



## KWAZULU-NATAL PROVINCE

TREASURY  
REPUBLIC OF SOUTH AFRICA

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

#### PROVINCIAL TREASURY CIRCULAR PT/MF 08 OF 2022/23

#### PREPARATION, SUBMISSION AND PUBLICATION OF THE 2023/24 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 2023/24 MTREF Budget and to guide and support municipal officials in their responsibility to prepare reliable, credible and funded budgets to be approved by Council;
- Inform municipalities about Provincial Treasury's intention to undertake an assessment of their 2023/24 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);
- Remind municipalities of the requirements of Section 23(1)(b) of the MFMA for Council to consider views of Provincial Treasury on the 2023/24 MTREF Budget and that Provincial Treasury intends to engage all delegated municipalities on Provincial Treasury's findings during the assessment of the 2023/24 MTREF Budgets;
- Inform municipalities of the availability of officials from Provincial Treasury to provide technical support on the preparation of the budget and attend Budget Steering Committee (BSC) meetings prior to the tabling of the Tabled (Draft) Budget and Approved (Final) Budget to Council;
- 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**;
- 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;
- Circulate the basic content and information which the 2023/24 MTREF Budgets are expected to include as per the requirements of the MBRR, refer to **Annexure C**;
- Inform municipalities of the tabling and approval requirements for the 2023/24 MTREF Budget as well as the timelines for the tabling and approval of the 2023/24 MTREF Budget, non-compliance



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with legislated budget approval timelines and the consequences of not approving an Annual Budget by the start of the financial year i.e. 30 June 2023;

- Alert municipalities of the 2023 Division of Revenue Bill (DoRB) reflecting the allocations from National Government for consideration and incorporation into the municipalities' budgets for the 2023/24 MTREF; and
- Remind municipalities of the areas of weakness and common errors noted by Provincial and Treasury in previous budget assessments, with the intention for municipalities to address these weaknesses and errors (where applicable) in their 2023/24 MTREF Budgets.

This circular complements MFMA Circular No. 122 dated 09 December 2022 on the 2023/24 MTREF Budgets issued by National Treasury. In the process of compiling their budgets, it is important that municipalities consider the State of the Nation Address, the National Budget Speech and other National Directives as well as the Provincial Directives such as the State of the Province Address by the Premier and the Provincial Budget speech by the MEC for Finance.

The following areas are covered in this circular:

- A. Preparation of the 2023/24 MTREF Budgets;
- B. Format Requirements for the 2023/24 MTREF Budgets;
- C. Budget Steering Committee (BSC);
- D. Service Delivery and Budget Implementation Plans (SDBIPs);
- E. National and Provincial Transfers to municipalities;
- F. Publication of the 2023/24 MTREF Budgets;
- G. Municipalities unable to comply with Sections 16(2) and 24(1) of the MFMA;
- H. Balance Sheet and Cash Flow Budgeting;
- I. Reconciliation of Valuation roll data to the billing system;
- J. Setting cost reflective tariffs;
- K. Fixed asset register;
- L. Funding Position of the 2023/24 MTREF Budgets;
- M. Budget funding plans;
- N. Criteria for the release of the Equitable Share allocation;
- O. Common findings in prior years for consideration in the 2023/24 MTREF Budget Process;
- P. Technical Assistance on the 2023/24 MTREF Budgets;
- Q. Engagement with municipalities on the 2023/24 MTREF Tabled Budgets; and
- R. Municipal Budget submission process.



## **A. Preparation of the 2023/24 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 2023/24 MTREF Budgets.

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

All municipalities **must** prepare their 2023/24 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 and re-iterated in the current MFMA Circular No. 122. The financial system must enable municipalities to:

- Budget, transact and report on all six (6) regulated mSCOA segments on the core financial system and submit the data strings directly from the system to the GoMuni Upload Portal;
- Lock down the budget adopted by Council on the core municipal financial system before submitting the budget data strings to the GoMuni Upload Portal;
- Close the core financial system at month-end before submitting the monthly data strings to the GoMuni Upload Portal as required in terms of Section 71 of the MFMA; and
- Generate regulated Schedules (A, B and C) directly from their core financial systems.

Provincial Treasury has noted with concern over the prior years that many municipalities are still not fully and accurately implementing the mSCOA Regulations. Errors noted during the analysis of data strings include the incorrect use of the mSCOA segments at the budgeting and transacting levels. The impact of these transgressions include inaccurate and incomplete information being produced from the municipalities' financial systems and misrepresenting information being reported to National Treasury and other stakeholders. The inaccurate and incomplete reporting inadvertently affects the ability of management and other stakeholders to take effective and efficient decisions.

As per MFMA Circular No. 112 and No. 122, if a municipality has not achieved the required level of implementation with regards to the mSCOA Regulations, the municipality must provide a detailed action plan (mSCOA road map) to the National and Provincial Treasuries 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:

- System landscape – Access to updated Information and Communications Technology (ICT) hardware, software and licences that are sufficient to run the municipality's mSCOA compliant financial management systems;
- Governance and institutional arrangements – A functional mSCOA steering committee or equivalent structure representing all business units within the municipality to monitor and report on mSCOA related issues, including whether the municipality appointed a suitably qualified system administrator and if the required Information Technology (IT) securities are in place;
- System functionality – The minimum system functionality and business process as per MFMA Circular No. 80 and Annexure B of MFMA Circular No. 80, including the optimal use of the core financial system and its modules as well as the seamless integration of third party subsystems with the core financial system; and
- Proficiency of municipal officials to use the financial system – Capacitating all municipal officials sufficiently on all system modules and functionalities to be familiar with the mSCOA chart and correctly implement balance sheet budgeting while effecting change management to ensure that mSCOA is institutionalised as an organisational reform and is not just a financial reform.



MFMA Circular No. 122 re-enforced the importance of the mSCOA road map and requires that the mSCOA road map be reviewed and updated annually as part of the budget process and submitted to Council for approval together with the 2023/24 MTREF Budget. Municipalities will be required to upload their updated mSCOA road maps in a PDF file on the GoMuni Upload Portal as part of their 2023/24 MTREF Tabled Budget and Adopted Budget submissions and thereafter on a quarterly basis as part of their in-year reporting. Municipalities must ensure that they budget sufficiently to **become and remain mSCOA compliant**.

### **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 also review.

The municipality should prepare to discuss these requirements during the technical assistance and engagements as per Sections P and Q 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 engagement and evaluation process.

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

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 2023/24 Tabled and Approved Budgets.

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

### **B. Format Requirements for the 2023/24 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 [the MFMA]*.



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.*

Provincial Treasury has found during our oversight processes that some municipalities still produce Annual Budgets using incorrect formats or with incomplete tables which could be an indication that budgets are being prepared outside of the financial system. The incomplete budgets limit the extent of the Provincial Treasury's assessment of the municipal budgets with regards to compliance with legislation and the quality of information contained in the municipal budgets.

### **The latest Schedule A1 version**

As per MFMA Circular No. 122, all municipalities must prepare their 2023/24 MTREF Tabled and Adopted budgets using the **Schedule A1 Version 6.7 aligned to the mSCOA Project Summary Document 6.7**. **ALL** municipalities **MUST** prepare their 2023/24 MTREF Budgets in their financial systems and extract their Schedule A1 directly from their financial systems. Municipalities must start early enough to capture their Tabled Budget and later the Approved Budget **in their budget module and must ensure that they produce their Schedule A1 directly from the budget module in a PDF file. Manual capturing of the Schedule A1 Version 6.7 is not allowed in terms of the mSCOA Regulations. The Excel version of the Schedule A1 released with MFMA Circular No. 122 has been protected and cannot be completed manually. The Excel version is a specimen of the full set of tables and information required for Version 6.7 for illustrative purposes only.**

The revised MBRR Schedules for the 2023/24 MTREF (Schedule A1 Version 6.7) contains links for non-financial supporting Tables (A10, SA9, SA11, SA12, SA13, SA22, SA23, SA24 etc. and any other information not contained in the financial data string) to be captured and produced as a data string directly from the municipality's financial system, thereby further eliminating the need for any manual intervention.

These non-financial data strings are known as Schedule A1 Draft (A1D) and Schedule A1 Final (A1F) and must be submitted together with the Tabled Budget data string (TABB) and Approved Budget data string (ORGB) respectively to the GoMuni Upload Portal.

**National Treasury has released Version 6.7 of the mSCOA Chart with linkages to the financial and non-financial data strings to be used for the compilation of the 2023/24 MTREF Budget.**

The chart can be accessed using the following link:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx>

Therefore, all municipalities are required to ensure that their 2023/24 MTREF Budgets are tabled in Council on or before 31 March 2023 which must include all the information as set out in Schedule A1 Version 6.7 of the MBRR and submitted to the National and Provincial Treasuries.

### **The importance of accurate and credible budget data strings (TABB and ORGB)**

Municipalities should **firstly** prepare budgets that are credible and that contain accurate and complete information. According to the Financial and Fiscal Commission (FFC, 2011), a credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery. MFMA Circular No 122 highlights that credible budgets are critical for Local Government to fulfill its mandate and ensure financial sustainability. **Secondly**, the municipality must ensure that the credible budget is accurately translated into credible data strings that are submitted to the GoMuni Upload Portal for reporting and analysis purposes.



The credibility of the data strings is vital as the National and Provincial Treasuries use the mSCOA data strings uploaded to the GoMuni Upload Portal as the **only source** for publishing financial information of the municipalities which includes the Annual Budget, Adjustments Budget and performance related information. Furthermore, the data strings are solely used by the National and Provincial Treasuries to determine the funding position of municipalities. Thus, inaccurate data strings could negatively affect the funding position of municipalities. MFMA Circular No. 107 indicates that the mSCOA data strings will also be used as a source of data to monitor the municipal performance against grants allocations as well as to influence the decisions on the stopping and re-allocating of conditional grants.

It is clarified in MFMA Circular No. 122 that the municipalities' Tabled Budget data strings (TABB) and Approved Budget data strings (ORGB) will be assessed by the National and Provincial Treasuries to determine compliance with the mSCOA requirements, as well as the completeness and funding of the budget. It is therefore extremely important that municipalities always upload accurate data timeously to the GoMuni Upload Portal.

MFMA Circular No. 122 highlights that despite the improvements that have been made in some areas, the credibility of mSCOA data strings remains a concern. Some of the contributing factors to the problem includes the incorrect use of the mSCOA chart and segments and balance sheet budgeting and movement accounting, while some municipalities are still not budgeting, transacting and reporting in/from their core financial systems.

**Failure to ensure that the Tabled Budget and Approved 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 complete budget documents aligned to the requirements of the MBRR and the mSCOA Regulations as per the requirement of MFMA Circulars No. 98 and No. 107.**

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

Regulation 4(1) of the MBRR states that *the Mayor of a municipality must establish a Budget steering committee to provide technical assistance to the Mayor in discharging the responsibilities set out in Section 53 of the Act* [the MFMA].

Provincial Treasury would like to attend the BSC meetings of municipalities as part of the 2023/24 MTREF process in an advisory capacity. All municipalities are requested to invite Provincial Treasury to their BSC meetings. Provincial Treasury will confirm attendance to the BSC meetings based on work commitments at hand where invitations are received. In this regard, please forward the invitations to your BSC meetings to your designated Provincial Treasury Municipal Budget Analyst.

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

#### **Legislative Requirements**

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

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



Furthermore, Regulation 15(3)(b) of the MBRR states that when submitting the Annual Budget to the Provincial and National Treasuries in terms of Section 22(b)(i) of the MFMA, the Municipal Manager must also submit a draft SDBIP 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

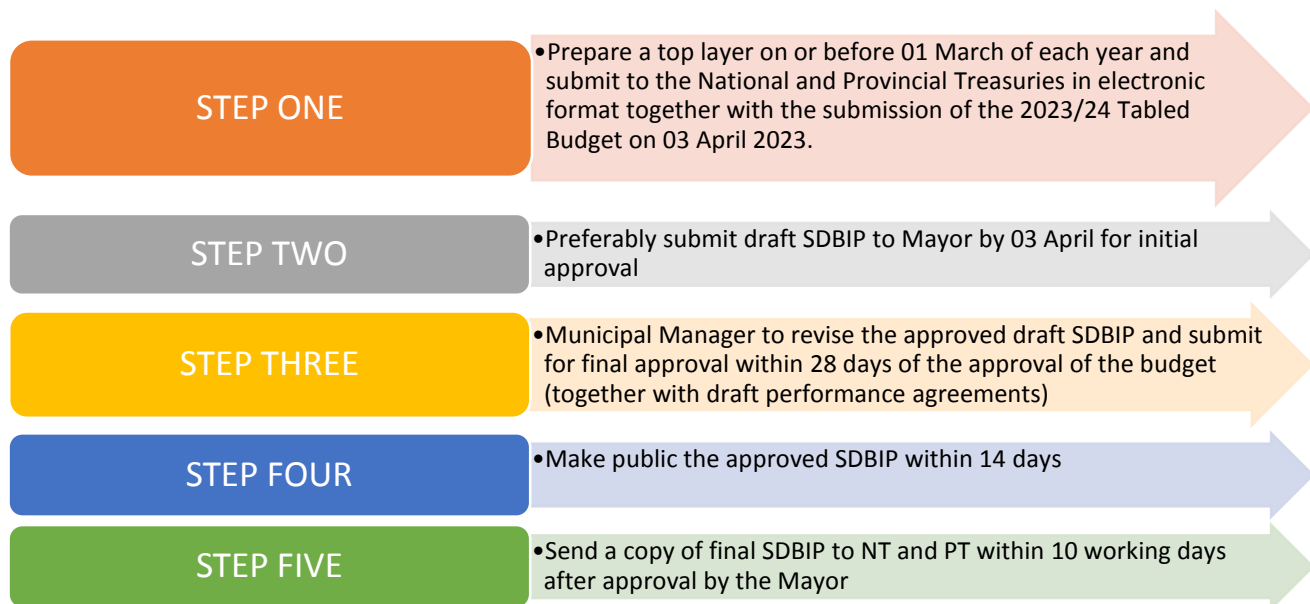
The Municipal Manager should start the process to prepare the top layer of the SDBIP in conjunction with the preparation of the Tabled Budget and preferably submit the draft SDBIP to the Mayor for initial approval with the Tabled Budget. It should include the following:

- 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 the National and Provincial Treasuries. 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

Municipalities are required to 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.



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

Municipalities are reminded of their responsibility to ensure that the grant allocations in their budgets for the Provincial and National Transfers correspond to the grant allocations as reflected in the Provincial Gazette of Transfers and the 2023 DoRB, respectively. The 2023 DoRB is attached to this Circular as **Annexure D**.

The official Provincial Gazette of Transfers will be forwarded to all 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 [the MFMA] in the municipal Council to appropriate these additional revenues.*

Any enquiries pertaining to the Provincial Transfers should be directed to the relevant transferring Provincial Department.

## **F. Publication of the 2023/24 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 2023/24 Tabled and Approved Budgets as well as all related documents on their websites timeously according to the legislated timeframes. According to Section 75 of the MFMA, municipalities should place the annual and all budget related documents on their municipal websites within five days after tabling in the Council. This will not only promote transparency, accountability and good governance but will also facilitate the process of public consultation.

## **G. Municipalities unable to comply with Sections 16(2) and 24(1) of the MFMA**

The municipalities' attention is drawn to the legislative requirements in terms of Sections 16(2) and 24(1) of the MFMA with regards to the tabling and approval of the 2023/24 Annual Budget.

Section 16(2) of the MFMA states that in order for a municipality to approve its Annual Budget before the start of the financial year, *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.*

Section 24(1) of the MFMA states that *the municipal Council must at least 30 days before the start of the budget year consider approval of the Annual Budget.*

Section 27(1) of the MFMA states that *the Mayor of a municipality must, upon becoming aware of any impending non-compliance by the municipality of any provisions of this Act [the MFMA] or any other legislation pertaining to the tabling or approval of an Annual Budget or compulsory consultation processes, inform the MEC for Finance in the province, in writing, of such impending non-compliance.*

Furthermore, Section 27(2) of the MFMA states that *if the impending non-compliance pertains to a time provision, except Section 16(1) [of the MFMA], the MEC for Finance may, on application by the Mayor*





*and on good cause shown, extend any time limit or deadline contained in that provision, provided that no such extension may compromise compliance with Section 16(1) [of the MFMA]. Regulation 60(1) of the MBRR requires that an application for the extension of time limits made in terms of Section 27(2) of the MFMA be in the format contained in Schedule G of the MBRR.*

*Section 27(3) of the MFMA states that the Mayor of a municipality must, upon becoming aware of any actual non-compliance by the municipality of a provision of this Chapter [Chapter 4 of the MFMA], inform the Council, the MEC for Finance and the National Treasury, in writing, of (a) such non-compliance; and (b) any remedial or corrective measures the municipality intends to implement to avoid a recurrence.*

*Regulation 63(1) of the MBRR states that a notification made in terms of Section 27(3) of the Act [the MFMA] by the Mayor of a municipality to the MEC for Finance in a province and the National Treasury, in respect of a time provision concerning an Annual or Adjustments Budget must, amongst others be in the format contained in Schedule G, contain information on the specific date by which the municipality will remedy its non-compliance, the reason why the municipality did not comply with the relevant time provision, the reason why an application in terms of Section 27(2) of the Act [the MFMA] was not submitted before the non-compliance occurred and the steps the municipality will take to ensure compliance with the relevant time provision in future.*

### **Tabling of the 2023/24 MTREF budget by 31 March 2023**

As per Section 16(2) of the MFMA, the 2023/24 Annual Budget must be tabled in Council by 31 March 2023. Thus, if the Mayor of the municipality becomes aware of any impending non-compliance with regards to the tabling of the Annual Budget by 31 March 2023, an application for the extension of time limits in terms of Section 27(2) of the MFMA in the format contained in Schedule G of the MBRR (**Annexure E**) must be made by the Mayor of the municipality to the MEC for Finance before 31 March 2023. Similarly, if the Mayor of the municipality becomes aware of any actual non-compliance with regards to the tabling of the Annual Budget after 31 March 2023, a notification of the actual non-compliance in terms of Section 27(3) of the MFMA in the format contained in Schedule G of the MBRR must be made by the Mayor of the municipality to the MEC for Finance.

### **Consideration of the 2023/24 Annual Budget for approval by 31 May 2023**

As per Section 24(1) of the MFMA, the municipal Council must consider the approval of the 2023/24 Annual Budget by 31 May 2023. Thus, if the Mayor of the municipality becomes aware of any impending non-compliance with regards to the consideration of the 2023/24 Annual Budget for approval by 31 May 2023, an application for the extension of time limits in terms of Section 27(2) of the MFMA in the format contained in Schedule G of the MBRR must be made by the Mayor of the municipality to the MEC for Finance before 31 May 2023. Similarly, if the Mayor of the municipality becomes aware of any actual non-compliance with regards to the consideration of the approval of the 2023/24 Annual Budget after 31 May 2023, a notification of the actual non-compliance in terms of Section 27(3) of the MFMA in the format contained in Schedule G of the MBRR must be made by the Mayor of the municipality to the MEC for Finance.

### **Failure to approve the budget before start of budget year**

The municipalities' attention is drawn to the legislative requirements in terms of Sections 24(1) and 25 of the MFMA with regards to the approval of the 2023/24 Annual Budget.



According to Section 25 of the MFMA:

*(1) 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 failed to approve the budget.*

*(2) The process provided for in subsection (1) [of Section 25 of the MFMA] must be repeated until a budget, including revenue-raising measures necessary to give effect to the budget, is approved.*

If a municipality does not approve an Annual Budget by 31 May as required by Section 24(1) of the MFMA, then the process of reconsidering a budget within seven days from the date that Council failed to approve the budget as described in Section 25 of the MFMA must be applied. If a municipality still does not approve their Annual Budget by 30 June, then the consequences as set out in Section 26 of the MFMA applies.

### **Consequences of failure to approve the budget before start of budget year**

The municipalities' attention is drawn to the consequences of failing to approve the 2022/24 Annual Budget before the start of the budget year in terms of Sections 26 of the MFMA.

According to Section 26 of the MFMA:

*(1) If by the start of the budget year a municipal Council has not approved an Annual Budget or any revenue-raising measures necessary to give effect to the budget, the Provincial Executive of the relevant province must intervene in the municipality in terms of Section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or those revenue-raising measures are approved*

*(4) Until a budget for the municipality is approved in terms of subsection (1) [of Section 26 of the MFMA], funds for the requirements of the municipality may, with the approval of the MEC for Finance in the province, be withdrawn from the municipality's bank accounts in accordance with Subsection (5) [of Section 26 of the MFMA].*

*(5) Funds withdrawn from a municipality's bank accounts in terms of subsection (4) [of Section 26 of the MFMA]—*

*(a) may be used only to defray current and capital expenditure in connection with votes for which funds were appropriated in the Approved Budget for the previous financial year; and*

*(b) may not—*

*(i) during any month, exceed eight per cent of the total amount appropriated in that Approved Budget for current expenditure, which percentage must be scaled down proportionately if revenue flows are not at least at the same level as the previous financial year; and*

*(ii) exceed the amount actually available.*

The municipal Council will be expected to follow the directive of the Provincial Executive Council in terms of an intervention as per Section 139(4) of the Constitution to approve a budget and any revenue raising measures necessary to give effect to the budget within a reasonable period.

**As per guidance provided in MFMA Circular No. 112, if a municipal Council fails to approve a budget due to walk out or individual misconduct by a majority of councillors, the Speaker must immediately investigate the conduct of those identified councillors in terms of the Code of Conduct for councillors as provided for in the Municipal Systems Act, 2000.**



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

Municipalities are required to prepare their budgets in line with the GRAP reporting framework applicable to Local Government, this implies accrual accounting principles must be considered. Guidance on Balance Sheet and Cash Flow Budgeting is provided in MFMA Circulars No. 98 and 99 together with mSCOA Circulars No. 11 as indicated below.

It is critical that municipalities undertake Balance Sheet budgeting with movement accounting (i.e. Globally Unique Identifiers (GUIDs) are appropriately used) in order for the cash flow information to correctly populate the Schedule A1 when generated from the financial system as guided in mSCOA Circular No. 11. With regards to the fund segment, the general rule is that all transactions must be funded with the exception of opening balances. Municipalities must apply the budgeted assumed collection rate to determine the cash flow budgets.

Balance sheet budgeting requires municipalities to forecast and budget not only for the billing of revenue but also budget for the bad debt and receipt of that revenue. Furthermore, budgeting using the mSCOA chart requires that BOTH the debit and credit legs of each of the transactions be captured at the budgeting stage for all segments of the mSCOA chart. mSCOA Circular No. 11 provides guidance and examples on the use of the Fund Segment. Municipalities are also reminded to follow the guidance of mSCOA Circular No. 11 to ensure correct population of Table A7 and consider the following:

- Creation and use of movement GUIDS are critical in the correct population of Schedules A as well as supporting schedules;
- Preparation of the budget on an accrual basis including Value Added Tax (VAT) in line with Generally Accepted Accounting Principles (GRAP);
- Ensuring that opening balances as well as the transfer of Surplus/Deficit (Financial Performance) to the Accumulated Surplus/Deficit (Financial Position) are correctly reflecting on their data strings and are in balance (i.e. the debits and credits); and
- Ensuring the correct use of all segments as per guidance issued by National Treasury in the updated Project Summary Document and mSCOA Circulars released from time to time.

Municipalities are also reminded to follow the requirements included in mSCOA Circular No. 12 which provides guidance to municipalities on how to budget, transact and report for VAT using the mSCOA chart.

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

MFMA Circular No. 93, supported by later circulars, indicates 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 the Property rates source is accurate, realistic and complete.

As part of the requirement of the circular indicated above as well as MFMA Circular No. 122, the 44 municipalities that bill revenue from Property rates in the province are requested to submit the reconciliations of their Valuation roll data to their billing systems for the 2023/24 financial year to the National and Provincial Treasuries as follows:

### National Treasury (NT)

Electronic copies of the required information above must be uploaded by approved registered users using the GoMuni Upload Portal at <https://guploadportal.treasury.gov.za/>. If the municipality experiences any challenges uploading the information, then a request for an alternative arrangement can be e-mailed to [linda.kruger@treasury.gov.za](mailto:linda.kruger@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 must be copied accordingly.

### **J. Setting cost reflective tariffs**

The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service.

The National Treasury issued a tariff setting tool and guide as part of MFMA Budget Circular No. 98 on 06 December 2019 and since 2019, encouraged municipalities to utilise the tool. **With effect from the 2023/24 MTREF, all municipalities (except metropolitan cities and district municipalities that do not provide any services), as part of both the tabled and adopted MTREF submissions, must submit the completed National Treasury tariff tool (in excel format)** illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective. If the municipality's initial calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over three to five years. The municipality's strategy in this regard should be included as part of the budget narratives.

### **K. Fixed asset register**

Municipal financials systems must comply with the minimum business processes and system requirements on Fixed asset registers as articulated for the asset management module in MFMA Circular No. 80. The asset management module should be embedded in the core financial system or seamlessly integrate from a third-party sub-system to the core financial system. This will enable the regular and seamless updating of the Fixed asset register. The register must contain the following information as a minimum requirement:

- Description of the asset;
- Date of acquisition or brought into use;
- Purchase cost;
- Location of the asset;
- Function responsible for the asset;
- Current value;
- Depreciation and method utilised;
- Remaining life of the asset;
- Maintenance information; and
- Insurance Coverage.

As per MFMA Circular No. 122, municipalities will be required to upload their updated Fixed asset register in a PDF file to the GoMuni Upload Portal as part of their 2023/24 MTREF Tabled Budget and Adopted Budget submissions and thereafter on a quarterly basis as part of their in-year reporting.



## L. Funding Position of the 2023/24 MTREF Budgets

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

In terms of Regulation 10(6) of the MBRR, to determine whether an Annual Budget is funded in accordance with Section 18 of the MFMA, a simultaneous analysis is required of the financial performance, financial position, cash flow, and capital expenditure budget together with any requirements for working capital and cash investments held for statutory or contractual purposes.

According to the municipal budgeting format (Schedule A of the MBRR), Table A8: Consolidated cash backed reserves/accumulated surplus reconciliation, the budget will be unfunded where the projected Cash and investments available at the end of the budget year reflects a Shortfall after considering the "cash backing" of:

- Unspent conditional transfers;
- Unspent borrowing;
- Statutory requirements;
- Other working capital requirements;
- Other provisions;
- Long term investments committed; and
- Reserves to be backed by cash/investments.

Municipalities with unfunded budgets are required to develop credible Budget funding plans which show **how and by when** the MTREF Budgets of the municipalities would be funded if funded budgets are not achievable in one financial year as required by MFMA Circular No. 93 and subsequent MFMA Budget Circulars issued by National Treasury. Refer to Section M which provides further details on the Budget funding plan.

Only 46 out of 54 municipalities in KZN are in compliance with Section 18 of the MFMA and have approved funded Original Budgets for the 2022/23 financial year. The remaining eight (8) municipalities have all approved unfunded budgets despite the ongoing support provided by both the National and Provincial Treasuries.

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 in municipalities. Unfunded budget suggests that the municipalities' 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 or even already prevalent financial distress at the municipality.

**Provincial Treasury therefore does NOT support an unfunded budget. Likewise, as in the 2022/23 Budget assessment process, all the 2023/24 Tabled Budgets assessed to be unfunded by Provincial Treasury will be referred back to the respective municipalities for revision in a bid to ensure that the municipalities submit a funded budget as per the guidance of MFMA Circulars No. 98, No 99, 107 and 122. Municipalities that find it difficult to table a funded and sustainable budget should contact their designated Provincial Treasury Budget Analyst for assistance.**

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.

National Treasury has developed a Budget Funding Assessment tool which is used throughout the country to determine whether or not a municipality's budget is funded in compliance with the funding requirements of Section 18 of the MFMA. Provincial Treasury's uses this Budget Funding Assessment tool which 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 budget data strings.

It is therefore imperative that the budget data strings uploaded by municipalities to the GoMuni Upload Portal 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.

In preparing their 2023/24 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 approved Budget funding plans. The 2023/24 Tabled Budgets must demonstrate positive progress towards achieving a funded budget position in the targeted financial year according to the approved 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 requires municipalities to submit other documents such as Bank reconciliation, Bank statements, Investment registers, Grants registers and Trial balances to support their budget assumptions in line with MFMA Circular No. 67. Municipalities with long term debts (such as Eskom, Water Boards etc.), are required to submit copies of payment agreements entered into between the municipalities and these Creditors. MFMA Circular No. 122 highlights the revised concessions that are being made by Eskom and reminds municipalities to budget for and meet the payments due to the bulk suppliers to avoid incurring fruitless and wasteful interest and penalties charges.

**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 prior years, it must be noted that the municipalities which approved unfunded budgets run a risk of their tranches of the Local Government Equitable share being withheld until their budgets are revised to achieve a funded position.** Refer to Section N which covers the criteria for the release of the Equitable Share allocation for further details.

National Treasury reminds Accounting Officers in MFMA Circular No. 122 of their responsibility in terms of Section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the Accounting Officer committing an act of financial misconduct which will trigger the application of Chapter 15 of the MFMA, read together with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

## **M. Budget funding plans**

As per MFMA Circular No. 93 and subsequent MFMA Budget Circulars issued by National Treasury, municipalities with unfunded budgets were required to develop credible Budget funding plans which show **how and by when** the MTREF Budgets of the municipalities would be funded if funded budgets were not achievable in one financial year. Municipalities are also required by MFMA Circular No. 122 to table these plans together with their 2023/24 Annual Budgets for approval by Council.



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Provincial Treasury issued Circular PT/MF 04 of 2022/23 dated 30 September 2022 providing guidance on the preparation of Budget funding plans. The contents of the Budget funding plans must be structured in accordance with the following pillars:

- Positive cash flows with a focus on revenue from trading services;
- Implementation of cost containment measures and a reduction of expenditure;
- Realistic debtors' collection rates with incremental improvements year on year;
- Creditors payment rates that ensure that all fixed obligations, including obligations for bulk purchases, are met; and
- Ring fencing of conditional grants and ensuring that conditional grant funding is cash backed.

Municipalities must further consider the following aspects in the preparation of credible and reliable Budget funding plans:

- The inclusion of high-level governance and service delivery indicators focused on visible wins;
- The inclusion of appropriate strategic financial indicators;
- Focus on improving the budgeted cash position and short term liquidity;
- Measurable indicators;
- Realistic anticipated revenue. The collection rate must be prudent considering current economic trends;
- Reduction of the Operating expenditure budget (Table A4) in line with the realistic anticipated receipts related to the Operating revenue budget;
- A gradual improvement of Operating surpluses that will be used for the repayment of arrear obligations;
- Adjustment of internal contributions to the capital programme in line with affordability or removal of internal contributions to the capital programme from the budget if necessary;
- A cash flow which presents a positive Cash and cash equivalents at year-end balance on Table A7 for the current year – including fixed cost obligations (Bulk suppliers – current account / Eskom and Water Board Payment Plans); and
- The audited 2021/22 Annual Financial Statements (AFS) figures as the baseline for the Budget funding plans.

Council must monitor the Budget funding plan on a monthly basis to ensure that the objectives of the plan are achieved. Monthly reports on the implementation of the Budget funding plan must be sent to Provincial Treasury as part of the monthly Section 71 reporting required by the MFMA.

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



## **N. Criteria for the release of the Equitable Share allocation**

Section 216(2) of the Constitution of South Africa requires that National Treasury enforce compliance with the measures established to ensure both transparency and expenditure control in each sphere of government and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of those measures. In that regard, National Treasury has listed in MFMA Circular No. 122, various criteria for the release of the Equitable Share instalments during the 2023/24 financial year. Municipalities are urged to consider the full list of criteria contained in MFMA Circular No. 122 to ensure that they comply with the criteria and to prevent any withholding of, or delay in the receipt of their Equitable Share during the 2023/24 financial year. Municipalities are required to utilise the listed criteria to develop a comprehensive checklist for the requirements for the release of Equitable Share and monitor the compliance thereof on an ongoing basis. Over the past few years, National Treasury has withheld the transfer of Equitable Share for non-compliance of their listed criteria. For example, the December 2022 tranche of the Equitable Share transfer was only released in January 2023 for certain municipalities in province in the 2022/23 financial year whilst the December 2021 tranche of the Equitable Share transfer was only released in March 2022 for another municipality in the 2021/22 financial year.

## **O. Common findings in prior years for consideration in the 2023/24 MTREF Municipal Budget Process**

The following are areas of weaknesses and common mistakes identified by Provincial Treasury in the prior years' assessment of the delegated municipalities' Annual Budget and should be considered and addressed (where applicable) when preparing the 2023/24 MTREF Budgets. The areas below are not exhaustive and municipalities are also urged to consult previous feedback from Provincial Treasury relating to their Annual (Original) and Adjustments Budgets as well as their Mid-year Budget Performance Assessment processes.

- Compliance checks performed on prior year budgets reflected that many municipalities did not provide all budget information and did not submit all the required budget supporting documents such as Budget related policies, Draft SDBIP, Draft Integrated Development Plan (IDP) and Budget assumptions, etc.
- The Budget narrative reports for a number of municipalities were not comprehensive and in some instances, contradicted the information provided in the 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.
- The data strings uploaded for the "Current year" Tabled Budgets to the Schedule A1 tabled in Council revealed a significant number of differences for all 51 delegated municipalities. This is a key indicator that municipalities may not be producing their Schedule A1 directly from their financial systems as per the requirement of the mSCOA reforms including guidance in the MFMA Circulars such as No. 94, No. 98, No. 107 and No. 115.
- Some municipalities did not timeously upload all the mSCOA data strings to GoMuni 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 the 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 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 completion 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 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 electricity tariffs according to National Energy Regulator of South Africa (NERSA) guidelines.



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- 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.



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- Overstatement of Consumer Debtors (reduces working capital requirement on Table A8).
- Understatement of *Depreciation & Asset Impairment* and *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 2022/23 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. Technical assistance on the 2023/24 MTREF Budgets

Provincial Treasury officials are available to provide technical assistance to municipalities upon request. Guidance will be provided on budgeting during the budget preparation process to municipalities before the municipalities finalise the Schedule A1 on the financial system to be tabled or approved by Council. The technical assistance provided will be tailored to the specific information needs of the municipality with regards to the implementation of the requirements of the MFMA Circulars and Provincial Treasury Circulars as well as the requirements of the relevant legislation and regulations. In this regard, please contact your designated Provincial Treasury Municipal Budget Analyst.

### Q. Engagement with municipalities on the 2023/24 MTREF Tabled Budgets

Provincial Treasury requested municipalities in Provincial Treasury Circular PT/MF 02 of 2022/23 to make provision for engagements with Provincial Treasury on their annual MTREF Tabled Budgets in the municipalities' *Time Schedules Outlining Key Deadlines*. The engagements are planned to be held with all delegated municipalities during April to May 2023 where Provincial Treasury intends to constructively engage with the municipality's senior management on the critical matters to be raised on their 2023/24 MTREF Tabled Budgets in an attempt to produce more reliable and credible budgets that are funded before the budgets are approved by Council. These engagements 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 Tabled Budgets of the municipalities. Furthermore, these engagements will also focus on the funding position of municipalities which is one of the determinates for the release of the Equitable share tranche by National Treasury. The engagements also provide an opportunity for the municipalities' responses to be incorporated in the final correspondence on the 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 2023/24 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 requests a copy of the Council resolution or extract reflecting the tabling of Provincial Treasury's final assessment of the 2023/24 MTREF Tabled Budget to be included among the Approved Budget documents to be submitted to both the National and Provincial Treasuries.**



## **R. Municipal Budget submission process**

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 Treasury and the relevant Provincial Treasury (electronic format of the PDF file which should include the Schedule A1 Budget and the budget narrative report). If the Annual Budget is tabled to Council on **31 March 2023**, the final date for the submission of **the electronic budget documents and corresponding mSCOA data strings is Monday, 03 April 2023**.

**All the delegated municipalities in the province are urged to submit their 2023/24 Tabled Budgets 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 Treasuries.

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. However, MFMA Circular No. 122 notes that since municipalities are generating Annual Budgets directly from their financial systems as required by the mSCOA Regulations, municipalities must submit the electronic formats of the Approved Budget *immediately* after approval by the municipal Council. For example, if the Council approves the Annual Budget on **31 May 2023**, the electronic Approved Budget documentation and corresponding data strings must be submitted on **Thursday, 01 June 2023**. **The submission process described above relates to both the National and Provincial Treasuries.**

**Municipalities are no longer expected to submit the printed copies of all required documents including budget related, IDPs, SDBIPs, AFS and Annual Reports to the National and Provincial Treasuries through post courier services.**

The following information should be submitted for the 2023/24 MTREF:

- The budget documentation as set out in the MBRR Schedule A (**Annexure C**). The budget document must include the main Schedule A1 Tables (A1 - A10);
- The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA22, SA23, SA24 etc. and any other information not contained in the financial data string) in the Schedule A1 must be submitted in the prescribed mSCOA data string (Schedule A1 Draft) in the format published with Version 6.7 of the A1 schedule;
- The draft and approved SDBIP in electronic PDF files;
- The draft and approved IDP;
- The Council resolution for the Tabled and Adopted Budgets;
- Signed Quality certificate as prescribed in the MBRR for the Tabled and Adopted Budgets;
- Schedules D specific for the entities;
- A credible Budget funding plan together with the tabled and adopted budgets, where applicable;
- The completed National Treasury tariff setting tool in an Excel format;
- Reconciliation of Valuation roll data to the billing system;
- Signed repayment arrangements entered into with Eskom and/or a Water Board;
- mSCOA Road map in a PDF file; and



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- A Budget locking certificate immediately at the start of the new municipal financial year on 01 July 2023.

The Budget related information must be forwarded to the Provincial and National Treasuries by the deadline dates as indicated. The submission addresses are as follows:

### **Provincial Treasury**

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 must be copied accordingly.

### **National Treasury**

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

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

Yours sincerely

**Ms. C. Coetzee**

**Head of Department: KZN Provincial Treasury**

**CC Mayors**

**Administrators**

**Mr. J. Hattingh – National Treasury**

**Mr. T. V. Pillay – National Treasury**

**Ms. N. Mkhize – Auditor-General**