



PROVINSIALE TESOURIE • PROVINCIAL TREASURY • UNONDYEBO WEPHONDO



Verwysing
Reference
Isalathiso T 12/2/1

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TREASURY CIRCULAR MUN: 08 OF 2010

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THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT AND HOUSING

ASSESSMENT: MUNICIPAL BUDGET FORMATS AND REGULATIONS LEVEL OF READINESS

1. PURPOSE

- 1.1 The purpose of this circular is to ascertain the level of readiness by municipalities to prepare their 2010/11 draft and tabled budgets in line with the new budget formats as contained in the Municipal Budget and Reporting Regulations, Government Gazette 32141 dated 17 April 2009.

2. BACKGROUND

- 2.1 In terms of Section 16 (1) of the Municipal Finance Management Act (MFMA), the council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.
- 2.2 Section 20 (1) of the MFMA stipulates that the Minister acting with the concurrence of the Cabinet member responsible for local government –
- (a) *must prescribe the form of the annual budget for municipalities; and*
 - (b) *may prescribe –*
 - 1. *the form of resolutions and supporting documentation relating to the annual budget ;*
 - 2. *the number of years preceding and following the budget year for which revenue and expenditure history or projections must be shown in the supporting documentation;*
 - 3. *inflation projections to be used with regard to the budget;*
 - 4. *uniform norms and standards concerning the settling of municipal tariffs , financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function;*
 - 5. *uniform norms and standards concerning the budgets of municipal entities ; or*
 - 6. *any other uniform norms and standards aimed at promoting transparency and expenditure control.*
- 2.3 On 17 April 2009 the Minister of Finance promulgated the Municipal Budget and Reporting Regulations (Government Gazette 32141). These regulations are applicable to all municipalities as from 1 July 2009.
- 2.4 The most important element of the new regulations is that they prescribe the format of municipal budgets. National Treasury has produced an Excel based model to assist municipalities in the compilation of their budgets in the new formats. Although the regulations were applicable to all municipalities with effect 1 July 2009, the new budget formats only applied with effect 1 July 2009 to the 27 large municipalities in the country, which in the case of the Western Cape Province included the City of Cape Town, Drakenstein, George and Stellenbosch municipalities. The remaining municipalities are required to comply with the formats for the 2010/11 financial year,

which implies that the 2010/11 draft and approved budgets must be prepared and tabled in the prescribed format.

- 2.5 The new regulations also seek to give effect to the MFMA requirement that a municipal budget must be fully funded. To measure compliance with this requirement, the National Treasury has developed the Funding Compliance Procedure. It is now mandatory that all municipalities analyse their budgets in accordance with this procedure. Further details can be obtained from National Treasury MFMA Circular 42 and are available from the National Treasury website, <http://www.treasury.gov.za/legislation/mfma/circulars>. A copy of the MFMA funding compliance guideline and templates are also attached to the circular.
- 2.6 To facilitate the implementation of the Regulations, the new Budget Formats, and the Funding Compliance Procedure, the National Treasury together with the Provincial Treasury as part of their support to municipalities held several provincial and district workshops including quarterly information sessions during the Municipal CFO Forum since December 2008 of which the last information session was held during the Municipal CFO Forum meeting on 4 December 2009 to prepare all 30 municipalities in the Province for full compliance.

3. REQUEST

- 3.1 Following the district workshops which were held from 19 – 21 October 2009, municipalities were required to start preparing by completing the information which relates to the previous financial years. On completion, municipalities were required to submit the documentation to either National or Provincial Treasury who in turn will provide feedback on the quality of the document.
- 3.2 To date, few municipalities have submitted information to either the National and/or Provincial Treasury.
- 3.3 Municipalities, excluding the City of Cape Town, Drakenstein, George and Stellenbosch, are hereby requested to complete the attached verification certificate to indicate the level of readiness to prepare their 2010/11 draft and final budgets in line with the new regulated budget formats.

3.4 The completed and signed certificate must be sent via email or fax to the numbers listed below on or before Monday, 15 February 2010.

Fax no: (021) 483-7356 or (021) 483-4411

E-mail: MFMA@pgwc.gov.za

3.5 For any queries regarding the above please contact the relevant official:

Mr Ezra Sandise Tantsi

Tel No: (021) 483-6136

E-mail: etantsi@pgwc.gov.za

4. CONCLUSION

4.1 The objective of these reforms is, amongst others, to improve the Local Government sphere's ability to deliver basic services by addressing financial sustainability and facilitating informed policy choices and medium term planning of service delivery.

4.2 The regulations achieve this through formalising norms and standards, which will improve credibility, sustainability, transparency, accuracy and reliability of budgets and in-year reports of municipalities and municipal entities.

4.3 These formats reflect the further sophistication done to the formats contained in the MFMA Circular 28 and will facilitate alignment between the Budgeting and Accounting Reform Agenda. A range of guidelines, as well as Excel-based spreadsheets, to assist municipalities to comply with the formats, are available from the National Treasury website, http://www.treasury.gov.za/legislation/mfma/reg_gaz/munbudreg.

5. Your co-operation in this regard will be appreciated.



GW PAULSE
SENIOR MANAGER: LOCAL GOVERNMENT FINANCE

DATE: 09 FEBRUARY 2010