



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 06 OF 2023/24

PREPARATION, SUBMISSION AND PUBLICATION OF THE 2024/25 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 2024/25 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 2024/25 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 the views of Provincial Treasury on the 2024/25 MTREF Budget and that Provincial Treasury intends to engage all delegated municipalities on Provincial Treasury's findings during the assessment of the 2024/25 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 2024/25 MTREF Budgets are expected to include as per the requirements of the MBRR, refer to **Annexure C**;



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- Inform municipalities of the tabling and approval requirements for the 2024/25 MTREF Budget as well as the timelines for the tabling and approval of the 2024/25 MTREF Budget, non-compliance with legislated budget approval timelines and the consequences of not approving an Annual Budget by the start of the financial year i.e. 01 July 2024;
- Alert municipalities of the 2024 Division of Revenue Bill (DoRB) reflecting the allocations from National Government for consideration and incorporation into the municipalities' budgets for the 2024/25 MTREF; and
- Remind municipalities of the areas of weakness and common errors noted by Provincial and National Treasuries in previous budget assessments, with the intention for municipalities to address these weaknesses and errors (where applicable) in their 2024/25 MTREF Budgets.

This circular complements MFMA Circular No. 126 dated 07 December 2023 on the 2024/25 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 2024/25 MTREF Budgets;
- B. Format Requirements for the 2024/25 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 2024/25 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 2024/25 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 2024/25 MTREF Budget process;
- P. Technical Assistance on the 2024/25 MTREF Budgets;
- Q. Engagement with municipalities on the 2024/25 MTREF Tabled Budgets; and
- R. Municipal Budget submission process.

Municipalities are reminded to refer to the annual budget circulars of the previous years issued by both National and the Provincial Treasuries for guidance in areas of the budget preparation that are not covered in this circular.



A. Preparation of the 2024/25 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 2024/25 MTREF Budgets.

Municipal Standard Chart of Accounts (mSCOA)

All municipalities **must** prepare their 2024/25 MTREF Budgets using the budget modules of their **Enterprise Resource Planning** (ERP) systems, generate their financial and non-financial data strings and produce the Schedule A1 directly from the ERP system as per the guidance provided in MFMA Circular No. 98 and re-iterated in the current MFMA Circular No. 126. The manual preparation of these documents outside the ERP system is not allowed in terms of the mSCOA Regulations. The ERP 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 National Treasury GoMuni Upload Portal;
- Lock down the budget adopted by Council on the core municipal financial system before submitting the budget data strings to the National Treasury GoMuni Upload Portal;
- Close the core financial system at month-end before submitting the monthly data strings to the National Treasury 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 results in inaccurate and incomplete information being produced from the municipalities' ERP 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 the current MFMA Circular No. 126, if a municipality has not achieved the required level of implementation with regards to the mSCOA Regulations, the municipality must develop and implement a road map (action plan) to fast track the implementation of mSCOA and it should detail action steps, assign responsibilities, and specify time frames to address the implementation gap which must be submitted to the National and Provincial Treasuries. The focus areas that should be considered (at a minimum), as applicable to the municipality when developing the road map are:

- 1) **ICT Architecture** - which includes the hardware, servers, software, licences required to run the ERP management systems.
- 2) **Governance and Institutional Requirements** - which includes:
 - A functioning *mSCOA* steering committee or equivalent structure to monitor and report on progress against the road map. This committee consist of the heads of all business units and meet regularly (at least quarterly).
 - Regular reporting on *mSCOA* implementation to Management and Executive Committees and Council.
 - Appointment of a *mSCOA* champion to drive the *mSCOA* implementation at the municipality.
 - Appointment of a suitably qualified System Administrator.



- The development and adoption of the required IT policies and securities.
- Establishment of data back-up and disaster recovery procedures.

3) **System Functionality** - which includes:

- The ERP modules and 3rd party systems used. These must give effect to the minimum business processes and system requirements specified in MFMA Circular No. 80. Municipalities must budget adequately to procure the required functionality and upgrade to the mSCOA enabling version of the ERP.
- Seamless and full integration of data in the ERP system, including 3rd party systems used by the municipality and its entities. The ERP system vendor sets the requirements for the integration.

4) **User Proficiency and Training**

- The relevant municipal officials and interns must be sufficiently capacitated on the SCOA chart, basic accounting, balance sheet budgeting and movement accounting and all system modules and functionalities to use the ERP systems solution. Consideration should be given to training, the establishment of User Support Groups and the availability of user manuals on the system.
- Change management initiatives to ensure that mSCOA is institutionalised as an organisational reform and not only a financial reform.

MFMA Circular No. 126 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 2024/25 MTREF Budget. Municipalities will be required to upload their updated mSCOA road maps in a PDF file on the National Treasury GoMuni Upload Portal as part of their 2024/25 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 2024/25 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 2024/25 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 Provincial Treasury's assessment 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. 126, all municipalities must prepare their 2024/25 MTREF Tabled and Adopted budgets using the **Schedule A1 Version 6.8 aligned to the mSCOA Project Summary Document 6.8**. **ALL** municipalities **MUST** prepare their 2024/25 MTREF Budgets in their ERP systems and extract their Schedule A1 directly from their ERP 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 6.8 is not allowed in terms of the mSCOA Regulations. The Excel version of the Schedule A1 released with MFMA Circular No. 126 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 6.8 for illustrative purposes only.**

The revised MBRR Schedules for the 2024/25 MTREF (Schedule A1 Version 6.8) 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 Original (Approved) Budget data string (ORGB) respectively to the National Treasury GoMuni Upload Portal.



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National Treasury has released Version 6.8 of the mSCOA Chart with linkages to the financial and non-financial data strings to be used for the compilation of the 2024/25 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 2024/25 MTREF Budgets are tabled in Council on or before 31 March 2024 which must include all the information as set out in Schedule A1 Version 6.8 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 which 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 126 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 National Treasury 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 National Treasury 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 was clarified in MFMA Circular No. 122 that the municipalities' Tabled Budget data strings (TABB) and Original 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 National Treasury GoMuni Upload Portal.

MFMA Circular No. 126 highlights that despite the improvements that have been made in some areas, the credibility of mSCOA data strings remains a concern. The credibility of the data strings is affected by the following amongst others:

- municipalities continue to transact against line items without budgets;
- opening balances for the previous year are not transferred in the first month (M01) of the current year;
- cash flow tables (Tables A7, B7 and C7) are still not populating correctly and fully;
- budget and transacting for water inventory are not done correctly; and
- some municipalities do not budget and transact correctly or completely for irrecoverable debt written off and impairment loss as well as the reversal of impairment loss of consumer debtors.



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 2024/25 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.

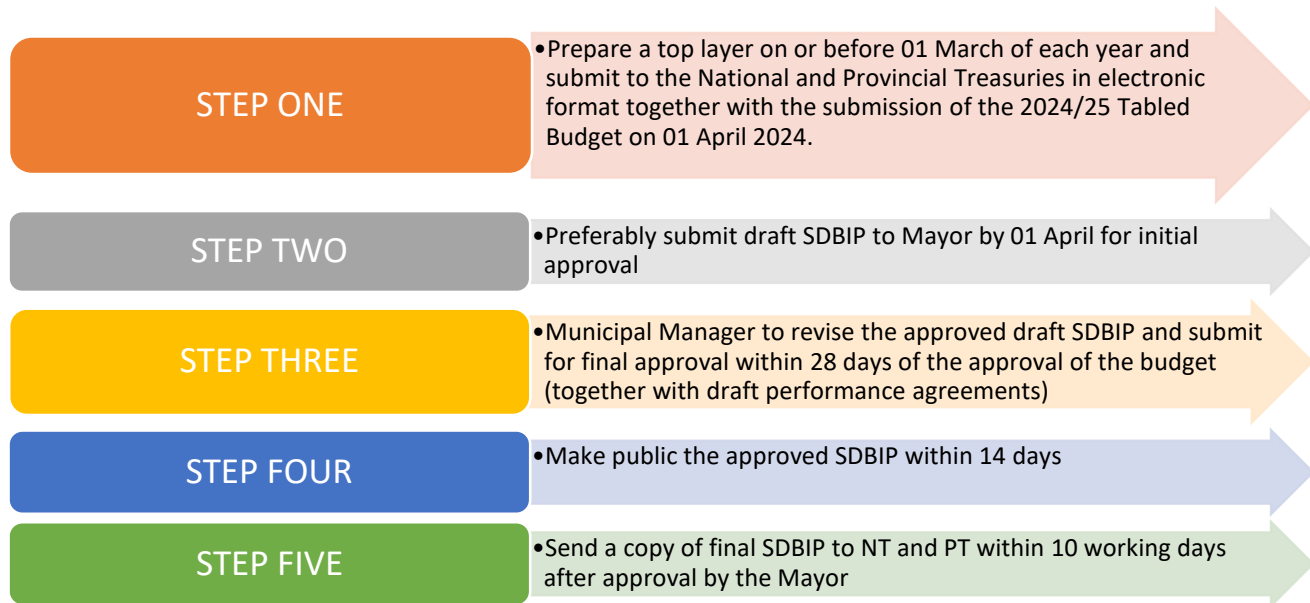
Regulation 20(2)(b) of the MBRR requires that the approved SDBIP be submitted within 10 working days after the Mayor has approved the plan to both the National and Provincial Treasuries. A breakdown of the SDBIP preparation and approval process is shown in Figure 1.



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Figure 1: SDBIP preparation and approval process



Components of an approved SDBIP

Municipalities are required to ensure that the SDBIP contains the following five 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 2024 DoRB, respectively.

The official Provincial Gazette of Transfers and the 2024 DoRB will be forwarded to all municipalities in the province once it is finalised and available.

In the interim, as per MFMA Circular No. 126, municipalities are kindly advised to utilise the indicative numbers that were presented in the 2023 Division of Revenue Act when developing their 2024/25 MTREF calculations and in terms of the outer year allocations (2026/27 financial year), it is also proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2023 Division of Revenue Act for 2024/25. The Division of Revenue Bill, 2023, which includes the annexures outlining allocations to each municipality is available at:

<http://www.treasury.gov.za/documents/national%20budget/2023/default.aspx>

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 2024/25 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 2024/25 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 Section 16(2) and 24(1) of the MFMA with regards to the tabling and approval of the 2024/25 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 2024/25 MTREF budget by 31 March 2024

As per Section 16(2) of the MFMA, the 2024/25 Annual Budget must be tabled in Council by 31 March 2024. 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 2024, 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 D**) must be made by the Mayor of the municipality to the MEC for Finance before 31 March 2024. Similarly, if the Mayor of the municipality becomes aware of any actual non-compliance with regards to the tabling of the Annual Budget by 31 March 2024, 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 2024/25 Annual Budget by 31 May 2024

As per Section 24(1) of the MFMA, the municipal Council must consider the approval of the 2024/25 Annual Budget by 31 May 2024. Thus, if the Mayor of the municipality becomes aware of any impending non-compliance with regards to the consideration of the approval of the 2024/25 Annual Budget by 31 May 2024, 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 2024. Similarly, if the Mayor of the municipality becomes aware of any actual non-compliance with regards to the consideration of the approval of the 2024/25 Annual Budget by 31 May 2024, 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 2024/25 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 consequence of **NOT** tabling and approving the 2024/25 Annual Budget before that start of the Budget year in terms of Section 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, which 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 Circular 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 per MFMA Circular No. 126, the 44 municipalities that bill revenue from Property rates in the province are requested to submit the reconciliations of their Valuation roll data/ Part A register to their billing systems (a detailed action plan must accompany the reconciliation where variances are noted) for the 2024/25 financial year on a quarterly basis by no later than the 10th working day after the end of the quarter 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 National Treasury GoMuni Upload Portal at https://lg.treasury.gov.za/ibi_apps/signin. 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.

Provincial Treasury (PT)

Electronic copies of the required documents must be e-mailed to 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.

As per MFMA Circular No. 126, municipalities must ensure that when tariffs are designed, the capital repayment of loans are also included in the cost to determine the tariff. In addition, they must ensure that the consumption charges for services are only based on consumption and all other variable costs.



Therefore, fixed costs such as salary and wages, etc. should be covered by a fixed charge. During the budgeting process, provision must be made for revenue to be generated by the tariffs levied for services to address the maintenance of infrastructure.

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. 126, municipalities are required to upload their updated Fixed asset register in a PDF file to the National Treasury GoMuni Upload Portal as part of their 2024/25 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 2024/25 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.*



Municipalities are encouraged to prepare a surplus budget to avoid placing the municipality's resources in financial difficulties. As per MFMA Circular No. 126, the adoption of a credible budget starts with the preparation of a surplus budget. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have. **With effect from 1 July 2024, all municipal Councils are advised not to approve a deficit budget and as such, Mayors who table budgets to Council must be aware of the implications of a deficit budget.**

Accounting Officers and their Chief Financial Officers are responsible for preparing budgets and accordingly **are tasked with ensuring that the Mayor is guarded against submitting a deficit budget to Council for adoption.** Failure thereof may result in Councils implementing Section 171 of the MFMA to both the Accounting Officer and Chief Financial Officer.

National Treasury emphasised in MFMA Circular No. 126 that municipalities must not adopt an unfunded budget. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their MTREF Budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates. Municipalities are encouraged to limit expenditure according to the anticipated revenue projections. Should their collection rate improve during the financial year, municipalities may bring back initial expenditure items omitted in the Adjustments Budget. **Municipalities should note that the Office of the Auditor General will soon start auditing those municipalities that have tabled and adopted unfunded budgets over an extended period given that this practice is not only illegal but also compromises financial sustainability.**

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.

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 2023/24 financial year. The remaining 8 (eight) 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.



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Provincial Treasury therefore does NOT support an unfunded budget. Likewise, as in the 2023/24 Budget assessment process, all the 2024/25 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, 122 and 126. Municipalities that find it difficult to table a funded and sustainable budget should contact their designated Provincial Treasury Budget Analyst for assistance.

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 National Treasury 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 2024/25 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 2024/25 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 target 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 and No. 123 highlights the revised concessions that were 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, including the Eskom Municipal Debt Relief programme.

MFMA Circular No. 126 further advises municipalities on the Voluntary restriction of notified maximum demand (NMD) process that was agreed to between Eskom and National Treasury and should any municipality with the electricity function not be able to maintain its Eskom bulk account, it is strongly urged to make an application to the National Treasury for such a voluntary restriction of its NMD by Eskom. The application must include a council resolution to the effect that Council approves and agrees to such a voluntary restriction and the effective date thereof. National Treasury will then make an application to Eskom for this purpose.

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 and No. 123 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. 89 and subsequent 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. 126 to table these plans together with their 2024/25 Annual Budgets for approval by Council, the changes to the budget must be effected in the mid-year adjustments budget to ensure compliance with Section 18 of the MFMA and the Budget funding plan must show progressive improvement in the funding of the budget.

Provincial Treasury released Circular PT/MF 04 of 2023/24 dated 12 September 2023 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 2022/23 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.

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 this regard, National Treasury has listed in MFMA Circular No. 122 and No 123, various criteria for the release of the Equitable Share instalments. Municipalities are urged to take note of the full list of criteria contained in MFMA Circular No. 122 and No. 123 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 2024/25 financial year.

O. Common findings in prior years for consideration in the 2024/25 MTREF Municipal Budget Process

The following are areas of weaknesses and common mistakes identified by both the Provincial and National Treasuries in prior years and should be considered and addressed (where applicable) when preparing the 2024/25 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.

1. 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.
2. 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.
3. 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.
4. 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.

5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. 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.



11. 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.
12. 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.
13. 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.
14. 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.
15. 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.
16. 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).
17. 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.



18. 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.
19. 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.
20. 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*.
21. 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*.
22. 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.
23. 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.
24. In instances where municipalities had financed their capital programmes through *Borrowings*, some municipalities did not submit sufficient supporting documents such as the projected amortisation schedules and as a result, Provincial Treasury could not assess the reasonableness of their budgeted *Finance charges and Repayment of borrowings*.

P. Technical assistance on the 2024/25 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 2024/25 MTREF Tabled Budgets

Provincial Treasury requested municipalities in Provincial Treasury Circular PT/MF 02 of 2023/24 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 2024 where Provincial Treasury intends to constructively engage with the municipality's senior management on the critical matters to be raised on their 2024/25 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 our 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 criteria 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 2024/25 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 2024/25 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 2024**, the final date for the submission of **the electronic budget documents and corresponding mSCOA data strings is Tuesday, 02 April 2024.**

All the delegated municipalities in the province are urged to submit their 2024/25 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 (this is despite the requirements of Section 24(3) of the MFMA read together with Regulation 20(1) of the MBRR as this will assist in verifying whether the errors identified in the TABB have been corrected in the ORGB before the adopted budget is locked on the financial system and the ORGB data string is generated). For example, if the Council approves the Annual Budget on **31 May 2024**, the electronic Approved Budget



documentation and corresponding data strings must be submitted on **Monday, 03 June 2024**. 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 2024/25 MTREF:

- The budget documentation as set out in the MBRR Schedule A (**Annexure C**) **read together with MFMA Circular No. 126 (Annexure B)**. 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 and Approved) in the format published with Version 6.8 of the A1 schedule;
- The Council Resolution for the Tabled and Approved Budgets;
- The Signed Quality Certificate as prescribed in the MBRR for the Tabled and Adopted Budgets;
- The draft and approved IDP;
- The draft and approved SDBIP;
- Signed Quality certificate as prescribed in the MBRR for the Tabled and Adopted Budgets;
- A Budget locking certificate immediately at the start of the new municipal financial year on 01 July 2024;
- Signed repayment arrangements entered into with Eskom and/or a Water Board;
- The draft and approved Spatial Development Framework;
- The draft and approved Long Term Financial Strategies;
- The draft and approved Service standards;
- The draft and approved Rates Billing List;
- The draft and approved Tariff List;
- The draft and approved Property Rates and Tariffs List;
- The draft and approved Policies on:
 - Property Rates and Service charges
 - Borrowing
 - Budget Implementation and Management
 - Cash Management and Investment
 - Credit Control and Debt Collection
 - Funding and Reserves
 - Indigents
 - Long-term Financial Planning
 - Management and Disposal of Assets



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- Infrastructure Investment and Capital Projects
- Supply Chain Management
- The draft and approved mSCOA Road Map;
- The draft and approved Fixed Asset Register;
- A credible draft and approved Budget funding plan (where applicable);
- The draft and approved Indigent Register;
- The draft and approved General Valuation Roll (GVR) to the billing system;
- A Schedule D specific for entities; and
- The draft and approved Tariff Tool in Excel format.

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 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 National Treasury GoMuni Upload Portal at: https://lq.treasury.gov.za/ibi_apps/signin.



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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.

Yours sincerely

Ms. C. Coetzee

Head of Department: KZN Provincial Treasury

CC Mayors

Deputy Mayors

Speakers

Ministerial Representatives

Mr. J. Hattingh – National Treasury

Mr. T. V. Pillay – National Treasury

Ms. N. Mkhize – Auditor-General (KZN)

Annexure A

2024/25 Budget Preparation Process Checklist					
Kindly note that the processes highlighted in this document are not exhaustive, they are only provided as a guidance and can therefore be enhanced where appropriate					
No.	Process	Status (where applicable)			
		Commenced	Progress (Please provide a copy of the progress report)	Finalised (Please provide a copy of the final report)	Not done
1	The municipality must ensure the following regarding the Preparation of 2024/25 MTREF Budget				
1.1	That there is sufficient consultation process of the IDP and Budget including with sector departments and other stakeholders such as Rates Payers' Associations.				
1.2	The Valuation Roll is updated and captured on the Financial System.				
1.3	Updated Valuation roll should be used to budget for Property rates revenue and Service charges				
1.4	The review of the following budget related policies: > Tariffs > Rates > Credit control and debt collection > Cash management and investment > Borrowing > Funding and reserves > Long-term financial plan > Supply chain management > Management and disposal of assets > Infrastructure investment and capital projects > Indigents > Free basic services > Budget implementation and monitoring > Personnel > Managing electricity and water > Any other budget related or financial management > Cost containment management > Municipal entities > Draft Service Delivery and Budget Implementation Plans (SDBIP)				
1.5	That the MFMA Budget Circulars from National and Provincial Treasuries are considered in the preparation of the Tabled and Approved 2024/25 MTREF Budget.				
1.6	The receipt of 2024 DoRA and Provincial Gazette to ensure that all allocations are correctly considered in the Tabled 2024/25 MTREF budget.				
1.7	That the Audited Outcome figures for the 2020/21, 2021/22 and 2022/23 financial years in Schedule A1 agree to the Audited AFS (and where applicable, restated figures)				
1.8	That the budget amounts in Tables A7 and A8 are funded as per guideline of Section 18 of MFMA Circular No. 55 and other subsequent MFMA Circulars.				
1.9	That the Surplus/Deficit amounts in Table A4 reconcile to the amount captured in Tables A2 and A3.				
1.10	That municipalities providing water services must budget for water as inventory in Table A6 and NOT as an expense for Water bulk purchases in Table A4.				
1.11	That the Trading Services are self-supporting (are not operating at a deficit).				
1.12	All budget tables and schedules must be fully completed. NB: All Municipal HODs to assist CFO in providing information relating to supporting tables to ensure full completion of tables including Non-Financial info. e.g. in Tables A5, A9, A10, SA4, SA5, SA6, SA7, SA9).				
1.13	That there is sufficient provision for debt impairment.				
1.14	That the budget for <i>Renewal of existing assets</i> over the MTREF is separately reflected as per the budget format and is sufficient (at least 40 percent of the capital budget - Refer to MFMA Circular 55)				
1.15	That the municipality budget properly and sufficiently for Depreciation and Debt Impairment, and not budgeting for unrealistic low amounts under these items for the sake of balancing the budget or avoiding deficits on the operating budget expenditure due to these items.				
1.16	That the Tabled 2024/25 SDBIP is prepared in accordance with MFMA Circular No. 13 of National Treasury.				
1.17	That the Tabled 2024/25 SDBIP is aligned to the IDP and Tabled 2024/25 Budget.				
1.18	That the 2024/25 mSCOA Budget data strings is uploaded to the GoMuni Upload Portal of National Treasury using the electronic submission address indicated under the section of "Municipal Budget Submission Process" in this PT Circular.				
1.19	That the electronic Schedule A1 and all budget documents are sent to Provincial and National Treasuries Tuesday, 02 April 2024 to the respective electronic addresses and in the required format indicated under the section of "Municipal Budget Submission Process" in this PT Circular.				
1.20	That the Tabled 2024/25 SDBIP is timeously submitted to National and Provincial Treasuries together with all budget related documents within 10 working days after tabling for comments.				
1.21	That the planned budgeting for performance bonuses for Senior Management is in line with the maximum prescribed in the Local Government Performance Regulations.				
1.22	That the following are also submitted to NT in terms of paragraph 4.4 of MFMA Circular 51, when budgeting for renovation and fencing of office buildings: > A motivation as to why the proposed new office building is necessary; > A detailed costing of the proposed new office building; > An outline of how the project is to be financed; and > An overview of the service delivery infrastructure backlogs in the municipality > The above information must be sent to Jan Hattingh (email: jan.hattingh@treasury.gov.za)				

No.	Process	Status (where applicable)			
		Commenced	Progress (Please provide a copy of the progress report)	Finalised (Please provide a copy of the final report)	Not done
1.23	The 2024/25 Tabled Budget and all related documents must be submitted to National and Provincial Treasuries within the prescribed time frame as per MFMA Circular No. 126.				
1.24	For the municipalities with the municipal entities, the municipality must ensure that the consolidated 2024/25 Tabled Budget is prepared and submitted to National and Provincial Treasuries.				
1.25	That there is no budgeting for non-priority items in line with MFMA Circular No. 58, 70 etc.				
2	CASH FUNDING POSITIONS OF THE BUDGET				
2.1	Tables A7 :Budget Cash Flow				
	> Has Table A7 been fully populated?				
	> Have the correct figures been captured in Table A7's Adjusted Budget and Audited Outcome Columns? This is critical to indicate if correct opening balance are being carried over MTREF.				
	> Have correct opening and closing balances of Cash and Cash equivalents been carried over the MTREF period.				
	> Is Cash flow balance on Table A7 positive?				
2.2	Tables A8: Cash backed reserves/accumulated surplus reconciliation				
	> Has Table A8 been fully populated? The table must be fully completed including items such as: Unspent conditional grants, Statutory requirements, Other working capital requirements, Other provisions, etc.				
	> Is Cash balance on Table A8 showing a surplus?				
3	The municipality must ensure the following regarding the tabling and approval of 2024/25 MTREF Budget:				
3.1	That the budget in prescribed format (A1 Schedule ver 6.8), reviewed budget related policies and all other related documents are tabled in line with the budget timetable by 31 May 2024.				
3.2	That the PT's comments on 2024/25 Tabled Budget as well as the municipality's responses to PT comments are also tabled together with 2024/25 MTREF Budget for final approval.				
3.3	That the Approved Budget and all related documents including the SDBIP are placed on municipal websites within 5 days after approval in Council as per MFMA Section 75(2).				
3.4	The Approved Budget and all related documents including the SDBIP and Quality Certificate are submitted to National and Provincial Treasuries within 10 working days after approval as per Regulation 20(1) of the MBRR.				
3.6	As per mSCOA regulations, the municipality is able to budget, transact and report directly on and from their integrated financial system. The municipality must be able to extract Schedules A, B and C directly from the financial system.				
4	Non-Financial Information considerations				
4.1	Ensure that Tables SA9 and SA1 are accurately and completely populated, consider whether: - Only whole numbers have been populated for household figures in Table SA9? - The total number of households are consistent for Water, Sanitation, Electricity and Refuse services regardless of whether the municipality provides the service or not.				
4.2	Information populated in Table SA11 must be consistent with the budget documents and tariff tables, consider whether: -The figures populated in Table SA11 are reasonable in comparison to the description column. -Measurable performance objectives and indicators have been completed.				
4.3	Ensure that the figures populated in Table SA12a are consistent with the required value formats as per description.				
4.4	Ensure that the figures populated in Table SA12b are consistent with the required value formats as per description.				
4.5	Ensure that the figures populated in Table SA13a are consistent with the rate randage in the budget documents and tariff tables.				
4.6	Ensure that the figures in table SA14 have been completed based on ONE household for small, medium and large household. During the completion of the table, the following should also be considered: -Is the figure quoted for Middle income range not smaller than affordable range for all tariff categories? If this is the case the figures must be checked for accuracy. -Is the figure quoted for Indigent income range not smaller than Middle income range for all tariff categories? If this is the case the figures must be checked for accuracy.				
4.7	Verify whether the cost totals populated in Table SA22 for senior management, employees and councillors are consistent with the A4 cost totals for Employee cost and Remuneration of councillors.				
4.8	Consider the following during the completion of Table SA23: -Are the cost totals populated for senior management in Table SA23 consistent with the cost totals populated in Table SA22? -Are the costs totals populated for Councillors in Table SA23 consistent with the cost totals populated in Table SA22?				

No.	Process	Status (where applicable)			
		Commenced	Progress (Please provide a copy of the progress report)	Finalised (Please provide a copy of the final report)	Not done
	-Are the basic salaries for Municipal Manager and Chief Financial Officer reasonable in comparison to prior year audited AFS?				
	-Does the municipality have a municipal entity, if so was the municipal entity portion of Table SA23 populated?				
4.9	Is the head count as populated on Table SA24 realistic when compared with the salaries reported on Table SA22?				
4.10	Verify whether the total of all months in Table SA25 corresponds to the total revenue and expenditure on Table A4, also consider whether:				
	-There are any abnormal (either abnormally large or negative) figures calculated for June in Table SA25 in order to balance the annual total in Table SA25 with the total in Table A4. If these figures exist the municipality should investigate the accuracy of the figures populated.				
4.11	Verify whether the total of all months in Table SA27 corresponds to the total revenue and expenditure on Table A4, also consider whether:				
	-There are any abnormal (either abnormally large or negative) figures calculated for June in Table SA27 in order to balance the annual total in Table SA27 with the total in Table A4. If these figures exist the municipality should investigate the accuracy of the figures populated.				
4.12	Verify whether the total of all months in Table SA29 corresponds to the total revenue and expenditure on Table A5, also consider whether:				
	-There are any abnormal (either abnormally large or negative) figures calculated for June in Table SA29 in order to balance the annual total in Table SA29 with the total in Table A5. If these figures exist the municipality should investigate the accuracy of the figures populated.				
4.13	Verify whether the GPS coordinates (in decimal) have been captured for all projects in Table SA36, furthermore consider whether:				
	-All projects have all the required details (GPS co-ordinates, program description, new or renewal) populated for each project?				
	-All projects included in the budget align to all projects listed in the mSCOA datastrings submitted for TABB and ORGB?				
	-The Capital expenditure total in Table SA36 agrees to the capital expenditure total on Table A5?				
4.14	Verify whether all projects which require inclusion in Table SA37 have been included in Table SA37.				

Annexure B

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

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

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

Annexure C

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

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

PART 1 – ANNUAL BUDGET

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

PART 2 – SUPPORTING DOCUMENTATION

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

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

SCHEDULE G

EXTENSIONS AND NON-COMPLIANCE WITH TIME PROVISIONS

APPLICATION FOR EXTENSION TO THE BUDGET PROCESS			
<i>Note: The application must be submitted to the MEC for finance by no later than 15 March</i>			
Name	of		
Municipality:			
1. State the relevant section of the Act and regulation for which extension is being applied.			
2. State the revised completion date the extension is required.			
<i>Processes</i>	<i>Legislated date</i>	<i>Number of days</i>	<i>Proposed Extension Date</i>
3. State how the proposed extension will affect the remaining legislated process and how compliance will be achieved with other MFMA timelines			
4. State the underlying reasons why an extension to a legislated timeframe is being requested. If the extension is requested for budget timeline extension, attach the municipalities approved time schedule including the dates that earlier processes have been undertaken.			
5. Detail the action plan that has been instituted to address the reasons for the legislated timeframe not being met.			
<i>Reasons for delay</i>	<i>Action Plans to resolve</i>		
6. Detail what corrective action has been or will be put in place to prevent a recurrence in future years.			
<i>Reasons for delay</i>	<i>Action Plans to resolve</i>		

7. Has an application for an extension to a timeframe been made previously	
<i>Date of application</i>	<i>State whether application approved or not approved</i>

Declaration:

I, _____ hereby declare that: (Name)

1. The information submitted above is, to the best of my knowledge, accurate.
2. A copy of this application will be tabled at the next meeting of the Municipal Council subsequent to the submission of this application.

SIGNED:**DATE:**

Mayor

CONTACT DETAILS:

Mayor' Office Contact Details			
Name of contact person:			
Telephone:	Code ()	Fax:	
Municipal Manager Contact Details			
Name:			
Telephone:	Code ()	Fax:	
Municipality's Postal Address			
Postal Code			