



Reference number: RCS/C.5

Private Bag X9165
CAPE TOWN
8000

TREASURY CIRCULAR MUN NO. 11/2022

THE MAYOR, CITY OF CAPE TOWN: MR G HILL-LEWIS
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR R STRYDOM
THE MAYOR, MATZIKAMA MUNICIPALITY: MR J VAN DER HOVEN
THE MAYOR, CEDERBERG MUNICIPALITY: DR R RICHARDS
THE MAYOR, BERGRIVIER MUNICIPALITY: MR R VAN ROOY
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR A TRUTER
THE MAYOR, SWARTLAND MUNICIPALITY: MR H CLEOPHAS
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: DR H VON SCHLICHT
THE MAYOR, WITZENBERG MUNICIPALITY: MR H SMIT
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MR C POOLE
THE MAYOR, STELLENBOSCH MUNICIPALITY: ADV. G VAN DEVENTER
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN
THE MAYOR, LANGEBOEG MUNICIPALITY: MR S VAN EEDEN
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR A FRANKEN
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR K PAPIER
THE MAYOR, OVERSTRAND MUNICIPALITY: DR A RABIE
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR P SWART
THE MAYOR, SWELLENDEAM MUNICIPALITY: MR F DU RAND
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M BOOYSEN
THE MAYOR, KANNALAND MUNICIPALITY: MR N VALENTYN
THE MAYOR, HESSEQUA MUNICIPALITY: MR G RIDDLES
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR D KOTZE
THE MAYOR, GEORGE MUNICIPALITY: MR L VAN WYK
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR C LOUW
THE MAYOR, BITOU MUNICIPALITY: MR D SWART
THE MAYOR, KNYSNA MUNICIPALITY: MR L DAVIS
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: MR G MCKENZIE
THE MAYOR, LAINGSBURG MUNICIPALITY: MS J BOTHA
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MS M JAFTHA
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR G PIETERSEN

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: ADV. L MBANDAZAYO
THE MUNICIPAL MANAGER, WEST COAST DISTRICT MUNICIPALITY: MR D JOUBERT
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR G SEAS (ACTING)
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR D ADONIS
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV. H LINDE
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR H METTLER
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT MUNICIPALITY: MR H PRINS
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR J LEIBBRANDT
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MS G METTLER
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS
THE MUNICIPAL MANAGER, LANGEBOEG MUNICIPALITY: MR A DE KLERK
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR P OLIVER (ACTING)
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR J JONKERS
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR D O'NEILL
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR E PHILLIPS
THE MUNICIPAL MANAGER, SWELLENDEAM MUNICIPALITY: MR A GROENEWALD
THE MUNICIPAL MANAGER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M STRATU
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR I AVONTUUR (ACTING)
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR H VISSER (ACTING)
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: MR C PUREN (ACTING)
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: DR M GRATZ
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR W HENDRICKS (ACTING)
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR M MEIMANI
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR J JACOBS (ACTING)

THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: DR S VATALA
 THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR J BOOYSEN
 THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR A HENDRICKS (ACTING)
 THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR G Z NYATHI (ACTING)

 THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY
 THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT MUNICIPALITY: DR J TESSELAAR
 THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR E ALFRED
 THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MS E VISSER (ACTING)
 THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR F LÖTTER
 THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR S VORSTER
 THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR M BOLTON
 THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT MUNICIPALITY: MS F DU RAAN-GROENEWALD
 THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR C KRITZINGER
 THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR B BROWN
 THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR K CAROLUS
 THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR R ONTONG
 THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR M SHUDE
 THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR N KRUGER
 THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW
 THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MS S REYNEKE-NAUDÉ
 THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H VAN BILJON
 THE CHIEF FINANCIAL OFFICER, SWELLENDAAM MUNICIPALITY: MS E WASSERMANN
 THE CHIEF FINANCIAL OFFICER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR J DE JAGER
 THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR G GROENEWALD (ACTING)
 THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS H VILJOEN
 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR O FREDERICKS
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR R DU PLESSIS
 THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR G DE JAGER
 THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR M DYUSHU
 THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MS A JAGAYSOR (ACTING)
 THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR M ABDULLAH
 THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD
 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR PW ERASMUS (ACTING)
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR R ELAND (ACTING)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR D SAVAGE)
 THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (DR R HAVEMANN)
 THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MS J GANTANA)
 THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MR M BOOYSEN) (ACTING)
 THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS A PICK)
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR S KENYON)
 THE CHIEF DIRECTOR: ASSET MANAGEMENT (MR I SMITH)
 THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)
 THE CHIEF FINANCIAL OFFICER (MS A SMIT)
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS C GREEN)
 THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR P PIENAAR)
 THE DIRECTOR: FINANCIAL GOVERNANCE (MS M VAN NIEKERK)
 THE DIRECTOR: FISCAL POLICY (MR M BOOYSEN) (PRO TEM)
 THE DIRECTOR: INFRASTRUCTURE (MR K LANGENHOVEN)
 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR F SALIE)
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR D CRONJE) (ACTING)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR T NTSHINGILA)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR I TSIE)
 THE DIRECTOR: LOCAL GOVERNMENT MFMA COORDINATION (MR S KENYON) (PRO TEM)
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MS A ABOO)
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE)
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK) (PRO TEM)
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)

THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)
 THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

2022/23 MTREF BUDGET PROCESS

1. PURPOSE AND STRUCTURE

The purpose of this circular is as follows:

- **Part 1 - Budget and Policy Overview:** To provide an updated fiscal and economic context as well as guidance on an approach to planning and budgeting in the finalisation of the 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) budgets.
- **Part 2 – Technical Matters:** To give guidance to municipalities in terms of the approval and submission of the 2022/23 MTREF budgets, IDPs and associated documents; and lastly, to outline expectations in terms of municipal performance reporting requirements.

PART 1: BUDGET AND POLICY OVERVIEW

2. ECONOMIC AND FISCAL CONTEXT

- As at April 2022, the global economy is in a weaker position than previously expected, fueled by the Ukraine invasion, continued supply chain disruptions and inflation pressures, tighter monetary policies, weaker fiscal support, and renewed COVID-19 lockdown measures in China. As a result, the IMF lowered its January projection for global growth with 0.8 percentage points to 3.6 per cent for 2022.

Table 1 Economic growth performance and outlook (2020 - 2023)

	2020	2021	2022 (f)	2023(f)
World Output	-3.1	6.1	3.6	3.6
Advanced Economies	-4.5	5.2	3.3	2.4
US	-3.4	5.7	3.7	2.3
Euro Area	-6.4	5.3	2.8	2.3
Emerging Market and Developing Economies	-2.0	6.8	3.8	4.4
Emerging and developing Asia	-0.8	7.3	5.4	5.6
China	2.2	8.1	4.4	5.1
South Africa	-6.4	4.9	1.9	1.9
Western Cape	-5.5	-4.6	2.0	1.9

Source: IMF WEO April 2022, IHS markets (South Africa and Western Cape)

- South Africa's economic recovery will occur amidst growing inflationary pressures and rising interest rates, while the prospect of unreliable and expensive electricity and rising fuel costs will place further strain on the national economy. The economic outlook for South Africa in 2022 and 2023 remains subdued with growth forecasts of 1.9 per cent in 2022 and 1.9 per cent in 2023. Similar growth forecasts are expected for the Western Cape.
- On the other hand, the post-COVID rebound in the national economy accompanied by the reopening of global trade and tourism will provide the Western Cape economy with a platform to continue its recovery from the 2020 recession. The Western Cape economy is expected to expand moderately by 2.0 per cent in 2022 and 1.9 per cent in 2023. Pent-up demand is expected to drive robust expansions in the Mining (3.5 per cent) and Finance (3.0 per cent) sectors in 2022, whilst growth in the Construction (3.9 per cent) sector will be supported by a low baseline and government push toward infrastructure expenditure.

- Unemployment remains a key challenge in the Western Cape. Since the adoption of COVID-19 lockdown measures, the Province lost 238 000 employment opportunities whilst unemployment expanded by 219 000 people, leading to a narrow unemployment rate of 28 per cent.
- The greatest risk to growth globally up until February 2022 is non-transitory inflation. While this inflation build-up in South Africa was not as pronounced as other emerging economies in the recovery period, it has ramped up rapidly in the country over the past year and is underpinned by the soaring fuel prices and elevated food inflation. SARB's forecast of headline inflation is expected to average 5.9 per cent in 2022, which is substantially greater than the January 2022 forecast of 4.9 per cent. Ultimately, the cost of living continues to increase without a corresponding increase in salaries and wages amidst a constrained economic environment. The likely deterioration of the socio-economic wellbeing of citizens will impact on municipal revenue and increase dependence on municipal services. Many more households are likely to become indigent, which will require municipalities to provide free basic services. This will add to the fiscal pressures facing municipalities.
- In response to a closing output gap and rising inflation, the SARB's Monetary Policy Committee increased the repo rate by 50 basis points to 4.75 per cent following a Monetary Policy Committee meeting on 18 May 2022. This increase brings the prime lending rate to 8.25 per cent and is the steepest increase in six years.

3. APPROACH TO BUDGETING

The recent Strategic Integrated Municipal Engagements (SIME) held from 19 April – 18 May 2022 served as a useful platform to discuss the continued impact of COVID-19 on budgeting and planning in the municipal space as well as potential strategies for the recovery in the finalisation of the 2022/23 budgets.

Local government sustainability and resilience have been at the forefront of all discussions with municipalities as the pandemic continues to impact on municipal revenue raising capacity.

Provincial Treasury (PT) assessed the budgets of thirty municipalities and compiled thirty assessment reports. The reports provided the basis for a set of recommendations for municipalities to consider when finalising their 2022/23 MTREF budgets:

- a) Maintain active revenue management and credit control strategies, due to the direct correlation with long-term financial sustainability and viability. Municipalities are advised to protect revenue streams at all costs as the economic impact of the pandemic has resulted in depleted cash reserves in many municipalities.
- b) Municipalities must apply conservative budget assumptions, especially considering the constrained economic environment and rising unemployment levels.
- c) Continue with the implementation of active and robust cost containment measures. These include –
 - practical recommendations contained in the Municipal Cost Containment Regulations (2019);
 - savings in terms of reduced spending on non-essential items;
 - containing personnel expenditure, including avoiding making non-essential appointments;
 - identifying cost of employment savings within the current recruitment processes;

- savings on entertainment allowances, catering costs, venue hire costs; and
 - cash management, in particular, active, daily management of liquidity and cash coverage to ensure a sustained ability to meet all financial commitments.
- d) Ensure that final budgets incorporate the 4.9 per cent wage increase as per the collective bargaining agreement for 2022/23, and also provide for the impact of notch increases, as applicable – unless the municipality intends to apply for an exemption for the implementation of the collective bargaining agreement.
- e) Ensure that the final budget is based on the cost increases published by NERSA of 8.6 per cent for bulk purchases by municipalities, and 7.47 per cent for electricity tariff increases for municipal customers.
- f) Tariff increases for other services need to balance affordability to customers, with the need to achieve cost reflective tariffs.
- g) Trends and developments in billing, payment and debt collection levels. The negative impact that the pandemic and subsequent economic decline has had on debt collection ratios has been evident across all municipalities. Municipalities must take cognizance of all trends and developments when estimating billing, payment and debt collection levels.
- h) Operating and capital expenditure patterns, including the need to prioritise spending towards core municipal functional mandates.
- i) The additional funding provided through the Local Government Equitable-Share, which should be directed towards sustaining and improving the provision of free basic services and indigent support.
- j) Maintaining an appropriate mix of capital funding sources i.e., borrowing, internally generated funds and capital transfers.
- k) Forging strategic partnerships by considering potential shared services models to reduce costs and improve efficiencies.
- l) It should be noted that the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) compels all municipalities to settle their short-term debt by 30 June 2022.

Unfunded Budgets:

- a) Municipalities are required to have credibly funded budgets in terms of section 18 of the MFMA. National Treasury (NT) has consistently emphasised the importance of tabling and adopting a funded budget in multiple MFMA Circulars, including No. 112 and No. 115 for the 2022/23 MTREF. Where a municipality has been notified through the SIME process that PT has concluded that the draft budget is unfunded, a municipality will be required to correct the budget to ensure that a funded budget (in terms of section 18 of the MFMA) is adopted and implemented.
- b) National Treasury requires that if a funded budget is unachievable, municipalities must, together with PT, develop, table, and adopt a credible Budget Funding Plan (BFP) in council which indicates how and by when the budget will improve from an unfunded to a funded position. This plan must be tabled in and adopted by Council with the 2022/23 MTREF budget and submitted to the national and provincial treasuries with the adopted budget in terms of section 24(3) of the MFMA. Failure to approve a credible plan will result in the invoking of section 216(2) of the Constitution to withhold transfers to a municipality.

c) The BFP must demonstrate which measures will be implemented to achieve a gradual improvement of operating surpluses that will be used to repay arrear obligations. The following items should be included in the BFP:

- Positive cash flow balances with a focus on revenue from trading services.
- Implementation of cost containment measures and a reduction of expenditure.
- Realistic debtors' collection rate with incremental improvement.
- Creditors' payment rate that ensures that all fixed obligations are met.
- Ring-fencing of conditional grants and ensuring that funds are cash-backed.

PART 2: TECHNICAL MATTERS

4. APPROVAL OF THE ANNUAL BUDGETS, ASSOCIATED DOCUMENTS, IDP AND SDF

- The annual budget and the IDP process is in its final stage as municipalities have to consider the approval of the annual budgets at least 30 days before the start of the budget year (i.e. by 31 May 2022) to enable the adoption thereof before the start of the budget year in terms of section 24(1) of the MFMA.
- Section 21 of the MFMA requires that it must be ensured that the IDP (and any subsequent amendments to the IDP) and the budget (including and budget-related policies) are mutually consistent and credible.
- In terms of section 23 (1) of the MFMA, following the tabling of the annual budget, municipalities are required to consult the local community, National and Provincial Treasuries, any national and provincial organs of state and other municipalities affected by the budget.
- Section 23(2) of the MFMA requires the municipal council to consider the views of the stakeholders referred to above, following which council must give the Mayor an opportunity to respond to the submissions and, if necessary, revise the budget and table amendments for consideration by the council. The SIME report should therefore be tabled in the municipal council to afford the council an opportunity to consider PT's comments as part of the overall inputs received during the consultation process.
- Section 24(2) of the MFMA further states that an annual budget –
 - must be approved before the start of the budget year;
 - is approved by the adoption of a council resolution referred to in section 17(3)(a)(i); and
 - must be approved together with the adoption of resolutions (refer to Regulation 17(2) of the Municipal Budget and Performance Regulation, 2009 (MBRR)), as well as Regulation 4 of Schedule A of the MBRR –
 - imposing any municipal tax for the budget year;
 - setting any tariffs for the budget year;
 - approving measurable performance objectives for revenue from each source and for each vote in the budget;

- approving any changes to the municipality's IDP; and
 - approving any changes to the municipality's budget-related policies.
- Section 75(2) of the MFMA 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".
 - It is important to note that in terms of section 160(2) of the Constitution, 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.
 - In terms of section 25(1) of the Local Government: Municipal Systems Act (Act 32 of 2000) (the MSA), each municipal council must, within a prescribed period after the start of its elected term and through a participative process, adopt a single, inclusive and strategic plan for the development of the municipality – the Integrated Development Plan (IDP).
 - An IDP is the principal strategic planning instrument which guides and informs all planning and development, and all decisions regarding planning, management and development in a municipality. An IDP provides the strategic direction for all the activities of a municipality over five years linked to the council term of office.
 - In terms of section 25(3) of the MSA, a municipal council may adopt the IDP of its predecessor, with or without amendment. Before taking such a decision the council must comply with section 29(1)(b)(i), (c) and (d).
 - In terms of section 32 of the MSA, the municipal manager of a municipality must submit a copy of the IDP as adopted by the council of the municipality, and any subsequent amendment to IDP adopted by the council, to the MEC for local government in the province within 10 days of the adoption. The copy of the IDP or amended IDP to be submitted to the MEC must be accompanied by - (i) a summary of the process referred to in section 29(1), (ii) a statement that the process has been complied with, together with any explanations that may be necessary to amplify the statement, and (iii) in the case of a district and a local municipality, a copy of the framework adopted in terms of section 27. Section 32 further states that if there are shortcomings with an adopted IDP or adopted amended IDP, the MEC for local government may request for adjustments to be made to address the shortcomings.
 - In terms of section 26 of the MSA, a municipal Spatial Development Framework (SDF) is a core component of an IDP and, in terms of section 20 of the Spatial Planning and Land Use Management Act (Act 16 of 2013) (SPLUMA), must be prepared and adopted as part of the IDP. An SDF can only be adopted as part of the adoption of the IDP, and an amended SDF can only be adopted as part of the adoption of an amended IDP.
 - In terms of section 14 of the Western Cape Land Use Planning Act, 2014 (Act 3 of 2014) (LUPA), the municipal manager must, within 10 days of the adoption by council of the SDF and adoption by council of any subsequent amendments to the SDF, submit the following to the MEC for development planning – (i) a written notice of the decision to adopt or amend the SDF, together with the reasons for the decision, (ii) the adopted or amended SDF, and (iii) a report setting out the response of the municipality to the comments submitted in terms of section 12(4) or 13(2). If only a review of the SDF was done (i.e. no amendments made), then the municipality is not required to, and must not, submit anything to the MEC for development planning, but should

submit the SDF review information adopted by council to PT and the Department of Environmental Affairs and Development Planning.

- In terms of section 22 of the SPLUMA, the Premier must take steps to address non-alignment between Spatial Development Frameworks and the MEC for development planning may also in terms of section 139(4) of the Constitution intervene by taking measures to address a municipality's failure in terms of its SDF.
- Municipalities are also reminded that specific environmental legislation requires the incorporation of sector plans into the IDP. These requirements are highlighted in **Appendix A**.

5. FAILURE TO APPROVE BUDGET BEFORE THE START OF BUDGET YEAR

- 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 follows: *(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.*
- In cases where the municipal council has not been able to convene timeously to initiate section 24(1), the process outlined in section 27 of the MFMA process must be followed, compelling the mayor of the municipality to inform the MEC for finance in the province in writing of any impending non-compliance.
- 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 2022**) of the applicable budget year, the Mayor must, in terms of section 55, of the MFMA 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, if a Municipality fails to adopt an annual budget by the start of the applicable financial year (i.e. 1 July), 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) is 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 municipality. In terms of subsections 26(4), (5) and (6) of the MFMA, in the absence of an adopted budget funds can only be withdrawn from the municipal bank account for limited spending purposes, and all spending must be approved by the MEC for Finance.
- Municipal Managers and CFOs are encouraged to communicate as soon as possible with PT if they identify that there is a risk that their budget will not be adopted timeously.

6. MUNICIPAL SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLANS (SDBIPs) AND PERFORMANCE AGREEMENTS

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 draft SDBIP for the budget year; and drafts of the annual performance agreements as required in terms of section 57(1)(b) of the Local Government: Municipal Systems Act, Act No. 32 of 2000 (MSA), or the municipal manager and all senior managers.

- In terms of section 53(1)(c)(ii) of the MFMA, the Mayor of a municipality must approve the municipality's SDBIP within 28 days after the approval of the budget.
- Subsequently, in terms of regulation 20(2)(b) of the MBRR, the accounting officer must submit the approved SDBIP to National and Provincial Treasury within ten working days after approval of the SDBIP by the Mayor.
- Section 53(3) of the MFMA further states that the Mayor must ensure 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.
- Provincial Treasury will assess the approved SDBIPs. The main purpose of the assessment is to determine the extent to which the SDBIP conforms to the legislative prescripts of the MFMA, MBRR and associated guiding MFMA circulars. The SDBIP is furthermore assessed in terms of the usefulness, reliability and relevance of key performance indicators as well as its alignment with performance information contained in the IDP and budget. Any municipality that requires assistance with the development of the SDBIP prior to approval should reach out to PT. Municipalities are further advised to consult PT's recommendations on previous SDBIP's as well as the Auditor-General's findings relating to pre-determined objectives.

In relation to performance agreements, the MFMA states as follows:

- Section 53(3)(b): The Mayor must ensure 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.

7. IN-YEAR REPORTING

The following should be noted with regards to financial reporting:

- Data-integrity – Synchronisation and alignment of information reported across the municipal accountability cycle needs to be strengthened. This would require mSCOA data-strings to be uploaded timeously and segment errors attended to once identified.
- Balancing the timeliness of reporting against the reliability and integrity of reported information that appropriately incorporates managements best judgments and estimates is critical.
- Municipalities are therefore required to assess its going concern status and make disclosures of substantial doubt/ material uncertainty when it is identified.
- Amidst a constrained fiscal environment, reporting on cost containment measures regulated by NT is of paramount importance. Non-compliance with the Municipal Cost Containment Regulations and policies is discouraged and could lead to irregular expenditure.

- Provincial Treasury has a legal responsibility to always advocate for fiscal discipline and financial prudence, the need for which cannot be over-stated in the current fiscal and socio-economic environment. In summary, the financial in-year reporting requirements are as follows:
 - Monthly Budget Statement as prescribed by the Municipal Budget and Reporting Regulations (MBRR). Credible mSCOA data-strings must be submitted within 10 working days after the end of each month. mSCOA Circular 13, dated 10 May 2022, requires municipalities to include all municipal allocations over the MTREF in the approved budget and report expenditure on these allocations in terms of Section 71 of the MFMA. In terms of the mSCOA Regulations, municipalities must budget, transact and report directly in and from their core financial system. Therefore, the required grant information must be included in the project detail file (PRTA, PROR, PRAD), budget file (TABB, ORGB and ADJB), in-year monitoring (M01-12) and audit (PAUD, AUDA and RAUD) data strings submitted to NT's GoMuni Upload portal. mSCOA does not allow for the manual population of grant performance reports.
 - Quarterly Cost Containment Report – Should be included as part of the Section 52(d) report to Council by the Executive Mayor. It is advised that Municipalities report expenditure against the year-to-date budget to ensure a more accurate reflection of the savings realised.

8. SUBMISSION OF THE ANNUAL BUDGETS, ASSOCIATED DOCUMENTS, IDP AND SDF

- Section 24 (3) of the MFMA, read together with regulations 20(1), requires that the approved budget must be submitted to both National and Provincial Treasury within ten working days after approval of the annual budget. However, given that municipalities are generating the annual budgets directly from the financial system as required by the mSCOA Regulations and that the budgets must be verified before it is locked on the financial system and transacted against, municipalities must submit the approved budget to National Treasury and the relevant provincial treasury in electronic formats immediately after approval by the municipal council. Therefore, if the annual budget is tabled to council on 31 May 2022, the final date of submission of the electronic budget documents and corresponding mSCOA data strings is Wednesday, 01 June 2022.
- Section 32 of the MSA requires that the municipal manager of a municipality submit a copy of the IDP as adopted by the council of the municipality, and any subsequent amendment to IDP adopted by the council, to the MEC for local government in the province within ten days of the adoption.
- Furthermore, as per MFMA Circular 115, municipal managers are required to submit –
 - The budget documentation as set out in the MBRR. The budget document must include the main A1 Schedule Tables (A1 - A10);
 - The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA24 and any other information not contained in the financial data string) in the A1 in the prescribed mSCOA data string in the format published with Version 6.5 of the A1 schedule;
 - The final service delivery and budget implementation plan (SDBIP) in electronic PDF format;
 - The final IDP;
 - The council resolution for the adopted budget;
 - Signed Quality Certificate as prescribed in the MBRR for the adopted budget;
 - D Schedules specific for the entities; and

- A budget locking certificate immediately at the start of the new municipal financial year on 1 July.
- See Appendix A for list of documents required for submission.

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

- Municipalities are to submit the **electronic copies** of the 2022/23 approved budgets, supporting budget documentation, IDPs, SDFs and approved SDBIPs to National and Provincial Treasury and the Department of Local Government as follows:
 - Budget related documents and schedules to NT must be uploaded by approved registered users using the LG Upload Portal at: <https://lguploadportal.treasury.gov.za/>. Documents should be in PDF format. Each document type should be identified and uploaded separately.
 - Electronic documents to PT should be submitted to: MFMA.MFMA@westerncape.gov.za or if too large (exceeds 3 MB) must be submitted via One Drive. Instructions for uploading the budget related documents are provided in Appendix B.

Department of Local Government IDP related electronic documents should be submitted to:

Bernice.Labuschagne@westerncape.gov.za;

DLG.IntegratedDevelopmentPlanning@westerncape.gov.za; and

MILS@westerncape.gov.za

or if too large (exceeds 3 MB) must be submitted via the lift server function (<http://lift.pgwc.gov.za/>) or OneDrive. Instructions for uploading the IDP related documents are provided in **Appendix B**.

- 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.

9. KEY DATES OF THE BUDGETING AND REPORTING PROCESS

Item	Date
Tabling and Adoption of Annual Budget	31 May 2022
Submission of Annual Budget to NT and PT	Immediately after approval in council
Submission of IDP, SDF, sectors plans and related documents to the MEC for local government	10 days after adoption latest 10 June 2022

10. CONCLUSION AND WAY FORWARD

Municipalities are encouraged to ensure timeous compliance with the provisions of the MFMA, MSA, MBBR, SPLUMA and LUPA as stated above.

However, if a municipality is unable to comply with any of the responsibilities relating to the approval of the 2022/23 annual budget and associated documents, IDP and SDBIP as set out in this Circular, the Accounting Officer must report such inability, together with the reasons, to the Mayor and PT 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.

Provincial Treasury will review the final approved budgets and associated documents to ensure that the comments of WCG provided as part of the assessment on the tabled budget, have been considered, and was tabled in council by the mayor as required by the MFMA.

The WCG wishes you well with the finalisation and approval of your annual budget, IDP, SDBIP and associated documents.

We are available to assist to ensure timeous and accurate submissions.

DR R HAVEMANN
DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES

SUBMISSION CHECKLIST FOR THE 2022/23 FINAL BUDGET, INTEGRATED DEVELOPMENT PLAN AND RELATED DOCUMENTATION

MUNICIPALITY: _____

In completing and signing the Budget and IDP documentation checklist below, the municipality confirms that Schedule A1 **complies with the Municipal Budget and Reporting Regulations (MBRR)** and that the main tables and the relevant supporting tables (as listed below) are in **version 6.6** of Schedule A1 and **drawn directly from the municipal financial system**.

The Integrated Development Plan as set out in Section 25 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
Council Resolution in terms of the Final Budget			
The Budget Documentation as set out in the MBRR. The Budget Document must include the main A1 Schedule Tables (A1-A10)			
The non-financial supporting tables A10, SA9, SA11, SA12, SA13, SA24 and any information not contained in the financial data string in <u>the A1 in the prescribed mSCOA data string in the format published with Version 6.5 of the A1 schedule</u>			
Service Delivery and Budget Implementation Plan			
Procurement Plan			
Service Level Standards			
Signed Quality Certificate as prescribed in the MBRR			
Budget Related Policies			
Information on any amendments to budget related policies			
Suite of budget related policies			
The IDP			
IDP adopted in terms of section 25 of the MSA			
Council resolution adopting the IDP in terms of section 25 of the MSA			
Documents that must accompany the IDP			
(a) All Municipalities:			
Documents required in terms of Section 32(1)(b) of the MSA:			
(i) A summary of the process referred to in section 29(1)			
(ii) A statement that the process has been complied with, together with any explanations that may be necessary to amplify the statement			
(iii) A copy of the framework adopted by the District Municipality in terms of section 27 of the MSA			
Documents required in terms of Section 28 of the MSA:			
(i) Process Plan adopted in terms of section 28 of the MSA			
(ii) Council resolution adopting the Process Plan			

Budget Documentation	Yes	No	N/A
(b) District Municipalities only:			
Documents required in terms of Section 27 of the MSA:			
(i) the District Framework adopted in terms of section 27 of the MSA			
(ii) Council resolution adopting the District Framework			
(c) Documents required by Municipalities that adopted the IDP of its predecessor with amendments in terms of section 25(3) of the MSA:			
The memorandum referred to in Regulation 3(2)(a) of the MSA Regulations			
A copy of the advert placed to invite comments of the public on the proposed amendments in terms of Regulation 3(4)(b) of the MSA Regulations			
If a District Municipality proof of compliance with Regulation 3(5) of the MSA Regulations			
If a Local Municipality proof of compliance with Regulation 3(6) of the MSA Regulations			
All Municipalities - Sector-related Plans that form part of the IDP			
Spatial Development Framework, including Capital Expenditure Framework			
Council Resolution adopting the <i>Spatial Development Framework</i>			
Other sector-related plans that form part of the adopted IDP, together with the relevant Council Resolution adopting such sector plan, including:			
<ul style="list-style-type: none"> An Integrated Air Quality Plan as required in accordance with section 15(2) of NEMAQA (Act No. 39 of 2004); An Integrated Waste Management Plan as required in accordance with section 11(4) of NEMWA (Act No. 59 of 2008); and If the municipality is located along the coast, a Coastal Management Programme as required in accordance with section 48 of ICMA (Act No. 24 of 2008) 			

MUNICIPAL REPRESENTATIVE:

Designation: _____

Name: _____

Signature: _____

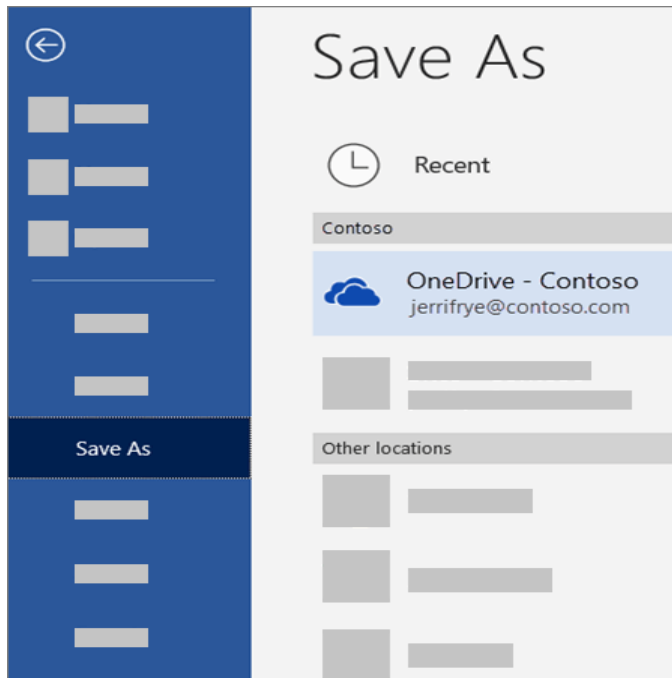
Date: _____

The following instructions provide a guide for the upload of budget documentation onto OneDrive.

● **How to upload documents to One drive:**

You can use this option if you have OneDrive linked to your Microsoft Office or Office 365

1. In any Office document, select File > Save As, choose your OneDrive, and then pick the folder where you want to save the file. Create a new folder (e.g. DC1 2022 Budget Documents) and place all the budget related documents within it.



2. In order to share the link to that folder Go into OneDrive
3. Select the file that you want to share and right click on it
4. Choose "share"
5. Ensure that sharing is defaulted to "Anyone with the link can edit"
6. Enter the MFMA email address: MFMA.MFMA@westerncape.gov.za, DLG.IntegratedDevelopmentPlanning@westerncape.gov.za, MILS@westerncape.gov.za and email addresses of anyone else that you want to share the link with.
7. Click the Share Button

File names in following sequence for budget related documents to be submitted to MFMA:

- Demarcation code
- "ccyy" century and year (eg.2022)
- Name of document submitted (e.g. Final Budget, Final IDP, Final SDBIP etc.)

E.g.: DC01 2022 Final IDP

E.g.: DC01 2022 MTREF Main Budget

E.g.: DC01 2022 Final SDBIP