



## 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 05 OF 2023/24

#### FINDINGS ON THE 2023/24 MUNICIPAL BUDGET ASSESSMENT

Section 22(b)(i) of the Municipal Finance Management Act, Act No. 56 of 2003 (MFMA) requires *that immediately after an Annual Budget is tabled in a municipal Council, the Accounting Officer of the municipality must submit the Annual Budget in both printed and electronic formats to the National Treasury and the relevant Provincial Treasury whilst Section 23(1)(b) of the MFMA 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 assessed the 2023/24 Tabled Budgets of all 51 delegated municipalities in terms of Section 23(1)(b) of the MFMA and further conducted high level assessments on the 2023/24 Approved Budgets of all 51 delegated municipalities. Section 18 of the 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 thus the funding position of municipalities was a focal part of the budget assessments conducted by Provincial Treasury for both the 2023/24 Tabled Budgets as well as the 2023/24 Approved Budgets.

#### PURPOSE

The purpose of this circular is to:

- Share with all KwaZulu-Natal (KZN) municipalities the key findings on the assessments of the 2023/24 Tabled and Approved Budgets for 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 2023/24 Adjustments Budgets and the 2024/25 Medium Term Revenue and Expenditure Framework (MTREF) Budgets.



## 1. BACKGROUND AND DISCUSSION OF BUDGET PROCESSES

### Tabling of the 2023/24 Time schedules outlining key deadlines for the budget process

Section 21(1)(b) of the 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 02 of 2022/23 on 15 August 2022 reminding municipalities to table the Time schedule of key deadlines for the 2023/24 financial year by 31 August 2022. 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, 46 of the 51 delegated municipalities timeously tabled their Time schedule outlining key deadlines by 31 August 2022 as per the requirements of the MFMA. Table 1 shows the five (5) municipalities that did not table their Time schedule outlining key deadlines by the prescribed date of 31 August 2022. Non-compliance letters were issued to the Newcastle and uPhongolo Local Municipalities and the uMkhanyakude and iLembe District Municipalities for not tabling their Time schedule outlining key deadlines by 31 August 2022. In compliance with Section 27(3) of the MFMA and Regulation 63 of the Municipal Budget and Reporting Regulations (MBRR), the eNdumeni Local Municipality sent a Schedule G informing Provincial Treasury of their failure to table the Time schedule outlining key deadlines at least 10 months before the start of the budget year as per Section 21(1)(b). According to the Schedule G notification received from the municipality, there were continuous delays and postponements of the scheduled Council meetings which resulted in the Time schedule outlining key deadlines not being tabled by 31 August 2022.

All the municipalities shown in Table 1 subsequently approved their Time schedules outlining key deadlines for the 2023/24 budget preparation process.

**Table 1: Municipalities that did not table their 2023/24 Time schedules outlining key deadlines by 31 August 2022**

No	Name of municipality	No	Name of municipality
1	eNdumeni	4	uMkhanyakude DM
2	Newcastle	5	iLembe DM
3	uPhongolo		

Source: KZN Provincial Treasury

Provincial Treasury conducted a high-level review of the Time Schedule outlining key deadlines of the 51 delegated municipalities. Compliance and credibility issues were identified in the Time schedule outlining key deadlines of 31 municipalities as listed in Table 2 below. The issues identified were communicated to the municipalities in writing, with the common issues being:

- Municipalities did not include the bilateral engagements between Provincial Treasury and municipalities in January – March 2023 and/or in April – May 2023 for the Mid-Year Budget and Performance Assessment and Tabled Budget processes respectively;
- No indication was received by Provincial Treasury from selected municipalities regarding timelines for the annual review of budget related policies including rates and tariffs; and
- The consultative process for selected municipalities did not include public participation with respect to the budget related policies, the annual budget and the Integrated Development Plan (IDP).



**Table 2: Municipalities that had compliance and credibility issues in their 2023/24 Time schedules outlining key deadlines**

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	12	iNkosi Langalibalele	23	uPhongolo
2	uMzumbhe	13	uThukela DM	24	AbaQulusi
3	uMuziwabantu	14	eNdumeni	25	Nongoma
4	Ray Nkonyeni	15	Nquthu	26	Ulundi
5	Ugu DM	16	uMsinga	27	Big Five Hlabisa
6	uMshwathi	17	uMvoti	28	uMfolozi
7	uMngeni	18	Newcastle	29	Nkandla
8	Mpofana	19	eMadlangeni	30	Ndwedwe
9	Mkhambathini	20	Dannhauser	31	uBuhlebezwe
10	Richmond	21	Amajuba DM		
11	Okhahlamba	22	eDumbe		

Source: KZN Provincial Treasury

**Provincial Treasury support to municipalities on the 2023/24 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 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) budgets and to monitor compliance with the MFMA and the MBRR, Provincial Treasury issued Circular PT/MF 08 of 2022/23 dated 24 February 2023 (Preparation, submission and publication of the 2023/24 MTREF Budget) to municipalities.

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

- Preparation of the 2023/24 MTREF Budgets;
- Format Requirements for the 2023/24 MTREF Budgets;
- Balance Sheet and Cash Flow Budgeting;
- Reconciliation of Valuation roll data to the billing system;
- Fixed Asset Register;
- Budget Steering Committee (BSC);
- Service Delivery and Budget Implementation Plans (SDBIPs);
- National and Provincial Transfers to municipalities;
- Publication of the 2023/24 MTREF Budgets;
- Technical Assistance on the 2023/24 MTREF Budgets;
- Engagement with municipalities on the 2023/24 MTREF Tabled Budgets;
- Municipalities unable to table the 2023/24 MTREF Budget by 31 March 2023;
- Municipalities unable to pass the 2023/24 MTREF Budget by 30 June 2023;



- Funding Position of the 2023/24 MTREF Budgets;
- Budget funding plans;
- Criteria for the release of the Equitable share allocation during the 2023/24 financial year;
- Common findings in prior years for consideration in the 2023/24 MTREF Budget process; and
- Municipal Budget Submission Process.

The Provincial Treasury Circular included some weaknesses and common mistakes identified by both the Provincial and National Treasuries in prior years that should be considered and addressed (where applicable) by municipalities when preparing their 2023/24 MTREF Budgets.

Provincial Treasury subsequently issued Circular PT/MF 10 of 2022/23 dated 24 March 2023 (2023/24 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 2023/24 MTREF Budget.

The MFMA Circulars No. 122 and 123 issued by the National Treasury were shared with all delegated municipalities to ensure that 2023/24 MTREF Budgets incorporate the guidelines and information required as per these circulars.

### **The status of the Budget Steering Committees (BSCs)**

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 Section 53 of the MFMA which relates to the execution of the budget process. The number of municipalities with fully operational BSCs increased from 48 in the 2022/23 financial year to 49 in the 2023/24 financial year with only the uMkhanyakude and Harry Gwala District Municipalities having BSCs that were not fully functional in the 2023/24 financial year. Figure 1 illustrates the steady increase in the number of functional BSCs since the 2019/20 financial year.

**Figure 1: Municipalities with functional BSCs**



Source: KZN Provincial Treasury



The increase in the number of functional BSCs in the province is encouraging as this should lead to improved budget planning and ensure the preparation of more credible and reliable budgets.

## **2. 2023/24 TABLED BUDGET ASSESSMENT PROCESS**

### **Tabling of the 2023/24 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*. As at 31 March 2023, 50 of the 51 delegated municipalities tabled their 2023/24 Annual Budgets. The uMvoti Local Municipality did not table its 2023/24 Annual Budget by 31 March 2023 however, in complying with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR, a Schedule G application dated 31 March 2023 was received from the municipality notifying Provincial Treasury of the municipality's impending failure to table the 2023/24 Annual Budget in Council by 31 March 2023 as required by Section 16(2) of the MFMA.

The MEC for Finance granted the municipality an extension up until 14 April 2023 in terms of Section 27(2) of the MFMA which states that *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]*. The municipality subsequently tabled the 2023/24 Annual Budget in Council.

### **Submission of the 2023/24 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 Circular No. 122, the date for the submission of the PDF and electronic copies was 03 April 2023 if a municipality tabled on 31 March 2023. The budget circulars also clarified that the budget documents to be submitted include the Tabled Budget data string (TABB), the Non-Financial Information data string for the Tabled Budget (A1D) and the Project Details Tabled Budget data string (PRTA).

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

- Tabled Budget data strings (TABB);
- Project detail data strings (PRTA);
- Schedule A1 Draft (Non-Financial Information) data string (A1D);
- Draft Service Delivery and Budget Implementation Plan (SDBIP); and
- Electronic copy (PDF) of the 2023/24 Budget Tabled in Council;



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**Table 3: Municipalities which did not submit one or more of their 2023/24 Tabled Budget documents or data strings timeously**

No	Name of municipality	Tabled Budget data string (TABB)	Project Details Tabled Budget data string (PRTA)	Tabled Budget Non-financial data string (A1D)	Draft SDBIP	Budget Tabled in Council (PDF)
1	uMdoni			x	x	
2	uMzumbe	x		x	x	x
3	uMuziwabantu	x	x	x		
4	Ray Nkonyeni			x		
5	Ugu DM			x		
6	uMshwathi			x	x	
7	Mpořana			x	x	
8	iMpendle		x	x	x	
9	Mkhambathini		x	x	x	
10	uMgungundlovu DM			x		
11	Okhahlamba			x	x	
12	uThukela DM			x		
13	eNdumeni	x	x	x	x	x
14	Nquthu			x		
15	uMsinga		x	x	x	
16	uMzinyathi DM		x	x	x	
17	eMadlangeni			x	x	
18	Dannhauser		x	x	x	x
19	Amajuba DM			x	x	
20	eDumbe			x	x	
21	uPhongolo			x	x	
22	Nongoma			x	x	
23	Ulundi	x	x	x	x	x
24	Zululand DM	x	x	x	x	x
25	uMhlabuyalingana			x	x	
26	Jozini			x		
27	Mtubatuba			x	x	
28	Big Five Hlabisa			x	x	
29	uMfolozi			x	x	
30	Mthonjaneni			x		
31	Nkandla	x	x	x	x	x
32	KwaDukuza	x	x	x	x	
33	Ndwedwe			x		
34	Maphumulo		x	x	x	
35	iLembe DM			x		
36	uBuhlebezwe			x		
37	Dr. Nkosazana Dlamini Zuma			x	x	
<b>Total non-compliant municipalities</b>		<b>7</b>	<b>12</b>	<b>37</b>	<b>26</b>	<b>6</b>

Source: KZN Provincial Treasury



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The municipalities were allowed to submit outstanding data strings or resubmit data strings with errors for the 2023/24 Tabled Budget to the National Treasury GoMuni Upload Portal up until 18 July 2023 after which, the database was closed for submission. As at 18 July 2023, all the municipalities had submitted their Tabled Budget data string, Project Details Tabled Budget data string and non-financial data string for the Tabled Budget data string as well as Tabled Budget documents with the exception of the uMuziwabantu Local Municipality that submitted their Project Details Tabled Budget data string with errors. Of the 26 delegated municipalities who did not submit their Draft SDBIP timeously, all 26 municipalities subsequently submitted their Draft SDBIP.

### Placement of 2023/24 Tabled Budgets documents on the municipal websites as per Section 75(2) of the MFMA

Section 75(2) of the MFMA states that all documents expected to be placed on the 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*. Table 4 lists the six (6) municipalities that did not place their 2023/24 Tabled Budget documents on their website timeously.

**Table 4: Municipalities that did not place their 2023/24 Tabled Budgets documents on their website timeously**

No	Name of municipality	No	Name of municipality
1	iMpendle	4	uMkhanyakude DM
2	uMvoti	5	uMfolozi
3	eDumbe	6	Nkandla

Source: KZN Provincial Treasury

The six (6) municipalities indicated in Table 4 subsequently placed the Tabled Budget documents on their website.

### Outcomes of the 2023/24 Tabled Budgets Assessments

Upon receipt of the 2023/24 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 6.7 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 36 Tabled Budgets were funded, while 15 were unfunded based on the Tabled Budget data strings uploaded to the National Treasury GoMuni Upload Portal as well as the Schedule A1 and the Tabled Budget narrative documents submitted by the municipalities.



## Bi-lateral engagements for the 2023/24 Tabled Budgets

Provincial Treasury requested municipalities to make provision for engagements with Provincial Treasury on their annual MTREF Tabled Budgets in their Time Schedules Outlining Key Deadlines in Provincial Circular PT/MF 02 of 2022/23. These engagements, driven by a comprehensive agenda, are a support initiative of 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 2023/24 Tabled Budgets of the municipalities.

Provincial Treasury's findings on the 2023/24 Tabled Budget assessments were presented at the bi-lateral engagements which covered the legislative compliance of the processes relating to the preparation of the 2023/24 Tabled Budget to the tabling of the 2023/24 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 a 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 IDP and the SDBIP to the 2023/24 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 26 April 2023 to 19 May 2023. Table 5 provides a list of all engagement dates per municipality.

**Table 5: The bi-lateral engagements held with delegated municipalities on their 2023/24 Tabled Budget assessments**

No	Name of Municipality	Dates of Bi-lateral engagements	No	Name of Municipality	Dates of Bi-lateral engagements
1	uMdoni	18-May-23	27	uPhongolo	12-May-23
2	uMzambe	16-May-23	28	AbaQulusi	12-May-23
3	uMuziwabantu	18-May-23	29	Nongoma	15-May-23
4	Ray Nkonyeni	15-May-23	30	Ulundi	16-May-23
5	Ugu DM	08-May-23	31	Zululand DM	09-May-23
6	uMshwathi	19-May-23	32	uMhlabayalingana	15-May-23
7	uMngeni	12-May-23	33	Jozini	04-May-23
8	Mpořana	05-May-23	34	Mtubatuba	26-Apr-23
9	iMpendle	03-May-23	35	Big Five Hlabisa	03-May-23
10	Mkhambathini	10-May-23	36	uMkhanyakude DM	11-May-23
11	Richmond	15-May-23	37	uMfobozi	09-May-23
12	uMgungundlovu DM	09-May-23	38	uMlalazi	17-May-23
13	Okhahlamba	09-May-23	39	Mthonjaneni	15-May-23
14	iNkosi Langalibalele	03-May-23	40	Nkandla	10-May-23
15	Alfred Duma	15-May-23	41	King Cetshwayo DM	02-May-23
16	uThukela DM	17-May-23	42	Mandeni	19-May-23
17	eNdumeni	19-May-23	43	KwaDukuza	16-May-23
18	Nquthu	19-May-23	44	Ndwedwe	15-May-23
19	uMsinga	15-May-23	45	Maphumulo	09-May-23
20	uMvoř	18-May-23	46	iLembe DM	12-May-23
21	uMzinyathi DM	08-May-23	47	Greater Kokstad	08-May-23
22	Newcastle	12-May-23	48	uBuhlebezwe	19-May-23
23	eMadlangeni	10-May-23	49	uMzimkhulu	05-May-23
24	Dannhauser	17-May-23	50	Dr. Nkosazana Dlamini Zuma	15-May-23
25	Amajuba DM	16-May-23	51	Harry Gwala DM	18-May-23
26	eDumbe	16-May-23			

Source: KZN Provincial Treasury





## Key findings on the 2023/24 Tabled Budgets Assessments

The following were the key findings emanating from Provincial Treasury's assessment of the 2023/24 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. 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 the municipalities were of a poor quality, were not comprehensive and in some cases, contradicted information contained in the Schedule A1. These factors reduced 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 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. 122 and by Provincial Treasury through CFO Forums on the importance of completing the budget tables.

- **Credibility of budget figures**

Provincial Treasury requested municipalities via Circular PT/MF 08 of 2022/23 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 2022/23 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 the 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 encouraged municipalities to disclose as much information as possible 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 2023/24 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 cash flow challenges as well as unfunded budgets.

Many municipalities 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 in the budget narrative documents and at the bi-lateral engagements with Provincial Treasury, 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, many municipalities neither accurately completed the Full Year Forecast column in the budget, nor provided Provincial Treasury with their workings for the 2022/23 Closing *Cash and cash equivalents* balance and as a result, Provincial Treasury could not ascertain the reasonableness of the 2023/24 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 2022/23 Adjustments Budget and the budget assumptions for revenue and expenditure in the 2023/24 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 2023/24 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 2023/24 budget year in Table SA3.

Table A8 was commonly characterised by incomplete information which did not correlate with the 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 *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 the municipalities would be able to pay their debts as and when they fall due.

- **Operating revenue**

Regarding the Operating revenue budget, some municipalities did not justify all tariff increases which were in excess of the projected Consumer Price Index (CPI) inflation rates as per MFMA Circular No. 123 in their budget narratives reports.



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 the *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 free 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 the 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 the 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*.

- **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 and Upgrading 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*.

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* which is a clear contravention of the requirements of Section 18 of the MFMA. These municipalities were encouraged to channel any excess funds towards the payment of long outstanding creditors, particularly bulk services rather than funding Capital expenditure.

In instances where municipalities had financed their capital programmes through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the projected amortisation



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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 2023/24 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 2023/24 Tabled Budget assessment feedback reports with their 2023/24 Annual Budget documents when tabling to Council for approval. Municipalities were further required to include the Council's comments in the Council minutes and resolutions. Table 6 below lists the 25 municipalities that submitted Council resolutions indicating compliance with Section 23(1)(b).

**Table 6: Municipalities that tabled Provincial Treasury findings on the 2023/24 Tabled Budgets to Council**

No	Name of Municipality	No	Name of Municipality	No	Name of Municipality
1	uMdoni	10	iNkosi Langalibalele	19	Nkandla
2	uMzumbhe	11	Alfred Duma	20	Mandeni
3	uMuziwabantu	12	uMzinyathi DM	21	Ndwedwe
4	Ray Nkonyeni	13	Newcastle	22	iLembe DM
5	uMshwathi	14	eMadlangeni	23	uMzimkhulu
6	Mpofana	15	Ulundi	24	Dr. Nkosazana Dlamini Zuma
7	Mkhambathini	16	Zululand DM	25	Harry Gwala DM
8	Richmond	17	Big Five Hlabisa		
9	Okhahlamba	18	Mthonjaneni		

Source: KZN Provincial Treasury

### Analysis of the 2023/24 Tabled Budget data strings (TABB)

A high-level review of the 2023/24 Tabled Budget data strings (TABB) was conducted and was communicated to all 51 non-delegated municipalities. The following findings were evident in the analysis:

- There was incorrect use of the Municipal Standard Chart of Accounts (mSCOA) segments including but not limited to:
  - Region segments incorrectly used;
  - Costing not applied;
  - Function split between core and non-core not aligned to the mandate of the municipality;
  - Funding segment incorrectly used;
  - Item segment inappropriately used between movement accounting and classification of items; and
  - Project segment not appropriately used nor aligned between Project capital, Operational and Default.



## Summary of the 2023/24 Tabled Budget Assessment Process

A trend analysis for the Tabled Budget process over the five-year period from 2019/20 to 2023/24 is illustrated in Table 7.

**Table 7: Trend analysis for the Tabled Budget process**

No	Item	2019/20 Process	2020/21 Process	2021/22 Process	2022/23 Process	2023/24 Process	Year on year movement
<b>Budget Timelines</b>							
1	Time Schedules outlining key deadlines <b>NOT</b> tabled by 31 August	5 (10%)	5 (10%)	9 (18%)	7 (14%)	5 (10%)	😊
2	Time Schedules outlining key deadlines <b>NOT</b> tabled	0 (0%)	0 (0%)	1 (2%)	0 (0%)	0 (0%)	😊
<b>Tabled (Draft) Budget</b>							
3	Nos. of munis. that did <b>NOT</b> submit their Tabled Budget to PT by the due date as per MFMA Budget circ.	18 (35%)	18 (35%)	13 (25%)	19 (37%)	37 (73%)	😞
4	Nos. of munis. that did <b>NOT</b> place their Budget on the municipal website within 5 working days of tabling	7 (14%)	7 (14%)	8 (16%)	0 (0%)	6 (12%)	😞
5	Nos. of munis. that did <b>NOT</b> provide a consolidated budget (where applicable)	1 (2%)	0 (0%)	2 (4%)	0 (0%)	1 (2%)	😞
6	Nos. of munis. whose Tabled budgets were <b>NOT</b> in the correct format/version applicable	1 (2%)	0 (0%)	3 (6%)	1 (2%)	1 (2%)	😐
7	Nos. of munis. with Funded Tabled budgets	27 (53%)	29 (57%)	30 (59%)	34 (67%)	36 (71%)	😊
8	Nos. of munis. with Unfunded Tabled budgets	20 (39%)	17 (33%)	21 (41%)	17 (33%)	15 (29%)	😊
9	Nos. of munis. where funding positions of the Tabled budget could not be determined	4 (8%)	5 (10%)	0 (0%)	0 (0%)	0 (0%)	😊
10	Nos. of munis. that were engaged by PT on the Tabled budget	50 (98%)	47 (92%)	50 (98%)	51 (100%)	51 (100%)	😊
11	Nos. of Feedback letters* sent (PT findings on Tabled budget)	51 (100%)	47 (92%)	51 (100%)	51 (100%)	51 (100%)	😊
<b>SDBIP</b>							
12	Nos. of Draft SDBIP's <b>NOT</b> timeously submitted to PT	6 (12%)	39 (76%)	13 (25%)	9 (18%)	26 (51%)	😞

\* There were limitations to providing technical support during the 2020 calendar year (in relation to approval of the 2020/21 budget) as a result of the lockdown introduced in South Africa to try to minimise the effects to the Covid 19 pandemic.

**Key**

😊	Year on year improvement noted <u>or</u> No improvement possible
😐	No change noted year on year
😞	Year on year regression noted

Source: KZN Provincial Treasury

Table 7 reflects that the number of municipalities that had funded Budgets increased from 34 in the 2022/23 financial year to 36 in the 2023/24 financial year which can be attributed to the continuous support provided by Provincial Treasury in the form of the Provincial Treasury circulars issued during the budget processes as well as the continuous technical support provided to municipalities.

It is however concerning to note that despite the support provided by Provincial Treasury, the number of municipalities that did not timeously submit their Draft budget documents and data strings deteriorated from a low of 19 in the 2022/23 financial year to a high of 37 for the 2023/24 financial year. The deterioration however was due to the significant changes in the Schedule A1 Draft (non-financial Information) data string (A1D) in the 2023/24 financial year.



### 3. 2023/24 APPROVED BUDGET ASSESSMENT PROCESS

#### Approval of the 2023/24 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.*

Of the total 51 delegated municipalities in the province, 50 municipalities considered their 2023/24 Annual Budgets for approval by 31 May 2023 in compliance with Section 24(1) of the MFMA.

In complying with Section 27(1) of the MFMA and Regulation 60(1) of the MBRR, the uMvoti Local Municipality submitted a Schedule G notification dated 30 May 2023 notifying Provincial Treasury of the municipality's impending failure to table the 2023/24 Annual Budget in Council by 31 May 2023 as required by Section 16(2) of the MFMA. The MEC for Finance granted the municipality an extension up until 08 June 2023 in terms of Section 27(2) of the MFMA which states that *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].* The municipality subsequently tabled their Annual Budget in Council.

There were 49 municipalities that had approved their 2023/24 Annual Budgets on or before 31 May 2023. The eNdumeni Local Municipality tabled their 2023/24 Annual Budget to Council on 31 May 2023 for consideration but it was not approved. The municipality adhered to the provision of Section 25(1) of the MFMA and approved the 2023/24 Annual Budget on 07 June 2023.

#### Submission of the 2023/24 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. 123 dated 03 March 2023 further required municipalities to upload both the financial (ORGB) and non-financial (A1F) data strings for the Approved Budget to the National Treasury GoMuni Upload Portal.

Despite the support and guidance provided by Provincial Treasury, Table 8 shows the five (5) municipalities that did not submit all their 2023/24 Approved Budget documentation and data strings timeously.

**Table 8: Municipalities which did not submit their 2023/24 Approved Budget documentation and data strings timeously**

No	Name of municipality	Non-financial data string - Original Budget (A1F)	Project Details Original Budget data string (PROR)
1	uMzumbe	×	
2	uMuziwabantu	×	×
3	Nquthu	×	
4	uMsinga	×	
5	Dannhauser		×
Total non-compliant municipalities		4	2

Source: KZN Provincial Treasury

The uMzumbe, uMuziwabantu, Nquthu and uMsinga Local Municipalities did not submit their budget non-financial (A1F) data string whilst the uMuziwabantu and Dannhauser Local Municipalities did not submit their IDP Project details (PROR) data string. Non-compliance letters were sent to the respective



municipalities in this regard. The municipalities were allowed to submit outstanding data strings or resubmit data strings with errors for the 2023/24 Approved Budget to the National Treasury GoMuni Upload Portal up until 18 July 2023 after which, the database was closed for submission. The uMzombe, Nquthu, and uMsinga Local Municipalities subsequently submitted their outstanding A1F data strings and the Dannhauser Local Municipality also subsequently submitted its PROR data string. The uMuziwabantu Local Municipality failed to submit their outstanding A1F data string and PROR data string by 18 July 2023 and the municipality no longer has an opportunity to remedy their non-compliance due to the closure of the National Treasury GoMuni Upload Portal for the submission of the budget documents for the 2023/24 financial year.

### Outcomes of the High-Level Assessment of the Approved 2023/24 Budgets

Provincial Treasury conducted a high-level assessment of the 2023/24 Approved Budgets of all 51 delegated municipalities with a view of establishing whether the comments and recommendations made by Provincial Treasury on the 2023/24 Tabled Budgets were considered in their 2023/24 Approved Budgets.

Of the 51 assessed budgets of municipalities, 43 were assessed as Funded while eight (8) were assessed as Unfunded and are shown in Table 9.

**Table 9: Municipalities with unfunded 2023/24 Approved Budgets**

No	Name of Municipality	No	Name of Municipality
1	Mpofana	5	Newcastle
2	uThukela DM	6	eMadlangeni
3	eNdumeni	7	Amajuba DM
4	uMzinyathi DM	8	Ulundi

Source: KZN Provincial Treasury

### Key findings of the 2023/24 Approved Budgets

The following key findings are based on the 2023/24 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*. Figure 2 illustrates that only 33 out of 51 municipalities (64.7 percent) correctly accounted for the *Cost of free basic services* in Table SA1: *Supporting detail to 'Budgeted Financial Performance'* of Schedule A1. The remaining 18 (35.3 percent) out of the 51 municipalities failed to correctly account for *Cost of free basic services*.

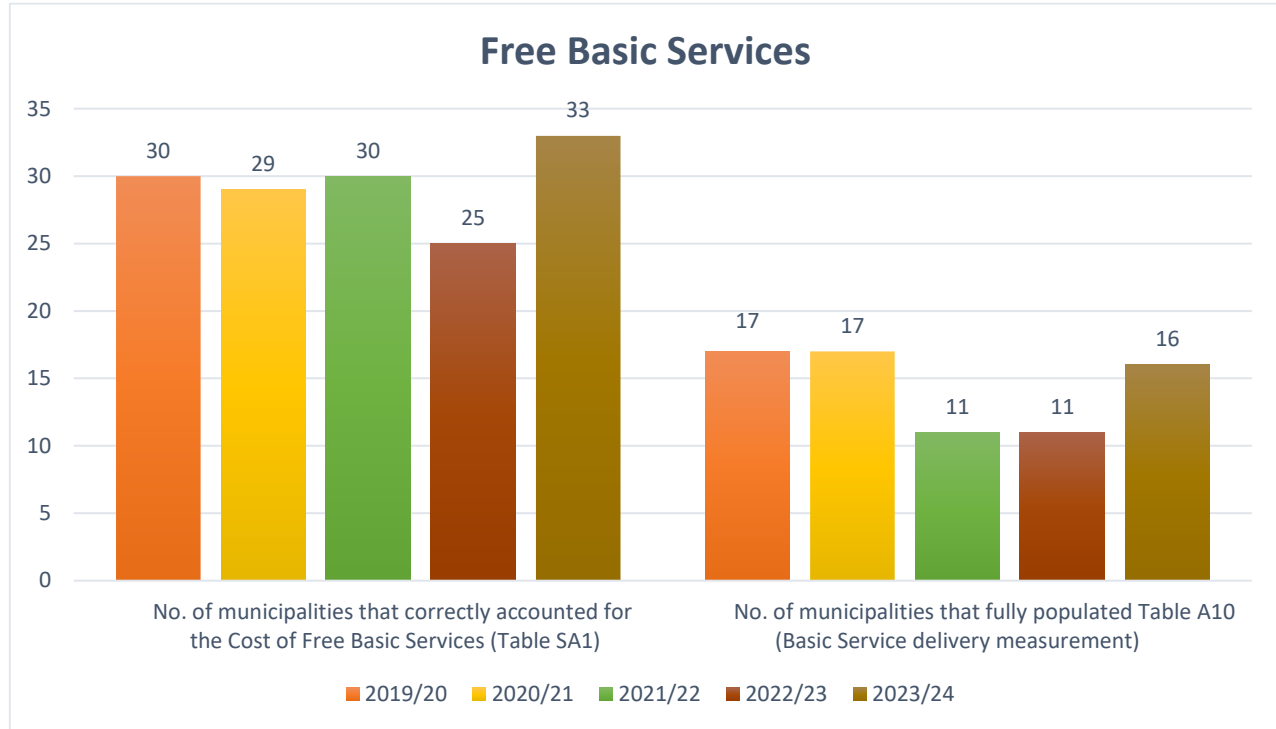
A number of municipalities did not fully populate Table A10: *Basic service delivery measurement*. Figure 2 illustrates that only 16 municipalities (31.4 percent) fully populated Table A10: *Basic service delivery measurement*. Table A10 is essential to provide statistics on the *Cost of free basic services* according to the national policy as well as the cost of free basic services in terms of lost revenue due to 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 on the credibility of the budget for *Free basic services* in the feedback letters to municipalities.



Municipalities were encouraged to consider the basic services component of the Equitable share allocation when budgeting for *Free basic services* during the 2023/24 Tabled Budget engagements.

**Figure 2: Budgeting for Free basic services**



Source: KZN Provincial Treasury

• **Operating revenue**

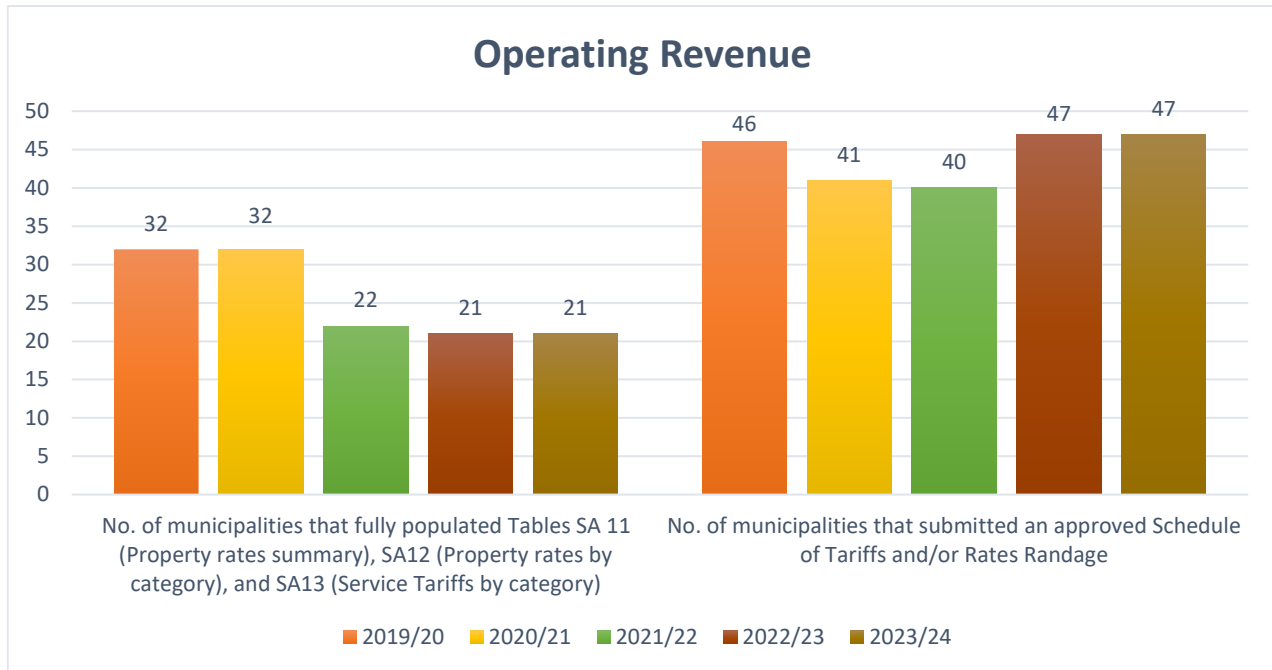
Provincial Treasury is concerned that municipalities have not yet improved in the level of detail included in their budget documents. A number of municipalities did not fully complete all the supporting tables in Schedule A1. Figure 3 illustrates only 21 municipalities (41.2 percent) fully completed Table SA11, Table SA12 and Table SA13 in the 2022/23 and 2023/24 budget cycles. 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 in the 2022/23 and 2023/24 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.





**Figure 3: Budgeting for Operating revenue**



Source: KZN Provincial Treasury

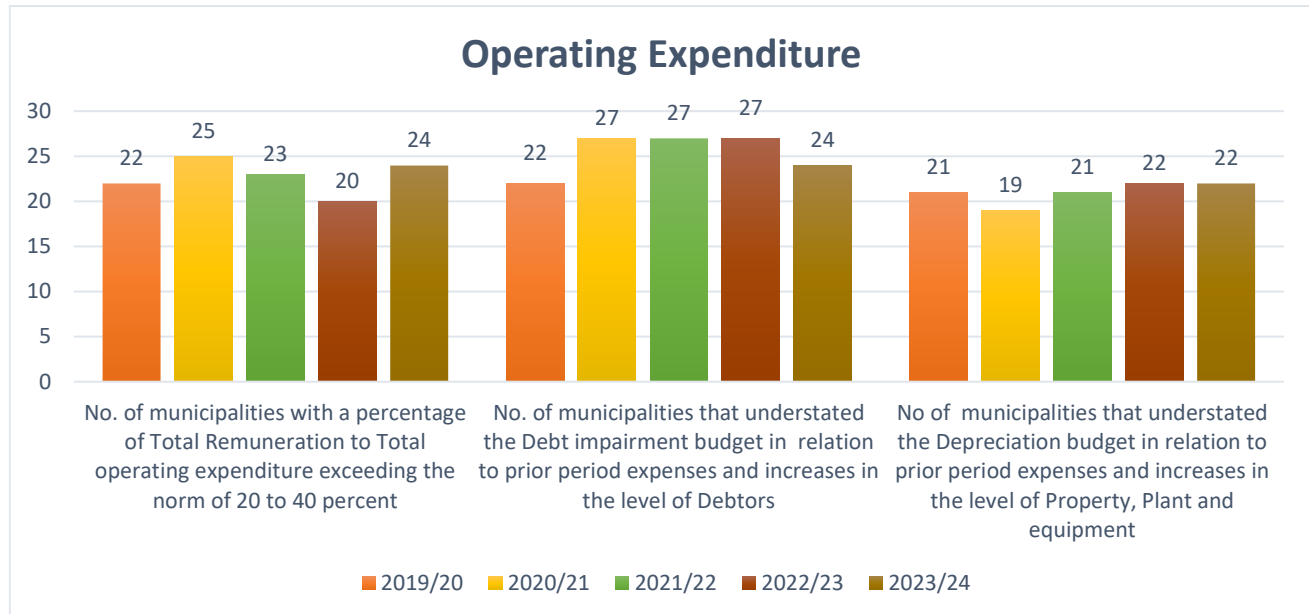
• **Operating expenditure**

The percentage of total Remuneration to total *Operating expenditure* exceeded the norm range for a number of municipalities in the 2023/24 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 2023/24 Approved Budgets, at least 24 municipalities (47.1 percent) are above the norm as illustrated in Figure 4.

Municipalities are still understating the budget for non-cash expenditure. Figure 4 illustrates that at least 24 municipalities (47.1 percent) understated the budget for *Debt impairment*. Furthermore, 22 municipalities (43.1 percent) understated the budget for *Depreciation and asset impairment*. 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 the tariffs for the provision of services.



**Figure 4: Budgeting for Operating expenditure**



Source: KZN Provincial Treasury

• **Asset management**

Figure 5 illustrates an increasing trend in municipalities fully populating Table SA36 in the 2023/24 Approved Budget. Thirty-six (36) municipalities (70.6 percent) fully completed Table SA36 which requires the following information:

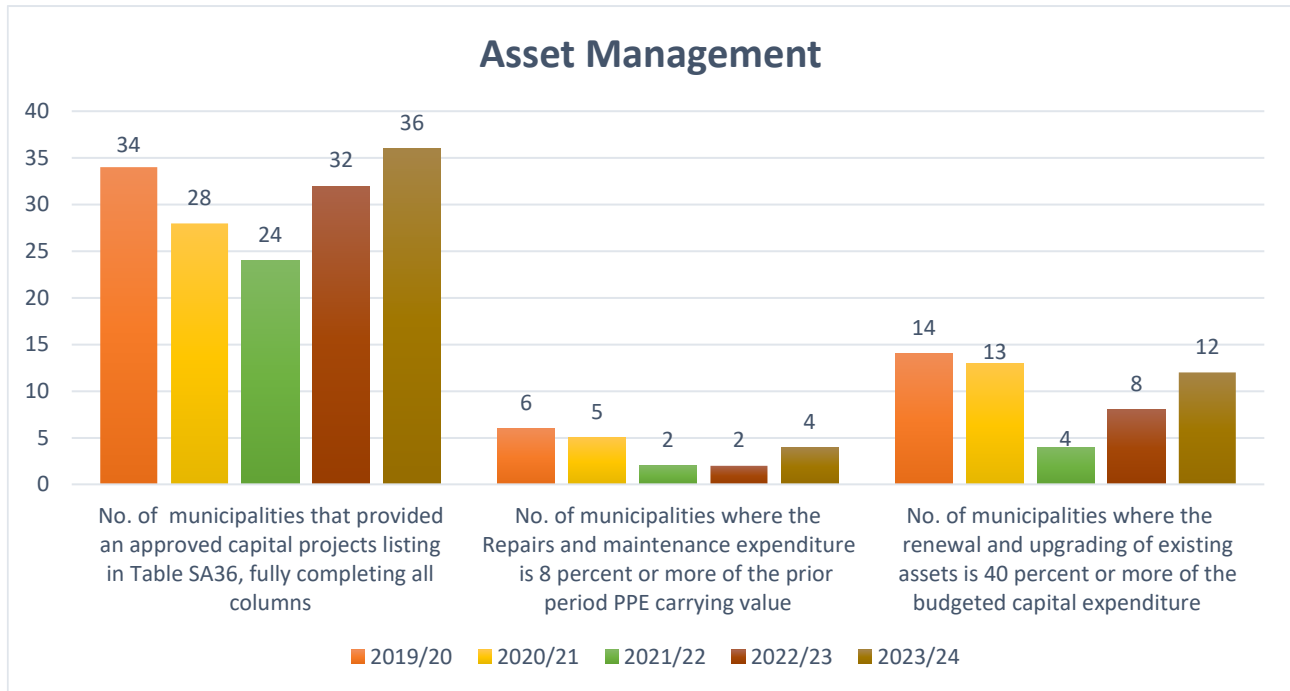
- Description of the projects;
- Asset classifications;
- GPS co-ordinates;
- The relevant wards;
- Whether the project is a new or renewal of an asset; and
- The estimated rand value.

This information assists with effective planning for the Capital budget and therefore all municipalities must provide the required details.

MFMA Circular No. 55 highlighted the concern about the low levels of expenditure on *Repairs and maintenance* and the *Renewal and Upgrading 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 and Upgrading 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 2023/24 Approved Budgets, only four (4) municipalities (7.8 percent) budgeted for *Repairs and maintenance* of at least 8 percent or more of the prior period *PPE* value while only twelve (12) municipalities (23.5 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.



**Figure 5: Asset Management**



Source: KZN Provincial Treasury

**• Funding and sustainability**

Figure 6 illustrates that only 17 municipalities (33.3 percent) are in a position where all of their trading services are sustainable. The remaining 34 municipalities (66.7 percent) have budgeted to trade at a deficit on some or all of their services which will negatively impact the future sustainability of the municipality. The budgeted trading losses are caused by the municipalities not having cost reflective tariffs as well as inefficiencies in the provision of these services.

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 nine (9) municipalities (17.6 percent) that budgeted for Operational deficits for the 2023/24 budget year but reflected improvements in the two outer years.

Forty-three (43) of the 51 delegated municipalities (84.3 percent) approved funded budgets for the 2023/24 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 tariff 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.

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

- Some municipalities budgeted for *Operating deficits* in their 2023/24 MTREF which has negative impact on the future cash flows;
- Municipalities are not applying realistic collection rates based on prior years' actual figures or are not providing sufficient justification in their budget narrative report for the estimated receipts which results in overstated cash inflows.
- Municipalities are not budgeting to pay all budgeted Operating and Capital expenditure including the applicable Value Added Tax (VAT) to be incurred resulting in an understatement of cash payments in Table A7;

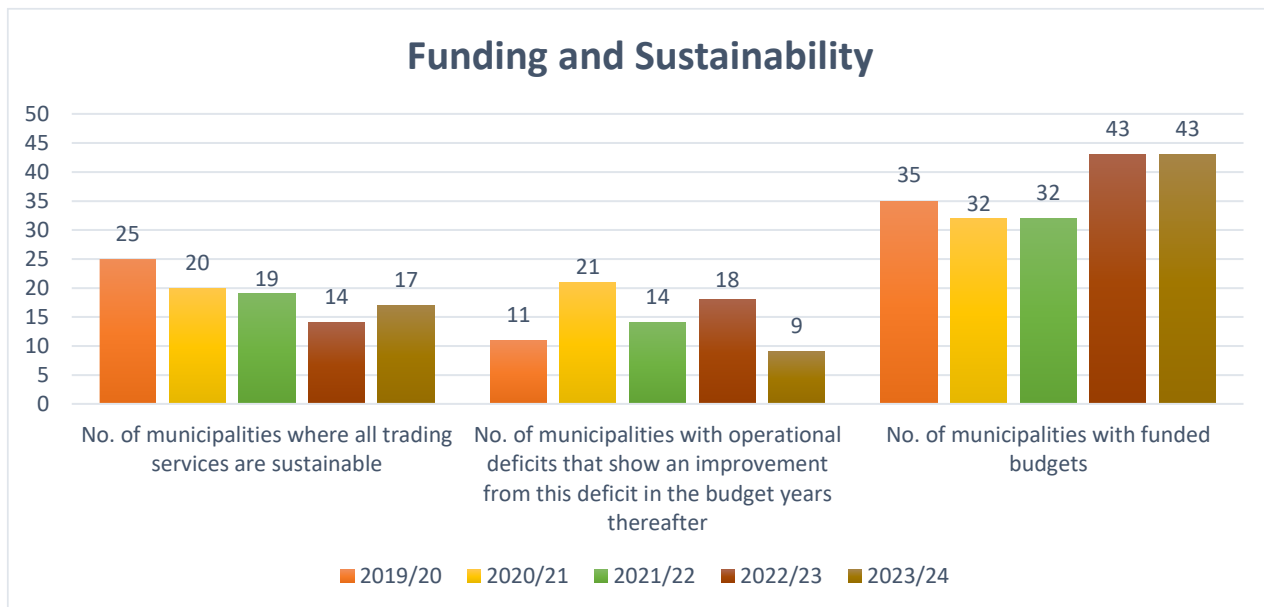


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- Some municipalities with Debt repayment plans are not budgeting for cash payments which results in the understatement of cash payments in Table A7;
- Some municipalities are budgeting to fund Capital expenditure for Internally generated fund while the municipalities do not have Cash-backed reserves;
- Municipalities have high *Creditor* balances that have been carried forward year on a year basis which contributes negatively to the estimate for *Other working capital requirements*;
- Municipalities are not budgeting or under-budgeting for the cash-backing of *Other Provisions*, *Unspent conditional grants* and *Statutory requirements*; and
- Some municipalities significantly misstate their *Other working capital requirements* due to understating *Trade and other creditors'* balance and overstating the *Other debtors* and *Long term receivables* and *Consumer debtors'* balances.

**Figure 6: Funding and sustainability**



Source: KZN Provincial Treasury

In compliance with MFMA Circulars No. 93 and subsequent MFMA Municipal Budget Circulars, six (6) of the eight (8) municipalities with unfunded budgets prepared Budget funding plans that were approved by their respective municipal Councils indicating how and by when the MTREF budgets of the municipalities will be funded. Upon the assessment of the six (6) Budget funding plans by Provincial Treasury, it was concerning to note that only three (3) municipalities had credible Budget funding plans. The remaining three (3) municipalities were requested to review their Budget funding plans and re-table these plans in Council. Table 10 reflects the municipalities with unfunded 2023/24 Approved Budgets.



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**Table 10: Municipalities with unfunded 2023/24 Approved Budgets**

No	Name of municipality	Approved Budget Funding Position	Budget Funding Plan approved by Council and submitted to PT	PT Assessment of Credibility of Budget Funding Plan	Council approval of reviewed Budget Funding Plan required
1	Mpofana	Unfunded	Yes	Credible	N/A
2	Newcastle	Unfunded	Yes	Credible	N/A
3	Ulundi	Unfunded	Yes	Credible	N/A
4	uThukela DM	Unfunded	Yes	Not credible	Yes
5	eNdumeni	Unfunded	Yes	Not credible	Yes
6	uMzinyathi DM	Unfunded	Yes	Not credible	Yes
7	eMadlangeni	Unfunded	No	N/A	Yes
8	Amajuba DM	Unfunded	No	N/A	Yes
<b>Total non-compliant municipalities</b>		<b>8</b>	<b>6</b>	<b>3</b>	<b>5</b>

Source: KZN Provincial Treasury

The two municipalities with unfunded 2023/24 Approved Budgets and that did not table Budget funding plans together with their budgets were requested to comply with MFMA Circular No. 93 and subsequent MFMA Municipal Budget Circulars and prepare Budget funding plans and table these plans to Council.

### Summary of 2023/24 Approved Budget Assessments

A trend analysis for the Approved Budget process over the five-year period from 2019/20 to 2023/24 is illustrated in Table 11.

**Table 11: Trend analysis for the Approved Budget process**

No	Item	2019/20 Process	2020/21 Process	2021/22 Process	2022/23 Process	2023/24 Process	Year on year movement
<b>Budget Timelines</b>							
1	Nos. of Approved budgets <b>NOT</b> considered by 31 May (30 days prior to the start of the financial year)	3 (6%)	2 (4%)	4 (8%)	3 (6%)	1 (2%)	😊
2	Nos. of munis. that did <b>NOT</b> submit their Approved Budget to PT within 10 working days	5 (10%)	16 (31%)	6 (12%)	5 (10%)	5 (10%)	😐
3	Nos. of munis, whose Approved budgets were <b>NOT</b> in the correct format/version applicable	0 (0%)	2 (4%)	0 (0%)	0 (0%)	0 (0%)	😊
4	Nos. of munis. that did <b>NOT</b> place their Budget on the municipal website within 5 working days of tabling	3 (6%)	5 (10%)	1 (2%)	1 (2%)	4 (8%)	😞
5	Nos. of munis. that did NOT provide a consolidated budget (where applicable)	0 (0%)	0 (0%)	1 (2%)	0 (0%)	1 (2%)	😞
6	Nos. of munis. that re-tabled an Approved Budget before 30 June (start of the financial year)	2 (4%)	0 (0%)	0 (0%)	5 (10%)	1 (2%)	😊
7	Nos. of munis. with Funded Approved budgets	35 (69%)	32 (63%)	35 (69%)	43 (84%)	43 (84%)	😐
8	Nos. of munis. with Unfunded Approved budgets	16 (31%)	18 (35%)	16 (31%)	8 (16%)	8 (16%)	😐
9	Nos. of munis. Where funding positions of the Approved budget could not be determined	0 (0%)	1 (2%)	0 (0%)	0 (0%)	0 (0%)	😊
10	Nos. of munis. that formally responded to PT's findings on the Tabled Budget	12 (24%)	10 (20%)	3 (6%)	12 (24%)	12 (24%)	😐
11	Nos. of munis. that provided Council resolution indicating that PT comments were considered.	19 (37%)	15 (29%)	18 (35%)	25 (49%)	25 (49%)	😐
<b>SDBIP</b>							
13	Nos. of FINAL SDBIP's <b>NOT</b> timeously submitted to PT	1 (2%)	9 (18%)	0 (0%)	3 (6%)	3 (6%)	😐

**Key**

- 😊 Year on year improvement noted or No improvement possible
- 😐 No change noted year on year
- 😞 Year on year regression noted

Source: KZN Provincial Treasury



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The five-year trend analysis reflects that the number of municipalities with unfunded Budgets significantly decreased from 16 in the 2019/20 financial year to 8 in the 2023/24 financial year which can be attributed to the detailed feedback provided to municipalities on the Tabled Budget and the bi-lateral engagements held with municipalities during the budget process.

### Summary of 2023/24 Annual Budget Assessment

Table 12 shows a summary of the statistics for both the 2023/24 Tabled and the Approved Budgets. The table shows that initially there were 36 Tabled Budgets that were funded and 15 were unfunded. However, through further engagements and support to municipalities by Provincial Treasury, the funding position of the Approved Budgets improved to 43 municipalities with funded Approved Budgets and eight (8) municipalities with unfunded Approved Budgets.

**Table 12: Summary of the statistics for the 2023/24 Tabled and Approved Budgets**

	No. of Budgets	Name of Non-compliant municipalities
<b>2023/24 Tabled Budgets</b>		
Budgets tabled late (after 31 March 2023)	1	
Budgets received (PDF copies and mSCOA data strings)	14	Refer to Table 3
Budgets Assessed	51	
Budgets Tabled in correct formats	50	eNdumeni LM
Funded Budgets	36	
Unfunded Budgets	15	Mpofana LM, Okhahlamba LM, uThukela DM, eNdumeni LM, uMzinyathi DM, Newcastle LM, eMadlangeni LM, Amajuba DM, uPhongolo LM, Abaqulusi LM, uLundi LM, Mtubatuba LM, uMlalazi LM, Nkandla LM and King Cetshwayo DM
<b>2023/24 Approved Budgets</b>		
Budgets not considered for Approval by 31 May 2023	1	uMvoti LM
Budgets approved in correct formats	51	
Budgets received (PDF copies and mSCOA data strings)	46	uMzambe LM, uMuziwabantu LM, Nquthu LM, uMsinga LM and Dannhauser LM
High level assessments conducted on Approved Budgets	51	
Funded Budgets	43	
Unfunded Budgets	8	Mpofana LM, uThukela DM, eNdumeni LM, uMzinyathi DM, Newcastle LM, eMadlangeni LM, Amajuba DM and uLundi LM

Source: KZN Provincial Treasury

Table 13 shows the funding position of each delegated municipality's 2023/24 Tabled Budget and 2023/24 Approved Budget as per Provincial Treasury's assessments.



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**Table 13: Funding Position of 2023/24 Tabled and Approved Budgets**

No	Name of Municipality	2023/24 Tabled Budget	2023/24 Approved Budget	Improved / Regressed / No Change
1	uMdoni	Funded	Funded	
2	uMzumbe	Funded	Funded	
3	uMuziwabantu	Funded	Funded	
4	Ray Nkonyeni	Funded	Funded	
5	Ugu DM	Funded	Funded	
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	Unfunded	Funded	Improved
14	iNkosi Langalibalele	Funded	Funded	
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	Unfunded	No change
24	Dannhauser	Funded	Funded	
25	Amajuba DM	Unfunded	Unfunded	No change
26	eDumbe	Funded	Funded	
27	uPhongolo	Unfunded	Funded	Improved
28	AbaQulusi	Unfunded	Funded	Improved
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	Funded	Funded	
37	uMfolozi	Funded	Funded	
38	uMlalazi	Unfunded	Funded	Improved
39	Mthonjaneni	Funded	Funded	
40	Nkandla	Unfunded	Funded	Improved
41	King Cetshwayo DM	Unfunded	Funded	Improved
42	Mandeni	Funded	Funded	
43	KwaDukuza	Funded	Funded	
44	Ndwedwe	Funded	Funded	
45	Maphumulo	Funded	Funded	
46	iLembe DM	Funded	Funded	
47	Greater Kokstad	Funded	Funded	
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

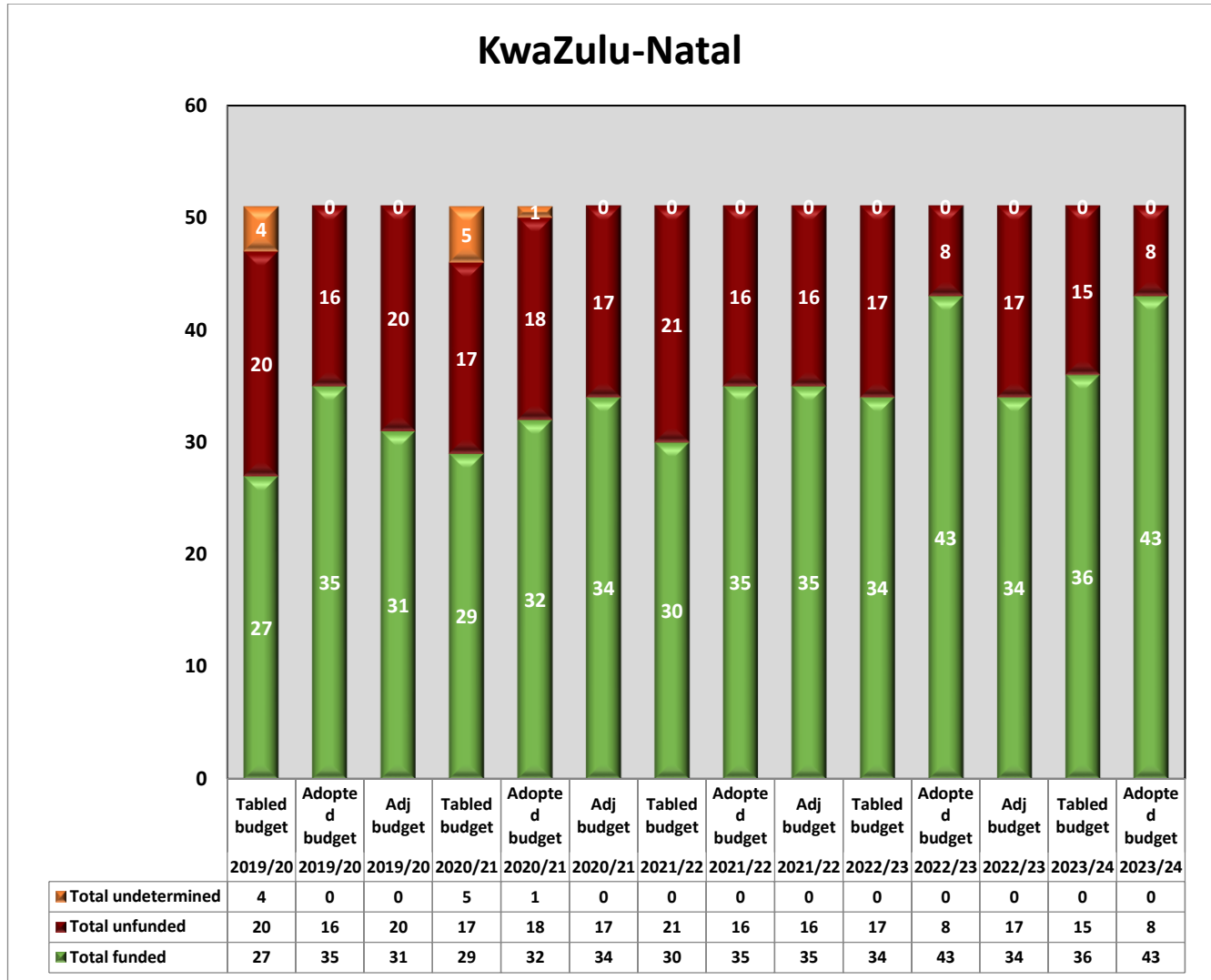


## KWAZULU-NATAL PROVINCE

TREASURY  
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Figure 7 shows the trend analysis of the funding position of the delegated municipalities over the last five (5) budget years (2019/20 – 2023/24).

**Figure 7: Trend analysis of the funding position of the delegated municipalities over the last five (5) budget years (2019/20 – 2023/24)**



Source: KZN Provincial Treasury





## **KWAZULU-NATAL PROVINCE**

**TREASURY**  
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### **4. CONCLUSION**

Municipalities must take note of the key non-compliance areas, weakness and common errors highlighted by Provincial Treasury from the assessments of the 2023/24 Tabled and Approved Budgets which should be addressed (where applicable) when preparing their 2023/24 Adjustments Budgets and the 2024/25 MTREF Budgets. Furthermore, municipalities that have unfunded 2023/24 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.

Yours sincerely

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**Ms. C. Coetzee**  
**Head of Department**  
**KZN Provincial Treasury**

**CC Ms. N. P. Nkonyeni – KZN MEC for Finance**  
**Mayors**  
**Administrators**