in assessing and determining the funding position of the municipal budget in accordance with Section 18 of the MFMA. Table A7: *Budgeted cash flows* shows how the municipality's operations are expected to impact on its cash position, while Table A8: *Cash backed reserves/accumulated surplus reconciliation* shows whether the municipality has sufficient cash and investments available to finance commitments, short term provisions and reserves.

Provincial Treasury has observed with great concern that in the past financial years, some municipalities have been submitting budgets that are unfunded in Tables A7: *Budgeted cash flows* and A8: *Cash backed reserves/accumulated surplus reconciliation* while some municipalities submitted budgets with incomplete or incorrectly completed Tables A7: *Budgeted cash flows* and A8: *Cash backed reserves/accumulated surplus reconciliation* and as a result, rendered it impossible for Provincial Treasury to determine if the budget is funded or not.

Tabling of **Funded Budgets** has been identified as Game Changer in Local Government to ensure financial sustainability. It is therefore imperative that Tables A7: *Budgeted cash flows* and A8: *Cash backed reserves/accumulated surplus reconciliation* are accurately and fully completed in order for Provincial Treasury to conduct a thorough evaluation of the budget and provide valuable comments on the funding position of the budget.

To further assist in providing an informed assessment on the funding position of municipalities, Provincial Treasury hereby requires that municipalities should also submit other documents such as Bank Reconciliations, Bank Statements, Investment Registers, Grants Registers and Trial Balances to support their budget assumptions in line with MFMA Circular No. 67.

**An unfunded budget is a serious transgression that will impact negatively on the financial viability of a municipality as well as the municipality's ability to deliver services to the community. Provincial Treasury therefore does NOT support an unfunded budget. It should be emphasised that where municipalities have adopted an unfunded budget, Provincial Treasury will require them to correct the budget in order to ensure they adopt and implement a funded budget as per the requirements of MFMA Circulars No. 98 and No. 99.**

Municipalities who are finding it difficult to table funded and sustainable budgets should contact National or the Provincial Treasury for assistance through the responsible National Treasury official as per MFMA Circular No. 98 or your designated Provincial Treasury Municipal Budget Analyst to reprioritise your budgets.

**Failure to address the weaknesses identified by Provincial Treasury will result in the MEC for Finance advising National Treasury to consider stopping the Equitable Share Transfer to the affected municipalities in terms of Section 38 of the MFMA. It should be noted that municipalities that had approved an unfunded Budget for the 2019/20 financial year and did not table Funded Special Adjustments Budgets by 15 November 2019 had their December 2019 tranche of the Local Government Equitable Share withheld.**

#### **E. Technical assistance on the 2020/21 MTREF Tabled Budgets**

Provincial Treasury officials will be available from the date of receipt of this circular to provide technical assistance to municipalities upon request. Guidance will be provided on budgeting before the extraction of Schedule A1, tailored to the specific information needs of the municipality, the implementation of the requirements of the MFMA Circulars and Provincial Treasury Circulars as well as the requirements of the relevant legislation. In this regard, please contact your designated Provincial Treasury Municipal Budget Analyst.

#### **F. Engagement with municipalities on the 2020/21 MTREF Tabled Budgets**

Provincial Treasury requested municipalities in Circular PT MF 03 of 2018/19 to make provision for engagements with Provincial Treasury on their annual MTREF Tabled Budgets to be included in municipalities' *Time Schedules Outlining Key Deadlines*. These engagements will be held during April 2020 and May 2020 where Provincial Treasury intends to constructively engage with the municipality's **senior management, preferably the Budget Steering Committee** on the critical matters raised on their 2020/21 MTREF Tabled Budgets in an attempt to produce more reliable, funded and credible budgets before they are approved by Council. These engagements are vital for the discussion and understanding of significant issues raised by Provincial Treasury. They provide the opportunity for the municipalities' responses to be incorporated in the final assessment correspondence issued by Provincial Treasury which must be tabled in Council together with other budget documents. The tabling in Council of the Provincial Treasury's final assessments of the 2020/21 MTREF Tabled Budget will not only bring the highlighted issues to the attention of the full Council but will also direct the Council's attention to establishing whether Provincial Treasury's findings were addressed.

**Provincial Treasury hereby requests a copy of the Council resolution or extract reflecting the Tabling of Provincial Treasury's final assessment of the 2020/21 MTREF Tabled Budget to be included amongst the Final (Approved) Budget documents to be submitted to both the National and Provincial Treasuries.**

#### **G. Submission of the 2020/21 MTREF Municipal Budgets**

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 National and the relevant Provincial Treasury in both printed (PDF) and electronic (excel for Schedule A and word for the Budget Narrative Report) formats. If the annual budget is tabled to Council on **31 March 2020**, the final date for the submission of **the electronic budget documents and corresponding mSCOA data strings is Wednesday, 01 April 2020**.

However, in cases where Council requires amendments to the **tabled budget** prior to consultation, municipalities should inform National and the Provincial Treasury immediately and submit the required budget documents and corresponding mSCOA data strings **within three working days** after the Council meeting as per MFMA Circular No. 99.

The extract from MFMA Circular No. 99 refers to cases where the council **tabled** the budget with conditions. This will require the municipal officials to make changes to the budget in order to align it to the Council resolution. Therefore, they will not meet the deadline of "immediately" and the three working days will allow the municipality time to affect the necessary changes.

The budget related information listed in the MBRR Schedule A (**Annexure C**) must be submitted to both the Provincial and National Treasuries. After receiving the Tabled Budget, Provincial Treasury will complete a Compliance Checklist. This checklist will indicate the level of compliance of the budget with the MBRR by the municipality. A copy of the checklist will be sent to the municipality and National Treasury.

Section 24(3) of the MFMA, read together with Regulation 20(1) of the MBRR, requires that the approved annual budget be submitted to both National Treasury and the relevant Provincial Treasury

*within ten working days* after the Council has approved the Annual Budget. For example, if the Council approves the Annual Budget on **29 May 2020**, **given the new timeframe for the evaluation of the municipal budgets**, the adopted budget data strings and documentation must be submitted by the latest **Monday, 01 June 2020 (as per the MFMA Circular No. 98)**, otherwise an earlier date applies.

Notwithstanding the above, the approved Annual Budget must still be submitted to both National and the Provincial Treasury **within ten working days** after the Council has approved the Annual Budget as per MFMA Circular No. 99.

## **H. Publication of the 2020/21 MTREF Municipal Budgets**

In terms of Section 75(1) of the MFMA, municipalities are required to place amongst other documents, their Annual Budgets on their websites. Section 75(2) of the MFMA further requires that documents must be placed on the website not later than five days after its tabling in Council or on the date on which it must be made public, whichever occurs first. Provincial Treasury has observed with concern that certain municipalities are not timeously placing their budgets and all related documents on their websites. All municipalities are required to place both their 2020/21 Tabled Budget and all related documents on their websites timeously according to the legislated timeframes indicated above. Municipalities should place their 2020/21 Approved Budgets and all related documents on the municipality's website within ten working days as required by Regulation 18(1) of the MBRR. This will not only promote transparency, accountability and good governance but will also facilitate the process of public consultation.

## **I. 2020/21 MTREF Municipal Budget Verification Process**

National Treasury publishes each year, a consolidated set of budget information, for all municipalities in the country using the budget information submitted to the LG Database.

In all of the years up to and including the 2019/20 financial year, Budget Reform Returns had to be submitted by municipalities and then a verification process conducted by National Treasury would thereafter follow to ensure that the MTREF Budgets approved by the Council on Schedule A1 perfectly aligns with all the relevant Annual Returns uploaded to the LG Database and the Original Budget (ORGB) data strings uploaded to the LG Portal by municipalities.

With effect from 01 July 2019, National Treasury **will only use the mSCOA data strings as a basis for all data published** and as per MFMA Circular No. 98, the mSCOA reporting requirements state that a budget must be locked into the financial system by latest 30 June before the start of the new municipal financial year. The responsibility for ensuring that the data strings are an accurate reflection of the performance of municipal finances will then strictly lie with the municipality **BEFORE** submitting the data strings to National Treasury. The Tabled and Adopted Budget data strings submitted to the Local Government Database and Reporting System should consist of consolidated figures.

The verification of all 2020/21 municipal budgets will take place during the period 31 May 2020 to 30 June 2020. In this one-month period, National and the Provincial Treasury will be required to evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that needs to be made to the budget must be done before the start of the municipal financial year of 01 July 2020.

Municipalities must conclude all reporting for 2018/19 up to restated audit outcomes on the Appendix B (old electronic returns) to [lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za) before National Treasury can retire the returns.

Each municipality must ensure that it also submits the pre-audit and audited data strings in the mSCOA classification framework as data strings and must also ensure that the figures are aligned to the 2018/19 Appendix B returns. Pre-audit and audited outcomes will only be submitted in the mSCOA data strings prescribed from 2019/20 onwards.

## **J. Budget Steering Committee (BSC)**

Regulation 4(1) of the MBRR states that *the mayor of a municipality must establish a budget steering committee to provide technical assistance to the mayor in discharging the responsibilities set out in Section 53 of the Act [the MFMA]* and also specifies the composition of the BSC which was covered in Provincial Treasury Circular PT/MF 10 of 2018/19.

Provincial Treasury would like to attend the BSC meetings of municipalities as part of the 2020/21 MTREF process in an advisory capacity. All municipalities must invite the Provincial Treasury to their BSC meetings, and where invitations are received, Provincial Treasury will confirm attendance to the BSC meetings based on current work commitments. In this regard, please forward the invitations to your BSC meetings to your designated Provincial Treasury Municipal Budget Analyst.

## **K. Service Delivery and Budget Implementation Plans (SDBIPs)**

### **Legislative Requirements**

Section 53(1)(c)(ii) of the MFMA requires the Mayor to ensure that the municipality's SDBIP is approved by the Mayor within 28 days after the approval of the annual budget.

MFMA Circular No. 13 states that the Municipal Manager is responsible for the preparation of the SDBIP, which must be submitted to the Mayor for approval once the budget has been approved by the Council.

Furthermore, Regulation 15(3)(b) of the MBRR states that when submitting the annual budget to the Provincial and National Treasuries in terms of Section 22(b)(i) of the MFMA, the Municipal Manager must also submit a draft SDBIP in both printed and electronic forms. Failure to submit such will result in non-compliance with the MBRR.

### **When to prepare and submit the SDBIP**

The Municipal Manager should start the process to prepare the top layer of the SDBIP in conjunction with the preparation of the Tabled (Draft) Budget and preferably submit the draft SDBIP to the Mayor for initial approval with the Tabled (Draft) Budget. It should include the following:

- 1) Projected revenue to be collected by source;
- 2) Projected operating and capital expenditure by vote; and
- 3) Service delivery targets and performance indicators for each quarter.

Once the Final Budget has been approved by Council, the Municipal Manager should revise the initially approved draft SDBIP and submit such to the Mayor for final approval within 28 days of the approval of the budget.

Regulation 20(2)(b) of the MBRR requires that the approved SDBIP be submitted within 10 working days after the Mayor has approved the plan to both Provincial and National Treasury. A breakdown of the SDBIP preparation and approval process is shown in Figure 1.



**Figure 1: SDBIP preparation and approval process**



### **Components of an approved SDBIP**

Please ensure that the SDBIP contains the following five required components and that the information reflected reconciles to the information in the budget:

- i. Monthly projections of revenue to be collected for each source;
- ii. Monthly projections of expenditure (operating and capital) and revenue for each vote;
- iii. Quarterly projections of service delivery targets and performance indicators for each vote;
- iv. Ward information for expenditure and service delivery; and
- v. Detailed capital work plan broken down by ward over three years.

### **L. National and Provincial Transfers to municipalities**

Municipalities are reminded of their responsibility to ensure that the allocations in their budgets for the Provincial and National Transfers correspond to the allocations as reflected in the Provincial Gazette of Transfers and the 2020 Division of Revenue Bill (DoRB), respectively. The DoRB has already been sent to municipalities via e-mail by your respective Provincial Treasury Municipal Finance Budget Analyst. Due to the early issuing of this Provincial Budget Circular, the Provincial Transfers are not yet available and will thus be circulated to municipalities as soon as the Gazette becomes available.

Provincial allocations as per signed Memorandum of Agreements (MoAs) should not be included in the budget if they have not been included in the Provincial Gazette. However, they can be treated in terms of Regulation 23(3) of the MBRR which states 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 working days of the approval of the relevant national or provincial adjustments budget, table an adjustments budget referred to in Section 28(2)(b) of the Act (MFMA) in the municipal council to appropriate these additional revenues.* Any enquiries pertaining to the Provincial Transfers should be directed to the relevant transferring Department.

## **M. Further matters for consideration in the 2020/21 MTREF Municipal Budget Process**

The following are areas of weaknesses and common mistakes identified by both Provincial and National Treasuries in prior years and should be considered and addressed (where applicable) when preparing the 2020/21 MTREF budgets:

- Compliance checks performed on prior year budgets reflected that many municipalities did not provide all budget information and did not submit all the required budget supporting documents such as Budget related policies, Draft SDBIP, Draft Integrated Development Plan (IDP) and Budget Assumptions, etc.
- The Budget Narrative reports for a number of municipalities were not comprehensive and in some instances, contradicted the information provided in Schedule A1.
- Non availability of senior municipal management officials during engagements with Provincial Treasury Municipal Finance Management Budget officials.
- Provincial Treasury compared the data strings uploaded for the “Current year” 2019/20 Tabled Budgets to the Schedule A1 tabled in Council and found a significant number of differences for all 51 delegated municipalities. This was a key indicator that municipalities may not have produced their Schedule A1 directly from their financial systems as required by MFMA Circular No. 94. The differences were communicated to all municipalities to make the necessary corrections.
- Non and/or timely submission of all mSCOA Data Strings by some municipalities.
- Table A10: *Basic service delivery measurement* was incomplete or poorly completed by some municipalities. Table A10 is critical for reflecting amongst others, the information on the number of households within a municipal area, the cost of providing free basic services and the unit of measurement thereof such as kilolitres for water, kilowatt-hour for electricity and how frequent refuse is being removed, etc.
- Other critical supporting tables which were not and/or poorly completed were Table SA7: *Measurable performance objectives*, Table SA9: *Social, economic and demographic statistics and assumptions*, Table SA24: *Summary of personnel numbers*, Table SA34b: *Capital expenditure on the renewal of existing assets by asset class*, Table SA34c: *Capital expenditure on the upgrading of existing assets by asset class*, Table SA37: *Project delayed from previous financial year/s* and Table SA38: *Consolidated detailed operational projects*.
- The budget tables in Schedule A1 for some municipalities were either not fully and/or accurately populated. Discrepancies were noted in the following areas:
  - Audited Outcome figures did not reconcile to the Audited Annual Financial Statement (AFS) figures;
  - The full year forecasts figures for the “current year” were merely replicated as the Adjusted Budget figures and were not in line with the performance trends;
  - The Adjusted Budget figures were not reconciling to the Council approved B Schedule figures; and
  - Discrepancies were also noted between the electronic budgets submitted and the printed budgets submitted of Schedule A1.
- Many municipalities’ operating budgets continue to be funded mainly from grants. Furthermore, Provincial Treasury has noted with concern that some municipalities have budgeted for Operating deficits for the “current year” MTREF. These municipalities were alerted to the fact that continued Operating deficits may result in the erosion of municipal cash reserves leading to possible future unfunded budgets.

- Many municipalities still continue to provide water, sanitation and refuse removal services at a deficit, despite the advice contained in the MFMA Circulars that tariffs set by municipalities should be cost reflective. It is also of great concern that some of these municipalities did not indicate any plans aimed at rectifying the challenges that have resulted in providing these services at deficits, thereby exposing the municipality to the risk of not being sustainable.
- In Table A7, the most common error was the capturing of incorrect figures in the Adjusted Budget and Audited Outcomes columns. Consequently, incorrect opening balances were being carried over the MTREF. Furthermore, the majority of municipalities neither accurately populated the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2018/19 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the 2019/20 Opening *Cash and cash equivalents* balance. The budgeted cash inflow in some cases was also based on collection rate assumptions which were not realistic and adequately justified.
- Table A8 was commonly characterised by incomplete information which did not correlate with information contained in the audited AFS whereby estimates on *Unspent conditional transfers*, *Statutory requirements* and *Other provisions* were not reflected which together with the unrealistic *Other working capital requirements*, resulted in an incorrect status of *Surplus/(shortfall)*.
- Most municipalities did not disclose the rateable properties, market values as well as valuation reductions and any other rating criteria in Tables SA11: *Property rates summary*, SA12b: *Property rates by category* which limited the analysis of the reasonableness of the budgets for *Property rates* revenue by Provincial Treasury. Due to the non-submission of Property rates policies and/or calculations to support the budgets by some municipalities, Provincial Treasury could not determine whether these municipalities have incorporated the amendments resulting from the Municipal Property Rates Amendment Act (Act No. 29 of 2014).
- Some municipalities did not increase tariffs according to NERSA guidelines.
- Some municipalities that provide water and electricity services did not account for the *Cost of free basic services* in Table SA1 due to incorrectly populating Table SA9 resulting in overstated revenue budgets for Service charges.
- Tables SA22, SA23 and SA24 relating to *Councillors and staff benefits*, *Salaries and allowances* as well as *personnel numbers* for some municipalities were poorly populated or not populated thereby limiting the extent to which the reasonableness of the budgeted salary increases could be assessed.
- Despite the guidance provided in MFMA Circular No. 71 for the ratio of *Remuneration (Employee related costs and Remuneration of councillors)* to *Total operating expenditure* to be between 25 and 40 percent, the ratio was found to be excessive in many municipalities.
- The item *Other expenditure* in particular was of concern as the increases in some cases were excessive. Furthermore, undefined projects and non-priority items were noted in *General expenses* resulting in significantly high budget amounts for *Other expenditure*. Some municipalities also did not break down *Other expenditure* sufficiently in Table SA1: *Supporting detail to 'Budgeted Financial Performance'*.
- For most municipalities, *General expenses*, as detailed in Table SA1 contributed more than 10 percent towards *Other expenditure* in the 2019/20 financial year. In terms of the MFMA Budget Format Guide, *General expenses* should not exceed 10 percent of the *Other expenditure* budget. Some municipalities reflected *General expenses* which were 100 percent of *Other expenditure* which made it impossible for Provincial Treasury to assess whether the municipalities concerned applied the guidance provided in MFMA Circulars No. 58, 66 and other subsequent MFMA Circulars which encouraged reducing non-priority expenditure. Municipalities were advised to review their allocation of expenditure to *General expenses* and reallocate the expenditure to the appropriate expenditure items accordingly. The mSCOA classification framework does not allow

municipalities to budget for *General expenses* therefore it is concerning to note a number of municipalities still reflected this line item in Table SA1 and would appear to have manually inserted the *General expenses* figures in order to reflect it in the Schedule A1. National Treasury is in a continuous process of refining the definitions of *Other materials*, *Other expenditure* and *Contracted services* which is partly affected by the feedback obtained from municipalities and would therefore inform how municipalities should budget for expenditure in relation to the mSCOA classification framework in the future.

- Some municipalities continued to submit incomplete Budget Tables relating to their capital budget, including Table SA36: *Consolidated detailed capital budget* and Table SA37: *Project delayed from previous financial years*. Most municipalities still have a challenge with budgeting for at least 40 percent of the Capital expenditure budget for *Renewal of existing assets* as per National Treasury's guidelines. Furthermore, the budgets for *Repairs and maintenance* were in some cases unrealistic or questionable and the *Asset register summary – Property Plant and Equipment (PPE)* values were also not linked to Asset Registers thereby distorting the information which forms the basis for the correct calculation of *Repairs and maintenance*.
- Notwithstanding the importance of supplementing the capital programme from *Internally generated funds*, the narrative reports of some municipalities could not adequately demonstrate that they have cash backed accumulated funds from previous years which remain uncommitted for other purposes. With the poorly populated Tables A7 and A8, the ability to finance capital programmes from own funding in some cases could not be established.
- In instances where municipalities intended to finance their capital programme through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the projected workings and as a result, Provincial Treasury could not assess the reasonableness of their budgeted *Finance charges* and *Repayment of borrowings*.
- Overstatement of Gross debtors on Table SA3.
- Understating provision for *Debt Impairment* on Table SA3 by not adding the contribution for the current year or adding a lesser contribution to the provision thus increasing current debtors.
- Overstatement of Consumer Debtors (reduces working capital requirement on Table A8).
- Understatement of *Depreciation & Asset Impairment* in Table A4.
- Understatement of *Debt Impairment* in Table A4.
- Understatement of *Trade and Other Payables* (reduces working capital requirement on Table A8) by understatement of *Trade Creditors* and *Other Creditors* in Table SA3.
- The figures reflected on the mSCOA Data Strings for the 2019/20 Adjustments Budgets for Tables B5: *Adjustments capital expenditure budget by vote and funding*, B7: *Adjustments budgeted cash flows* and B8: *Cash backed reserves/accumulated surplus reconciliation* amongst others, were either not credible and/or incomplete.

## N. Municipal Budget Submission Process

The Budget related information listed in the MBRR Schedule A (**Annexure C**) must be forwarded to the Provincial and National Treasuries by the deadline dates indicated under Section G of this Circular. The submission addresses are as follows:

### Provincial Treasury (PT)

Electronic copies of the required documents must be e-mailed to [mfma@kzntreasury.gov.za](mailto:mfma@kzntreasury.gov.za) and your relevant Provincial Treasury Municipal Budget Analyst copied accordingly.

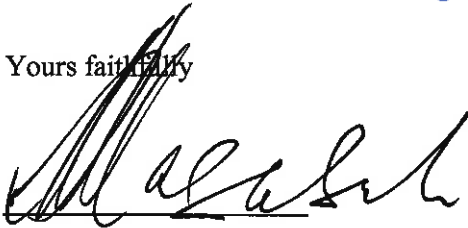


National Treasury (NT)

Budget related documents and schedules must be uploaded by approved registered users using the LG Upload Portal at: <https://lguploadportal.treasury.gov.za/>.

It should be noted that all documents sent to this address must be in PDF format only and each PDF file should not contain multiple documents. Any problems experienced in this regard can be addressed with Elsabe Rossouw at [Elsabe.Rossouw@treasury.gov.za](mailto:Elsabe.Rossouw@treasury.gov.za).

Yours faithfully



**MR L.S Magagula**

**HOD: KZN Provincial Treasury**

**CC MR. R. PILLAY – MEC FOR FINANCE  
ADMINISTRATORS**

**MR. J. HATTINGH, NATIONAL TREASURY**

**MR. T.V PILLAY, NATIONAL TREASURY**

**MS. N. MHLONGO, BUSINESS EXECUTIVE, KZN AUDITOR-GENERAL**

## Annexure A

2020/21 Budget Preparation Process Checklist					
Kindly note that the processes highlighted in this document are not exhaustive, they are only provided as a guidance and can therefore be enhanced where appropriate					
No.	Process	Status (where applicable)			
		Commenced	Progress (Please provide a copy of the progress report)	Finalised (Please provide a copy of the final report)	Not done
1	The municipality must ensure the following regarding the Preparation of 2020/21 MTREF Budget				
1.1	That there is sufficient consultation process of the IDP and Budget including with sector departments and other stakeholders such as Rates Payers' Associations,				
1.2	The Valuation Roll is updated and captured on the Financial System,				
1.3	Updated Valuation roll should be used to budget for Property rates revenue and Service charges				
1.4	Timeous Application of Electricity Tariff with Eskom				
1.5	<p>The review of the following budget related policies:</p> <ul style="list-style-type: none"> <li>&gt; Tariffs</li> <li>&gt; Rates</li> <li>&gt; Credit control and debt collection</li> <li>&gt; Cash management and Investment</li> <li>&gt; Borrowing</li> <li>&gt; Funding and reserves</li> <li>&gt; Long-term financial plan</li> <li>&gt; Supply chain management</li> <li>&gt; Management and disposal of assets</li> <li>&gt; Infrastructure investment and capital projects</li> <li>&gt; Indigents</li> <li>&gt; Free basic services</li> <li>&gt; Budget implementation and monitoring</li> <li>&gt; Personnel</li> <li>&gt; Managing electricity and water</li> <li>&gt; Any other budget related or financial management</li> <li>&gt; Municipal entities</li> <li>&gt; Draft Service Delivery and Budget Implementation Plans (SDBIP)</li> </ul>				
1.6	That the MFMA Budget Circulars from National and Provincial Treasuries are considered in the preparation of the Draft 2020/21 MTREF Budget				
1.7	The receipt of 2020 DoRA and Provincial Gazette to ensure that all allocations are correctly considered in the draft 2020/21 MTREF budget.				
1.8	That the Audited Outcome figures for the 2016/17, 2017/18 and 2018/19 financial years in Schedule A1 agree to the Audited AFS, (and where applicable, restated figures)				
1.9	That the budget amounts in Tables A7 and A8 are funded as per guideline of Section 18 of MFMA Circular No. 55.				
1.10	That the Surplus/Deficit amounts in Table A4 reconcile to the amount captured in Tables A2 and A3				
1.11	That the Trading Services are self-supporting (are not operating at a deficit).				
1.12	All budget tables and schedules must be fully completed. NB: All Municipal HODs to assist CFO in providing information relating to supporting tables to ensure full completion of tables including Non-Financial Info. e.g. in Tables A5, A9, A10, SA4, SA5, SA6, SA7, SA9).				
1.13	That there is sufficient provision for debt impairment				
1.14	That the budget for <i>Renewal of existing assets</i> over the MTREF is separately reflected as per the budget format and is sufficient (at least 40 percent of the capital budget - Refer to MFMA Circular 55)				
1.15	That the municipality budget properly and sufficiently for Depreciation and Debt Impairment, and not budgeting for unrealistic low amounts under these items for the sake of balancing the budget or avoiding deficits on the operating budget expenditure due to these items				
1.16	That the Draft 2020/21 SDBIP is prepared in accordance with MFMA Circular No. 13 of National Treasury.				
1.17	That the Draft 2020/21 SDBIP is aligned to the IDP and Draft 2020/21 Budget.				
1.18	That the electronic budget in Schedule A1 and related budget data strings are submitted to PT and NT on 01 April 2020				
1.19	That the Draft 2020/21 SDBIP is timeously submitted to National and Provincial Treasuries together with all budget related documents within 10 working days after tabling for comments				
1.20	That the planned budgeting for performance bonuses for Senior Management is in line with the maximum prescribed in the Local Government Performance Regulations.				
1.21	<p>That the following are also submitted to NT in terms of paragraph 4.4 of MFMA Circular 51, when budgeting for renovation and fencing of office buildings:</p> <ul style="list-style-type: none"> <li>&gt; A motivation as to why the proposed new office building is necessary;</li> <li>&gt; A detailed costing of the proposed new office building;</li> <li>&gt; An outline of how the project is to be financed; and</li> <li>&gt; An overview of the service delivery infrastructure backlogs in the municipality</li> </ul> <p>The above information must be sent to <a href="mailto:Jan.Hattingh@treasury.gov.za">Jan Hattingh (email: jan.hattingh@treasury.gov.za)</a></p>				
1.22	The Draft Budget and all related documents must be submitted to National and Provincial Treasuries within the prescribed time frame as per MFMA Circular No. 99 and NO. 98.				
1.23	For the municipalities with the municipal entities, the municipality must ensure that the consolidated Draft Budget is prepared and submitted to National and Provincial Treasuries.				
1.24	That there is no budgeting for non-priority items in line with MFMA Circular No. 58, 70 etc.				

No.	Process	Status (where applicable)			
		Commenced	Progress (Please provide a copy of the progress report)	Finalised (Please provide a copy of the final report)	Not done
2	<b>CASH FUNDING POSITIONS OF THE BUDGET</b>				
2.1	<b>Tables A7 :Budget Cash Flow</b>				
	> Has Table A7 been fully populated by the Municipal Financial System?				
	> Have the correct figures been captured in Table A7's Adjusted Budget and Audited Outcome Columns? This is critical to indicate if correct opening balance are being carried over MTREF				
	> Have correct opening and closing balances of Cash and Cash equivalents been carried over the MTREF period.				
	> Is Cash flow balance on Table A7 positive?				
2.2	<b>Tables A8: Cash backed reserves/accumulated surplus reconciliation</b>				
	> Has Table A8 been fully populated by the Municipal Financial System? The table must be fully completed including items such as: Unspent conditional grants, Statutory requirements, Other working capital requirements, Other provisions, etc.				
	> Is Cash balance on Table A8 showing a surplus?				
3	<b>The municipality must ensure the following regarding the tabling and approval of 2020/21 MTREF Budget:</b>				
3.1	That the budget in prescribed format (A1 Schedule ver 6.4.1), reviewed budget related policies and all other related documents are tabled in line with the budget timetable by 31 May 2020.				
3.2	That the PT's comments on 2020/21 Draft Budget as well as the municipality's responses to PT comments are also tabled together with 2020/21 MTREF Budget for final approval.				
3.3	Ensure designated municipal official to work with relevant Municipal Budget Analyst in PT regarding the 2020/21 Budget verification process till the process is concluded.				
3.4	That the approved budget and all related documents including the SDBIP are placed on municipal websites within 5 days after approval in Council as per MFMA Section 75(2).				
3.5	The Approved Budget and all related documents including the SDBIP and Quality Certificate are submitted to National and Provincial Treasuries within 10 working days after approval as per Section 20(1) MBRR.				
3.6	Approved Budget is captured in the financial system and is locked.				
4	<b>Non-Financial Information considerations</b>				
4.1	Ensure that Tables SA9 and SA1 are accurately and completely populated, consider whether:				
	- Only whole numbers have been populated for household figures in Table SA9?				
	- The total number of households are consistent for Water, Sanitation, Electricity and Refuse services regardless of whether the municipality provides the service or not.				
4.2	Information populated in Table SA11 must be consistent with the budget documents and tariff tables, consider whether:				
	-The figures populated in Table SA11 are reasonable in comparison to the description column				
	-Measurable performance objectives and indicators have been completed				
4.3	Ensure that the figures populated in Table SA12a are consistent with the required value formats as per description.				
4.4	Ensure that the figures populated in Table SA12b are consistent with the required value formats as per description.				
4.5	Ensure that the figures populated in Table SA13a are consistent with the rate randage in the budget documents and tariff tables.				
4.6	Ensure that the figures in table SA14 have been completed based on ONE household for small, medium and large household. During the completion of the table, the following should also be considered:				
	-Is the figure quoted for Middle income range not smaller than affordable range for all tariff categories? If this is the case the figures must be checked for accuracy.				
	-Is the figure quoted for indigent income range not smaller than Middle income range for all tariff categories? If this is the case the figures must be checked for accuracy.				
4.7	Verify whether the cost totals populated in Table SA22 for senior management, employees and councillors are consistent with the A4 cost totals for Employee cost and Remuneration of councillors.				
4.8	Consider the following during the completion of Table SA23:				
	-Are the cost totals populated for senior management in Table SA23 consistent with the cost totals populated in Table SA22?				
	-Are the costs totals populated for Councillors in Table SA23 consistent with the cost totals populated in Table SA22?				
	-Are the basic salaries for Municipal Manager and Chief Financial Officer reasonable in comparison to prior year audited AFS?				
	Does the municipality have a municipal entity, if so was the municipal entity portion of Table SA23 populated?				

No.	Process	Status (where applicable)			
		Commenced	Progress (Please provide a copy of the progress report)	Finalised (Please provide a copy of the final report)	Not done
4.9	Is the head count as populated on Table SA24 realistic when compared with the salaries reported on Table SA22?				
4.10	Verify whether the total of all months in Table SA25 corresponds to the total revenue and expenditure on Table A4, also consider whether: -There are any abnormal (either abnormally large or negative) figures calculated for June in Table SA25 in order to balance the annual total in Table SA25 with the total in Table A4. If these figures exist the municipality should investigate the accuracy of the figures populated.				
4.11	Verify whether the total of all months in Table SA27 corresponds to the total revenue and expenditure on Table A4, also consider whether: -There are any abnormal (either abnormally large or negative) figures calculated for June in Table SA27 in order to balance the annual total in Table SA27 with the total in Table A4. If these figures exist the municipality should investigate the accuracy of the figures populated.				
4.12	Verify whether the total of all months in Table SA29 corresponds to the total revenue and expenditure on Table A5, also consider whether: -There are any abnormal (either abnormally large or negative) figures calculated for June in Table SA29 in order to balance the annual total in Table SA29 with the total in Table A5. If these figures exist the municipality should investigate the accuracy of the figures populated.				
4.13	Verify whether the GPS coordinates (in decimal) have been captured for all projects in Table SA36, furthermore consider whether: -All projects have all the required details (GPS co-ordinates, program description, new or renewal) populated for each project? -All projects included in the budget align to all projects listed in the mSCOA datastrings submitted for TABB and ORGB? -The Capital expenditure total in Table SA36 agrees to the capital expenditure total on Table A5?				
4.14	Verify whether all projects which require inclusion in Table SA37 have been Included in Table SA37.				



## Annexure B

Municipal Budget Working Paper File		
Minimum information to be included in the Municipal Budget Working Paper File		
No.	Item in Budget	Supported in Municipal Budget Working Paper File
1	Revenue by Source	
1.1	Property Rates – including penalties and collection charges	<ul style="list-style-type: none"> <li>&gt; Valuation roll</li> <li>&gt; Copy of rates policy</li> <li>&gt; Proposed rate randage for the various categories of ratepayers</li> <li>&gt; Proposed penalty and collection charge</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.2	Service Charges – Electricity Revenue	<ul style="list-style-type: none"> <li>&gt; Monthly schedule of Kilowatts sold per category from July to current</li> <li>&gt; Details of any new areas to be billed in the new financial year</li> <li>&gt; Copy of tariff policy</li> <li>&gt; Proposed tariffs</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.3	Service Charges – Water Revenue	<ul style="list-style-type: none"> <li>&gt; Monthly schedule of Kilolitres sold per category from July to current</li> <li>&gt; Details of any new areas to be billed in the new financial year</li> <li>&gt; Copy of tariff policy</li> <li>&gt; Proposed tariffs</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.4	Service Charges - Waste Removal / Refuse Revenue	<ul style="list-style-type: none"> <li>&gt; Monthly schedule of households/businesses per category from July to current</li> <li>&gt; Details of any new areas to be billed in the new financial year</li> <li>&gt; Copy of tariff policy</li> <li>&gt; Proposed tariffs</li> <li>&gt; Any other relevant documentation</li> </ul>
1.5	Service Charges - Other	<ul style="list-style-type: none"> <li>&gt; Details of service charges other</li> <li>&gt; Copy of tariff policy</li> <li>&gt; Proposed tariffs</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.6	Rental of facilities and equipment	<ul style="list-style-type: none"> <li>&gt; Schedule of rental facilities and equipment</li> <li>&gt; Copies of lease agreements for rental properties</li> <li>&gt; Proposed tariffs</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.7	Interest earned external investments	<ul style="list-style-type: none"> <li>&gt; Details of proposed investments</li> <li>&gt; Copy of cash management and investments policy</li> <li>&gt; Estimated interest rates</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.8	Interest earned outstanding debtors	<ul style="list-style-type: none"> <li>&gt; Copy of debt collection and credit control policy</li> <li>&gt; Proposed interest rate</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.9	Fines	<ul style="list-style-type: none"> <li>&gt; Details of the various fines (eg traffic, library, etc)</li> <li>&gt; Proposed tariffs</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.10	Licences and permits	<ul style="list-style-type: none"> <li>&gt; Schedule of license and permit holders</li> <li>&gt; Proposed tariffs</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.11	Agency services	<ul style="list-style-type: none"> <li>&gt; Schedule of agency agreements</li> <li>&gt; Copies of agency agreements</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.12	Transfers recognised – Operational	<ul style="list-style-type: none"> <li>&gt; Schedule of national and provincial grants to be transferred to the municipality</li> <li>&gt; Copies of the relevant gazettes</li> <li>&gt; Letters of confirmation from transferring authority where the grant to be received is not gazetted</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.13	Other revenue	<ul style="list-style-type: none"> <li>&gt; Schedule of all other revenue</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
1.14	Gains on disposal of PPE	<ul style="list-style-type: none"> <li>&gt; Schedule of assets to be disposed off</li> <li>&gt; Copies of any policies dealing with the management and disposal of assets</li> <li>&gt; Copies of council resolution if applicable authorising the disposal</li> <li>&gt; Estimated book value of the assets to be disposed of</li> <li>&gt; Estimated proceeds to be received from the disposals</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>

## Municipal Budget Working Paper File

## Minimum information to be included in the Municipal Budget Working Paper File

No.	Item in Budget	Supported in Municipal Budget Working Paper File
<b>2</b>	<b>Operating Expenditure by Type</b>	
2.1	Employee related costs	<ul style="list-style-type: none"> <li>&gt; Copy of approved organogram</li> <li>&gt; Copy of signed agreement between the employer representative and the unions on the applicable wage agreement in force</li> <li>&gt; Copy of relevant policies (e.g. travel, s&amp;t, cell phone, overtime, etc)</li> <li>&gt; Details of employer contributions to medical aids, pension funds, etc</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
	Remuneration of Councillors	<ul style="list-style-type: none"> <li>&gt; Listing of all Councillors</li> <li>&gt; Copy of previous years gazette for reference purposes</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.3	Debt impairment	<ul style="list-style-type: none"> <li>&gt; Copy of debt collection and credit control policy</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.4	Depreciation and asset impairment	<ul style="list-style-type: none"> <li>&gt; Copy of assets register</li> <li>&gt; Copies of any policies dealing with the management of assets</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.5	Finance charges	<ul style="list-style-type: none"> <li>&gt; Copy of loans register</li> <li>&gt; Copies of loan agreements</li> <li>&gt; Copies of amortisation schedules for each loan</li> <li>&gt; Details of any new anticipated loans</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.6	Bulk Purchases	<ul style="list-style-type: none"> <li>&gt; Monthly schedule of Kilowatts purchased for Electricity from July to current</li> <li>&gt; Monthly schedule of Kilolitres purchased for Water from July to current</li> <li>&gt; Details of any new areas to be billed in the new financial year</li> <li>&gt; Copies of any policies related to managing electricity and water</li> <li>&gt; Estimated price increases from bulk suppliers</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.7	Other materials	<ul style="list-style-type: none"> <li>&gt; Listing of other materials</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.8	Contracted services	<ul style="list-style-type: none"> <li>&gt; Copy of contracts register</li> <li>&gt; Copies of contracts</li> <li>&gt; Details of any new anticipated contracts</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.9	Transfers and grants	<ul style="list-style-type: none"> <li>&gt; Details of transfers and grants</li> <li>&gt; Copies of any policies related to the provision of free basic services</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.10	Other expenditure – including repairs and maintenance	<ul style="list-style-type: none"> <li>&gt; Details of other expenditure – including repairs and maintenance</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
2.11	Loss on disposal of PPE	<ul style="list-style-type: none"> <li>&gt; Schedule of assets to be disposed off</li> <li>&gt; Copies of any policies dealing with the management and disposal of assets</li> <li>&gt; Copies of Council resolution if applicable authorising the disposal</li> <li>&gt; Estimated book value of the assets to be disposed of</li> <li>&gt; Estimated proceeds to be received from the disposals</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>

**Municipal Budget Working Paper File**

**Minimum Information to be included in the Municipal Budget Working Paper File**

No.	Item in Budget	Supported in Municipal Budget Working Paper File
<b>3. Capital Sources of Revenue</b>		
	Transfers recognised capital	<ul style="list-style-type: none"> <li>&gt; Schedule of national and provincial grants to be transferred to the municipality</li> <li>&gt; Copies of the relevant gazettes</li> <li>&gt; Letters of confirmation from transferring authority where the grant to be received is not gazetted</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
3.2	Public contributions & donations	<ul style="list-style-type: none"> <li>&gt; Details of public contributions and donations</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
3.3	Borrowing	<ul style="list-style-type: none"> <li>&gt; Copy of borrowing policy</li> <li>&gt; Copies of loan agreements</li> <li>&gt; Details of expected borrowings and related projects</li> <li>&gt; Copy of Council resolution authorising the proposed borrowing</li> <li>&gt; Any documentation to the support the budget</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
3.4	Internally generated funds	<ul style="list-style-type: none"> <li>&gt; Copy of the funding and reserves policy</li> <li>&gt; Details of the projects to be funded</li> <li>&gt; Evidence of available funds</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
<b>4. Capital Expenditure</b>		
		<ul style="list-style-type: none"> <li>&gt; Copy of draft/approved IDP</li> <li>&gt; Copies of any policies dealing with infrastructure investment and capital projects</li> <li>&gt; Listing of projects referenced to the IDP together with sources of finance</li> <li>&gt; Copy of procurement/projects plan</li> <li>&gt; Any documentation in support of the budgeted figures</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
<b>5. Loan Repayments</b>		
		<ul style="list-style-type: none"> <li>&gt; Copy of loans register</li> <li>&gt; Copies of loan agreements</li> <li>&gt; Copies of amortisation schedules for each loan</li> <li>&gt; Details of any new anticipated loans</li> <li>&gt; Budget calculation workings</li> <li>&gt; Any other relevant documentation</li> </ul>
<b>6. Compliance/Performance Information</b>		
		<ul style="list-style-type: none"> <li>&gt; Copy of the approved key deadlines for the preparation, tabling and approval of the Annual Budget (S.21(b) of the MFMA)</li> <li>&gt; Copy of the Council resolution approving such</li> <li>&gt; Copy of the resolution for the tabling of the annual budget at least 90 days before the start of the budget year (S.16(2) of the MFMA)</li> <li>&gt; Copy of the tabled budget in Schedule A</li> <li>&gt; Copy of the advertisement making public the annual budget and inviting the local community to make to make representations in connection with the budget (S.22(a)(i) and (ii) of the MFMA)</li> <li>&gt; Documentary proof that the Municipal Manager has submitted the annual budget in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury (S.22(b)(i) and (ii) of the MFMA)</li> <li>&gt; Documentary proof that the municipal Council has considered the views of the local community, the National and Provincial Treasury and any provincial or national organ of state or municipality which has made submissions on the budget (S.23(1)(a) and (b) of the MFMA)</li> <li>&gt; Copy of the resolution for the consideration of the budget at least 30 days before the start of the budget year (S.24(1) of the MFMA)</li> <li>&gt; Copy of the approved Schedule A</li> <li>&gt; Documentary proof that within 10 working days after the municipal Council has approved the annual budget of the municipality that the Municipal Manager has in accordance with section 21A of the Municipal Systems Act made public the approved annual budget and supporting documentation and the resolutions referred to in S.24(2)(c) of the Act (Regulation 18(1) of the MBRR)</li> <li>&gt; Documentary proof that the Municipal Manager has submitted the approved annual budget to the National and Provincial Treasury (S.24(3) of the MFMA) within 10 working days after the municipal council has approved the annual budget (Regulation.20(2) of the MBRR)</li> <li>&gt; Copies of all approved budget related policies</li> <li>&gt; Copy of approved tariff of charges</li> <li>&gt; Any other relevant documentation</li> </ul>
<b>7. Service Delivery and Budget Implementation Plan (SDBIP)</b>		
		<ul style="list-style-type: none"> <li>&gt; Copies of performance agreements of senior management</li> <li>&gt; Copies of any relevant gazettes, circulars, etc</li> <li>&gt; Copy of the draft SDBIP</li> <li>&gt; Documentary proof that the municipality has submitted the draft SDBIP to the National and Provincial Treasury in both printed and electronic format (Regulation.15(3)(b) of the MBRR)</li> <li>&gt; Copy of the approved SDBIP</li> <li>&gt; Alignment between budget and SDBIP</li> <li>&gt; Documentary proof that the municipality's SDBIP is approved by the mayor within 28 days after the approval of the budget (S.53(c)(ii))</li> <li>&gt; Documentary proof that the municipal manager has in accordance with section 21A of the Municipal Systems Act made public the approved SDBIP within 10 working days after the mayor has approved the plan in terms of S.53(1)(c)(ii) of the Act (Regulation.19 of the MBRR)</li> <li>&gt; Any other relevant documentation</li> </ul>

## **Annexure C**

### **MBRR Schedule A – Annual budget and supporting documentation of a municipality**

As per the Municipal Budget and Reporting Regulations, the following information should be included as part of Schedule A:

#### **PART 1 – ANNUAL BUDGET**

- Mayor's Report
- Resolutions
- Executive Summary
- Annual Budget Tables

#### **PART 2 – SUPPORTING DOCUMENTATION**

- Overview of annual budget process
- Overview of alignment of annual budget with Integrated Development Plan
- Measurable performance objectives and indicators
- Overview of budget related policies
- Overview of budget assumptions
- Overview of budget funding
- Expenditure on allocations and grants programmes
- Allocation and grants made by the municipality
- Councilor and board member allowances and employee benefits
- Monthly targets for revenue, expenditure and cash flow
- Annual budgets and service delivery and budget implementation plans internal – departments
- Annual budgets and service delivery agreements – municipal entities and other external mechanisms
- Contracts having future budgetary implications
- Capital expenditure details
- Legislation compliance status
- Other supporting documents
- Annual budgets of municipal entities attached to the municipalities annual budget
- Municipal manager's quality certification

Details on the contents of each of the above Sections are provided in the Schedules to the Municipal Budget and Reporting Regulations, as published in Part 1 and 2 of the Government Gazette No. 32141 dated 17 April 2009.