

Reference number: RCS/C.5

Private Bag X9165
CAPE TOWN
8000

TREASURY CIRCULAR MUN NO. 10 /2020

THE MAYOR, CITY OF CAPE TOWN: MR D PLATO
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR H CLEOPHAS
THE MAYOR, MATZIKAMA MUNICIPALITY: MS M BAINS
THE MAYOR, CEDERBERG MUNICIPALITY: MS S QUANTA
THE MAYOR, BERGRIVIER MUNICIPALITY: MR R VAN ROOY
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR M KOEN
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: DR H VON SCHLICHT
THE MAYOR, WITZENBERG MUNICIPALITY: MR BC KLAASEN
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MR CJ POOLE
THE MAYOR, STELLENBOSCH MUNICIPALITY: ADV G VAN DEVENTER
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN
THE MAYOR, LANGEBERG MUNICIPALITY: MR HM JANSEN
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR A FRANKEN
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MS CJM VOSLOO
THE MAYOR, OVERSTRAND MUNICIPALITY: MR D COETZEE
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR PJ SWART
THE MAYOR, SWELLENDAM MUNICIPALITY: MR NG MYBURGH
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M BOOYSEN
THE MAYOR, KANNALAND MUNICIPALITY: MS M BARRY
THE MAYOR, HESSEQUA MUNICIPALITY: MR G RIDDLES
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR HJ LEVENDAL
THE MAYOR, GEORGE MUNICIPALITY: MS C CLARKE (ACTING)
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR CF SYLVESTER
THE MAYOR, BITOU MUNICIPALITY: MR MP LOBESE
THE MAYOR, KNYSNA MUNICIPALITY: MR A TSENGWA (ACTING)
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: DR A RABIE
THE MAYOR, LAINGSBURG MUNICIPALITY: MR M GOUWS
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MR G LOTTERING
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR N CONSTABLE

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 A HENDRICKS (ACTING)
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR H SLIMMERT (ACTING)
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, LANGEBERG MUNICIPALITY: MR SA MOKWENI
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR D BERETTI
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW (ACTING)
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR C GROENEWALD
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR D O'NEILL
THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR A GROENEWALD
THE MUNICIPAL MANAGER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M STRATU
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR R STEVENS
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: ADV MG GILLOMEE

THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR T BOTHA
 THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR R SMIT (ACTING)
 THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: ADV L NGOQO
 THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: DR M GRATZ (ACTING)
 THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR S JOOSTE
 THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR J KOMANISI (ACTING)
 THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MS A VORSTER
 THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR K HAARHOFF

 THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY
 THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT MUNICIPALITY: DR JCP 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 FA DU RAAN-GROENEWALD
 THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR A RAUBENHEIMER
 THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MS C LATEGAN (ACTING)
 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 B BROWN
 THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR C HOFFMAN
 THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR A RIDDLES (ACTING)
 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, SWELLENDAM MUNICIPALITY: MR H SCHLEBUSCH
 THE CHIEF FINANCIAL OFFICER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR JW DE JAGER
 THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR R BUTLER
 THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN
 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR DM ASMAL
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MS Z VAN ROOYEN (ACTING)
 THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: (MR G DE JAGER)
 THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR V MKHEFA
 THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR M MEIMANI
 THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MS U BAARTMAN
 THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD
 THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING
 THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR CJ KYMDELL

 THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR D SAVAGE)
 THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (MR AA PHILLIPS) (ACTING)
 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) (ACTING)
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (VACANT)
 THE CHIEF DIRECTOR: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
 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 (DR N NLEYA)
 THE DIRECTOR: INFRASTRUCTURE (MR K LANGENHOVEN)
 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (VACANT)
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR D CRONJE) (ACTING)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR C MAPEYI)
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
 THE DIRECTOR: LOCAL GOVERNMENT MFMA COORDINATION (MR EJ JOHANNES) (ACTING)
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (VACANT)
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE) (ACTING)
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK) (PRO TEM)
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS T RAKIEP) (ACTING)
 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)

1. PURPOSE AND STRUCTURE

1.1 The purpose of this circular is as follows:

- a.) **Part 1 - Budget and Policy Overview:** To provide an updated fiscal and economic context, to reflect on the impact of the National and Provincial budget responses and to give guidance on the municipal approach to budgeting in response to COVID-19.
 - b.) **Part 2 – Governance and Technical Matters:** To give guidance to municipalities in terms of the approval and submission of the 2020/21 annual budgets and associated documents in light of the impact of COVID-19 and the associated declarations, Regulations and Directions issued in terms of the Disaster Management Act, 2002 (Act No. 57 of 2002) (DMA) on the municipal budget and planning process; and lastly, to outline expectations in terms of municipal performance reporting requirements.
- 1.2 Cognizance is taken that the majority of municipalities are at an advanced stage in their budget process and will commence with consideration of their annual budgets for adoption by end May 2020 in accordance with section 24(1) of the Local Government: Municipal Finance Management Act, Act No.56 of 2003. The circular therefore also aims to provide guidance with budget execution and reprioritisation in response to COVID-19 for the 2020/21 budget and adjustment budget process.

PART 1: BUDGET AND POLICY OVERVIEW

2. ECONOMIC AND FISCAL CONTEXT

- 2.1 The COVID-19 pandemic is having a deep and significant impact on health, social development and the economy of South Africa. The associated national lockdown has severely reduced economic output in the first quarter of the year and ongoing economic disruption is expected in the second quarter. The pace of economic recovery will depend on the pathway of the pandemic, medical developments, the efficacy of various containment efforts and the extent of supply chain disruptions and productivity losses in the coming months. Based on the experience of countries further along the trajectory of the pandemic, this disaster is likely to last for the duration of 2020/21 and recovery will be slow over the next 36 months.
- 2.2 National Treasury and the International Monetary Fund (IMF) are projecting the domestic economy to contract by 7.4 and 5.8 per cent respectively. This is being driven by notable declines in fixed investment (16 per cent), exports (11.2 per cent), imports (10.2 per cent). Reflecting this situation, the yield on the R186 Government Bond has decreased by more than 40 per cent.
- 2.3 Aggregate economic demand is projected to decrease by over 50 per cent resulting in companies closing, while others have reduced employee wages or enforced lay-offs. Sectors such as construction, tourism, travel and hospitality, personal services, mining as well as export-driven industries are expected to bear the brunt of this contraction, with global access to industrial components and manufactured goods likely to be compromised.
- 2.4 Given the unemployment crisis, and its disproportionate slant to youth, the forecast indicates that unemployment is expected to rise by 6.1 per cent to approximately 35 per cent. It must be noted that this estimate refers to the narrow definition of unemployment i.e. those who are actively seeking to work, but cannot find employment.
- 2.5 Heightened levels of unemployment and layoffs impact heavily on household income. As the virus spreads and the lockdown continues, households will come under increasing strain. More affluent households will likely have sufficient disposable income and savings to absorb the impact of a

prolonged lockdown. In low-income households, the impact will be more severe, negatively influencing the ability to afford the consumption of municipal trading services.

- 2.6 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 fiscal pressures facing municipalities.
- 2.7 The sharp economic contraction will place immense fiscal pressure on all spheres of government in financing the response to COVID-19 and accommodating growing revenue shortfalls in the current financial year, while managing existing budget pressures and maintaining current service level standards. This new context will affect current baseline allocations to national and provincial departments in the current financial year and over the medium term, and will inevitably also have a negative impact on planned transfers to municipalities. This will occur in addition to pressures on municipal own revenues.
- 2.8 Supporting a rapid and sustainable economic recovery and supporting vulnerable citizens will require, among other things, an integrated planning and budgetary response. This is essential to establishing the foundations for a strategy-led, multi-phased approach to disaster response and recovery. As such, along with the revision of the 2020/21 Provincial budget, the Province is also considering the appropriate updates to the 2019-2024 Provincial Strategic Plan (PSP), within the existing Vision Inspired Priorities. The Department of the Premier will issue a DG Circular in May 2020 to outline and guide the revised approach for the PSP, along with the Strategic Plans and Annual Performance Plans of provincial departments and entities, for the 2020/21 financial year.

3. NATIONAL AND PROVINCIAL BUDGET RESPONSE

- 3.1 In the immediate aftermath of the declaration of a state of disaster, National Government announced a R500.0 billion economic and social response package. R130.0 billion of this package will be sourced from reprioritised budget allocations. Consequently, national departments and entities are expected to collectively reduce their expenditure ceiling by R100.0 billion, while Provinces are required to reduce their expenditure by R30.0 billion. A more detailed breakdown of the national stimulus packages is reflected in Table 1.

Table 1: National Stimulus Package

R20 billion	<ul style="list-style-type: none"> Health response for the provision of: personal protective equipment for health workers; community screening; increase testing capacity; additional beds in field hospitals; ventilators; medicine; and staffing.
R20 billion	<ul style="list-style-type: none"> Municipal response for the provision of: emergency water supply; increased sanitation of public transport and facilities; and food and shelter for the homeless.
R50 billion	<ul style="list-style-type: none"> Social response: Child support grant beneficiaries receive an additional R300 in May 2020 and additional R500 between June – October 2020; All other grant beneficiaries will receive an additional R250 per month for the next six months, i.e. May – October 2020; and a COVID-19 Social Relief of Distress Grant of R350 a month for the next six months, i.e. May – October 2020, will be paid to individuals who are currently unemployed and do not receive any other form of social grant or Unemployment Insurance Fund (UIF) payment.
R100 billion	<ul style="list-style-type: none"> Job creation and support for Small and Medium-sized Enterprises (SME).
R40 billion	<ul style="list-style-type: none"> Wage protection - income support payments for workers whose employers are not able to pay their staff.

R70 billion	<ul style="list-style-type: none"> Income support measures – further tax deferrals, Skills Development Levies holiday and Employment Tax Incentive extension.
R200 billion	<ul style="list-style-type: none"> A Credit Guarantee Scheme in partnership with the major banks, the NT and the South African Reserve Bank – to support enterprises with operational costs, such as salaries, rent and the payment of suppliers. Initial phase - companies with a turnover of less than R300 million a year will qualify.

- 3.2 The 2020 Provincial Budget will have to consider the Western Cape's expected share of reduced allocations, own revenue shortfalls as well as the financing of significant COVID-19 disaster-related expenditures. The WCG has adopted a three-phased approach to making the necessary adjustments to both its strategy and budget:
- a.) The first phase will seek to finance immediate disaster related expenditure needs financed from identified savings and robust cost-containment measures. This will culminate in a first adjustment budget in July 2020.
 - b.) The second phase will seek to reprioritise expenditures in relation to revisions to the PSP and will include the postponement or reduction in the scope of programmes; cancellation of projects and programmes; and the redeployment of redundant or non-core staff to critical service delivery areas. It will culminate in a second adjustment budget in November 2020; and
 - c.) The third phase will introduce deeper measures to unlock efficiency savings and improve development outcomes, through reviewing core mandates, service delivery modalities, and the structure and coordination of service delivery arrangements within the WCG and with municipalities. These measures will be introduced in the 2021 Medium Term Expenditure Framework.
- 3.3 Managing the implications of COVID-19 will require a transversal and joint response by the Western Cape Government (WCG) and Western Cape municipalities to ensure that resources are re-directed toward priorities across provincial and local government. Thus, even as the WCG adjusts its fiscal strategy, all municipalities are advised that similar reconsideration of their own developmental and fiscal strategies is encouraged.
- 3.4 The environment within which local government has been operating has changed significantly, and this will require a reconsideration of the way municipal functions are performed and services are delivered. Any measures that are introduced, including those in response to the disaster, will have to occur within the existing spending envelopes of municipalities and must take account of rising revenue pressures.
- 3.5 The Western Cape has made significant progress with developing systems for coordinated planning and budgeting across spheres of government, including through the Join District and Metropolitan Approach (JDMA) and the Whole of Society Approach (WOSA). It is important to ensure that disaster-related response measures remain policy and strategy-led. The revision of the PSP 2019-2024 will thus take into account the Integrated Development Plans at local and district municipal level, and provincial budget adjustments will closely consider impacts on municipalities and local areas.
- 3.6 The impact of COVID-19 will undoubtedly have serious implications on the financial sustainability of many municipalities across South Africa, including those in this province. Those municipalities that are already experiencing financial pressure are likely to find this situation exacerbated. In some instances, this may rapidly lead to the emergence of symptoms of financial distress, including a failure to pay creditors on time and / or meet other commitments. Provincial Treasury is actively monitoring the financial health of municipalities. It remains fully committed to its responsibilities in terms of section 5 of the MFMA and will always seek to provide support where required. In this context, it should be noted that:

- a.) The primary responsibility to avoid, identify and resolve financial problems rests with the municipality itself. No municipality should continue operating on the expectation of additional financial relief, or of a relaxation in the legal requirement for it to continue to meet all of its financial commitments.
 - b.) A municipality is obliged to identify, respond to and report to the provincial government, any current, emerging or impending financial problems. The Mayor is obliged to report this to the MEC for local government in terms of sections 54 and 55 of the MFMA. This obligation includes, but is not limited to, serious financial problems as outlined in section 136 of the MFMA.
 - c.) A municipality encountering serious financial problems or anticipating problems in meeting its financial commitments must immediately report this to the MEC for local government and the MEC for finance, as well as organised local government, in terms of section 135 of the MFMA.
- 3.7 These troubling and uncertain times also necessitate municipalities to support one another. As per section 88 of the Municipal Structures Act (Act 117 of 1998), a district municipality and the local municipalities within the area of that district municipality must co-operate with one another by assisting and supporting each other. A district municipality, on request by a local municipality within its area, may provide financial, technical and administrative support services to that local municipality to the extent that that district municipality has the capacity to provide those support services. In turn, a local municipality may provide similar support services to a district municipality.
- 3.8 Section 56(2) of the DMA states that “the costs of repairing or replacing public sector infrastructure should be borne by the organ of state responsible for the maintenance of such infrastructure”. It is important to note that while section 56(2) of the DMA does state that “National, provincial and local organs of state may financially contribute to response efforts and post-disaster recovery and rehabilitation”, all reprioritisation of funds during the pandemic should be done within the mandate of the municipality and the different spheres of government must fund expenses related to their respective mandates. If a municipality will be performing functions on behalf of another municipality or another organ of state on an agency basis, the relevant agency agreement (including, where required, cost recovery arrangements) should be in place, prior to performing the functions and incurring the costs.

4. MUNICIPAL BUDGET RESPONSE

Short Term Response: Reprioritisation of 2019/20 Budgets

- 4.1 Since the onset of COVID-19 in March 2020, municipalities have applied various strategies to provide relief to households and business. These have included offering payment holidays and relaxing credit controls. Parallel to these strategies, revenue streams from trading services (particularly water and electricity) were eroded due to reduced consumption and significantly declining consumer payment levels. These revenue impacts will be felt unequally across municipalities as some businesses will have closed during the lockdown, while those providing essential services have remained operational. It is likely that municipal areas with large industrial bases will be disproportionately affected.
- 4.2 Generally, municipal revenues have reportedly declined by between 20 and 30 per cent during the first month of the lockdown. This trend is likely to continue in the ensuing months and it is clearly not sustainable. Revenue streams should therefore be actively protected to mitigate the financial impact of COVID-19. Municipalities must carefully consider all relief mechanisms and protect their core revenues through re-asserting their billing and credit control practices as soon as possible. The core financial objective of the municipality must be to ensure that its liquidity and cash positions are maintained within the desirable levels to avoid financial problems and to continue to honour service

delivery obligations. Every effort should be taken to actively monitor and improve own revenue collection mechanisms.

- 4.3 In view of the sharp decline in municipal revenues, which is directly linked to the socio-economic impact of the lockdown, municipalities are advised to minimise spending on non-essential items and implement stringent cost containment measures in the reprioritisation of their budgets. This can result in savings which can be redirected to fund much needed COVID-19 expenditure.
- 4.4 Municipalities have also incurred savings due to underspending on capital budgets due to the closure of the construction sector during the lockdown period. It should be noted that unspent national conditional grants can be used to fund COVID-19 expenditure to the extent that it is approved by National Treasury. However, in respect of infrastructure projects that are on hold as a result of the lockdown, municipalities should avoid utilising these funds if they are already committed.
- 4.5 In response to COVID-19, municipalities had and continues to perform additional responsibilities and incur additional costs. This includes higher levels of basic service delivery, extra-ordinary cleansing of public facilities and increased environmental health inspections, as well as humanitarian actions, amongst others.
- 4.6 In terms of the Exemption Notice: 43181 issued by the National Minister of Finance on 30 March 2020, municipalities are allowed to pass one (1) special adjustments budget in relation to 2019/20 budgets for items related to the COVID-19 pandemic only. This special adjustment budget must be tabled by **15 June 2020**. Municipalities must ensure that the 2019/20 special adjustment budget is funded. This may also necessitate changes to its 2019/20 Service Delivery and Budget Implementation Plan (SDBIP) following the adoption of the special adjustments budget in accordance with section 54(1)(c) of the MFMA.

Medium-term Response: 2020/21 MTREF Budget and 2020/21 Adjustment Budget

- 4.7 The 2020/21 draft annual municipal budgets have in most instances been developed and tabled before the manifestation of the effects of COVID-19. As such, the tabled budgets understandably did not reflect adequate responsiveness to the imminent impact of COVID-19. The recent Strategic Integrated Municipal Engagements: Local Government Medium-Term Expenditure Committee (SIME: LG MTEC) held from 4 - 12 May 2020 therefore served as a useful platform to identify the impact of COVID-19 on budgeting and planning towards the finalisation of the 2020/21 budgets.
- 4.8 Principles of fiscal prudence are to be applied when finalising the 2020/21 MTREF budgets. A conservative approach should be used when estimating revenues and expenditure. The 2020/21 budgets will be informed by the reprioritisation and the revised collection rates as a result of the impact of COVID-19.
- 4.9 Municipalities should, to the best of their ability, estimate the impact of COVID-19 when compiling the 2020/21 MTREF budget. It is recognised that the unprecedented nature of the disaster makes accurate planning and budgeting extremely difficult.
- 4.10 The short-term budgetary and planning municipal responses to COVID-19 will inform medium-term decision making i.e. amendments to the 2020/21 MTREF as allowed for by section 28 of the MFMA. As such, municipalities will be required to table adjustment budgets around August/ September 2020, after the tabling of adjustment budgets by the National and Provincial Government by June and July 2020 respectively.
- 4.11 The second half of 2020 will be telling from a municipal planning and budgeting perspective, as the budgets adopted in May/ June 2020 could possibly not have contemplated the full impact of COVID-19 on local communities. However, by this stage municipality will have had sufficient time to

ascertain whether the actions taken in the immediate aftermath of the pandemic (such as payment holidays, the relaxation of credit controls and additional support towards indigents, etc.) have had a positive impact on the lives of their residents.

4.12 Key considerations to be kept in mind when finalising the 2020/21 MTREF Budgets and possible adjustment budgets for the 2020/21 financial year, will include, but are not limited to, the following:

- a.) Changes to budget assumptions, especially considering the constrained economic environment and rising unemployment levels;
- b.) Trends and likely developments in billing, payment and debtors collection levels.
- c.) Grants and transfers received and / or reduced (as National and Provincial Government reprioritises spending and allocates funding in response to the disaster);
- d.) Roll-overs from the 2019/20 budget;
- e.) Operating and capital expenditure patterns, including the need to prioritise spending towards core municipal functional mandates;
- f.) The provision of free basic services and indigent support;
- g.) Maintaining an appropriate mix of capital funding requirements i.e. borrowing, internally generated funds and capital transfers;
- h.) The impact of the approval by the National Energy Regulator of South Africa (NERSA) of an increase to bulk electricity tariffs. NERSA has approved a Regulatory Clearing Account (RCA) balance of R13.271 billion in favour of Eskom for 2018/19. Although this is below the requested R27.323 billion in 2018/19, the impact on municipal tariffs have not yet been determined; and
- i.) Where possible, municipalities should embrace the spirit of intergovernmental cooperation to forge strategic partnerships by considering potential shared services models.

4.13 Municipalities are requested to place special emphasis on:

- a.) Revenue management, due to the direct correlation with long-term financial sustainability and viability. Municipalities are advised to protect revenue streams at all cost. Municipalities who granted payment holidays must ascertain whether the loss in revenue can possibly be recouped in the second half of 2020/21 or whether it would have to be considered as irrecoverable and written off.
- b.) Active and robust cost containment measures. These includes:
 - a.) practical recommendations contained in the Municipal Cost Containment Regulations (2019);
 - b.) savings in terms of reduced spending on non-essential items;
 - c.) containing personnel expenditure, including avoiding making non-essential appointments;
 - d.) identifying cost of employment savings within the current recruitment process;
 - e.) savings on entertainment allowances, catering costs and venue hire costs;
 - f.) reduced advertising budgets for employment and procurement purposes, and printing costs for internal documentation;
 - g.) accommodation savings and impacts of new working arrangements such as information and communication technology costs;

- h.) consultant and contractor costs;
 - i.) holding off on all non-mandatory training budgets and bursary schemes;
 - j.) purchasing and replacement of vehicles and minor assets;
 - k.) all transfers to municipalities, including both grants and agency payments;
 - l.) contractual commitments that can be renounced;
 - m.) functions that are shared or duplicated across departments and/ or spheres of government;
and
 - n.) cash management, in particular to active, daily management of liquidity and cash coverage to ensure a sustained ability to meet all financial commitments.
- 4.14 Senior municipal personnel (municipal managers and section 56 officials) are encouraged to lead by example to effect further cost cutting measures by sacrificing certain compensation benefits. These include, but are not limited to, waving annual salary increases and performance bonuses, travel, subsistence and telecommunication benefits. Managers are further encouraged to make voluntary contributions to the Solidarity Fund.
- 4.15 The WCG will, as part of a medium-term response to the effects of COVID-19, assess every provincial programme, sub-programme, project and initiative against their expenditure commitments, priority expenditures and expenditure control requirements. It will also undertake an organisational development review process, which aims to streamline and \ or reduce duplication of functions, identify how services can be delivered differently and identify capacity requirements. Municipalities should consider following a similar, strategy-led process in response to the effects of the COVID-19 pandemic.

PART 2: GOVERNANCE AND TECHNICAL MATTERS

Provincial Treasury is aware that many municipalities are struggling to clarify the interpretation of legal requirements associated with the municipal budget and reporting processes in the light of various circulars and exemptions that have been issued to respond to the national state of disaster. Part 2 of this circular provides additional guidance to municipalities in this respect. It must be noted that this does not detract from the responsibility of all municipalities to study applicable legislation and regulations, as well as all applicable exemptions and circulars, to form their own interpretations of specific matters and to seek to substantively and formally comply with their requirements.

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

- 5.1 On 30 March 2020, National Treasury published an exemption notice to the MFMA (No. 43181) which exempted municipalities and municipal entities from the provisions of the Act that required any action to be taken between the date of publication of this notice and the date that the national state of disaster lapses or is terminated in terms of section 27(5) of the Disaster Management Act, 2002.
- 5.2 The Annexure to MFMA Circular 99, published by NT on 8 April 2020, provided further detail as to the timebound actions to which the exemption applies, including the approval of the annual budget within 30 days before the start of the new financial year as per Section 24 (1) of the MFMA.
- 5.3 The Minister of Cooperative Governance and Traditional Affairs (COGTA) issued a gazette (No. 43291) on 7 May 2020 which provided an amendment to directions in the initial gazette of 25 March 2020 and 30 March 2020 with regards to municipal operations and governance. This amendment indicated that municipalities and municipal entities are required to perform various

legislated functions, including the adoption of integrated development plans and operations related to municipal services and revenue collection. Municipalities were also instructed to convene meetings of council and committees to consider any council-related business, including the adoption of IDPs. These meetings are to be conducted using media platforms such as teleconferencing and videoconferencing.

- 5.4 These directives (as stated in Government Gazette No. 43291) supersede previous exemptions issued in terms of the MFMA. As such municipalities should ensure that Council considers the annual budget for adoption from 29 May 2020 in accordance with section 24(1) of the MFMA.
- 5.5 Section 21 of the MFMA requires that municipalities follow the legislated process for preparing the annual budget and reviewing the IDP and ensuring that the tabled budget (including the budget related policies) and any revisions to the IDP are mutually consistent and credible. The budget preparation process as outlined in this section, remains in force.
- 5.6 It is important to note that in terms of section 18 of the MFMA, an annual budget may only be funded from a) realistically anticipated revenues to be collected; b) cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and c) borrowed funds, but only for the capital budget.
- 5.7 To this extent, National Treasury has emphasised the importance of tabling and adopting funded budgets in MFMA Circulars No. 98 and No. 99. Where municipalities have tabled an unfunded budget, they will be required to correct the budget to ensure that a funded budget is adopted and implemented. In the event that a funded budget is unachievable, municipalities must, together with their 2020/21 MTREF budget, table a credible plan in council on how and by when the budget will improve from an unfunded to a funded position.
- 5.8 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 by the council of a 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 MBRR as well as Regulation 4 of Schedule A of the MBRR) on –
 - a.) imposing any municipal tax for the budget year;
 - b.) setting any tariffs for the budget year;
 - c.) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - d.) approving any changes to the municipality's IDP; and
 - e.) approving any changes to the municipality's budget-related policies.
- 5.9 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.
- 5.10 Section 34 of the Municipal Systems Act (MSA) states that a municipal council must review its IDP annually in accordance with an assessment of its performance measures in terms of section 41 and to the extent that changing circumstances so demand, and may amend its IDP in accordance with the amendment process prescribed by Regulation 3 of the Local Government: Municipal Planning and Performance Management Regulations, 2001.

- 5.11 In terms of section 32 of the Local Government: Municipal Systems Act, Act No. 32 of 2000 (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 the 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.
- 5.12 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, 2013 (Act No. 16 of 2013) (SPLUMA) must be prepared and adopted as part of the IDP. A 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.
- 5.13 In terms of section 14 of the Western Cape Land Use Planning Act, 2014 (Act No. 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 Provincial Treasury and the Department of Environmental Affairs and Development Planning.
- 5.14 In terms of section 22 of the Spatial Planning and Land Use Management Act, 2013 (Act No. 16 of 2013) (SPLUMA), the Premier must take steps to address non-alignment between SDFs 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.

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

- 6.1 In the event that an annual budget is not approved at the first meeting where the annual budget is considered for approval as per section 24 of the MFMA, section 25 of the MFMA applies as follows:
- a.) (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.
- b.) (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.
- c.) (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.
- 6.2 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 2020**) 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.

- 6.3 In terms of section 26(1) of the MFMA, if a Municipality failed 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.

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

- 7.1 In terms of section 69(3) of the MFMA, the accounting officer must by no later than 14 days after the approval of an annual budget submit to the Mayor a) a draft SDBIP for the budget year and b) drafts of the annual performance agreements as required in terms of section 57(1)(b) of the MSA, for the municipal manager and all senior managers.

- 7.2 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.

- 7.3 Subsequently, in terms of regulation 20(2)(b) of the MBRR, the accounting officer must submit the approved SDBIP to the Provincial Treasury and National Treasury within ten working days after approval of the SDBIP by the Mayor.

- 7.4 Section 53(3) of the MFMA further states that the Mayor must ensure –

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

- 7.5 Provincial Treasury will assess the approved SDBIPs as part of the final budget assessment process. 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.

8. IN-YEAR REPORTING

Section 52(d) Quarterly Reporting: Quarter 3 (2019/20) and Submission of Performance Indicator Masterfile

- 8.1 In terms of section 52(d) of the MFMA, the mayor of a municipality must, within 30 days after the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality. This report must be placed on the municipal website within five (5) days after its tabling in council. Under normal circumstances, the quarterly reports for the period ending 31 March 2020 (quarter 3 of 2019/20) should have been submitted to council by no later than 30 April 2020 and subsequently placed on the municipal website and distributed to

National and Provincial Treasury within five days of tabling the report in the council, therefore by the latest on 5 May 2020.

- 8.2 As mentioned in section 5, the Minister of Finance had exempted municipalities from the time provisions of the MFMA, due to the national state of disaster. Municipalities were therefore exempted from submitting the section 52 report to council by 30 April 2020. However, the directive from the Minister of COGTA on 7 May 2020, stipulates that council and committees should convene to consider any council-related business via online platforms. The exemption in terms of the submission of the section 52 report in council has therefore now been effectively removed.
- 8.3 In light of above, municipalities are requested to comply with the provision of Section 52(d) of the MFMA as it pertains to the finalisation of the quarter 3 of 2019/20 report. It should subsequently be placed on the municipal website and submitted to National and Provincial Treasury within 5 days of tabling the report in council. Municipalities are further requested to ensure that this report also complies with Regulation 31 of the MBRR insofar the format and content is concerned. Similarly, municipalities must also submit their Service Delivery and Budget Implementation Plan (SDBIP) Masterfile for the period ending March 2020 (Quarter 3 of 2019/20). The Masterfile should be submitted to lgdocuments@treasury.gov.za (Cc. MFMA.MFMA@westerncape.gov.za and dian.cronje@westerncape.gov.za). Further detail of this requirement including an updated reporting template, will be distributed by National Treasury in due course.

COVID-19 Revenue and Expenditure Reporting

- 8.4 On 28 April 2020, National Treasury issued a directive to municipalities to disclose any COVID-19 revenue and expenditure via a weekly report (template provided) to be submitted to the relevant provincial treasuries by 12h00 noon on a Friday. Provincial treasuries would collect the various inputs and submit a consolidated report to National Treasury by 10h00 on the following Monday. Responses by the municipalities in the Western Cape has to date been unsatisfactory with reports coming in late, being only partially complete or not submitted at all. Municipalities are advised that the submission of this report has been formalised as a general reporting obligation under section 74(1) of the MFMA and non-compliance should be reported upon as informed by section 74(2) of the MFMA. The Exemption Notice does not apply in this regard and failure to submit the report constitutes non-compliance with the MFMA. Municipalities are urged to provide a concise, yet detailed narrative to these reports. Reports should be submitted to National Treasury via lgdocuments@treasury.gov.za and to Provincial Treasury via MFMA.MFMA@westerncape.gov.za.
- 8.5 Municipalities are also advised that this requirement does not in any way replace the current in year monitoring reporting requirements of Section 71 of the MFMA which is still required to be submitted timeously by no later than 10 working days after the end of each month. Note that MFMA Circular 99 (Annexure A) stated that section 71 reporting can be done remotely in terms of a municipality's Business Continuity Plans and that reasons should be provided if this cannot be performed.

9. SUBMISSION OF ANNUAL BUDGETS AND ASSOCIATED DOCUMENTS, IDP AND SDF

- 9.1 Section 24 (3) of the MFMA, read together with regulations 20(1), requires that the approved budget must be submitted to both National Treasury and the Provincial Treasury within ten working days after approval of the annual budget (i.e. if the council approves the annual budget on 31 May 2020, the approved budget must be submitted by 12 June 2020).
- 9.2 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 its adoption.

- 9.3 Furthermore, as per MFMA Circular 98 and 99, municipal managers are required to submit –
- a.) the budget documentation as set out in Schedule A (Version 6.4.1) of the Municipal Budget and Reporting Regulations, including the main tables (A1 - A10) and all the supporting tables (SA1 - SA38) in electronic formats;
 - b.) the final SDBIP;
 - c.) the IDP;
 - d.) signed council resolution;
 - e.) signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations;
 - f.) schedules D specific for the entities; and
 - g.) budget locking certificate immediately at start of new municipal financial year.

See **Appendix A** for further documents required for submission.

- 9.4 Municipalities are to submit the electronic copies of the 2020/21 approved budgets, supporting budget documentation, IDPs, SDFs and approved SDBIPs to Provincial and National Treasury and the Department of Local Government as follows:
- 9.4.1 National Treasury budget related documents and schedule should 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.
- 9.4.2 Provincial Treasury electronic documents should be submitted to: MFMA.MFMA@westerncape.gov.za or if too large (exceeds 3 MB) must be submitted via the lift server function (<http://lift.pgwc.gov.za/>) or One Drive. Instructions for uploading the budget related documents are provided in Appendix B.
- 9.4.3 IDP-related electronic documents should be submitted to the Department of Local Government via Bernice.Labuschagne@westerncape.gov.za and DLG.IntegratedDevelopmentPlanning@westerncape.gov.za or if too large (exceeds 3 MB) must be submitted via the lift server function (<http://lift.pgwc.gov.za/>) or One Drive. Instructions for uploading the IDP related documents are provided in **Appendix B**.
- 9.5 You are kindly requested to arrange that the accompanying budget checklist (**Appendix A**) is completed and signed-off to ensure that the full set of budget and supporting documents are submitted.

10 KEY DATES OF THE BUDGETING AND REPORTING PROCESS

Item	Date
Tabling of Special Adjustments Budget	15 June 2020 (latest)
Table and consider approval of Annual Budget	31 May 2020
Submission of Annual Budget, IDP, SDBIP to NT and PT	10 working days after adoption latest 12 June 2020
Section 52 Reports	Within 30 days of the end of each quarter
Section 71 Reports	Within 10 working days of the end of each month

11 OTHER IMPORTANT MATTERS

- 11.4 Municipalities are reminded to comply with section 75(2) of the MFMA which states that: "A document referred to in section 75(1) of the MFMA must be placed on the (municipal) website not later than five days after its tabling in the council or on the date on which it is made public, whichever occurs first".

12 CONCLUSION AND WAY FORWARD

- 12.4 Municipalities are encouraged to ensure timeous compliance with the provisions of the MFMA, MSA, MBBR, SPLUMA and LUPA as stated above.
- 12.5 However, if you are unable to comply with any of the responsibilities relating to the approval of the 2020/21 annual budget and associated documents, IDP and SDBIP as set out in this Circular, you have to report such inability, together with the reasons, to the Mayor and the Provincial Treasury as stipulated in terms of section 74(2) of the MFMA. Simultaneously, the Mayor must upon, becoming aware of any impending non-compliance of any provision of the MFMA or any other legislation pertaining to the approval of the annual budget inform the MEC for Finance, in writing, of such non-compliance as required in terms of section 27(1) of the MFMA.
- 12.6 Provincial Treasury will review the final approved budgets and associated documents to ensure that the comments of Provincial Government 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.
- 12.7 The Western Cape Government wishes you well with the finalisation and approval of your annual budget, IDP, SDBIP and associated documents.



MR A PHILLIPS

DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (ACTING)

DATE: 25 May 2020

SUBMISSION CHECKLIST FOR THE 2020/21 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 (A1 - A10) and the supporting tables (SA1 - SA38) are completed in **version 6.4.1** of Schedule A1 (the Excel formats) and **drawn directly from the municipal financial system**.

The Integrated Development Plan as set out in Section 26, 32 and 34 of the Local Government: Municipal Systems Act, No 32 of 2000 and Regulations (MSA) and Section 21 of the Local Government Municipal Finance Management Act 56 of 2003 (MFMA).

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 Budget			
Final Service Delivery and Budget Implementation Plan			
Procurement Plan			
Final Service Level Standards			
Signed Quality Certificate as prescribed in the MBRR			
Budget Narrative, including budget tables in PDF format			
Municipal Budget Tables: Tables A1 to A10			
	Yes	No	N/A
Table A1: Budget Summary			
Table A2: Budgeted Financial Performance (revenue and expenditure by standard classification)			
Table A2A: Budgeted Financial Performance (revenue and expenditure by standard classification)			
Table A3: Budgeted Financial Performance (revenue and expenditure by municipal vote)			

Table A3A: Budgeted Financial Performance (revenue and expenditure by municipal vote)			
Table A4: Budgeted Financial Performance (revenue and expenditure)			
Table A5: Budgeted Capital Expenditure (by vote, standard classification & funding source)			
Table A5A: Budgeted Capital Expenditure (by vote, standard classification & funding source)			
Table A6: Budgeted Financial Position			
Table A7: Budgeted Cash Flow			
Table A8: Cash Backed Reserves/ Accumulated Surplus Reconciliation			
Table A9: Asset Management			
Table A10: Basic Service Delivery Measurement			
Municipal Budget Supporting Tables: Supporting Tables SA1 to SA38			
SA1: Supporting Detail to Budgeted Financial Performance			
SA2: Matrix Financial Performance Budget (revenue source/expenditure type and department)			
SA3: Supporting Detail to Budgeted Financial Position			
SA4: Reconciliation of IDP Strategic Objectives and Budget (revenue)			
SA5: Reconciliation of IDP Strategic Objectives and Budget (operating expenditure)			
SA6: Reconciliation of IDP Strategic Objectives and Budget (capital expenditure)			
SA7: Measurable Performance Objectives			
SA8: Performance Indicators and Benchmarks			
SA9: Social, Economic and Demographic Statistics and Assumptions			
SA10: Funding Measurement			
SA11: Property Rates Summary			
	Yes	No	N/A
SA12a: Property Rates by Category (current year)			
SA12b: Property Rates by Category (budget year)			
SA13a: Service Tariffs by Category			
SA13b: Service Tariffs by Category (explanatory)			
SA 14: Household Bills			
SA15: Investment Particulars by Type			

SA16: Investment Particulars by Type			
SA17: Borrowing			
SA18: Transfers and Grant Receipts			
SA19: Expenditure on Transfers and Grant Programme			
SA20: Reconciliation of Transfers, Grant Receipts and Unspent Funds			
SA21: Transfers and Grants made by the Municipality			
SA22: Summary Councillor and Staff Benefits			
SA23: Salaries, Allowances and Benefits (political office bearers/councillors/senior managers)			
SA24: Summary of Personnel Numbers			
SA25: Budgeted Monthly Revenue and Expenditure			
SA26: Budgeted Monthly Revenue and Expenditure (municipal vote)			
SA27: Budgeted Monthly Revenue and Expenditure (standard classification)			
SA28: Budgeted Monthly Capital Expenditure (municipal vote)			
SA29: Budgeted Monthly Capital Expenditure (standard classification)			
SA30: Budgeted Monthly Cash Flow			
SA31: Aggregated Entity Budget (where applicable)			
SA32: List of External Mechanisms			
SA33: Contracts having Future Budgetary Implications			
SA34a: Capital Expenditure on New Assets by Asset Class			
SA34b: Capital Expenditure on the Renewal of Existing Assets by Asset Class			
SA34c: Repairs and Maintenance Expenditure by Asset Class			
SA34d: Depreciation by Asset Class			
SA34e: Upgrading of Existing Infrastructure			
SA35: Future Financial Implications of the Capital Budget			
	Yes	No	N/A
SA36: Detail Capital Budget			
SA37: Projects Delayed from Previous Financial Years			
SA38: Consolidated Detail Operational Projects			
Excel version of all main (A1 – A10) and supporting budget tables (SA1 – SA38)			

Budget Related Policies			
Information on any amendments to budget related policies			
Suite of budget related policies			
IDP and Related Documentation			
Council Resolution in terms of the IDP			
Final Integrated Development Plan			
A summary of the process referred to in section 29 of the MSA			
A statement that the process has been complied with, together with any explanations that may be necessary to amplify the statement			
In the case of a district and a local municipality, a copy of the framework adopted in terms of section 27 of the MSA			
A copy of the memorandum referred to in Regulation 3(2) of the Local Government: Municipal Planning and Performance Management Regulations of 2001			
Spatial Development Framework			
Council Resolution in terms of the adoption of the <i>Spatial Development Framework</i>			
Additional documentation for the metro			
Built Environment Performance Plan (BEPP)			

MUNICIPAL REPRESENTATIVE

Name: _____

Signature: _____

Date: _____

The following instructions provide a guide for the upload of budget and IDP documentation onto the lift server and OneDrive respectively.

- **How to lift:**

1. Go to the website: <http://lift.pgwc.gov.za/>
2. For budget documentation type in the email address: MFMA.MFMA@westerncape.gov.za
For IDP documentation type Bernice.Labuschagne@westerncape.gov.za

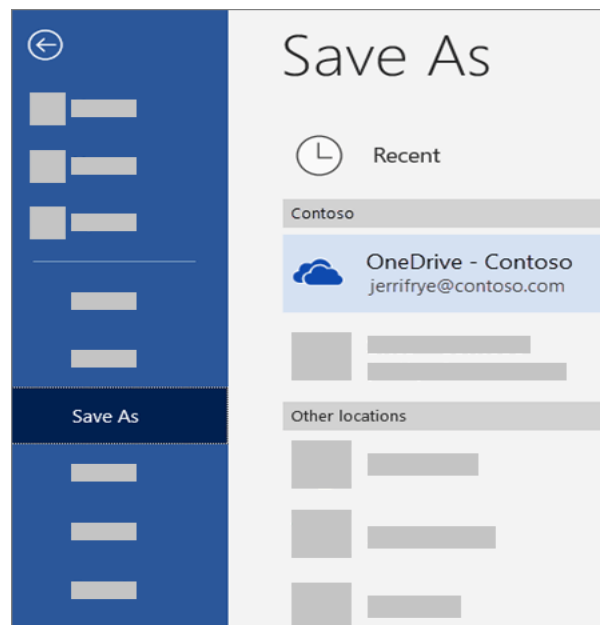
3. Browse to and click on the correct file for uploading

4. Press: Submit

- **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 2020 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 and email addresses of anyone else that you want to share the link with for budget documentation.
Enter the email address Bernice.Labuschagne@westerncape.gov.za and the DLG IDP email address DLG.IntegratedDevelopmentPlanning@westerncape.gov.za for IDP documentation.
7. Click the Share Button

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

- Demarcation code
- "ccyy" century and year (eg.2020)
- Name of document submitted (e.g. Final Budget, IDP, SDBIP etc.)
E.g.: DC1 2020 IDP or DC1 2020 MTREF main budget
E.g.: DC1_A1 Schedule - mSCOA vs 6.4.1