



## KWAZULU-NATAL PROVINCE

TREASURY  
REPUBLIC OF SOUTH AFRICA

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

### **PROVINCIAL TREASURY CIRCULAR PT/MF 09 OF 2020/21**

#### **PREPARATION, SUBMISSION AND PUBLICATION OF THE 2021/22 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 2021/22 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 about Provincial Treasury's intention to undertake an assessment of their 2021/22 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 2021/22 MTREF Budget and that Provincial Treasury intends to engage all delegated municipalities on Provincial Treasury's findings during the assessment of the 2021/22 MTREF Budgets;
- To re-iterate National Treasury's request that the current Councils across all municipalities to ensure that they approve the 2021/22 MTREF Budget as per legislated timeframe before they complete their term in office;
- To inform municipalities about 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 Tabled (Draft) Budget and Approved (Final) 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 which municipalities must gather 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 2021/22 MTREF Budgets are expected to include as per the requirements of the MBRR, refer to **Annexure C**;
- To alert municipalities of the 2021 Division of Revenue Bill (DoRB) reflecting the allocations from National Government for consideration and incorporation into the municipalities' budgets for the 2021/22 MTREF; 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 2021/22 MTREF Budgets.

This circular compliments MFMA Circular No.108 dated 08 March 2021 and MFMA Circular No. 107 dated 04 December 2020 on the 2021/22 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. Request for the current Municipal Councils to approve the 2021/22 MTREF Budgets by the legislated timeframe;
- B. Preparation of the 2021/22 MTREF Municipal Budgets;
- C. Format Requirements for the 2021/22 MTREF Budgets;
- D. Balance Sheet and Cash Flow Budgeting;
- E. Funding Position of the 2021/22 MTREF Budgets;
- F. Reconciliation of Valuation roll data to the billing system;
- G. Technical Assistance on the 2021/22 MTREF Tabled Budgets;
- H. Engagement with municipalities on the 2021/22 MTREF Tabled Budgets;
- I. Submission of the 2021/22 MTREF Budgets;
- J. Publication of the 2021/22 MTREF Budgets;
- K. 2021/22 MTREF Municipal Budget Verification Process;
- L. Budget Steering Committee (BSC);
- M. Service Delivery and Budget Implementation Plans (SDBIPs);
- N. National and Provincial Transfers to municipalities;
- O. Further matters for consideration in the 2021/22 MTREF Budget Process; and
- P. Municipal Budget Submission Process.

**A. Request for a current Municipal Councils to approve the 2021/22 Budgets by the legislated timeframe**

The Local Government elections are scheduled to take place in 2021, thus marking the end of term of office to the current Councils. In line with requirement of MFMA Circular 108, the Council of all the municipalities across the Province are therefore strongly urged to ensure that before leaving the office, the 2021/22 Integrated Development Plan (IDP), Budget and the new tariffs for Property rates, Water, Electricity and Refuse removal, including all other services are timely approved in order to be implemented at the beginning of financial year of 01 July 2021. This will ensure the smooth transition of the government to the newly elected Council.

Failure to approve the 2021/22 MTREF Budget and tariffs on time would likely cause a financial crisis to the municipality thereby prompting a Provincial intervention in terms of Section 139 of the Constitution. In order to ensure the timely implementation of the 2021/22 IDP, 2021/22 MTREF Budget and all related tariffs as stated above, the outgoing Councils are advised to table and approve their Budgets and related documents by the legislated deadlines of 31 March 2021 for the Tabled Budget (Draft) and 31 May 2021 for the Approved (Final) Budget.

### **Hand-over reports for the newly elected councils**

As per MFMA Circular No. 108, all Municipal Managers together with all senior management are encouraged to prepare a Hand over report which will be tabled at the first meeting of the newly elected Council. The Hand over report aims to provide the new Councils important orientation information regarding the municipality, the state of their finances, service delivery and capital programme, as well as key issues that need to be addressed. The Circular describes the information to be covered in the hand over report. All the Accounting Officers of the municipalities are encouraged to start early with the preparation of Hand over report in order to ensure that all critical information described in MFMA Circular No. 108 is sufficiently covered in a bid to give the newly elected Council a comprehensive picture on state of affairs of the municipality.

**The municipalities are requested to submit copies of the Hand-over reports to the National and Provincial Treasury and the National and Provincial Department of Co-operative Governance and Traditional Affairs (CoGTA)**

### **B. Preparation of the 2021/22 MTREF 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 2021/22 MTREF Budgets.

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

All municipalities **must** prepare their 2021/22 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. The financial system must be compatible to the following activities:

- Municipalities must be able to budget, transact and report on all six (6) legislated mSCOA segments on the core financial system and submit the data strings directly from the system to the Local Government Upload Portal;
- Municipalities must lock down the budget adopted by Council on the core municipal financial system before submitting the budget (ORGB) data strings to the Local Government Upload portal;
- Municipalities must close the core financial system at month-end as required in terms of the MFMA before submitting the monthly data string to the Local Government Upload Portal; and
- Municipalities must be able to generate regulated Schedules (A, B, C) directly from the core municipal financial systems.

**National Treasury has released Version 6.5 of the mSCOA Chart to be used for the compilation of the 2021/22 MTREF Budget.** The chart can be accessed using the following link:

<http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

As per MFMA Circular No. 107, if the municipality has not achieved the required level of mSCOA implementation, the municipality must provide a detailed action plan (road map) to the National and Provincial Treasury to indicate how the municipality will fast track the implementation of the mSCOA Regulations. The action plan must include the following priority areas, as applicable to the municipality:

- The functionality of the financial system, including the minimum system functionality and business process as per MFMA Circular No. 80 and Annexure B of MFMA Circular No. 80 and functionality required in terms of the mSCOA Regulations and MFMA Circulars that was issued after 08 March 2016 (the date on which MFMA Circular No. 80 was issued);
- Integration of third party sub-systems with the mSCOA enabling financial system as required in terms of MFMA Circular No. 80 and Annexure B of MFMA Circular No. 80;
- Change management initiatives to ensure that mSCOA is institutionalised as an organisational reform and not only a financial reform; and
- Training initiatives to ensure that all officials in the organisation are familiar with the mSCOA chart, basic accounting, balance sheet budgeting and movement accounting and the use of the mSCOA enabling financial system.

### **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 from the core financial system and the balance of the supporting information been reflected.

As per MFMA Circular No. 107, all municipalities must prepare their 2021/22 MTREF tabled and adopted budgets using the A1 schedule version 6.5. Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module provided and must ensure that they produce their Schedule A1 directly out of the budget module. Manual capturing on A1 schedule version 6.5 is not allowed in terms of the mSCOA Regulations.

**The National Treasury will no longer gather supporting data from the MBRR A1 Schedules but will expect each municipality to submit the prescribed supporting data strings containing the required data using the LG Upload Portal.**

The municipality should prepare to discuss these requirements during the technical assistance and engagements as per parts G and H 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 2021/22 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.

### **C. Format Requirements for the 2021/22 MTREF 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 2021/22 MTREF budgets in their financial systems and extract Schedule A1 directly from their financial systems.

It must be emphasised that the National Treasury uses only mSCOA data uploaded to the Local Government Upload Portal as the only source for publishing financial performance of the municipalities. MFMA Circular No. 107 also states that going forward, the mSCOA data strings will also be used to monitor the municipal performance against grants allocations as well as to influence the decision on stopping and re-allocating the conditional grants from the 2021/22 financial year. Therefore, it is extremely important that municipalities must always upload accurate data timeously to the Local Government Upload portal while following the controls built into the financial system to flag unauthorised expenditure and there should be no manual intervention to manipulate the financial system.

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 2021/22 MTREF Budgets are tabled in Council on or before 31 March 2021 which must include all the information as set out in Schedule A1 of the MBRR and submitted to the National and Provincial Treasury.

**Failure to ensure that the 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. 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 mSCOA Regulations as per the requirement of MFMA Circulars No. 98 and No. 107.**

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

In terms of the Balance sheet and Cash flow budgeting, MFMA Circular No. 99 has provided guidance as indicated 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 (Schedule A1 Budget Tables SA30 and A7) and not when billing is done or when invoices are processed (Schedule A1 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.

In preparing the Balance Sheet Budgeting municipalities are also reminded to follow the guidance of mSCOA Circulars No. 10 and No. 11 to ensure correct population of Table A7 as indicated in MFMA Circular No. 99 and consider the following:

- The creation and use of movement guides is critical in the correct population of Schedules A as well as supporting schedules;
- The budget must be prepared on an accrual basis including Value Added Tax (VAT) in line with Generally Accepted Accounting Principles (GRAP);
- As per MFMA Circular No. 108, municipalities are reminded to ensure that opening balances are correctly reflecting on their data strings and are in balance (debit and credit). Including the transfer of Surplus/Deficit (Financial Performance) to the Accumulated Surplus/Deficit (Financial Position); and
- Municipalities are also reminded to ensure the correct use of all segments as per guidance issued by National Treasury from time to time.

## **E. Funding Position of the 2021/22 MTREF Budgets**

**The importance of approving a funded budget by the municipalities in terms of Section 18(1) of the MFMA has always been emphasised by the National and Provincial Treasury at every available opportunity.** 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.*

Approving a Funded budget has been identified by the National Budget Forum as one of the Game Changers in Local Government in a bid to ensure that there is financial sustainability. An unfunded budget suggests that the municipality's financial plan is unable to give effect to priorities identified by the municipalities in a particular financial year. Unfunded budgets are also a strong indication of impending financial distress about to occur at the municipality.

**Provincial Treasury therefore does NOT support an unfunded budget. Likewise, as in 2020/21 Budget process, all the 2021/22 Tabled (Draft) Budgets assessed to be unfunded by Provincial Treasury will be referred back to respective municipalities for a revision in a bid to ensure that the municipalities submit a funded budget as per the guidance of MFMA Circulars No. 98, No 99 and No 107.**

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's assessment takes into account the cash flow impact of the budgeted Operating revenue and expenditure (Table A4) as well as the Capital expenditure (Table A5) as reflected in the ORGB data strings. It is therefore imperative that all Tables extracted are accurate in order for Provincial Treasury to conduct a thorough assessment of the Tabled Budget and provide valuable comments on the funding position of the budget.

Similarly, to the previous financial year's process, all the municipalities which will not achieve the funded budget position in their 2021/22 Budgets will be required to develop and table a credible Budget funding plan indicating how and by when will their budgets be funded in the MTREF period. The Budget funding plan must be submitted together with the tabled and adopted budget documents in terms of Sections 22(b)(i) and 24(3) of the MFMA respectively to the National and Provincial Treasury. To this end, municipalities which are finding it difficult to table a funded and sustainable budgets should contact the Provincial Treasury for assistance through your designated Budget Analyst official from Provincial Treasury.

In preparing their 2021/22 MTREF Budgets, all the municipalities with approved Budget funding plans from the prior year are required to ensure that their budgets are in line with the Budget funding plans. The tabled budgets must demonstrate a positive progress towards achieving a Funded budget position in the targeted financial year according to the Budget funding plan. In a bid to achieve a funded budget position according to the targets set out in the Budget funding plan municipalities are strongly advised to ensure that amongst others, their budget estimates across all functions and line items are within the parameters of the estimates projected in their Budget funding plan.

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. For municipalities with long term debts (such as Eskom, Water boards etc.), municipalities are required to submit copies of payment agreements entered between the municipalities and these Creditors.

All the municipalities whose budget are assessed as unfunded will be required to use the attached Annexure D template prepared by Provincial Treasury in a bid to produce a credible Budget funding plan.

**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. As in the prior years, it must be noted that the municipalities which approved an unfunded budgets run a risk of their tranche of the Local Government Equitable share being withheld until their budgets are revised to achieve a funded position.**

## **F. Reconciliation of Valuation roll data to the billing system**

During 2019/20 financial year, Provincial Treasury issued Circular PT/MF 08 of 2019/20 dated 19 December 2019 on maximising revenue generation of local municipalities anticipated from revenue source of Property rates which complemented MFMA Circular No. 98.

Amongst the issues discussed, was the requirement of reconciling the Valuation roll data to the billing system. The reconciliation process is imperative to ensure that the revenue anticipated to be generated from Property rates source is accurate and realistic.

As part of the requirement of the circulars indicated above, all the municipalities that bill the revenue from the Property rate source in the province were requested to submit copies of their schedules showing the reconciliation of Valuation roll data to the billing system. In this regard, some municipalities submitted the required information whilst others did not submit the information. As per the requirement of MFMA Circular No. 107 for the 2021/22 Budget process, all the municipalities in the province specifically 41 local municipalities that bill the Property rates as one of the revenue source are required to submit the copies of reconciliation of the Valuation roll data to that of the billing system for the financial year of 2021/22 to National and Provincial Treasury as follows:

### National Treasury (NT)

Electronic copies of the required information above must be e-mailed to [linda.kruger@treasury.gov.za](mailto:linda.kruger@treasury.gov.za) or must be uploaded by approved and registered users using the Local Government Upload Portal at <https://lguploadportal.treasury.gov.za/>.

### 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.

## **G. Technical assistance on the 2021/22 MTREF Tabled Budgets**

Provincial Treasury officials are available 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.

## **H. Engagement with municipalities on the 2021/22 MTREF Tabled Budgets**

Provincial Treasury requested municipalities in Provincial Circular PT/MF 01 of 2020/21 to make provision for engagements with Provincial Treasury on their annual MTREF Tabled Budgets to be included in municipalities' *Time Schedules Outlining Key Deadlines*. The engagements are planned to be held virtually with all delegated municipalities during April to May 2021 where Provincial Treasury intends to constructively engage with the municipality's senior management, preferably the Budget Steering Committee on the critical matters to be raised on their 2021/22 MTREF Tabled Budgets in an attempt to produce a more reliable, credible and funded budget before they are approved by Council. These engagements are vital for the discussion and understanding of significant issues raised by Provincial Treasury in their assessments of the Tabled Budgets of the municipalities. The engagements provide an opportunity for the municipalities' responses to be incorporated in the final correspondence on Budget assessment feedback issued by Provincial Treasury which must be tabled in Council together with all other budget related documents.



The tabling in Council of the Provincial Treasury's final assessments of the 2021/22 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 by the municipality.

**Provincial Treasury hereby requests a copy of the Council resolution or extract reflecting the Tabling of Provincial Treasury's final assessment of the 2021/22 MTREF Tabled Budget to be included among the Final (Approved) Budget documents to be submitted to both the National and Provincial Treasury.**

## **I. Submission of the 2021/22 MTREF Budgets**

Section 22(b)(i) of the MFMA requires that *immediately* after an annual budget is tabled in a Municipal Council, the Accounting Officer must submit in both printed and electronic formats to the National and the relevant Provincial Treasury (electronic format of PDF which should include Schedule A1 Budget and the budget narrative report). If the annual budget is tabled to Council on **31 March 2021**, the final date for the submission of **the electronic budget documents and corresponding mSCOA data strings is Thursday, 01 April 2021.**

**All the delegated municipalities in the province are urged to submit their 2021/22 Tabled Budgets (Draft) timeously as described above in order to allow Provincial Treasury sufficient time to assess the budgets and provide the feedback timeously to the municipalities**

The budget related information listed in the MBRR Schedule A (**Annexure C**) must be submitted to both the Provincial and National Treasury. 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 **31 May 2021**, **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, 14 June 2021 (as per the MFMA Circular No. 107)**, otherwise an earlier date applies. **The submission process described above relates to both the National and Provincial Treasury.**

## **J. Publication of the 2021/22 MTREF 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 municipal 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 2021/22 Tabled (Draft) and Approved (Final) Budgets as well as all related documents on their websites timeously according to the legislated timeframes. Municipalities should place their 2021/22 Tabled (Draft) Budgets and all related documents on the municipalities' websites within 5 (five) days after tabling in the Council as per requirement of Section 75(2) of MFMA. The 2021/22 Approved (Final) Budgets and all related documents must be placed on the municipalities' website within ten (10) 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.

## **K. 2021/22 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 Local Government Database. Since 01 July 2019, National Treasury have been using only **the mSCOA data strings as a basis for all data published**. This follows the decision by National Treasury to discontinue the use of Returns as part of Budgeting tools and In-Year monitoring reports (IYM).

As indicated in 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 Upload Portal should consist of consolidated figures.

The verification of all 2021/22 municipal budgets will take place during the period 31 May 2021 to 30 June 2021. In this one-month period 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 2021.

## **L. 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 [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 2021/22 MTREF process in an advisory capacity. All municipalities are requested to invite the Provincial Treasury to their BSC meetings, and where invitations are received, Provincial Treasury will confirm attendance to the BSC meetings based on work commitments at hand. In this regard, please forward the invitations to your BSC meetings to your designated Provincial Treasury Municipal Budget Analyst.

## **M. 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 Treasury in terms of Section 22(b)(i) of the MFMA, the Municipal Manager must also submit a draft SDBIP and as stated earlier, the submission must also be in electronic format. Failure to submit such will result in non-compliance with the MBRR.

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

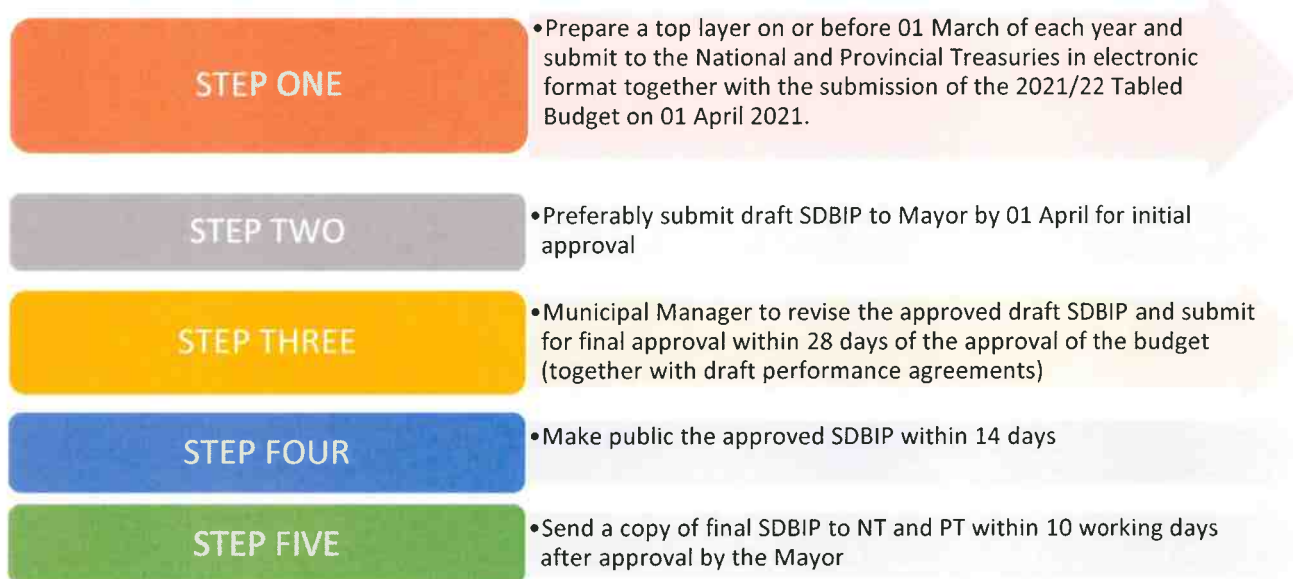
The Municipal Manager should start the process to prepare the top layer of the SDBIP in conjunction with the preparation of the Tabled (Draft) Budget and preferably submit the draft SDBIP to the Mayor for initial approval with the Tabled (Draft) Budget. It should include the following:

- 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 function;
- iii. Quarterly projections of service delivery targets and performance indicators for each function;
- iv. Ward information for expenditure and service delivery; and
- v. Detailed capital work plan broken down by ward over three years.

### **N. 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 2021 DoRB, respectively. The DoRB 2021 and Provincial allocations were already forwarded to municipalities via e-mails dated 08 March 2021 and 10 March 2021 respectively by your designated Budget Analyst from Provincial Treasury.

The official Provincial Gazette will be forwarded to all the municipalities in the province once it is finalised and 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.

#### **O. Further matters for consideration in the 2021/22 MTREF Municipal Budget Process**

The following are areas of weaknesses and common mistakes identified by both Provincial and National Treasury in prior years and should be considered and addressed (where applicable) when preparing the 2021/22 MTREF budgets: (The identified weaknesses are not only limited list below)

- 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 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. For example, the amount and or percentages of some items in the narration report differ to the amount or percentage of the same item in the Schedule A1 Budget document.
- Non availability of senior municipal management officials during engagements with Provincial Treasury officials.
- Provincial Treasury compared the data strings uploaded for the “Current year” 2020/21 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 per the requirement of mSCOA reforms including guidance in some MFMA Circulars such as No. 94, No. 98 and lately No. 107. The differences were communicated to all municipalities to make the necessary corrections.
- Some municipality did not timeously upload all mSCOA data strings to National Treasury’s Local Government Upload Portal.
- 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 SA34e: *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 forecast figures for the “Current year” were merely replicated as the Adjusted Budget figures and were not in line with the performance trends; and
  - The Adjusted Budget figures were not reconciling to the Council approved Schedule B figures.



- 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's MTREF Budget. 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 No. 54 and No. 64 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 municipalities 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 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the Opening *Cash and cash equivalents* balances. 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.
- For most municipalities, *General expenses*, as detailed in Table SA1 contributed more than 10 percent towards *Other expenditure*. 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, No. 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 2020/21 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.

## P. Municipal Budget Submission Process

**Municipalities are no longer expected to submit the hard copies of all required documents including budget related, IDPs, Service Delivery Budget and Implementation Plans (SDBIPs), AFS and Annual Reports to National and Provincial Treasury through post courier services.**

The Budget related information listed in the MBRR Schedule A (**Annexure C**) must be forwarded to the Provincial and National Treasury 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 Local Government 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 sincerely



**Ms. N. Shezi**

**Acting Head of Department: KZN Provincial Treasury**

**CC    Ms. N. Dube-Ncube - MEC for Finance**  
**Mayors**  
**Administrators**  
**Mr. J. Hattingh - National Treasury**  
**Mr. T.V. Pillay - National Treasury**  
**Ms. N. Mhlongo - Business Executive: Auditor-General**

## Annexure A

2021/22 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 2021/22 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 as from November 2020				
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 Tabled and Approved 2021/22 MTREF Budget				
1.7	The receipt of 2021 DoRA and Provincial Gazette to ensure that all allocations are correctly considered in the Tabled 2021/22 MTREF budget.				
1.8	That the Audited Outcome figures for the 2017/18, 2018/19 and 2019/20 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 and other subsequent MFMA Circulars				
1.10	That the Surplus/Deficit amounts in Table A4 reconcile to the amount captured in Tables A2 and A3				
1.11	The municipalities providing water service must budget for water as an inventory in Table A6 and NOT as an expense for Water bulk purchases in Table A4.				
1.12	That the Trading Services are self-supporting (are not operating at a deficit).				
1.13	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).				
1.14	That there is sufficient provision for debt impairment				
1.15	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)				
1.16	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				
1.17	That the Tabled (draft) 2021/22 SDBIP is prepared in accordance with MFMA Circular No. 13 of National Treasury.				
1.18	That the Tabled (draft) 2021/22 SDBIP is aligned to the IDP and Tabled (draft) 2021/22 Budget.				
1.19	That the 2021/22 mSCOA Budget data strings is uploaded to the LG Upload portal of National Treasury using the electronic submission address indicated under the section of "Municipal Budget Submission Process" in this PT Circular.				
1.20	That the electronic Schedule A1 and all budget related documents are sent to Provincial and National Treasuries on Thursday, 01 April 2021 to the respective electronic addresses and in the required format indicated under the section of "Municipal Budget Submission Process" in this PT Circular				
1.21	That the Tabled (draft) 2021/22 SDBIP is timeously submitted to National and Provincial Treasuries together with all budget related documents within 10 working days after tabling for comments				
1.22	That the planned budgeting for performance bonuses for Senior Management is in line with the maximum prescribed in the Local Government Performance Regulations.				
1.23	<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> <li>&gt; The above information must be sent to <a href="mailto:Jan.Hattingh@treasury.gov.za">Jan Hattingh (email:jan.hattingh@treasury.gov.za)</a></li> </ul>				
1.24	The 2021/22 Tabled (draft) Budget and all related documents must be submitted to National and Provincial Treasuries within the prescribed time frame as per MFMA Circular 107.				



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
1.25	For the municipalities with the municipal entities, the municipality must ensure that the consolidated Tabled (draft) Budget is prepared and submitted to National and Provincial Treasuries.				
1.26	That there is no budgeting for non-priority items in line with all MFMA Circulars such as No. 58, 66, 70 etc.				
2	<b>CASH FUNDING POSITIONS OF THE BUDGET</b>				
2.1	<b>Tables A7 :Budget Cash Flow</b>				
	> Has Table A7 been fully populated?				
	> 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? 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 2021/22 MTREF Budget:</b>				
3.1	That the budget in prescribed format (A1 Schedule ver 6.5), reviewed budget related policies and all other related documents are tabled in line with the budget timetable by 31 May 2021.				
3.2	That the PT's comments on 2021/22 Tabled (draft) Budget as well as the municipality's responses to PT comments are also tabled together with 2021/22 MTREF Budget for final approval.				
3.3	Ensure designated municipal official to work with relevant Municipal Budget Analyst in PT regarding the 2021/22 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	As per mSCOA regulation, municipality is able to budget, transact and report directly on and from integrated Financial system. Municipality must be able to extract Schedules A, B and C directly from Financial system.				
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.

Annexure D

Municipality: XXX Local Municipality

Budget Funding Plan

STATUS & PERCENTAGE	Task completed: 100%	Task almost completed: 51% - 99%	Task commenced: 1%-50%	Task not yet started: 0%
				

No	Strategy	Focus Area	Key Activities	Responsible Person	Start Date	End Date	Status & percentage	Comments regarding status and progress related to activities
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

**XXX Local Municipality**

Municipality: XXX Local Municipality

Financial Impact of the Budget Funding Plan

[illegible]

## XXX Local Municipality

### Financial Impact of the Budget Funding Plan on the Financial Performance (Table A4/B4)

[illegible]



XXX Local Municipality

### Financial Impact of the Budget Funding Plan on the Capital Financial Performance (Table A5/B5)

[illegible]

XXX Local Municipality

Financial Impact of the Budget Funding Plan on the Financial Position (Table A6/B6)

[illegible]

XXX Local Municipality

## Financial Impact of the Budget Funding Plan on the Cash Flow (Table A7/B7)

[illegible]

XXX Local Municipality

## Financial Impact of the Budget Funding Plan on the Cash backed reserves/accumulated surplus (Table A8/B8)

[illegible]