



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

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

PROVINCIAL TREASURY CIRCULAR PT/MF 07 OF 2022/23

FINDINGS ON THE 2022/23 MUNICIPAL BUDGET ASSESSMENT

Provincial Treasury assessed the 2022/23 Tabled Budgets of all 51 delegated municipalities as required by Section 22 of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) read in conjunction with Section 23(1)(b) of the MFMA which states that *the municipal Council must consider any views of the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget*. Provincial Treasury further conducted high level assessments on the 2022/23 Approved Budgets of all 51 delegated municipalities.

1. PURPOSE

The purpose of this circular is to:

- Share with all KwaZulu-Natal (KZN) municipalities the findings of the assessments of the Tabled Budget process as well as the findings for the high level assessment of Approved Budget of the delegated municipalities in the province; and
- Highlight some of the key non-compliance areas, weakness and common errors that municipalities should consider and address (where applicable) when preparing their 2022/23 Adjustments Budgets and the 2023/24 MTREF Budgets.

2. BACKGROUND AND DISCUSSION OF BUDGET PROCESSES

Tabling of the 2022/23 Time schedules outlining key deadlines for the budget process

Section 21(1)(b) of the Municipal Finance Management Act, Act No.56 of 2003 (MFMA) requires the Mayor of a municipality to table in Council at least 10 months before the start of the budget year, a Time schedule of Key Deadlines for the budget process. The main objectives for the tabling of the Time schedule outlining key deadlines are to ensure that the budget preparation process commences timeously and complies with all legislative requirements.

Provincial Treasury issued Circular PT/MF 01 of 2021/22 on 04 August 2021 reminding municipalities to table the Time Schedule of Key Deadlines for the 2022/23 financial year by 31 August 2021. The



Circular also detailed that the approval of the Time Schedule of Key Deadlines is an integral step in the planning phase of the overall budget process.

In this regard, 44 of the 51 delegated municipalities timeously tabled their Time schedule outlining key deadlines by 31 August 2021, as per the requirements of the MFMA. Table 1 shows the seven (7) municipalities that did not table their Time schedule outlining key deadlines by the prescribed date of 31 August 2021. Non-compliance letters were issued to all seven (7) municipalities that did not table their Time schedule outlining key deadlines by the prescribed deadline.

All the municipalities shown in Table 1 subsequently approved their Time schedules outlining key deadlines for the 2022/23 budget preparation process.

Table 1: Municipalities that did not table their 2022/23 Time schedules outlining key deadlines by 31 August 2021

No	Name of Municipality	No	Name of Municipality
1	uMngeni	5	Ndwedwe
2	Alfred Duma	6	Maphumulo
3	uMvoti	7	uMkhanyakude DM
4	eDumbe		

Source: KZN Provincial Treasury

Provincial Treasury support to municipalities on the 2022/23 municipal budget preparation process

Section 5(4)(a)(ii) of the MFMA states *that to the extent necessary to comply with subsection (3), a Provincial Treasury must monitor the preparation by municipalities in the province of their budgets.* Furthermore, Section 5(4)(b) of the MFMA states that a Provincial Treasury *may assist municipalities in the province in the preparation of their budgets.*

To guide all delegated municipalities with the preparation of their 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) budgets and to monitor compliance with the MFMA and the Municipal Budget and Reporting Regulations (MBRR), Provincial Treasury issued Circular PT/MF 10 of 2021/22 dated 09 March 2022 (Preparation, submission and publication of the 2022/23 MTREF budget) to municipalities.

The circular provided guidance on the following areas relating to the Budget preparation process:

- Preparation of the 2022/23 MTREF Municipal Budgets;
- Format Requirements for the 2022/23 MTREF Budgets;
- Balance Sheet and Cash Flow Budgeting;
- Funding Position of the 2022/23 MTREF Budgets;
- Budget funding plans;
- Reconciliation of Valuation roll data to the billing system;
- Municipalities unable to pass the 2022/23 MTREF annual budget by 1 July 2022;
- Technical Assistance on the 2022/23 MTREF Tabled Budgets;
- Engagement with municipalities on the 2022/23 MTREF Tabled Budgets;
- Publication of the 2022/23 MTREF Budgets;
- Criteria for the release of the Equitable Share allocation during the 2022/23 financial year;
- 2022/23 MTREF Municipal Budget Verification Process;



- Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- National and Provincial Transfers to municipalities;
- Further matters for consideration in the 2022/23 MTREF Budget Process; and
- Municipal Budget Submission Process.

The Provincial Treasury Circular included some areas of weaknesses and common mistakes identified by both the Provincial and National Treasuries in prior years that should have been considered and addressed (where applicable) by municipalities when preparing their 2022/23 MTREF budgets.

Provincial Treasury later issued Circular PT/MF 11 of 2021/22 dated 28 March 2022 (2022/23 MTREF Budget Preparation). The objectives of this circular were to notify municipalities of all the Provincial Allocations to be incorporated during the budget preparation process and to remind municipalities about the expected documents to be submitted together with the 2022/23 MTREF Budget.

The MFMA Circulars No. 112 and 115 issued by the National Treasury were shared with all delegated municipalities to ensure that 2022/23 MTREF Budgets incorporate the guidelines and information required as per these circulars.

The status of Budget Steering Committee (BSC)

Regulation 4(1) of the MBRR requires the Mayor of each municipality to establish a Budget Steering Committee (BSC) to provide technical assistance to the Mayor in discharging his/her duties as outlined in MFMA Section 53 which relates to the execution of the budget process. The number of municipalities with fully operational Budget Steering Committees increased from 47 in the 2021/22 financial year to 48 in the 2022/23 financial year. Table 2 shows that there are only three (3) municipalities where the BSCs are not established. These municipalities have indicated that they are utilising other structures such as the management committees and extended finance committees etc. to guide the budget process.

Table 2: Municipalities where Budget Steering Committees were not established for the 2022/23 financial year

No	Name of Municipality
1	uMzambe
2	uMkhanyakude DM
3	Harry Gwala DM

Source: KZN Provincial Treasury

The noted increase in the number of operational Budget Steering Committees across municipalities is encouraging as this will lead to improved budget planning and ensure the preparation of more credible and reliable budgets.

3. 2022/23 TABLED BUDGET ASSESSMENT PROCESS

Tabling of the 2022/23 Annual Budgets

Section 16(2) of the MFMA states *that the Mayor of the municipality must table the annual budget at a Council meeting at least 90 days before the start of the budget year.*

All 51 delegated municipalities tabled their 2022/23 Annual Budget to Council by 31 March 2022.

Submission of the 2022/23 Tabled Budgets

Section 22(b)(i) of the MFMA requires that **immediately** after an annual budget is tabled in a municipal Council, the annual budget must be submitted to the National and Provincial Treasuries in both PDF



and electronic formats. As per MFMA Budget Circulars No. 112 and 115, the date for the submission of the PDF and electronic copies was 01 April 2022 if a municipality tabled on 31 March 2022.

Table 3 lists the municipalities that did not submit one or more of the following required documents within the prescribed timeframe:

- Electronic copy (PDF) of the 2022/23 Tabled Budget;
- Narrative budget document;
- Table Budget data strings (TABB);
- Project detail data strings (PRTA) (IDP);
- A1 Schedule Draft (non-financial Information) data string (A1D); and
- Draft Service Delivery and Budget Implementation Plan (SDBIP).

Table 3: Municipalities that did submit their 2022/23 Tabled Budgets documents timeously

No	Municipalities that did not submit electronic PDF version of Budget timely	No	Municipalities that did not submit the Narrative Budget Document timely	No	Municipalities that did not submit the (TABB) mSCOA data string timely	No	Municipalities that did not submit the (PRTA) mSCOA data string timely	No	Municipalities that did not submit the (A1D) mSCOA data string timely	No	Municipalities that did not submit the draft SDBIP timely
1	uMuziwabantu	1	uMuziwabantu	1	uMuziwabantu	1	uMuziwabantu	1	uMdoni	1	uMuziwabantu
				2	Dannhauser	2	Dannhauser	2	uMzambe	2	uMshwathi
						3	KwaDukuza	3	uMuziwabantu	3	uMngeni
								4	Ugu DM	4	Mpořana
								5	uMshwathi	5	iMpendle
								6	uMngeni	6	Nquthu
								7	Mpořana	7	uMsinga
								8	iMpendle	8	Dannhauser
								9	uThukela DM	9	uMlalazi
								10	Nquthu		
								11	uMsinga		
								12	uMzinyathi DM		
								13	Dannhauser		
								14	eDumbe		
								15	Nongoma		
								16	Jozini		
								17	Mtubatuba		
								18	uMlalazi		

Source: KZN Provincial Treasury

Only Newcastle Local Municipality did not submit their budget in the correct Schedule A1 version 6.6, and was sent a non-compliance letter on 05 April 2022 in this regard. uThukela District Municipality received a non-compliance letter for not sufficiently completing the tables of their Schedule A1 budget document.

Placement of 2022/23 Tabled Budgets documents on websites as per Section 75(2) of the MFMA

Section 75(2) of the MFMA states that all documents expected to be placed on municipal websites *must be placed on the website not later than five working days after its tabling in Council or on the date on which it must be made public, whichever occurs first*. All 51 delegated municipalities placed the 2022/23 Tabled Budgets documents on their websites in compliance with Section 75 of the MFMA.

Outcomes of the 2022/23 Tabled Budgets Assessments

Upon receipt of the 2022/23 Tabled Budgets, Provincial Treasury undertook an assessment of the Tabled Budgets and provided comments to the respective municipalities as per the requirements of Section 23(1) of the MFMA which states that *when the annual budget has been tabled, the municipal*



Council must consider any views of the local community, the National Treasury, the relevant Provincial Treasury and any provincial or national organs of state or municipalities which made submissions on the budget. The assessment process also included compliance checks on all Tabled Budgets received to establish the level of compliance with the requirements of the MFMA and the MBRR in general and to verify amongst others, whether:

- The Tabled Budgets submitted were in the correct Version 6.6 of the Schedule A1;
- The information provided in the main budget Tables (A1 to A10) and supporting Tables (SA1-SA38) reconciled to the budget documents and schedules submitted to the National Treasury portal; and
- The submitted budget information is sufficient to enable the assessments of the Tabled Budgets by Provincial Treasury.

Of the 51 municipalities' budgets assessed, Provincial Treasury determined that 34 Tabled Budgets were funded, while 17 were unfunded based on the mSCOA data strings uploaded to the GoMuni Upload Portal as well as the Schedule A1 and Narrative documents submitted by the municipalities.

Bi-lateral engagements for the 2022/23 Tabled Budgets

Provincial Treasury requested municipalities in Provincial Circular PT/MF 01 of 2021/22 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, driven by a comprehensive agenda, are a support initiative of the Provincial Treasury as per Sections 5(2) and 23(1) of the MFMA and are vital for the discussion and understanding of significant issues raised by Provincial Treasury in their assessments of the 2022/23 Tabled Budgets of the municipalities.

Provincial Treasury findings on the 2022/23 Tabled Budget assessments were presented at the bi-lateral engagements which covered the legislative compliance of the processes relating to the preparation through to the tabling of the 2022/23 Annual Budget. Findings on the credibility of budget data strings, budget assumptions, revenue optimisation, operational expenditure as well as infrastructure delivery and financing together with repairs and maintenance and asset management also formed part of the agenda. There was also significant focus on the funding position of municipalities with discussions on cash flow assumptions used, funding compliance as well as the financial sustainability of the municipalities as represented by financial ratios set out in MFMA Circular No. 71.

The bi-lateral engagements covered strategic service delivery issues relating to water, electricity and refuse removal services. Municipalities indicated the level of integration of their budgets with national and provincial priorities including the Provincial Growth and Development Strategies, the President's State of the Nation address as well as the KZN Premier's State of the Province address. The alignment of the Integrated Development Plan (IDP) and the SDBIP to the 2022/23 Tabled Budget was also discussed as the budget is an enabler of service delivery.

Bi-lateral engagements were held with all 51 delegated municipalities during the period from 22 April 2022 to 19 May 2022. Table 4 provides a list of all engagement dates per municipality.



Table 4: The bi-lateral engagements held with delegated municipalities on their 2022/23 Tabled Budget assessments

No	Name of Municipality	Dates of Bi-lateral engagements	No	Name of Municipality	Dates of Bi-lateral engagements
1	uMdoni	29-Apr-22	27	uPhongolo	16-May-22
2	uMzumbhe	11-May-22	28	AbaQulusi	12-May-22
3	uMuziwabantu	12-May-22	29	Nongoma	09-May-22
4	Ray Nkonyeni	04-May-22	30	Ulundi	09-May-22
5	Ugu DM	06-May-22	31	Zululand DM	03-May-22
6	uMshwathi	16-May-22	32	uMhlabuyalingana	10-May-22
7	uMngeni	12-May-22	33	Jozini	06-May-22
8	Mpofana	04-May-22	34	Mtubatuba	03-May-22
9	iMpendle	11-May-22	35	Big Five Hlabisa	04-May-22
10	Mkhambathini	16-May-22	36	uMkhanyakude DM	17-May-22
11	Richmond	05-May-22	37	uMfolozi	11-May-22
12	uMgungundlovu DM	22-Apr-22	38	uMlalazi	13-May-22
13	Okhahlamba	11-May-22	39	Mthonjaneni	06-May-22
14	iNkosi Langa libalele	11-May-22	40	Nkandla	10-May-22
15	Alfred Duma	05-May-22	41	King Cetshwayo DM	04-May-22
16	uThukela DM	17-May-22	42	Mandeni	09-May-22
17	eNdumeni	12-May-22	43	KwaDukuza	17-May-22
18	Nquthu	17-May-22	44	Ndwedwe	11-May-22
19	uMsinga	13-May-22	45	Maphumulo	11-May-22
20	uMvothi	13-May-22	46	iLembe DM	19-May-22
21	uMzinyathi DM	16-May-22	47	Greater Kokstad	12-May-22
22	Newcastle	09-May-22	48	uBuhlebezwe	06-May-22
23	eMadlangeni	13-May-22	49	uMzimkhulu	22-Apr-22
24	Dannhauser	16-May-22	50	Dr. Nkosazana Dlamini Zuma	06-May-22
25	Amajuba DM	18-May-22	51	Harry Gwala DM	12-May-22
26	eDumbe	12-May-22			

Source: KZN Provincial Treasury

Key findings on the 2022/23 Tabled Budgets Assessments

The following were the key findings emanating from Provincial Treasury's assessment of the 2022/23 Tabled Budgets:

- **Compliance with MBRR and other legislations**

There has been no improvement in the submission of budget documents, as most municipalities did not comply with Section 22(b)(i) of the MFMA as the municipalities did not timeously submit their A1 Schedule Draft (A1D) data string which is a relatively new data string. Some municipalities also did not submit their budget policies and other supporting documentation including key calculations supporting significant budget line items timeously. Provincial Treasury also found that the budget narrative documents for some of municipalities were of a poor quality, were not comprehensive and in some cases, contradicted information contained in the Schedule A1. These factors reduce the level of analysis that Provincial Treasury was able to perform for these specific municipalities.

Similar to previous years, Table A10: *Basic service delivery measurement* was either not completed or poorly completed. Table A10 is critical for reflecting amongst others, information on the number of households within a municipal area, a measurement of the number of households receiving basic services at the minimum service level, the number of households receiving Free basic services, the cost of providing Free basic services and the unit of measurement thereof such as kilolitres for water, kilowatt hour for electricity and how frequently refuse is being removed, etc. Due to the poor quality of information in Table A10, Provincial Treasury was not able to, in many cases, determine the accuracy



of the budget for the Cost of Free basic services and whether municipalities are effectively delivering basic services to their indigent customers.

Other critical supporting tables which were either not completed or poorly completed included Table SA7: *Measurable performance objectives*, Table SA9: *Social, economic and demographic statistics and assumptions*, Table SA11: *Property rates summary*, Table SA12: *Property rates by category*, Table SA13: *Service tariffs*, 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*. This was despite the guidance provided in MFMA Circular No. 112 and by Provincial Treasury through CFO Forums on the importance of completing the Tables.

- **Credibility of budget figures**

Provincial Treasury requested municipalities via Circular PT/MF10 of 2021/22 to submit their data strings before tabling to Council in order for Provincial Treasury to perform a high level review for errors in the data strings thereby improving the accuracy and credibility of the Annual Budget that is tabled in Council. However, many municipalities did not take advantage of that offer and Provincial Treasury found that the budget tables in the Schedule A1 data strings for some municipalities' Tabled Budgets were not fully and /or accurately completed. Discrepancies were noted in the following areas:

- Audited Outcome figures of the data strings did not reconcile to the audited Annual Financial Statement (AFS) figures;
- The full year forecast figures for 2021/22 were merely replicated as the Adjusted Budget figures and were not in line with the performance trends;
- The 2021/22 Adjusted Budget figures did not reconcile to the approved Schedule B figures; and
- Differences were noted between the figures quoted in the narrative report and data strings of Schedule A1.

Some municipalities did not provide the basis for their budget assumptions and/or no budget assumptions were supplied at all for certain line items, thus limiting the analysis by Provincial Treasury. Due to the lack of comprehensive information in the budget documents, Provincial Treasury discussed the budget assumptions in greater detail during the bi-lateral engagements and urged municipalities to utilise guideline documents such as the Batho Pele Municipality Budget Documents when preparing their annual budgets.

- **Sustainability of the operational activities of the municipality**

Many municipalities' operating budgets continue to be funded mainly from grants. Provincial Treasury noted with concern that some municipalities budgeted for Operating deficits for the 2022/23 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.

- **Funding of budgets**

The importance of approving funded budgets has been a focal topic during many CFO Forums and bi-lateral engagements with the municipalities. However, despite the ongoing advice from Provincial



Treasury that municipalities should prepare funded budgets as per Section 18 of the MFMA, many municipalities still tabled unfunded budgets.

Some municipalities still failed to adequately complete Table A7: *Budgeted cash flows* and Table A8: *Cash backed reserves/accumulated surplus reconciliation* which are critical not only to reflect the cash flow status of the municipality but also to assist in determining the funding position of municipal budgets.

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 completed the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2021/22 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the 2022/23 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.

Provincial Treasury recalculated an estimate for *Other working capital requirements* in Table A8 based on the *Receivables* and *Payables* as per the audited AFS as well as the 2021/22 Adjustments Budget and the budget assumptions for revenue and expenditure in the 2022/23 budget year. This process highlighted that some municipalities significantly understated their cash outflows for *Suppliers and employees* in Table A7 and/or their *Trade and other creditors* balance as at the end of the 2022/23 budget year in Table SA3: *Supporting detail to 'Budgeted Financial Position'*. Similarly, municipalities overstated their cash inflows for the various operating revenue line items in Table A7 and/or their *Other debtors and Long term receivables* as per Table A6 and *Consumer debtors* balances as at the end of the 2022/23 budget year in Table SA3.

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 and this together with the unrealistic *Other working capital requirements*, resulted in an abnormal of *Surplus/(shortfall)* position.

Some municipalities reflected negative *Cash/cash equivalents at the year end* and *Shortfall* positions over the entire MTREF period thus, raising concerns over their liquidity status and whether or not the municipalities would be able to pay their debts as and when they fall due.

- **Operating revenue**

With regard to the Operating revenue budget, some municipalities did not justify in their budget narratives reports all tariffs increases which are in excess of the projected Consumer Price Index (CPI) inflation forecasted to be in the region of 4.8 to 4.5 percent in the MTREF period of 2022/23 to 2024/25 as per MFMA Circular No. 115.

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* and SA12b: *Property rates by category*, thereby limiting the Provincial Treasury's analysis of the reasonability of the budgeted Property rates revenue. Furthermore, due to the non-submission of *Property rates* policies and/or calculations to support the budgets by some municipalities, Provincial Treasury could also not determine whether these municipalities fully complied with the requirements of the Municipal Property Rates Amendment Act (Act No. 29 of 2014).

Some municipalities that provide services such as water and electricity did not budget for the Cost of Fee Basic Services against the related revenue items in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* due to the incorrect population of Table SA9: *Social, economic and demographic statistics and assumptions*. Some municipalities also appear to have not considered the basic services component of the Equitable Share allocation for use in Free Basic Service support for



residents within the municipality's jurisdiction and rather budgeted to utilise the majority of the Equitable Share allocation for municipal expenses.

- **Operating expenditure**

Provincial Treasury noted that Tables SA22, SA23 and SA24 relating to councillors and staff benefits, salaries and allowances as well as personnel numbers for the municipalities were either poorly completed or not completed thereby limiting the extent to which the reasonability 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 budgeted ratio was found to be excessive in some municipalities.

Some municipalities under-budgeted for *Debt impairment* and *Depreciation and asset impairment*. While both these are non-cash expenses, municipalities could still incur unauthorised expenditure at the end of the financial year due to under-budgeting. Significant under-budgeting also results in municipalities projecting unrealistic *Operating surpluses*.

The budget for *Other expenditure* in particular, was of concern as the increases were excessive in some cases. Some municipalities also did not provide sufficiently details for *Other expenditure* in Table SA1: *Supporting detail to 'Budgeted Financial Performance'*.

For many municipalities, the budget for *General expenses*, contributed more than 10 percent towards *Other expenditure* in the 2022/23 Tabled Budgets. 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* that 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 the municipalities to eliminate non-priority expenditure. Furthermore, undefined projects and non-priority items could be included in budget for *General expenses* resulting in significantly high budget amounts for *Other expenditure*.

- **Capital expenditure and Asset management**

As in the prior years, some municipalities continue to submit incomplete Budget Tables relating to their Capital Budget, such as Table SA36: *Detailed capital budget* and Table SA37: *Project delayed from previous financial year/s*. Most municipalities still have a challenge in budgeting for at least 40 percent of the *Capital expenditure* budget for the *Renewal of existing assets* as per MFMA Circular No. 55. Furthermore, the budgets for *Repairs and maintenance* were in some cases unrealistic or questionable and the *Asset register summary – PPE (WDV)* values in Table A9: *Asset Management* were also not linked to asset registers thereby distorting the information which forms the basis for the correct calculation of *Repairs and maintenance*.

Some municipalities did not indicate the budget allocations to sub-functions in Table A5 such as *Executive and Council*, *Internal audit* and *Public safety*, thereby raising concerns over the credibility of their budget for these line items.

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 sufficient cash backed accumulated funds from previous financial years. With the poorly completed Tables A7 and A8, the municipalities' ability to finance capital programmes from internal funding, in some cases, could not be established.

Some of the municipalities that were assessed to have unfunded budgets by Provincial Treasury budgeted to use *Internally generated funds* for *Capital expenditure*. This was a clear contravention of



the requirements of Section 18 of the MFMA. Such municipalities were encouraged to channel any excess funds towards the payment of long outstanding creditors, particularly bulk services.

In instances where municipalities intended to finance their capital programmes through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the projected amortisation schedules and as a result, Provincial Treasury could not assess the reasonableness of their budgeted *Finance charges* and *Repayment of borrowings*.

Municipalities Tabling of Provincial Treasury findings on the 2022/23 Tabled Budgets to Council

Section 23(1)(b) of the MFMA states that *when the annual budget is tabled, the municipal Council must consider any views of the National Treasury, the relevant provincial treasury.*

Municipalities were requested to include Provincial Treasury's 2022/23 Tabled Budget assessment feedback reports with their 2022/23 Annual Budget documents when tabling to Council for approval. Municipalities were further required to include Council's comments thereon in Council minutes and resolutions. Table 5 below lists the 23 municipalities that submitted council resolutions indicating compliance with Section 23(1)(b).

Table 5: Municipalities that tabled Provincial Treasury findings on the 2022/23 Tabled Budgets to Council

No	Name of Municipality	No	Name of Municipality
1	uMdoni	13	Zululand DM
2	uMzombe	14	uMfolozi
3	uMuziwabantu	15	Mthonjaneni
4	Mkhambathini	16	King Cetshwayo DM
5	Richmond	17	Mandeni
6	Okhahlamba	18	Ndwedwe
7	iNkosi Langalibalele	19	iLembe DM
8	Alfred Duma	20	uMzinkhulu
9	eNdumeni	21	Dr. Nkosazana Dlamini Zuma
10	uMvoti	22	Harry Gwala DM
11	Newcastle	23	Nongoma
12	eMadlangeni		

Source: KZN Provincial Treasury

4. 2022/23 APPROVED BUDGET ASSESSMENT PROCESS

Approval of the 2022/23 Annual Budgets

As per Section 24(1) of the MFMA, *the municipal Council must at least 30 days before the start of the budget year consider approval of the annual budget*, while Section 25(1) of the MFMA stipulates that *if a municipal Council fails to approve an annual budget, including revenue-raising measures necessary to give effect to the budget, the Council must reconsider the budget and again vote on the budget, or on an amended version thereof, within seven days of the Council meeting that fails to approve the budget.*

Mtubatuba and uMuziwabantu Local Municipalities both failed to approve their 2022/23 Annual Budgets by 31 May 2022. Mtubatuba Local Municipality submitted Schedule G requesting an extension to the deadline and eventually approved their 2022/23 Annual Budget on 07 June 2022. uMuziwabantu Local Municipality was sent a letter for non-compliance with Section 24(1) of the MFMA on 06 June 2022. The municipality approved their 2022/23 Annual Budget on 15 June 2022.

Section 16(1) of the MFMA states that *the Council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.* uMkhanyakude District Municipality is the only municipality in the province that failed to comply with this requirement. The municipal Council approved their 2022/23 Annual Budget on 21 November 2022.



Submission of the 2022/23 Annual Budgets

Section 24(3) of the MFMA read together with Regulation 20 of the MBRR requires the Accounting Officer to submit the electronic and printed copies of the Approved Budget to National Treasury and Provincial Treasury within 10 working days after tabling in Council. MFMA Circular No. 115 dated 04 March 2022 further required municipalities to upload both the financial (ORGB) and non-financial (A1F) mSCOA data strings for the Approved Budget to the National Treasury GoMuni Upload portal. The deadline for the submission of the MBRR documents was also applicable to the mSCOA data strings.

Despite the support and guidance provided by Provincial Treasury, five (5) non-compliance letters were issued to the municipalities that did not submit the electronic and/or PDF copies of their budgets within the prescribed time as shown in Table 6.

Table 6: Municipalities that did not submit electronic or PDF copies of their 2022/23 Approved Budgets timeously

No	Name of Municipality	Matter resulting in Non-Compliance
1	uMzambe	Non submission of non-financial data string (A1F)
2	Nquthu	Non submission of non-financial data string (A1F)
3	Dannhauser	Non submission of project details data string (PROR)
4	eDumbe	Submission of non-financial data string (A1F) with errors
5	uMlalazi	Non submission of non-financial data string (A1F)

Source: KZN Provincial Treasury

Outcomes of the High Level Assessment of the Approved 2022/23 Budgets

Provincial Treasury conducted a high level assessment of the 2022/23 Approved Budgets of all 51 delegated municipalities with a view of establishing whether the comments and recommendations made by Provincial Treasury were considered in their 2022/23 Approved Budgets.

Of the 51 assessed budgets of municipalities, 43 were assessed as Funded while eight (8) were Unfunded and are shown in Table 7.

Table 7: Municipalities with unfunded 2022/23 Approved Budgets

No	Name of Municipality	No	Name of Municipality
1	Mpoofana	5	uMkhanyakude DM
2	uMzinyathi DM	6	eNdumeni
3	Newcastle	7	Ulundi
4	AbaQulusi	8	uThukela DM

Source: KZN Provincial Treasury

Key findings of the 2022/23 Approved Budgets

The following key findings are based on the 2022/23 Approved Budget assessments conducted for the 51 delegated municipalities.

- **Free Basic Service**

As in previous years, a number of municipalities that provide services such as water, sanitation, electricity and refuse did not budget for the *Cost of free basic services*. Twenty-five out of 51 municipalities (49 percent) correctly accounted for the *Cost of Free Basic Services* in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* of Schedule A1. The balance of 26 out of the 51 municipalities failed to correctly account for *Cost of free basic services*.



There are only 11 municipalities (21.6 percent) that fully completed Table A10: *Basic service delivery measurement*. Table A10 is essential to provide statistics on the *Cost of free basic services* according to National policy as well as the revenue cost of free services, rebates, exemptions and discounts as per the municipal Council policy. MFMA Circular No. 58 indicates that the purpose of this information is to enable the Council and the municipality to gain an understanding of the impact that these discounts and free services have on the municipality's revenue in order to tailor its social package appropriately taking into consideration the equitable share funds provided to subsidise the provision of Free Basic Services. Information in Table A10 also facilitates the analysis of which customer groups benefit from a municipality's social package as well as actual service delivery and service delivery backlogs.

As a result of the incomplete information, Provincial Treasury was not in a position to fully comment in the feedback letters to municipalities on the credibility of the budget for Free Basic Services. Municipalities were encouraged to consider the basic services component of the Equitable Share allocation when budgeting for Free Basic Services during the 2022/23 Tabled Budget engagements.

- **Operating revenue**

Provincial Treasury is concerned that municipalities have not yet improved in the level of detail included in their Budget Documents. A number of municipalities did not fully complete all the supporting tables in Schedule A1. Only 21 municipalities (43.1 percent) have fully completed Table SA11 and Table SA12 in the 2021/22 Budget cycle. These tables are crucial in determining the credibility of the budget for *Property rates* and *Service charges*.

There are still some municipalities that did not submit their approved schedule of tariffs and/or rates randages. There are 47 municipalities (92.2 percent) that submitted their approved schedule of tariffs and/ or rates randages for the 2022/23 Budget cycles. The Schedule of tariffs and/or rates randages are useful to assess the reasonability of the budget for applicable revenue items against the approved tariffs.

Many municipalities failed to provide a breakdown of *Other revenue* sources in Table SA1. Municipalities were reminded to ensure that Table SA1: *Supporting detail to 'Budgeted Financial Performance'* and the narrative budget document are effectively used to provide a detailed breakdown of *Other revenue* as this information provides an indication of realistically anticipated revenue. Only 29 municipalities (58.9 percent) provided breakdown of *Other revenue* in Table SA1.

- **Operating expenditure**

The percentage of total Remuneration to total *Operating expenditure* exceeded the norm range for a number of municipalities in the 2022/23 Approved Budget. As per MFMA Circular No. 71, the norm range for total Remuneration as a percentage of total *Operating expenditure* is between 25 and 40 percent. MFMA Circular No. 71 indicates that ratios in excess of the norm could indicate inefficiencies, overstaffing or even incorrect focus due to misdirected expenditure to non-essential or non-service delivery related expenditure. Based on the assessments of the 2022/23 Approved Budgets, at least 20 municipalities (39.2 percent) are above the norm.

Municipalities are still understating the budget for non-cash expenditure. At least 27 municipalities (52.9 percent) understated their *Debt impairment* budget. Furthermore, 22 municipalities (43.1 percent) understated their *Depreciation and asset impairment* budget. While these two line items in the Statement of financial performance are non-cash items, they do contribute to the calculation of the *Operating surplus/deficit* of the municipality. Understating the *Operating expenditure* budget also implies that municipalities are not taking all costs into account when determining cost reflective tariffs for their municipalities.



• **Asset management**

Thirty-two municipalities (62.7 percent) fully completed Table SA36 which requires the following information:

- *Description* of the projects;
- *Asset classifications*;
- *GPS co-ordinates*;
- The relevant *wards*;
- Whether the project is a *new or renewal of an asset*; and
- The estimated *rand value*.

Although there is a slight improvement in the compliance by municipalities in fully populating Table SA36 in the 2022/23 Approved Budget this is still a concern to Provincial Treasury as this information assists with effective planning for the Capital.

MFMA Circular No. 55 highlighted the concern about the low levels of expenditure on *Repairs and maintenance* and the *Renewal of existing assets* in most municipalities. Municipal Councils, Mayors and Municipal Managers were therefore urged to ensure that allocations to *Repairs and maintenance* and the *Renewal of existing assets* are prioritised. In this regard, municipalities were requested to allocate at least 8 percent of the prior year *Property, Plant and Equipment (PPE)* value towards *Repairs and maintenance* and at least 40 percent of the Capital budget towards the *Renewal and upgrading of existing assets*. It was however noted with concern that municipalities are still not adequately budgeting for the *Repairs and maintenance* of assets and/or for the *Renewal and upgrading of existing assets*. As per the assessment of the 2022/23 Approved Budgets, only two (2) municipalities (3.9 percent) budgeted for *Repairs and maintenance* of at least 8 percent or more of the prior period *PPE* value while only eight (8) municipalities (15.7 percent) allocated 40 percent or more of the Capital budget towards the *Renewal and upgrading of municipal assets*. Insufficient expenditure towards *Repairs and maintenance* of assets could increase the impairment of assets whilst low expenditure towards the *Renewal and upgrading of existing assets* would result in aged assets and may negatively impact on service delivery.

Funding and sustainability

MFMA Circular No. 55 states that a municipality should budget for a moderate surplus to contribute to the funding of the Capital budget. There are 18 municipalities (35.3 percent) that budgeted for Operating deficits for the 2022/23 budget year.

Fourteen municipalities (27.4 percent) are in a position where all their trading services are sustainable. It is of great concern that the remaining 37 municipalities (72.6 percent) have budgeted to trade at a deficit on some or all of their trading services that will negatively affect the future sustainability of the municipality. The municipalities not having cost reflective tariffs as well as inefficiencies in the provision of these services cause the budgeted trading losses.

Forty-three of the 51 delegated municipalities (84.3 percent) approved funded budgets for the 2022/23 financial year. One of the causes of unfunded budgets is the fact that some municipalities' have trading services that are simply not sustainable given the current tariffs structures of the municipalities. Municipalities must therefore increase revenue and decrease expenditure to the extent necessary to improve their financial performance and approve funded budgets.



Summary of 2022/23 Annual Budget Assessment Process

Table 8 shows a summary of statistics on the 2022/23 municipal budget assessment process for both the Tabled and the Approved Budget.

Table 8: Funding Position of 2022/23 Tabled and Approved Budgets

	No. of Budgets	Name of Non-compliant municipalities
<u>2022/23 Tabled Budgets</u>		
Budgets tabled late (after 31 March 2022)	0	
Budgets received (PDF copies and mSCOA data strings)	32	Refer to Table 3
Budgets Assessed	51	
Budgets Tabled in correct formats	50	Newcastle LM
Funded Budgets	34	
Unfunded Budgets	17	Refer to Table 9
<u>2022/23 Approved Budgets</u>		
Budgets not considered for Approval by 31 May 2022	3	uMuziwabantu LM, Mtubatuba LM and uMkhanyakude DM
Budgets approved in correct formats	51	
Budgets received (PDF copies and mSCOA data strings)	46	Refer to Table 6
High level assessments conducted on Approved Budgets	51	
Funded Budgets	43	
Unfunded Budgets	8	Refer to Table 7

Source: KZN Provincial Treasury

Table 8 shows the funding positions of the 2022/23 Annual Budgets of all delegated municipalities. The table shows that initially there were 34 Tabled Budgets that were funded and 17 were unfunded. However, through further engagements and support to municipalities by Provincial Treasury, the funding position of the Approved Budgets improved. Table 8 shows that 43 of the Approved Budgets were funded and eight (8) were unfunded. This is a positive improvement from the 2021/22 financial year during which there were 35 municipalities with Approved Budgets that were funded while 16 municipalities were unfunded.



The common causes identified which contribute to the unfunded budget positions of the municipalities, included the following amongst other:

- Some municipalities budgeted for *Operating deficits* in their 2022/23 MTREF, which have negative impact on the future cash flow position;
- Municipalities are not applying realistic collection rates based on prior years' actual figures or are not providing sufficient justification in their budget narration report for the estimated receipts, which will result in over-estimated cash to be received.
- Municipalities are not budgeting to pay all budgeted Operating and Capital expenditure including the applicable Value added Tax to be incurred, resulting in understatement of cash payments;
- Some municipalities with Debt repayment plans are not budgeting for cash payments and this results in the understatement of cash payments;
- Some municipalities are budgeting to fund Capital expenditure for *Internally generated fund*, while the municipalities do not have *Cash-backed reserves*;
- Municipalities have high *Creditor* balances that have been carried forward year on a year basis and this contribute negatively to the estimation of reasonable *Other working capital requirements*;
- Municipalities are not budgeting or under budgeting for cash-backing of *Other Provisions, Unspent conditional grants* and *Statutory requirements*; and
- Some municipalities significantly misstate their *Other working capital requirements*, due to understating of their *Trade and other creditors'* balance while overstating their *Other debtors and Long term receivables* and *Consumer debtors'* balances as at the end year;

Table 9 shows the funding position of each delegated municipality's 2022/23 Tabled Budget and 2022/23 Approved Budget as per Provincial Treasury's assessments.



KWAZULU-NATAL PROVINCE

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Table 9: Funding Position of 2022/23 Tabled and Approved Budgets

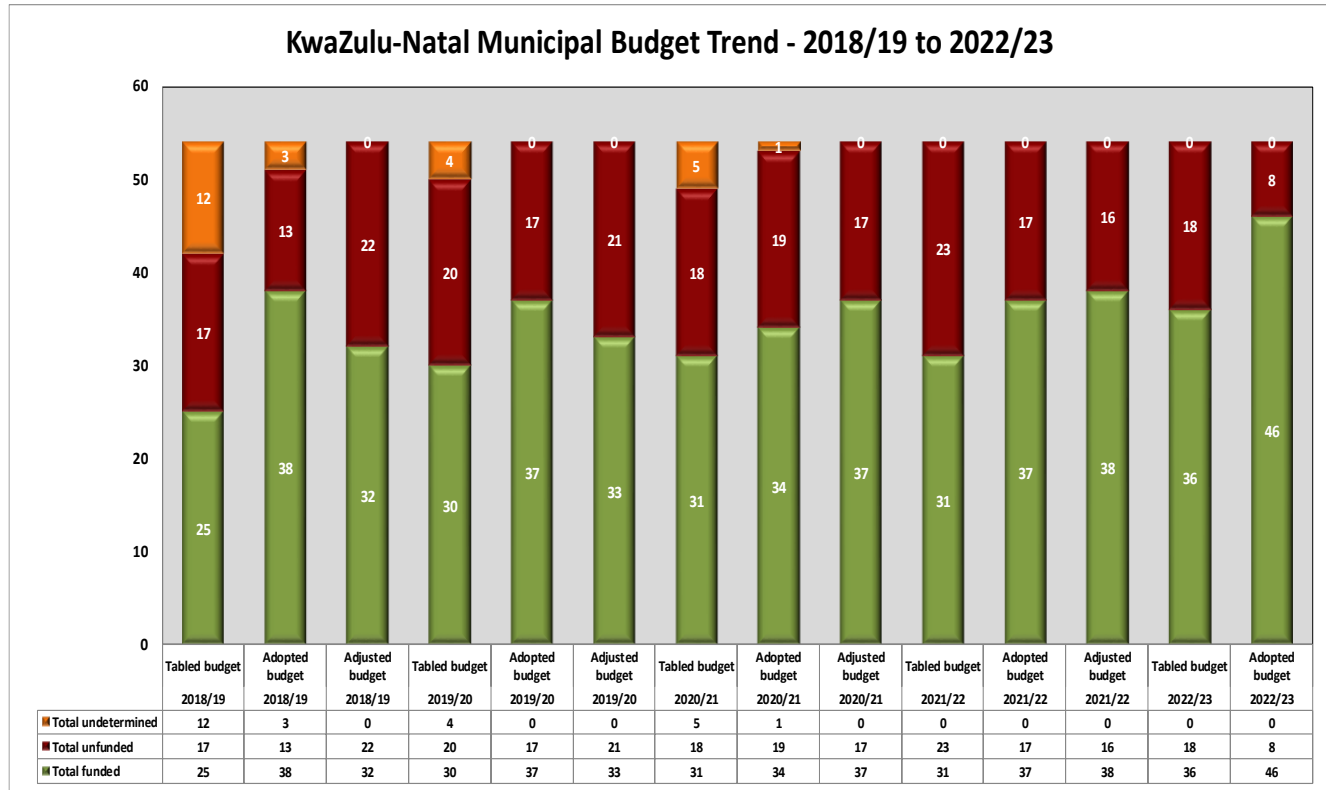
No	Name of Municipality	2022/23 Tabled Budget	2022/23 Approved Budget	Improved / Regressed / No Change
1	uMdoni	Funded	Funded	
2	uMzambe	Unfunded	Funded	Improved
3	uMuziwabantu	Funded	Funded	
4	Ray Nkonyeni	Funded	Funded	
5	Ugu DM	Unfunded	Funded	Improved
6	uMshwathi	Funded	Funded	
7	uMngeni	Funded	Funded	
8	Mpofana	Unfunded	Unfunded	No change
9	iMpendle	Funded	Funded	
10	Mkhambathini	Funded	Funded	
11	Richmond	Funded	Funded	
12	uMgungundlovu DM	Funded	Funded	
13	Okhahlamba	Funded	Funded	
14	iNkosi Langalibalele	Unfunded	Funded	Improved
15	Alfred Duma	Funded	Funded	
16	uThukela DM	Unfunded	Unfunded	No change
17	eNdumeni	Unfunded	Unfunded	No change
18	Nquthu	Funded	Funded	
19	uMsinga	Funded	Funded	
20	uMvoti	Funded	Funded	
21	uMzinyathi DM	Unfunded	Unfunded	No change
22	Newcastle	Unfunded	Unfunded	No change
23	eMadlangeni	Unfunded	Funded	Improved
24	Dannhauser	Funded	Funded	
25	Amajuba DM	Unfunded	Funded	Improved
26	eDumbe	Funded	Funded	
27	uPhongolo	Unfunded	Funded	Improved
28	AbaQulusi	Unfunded	Unfunded	No change
29	Nongoma	Funded	Funded	
30	Ulundi	Unfunded	Unfunded	No change
31	Zululand DM	Funded	Funded	
32	uMhlabuyalingana	Funded	Funded	
33	Jozini	Funded	Funded	
34	Mtubatuba	Unfunded	Funded	Improved
35	Big Five Hlabisa	Funded	Funded	
36	uMkhanyakude DM	Unfunded	Unfunded	No change
37	uMfolozi	Funded	Funded	
38	uMlalazi	Funded	Funded	
39	Mthonjaneni	Funded	Funded	
40	Nkandla	Unfunded	Funded	Improved
41	King Cetshwayo DM	Funded	Funded	
42	Mandeni	Funded	Funded	
43	KwaDukuza	Funded	Funded	
44	Ndwedwe	Funded	Funded	
45	Maphumulo	Funded	Funded	
46	iLembe DM	Funded	Funded	
47	Greater Kokstad	Unfunded	Funded	Improved
48	uBuhlebezwe	Funded	Funded	
49	uMzimkhulu	Funded	Funded	
50	Dr. Nkosazana Dlamini Zuma	Funded	Funded	
51	Harry Gwala DM	Funded	Funded	

Source: KZN Provincial Treasury



Figure 1 shows the trend analysis of the funding position of all KZN municipalities over the last five (5) budget years (2018/19 – 2022/23).

Figure 1: Analysis of the funding position of municipal budgets over 5 budget year from 2018/19 – 2022/23



Note: The table and the graph above includes data for the non-delegated municipalities namely; the eThekweni Metro, the Msunduzi and the uMhlathuze Local Municipalities. The budget assessments for the non-delegated municipalities were performed by National Treasury.

5. 2022/23 BUDGET FUNDING PLANS ASSESSMENT PROCESS

Provincial Treasury’s support to municipalities with unfunded 2022/23 Approved Budgets

As per MFMA Circular No. 93 and the subsequent circulars including MFMA Circular No. 112, all municipalities with unfunded budgets were expected to prepare credible Budget funding plans that show how and by when the municipalities will move from an unfunded budget position to a funded budget position. These plans were expected to be approved by their respective Councils.

In order to inform municipalities whose 2022/23 Approved Budgets were assessed as being **Unfunded** by Provincial Treasury of the process to be followed to address the unfunded budget position through the preparation and/or correction of their Budget funding plans, Provincial Treasury issued Circular PT/MF 04 of 2022/23 dated 30 September 2022 (Process of addressing the 2022/23 unfunded budget through the preparation of credible budget funding plans and through the preparation and submission of monthly progress reports thereon) to municipalities.

The purpose of circular was to:

- To inform municipalities whose 2022/23 Approved Budgets were assessed as being unfunded by Provincial Treasury of the process to be followed to address the unfunded budget position through the preparation and/or correction of their Budget funding plans;



- To provide guidance and support to municipalities in the process of preparing and/or correcting their Budget funding plans to ensure that they are credible;
- To outline the Schedule of key dates to be met by the municipalities in their preparation and/or correction of their Budget funding plans;
- To remind municipalities that previously approved Budget funding plans to submit monthly progress reports on the implementation of the Budget funding plans to Council, and the National and Provincial Treasuries; and
- To share the standard Budget funding plan monthly progress report template developed by Provincial Treasury as well as the submission guidelines thereof with municipalities.

Engagements between Provincial Treasury and municipalities with unfunded 2022/23 Approved Budgets

Provincial Treasury supported the eight (8) municipalities that approved the 2022/23 Unfunded Budgets in a bid to ensure that these municipalities table and approve credible Budget funding plans. The support included bilateral engagements with the municipalities wherein Provincial Treasury provided detailed guidance on the preparation of the Budget funding plans. Table 10 reflects the dates on which the engagements were held with each of the affected municipalities.

Table 10: Engagements between Provincial Treasury and municipalities with unfunded 2022/23 Approved Budgets

No	Name of Municipality	Dates of Engagements	Dates of Engagements
1	Mpofana	24-Oct-22	26-Oct-22
2	uThukela DM	06-Oct-22	07-Oct-22
3	eNdumeni	20-Oct-22	28-Oct-22
4	uMzinyathi DM	05-Oct-22	20-Oct-22
5	Newcastle	19-Oct-22	20-Oct-22
6	AbaQulusi	05-Sep-22	03-Oct-22
7	Ulundi	18-Jul-22	11-Oct-22
8	uMkhanyakude DM	17-May-22	08-Jun-22

Source: KZN Provincial Treasury

The following were some of the items discussed with municipalities at the engagement with a view of providing Technical Support:

- The findings on the 2022/23 Approved Budgets and/ or Budget funding plans that were previously communicated to the municipalities;
- Steps by step process to be undertaken by the municipality in order to ensure that their Budget funding plan is credible; and
- Municipalities were advised to table Budget funding plans to Council indicating how and by when the budgets will improve from an unfunded to a funded position in line with guidelines of MFMA Circular No. 93.

Table 11 reflects the dates of the Council meetings wherein the 2022/23 Budget funding plans were approved.



Table 11: Tabling and adoption of the Budget funding plans

No	Name of Municipality	Date of Council Adoption of Budget Funding Plan
1	Mpofana	2022/10/27
2	uThukela DM	2022/10/20
3	eNdumeni	2022/10/31
4	uMzinyathi DM	2022/10/21
5	Newcastle	2022/10/20
6	AbaQulusi	2022/10/27
7	Ulundi	2022/10/27
8	uMkhanyakude DM	2022/11/21

Source: KZN Provincial Treasury

Outcome of the high level assessment of the Budget funding plans

MFMA Circular No. 93 acknowledged that a funded budget may not be achievable in one financial year and as a result, municipalities that could not have funded budgets in one financial year were required to table a Budget funding plan in Council indicating how and by when the budget will improve from an unfunded to a funded position.

Provincial Treasury assessed the Budget funding plans which were tabled in Council in terms of MFMA Circular No. 93 by municipalities with unfunded 2022/23 Approved Budgets. The outcome of the high level assessment of the Budget funding plans is reflected in Table 12 below.

Table 12: Outcome of the assessment of the Budget funding plans submitted to Provincial Treasury

No	Name of Municipality	Funding Position of 2022/23 Approved Budget	Status of Original Budget Funding Plan	Amended Funding Plan Submitted to PT	Status of Developed or Amended Budget Funding Plan
1	Mpofana	Unfunded	Credible	Yes	Credible
2	uThukela DM	Unfunded	Not credible	Yes	Credible
3	eNdumeni	Unfunded	Not credible	Yes	Credible
4	uMzinyathi DM	Unfunded	Not credible	Yes	Credible
5	Newcastle	Unfunded	Credible	Yes	Not credible
6	AbaQulusi	Unfunded	Not credible	Yes	Credible
7	Ulundi	Unfunded	Not credible	Yes	Credible
8	uMkhanyakude DM	Unfunded	Credible	Yes	Credible

Source: KZN Provincial Treasury

As per Table 12, with the exception of Newcastle Local Municipality, all municipalities were assessed to have credible Budget funding plans by Provincial Treasury.

Monitoring of the implementation of the Budget funding plans

All municipalities with unfunded 2022/23 Approved Budgets and approved Budget funding plans were requested to report on the progress of the plans on a monthly basis to Council and the Provincial and National Treasuries. Provincial Treasury provided a monthly reporting template as an annexure to Provincial Treasury Circular PT/MF 04 of 2022/23 on 30 September 2022 to be used by municipalities.



6. RECOMMENDATIONS

- Municipalities are encouraged to commence with their budget process timeously by tabling their Time schedule outlining key deadlines for the following financial year's IDP and Budget processes by 31 August as per the requirements of the MFMA;
- Municipalities should strive to align their IDP and Budget processes as set out in the Time schedule outlining key deadlines;
- Municipalities should also commence earlier with the population of the budget figures on the system. The early start will allow for sufficient review of the budget extracted from the system by the Chief Financial Officer (CFO) and Budget Steering Committee (BSC) as well as the timeous resolution of any problems that municipalities might experience with the preparation of the budget;
- Municipalities should strive to improve their budget narration relating to explanations, assumptions and projections of their budgets. The Dummy Budget Guide issued by National Treasury must be followed to ensure that the budget documents are comprehensive;
- Municipalities are encouraged to invite Provincial Treasury to attend their Finance Committee or BSC meetings during the budget preparation process;
- Municipalities are encouraged to prepare and maintain a Budget Working Paper file in order to support the budget estimates and assumptions contained in their budgets. A guide on the content of the Budget Working Paper file was included in the Provincial Treasury Circular (PT/MF 10 of 2021/22 dated 09 March 2022), which was issued to all delegated municipalities;
- Municipalities must ensure that their financial systems have the ability to produce all required mSCOA data strings and accurate billing that is consistent with approved tariffs;
- Municipalities that have unfunded 2022/23 Approved Budgets and approved Budget funding plans are required to report on the progress of the implementation of their Budget funding plans to their municipal Councils, National Treasury and Provincial Treasury on a monthly basis; and
- Municipalities must ensure that they consider the guidance provided by MFMA Circular No. 122 (Municipal Budget Circular for the 2023/24 MTREF), dated 09 December 2022, when preparing their 2023/24 MTREF budget.

Yours sincerely

Ms. N. Shezi

Acting Head of Department: KZN Provincial Treasury

**CC Mayors
 Chief Finance Officers
 Administrators**