

Reference: RCS/C.5 (2018/19)

TREASURY CIRCULAR MUN NO. 17/2018

THE MAYOR, CITY OF CAPE TOWN: MS P DE LILLE
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR JH CLEOPHAS
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
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN
THE MAYOR, LANGE BERG MUNICIPALITY: MR HM JANSEN
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR S FRANKEN
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MS CJM VOSLOO
THE MAYOR, OVERSTRAND MUNICIPALITY: MR D COETZEE
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR PJ SWART
THE MAYOR, SWELLEN DAM MUNICIPALITY: MR NG MYBURGH
THE MAYOR, EDEN DISTRICT MUNICIPALITY: MR M BOOYSEN
THE MAYOR, KANNALAND MUNICIPALITY: MS M BARRY
THE MAYOR, HESSEQUA MUNICIPALITY: MR G RIDDELS
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR HJ LEVENDAL
THE MAYOR, GEORGE MUNICIPALITY: MR MG NAIK
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR CF SYLVESTER
THE MAYOR, BITOU MUNICIPALITY: MR MP LOBESE
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THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: DR P VOGES
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THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR A PAULSE
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR THABO NDLOVU
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR K CHETTY
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THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR K HAARHOFF

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THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR V MKHEFA
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR M MEMANI
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MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

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THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

APPROVAL AND SUBMISSION OF 2018/19 ANNUAL BUDGETS, IDPs AND SDBIPs

1. PURPOSE

- 1.1 The purpose of this circular is to outline the procedures regarding the approval and submission of the 2018/19 annual budgets and associated documents i.e. Integrated Development Plans (IDPs) as well as approved Service Delivery Budget and Implementation Plans (SDBIPs).

2. BACKGROUND

- 2.1 The Western Cape Government wishes to express its appreciation for the cooperation during the recent LG MTEC engagements held from 24 April to 10 May 2018.
- 2.2 The annual budget and the IDP process is reaching its final stage as municipalities have to consider the approval of the annual budgets at least 30 days (i.e. by 31 May) before the start of the budget year in terms of section 24(1) of the MFMA.
- 2.3 Adherence to this deadline is an important prerequisite as it enables the approval of the annual budget and supporting documents before the start of the financial year in terms of section 16(1) of the MFMA.
- 2.4 In terms of section 26(1) of the MFMA, upon 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.
- 2.5 Although the Mayor is ultimately responsible for compliance with the budget process, as outlined in Chapter 4 of the MFMA, section 68 of the MFMA stipulates that the Accounting Officer must assist the Mayor in performing the budgetary functions assigned to mayor in terms of Chapters 4 and 7 of the MFMA.

3. APPROVAL OF THE ANNUAL BUDGETS, ASSOCIATED DOCUMENTS AND IDP

- 3.1 In terms of section 22 of the MFMA, municipalities are required to consult the local community, the provincial treasury and National Treasury as required and any national and provincial organ of state following the tabling of the annual budget.

- 3.2 Section 23 of the MFMA requires the municipal council to consider the views of the stakeholders referred to in paragraph 3.1 above, following which council must give the mayor an opportunity to respond to the submission and, if necessary, revise the budget and table amendments for consideration by the council.
- 3.3 It is important to note that in terms of section 18 of the MFMA, an annual budget may only be funded from:
- a) realistically anticipated revenues to be collected;
 - b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and
 - c) borrowed funds, but only for the capital budget.
- 3.4 To this extent, National Treasury has emphasised in MFMA Circular No. 85 (and subsequent Circulars Nos. 86, 89 and 91) where municipalities have tabled an unfunded budget, municipalities will be required to correct the budget to ensure that a funded budget is adopted and implemented.
- 3.5 Section 24(2) of the MFMA further states that an annual budget:
- a) must be approved before the start of the budget year;
 - b) Is approved by the adoption by the council resolution referred to in section 17(3)(a)(i); and
 - c) must be approved together with the adoption of resolutions (refer to Regulation 17(2) of the MBRR as well as Regulation 4 of Schedule A of the MBRR; also see concept resolutions as per Appendix A) as may be necessary:
 - i. Imposing any municipal tax for the budget year.
 - ii. Setting any tariffs for the budget year.
 - iii. Approving measurable performance objectives for revenue from each source and for each vote in the budget.
 - iv. Approving (any changes to) the municipality's integrated development plan.
 - v. Approving (any changes to) the municipality's budget related policies.

3.6 Your attention is drawn to section 160(2) of the Constitution which states that the passing of by-laws, the approval of budgets, the imposition of rates and other taxes, levies and duties, and raising of loans may not be delegated by a municipal council. Furthermore, in terms of section 160(3)(b) of the Constitution, the afore-mentioned matters are determined by a decision taken by a municipal council with a supporting vote of the majority of its members.

4. **FAILURE TO APPROVE BUDGET BEFORE THE START OF BUDGET YEAR**

4.1 In the event that an annual budget is not approved at the first meeting where the annual budget is considered for approval as per section 24 of the MFMA, section 25 of the MFMA applies as follow: *(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 the 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.*

4.2 It is important to note that the process outlined in section 25(2) does not extend beyond 30 June each year.

4.3 Upon failing to approve the budget by the first day (**i.e. 1 July 2018**) 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.

4.4 In terms of section 26(1) of the MFMA, failure to adopt an annual budget by the start of the applicable financial 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. **MUNICIPAL SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS (SDBIPs) AND PERFORMANCE AGREEMENTS**

5.1 In terms of section 69(3) of the MFMA, the accounting officer must by no later than 14 days after the approval of an annual budget submit to the mayor –

- a) a draft SDBIP for the budget year; and
- b) drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Municipal Systems Act (MSA) for the municipal manager and all senior managers.

5.2 In terms of section 53(1)(a)(ii) of the MFMA, the mayor of a municipality must approve the municipality's SDBIP within 28 days after the approval of the budget.

5.3 Subsequently, in terms of regulation 20(2)(b) of the MBRR, the accounting officer must submit the approved SDBIP to the national and provincial treasury within ten working days after approval of the SDBIP by the mayor.

5.4 Section 53(3) of the MFMA further states that the mayor must ensure:

- a) the revenue and expenditure projections for each month and the service delivery targets and performance indicators for each quarter, as set out in the SDBIP, are made public no later than 14 days after the approval of the SDBIP; and
- b) that the performance agreements of the municipal manager, senior managers and any other categories of officials as may be prescribed, are made public no later than 14 days after the approval of the municipality's SDBIP. Copies of such performance agreements must be submitted to the council and the MEC for local government in the province.

6. **CERTIFICATION THAT BUDGET IS CORRECTLY CAPTURED**

6.1 In terms of paragraph 7.2 of MFMA Circular No. 72 the National Treasury had requested the accounting officer to provide a signed certificate (see Appendix B), which is now required by no later than **29 June 2018** certifying that:

- The adopted annual budget has been captured on the municipality's financial system, and that there is complete agreement between the budget on the system and the budget adopted by council;
- That the adopted annual budget on the municipality's financial system is locked; and

- That the municipality has in place controls to ensure that the budget captured on the financial system can only be changed in accordance with:
 - A virement authorised by the municipal manager, or duly delegate official, in terms of a council approved virements policy; and
 - An Adjustments Budget approved by council.

7. SUBMISSION OF THE ANNUAL BUDGETS, ASSOCIATED DOCUMENTS AND IDP

7.1 Section 24(3) of the MFMA, read together with regulation 20(1) of the Municipal Budget and Reporting Regulations (MBRR) and paragraph 7.2 of the MFMA Circular No. 91, 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 approved the annual budget. If the council only approved the annual budget on **29 June 2018**, the final date for such a submission will be **Friday, 13 July 2018**, otherwise an earlier date applies.

7.2 Furthermore, as per MFMA Circular No. 91, municipal managers are required to submit:

- 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;
- Service delivery standards;
- The integrated development plan;
- The council resolution;
- Signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
- Schedules D specific for the entities; and
- Signed budget locking certificate as found on the Treasury website (see Appendix B).

7.3 Municipalities are reminded that the hardcopies of the budget documents must be formally stamped and signed by the secretariat responsible for ensuring accurate records of council decisions (as instructed by MFMA Circular No. 72).

7.4 It will be appreciated if you can submit the hard and electronic copies of the 2018/19 approved budgets, IDPs and supporting budget documentation and approved SDBIPs to the National Treasury and Provincial Treasury as follows:

Via courier:

For attention:

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

Mr Paul Pienaar
Provincial Treasury
7 Wale Street, Room 3-50
Cape Town, 8001

Via e-mail:

- NT electronic documents should be submitted to:
lgdocuments@treasury.gov.za or if 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/>)

How to lift:

1. Go to the website: <http://lift.pgwc.gov.za/>
2. Type in the email address: MFMA.MFMA
3. Browse to correct file for uploading
4. Press: Submit

Kindly note the Provincial Treasury cannot access any links with a dropbox function for security purposes.

- The City of Cape Town should submit its Built Environment Performance Plan (BEPP) to Yasmin.coovadia@treasury.gov.za or if it exceeds 4 MB to Yasmin.coovadia@gmail.com or use Dropbox. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd Floor, 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

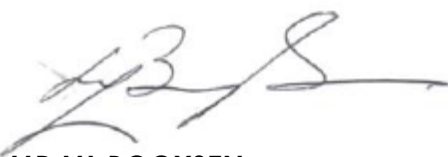
7.5 You are kindly requested to arrange that the accompanying budget checklist (Appendix A) is completed and signed-off to ensure that the full set of budget and supporting documents are submitted.

8. OTHER IMPORTANT MATTERS

- 8.1 Municipalities are also reminded to comply with section 75(2) of the MFMA which states that: "A document referred to in section 75(1) of the MFMA must be placed on the (municipal) website not later than five days after its tabling in the council or on the date on which it is made public, whichever occurs first".
- 8.2 All municipalities will be required to transact/record the implementation of the municipal budgets on the mSCOA Version 6.2 chart as from 1 July 2018.
- 8.3 Municipalities have traditionally experienced challenges with capital spending, which have, amongst other factors, been attributed to delays experienced with procurement processes. Municipalities are therefore urged to prepare Annual Procurement Plans for 2018/19 to ensure that capital budgets are implemented without delays.
- 8.4 Municipalities are reminded about the Annual Budget Verification process and it is therefore important to ensure alignment between the A1-Schedules and the Annual Budget B input forms.

9. CONCLUSION

- 9.1 Municipalities are encouraged to ensure timeous compliance with the provisions of the MFMA, MSA and MBBR as stated above.
- 9.2 However, if you are unable to comply with any of the responsibilities relating to the approval of the 2018/19 annual budget and associated documents, IDP and SDBIP as set out in this Circular, you have to report such inability, together with the reasons, to the Mayor and the Provincial Treasury as stipulated in terms of section 74(2) of the MFMA. Simultaneously, the Mayor must upon, becoming aware of any impending non-compliance of any provision of the MFMA or any other legislation pertaining to the approval of the annual budget inform the MEC for Finance, in writing, of such non-compliance as required in terms of section 27(1) of the MFMA.
- 9.3 In conclusion, the Western Cape Government wishes you well with the finalisation and approval of your Annual Budget, IDP, SDBIP and associated documents.



MR ML BOOYSEN

pp HEAD OFFICIAL: PROVINCIAL TREASURY

DATE: 23 May 2018



APPENDIX A

LG MTEC INTEGRATED PLANNING AND BUDGETING: 2018/19 CHECKLIST SUBMISSION OF FINAL 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 Section 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).

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						
Final Service Delivery and Budget Implementation Plan						
Final 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						
Municipal Budget Tables: Tables A1 to A10	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	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)						
SA14: 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						
SA21: Transfers and Grants made by the Municipality						

Budget Documentation	Yes	No	N/A	Yes	No	N/A
Municipal Budget Supporting Tables: Supporting Tables SA1 to SA38	Stamped and Signed Hard Copy SA1 – SA38			Soft Copy (correlates with hard copy)		
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						
Final Integrated Development Plan						
Process Plan/Time schedule according to Section 32(1)(b) of the MSA read in conjunction with section 21 (b) of the MFMA						

MUNICIPAL REPRESENTATIVE

Name: _____

Signature: _____

Date: _____

Certification that the adopted budget for 2018/19 is correctly captured and locked on the municipality's financial management system

(as requested by National Treasury in terms of section 74 of the MFMA, with reference to paragraph 6.3 of MFMA Budget Circular 59 dated 16 March 2012)

I,, in my capacity as accounting officer of the municipality, hereby certify that:

- The adopted annual budget has been captured on the municipality's financial system;
- There is 100 per cent reconciliation between the budget on the system and the budget adopted by council;
- The adopted annual budget on the municipality's financial system is locked and will not be changed as it serves as the baseline against which to monitor and measure performance; and
- The relevant budget return forms have been submitted to the local government database.

I, further certify that the municipality has in place controls to ensure that any changes to the adopted budget will be captured separately and only in accordance with:

- a virement authorised by the municipal manager, or duly delegate official, in terms of a council approved virements policy; and
- an adjustments budget approved by council.

Print Name _____

Municipal manager of _____
(name and demarcation code of municipality)

Signature _____

Date _____

This certificate must be submitted to National Treasury by close of business 29 June 2018 at the following email address: lgdocuments@treasury.gov.za.

Also send copies to the *Auditor General* and the relevant Provincial Treasury (Western Cape PT email address: MFMA.MFMA@westerncape.gov.za).