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TREASURY CIRCULAR MUN. NO. 5/2023

THE MAYOR, CITY OF CAPE TOWN
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY
THE MAYOR, MATZIKAMA MUNICIPALITY
THE MAYOR, CEDERBERG MUNICIPALITY
THE MAYOR, BERGRIVIER MUNICIPALITY
THE MAYOR, SALDANHA BAY MUNICIPALITY
THE MAYOR, SWARTLAND MUNICIPALITY
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY
THE MAYOR, WITZENBERG MUNICIPALITY
THE MAYOR, DRAKENSTEIN MUNICIPALITY
THE MAYOR, STELLENBOSCH MUNICIPALITY
THE MAYOR, BREEDE VALLEY MUNICIPALITY
THE MAYOR, LANGEBERG MUNICIPALITY
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY
THE MAYOR, OVERSTRAND MUNICIPALITY
THE MAYOR, CAPE AGULHAS MUNICIPALITY
THE MAYOR, SWELLENDAM MUNICIPALITY
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY
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THE MAYOR, HESSEQUA MUNICIPALITY
THE MAYOR, MOSSEL BAY MUNICIPALITY
THE MAYOR, GEORGE MUNICIPALITY
THE MAYOR, OUDTSHOORN MUNICIPALITY
THE MAYOR, BITOU MUNICIPALITY
THE MAYOR, KNYSNA MUNICIPALITY
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THE MAYOR, LAINGSBURG MUNICIPALITY
THE MAYOR, PRINCE ALBERT MUNICIPALITY
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TABLE OF CONTENTS

MUNICIPAL BUDGET CIRCULAR FOR THE 2023/24 MTREF AND ASSOCIATED 2023 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENTS

1. INTRODUCTION

This Circular should be read in conjunction with National Treasury (NT) MFMA Circulars No. 122 and No. 123 issued on 09 December 2022 and 03 March 2023 respectively.

The purpose of this circular is to:

- Provide an overview of the current fiscal and economic context and key highlights from the 2023 National Budget as well as the 2023 Provincial Budget (Section 3; pages 4-6)
- Provide guidance to municipalities with the **finalisation of the 2023/24 Medium Term Revenue and Expenditure Framework (MTREF) Budgets** and accompanied budget documentation (Section 4; pages 7-15), and
- **Brief municipalities on the 2023 Strategic Integrated Municipal Engagements (SIME) process** and related matters (Section 5; pages 15-18).

2. LEGISLATIVE CONTEXT

The Western Cape Provincial Government (WCG) has institutionalised the Strategic Integrated Municipal Engagements (SIME; previously referred to as 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;
- Chapter 5 of the Local Government: Municipal Systems Act (Act No. 32 of 2000) [MSA];
- Chapter 3 of the National Environmental Management Act (Act No. 107 of 1998) (NEMA); and
- Chapter 4 of the Spatial Planning and Land Use Management Act (Act No. 16 of 2013) (SPLUMA).

The 2023 SIME process builds on the 2021 integrated municipal and Provincial processes to strengthen alignment between municipal and Provincial planning and budgeting and drives the theme of "**Integrated service delivery**", as municipalities are preparing for the second year of the 2022-2027 Integrated Development Planning Cycle.

3. FISCAL AND ECONOMIC CONTEXT

3.1 Economic and Fiscal Environment

The South African economy is expected to slow in 2023 and over the medium term and the risks to the economic outlook remain elevated. Real economic growth is projected to be 2.5 per cent in 2022. However, due to extensive power outages and other domestic logistical constraints, the South African Reserve Bank (SARB) forecasts real GDP growth of only 0.3 per cent in 2023. The SARB has also revised its 2024 and 2025 projections downwards to 0.7 per cent and 1.0 per cent, respectively. The 2023 SIME process will therefore take place in a time of heightened economic uncertainty and downside risks.

The broad-based slowdown of the global economy combined with a weaker economic outlook for South Africa has decelerated growth prospects for the Western Cape. The Province faces challenges such as weak consumer demand, higher inflation and rising interest rates while also being exposed to national challenges of port and rail inefficiencies, labour unrest, and power outages. Consequently, the Western Cape economy is expected to have expanded moderately by 2.0 per cent in 2022 and 1.9 per cent in 2023.

While the expectation has been that inflation would remain steady, annual headline Consumer Price Inflation (CPI) moved to 7.0 per cent in February 2023, largely driven by sharp hikes in food prices. Additionally, the US central bank raised its key interest rates by 25 basis points on the 22 March 2023, which increases the likelihood of a similar interest rate hike for South Africa. An announcement will be made on the 30 March 2023, following the SARB'S Monetary Policy Committee (MPC) meeting next week.

The following macro-economic forecasts for Consumer Price Index (CPI) inflation must be considered when preparing the 2023/24 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2021 – 2026

Fiscal year	2021/22 Actual	2022/23 Estimate	2023/24	2024/25	2025/26
CPI Inflation	4.9%	6.9%	5.3%	4.9%	4.7%

Source: NT MFMA Budget Circular No. 123

3.2 2023 National Budget

The 2023 National Budget has been presented in the context of significant economic and social challenges facing South Africa. Key highlights of the national budget include:

- It is projected that the consolidated budget deficit will continue to decline over the MTEF period, narrowing to 3.2 per cent in 2025/26. Total public sector debt is projected to stabilise at 73.6 per cent of GDP by 2025/26, after factoring in the Eskom debt-relief plan. Debt-service costs will rise to R397.1 billion in 2025/26, from R307.2 billion in 2022/23.

- It is anticipated that the gross tax revenue in 2022/23 will amount to R1.69 trillion, R93.7 billion more than the previous estimate from the 2022 Budget estimate. The higher-than-expected revenue is attributed to growth in most major tax bases despite intensified load-shedding and weaker global economic conditions. Given the various pressures over the MTEF period, it is necessary to allocate some of the extra revenue to reducing the fiscal deficit instead of utilising such to fund additional expenses.

- The 2023 Budget includes tax relief measures totalling R13 billion to facilitate the transition to clean energy, increase electricity supply, and alleviate the persistent impact of high fuel prices. Of this amount, R9 billion is provided to encourage households and businesses to invest in renewable energy.

- Over the next three years, the consolidated spending budget amounts to R7.08 trillion, with the bulk of the amount allocated towards the social wage. This encompasses the combined public expenditure on health, education, housing, social protection, transport, employment, and the local amenities.

- The proposed medium-term plan includes additional baseline allocations of R227 billion since the 2022 Budget. These increments are aimed at promoting infrastructure development, crime reduction, and enhancing healthcare and education services. Moreover, the cost of servicing the debt is expected to account for an average of 17.1 per cent of the main budget expenditure over the medium term.

- As the social wage takes up a significant portion of public expenditure, the 2023 MTEF allocates a significant share of nationally collected revenues to Provincial and local government. After setting aside funds for debt servicing costs, contingency and unallocated reserves, and provisional allocations, 41.5 per cent of the revenue generated nationwide will be distributed to provinces, while 10 per cent will be allocated to local government. Moreover, an additional R1.1 billion is allocated to the electricity component of the local government equitable share formula in 2023/24. This will offset additional charges for households that receive free basic electricity within municipalities.

- Over the 2023 MTEF period, local government allocations will increase by a total of R14.3 billion, made up of R8.1 billion in the local government equitable share and R6.2 billion in direct conditional grants.

- The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2023 MTEF period. The 2023 Budget ensures adequate provision through the local government equitable share to ensure that all municipalities are fully subsidised to support indigent households.

- R1.35 billion has been left unallocated in the LGES formula for 2023/24 to serve as a precautionary measure should municipal electricity tariffs exceed the 20.7 per cent provided for in the formula. If the actual increase in municipal bulk tariffs exceeds the provision made in the formula, it will be the first call on those unallocated funds.

- National government transfers in the form of the provincial equitable share (PES) and Conditional grants are projected to increase from R73.523 billion in the 2022/23 revised estimate to R78.527 billion in 2025/26. This represents an annual average growth rate (AAGR) of 2.2 per cent. The Western Cape's net effect of the annual technical data updates to each of the PES formula components, together with the introduction of the new health risk-adjusted index reduced its PES share from 10.5 per cent in the 2022 MTEF to 10.3 per cent over the 2023 MTEF. The reduction is phased in over the three years to provide greater stability and predictability in the Provincial medium-term planning and budgeting process.

- These changes have a very real and tangible fiscal impact on the Province. Over the 2023 MTEF, the Western Cape's overall adjustment to the baseline together with the annual data updates to the various PES formula components amounted to a reduction of R1.919 billion, due to the impact of the revision to the health risk-adjusted index.

- The Western Cape's Conditional grant allocation over the 2023 MTEF period totals R14.474 billion in 2023/24, R14.408 billion in 2024/25 and R15.079 billion in 2025/26, constituting 17.8 per cent on average of the Province's total receipts.

- The Province's Conditional grant allocation increased by 1.9 per cent from a revised estimate of R14.201 billion in 2022/23. Over the 2023 MTEF, Conditional grants increased by R698.816 million or AAGR of 8.5 per cent. From the various additional allocations, the largest allocation was R417.634 million towards the Provincial Roads Maintenance Grant in 2023/24.

- The aggregate local government equitable share (LGES) increases at an average annual rate of 9.3 per cent from R83.7 billion in 2022/23 to R109.4 billion in 2025/26, mainly to provide for above-inflation escalation costs in bulk electricity and water supply. The equitable share includes allocations for the operational and maintenance costs associated with the provision of free basic services.

- The total LGES applicable for the Western Cape Municipalities equate to R7.343 billion for the 2023/24 financial year, increasing by 10 per cent from the 2022/23 allocation (R6.666 billion). The total allocations to municipalities (including the direct and indirect conditional Grants) are reflected as R13.290 billion in the 2023/24 financial year. The figure reveals a 14 per cent increase from the 2022/23 financial year (R11.637 billion).

The 2023 National Budget documentation is available here.

3.3 2023 Western Cape Provincial Budget

On Tuesday, 14 March 2023, the Western Cape Minister for Finance and Economic Opportunities, Ms. M Wenger, tabled the 2023 Western Cape Budget in the Provincial legislature. The Western Cape's 2023 Budget supports ongoing economic recovery by driving the Provincial priorities of Growth for Jobs, Safety and Wellbeing enabled by Innovation, Culture and Governance. Key highlights of the Provincial budget include:

- Over the three years of the 2023 MTEF, R39.824 billion has been allocated to boost economic growth and create opportunities for our citizens. Additionally, R4.760 billion is allocated to ensure safer communities and R170.911 billion has been allocated to ensure the wellbeing of residents in the Western Cape, which includes key services such as Education and Health. Lastly, R19.270 billion is allocated towards Innovation, Culture and Governance, the enablers of these key policy priority areas.

- By functional area, the three largest expenditures in 2023/24 are; education (R29.548 billion), health (R28.805 billion), and infrastructure and economic affairs (R11.7 billion). An additional R350 million has been allocated towards education infrastructure to accelerate infrastructure delivery to respond to a growth in demand for places in our schools.

- The 2023 Budget has a strong focus on improving energy resilience in the province with R1.1 billion set aside for the MTEF period, R598.475 million of this already allocated. The WCG aims to reduce the impact of loadshedding, improve advances in the green economy, set up a strong pipeline of green energy projects, scale up support to municipalities to help them get more power into the grid, and identify critical transmission infrastructure upgrades. Over the 2023 MTEF, the Department of Economic Development and Tourism (DEDAT) is allocated R24.0 million to improve energy resilience in municipalities. Additionally, the Department of Local Government will receive a total of R57.5 million to help municipalities pilot renewable energy solutions and includes the provision of specialists to find best-fit renewable energy options as well as the creation of municipal energy master plans. Additionally, R40 million will be allocated in each year across the MTEF period for energy related project preparation support, particularly by municipalities, under the management of the Department of Infrastructure.

- The Department of Infrastructure is allocated significant funding for project preparation support. This includes earmarked allocations for mixed-use developments. A total of R32.4 million is allocated for mixed-use developments in the 2023/24 financial year and includes projects in Stikland North, Oude Molen, Leeuwenhof, Leeuloop and Caledon.

- The Western Cape Government will spend R80.319 billion across all municipal areas in the Province. The 2023 expenditure distribution per region is as follows: Cape Metro (R55.148 billion; 68.7 per cent), Cape Winelands (R9.643 billion; 12.01 per cent), Garden Route District (R7.356 billion; 9.16 per cent) West Coast District (R4.088 billion; 5.09 per cent) Overberg (R2.917 billion; 3.63 per cent) and Central Karoo District (R1.101 billion; 1.37 per cent).

- In addition to the WCG's emphasis on energy resilience, focus will also be placed on the ease of doing business, by working to improve the efficiency of the Port of Cape Town, by implementing the Municipal Ease of Doing Business Planning and Building Permit Reform Programme, and by improving the processes which inform Environmental Impact Assessments.

- The Western Cape Provincial Government has allocated R2.8 billion in conditional grants to municipalities in 2023/24 that must be taken up in municipal budgets. These allocations, as well as forward projections for the rest of the 2023/24 MTREF period are set out in Provincial gazette number 8730 of 14 March 2023 (available with the rest of the Provincial budget documents at the link above). The allocations to each municipality have also been summarised in an allocation letter sent to each municipality. These grants cover a wide range of functions, from strengthening the capacity of municipalities to deliver on their mandates to funding capital projects and delivering services on behalf of the province. The purpose of each grant is set out in its grant framework in the gazette.

- Municipalities are encouraged to refer to Chapter 6 of the Overview of Provincial Revenue and Expenditure (OPRE) which outlines the spatial distribution and the sectoral breakdown of education, health and wellness, infrastructure, and other Provincial expenditure across the Metro, district, and local municipalities in the Western Cape. Additionally, Chapter 3 of the Overview of Provincial Municipal Infrastructure Investment (OPMII) summarises the Provincial Government's infrastructure investment plans in each municipality. For further information on provincial allocations, kindly direct queries to:
  Budgetoffice.provincialtreasury@westerncape.gov.za

- The 2023 Provincial Budget documentation can be accessed here.

4. NATIONAL AND PROVINCIAL BUDGET GUIDELINES

The NT and PT circulars provide guidance to municipalities on revenue, expenditure and accounting related matters for consideration when compiling their 2023/24 MTREF budgets. Please note the following important matters:

- Municipalities are advised to consult MFMA Circulars No. 122 (2022) and No. 123 (2023) for guidance in respect of planning and budgeting towards the 2023 MTREF, available at this link.

- Municipalities MUST include the National and Provincial Treasury Budget Circulars as part of the source documents consulted in the preparation of the 2023 MTREF Budget documents and table it as part of the budget documentation in the municipal council.

4.1 Key focus areas for the 2023/24 budget process

4.1.1 Local government conditional and unconditional grant allocations

- Over the 2023 MTEF period, NT will undertake the following reforms to refine the local government equitable share formula:
  - **Introduce a cost differential model** which considers factors such as distances, topography and settlement type in the basic services component.
  - **Introduce a separate component for municipal health services and an explicit sub-component for the firefighting function** in the local government equitable share formula.
  - **Develop an objective criterion which municipalities can be benchmarked against in relation to their administrative functions** and explore policy options related to financing infrastructure in small and rural municipalities.

4.1.2 Re-enforcing improved intergovernmental relations in the 2023 Division of Revenue Bill, (DORB)

- In order to strengthen the system of good intergovernmental relations as envisaged in the Chapter 3 of the Constitution and subsequent related legislation, municipalities are reminded of Section 31(3) of DoRA that provides for the facilitation of personal liability for unnecessary litigation.
- Section 31 is amended to include a clause that requires that where an organ of state decides to institute judicial proceedings against another organ of state, it must, within 10 working days of its decision, notify the National Treasury, the relevant provincial treasury, the Department of Cooperative Governance and the Auditor-General, of the details of compliance with Chapter 4 of the Intergovernmental Relations Framework Act, 2005, including an explanation of the failure to resolve the dispute.

4.1.3 Conditional Grants Usage and transfers to municipalities

- Conditional grant funds may only be used for the purposes, and subject to the conditions specified in the framework for each conditional grant.
- These conditions are binding in terms of sections 11 and 12 of the annual Division of Revenue Act. Any instruction by a municipal, provincial, or national official or politician that is inconsistent with the framework of a conditional grant is invalid.
- Municipalities are reminded that in terms of section 32 of DoRA, spending of a grant that is inconsistent with DoRA is considered irregular or unauthorised expenditure.
- To assist municipalities with the criteria for the equitable share release for 2023/24, municipalities are to follow the guiding checklist provided by NT (in MFMA Circular No. 123). This checklist can be followed throughout the year to ensure that all documents are uploaded to the GoMuni platform. Municipalities will also be required to submit the completed checklist as part of the quarterly performance reporting process for quarter 1 of the financial year. By including the completed checklist in the report, municipalities confirm their adherence to the equitable share release criteria including that all supplementary information has been submitted onto Go-Muni.
- Section 21 of the Division of Revenue Act, 2022 (Act No.5 of 2022) (DoRA) in conjunction with the Division of Revenue Amendment Act, 2022 (Act No. 15 of 2022) (DoRA) requires that any conditional allocation or portion thereof that is not spent at the end of the 2022/23 financial year reverts to the National Revenue Fund (NRF), unless the rollover of the allocation is approved in

terms of subsection (2). Municipalities should therefore refer to NT Circular MFMA No. 123 for the list of information to include when requesting a rollover in terms of section 21(2) of the 2022 DoRA and for information on cases where NT may decline an application.

- NT must first see that the unspent allocations are committed to identifiable projects for the funds to be rolled over. Furthermore, if National Treasury receives the application after 31 August 2023, the application will be declined. Additionally, no rollover requests will be considered for municipalities with vacant or acting CFOs and MMs for a period exceeding 6 months from the date of vacancy.

4.2 The Revenue Budget

4.2.1 Setting cost-reflective tariffs

The basis of compiling a credible budget includes the setting of cost-reflective tariffs. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. Guidance for the setting of cost-reflective tariffs are as follows:

- Municipalities are advised to balance full cost recovery on services with affordability for residents. National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other consumers while ensuring the financial sustainability of the municipality. If the municipality's initial tariff calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over 3 to 5 years. The municipality's strategy in this regard should be included as part of the budget narratives.

- Where the full increase in the cost of a service is not passed onto consumers, municipalities must offset the increased costs through savings identified elsewhere in their operations. While municipalities are urged to maximise efficiency in their operations, tariff setting efforts should consider the need to make additional provision for repairs and maintenance associated with infrastructure breakdowns during loadshedding. Municipalities are cautioned against setting tariffs that include operating inefficiencies as this could lead to tariffs becoming unaffordable to consumers. Municipalities are encouraged to set two-part tariffs, that include a basic availability charge to recover the fixed (direct and indirect) cost associated with the service in conjunction with consumption-based tariff bands, where possible.

- As communicated in MFMA Circulars (122:13 and 123:10), with effect from the 2023/24 MTREF, all municipalities (except metropolitan cities, and district municipalities that do not provide any services) as part of both the tabled and adopted MTREF submissions, must submit the completed National Treasury Tariff Tool (in excel format); illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective.

- The completion of the National Treasury tariff Tool will assist in setting tariffs that are cost-reflective and enable a municipality to recover costs to fulfil its mandate. A key aspect of the funding allocation criteria is the assessment whether the Municipality completed the "National Treasury Excel Tariff Tool uploaded to GoMuni with the adopted budget by the start of the budget year i.e. I July 2023". A key success factor is that every municipality fully embrace the Municipal Standard Chart of Accounts (mSCOA), costing component.

- Flowing from the above, municipalities are requested to provide Provincial Treasury with an update regarding the process of cost reflective tariff setting; and more specifically how the municipality has adopted and populated the National Treasury Tariff Tool (in excel format) to date, prior to the SIME engagements.

- Based on the deliberations in the Budget and the In-Year Monitoring (IYM) Workshop (held 13 January 2023) as well as the presentation by the Budget and Revenue Advisor of National Treasury, the resolution was that Municipalities phase in the implementation of the Tariff Tool and fill in the Revenue and Expenditure Tabs in the National Treasury Tariff Tool, factoring in also the populating of the Surplus and Revenue Required Tabs. The presentation by National Treasury regarding the Standardised Tariff Setting Tool Presentation can be found here.

4.2.2 Tariff setting – the impact of loadshedding

Municipalities are advised to take account of the impact of loadshedding and the loss of customers on both on the expenditure and revenue side of the budget and rebalance their expenditure and revenue budgets accordingly**.** Municipalities need to adequately plan and prioritise funding in its 2023/24 MTREF budget for this purpose, taking cognisance of the following:

- Bulk purchases represent approximately one third of municipal expenditure. Due to the prolonged energy crisis which resulted in continued loadshedding, electricity demand by businesses and households has been curtailed. As municipalities are selling electricity at a mark-up, the resultant revenue from lower electricity purchases is expected to be significantly less. The announcement by the Minister of Finance that individuals may claim up to R15 000 rebate personal income tax for the 2023/24 tax year on the acquisition of solar panels up R60 000 will mean that many wealthier individuals may switch to solar PV panels for electricity. This will further reduce electricity demand and sales.

- Municipalities are advised to prioritise the maintenance and refurbishment of their electricity networks to prevent any further disruptions in electricity supply in addition to loadshedding. In this regard, municipalities are advised to synchronise the maintenance schedules of their electricity networks with that of their local loadshedding schedules.

- Apart from negatively affecting electricity services, loadshedding also impacts municipalities' ability to pump water, which negatively affects the stability of water supplies and related functioning of the wastewater reticulation network. NT recommends that back-up electricity to pump water be prioritised while remaining mindful of affordability, the availability of funding sources and other critical expenditure priorities. The Western Cape Government has availed R88 million to assist municipalities with the acquisition of back-up generators for this purpose in the 2022/23 financial year.

- The blocking of electricity purchases via prepaid meter sales or recovering of portions of outstanding debt through electricity prepaid purchases have traditionally been an effective credit control mechanism. Municipalities can therefore expect a rise in outstanding consumer debt as the demand for electricity drops. Municipalities are therefore advised to explore alternative and innovative credit control methods.

- Municipalities should carefully monitor their Eskom accounts for any penalties that result from increased demand immediately after a period of loadshedding is ended. Additionally, municipalities must factor in the fact that Eskom will reverse penalties for exceeding notified maximum demand that results from loadshedding when calculating tariffs. This will ensure that consumers are not overcharged.

- A load-shedding levy or surcharge may only be introduced with the approval of the Minister of Finance and in terms of legislative processes set out in the MFMA and the Municipal Fiscal Powers and Functions Act, 2007.

4.2.3 Eskom Debt Relief

The debt relief for Eskom announced by the national Minister of Finance includes a pass on of relief to municipalities with arrear amounts owed to Eskom. Municipal Debt Relief will be conditional and application based. The relief is aimed to correct the underlying behaviour and operational practices in defaulting municipalities and Eskom while, in parallel, progressively introducing a smart metering solution to change consumer behaviour by reinforcing a culture of payment for services. The initial proposal from National Treasury consists of 4 elements:

- Eskom will write-off all debt municipalities owe as on 31 March 2023 (excluding the March 2023 current account). This will be done over three national financial years and require as a critical qualification that municipalities honour their current (monthly consumption) Eskom and water accounts going forward and maintain a minimum average quarterly collection;

- Secondly, new mechanisms are explored to resolve non-payment – this to include a dispute Ombud mechanism and re-assigning the license of persistent defaulters;

- Thirdly, Eskom will continue to implement a regime of installation of pre-paid meters in Eskom supplied areas to improve Eskom collection. Municipalities are additionally encouraged to adopt a similar operating regime; and

- Lastly, the National Treasury will continue to implement municipal revenue enhancement initiatives, including a transversal tender for a smart pre-paid meter solution to change to a forward-looking culture of payment of the consolidated municipal bill.

More details on the application process and related conditions for municipalities will soon be outlined and published through a separate MFMA Circular issued by National Treasury. The application process is likely to focus on ensuring the sustainability of future payments to Eskom so that municipalities do not fall behind on payments in future.

Furthermore, municipalities must ensure that structural deficiencies within the electricity trading service are addressed to ensure that municipalities that benefit from the debt relief do not relapse and default on the Eskom payment obligations.

There are currently four (4) municipalities in the Western Cape are eligible to potentially benefit from this debt relief. Provincial Treasury will engage directly with these municipalities as more information becomes available on the application process and how to manage payments under existing arrear agreements while applying for relief. NT MFMA Circular No. 123 is clear that in all circumstances municipalities must pay their current accounts timeously.

4.3 Additional Budget Considerations:

The matters discussed below are noteworthy considerations to be taken into account in the finalisation of municipalities tabled budgets:

4.3.1 Eskom Bulk Tariff Increases

The National Energy Regulator of South Africa (NERSA) is responsible for the price determination of the bulk costs of electricity. The following guidelines should be taken into consideration:

- In January 2023, NERSA approved tariff increases of 18.7 per cent in 2023/24 and 12.7 per cent increase in 2024/25. For purposes of calculating the free basic energy subsidy in the local government equitable share formula, the National Treasury has added 2 per cent to these increases. This was provided in anticipation of higher increases for municipalities than those published in January due to the difference in the financial years of Eskom customers and municipalities. However, the actual bulk tariff increase for municipalities is slightly lower, meaning that the subsidy in the equitable share has received an above-cost increase.

- R1.1 billion is added to the free basic energy subcomponent of the free basic services component of the local government equitable share formula to fund these higher tariff increases. To this end, the free basic electricity subsidy in the local government equitable share is calculated based on a 20.7 per cent tariff increase in 2023/24 and a 14.7 per cent increase in 2024/25. In the absence of an approved tariff increase in the outer year of the MTEF period, the formula assumes an increase of 17.7 per cent in 2025/26. This is the average of the estimated increases for the first two years of the MTEF period.

- The National Energy Regulator of South Africa (NERSA) released its guideline for municipal tariff increases on 16 March 2023. NERSA approved an increase of 18.49 per cent for municipalities for the 2023/24 financial year and approved an average tariff increase of 18,65 per cent for Eskom's standard tariff customers. Municipalities will realise a lower increase of 18.49 per cent, because in the first three months (April to June) of Eskom's financial year, they will not experience an increase due to the municipal financial year commencing on 1 July. A lower tariff for municipalities is possible if there was an over-recovery in the period from April – June based on the previous approved increase.

- NERSA has now clarified the bulk tariff increase that municipalities will pay for 2023/24, but they must still publish the guideline for determining the tariff increases that municipalities can apply to their customers. Municipalities will need this information to be able to complete their budgets. It is hoped that the guideline is published shortly. If it is not, Municipalities are advised to use the assumptions from the guideline for 2022/23 and make clear in their budget documents that the final electricity tariff increases will be adjusted to align with the final NERSA guideline tariff increases.

- The table below illustrates examples of how the 2022/23 NERSA guideline could be used to calculate estimated tariff increases for municipal customers. In both examples the tariff increase is in the region of 15 per cent. NERSA may make other changes and are likely to update the "contribution" shares of different costs, so Municipalities are warned that the guideline increase will differ from the examples below. However, these examples are provided to give municipalities a ballpark indicator of likely increases in the absence of a published guideline.

	2022/23 NERSA Guideline			**Example 1 2023/24 (only updating bulk cost)**		**Example 2 2023/24 (updating bulk cost and CPI)**	
	Contribution	**% increase**	**Guideline**	**% increase**	**Guideline**	**% increase**	**Guideline**
Bulk purchases	74.0%	8.61%	6.37%	18.49%	13.7%	18.49%	13.7%
Repairs and maintenance	8.9%	4.40%	0.39%	4.40%	0.4%	5.30%	0.5%
Salaries	3.8%	4.40%	0.17%	4.40%	0.2%	5.30%	0.2%
Finance costs	2.1%	2.00%	0.04%	2.00%	0.0%	2.00%	0.0%
Bad debts provision	3.9%	4.40%	0.17%	4.40%	0.2%	5.30%	0.2%
Charges from other municipal departments	1.8%	4.40%	0.08%	4.40%	0.1%	5.30%	0.1%
General expenditure	5.5%	4.40%	0.24%	4.40%	0.2%	5.30%	0.3%
			7.47%		**14.78%**		**14.99%**

Source: Provincial Treasury, own calculations

4.3.2 Cost Containment

Provincial Treasury has observed a wide range of innovative cost containment practices being implemented by municipalities, reflecting a notable shift in the way cost containment has conventionally been perceived. Initially, it was purely a process of cost elimination to relieve budget pressures associated with the constrained fiscal environment. Municipalities are now starting to acknowledge cost containment as a dynamic and reflective process that aims to achieve greater operational efficiencies in the medium to long term. These innovations, as noted by PT through the various in-year monitoring processes and consideration of municipal cost containment reports, can broadly be categorized as follows:

Elimination	Conventional cost containment approach whereby all non-essential and nice-to-have expenses are reduced. Includes investigating and removing duplicate or redundant functions.
Adaption	Cost saving opportunities associated with the new-way-of-work. Examples include flexible operating hours that reduces the need for overtime; having online engagements to reduce travel and subsistence; hybrid working arrangements; shift systems to reduce overtime etc.
Bundling	Combining services to reduce costs. Typical example would be to make use of a single service provider for certain important business functions, shared service model.
Automation	Significant efficiency made by automating certain business processes. However capital intensive and can lead to job redundancies, increased training costs etc.
Optimisation	Identifying and reviewing case, project and process workflows to remove bottlenecks, and promote system integration. Gains from optimisation and automation can also be realized through attrition of staff, if efficiency gains can be used to reduce the need to replace staff when they leave the municipality.
Substitution	Exploring more cost-effective alternative goods and services (maximise value for money) without compromising service level standards.
Repurposing	Transforming, adapting or redeploying certain strategic assets at the end of its original life cycle to fulfil another purpose. This will reduce the need for complete replacement of existing tools, technologies and even processes.
Deferment	Strictly applies to non-essential goods and services only. Municipalities should under no-circumstances defer financial obligations or repairs and maintenance. Examples include holding off on non-mandatory training and refurbishment or upgrading of administrative and community facilities.

- While cost containment in the above context is an ongoing process, municipalities are reminded of the requirement to set clear and quantifiable targets as part of its cost cutting commitments. Over the last financial year, Provincial Treasury has noted a marked regression in the submission of the quarterly Municipal Cost Containment Regulations (MCRR) (2019) reports. Municipalities are advised to timeously adhere to the MCCR reporting requirements and where possible, incorporate the quarterly disclosure reports as part of the reports submitted in terms of S52 of the MFMA. Provincial Treasury will henceforth take a more critical view of the information reported by municipalities to ascertain whether underspending is being passed off as a saved cost.

- Provincial Treasury is aware of the need for a differentiated cost containment approach for each municipal category and will continue to work closely with National Treasury to review the existing Regulations. Municipalities are however in the interim requested to consider and apply innovative cost containment measures and report in line with MFMA Circular No.82 (2016) and the MCCR (2019).

4.3.3 Cost Drivers

While there is an immediate need to safeguard municipal revenue streams that are directly impacted by the effect of loadshedding on consumer consumption patterns, it is equally important for each municipality to critically review the cost drivers within its expenditure framework ahead of the tabling of the 2023/24 budget. Some of the most prominent expenditure drivers to be considered as part of a municipality's budget assumptions are as follows:

- *Provision for indigent households:* The constrained fiscal environment, including high levels of food price inflation and rising interest rates, continues to impact heavily on disposable household income. Households are reducing discretionary spend to afford necessities. Some reduction in spending on consumption of trading services should be expected. However, the larger impact on municipal budgets is likely to come from an increase in indigent household applications and municipalities should anticipate this and provide for the cost in their budget.

- *Increase in fuel prices:* While fuel price inflation has slowed between December 2022 and January 2023, a year-on-year comparison reveals a 13.1 per cent increase from January 2022. Geo-political uncertainty persists (notably the Ukraine/Russian war) which does leave fuel prices susceptible to ongoing fluctuations. That said, the decision to not increase fuel taxes in the national budget provides a measure of relief to consumers. Fuel is a major cost driver for municipalities in general, but additional provision needs to be made for fuel costs associated with alternative power solutions (such as generators). Municipalities are advised to provide for at least the volumes of fuel that have been consumed monthly for additional generator usage since loadshedding escalated in December 2022.

- *Repairs and Maintenance:* It is crucial that municipalities continue to make adequate provision for the routine care and upkeep of assets to prevent breakdowns and service delivery disruptions. Such provision must be in line with the national norm of 8 per cent of the asset value of Property, Plant and Equipment. Municipalities need to also make additional provision within their operating budget for repairs and maintenance associated with network breakdowns resulting from loadshedding (most notably, electricity and water breakdowns).

  At the recent TIME engagements, municipalities expressed the concern that loadshedding does not only result in the additional need for repairs and maintenance, but in certain instances causes the complete breakdown/failure of electricity and water assets. As many of these assets were not soon due for replacement or renewal, no provision for their replacement would have been made in the MTEF budget. Municipalities should consider increasing their capital replacement reserve contribution to provide for such asset replacement and renewals. This would recognise that the need for replacement or renewal of these assets is likely to be required much earlier than originally planned.

  Additional costs associated with the increase in repairs and maintenance efforts include, but are not limited to, a significant increase in overtime; the use of sub-contractors; as well as inventory consumed. Municipalities must ensure that adequate provision is made in the budget for these specific line-items as part of the repairs and maintenance function.

- *Contracted services:* Due to the technical nature of electrical technology, municipalities are expected to make use of skilled and experienced consultants and service providers to assist with the transition to renewable energy sources. Leading industry experts are currently advising the WCG on this subject and the learnings applicable to local government will be shared with municipalities. Municipalities must carefully manage the use of consultants in line with the MCCR and are advised to consult either Provincial Treasury or the Municipal Energy

Resilience (MER) team of the Western Cape Government before making any long-term commitments relating to energy procurement or advisors.

- *Security services:* As loadshedding intensifies, municipalities are reporting an increase in illicit activities, especially in terms of theft and vandalism affecting municipal assets. Municipalities should thoroughly review the impact of crime on its asset base ahead of the new financial year and where needed, make sufficient provision to safeguard property, plant and equipment.

4.4 Capital Budget Spend and Borrowings

Infrastructure investment has been identified as a key driver of economic growth. The 2023 Overview of Provincial and Municipal Infrastructure Investment 2023 notes that municipalities and Provincial departments in the Western Cape budget for almost the same levels of infrastructure investment, with municipalities budgeting for a total of 11.8 billion in capital spending in their 2022/3 original budgets, compared to the R11.6 billion in the Province's 2023/24 budget. However, in-year monitoring reports consistently note that municipalities struggle to spend their full capital budgets and this underperformance is confirmed in the annual financial statements. Improving capital spending is a key priority for enabling economic growth and will be an important focus of the SIME engagements this year. Municipalities need to plan for an appropriate capital funding mix and then ensure that they put in place appropriate project preparation and procurement planning to be able to deliver on their planned capital spending.

The update to the National Policy Framework for Municipal Borrowing and Financial Emergencies was approved on the 17 August 2022. The Policy Framework is accessible at this link. Key reforms introduced in this regard include:

- Measures to expand the scope of responsible municipal borrowing and create the environment for more players (e.g. insurers, pension funds, institutional investors, fund managers and international Development Finance Institutions) to take part in the municipal debt market. In particular, the participation of private and public sector market participants in the development of a liquid secondary market for municipal debt securities is encouraged. This is incorporated while ensuring that the core principles underlying municipal borrowing are maintained, namely that credit worthy municipalities should borrow responsibly to finance capital investments whilst confirming that there will be no bailouts by provincial or national government as stipulated in section 51 of the MFMA.
- Clearer definition of the role of Development Finance Institutions (DFIs) to ensure that their lending does not crowd out the private sector. DFI's are encouraged to pursue clear and agreed upon developmental goals and public-sector lenders should be guided by social and developmental investment approaches where social outcomes are considered alongside potential financial returns.
- The updated policy allows for and clarifies innovative infrastructure financing mechanisms (such as pooled financing mechanisms, project finance, tax increment financing, revenue bonds and pledging of conditional grants) that municipalities can use to leverage municipal borrowing.

4.5 Municipal Standard Chart of Accounts (mSCOA)

Version 6.7 of the mSCOA chart is now live and all tabled budget data strings can be uploaded on the GoMuni portal. Please note the following:

- NT will regulate the minimum business processes and system specifications for mSCOA by the end of 2024/25. A new transversal tender for the provision of ERP financial systems that complies with these regulations will be put in place once the regulations have been issued. Municipalities are cautioned against changing financial systems at this stage, as fruitless and wasteful expenditure may be incurred should the procured financial system not comply with regulations. Additionally, any intention to replace the financial system currently operating needs to be communicated to NT and PT before any proposals from system providers are received. See MFMA Circular No. 123 for information on what the submission to the relevant Treasuries should include, which should be forwarded to lgdocuments@treasury.gov.za for a response.

- The MFMA and its Regulations require the submission of mSCOA data strings for budgets, in-year reporting, and annual financial statements in a specific format and by a required timeframe. The credibility and accuracy of the mSCOA data strings must be verified by municipalities prior to submission to the GoMuni Upload portal. Since the financial system must be locked at the end of the month in order to generate a mSCOA data string, municipalities may not open closed periods to correct errors. Errors must be corrected in the next open period. Providers of municipal financial systems must ensure that the necessary internal controls are built into the system to prevent the opening of closed periods on the financial system and the bypassing of such controls. This also applies to the correction of information in closed periods for 3rd party systems that should be integrating with the main financial system in terms of the requirements of the mSCOA Regulations.

- From 1 July 2023, the schedules populated from the mSCOA data strings on NT's Local Government and Reporting System will need to be signed off monthly for audit purposes. This serves as the municipality's confirmation that the data strings submitted are accurate. Additionally, the GoMuni Upload portal for the monthly in-year data strings will be closed at 16h00 on the 10th working day of each month. No data string submissions will be accepted by NT after that.

5. 2023/24 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENTS (SIME) PROCESS

5.1 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 2023) before the start of the budget year.

It is important to note that there is no explicit requirement for council to endorse or approve the tabled budget or draft IDP tabled by the mayor for public participation. The municipal council only has the legal authority to consider a tabled budget and draft 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 tabled 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 for 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 municipality's draft IDP has not been completed.

5.2 Failure to Table Draft Budgets and IDPs by End March 2023

If a municipality has failed to complete the relevant processes applicable for the review and revision of the annual budget and the compilation of an IDP in time for the deadline applicable to the tabling of the proposed annual budget (i.e. 31 March), the mayor must submit an application for an extension of the said deadline. As per section 27 of the MFMA, the mayor of a municipality must, upon becoming aware of any non-compliance by the municipality of any provisions of the Act or any other legislation pertaining to the tabling or approval of the annual budget or compulsory consultation processes, inform the MEC for Finance in the province in writing of any non-compliance.

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 must be in accordance with Schedule G of the Municipal Budget and Reporting Regulations (MBRR). In addition to the requirement to inform the MEC of impending non-compliance with the MFMA, mayors and accounting officers are requested to inform PT should they have reasons to believe that that their municipality's budget might not be tabled/approved timeously due to dynamics in council. This will enable PT to engage with municipal officials to prepare for any possible action (including in terms of 139(4) of the Constitution) that may be required if a budget is not adopted.

In the event of actual non-compliance by a municipality with time provisions concerning the annual budget, the mayor must inform council, the MEC for Finance and NT, in writing, of such non-compliance and any remedial action or corrective measures the municipality intends to implement. Such a notification must be done in accordance with section 63 and Schedule G of the MBRR.

Municipalities are cautioned that any delay to table the budget in terms of section 16(2) of the MFMA could compromise the ability to approve the budget before the start of the financial year as required by section 16(1) of the MFMA. Failure to approve the budget before the start of the financial year will automatically invoke the provisions of sections 25(1) and 55 of the MFMA. Should a municipality not approve the budget by the start of the new 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 revenue-raising measures are approved. These steps include, but are not limited to, dissolving council and appointing an administrator and approving a temporary budget or revenue raising measures to provide for the continued functioning of the municipality.

Municipalities are kindly requested to communicate any changes to the confirmed tabling dates (as it appears in **Annexure A** to PT via Tania.Bosser@westerncape.gov.za by **27 March 2023**.

5.3 Submitting budget documentation and schedules for 2023/24 MTREF

Section 22 (b)(i) of the MFMA requires that, immediately after an annual budget is tabled in municipal council, it must be submitted to NT and the relevant provincial treasury. If the annual budget is tabled in council on 31 March 2023, the **final date of submission of the electronic budget documents and corresponding mSCOA data strings is Friday, 1 April 2023**.

Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, 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. However, given that municipalities are generating the annual budgets directly from the financial system as required by the *m*SCOA 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 NT 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 2023**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Wednesday, 1 June 2023.**

The accompanying document submission checklist (***see Annexure B***) provides a list of the documentation required by Provincial Government. Electronic budget and IDP related documents must be provided in PDF format. The designated municipal official needs to complete and sign the accompanying checklist (***Annexure B***) as confirmation that the set of budget, IDP and related documents have been submitted.

Municipalities should note that NT will no longer accept submissions by email, NT will now only accept uploads via the GoMuni portal. The development work on the GoMuni Upload portal has been concluded and municipalities must submit all documents required for the 2023/24 MTREF in terms of legislation, as per the guidance provided in MFMA Circular No 122 (2022), via the **GoMuni Upload Portal**. The upload portal can be accessed on *https://lguploadportal.treasury.gov.za* from 1 April 2023. All municipal officials that currently have access to the LG Upload portal will be granted access to the GoMuni Upload portal. New users will have to complete and submit a *Request for Access* to lgdataqueries@treasury.gov.za. The request form will be available on the GoMuni login page under *New Registrations*.

Municipalities must also submit electronic documents to **Provincial Treasury** to: MFMA.MFMA@westerncape.gov.za or if too large (exceeds 3 MB), must be submitted via One Drive. Instructions for uploading the budget and related documents via **One Drive** are provided in **Annexure C**. Provincial Treasury will engage further with NT and municipalities to establish whether in future it is feasible for documentation to only be uploaded to the GoMuni portal. At present, municipalities are still required to separately submit all documentation to PT (as required in the MFMA chapter 4 (22)(b)).

If municipalities require advice with the compilation of their respective budgets, they should direct their enquiries to the following WC Provincial Treasury officials:

Directorate	Official	Tel. No.	Email
MFMA Co-Ordination	Dian Cronje	021 483 0390	Dian.Cronje@westerncape.gov.za
Public Finance	Isaac Tsie	021 483 6241	Isaac.Tsie@westerncap.gov.za
	Thobelani Ntshingila	021 483 6100	Thobelani.Ntshingila@westerncape.gov.za
Budget Office	Nadia Rinquest	021 483 8692	Nadia.Rinquest@westerncape.gov.za
	Kim Engel	021 483 8459	Kim.Engel@westerncape.gov.za
Fiscal Policy	Malcolm Booysen	021 483 3386	Malcolm.Booysen@westerncape.gov.za
Cash Management	Anthea Paries	021 483 5472	Anthea.Paries@westerncape.gov.za
Accounting	Faez Salie	021 483 4252	Faez.Salie@westerncape.gov.za

Municipalities may also contact the following officials at NT for assistance.

Responsible Area	Official	Tel. No.	Email
Western Cape	Kgomotso Baloyi	012 315 5866	Kgomotso.Baloyi@treasury.gov.za
Cape Town	Willem Voigt	012 315 5830	WillemCordes.Voigt@treasury.gov.za
George	Mandla Gilimani	012 315 5807	Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Sephiri Tlhomeli	012 406 9064	lgdataqueries@treasury.gov.za

5.4 Publication of budgets on municipal website

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.

5.5 Strategic Integrated Municipal Engagement (SIME) Process

Integrated planning and budgeting focusses on strengthening the alignment of planning and budgeting in the Province, and places emphasis on enhancing the provincial and local government interface. The SIME engagements, which takes place in May 2023, precedes the approval and implementation of municipal budgets. The engagements afford the WCG the opportunity to provide feedback on its assessment of the municipal planning and budgeting efforts for the upcoming financial year and for the 2023 MTREF.

The assessments are based on compliance and performance information obtained from the Western Cape Monitoring and Evaluation System (WCMES) as well as an assessment on conformance, responsiveness, credibility, and sustainability of the municipality's draft budget, IDP, SDF and supporting plans. It is therefore important that all Municipalities timeously submit all the required information. The assessment of the tabled IDPs will be undertaken by the Department of Local Government, in close contact with all relevant sector departments in the Province impacting on municipalities, to ensure alignment between the IDPs and all the Provincial strategic priorities and plans.

The SIME engagements will primarily focus on strategic issues emanating from municipalities' draft IDPs and tabled annual budgets to gear municipalities for sustainable growth and development.

The overall objectives of the 2023/24 SIME process and the key messages therefore emphasise:

- **Aligning strategic intent as encapsulated within the Integrated Development Plans (IDP) and municipal budgets** to create public value based on the community needs/priorities identified through the public participation processes;
- **Safeguarding of municipal sustainability** by ensuring that municipalities table funded budgets and the strengthening of municipal financial management;
- **Ensure optimal and targeted service delivery** through strategic spatial planning and alignment;
- **Deepening of an integrated approach to service delivery** with the intention of creating synergies through the consolidation/concentration of resources across all spheres of government;

- **Identification of areas that require support** as well as opportunities for collaboration and partnerships.

The 2023 SIME engagements are planned to be in person. Confirmation of the arrangements will be confirmed individually with each municipality.

- The SIME engagements are provisionally scheduled to take place from 17 April 2023 to 17 May 2023, subject to confirmation from the municipalities. PT is currently in communication with each Municipality to confirm the date and time of each of the engagements.

6. CONCLUSION

Municipalities should consider and apply the contents of this budget circular in the 2023/24 planning and budgeting process.

Please direct any queries regarding this circular to Nadia Rinquest at: Nadia.Rinquest@westerncape.gov.za.

David Savage
2023.03.23 21:41:32 +02'00'

MR D SAVAGE
HEAD OFFICIAL: PROVINCIAL TREASURY

ANNEXURE A

CONFIRMED 2023 BUDGET TABLING DATES

Municipality	Confirmed date
City of Cape Town	Wednesday, March 29, 2023
Matzikama	Tuesday, March 28, 2023
Cederberg	Friday, March 31, 2023
Bergrivier	Tuesday, March 28, 2023
Saldanha Bay	Thursday, March 30, 2023
Swartland	Thursday, March 30, 2023
West Coast District Municipality	Wednesday, March 29, 2023
Witzenberg	Tuesday, March 28, 2023
Drakenstein	Friday, March 31, 2023
Stellenbosch	Wednesday, March 29, 2023
Breede Valley	Tuesday, March 28, 2023
Langeberg	Tuesday, March 28, 2023
Cape Winelands District Municipality	Thursday, March 23, 2023
Theewaterskloof	Wednesday, March 29, 2023
Overstrand	Wednesday, March 29, 2023
Cape Agulhas	Friday, March 31, 2023
Swellendam	Thursday, March 30, 2023
Overberg District Municipality	Monday, March 27, 2023
Kannaland	Friday, March 31, 2023
Hessequa	Wednesday, March 29, 2023
Mossel Bay	Thursday, March 30, 2023
George	Thursday, March 30, 2023
Oudtshoorn	Friday, March 31, 2023
Bitou	Friday, March 31, 2023
Knysna	Friday, March 31, 2023
Garden Route District Municipality	Tuesday, March 28, 2023
Laingsburg	Thursday, March 30, 2023
Prince Albert	Friday, March 31, 2023
Beaufort West	Friday, March 31, 2023
Central Karoo District Municipality	Friday, March 31, 2023

ANNEXURE B

DOCUMENT SUBMISSION CHECKLIST
FOR THE 2023/24 TABLED INTEGRATED DEVELOPMENT PLAN, BUDGET, 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 6.7*** of Schedule A1 and **drawn directly from the municipal financial system**.

The Integrated Development Plan as set out in Section 25, 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**
Council Resolution in terms of the Tabled 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, SA14, SA22, SA23, SA24 **and any information not contained in the financial data string, in *the A1 in the prescribed mSCOA data string in the format published with Version 6.7 of the A1 schedule***			
Draft Service Delivery and Budget Implementation Plan			
Procurement Plan			
Draft Service Level Standards			
Signed Quality Certificate as prescribed in the MBRR			
D Schedules specific for the entities (where applicable)			
The bulk water- and electricity invoices for the 3 months immediately preceding the tabled budget, must be included as an annexure to the tabled budget as part of supporting the municipalities provision for and calculations of payments to bulk suppliers over the 2023/24 MTREF			
National Treasury tariff tool (in excel format) As per MFMA Circular 122 page 10, with effect, from the 2023/24 MTREF, **all municipalities** (*except metropolitan cities and district municipalities that do not provide any services*) as part of both the tabled and adopted MTREF submissions must submit the completed National Treasury tariff tool (in excel format) illustrating that the revenue component of the budget is credible and funded and that the municipality's tariffs are cost reflective. If the municipality's initial calculation results in high increases to facilitate cost-reflectiveness, it is recommended that such are phased in over 3 to 5 years. The municipality's strategy in this regard should be included as part of the budget narratives.			
Budget Related Policies			
Information on any amendments to budget related policies			
Suite of budget related policies			
Long Term Financial Plan			

Budget Documentation	**Yes**	**No**	**N/A**
IDP and Related Documentation			
Council Resolution in terms of the tabled amended IDP			
Proposed amendments to the IDP			
The memorandum referred to in Regulation 3(2) of the Local Government: Municipal Planning and Performance Management Regulations of 2001			
A copy of the predetermined programme, in light of the requirements of section 29(1) of the Municipal Systems Act 32 of 2000, which the municipality is utilizing to guide the process for the drafting, consideration and adoption of the proposed IDP Amendment			
Spatial Development Framework			
Council Resolution in terms of the adoption of the Spatial Development Framework			
Applicable Disaster Management Plan			
Council Resolution in terms of the adoption of the Disaster Management Plan			
Integrated Waste Management Plan			
Council Resolution in terms of the adoption of the Integrated Waste Management Plan			
Air Quality Management Plan			
Council Resolution in terms of the adoption of the Air Quality Management Plan			
Coastal Management Plan *(Coastal Municipalities only)*			
Council Resolution in terms of the adoption of the Coastal Management Plan			
Biodiversity Management Plan *(if relevant)*			
Invasive Species Monitoring, Control and Eradication Plan			
Climate Change Strategy			
Human Settlements 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:

Designation: ___________________________________

Name: ___________________________________

Signature: ___________________________________

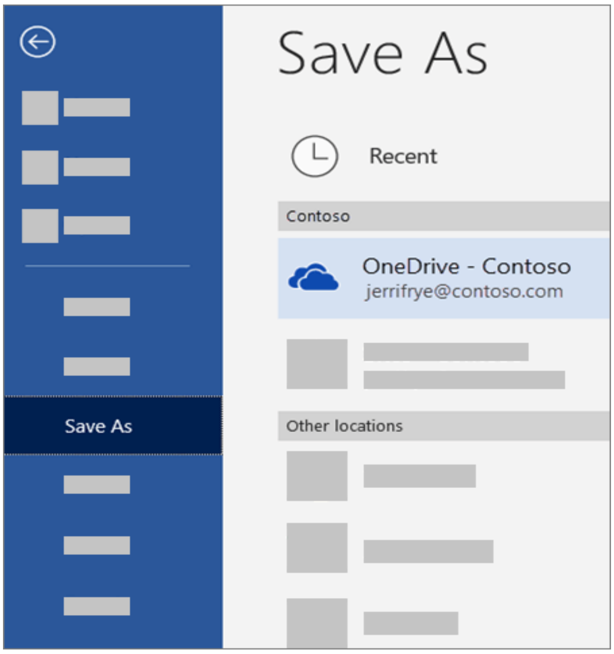
Date: ___________________________________

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

- **<u>How to upload documents to One drive:</u>**

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 2023 Budget Documents) and place all the budget related documents within it.



2. 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 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.2023)
- Name of document submitted (e.g. Draft Budget, Draft IDP, Draft SDBIP etc.)

E.g.: DC1 2023 Draft Amended IDP

E.g.: DC1 2023 MTREF Main Budget

E.g.: DC1 2023 Draft SDBIP

NB! Please note the Dropbox option is blocked on the government network and the OneDrive option is to be utilised.