



Reference: RCS/C.5

TREASURY CIRCULAR MUN NO. 13/2018

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THE MAYOR, MATZIKAMA MUNICIPALITY: MS G STEPHAN
THE MAYOR, CEDERBERG MUNICIPALITY: MR J BARNARD
THE MAYOR, BERGRIVIER MUNICIPALITY: MR EB MANUEL
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR M KOEN
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: DR H VON SCHLICHT
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THE MAYOR, STELLENBOSCH MUNICIPALITY: ADV G VAN DEVENTER
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THE MAYOR, MOSSEL BAY MUNICIPALITY: MR HJ LEVENDAL
THE MAYOR, GEORGE MUNICIPALITY: MR MG NAIK
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MUNICIPAL BUDGET CIRCULAR FOR THE 2018/19 MTREF

1. PURPOSE

- 1.1 The purpose of this Circular is to brief municipalities on the 2018 Local Government Medium Term Expenditure Committee Process (i.e. LG MTEC) and related matters.

2. LEGISLATIVE CONTEXT

- 2.1 The Western Cape Provincial Government has institutionalised the LG MTEC process in fulfilment of its obligations under:

- Sections 5, 22 and 23 of the Local Government: Municipal Finance Management Act (MFMA), Act No. 56 of 2003; and
- Chapter 5 of the Local Government: Municipal Systems Act (Act No. 32 of 2000) [MSA].

- 2.2 The 2018 process will build on the successes of previous engagements in order to strengthen the alignment between municipal and provincial planning and budgeting and reinforce the theme of municipal sustainability for the current 4th Generation Integrated Development Planning Cycle.

3. AN INTEGRATED APPROACH TO PLANNING AND BUDGETING

- 3.1 Cognisance should be taken of recent political developments and the associated change in national priorities which will subsequently impact upon the short-term municipal planning and budgeting efforts as well as the medium-term growth and development outlook of local government.

- 3.2 Current economic pressures as well as resource, capacity and governance constraints impact upon the ability of local government to provide basic services and to improve the overall quality of life of its citizens. Despite municipalities making significant progress to address such challenges, there is an increased acknowledgement that true service delivery excellence can only be achieved through integrated development planning, considered decision-making and appropriate policy responses by all spheres of government.

- 3.3 In support of this notion, the Western Cape Government's Provincial Strategic Plan promotes an integrated management approach to better align provincial and local government policy, planning, budgeting and implementation, while supporting the spatial and local context. This alignment is formalised through a structured workplan which was formally adopted by Provincial Top Management and Municipal Managers in August 2017. The 2017/18 Integrated Workplan, which specifically gives

effect to the concept of *partnerships* (a prominent feature of Provincial Strategic Goal 5) synchronises key processes within the Western Cape Government by strengthening joint planning, co-ordination, collaboration and coherence across sector departments, municipalities and national organs of state.

- 3.4 The Integrated Workplan aims to improve the self-sufficiency of local government entities by focussing on the governance, economic and financial elements associated with municipal sustainability and better coordinated planning, budgeting and governance processes. Practical effect is given to this envisaged outcome through strategic and technical engagements.
- 3.5 The Strategic Integrated Municipal Engagements (SIME) were held in October/November 2017 and served as a platform to discuss strategic issues affecting all municipalities (eg. water security and its impact on the economy, socio-economic analysis and infrastructure for economic development) as well as district specific emerging issues. The SIME was followed by the recent Technical Integrated Municipal Engagements (TIME) in February 2018. The TIME brings together officials to discuss strategic risks, governance and performance challenges confronting a municipality. The TIME aims to promote excellence in municipal governance practices and to support the long term sustainability of local government.
- 3.6 LG MTEC will take place in April/May and therefore precedes the implementation of municipal budgets. The engagement provides provincial government the opportunity to assess the municipality's planning efforts for the upcoming budget year. Similar to the National Treasury Benchmarking Exercise, LG MTEC serves as a holistic process that measures the extent to which strategic planning and budgeting is credible, sustainable and responsive/relevant.
- 3.7 The key theme for the 2018 LG MTEC process will be ***municipal sustainability***. Sub-themes will include, economic growth and development, drought management, waste management and partnerships. The main issues influencing municipal sustainability include, amongst others:
 - Constrained growth at national level directly impacts upon the fiscal envelope of the Province. Dwindling revenue expectations and stricter fiscal consolidation measures have resulted in baseline reduction across the three spheres of government. Low economic growth and tight fiscal environment impacting directly on municipal revenue.
 - Risks associated with infrastructure delivery include reductions in grant funding, bulk infrastructure shortfalls, maintenance backlogs and the shortage of professional staff, particularly infrastructure posts.

- The severe and prolonged drought in large parts of the Western Cape, which has now been declared a national disaster.
- Service delivery pressures due to high levels of unemployment, poverty and migratory patterns.

3.8 The aforementioned issues and key service delivery and budgetary risks from the current constrained fiscal environment need to be taken into account in finalising the 2018/19 MTREF budget. Municipalities are therefore encouraged to:

- Conform to relevant laws and regulations in support of service delivery performance.
- Adopt a more conservative approach in estimating municipal revenue and apply stricter indigent relief to target the most deserved.
- Become more efficient in the collection of revenue.
- Ensure that investments reflect good value for money, minimize costs of service delivery, and tariffs are cost reflective.
- Leverage on alternative technologies in the provision of electricity and water, minimise energy expenses through energy saving measures; reduce water and electricity losses, improve billing systems and ensure repairs and maintenance of infrastructure are done on a regular basis.
- Ensure greater sustainability of basic service delivery through spending on maintenance and renewal of infrastructure underpinning the delivery of basic services.
- Improve the quality of human capital in municipalities to build a capable state as required in terms of South Africa's 2030 National Development Plan.
- Fast-track service delivery objectives within affordable revenue and expenditure parameters.
- Invest more of their own resources, offsetting some of the impact of reductions to infrastructure grants, while building partnerships with the private sector for infrastructure delivery over the period ahead.
- Maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households while ensuring the sustainability of the municipality.

4. MUNICIPAL BUDGET PROCESS

4.1 Non-compliance with the provisions of Chapter 4 of the MFMA

- As per section 27 of the MFMA, the mayor of a municipality must inform the MEC for Finance in writing of any impending non-compliance with the provisions of the MFMA or any other legislation pertaining to the tabling or approval of an annual budget or compulsory consultation processes.
- If the impending non-compliance pertains to a time provision, except section 16(1) of the MFMA, the mayor may apply to the MEC for Finance for an extension, which should reach the MEC for Finance in writing by 15 March 2018 in accordance with Schedule G of the Municipal Budget and Reporting Regulations. It is recorded that no such applications were submitted to the MEC for Finance by the regulated date.

4.2 Municipal Budget Day

- According to sections 16(2) and 17(3)(d) of the MFMA, the Mayor of a municipality must table the annual budget at a council meeting at least 90 days (i.e. by 31 March each year) before the start of the budget year.
- It is important to note there is no explicit requirement for council to endorse or approve the tabled budget or reviewed or amended IDP tabled by the mayor for public participation. The municipal council only has the legal authority to consider a tabled budget and reviewed/ amended IDP after the completion of one or more public participation processes undertaken pursuant to section 22, read with section 23 of the MFMA. Council will only consider for approval “the product of an inclusive budget preparation and consultative process” when the proposed annual budget (as amended, if applicable) is placed before council in terms of section 24(1) of the MFMA.
- Given that the preparation, consultation, adoption and implementation of a municipality’s annual budget is inextricably linked to, and must be substantially aligned to and informed by the contents of that municipality’s IDP, it would be procedurally flawed by the mayor to proceed with the tabling of the proposed annual budget (and commence with public participation process required in terms of section 22 of the MFMA) at a time when the annual review and/ or revision of the municipality’s IDP has not been completed.
- If a municipality has failed to complete the relevant processes applicable to review and revision of the annual budget and IDP in time for the deadline applicable to the tabling of the proposed annual budget (i.e. 31 March), the

mayor should submit an application for an extension of the said deadline to MEC for Finance as outlined in paragraph 4.1 above.

- Municipalities are kindly requested to indicate any changes to the confirmed tabling dates as per **Appendix A** with the Provincial Treasury as it is crucial for the collection of the budget documentation and the assessment process leading up to the LG MTEC engagements. Municipalities are requested to indicate any changes to the confirmed tabling dates to Tania.Bosser@westerncape.gov.za by **20 March 2018**.
- It is important to note that although National Treasury has granted municipalities up to 3 and 6 April 2018 to submit the electronic and hard copies of the budget documentation, Provincial Treasury requires these documents on the tabling date of the budget documentation to fulfil its responsibilities in terms of section 5 of the MFMA.

4.3 **Adoption of Municipal Budgets**

- According to section 24(1) of the MFMA, the Municipal Council must at least 30 days before the start of the budget year (by 31 May each year) consider approval of the annual budget and any changes to the municipality's IDP.
- Furthermore, an annual budget must be approved by the Municipal Council before the start of the budget year (1 July each year) in line with section 24(2) of the MFMA. Failure to approve an annual budget by the start of the financial year will result in the Provincial Executive having to intervene in terms of section 139(4) of the Constitution.

4.4 **Failure to Approve Budget Before the Start of Budget Year**

- In the event that an annual budget is not approved, section 25 of the MFMA states that: (1) If the municipality failed 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 an amended version thereof within seven (7) days of the council meeting that failed to approve the budget. (2) The process provided for in subsection (1) must be repeated until a budget, including revenue-raising measures necessary to give effect to budget, is approved. (3) If a municipality has not approved an annual budget, including revenue-raising measures necessary to give effect to the budget, by the first day (1 July) of the budget year, the mayor must immediately comply with section 55 of the MFMA.
- It is important to note that the process outlined in section 25(2) does not extend beyond 30 June each year.

- Upon failing to approve the budget by the first day (i.e. 1 July) of the applicable budget year, the mayor must, in terms of section 55, immediately report the matter to the MEC for local government in that province and may recommend to the MEC appropriate provincial interventions in terms of section 139 of the Constitution.
- In terms of section 26(1) of the MFMA, failure to adopt an annual budget by the start of the applicable budget year, the provincial executive, must intervene in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget (or the revenue-raising measures) are approved. Intervening actions may include dissolving the council, appointing an administrator until a newly elected council has been declared elected, and/or approving a temporary budget to ensure the continued functioning of the budget.

5. NATIONAL AND PROVINCIAL TREASURY GUIDELINES

- 5.1 Municipalities are advised to include the National and Provincial Treasury Budget Circulars as part of the source documents consulted in the preparation of the 2018/19 MTREF Budget documents and to table it as part of the budget documentation in the Municipal Council.
- 5.2 Municipalities are advised to consult MFMA Circulars 89 and 91 and incorporate the requirements in preparing its budget documentation. The following are highlights and explanatory notes from MFMA Circular 91:

MFMA Circular 91 Highlights	Circular section
<p><i>The South African economy and inflation targets</i></p> <ul style="list-style-type: none"> • The GDP growth rate is forecasted at 1.5 per cent in 2018, 1.8 per cent in 2019 and 2.1 per cent in 2020. Statistics South Africa's December 2017 economic statistics showed an unexpected improvement in the economic outlook, largely as a result of growth in agriculture and mining. • The main risks to the economic outlook are continued policy uncertainty and deterioration in the finances of state-owned entities. • CPI inflation has been estimated at 5.3 per cent for 2017/18 and 2018/19 respectively and forecasted to increase to 5.4 per cent for 2019/20 and 5.5 per cent for 2020/21. • The current water crisis in the Western Cape and other provinces will have a severe effect on economic growth. As such, the Western Cape growth is estimated to increase to 0.7 per cent in 2017, contracts by 0.3 per cent in 2018 and increases by 2.8 per cent in 2019 - The contraction in 2018 is largely due to the short-term impact of the drought on the agricultural sector. 	Section 1

MFMA Circular 91 Highlights	Circular section
<p><i>Key focus areas for the 2018/19 Budget process</i></p> <p>The key focus areas for the 2018/19 Budget Process are:</p> <p>2.1 The 2017 Medium Term Budget Policy Statement (MTBPS) indicates that reprioritisation and reductions undertaken have affected planned spending for 2018/19.</p> <p>2.2 A total of R13.9 billion has been cut from direct local government grant allocations for the 2018 Medium Term Expenditure Framework (MTEF) period since the 2017 MTBPS was tabled. Indirect Grants to local government have been reduced by an additional R2.2 billion.</p> <p>2.3 The reductions did not affect all conditional grants and not all grants were reduced by the same percentage. The large infrastructure conditional grants were the ones that were affected as this was considered the most practical approach.</p> <p>2.4 The overall impact of reducing this funding affects capital programmes, thus local government's share of the reductions is higher than their share of the division of revenue, given that municipalities receive a number of infrastructure grants. The average reductions over the medium term are 3.5 per cent of local government allocations.</p> <p>2.5 Conditional grant funding targets delivery of national government's service delivery priorities. Thus, it is imperative that municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) in order to access the funding.</p> <p>2.6 The equitable share and the sharing of the general fuel levy constitute additional unconditional funding, of which the equitable share is designed to fund the provision of free basic services to disadvantaged communities.</p> <p>2.7 The total value of conditional grants directly transferred to local government increases from R43.3 billion in 2018/19 to R44.8 billion in 2019/20 and R47.8 billion in 2020/21.</p> <p>2.8 Large municipalities are expected to invest more of their own resources, offsetting some of the impact of reductions to infrastructure grants, while building partnerships with the private sector for infrastructure delivery over the period ahead.</p> <p>2.9 The 2018 Budget provides for R382.8 billion to be transferred directly to local government and a further R21.8 billion allocated to indirect grants for the 2018 MTREF. National Government will provide financial assistance to areas that have been affected by drought to ensure that basic needs are met.</p>	Section 2

MFMA Circular 91 Highlights	Circular section
<p>The revenue budget</p> <p>3.1 Municipalities are urged to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring sustainability of the municipality.</p> <p>3.2 The Consumer Price Index (CPI) inflation is forecasted to be within the upper limit of the 3 to 6 per cent target band; thus municipalities are required to justify all increases in excess of the projected inflation target for 2018/19 in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.</p> <p>3.3 Municipalities should include a detail of their revenue growth assumption for the different service charges in their budget narratives.</p> <p>3.4 The local government sphere confronts tough fiscal choices in the face of financial and institutional difficulties that result in service delivery breakdowns and unpaid bills, thus municipalities can offset these trends by improving own revenue collection, working more efficiently and implementing cost containment measures.</p> <p>3.5 The National Energy Regulator of South Africa (NERSA) published their “Municipal Tariff Guideline Increase, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2018/19 Financial Year” on 28 February 2018. Municipalities are encouraged to download the full guideline document (available at www.nersa.org.za) and study it carefully.</p> <p>3.6 The NERSA document proposes a 6.84 per cent guideline increase for municipal electricity tariffs for 2018/19. This is based on a bulk tariff increase for municipalities of 7.32 per cent.</p> <p>3.7 Municipalities are advised to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability.</p> <p>3.8 Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2018/19 MTREF budget.</p>	Section 3

MFMA Circular 91 Highlights	Circular section
<p>Funding choices and management issued</p> <p>4.1 Employee related costs</p> <p>The Salary and Wage Collective Agreement for the period 01 July 2015 to 31 June 2018 has come to an end. The process is under consultation; therefore, in the absence of other information from the South African Local Government Bargaining Council communication will be provided at a later stage.</p> <p>4.2 Remuneration of councillors</p> <p>Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.</p> <p>Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned.</p>	Section 4
<p>Conditional Grant Transfer to Municipalities</p> <p>5.1 Criteria for the rollover of conditional grants funds</p> <p>Section 22 of the 2017 Division of Revenue Act (DoRA) requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the National Revenue Fund, unless the receiving officer, provincial treasury and transferring national officer proves to the satisfaction of National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.</p> <p>When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 22(2) of the DoRA, municipalities must include the following information with their submission to National Treasury:</p> <ol style="list-style-type: none"> 1. A formal letter, signed by the accounting officer must be addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2017 DoRA; 2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project; 	Section 5

MFMA Circular 91 Highlights	Circular section
<ol style="list-style-type: none"> 3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s): <ol style="list-style-type: none"> a. Proof that the project tender was published and the period for tender submissions closed before 31 March; b. Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or c. Proof of a project tender, appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding; and d. Evidence that all projects linked to an allocation will be fully utilised by 30 June 2019 (attach cash flow projection for the applicable grant). was allocated during the course of the final year of the project. 4. A progress report (also in percentages) on the status of each project's implementation (attach a visible implementation plan); 5. The value of the committed project funding, and the conditional allocation from the funding source; 6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA; 7. Municipalities must not include previous year's unspent conditional grants as a rollover request. Rollover of rollovers will not be considered; 8. An indication of the time-period within which the funds are to be spent if the roll over is approved; and 9. Proof that the Chief Financial Officer and Municipal Manager are permanently appointed. 	

MFMA Circular 91 Highlights	Circular section
<p>5.2 Unspent conditional grant funds for 2017/18</p> <p>The process is to ensure the return of unspent conditional grants for the 2017/18 financial year will be managed in accordance with section 22 of the DoRA. The following practical arrangements will apply:</p> <ul style="list-style-type: none"> • Municipalities must submit their June 2018 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile. • When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2018. These amounts MUST exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately. • If the receiving officer wants to motivate in terms of section 22(2) of the 2017 DoRA that the unspent funds are committed to identifiable projects, the roll over application pack must be submitted to National Treasury by 31 August 2018. <p>National Treasury will not consider any rollover requests that are incomplete or received after this deadline.</p> <ul style="list-style-type: none"> • National Treasury will communicate the unspent conditional grants amount by 05 November 2018. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 19 November 2018. • Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 19 November 2018, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 03 December 2018 equitable share allocation. 	

MFMA Circular 91 Highlights	Circular section
<p><i>The Municipal Budget and Reporting Regulations (MBRR)</i></p> <p>6.1 Impact of VAT increase on tariffs</p> <p>VAT will increase from 14 per cent to 15 per cent from April 2018. In terms of Section 7(4) of Value-Added Tax Act (No. 89 of 1991), the VAT increase takes effect on 1 April. It is a tax increase as a result of tax legislation that municipalities must implement and not an increase of tariffs by municipalities. Section 28(6) of the MFMA is not applicable in this regard. Provincial Treasury will in due course provide clarity regarding the practicalities of implementing the VAT increase. Municipalities are in the interim advised to consult the VAT Increase Guidelines issued by the South African Revenue Service (SARS) as part of MFMA Circular 91.</p> <p>http://www.sars.gov.za/AllDocs/OpsDocs/Guides/LAPD-VAT-G13%20-%20VAT%20Pocket%20Guide%20on%20the%20VAT%20rate%20increase%20on%201%20April%202018%20-%20External%20Guide.pdf</p> <p>6.2 Schedule A - version to be used for the 2018/19 MTREF</p> <ul style="list-style-type: none"> • National Treasury has released Version 6.2 of Schedule A1(Excel Formats) which is aligned to version 6.2 of the mSCOA classification framework. This version must be used by ALL municipalities when compiling their 2018/19 MTREF budget. • Municipalities must prepare their 2018/19 MTREF budgets in their mSCOA financial systems and that the A1 schedule be produced directly from their financial systems. <p>6.3 Assistance with the compilation of budgets</p> <ul style="list-style-type: none"> • Municipalities that experience challenges with respect to compilation of their budget must direct their enquiries to the Provincial Treasury or to National Treasury. • If municipalities did not adhere to the Municipal Budget and Reporting Regulations, they will be required to return to the municipal council and table a complete budget document aligned to the requirements of the Municipal Budget and Reporting Regulations. • Municipalities with municipal entities are reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled: <ul style="list-style-type: none"> o An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats; o An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and o A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats. 	Section 6

MFMA Circular 91 Highlights	Circular section
<p><i>Budget process and submission for the 2018/19 MTREF</i></p> <p>7.1 Budgeting for the audited years on Schedule A (mSCOA)</p> <ul style="list-style-type: none"> • Municipalities must capture the classified audit outcomes for 2014/15 to 2016/17 in version 6.2 of Schedule A when compiling their 2018/19 MTREF budgets. • The amalgamated municipalities must complete the 2016/17 audited years, current year (2017/18) and the 2018/19 MTREF budgets. <p>7.2 Submitting budget documentation and schedules for 2018/19 MTREF</p> <p>To facilitate oversight compliance with Municipal Budget and Reporting Regulations, MUNICIPAL MANAGERS are reminded that:</p> <ul style="list-style-type: none"> • Section 22(b)(i) of the MFMA requires that, immediately after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 29 March 2018, the final date of submission of the electronic budget documents and corresponding electronic returns is Tuesday, 03 April 2018. The deadline for submission of hard copies including council resolution is Friday, 06 April 2018. The Western Cape Provincial Treasury requires both the electronic and hard copies on the tabling day of the budget documentation. • Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury within ten working days after the council has approved the annual budget. If the council only approves the annual budget on 30 June 2018, the final date for such a submission is Friday, 13 July 2018, otherwise an earlier date applies. <p>The municipal manager must submit:</p> <ul style="list-style-type: none"> • The budget documentation as set out in Schedule A (version 6.2) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats; • The draft service delivery and budget implementation plan in both printed and electronic format; • The draft integrated development plan; • The council resolution; • Signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and • Schedules D specific for the entities. 	Section 7

MFMA Circular 91 Highlights	Circular section								
<p>7.3 Electronic and Hard copy submissions</p> <ul style="list-style-type: none"> Municipalities must follow the process of ensuring that their Information and Communication Technology Infrastructure can accommodate official email addresses. For the purpose of the implementation of mSCOA the Local Government Database requires municipalities to update their contact details and provide official email addresses instead of private accounts. NT electronic documents should be submitted to: lgdocuments@treasury.gov.za or if the budget documentation are too large (exceeds 4 MB) via lgbigfiles@gmail.com. PT electronic documents should be submitted to: MFMA.MFMA@westerncape.gov.za or if too large (exceeds 3 MB) must be submitted via the lift server function (http://lift.pgwc.gov.za/). <p><i>How to lift:</i></p> <ol style="list-style-type: none"> Go to the website: http://lift.pgwc.gov.za/ Type in the email address: MFMA.MFMA@westerncape.gov.za Browse to correct file for uploading Press: Submit <ul style="list-style-type: none"> Municipalities are required to submit the signed hard copies of their budget documents and council resolutions to the following addresses: <table data-bbox="475 1160 1209 1317" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">National Treasury</th> <th style="text-align: left;">Provincial Treasury</th> </tr> </thead> <tbody> <tr> <td>Ms Linda Kruger</td> <td>Mr Paul Pienaar</td> </tr> <tr> <td>40 Church Square</td> <td>7 Wale Street, Room 3-50</td> </tr> <tr> <td>Pretoria, 0002</td> <td>Cape Town, 8000</td> </tr> </tbody> </table> Metropolitan municipalities should submit the BEPP to Yasmin.coovadia@treasury.gov.za or if exceeds 4 MB to Yasmin.coovadia@gmail.com. Hardcopies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd Floor, 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001. 	National Treasury	Provincial Treasury	Ms Linda Kruger	Mr Paul Pienaar	40 Church Square	7 Wale Street, Room 3-50	Pretoria, 0002	Cape Town, 8000	Section 7
National Treasury	Provincial Treasury								
Ms Linda Kruger	Mr Paul Pienaar								
40 Church Square	7 Wale Street, Room 3-50								
Pretoria, 0002	Cape Town, 8000								

MFMA Circular 91 Highlights	Circular section
<p>7.4 Budget reform returns to the Local Government Database for publication</p> <ul style="list-style-type: none"> • Municipalities are required to continue to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. All returns are to be sent to lgdatabase@treasury.gov.za. • Municipalities must submit returns for both the draft budget and the final adopted budget as this will assist the National and provincial treasuries with the annual benchmark process. The current electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx • The tabled and adopted budget data strings submitted to the Local Government Database and Reporting system should also be consolidated figures <p>7.5 Upload of the mSCOA budget data strings to the LG upload portal</p> <p>Municipalities must upload the mSCOA data strings for the tabled (TABB) and adopted (ORGB) budget to the upload portal. The budget strings must be accompanied by the IDP project details data strings (PRTA and PROR). The deadline for submission of the MBRR documents are also applicable to the mSCOA data strings as per paragraph 7.2 above.</p> <p>7.6 Publication of budgets on municipal websites</p> <p>In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.</p> <p>All relevant documents mentioned in this circular are available on the National Treasury website: http://mfma.treasury.gov.za/Pages/Default.aspx</p> <p>Municipalities are encouraged to visit it regularly as documents are regularly added/updated on the website.</p>	Section 7

5.3 The Western Cape Provincial Treasury requires the budget documents on the tabling date in order to start with the assessment process. In order to facilitate this, the Provincial Treasury will deploy officials to attend the budget tabling proceedings and collect the tabled budget documentation (inclusive of budget, IDP, SDF, budget related policies and draft SDBIP). It is important for the CFO's office to liaise with the relevant departments for the submission of documents (eg. IDP, SDFs, relevant sector plans) which is not the responsibility of the Chief Financial Officer.

- 5.4 A designated municipal official should ensure that a set of these documents is prepared in both hard (where required) and electronic copy, except for the budget policies which are only required in electronic copy.
- 5.5 The designated official needs to co-sign the accompanying checklist (see **Appendix B**) as confirmation that the set of budget documents have been submitted.

6. LG MTEC ENGAGEMENTS

- 6.1 The LG MTEC engagements are proposed to take place from 24 April 2018 to 10 May 2018. The proposed Schedule of the LG MTEC engagements is attached as **Appendix C**.

Municipalities are kindly requested to confirm if the proposed LG MTEC engagement dates are suitable. In setting up the engagement dates we have had to take into account the public holidays over this period. It will be appreciated if you can confirm suitability of the proposed LG MTEC engagement date (together with the tabling date) in writing to Tania.Bosser@westerncape.gov.za by **20 March 2018**. Your timeous feedback in this regard will greatly assist in finalising logistical arrangements and will be appreciated.

- 6.2 The discussions at the engagements will be pitched at a strategic level. Hence, the representation at the LG MTEC engagements between the Province and municipalities will be as follows:

- The Provincial Government - senior officials from the Provincial Treasury, Department of Local Government, Department of Environmental Affairs and Development Planning, the Department of the Premier and the Economic Development Partnership.
- Municipalities - Municipal Manager, section 56 Managers, Budget and Treasury officials, IDP Manager/officials and Planning officials.

- 6.3 There will be a joint presentation by Provincial Government on key issues for discussion.
- 6.4 Municipalities will be required to make presentations at the LG MTEC engagements in response to the Provincial Government's budget and IDP assessment. An agenda and guiding template for this presentation will be sent to municipalities prior to the engagements.

7. DISCLOSURE AND REPORTING ON TRANSFERS AND GRANTS

- 7.1 It has been noticed that municipalities are not disclosing transfers and grant names in accordance with the gazette where the funds were initially published. This makes it difficult for transferring departments to monitor the performance of the respective allocations on a monthly basis. For an example, a municipality will disclose the WESTERN CAPE FINANCIAL MANAGEMENT SUPPORT GRANT as Financial Management Support grant (FMSG) whereas another municipality will only disclose FMSG or a municipality will combine the COMMUNITY LIBRARY SERVICES GRANT with the LIBRARY SERVICE: REPLACEMENT FUNDING FOR MOST VULNERABLE B3 MUNICIPALITIES which are two separate allocations. The current practice by municipalities makes it difficult for the respective transferring departments to monitor the monthly performance of allocations.
- 7.2 The Western Cape Provincial Treasury has developed a monitoring tool that will assist provincial transferring departments with the monitoring of provincial allocations. In order for the tool to work effectively, municipalities are requested to disclose allocation names exactly as published in the gazette(s) in tables SA18 (transfers and grants receipts) and SA19 (Expenditure on transfers and grant programme) for the 2018/19 MTREF period. A further request is for municipalities to capture all the allocations (national and provincial) in CAPITAL LETTERS to allow the seamless automation of the tool in performing the monitoring function. The correct grants names, in capital letters, as disclosed in the Annual Budget document (A-schedule) should also filter through to the C-schedule (SC6, SC7(1) and SC7(2)) on a monthly basis. Municipalities are also reminded to fully complete the supporting schedules (SC6, SC7(1) and SC7(2)) on a monthly basis to ease the monitoring function.

8. WAIVING OF THE CO-FUNDING REQUIREMENTS

- 8.1 As per MFMA Circular 89, the National Treasury will consider applications to waive co-funding requirements for infrastructure projects in municipalities with little or no ability to raise finance for such projects. Reprioritisations within the regional bulk infrastructure grant, water services infrastructure grant and municipal infrastructure grant will be made to fund the Bucket Eradication Programme.
- 8.2 Accounting officers will have to submit applications to transferring officers. The process has been structured this way as transferring officers must also concur that there is a case for the waiving of co-funding on a particular project. Transferring accounting officers will review the case for each project and then only submit applications to National Treasury for those projects supported by the transferring departments.

9. **COST CONTAINMENT REGULATIONS**

- 9.1 National Treasury is still in the process of finalising its draft Cost Containment Regulations which aims to eliminate spending on items not aligned to basic service delivery priorities.
- 9.2 These regulations were recently published for public comment and Municipalities are reminded to submit their inputs, comments and/or proposals to National Treasury by no later than 30 March 2018. Municipalities are specifically encouraged to put forward new and innovate cost-containment proposals.
- 9.3 Although these regulations are not anticipated to be adopted before the start of the new municipal financial year, Municipalities are strongly advised to develop their own cost containment policies for implementation on 1 July 2018.

10. **BUDGET RELATED POLICIES**

- 10.1 Municipalities should as part of the preparation phase in the annual budget cycle revise its budget related policies annually. Provincial Treasury keeps record of budget policies which can, upon request, be provided to municipalities for comparative and guiding purposes.

11. **CONCLUSION**

The Provincial Government wishes you well with the preparation of your Annual Budget, IDP, SDBIP and related documents and look forward to the LG MTEC engagement with your Municipality.

Please direct any queries regarding this circular to Dr Nabe at above specified contact details.



MS M KORSTEN
CHIEF DIRECTOR: PUBLIC POLICY SERVICES
DATE: 19 March 2018



CONFIRMED 2018 BUDGET TABLING DATES

Municipality	Confirmed date
City of Cape Town	28 March 2018
Matzikama	27 March 2018
Cederberg	29 March 2018
Bergrivier	27 March 2018
Saldanha Bay	28 March 2018
Swartland	29 March 2018
West Coast District Municipality	29 March 2018
Witzenberg	28 March 2018
Drakenstein	28 March 2018
Stellenbosch	28 March 2018
Breede Valley	27 March 2018
Langeberg	27 March 2018
Cape Winelands District Municipality	28 March 2018
Theewaterskloof	28 March 2018
Overstrand	28 March 2018
Cape Agulhas	27 March 2018
Swellendam	29 March 2018
Overberg District Municipality	26 March 2018
Kannaland	29 March 2018
Hessequa	28 March 2018
Mossel Bay	29 March 2018
George	28 March 2018
Oudtshoorn	29 March 2018
Bitou	29 March 2018
Knysna	29 March 2018
Eden District Municipality	22 March 2018
Laingsburg	29 March 2018
Prince Albert	28 March 2018
Beaufort West	29 March 2018
Central Karoo District Municipality	26 March 2018



LG MTEC INTEGRATED PLANNING AND BUDGETING: 2018/19 CHECKLIST SUBMISSION OF TABLED BUDGET DOCUMENTATION

MUNICIPALITY: _____

The Budget Document as set out in Schedule A1 of the Municipal Budget and Reporting Regulations, including the main tables (A1 - A10), version 6.2 of Schedule A1 (the Excel formats) and the supporting tables (SA1 - SA38).

Please ensure that (as per MFMA Circular 72) **each page of the hard copy of the budget documentation** as set out in Schedule A of the Municipal Budget and Reporting Regulations, including the main tables (A1 - A10) and all the supporting tables (SA1 - SA38) and prescribed minimum narrative information that is submitted to Provincial Treasury (and National Treasury) **has been stamped and signed** by the secretariat responsible for ensuring accurate records of council decisions.

The IDP Document as set out in sections 26, 32 and 34 of the Local Government: Municipal Systems Act, No. 32 of 2000 and Regulations (MSA) and section 21 of the Local Government Municipal Finance Management Act 56 of 2003 (MFMA).

The Spatial Development Framework, Disaster Management Framework and additional documents must be submitted as required in terms of budget circulars.

Budget Documentation	Yes	No	N/A	Yes	No	N/A
	Hard Copy			Soft Copy (correlates with hard copy)		
Council Resolution in terms of the Budget						
Draft Service Delivery and Budget Implementation Plan						
Draft Service Level Standards						
Signed Quality Certificate as prescribed in the MBRR						
Prescribed Minimum Budget Narrative Information	Stamped and Signed Hard Copy Budget Narrative			Soft Copy (correlates with hard copy)		
Budget Narrative						
mSCOA budget data strings uploaded to the LG upload portal	<i>Soft copies only</i>					
Municipal Budget Tables: Tables A1 to A10 mSCOA Compliant Schedule A - Prepared from the mSCOA Financial System	Stamped and Signed Hard Copy A1 – A10			Soft Copy (correlates with hard copy)		
Table A1: Budget Summary						
Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)						
Table A2A: Budgeted Financial Performance (revenue and expenditure by standard classification)						
Table A3: Budgeted Financial Performance (revenue and expenditure by municipal vote)						
Table A3A: Budgeted Financial Performance (revenue and expenditure by municipal vote)						
Table A4: Budgeted Financial Performance (revenue and expenditure)						
Table A5: Budgeted Capital Expenditure (by vote, standard classification & funding source)						
Table A5A: Budgeted Capital Expenditure (by vote, standard classification & funding source)						
Table A6: Budgeted Financial Position						
Table A7: Budgeted Cash Flow						
Table A8: Cash Backed Reserves/ Accumulated Surplus Reconciliation						
Table A9: Asset Management						
Table A10: Basic Service Delivery Measurement						

Budget Documentation	Yes	No	N/A	Yes	No	N/A
Municipal Budget Supporting Tables: Supporting Tables SA1 to SA38 mSCOA Compliant Schedule A - Prepared from the mSCOA Financial System	Stamped and Signed Hard Copy SA1 – SA38			Soft Copy (correlates with hard copy)		
SA1: Supporting Detail to Budgeted Financial Performance						
SA2: Matrix Financial Performance Budget (revenue source/expenditure type and department)						
SA3: Supporting Detail to Budgeted Financial Position						
SA4: Reconciliation of IDP Strategic Objectives and Budget (revenue)						
SA5: Reconciliation of IDP Strategic Objectives and Budget (operating expenditure)						
SA6: Reconciliation of IDP Strategic Objectives and Budget (capital expenditure)						
SA7: Measurable Performance Objectives						
SA8: Performance Indicators and Benchmarks						
SA9: Social, Economic and Demographic Statistics and Assumptions						
SA10: Funding Measurement						
SA11: Property Rates Summary						
SA12a: Property Rates by Category (current year)						
SA12b: Property Rates by Category (budget year)						
SA13a: Service Tariffs by Category						
SA13b: Service Tariffs by Category (explanatory)						
SA 14: Household Bills						
SA15: Investment Particulars by Type						
SA16: Investment Particulars by Type						
SA17: Borrowing						
SA18: Transfers and Grant Receipts						
SA19: Expenditure on Transfers and Grant Programme						
SA20: Reconciliation of Transfers, Grant Receipts and Unspent Funds						

Budget Documentation	Yes	No	N/A	Yes	No	N/A
Municipal Budget Supporting Tables: Supporting Tables SA1 to SA38 mSCOA Compliant Schedule A - Prepared from the mSCOA Financial System (contd)	Stamped and Signed Hard Copy SA1 – SA38			Soft Copy (correlates with hard copy)		
SA21: Transfers and Grants made by the Municipality						
SA22: Summary Councillor and Staff Benefits						
SA23: Salaries, Allowances and Benefits (political office bearers/councillors/senior managers)						
SA24: Summary of Personnel Numbers						
SA25: Budgeted Monthly Revenue and Expenditure						
SA26: Budgeted Monthly Revenue and Expenditure (municipal vote)						
SA27: Budgeted Monthly Revenue and Expenditure (standard classification)						
SA28: Budgeted Monthly Capital Expenditure (municipal vote)						
SA29: Budgeted Monthly Capital Expenditure (standard classification)						
SA30: Budgeted Monthly Cash Flow						
SA31: Aggregated Entity Budget (where applicable)						
SA32: List of External Mechanisms						
SA33: Contracts having Future Budgetary Implications						
SA34a: Capital Expenditure on New Assets by Asset Class						
SA34b: Capital Expenditure on the Renewal of Existing Assets by Asset Class						
SA34c: Repairs and Maintenance Expenditure by Asset Class						
SA34d: Depreciation by Asset Class						
SA34e: Upgrading of Existing Infrastructure						
SA35: Future Financial Implications of the Capital Budget						
SA36: Detail Capital Budget						
SA37: Projects Delayed from Previous Financial Years						
SA38: Consolidated Detail Operational Projects						

Budget Documentation	Yes	No	N/A	Yes	No	N/A
Budget Related Policies	Hard copies			Soft Copy (correlates with hard copy)		
Information on any amendments to budget related policies						
Suite of budget related policies	<i>Soft copies only</i>					
IDP and Related Documentation	Hard copies			Soft Copy (correlates with hard copy)		
Council Resolution in terms of the IDP						
Draft Integrated Development Plan						
Process Plan/Time schedule according to section 29) of the MSA read in conjunction with section 21(b) of the MFMA						
Spatial Development Framework	<i>Soft copies only</i>					
Council Resolution in terms of the adoption of the <i>Spatial Development Framework</i>						
Applicable Disaster Management Plan						
Council Resolution in terms of the adoption of the <i>Disaster Management Framework</i>						
Integrated Waste Management Plan						
Air Quality Management Plan						
Coastal Management Plan <i>(Coastal municipalities only)</i>						
Human Settlement Plan						
Local Economic Development Strategy						
Water Services Development Plan						
Storm Water Master Plan						
Integrated Transport Plan						
Electricity Master Plan						
Infrastructure Growth Plan						
Workplace Skills Plan						

MUNICIPAL REPRESENTATIVE

PROVINCIAL REPRESENTATIVE

Name: _____

Name: _____

Signature: _____

Signature: _____

Date: _____

Date: _____



2018 PROPOSED LG MTEC BUDGET AND IDP VISITATION SCHEDULE

GROUP 1			
REGION	MUNICIPALITY	DAY OF VISIT	TIME
CoCT	CITY OF CAPE TOWN	24 April 2018, Tuesday	09:00-12:00
NO SCHEDULED ENGAGEMENTS		25 April 2018, Wednesday	
WCD	SALDANHA BAY	26 April 2018, Thursday	09:00-12:00
WCD	SWARTLAND	26 April 2018, Thursday	14:00-17:00
FREEDOM DAY		27 April 2018, Friday	
		28 April 2018, Saturday	
		29 April 2018, Sunday	
NO SCHEDULED ENGAGEMENTS		30 April 2018, Monday	
WORKERS DAY		01 May 2018, Tuesday	
OD	OVERSTRAND	02 May 2018, Wednesday	09:00-12:00
OD	THEEWATERSKLOOF	02 May 2018, Wednesday	14:00-17:00
OD	CAPE AGULHAS	03 May 2018, Thursday	09:00-12:00
OD	OVERBERG DISTRICT	03 May 2018, Thursday	13:30-16:30
CWD	DRAKENSTEIN	04 May 2018, Friday	09:00-12:00
CWD	STELLENBOSCH	04 May 2018, Friday	14:00-17:00
		05 May 2018, Saturday	
		06 May 2018, Sunday	
ED	BITOU	07 May 2018, Monday	14:00-17:00
ED	KNYSNA	08 May 2018, Tuesday	09:00-12:00
ED	EDEN DISTRICT	08 May 2018, Tuesday	15:30-17:30
ED	GEORGE	09 May 2018, Wednesday	09:00-12:00
ED	MOSSEL BAY	09 May 2018, Wednesday	14:00-17:00
ED	HESSEQUA	10 May 2018, Thursday	09:00-12:00

GROUP 2			
REGION	MUNICIPALITY	DAY OF VISIT	TIME
NO SCHEDULED ENGAGEMENTS		24 April 2018, Tuesday	
WCD	WEST COAST DISTRICT	25 April 2018, Wednesday	09:00-11:00
WCD	BERGRIVIER	25 April 2018, Wednesday	14:00-17:00
WCD	MATZIKAMA	26 April 2018, Thursday	09:00-12:00
WCD	CEDERBERG	26 April 2018, Thursday	14:00-17:00
FREEDOM DAY		27 April 2018, Friday	
		28 April 2018, Saturday	
		29 April 2018, Sunday	
NO SCHEDULED ENGAGEMENTS		30 April 2018, Monday	
WORKERS DAY		01 May 2018, Tuesday	
CWD	LANGEBERG	02 May 2018, Wednesday	09:00-12:00
CWD	CAPE WINELANDS DISTRICT	02 May 2018, Wednesday	14:00-17:00
CWD	WITZENBERG	03 May 2018, Thursday	09:00-12:00
CWD	BREEDE VALLEY	03 May 2018, Thursday	14:00-17:00
OD	SWELLENDAM	04 May 2018, Friday	10:30-13:30
		05 May 2018, Saturday	
		06 May 2018, Sunday	
ED	KANNALAND	07 May 2018, Monday	14:00-17:00
ED	OUTDSHOORN	08 May 2018, Tuesday	08:30-11:00
CKD	BEAUFORT WEST	08 May 2018, Tuesday	14:00-17:00
CKD	CENTRAL KAROO DISTRICT	09 May 2018, Wednesday	08:30-11:00
CKD	PRINCE ALBERT	09 May 2018, Wednesday	14:00-17:00
CKD	LAINGSBURG	10 May 2018, Thursday	10:00-13:00