



Municipal Budget Circular for the 2017/18 MTREF

CONTENTS

1. THE SOUTH AFRICAN ECONOMY AND INFLATION TARGETS.....	2
2. KEY FOCUS AREAS FOR THE 2017/18 BUDGET PROCESS	3
2.1 LOCAL GOVERNMENT CONDITIONAL GRANTS AND ADDITIONAL ALLOCATIONS	3
2.2 MUNICIPAL STANDARD CHART OF ACCOUNTS (MSCOA)	4
2.3 REPORTING INDICATORS	5
3. DEVELOPMENT OF INTEGRATED DEVELOPMENT PLAN (IDP)	5
4. THE REVENUE BUDGET	6
4.1 MAXIMISING THE REVENUE GENERATION OF THE MUNICIPAL REVENUE BASE.....	6
4.2 ESKOM BULK TARIFF INCREASES.....	7
4.3 WATER AND SANITATION TARIFF INCREASES.....	7
5. FUNDING CHOICES AND MANAGEMENT ISSUES.....	7
5.1 EMPLOYEE RELATED COSTS	8
5.2 REMUNERATION OF COUNCILORS	8
6. CONDITIONAL GRANT TRANSFERS TO MUNICIPALITIES.....	8
6.1 PLEDGING OF CONDITIONAL GRANTS.....	8
7. THE MUNICIPAL BUDGET AND REPORTING REGULATIONS.....	8
7.1 ASSISTANCE WITH THE COMPILATION OF BUDGETS	9
8. BUDGET PROCESS AND SUBMISSIONS FOR THE 2016/17 MTREF	10
8.1 BUDGETING FOR THE COST OF FREE BASIC SERVICES.....	10
8.2 SUBMITTING BUDGET DOCUMENTATION AND SCHEDULES FOR 2017/18 MTREF	10
8.3 BUDGET REFORM RETURNS TO THE LOCAL GOVERNMENT DATABASE FOR PUBLICATION.....	11
8.4 PUBLICATION OF BUDGETS ON MUNICIPAL WEBSITES	11
8.5 MUNICIPAL MONEY AND THE NATIONAL TREASURY DATA PORTAL.....	12
ANNEXURE A – CHANGES TO SCHEDULE A1 – THE ‘EXCEL FORMATS’	13

Introduction

This budget circular guides municipalities on the preparation of the 2017/18 Medium Term Revenue and Expenditure Framework (MTREF) and should be referenced to previous annual budget circulars. Among the objectives of this circular is to support municipalities with giving effect to National Treasury's Municipal Budget and Reporting Regulations (MBRR) within the current economic climate. The key focus of this circular is the implementation of municipal Standard Chart of Accounts (*mSCOA*) and addressing municipal revenue generation challenges.

1. The South African economy and inflation targets

The 2016 Medium Term Budget Policy Statement emphasised that the global recovery from the 2008 financial crisis remains precarious, with growth forecast at 3.1 per cent in 2016 and 3.4 per cent in 2017. In developed economies, the combination of weak economic growth, low or negative interest rates, and elevated asset prices has increased the likelihood of renewed financial volatility. Countries that are highly reliant on foreign savings, such as South Africa, will remain vulnerable to global financial volatility and rapid capital outflows. While global economic weakness plays a large role in South Africa's economic growth performance, domestic constraints stand in the way of investment, output and trade.

Domestic GDP growth for 2016 was forecasted at 0.9 per cent at the time of the 2016 Budget and it has since been revised to 0.5 per cent. It is anticipated that factors such as a more reliable electricity supply, improved labour relations, low inflation, a recovery in business and consumer confidence, stabilising commodity prices and stronger global growth will increase growth to 2.2 per cent by 2019. Furthermore, the country has experienced a decline in mining growth and weakened agricultural outputs as a result of the drought while growth in transport and telecommunications, electricity, gas and water have declined because of weakened demand.

In the 12 months to June 2016, employment fell by 112 000 jobs although employment growth was achieved in most larger urban municipalities. In the context of an unfavourable economic and investment climate, the unemployment rate increased from 25 per cent to 26.6 per cent. According to the June 2016 Quarterly Employment Statistics, all sectors, with the exception of construction, shed jobs in the second quarter of 2016. A turnaround of these bleak unemployment statistics will require higher economic growth and renewed private-sector investment.

These economic challenges will continue to pressurise municipal revenue generation and collection hence a conservative approach is advised for projecting revenue. Municipalities will have to improve their efforts to limit non-priority spending and to implement stringent cost-containment measures.

The following macro-economic forecasts must be considered when preparing the 2017/18 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2015 - 2019

Fiscal year	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Estimate		Forecast	
CPI Inflation	4.6%	6.4%	6.1%	5.9%	5.8%

Source: Medium Term Budget Policy Statement 2016.

Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2017/18 budget process

2.1 Local government conditional grants and additional allocations

The *2016 Medium Term Budget Policy Statement* indicates that for the 2017 MTEF period, transfers to local government total R366.3 billion, of which 61.8 per cent is transferred as unconditional allocations while the remainder is conditional grants. National funding to local government has increased to R112.5 billion or 9.1 per cent of the national revenue for 2017/18 and is expected to increase to R132.3 billion by 2019/20.

The purpose of conditional grants is to deliver on national government service delivery priorities. It is imperative that municipalities understand and comply with the conditions stipulated in the Division of Revenue Act (DoRA) in order to access this funding. The equitable share and the sharing of the general fuel levy constitute additional unconditional funding, of which the equitable share is designed to fund the provision of free basic services to disadvantaged communities.

Municipalities are advised to use the indicative numbers presented in the 2016 Division of Revenue Act to compile their 2017/18 MTREF. In terms of the outer year allocations (2019/20 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as proposed in the 2016 Division of Revenue Act for 2017/18. The DoRA is available at <http://ntintranet/legislation/acts/2016/Default.aspx>

It is imperative that municipalities reflect all their grant allocations in accordance with the Division of Revenue Bill to be published in February 2017 after the budget speech by the Minister of Finance, and plan effectively to utilise these allocations appropriately so that requests for roll-overs of conditional grants are avoided.

Changes to local government allocations

- The *local government equitable share* will grow at an average annual rate of above 9 per cent over the MTEF, this is as a result of funds that will be added in 2018/19 and 2019/20 to offset the cost pressures of water and electricity purchases which continue to grow faster than inflation. The local government equitable share formula will also be updated with the 2016 Community Survey data.
- Four local government conditional grants, namely, the *public transport network grant*, the *water services infrastructure grant*, the *municipal infrastructure grant* and the *urban settlements development grant* will be reduced to avail resources for fiscal consolidation and the funding of urgent priorities. In spite of the decreased allocations each of these grants will grow by at least 5 per cent annually over the 2017 MTEF period.
- Funds reprioritised out of:
 - the *expanded public works programme integrated grant* to municipalities to fund the expanded mandate of the Commission for Conciliation, Mediation and Arbitration (as the commission will be providing its services to additional sectors);
 - the indirect *integrated national electrification programme (Eskom) grant*, mainly to fund the management of nuclear waste; and
 - the indirect *regional bulk infrastructure grant* of which small amounts will be utilised to augment funding for water catchment management agencies in the two outer years of the MTEF.

- An additional R50.6 million will be added to the indirect *water services infrastructure grant* to fund the provision of emergency water supplies to drought-affected communities.

Reforms to local government fiscal framework

The National Treasury continues to lead a review of the local government infrastructure conditional grants. The merger of several conditional grants and the trend towards greater grant consolidation over the MTEF are among the outcomes of this review process.

Proposed reforms commencing from 2017 include:

- The introduction of performance incentives for urban infrastructure grants, as well as a new dispensation for large cities other than the metros, that better respond to built-environment challenges and growth opportunities;
- The refinement of grant allocation rules to encourage budgeting for routine maintenance. This will complement changes that are already in place to permit grants to fund the refurbishment of infrastructure; and
- Introducing greater differentiation between urban and rural areas. Secondary cities in particular will see changes to their planning requirements.

A shift of funds from the *integrated national electrification programme (municipal) grant* for projects in metropolitan municipalities to the *urban settlements development grant* in 2017/18 is still being discussed with the relevant departments. This shift is likely to improve the coordination of the delivery of electrical infrastructure with other basic services and make the co-funding of projects easier.

2.2 Municipal Standard Chart of Accounts (mSCOA)¹

The *mSCOA* Regulations apply to all municipalities and municipal entities with effect from 1 July 2017. This means that the compilation of the 2017/18 Medium-Term Budget and Expenditure Framework (MTREF) must be compliant with the *mSCOA* classification framework.

It is imperative that municipalities are familiar with the addendum to MFMA Circular No. 80 which describes what constitutes *mSCOA* compliance by 1 July 2017.

In summary, compliance to *mSCOA* by 1 July 2017 requires that municipalities have the following in place:

- Systems-Integrated Integrated Development Plan (IDP);
- Systems-Integrated budget module; and
- Systems that enable transacting across the seven segments of *mSCOA* with subsystems seamlessly integrating to the core system.

All the tabled 2017/18 MTREF budgets and the IDP submissions will be assessed in March 2017 for *mSCOA* compliance. National Treasury has a dedicated website to support municipalities with their *mSCOA* readiness efforts.

For more information on *mSCOA* and other benefits of the reform, visit: <http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx>

¹ The Minister of Finance promulgated the Municipal Regulations on a Standard Chart of Accounts in government gazette Notice No. 37577 on 22 April 2014.

2.3 Reporting indicators

The National Treasury is finalising the process of rationalising the built environment reporting regime for the eight metropolitan municipalities with an aim to reduce the reporting burden, whilst also creating a set of indicators that will enable government to monitor progress on the integrated and functional outcomes. Significant progress has been made with the introduction of integrated outcomes indicators, whilst rigorous consultation is underway to rationalise the inputs, activities and output indicators.

The metropolitan integrated outcome indicators are linked to the Built Environment Performance Plans (BEPPs) and therefore the Integrated City Development Grant (ICDG); whereas the inputs, activities and process indicators are linked directly to *m*SCOA. Outputs indicators are linked directly to the Service Delivery Budget Implementation Plan (SDBIP). When finalised, these indicators will assist the process of standardising the SDBIP, a significant streamlining of reporting requirements to national government.

For metropolitan municipalities, the Urban Settlement Development Grant (USDG) performance matrix remains a framework of presenting the targets and baselines for the built environment as currently adopted budget in the 2015/16 financial year. However, the finalisation of the rationalisation process will replace the performance matrix. The indicators agreed upon through the rationalisation process to achieve functional outcomes and key outputs will be incorporated into the new standardised SDBIP template process. The integrated outcomes indicators were finalised as part of the BEPPs annual process whilst the work on the functional outcomes and functional output indicators is being finalised for the next budget cycle. These reforms will progressively be extended to non-metropolitan municipalities over the medium term.

3. Development of Integrated Development Plan (IDP)

Municipalities are in the process of developing their next 5 year IDPs which is an opportunity to re-assess the long term development vision in the context of key global and national policies and priorities including the Sustainable Development Goals, the National Development Plan, Integrated Urban Development Framework and the Back-to-Basics Programme. IDPs should reflect catalytic programmes and projects to be implemented by national and provincial government as well as State Owned Entities within their municipal boundaries and illustrate how these are aligned to the municipal development agenda. These include but are not limited to:

- Strategic Infrastructure Projects (SIPs);
- Special Economic Zones (SEZs);
- Agri-parks; and
- Catalytic housing projects.

The Municipal Systems Act, 2000 (Act No. 32 of 2000) provides that municipalities should undertake an integrated development planning process that integrates all sectors' strategies, programmes and projects to promote integrated development in communities. Municipal planning must be more strategic and cross-sectoral (integrated), and the IDP as the key planning tool, must be used to deliver this strategic and cross-sectoral planning vision at a local level.

It is however, acknowledged that some municipalities have already developed their sector plans. In order to ensure that integrated development is realised, municipalities are advised to, as part of the IDP development process, review these plans to ensure that they are in line with key national and provincial government policies and programmes.

Municipalities must also ensure that there is closer alignment of the planning instruments and budgets as well as mechanisms for monitoring progress and performance. Both the *mSCOA* and reporting reforms provide essential tools to strengthen coordination and oversight in this respect.

Metropolitan municipalities have already made progress in aligning their planning instruments with the budget through the BEPPs. The guidelines on the preparation of the BEPPs clearly articulate the relationship between the Municipal Spatial Development Framework (MSDF) and the IDP.

All municipalities are encouraged to refer to the 2017/18 BEPPs guidelines available on National Treasury's website at:
http://mfma.treasury.gov.za/Documents/Forms/AllItems.aspx?RootFolder=%2fDocuments%2f02%2e%20Built%20Environment%20Performance%20Plans%2f2017-18%2f1%2e%20BEPP%20Guidelines%202017_18&FolderCTID=&View=%7b84CA1A01-

4. The revenue budget

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation has however breached the upper limit of the 3 to 6 per cent target band; therefore municipalities are now required to ***justify all increases in excess of the 6.1 per cent*** projected inflation target in their budget narratives, and pay careful attention to the differential incidence of tariff increases across all consumer groups.

4.1 Maximising the revenue generation of the municipal revenue base

Municipalities must make a greater effort to integrate the work of their Town Planning and Valuations functions. This will ensure that every new property development, improvements to existing properties and changes to property usage and other such influences are correctly processed and filtered to the billing system. This will enable timeous and accurate updating of municipal accounts. The completeness, correctness and validity of the General Valuation Roll and supplementary valuations as well as resolving any objections to property values within the prescriptions of the Municipal Property Rates Act, 2004 (Act No.6 of 2004), are fundamental to protecting and growing the municipal revenue base.

In addition, the necessary reconciliations must be in place to ensure that the correct tariffs are applied for property rates and all trading services, that the correct accountholders are billed and that the municipal accounts are reaching the customers who are responsible for payment. These are among the minimum requirements of creating a *“positive and reciprocal relationship between persons liable for making payment to the municipality and the municipality or service provider”* as per section 95 of the Municipal Systems Act, 2000 (Act No. 32 of 2000).

When municipalities fail to achieve these minimum legally prescribed requirements there is a greater risk of burdening customers with higher tariff increases to compensate for operational inefficiencies.

It is therefore necessary for municipalities to ensure that their tariffs are adequate to, at the minimum, cover the costs of bulk services and also to ensure that all properties are correctly billed for property rates and all services rendered.

4.2 Eskom bulk tariff increases

In terms of the Multi-Year Price Determination (MYPD) for Eskom's tariffs approved by the National Energy Regulator of South Africa (NERSA), a tariff increase of 8 per cent has been approved for the 2017/18 financial year.

Municipalities are urged to examine the cost structure of providing electricity services and to apply to NERSA for electricity tariff increases that reflect the total cost of providing the service so that they work towards achieving fully cost-reflective tariffs that will help them achieve financial sustainability. Municipalities in arrears with Eskom should ensure that their payment arrangements are effected in their 2017/18 MTREF budget.

4.3 Water and sanitation tariff increases

The 2015 Municipal Services Strategic Assessment report (MuSSA) issued by the Department of Water and Sanitation shows that the majority of municipal Water Service Authorities (WSAs) are operating their water services at a loss. This performance is as a result of, amongst others, implementation of tariffs that are not cost-reflective and unsubstantiated institutional arrangements between districts (WSAs) and local municipalities. It is problematic that there are no clear responsibilities with respect to bulk purchases, billings and collections, the allocation of revenue collected and maintenance of water infrastructure between the districts and their local municipalities.

Municipalities must improve revenue generation from this service through better financial management, demand management, maintenance and meter reading as it will enable payment of creditors such as water boards. This baseline information is critical to tariff setting and budget compilation. Municipalities in arrears with water boards should ensure that their payment arrangements are effected in their 2017/18 MTREF budget.

The previous MFMA budget Circular No. 78 advised municipalities that had historically set tariffs too low to facilitate cost recovery, to develop a pricing strategy to phase-in the necessary tariff increases in a manner that distributes the impact on consumers over a period of time. The introduction of *m*SCOA provides for a costing segment which, when correctly utilised, will assist municipalities to determine the full cost of rendering trading services such as water and electricity.

In light of the current drought experienced across large parts of the country, water is now a scarce resource that must be conserved. Municipalities must put in place appropriate strategies to curb water losses as a result of leakages. The ageing infrastructure is a contributing factor as many municipalities have historically inadequately provided for repairs and maintenance and renewal of water infrastructure. There is now a national initiative underway to encourage consumers to conserve water; and there are several municipalities that have imposed water restrictions. These municipalities have introduced penalty tariffs for non-compliant consumers and they rely on consumer reports and/or complaints to address any non-compliance. Monitoring water consumption is critical and this means reliance on meter reading information to assess consumption patterns or trends and inspections. Municipalities must ensure that any drought penalty tariffs are provided for in their tariff policy to be tabled in March 2017; another option is to incorporate the penalty tariffs in the Inclining Block Tariff (IBT) structure.

5. Funding choices and management issues

The Circular clearly outlines that, as a result of the economic landscape and weak tariff setting, municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore municipalities must consider the following when compiling their 2017/18 MTREF budgets:

- improving the effectiveness of revenue management processes and procedures;
- paying special attention to cost containment measures by, amongst other things, controlling unnecessary spending on nice-to-have items and non-essential activities;
- the affordability of providing free basic services to all households; and
- curbing consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

5.1 Employee related costs

The South African Local Government Bargaining Council entered into a three-year *Salary and Wage Collective Agreement* for the period 01 July 2015 to 30 June 2018. The preparation of the 2017/18 MTREF constitutes implementation of the last year of the agreement which municipalities must implement as follows:

- 2017/18 Financial Year – average CPI (Feb 2016 – Jan 2017) + 1 per cent

The previous years were:

- 2015/16 Financial Year – 7 per cent
- 2016/17 Financial Year – average CPI (Feb 2015 – Jan 2016) + 1 per cent

5.2 Remuneration of councilors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance.

6. Conditional Grant Transfers to Municipalities

6.1 Pledging of conditional grants

In terms of the MFMA Circular No.79 and the pledging process outlined in MFMA Circular No. 51, municipalities are required to send the National Treasury a comprehensive pledge request for the implementation of projects to be accelerated. Upon approval of the pledge request a progress report must be submitted to National Treasury and when concluded, a close out report indicating the actual expenditure of the amount received from associated borrowings and the difference between what was planned and what was implemented.

Furthermore, the municipality must submit to National Treasury, a signed council resolution approving the pledge application together with a letter from the relevant national department supporting such application. National Treasury will NOT grant any extensions of the pledge period as this defeats the purpose of accelerating projects that are ready for implementation.

7. The Municipal Budget and Reporting Regulations

National Treasury has released Version 6.1 of Schedule A1 (the Excel Formats) which is aligned to version 6.1 of the *mSCOA* classification framework which must be used when compiling the 2017/18 MTREF budget. This version incorporates major changes (see Annexure A). Therefore **ALL** municipalities **MUST** use this version for the preparation of their 2017/18 MTREF budget.

Download Version 6.1 of Schedule A1 by clicking [HERE](#)

The Municipal Budget and Reporting Regulations, formats and associated guides are available on National Treasury's website at:

<http://mfma.treasury.gov.za/RegulationsandGazettes/Pages/default.aspx>

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to their respective provincial treasuries or to the following National Treasury official:

	Responsible NT officials	Tel. No.	Email
Eastern Cape	Templeton Phogole	012-315 5044	Templeton.Phogole@treasury.gov.za
	Matjatji Mashoeshoe	012-315 6567	Matjatji.Mashoeshoe@treasury.gov.za
Free State	Vincent Malepa	012-315 5539	Vincent.Malepa@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
	Katlego Mabiletsa	012-395 6742	Katlego.Mabiletsa@treasury.gov.za
Gauteng	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Nomxolisi Mawulana	012-315 5460	Nomxolisi.Mawulana@treasury.gov.za
KwaZulu-Natal	Bernard Mokgabodi	012-315 5936	Bernard.Mokgabodi@treasury.gov.za
	Johan Botha	012-315 5171	Johan.Botha@treasury.gov.za
Limpopo	Una Rautenbach	012-315 5700	Una.Rautenbach@treasury.gov.za
	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Jordan Maja	012-315 5663	Jordan.Maja@treasury.gov.za
	Anthony Moseki	012-315 5174	Anthony.Moseki@treasury.gov.za
Northern Cape	Willem Voigt	012-315 5830	Willem.Voigt@treasury.gov.za
	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
North West	Sadesh Ramjathan	012-315 5101	Sadesh.Ramjathan@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Western Cape	Templeton Phogole	012-315 5044	Templeton.Phogole@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
Technical issues with Excel formats	Elsabe Rossouw	012-315 5534	lgdataqueries@treasury.gov.za

National Treasury, together with the provincial treasuries, will undertake a compliance check and, where municipalities have not provided complete budget information, the municipal budgets will be returned to the mayors and municipal managers of the affected municipalities for the necessary corrections. Municipal managers are reminded that the annual budget must be accompanied by a quality certificate and council resolution in accordance with the format specified in item 31 of Schedule A of the Municipal Budget and Reporting Regulations.

The National Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, **they will be required to go back to the municipal council and table a complete budget document aligned to the requirement of the Municipal Budget and Reporting Regulations. In addition, where municipalities have adopted an unfunded budget, they will be required to correct the budget to ensure it adopt and implement a funded budget.**

Municipalities with municipal entities are once again reminded to prepare consolidated budgets and in-year monitoring reports for both the parent municipality and its entity or entities. The following must be compiled:

- An annual budget, adjustments budget and monthly financial reports for the parent municipality in the relevant formats;

- An annual budget, adjustments budget and monthly financial reports for the entity in the relevant formats; and
- A consolidated annual budget, adjustments budget and monthly financial reports for the parent municipality and all its municipal entities in the relevant formats.

The A Schedule that the municipality submits to National Treasury must be a consolidated budget for the municipality (plus entities) and the budget of the parent municipality. D schedules must be submitted for each entity.

8. Budget process and submissions for the 2016/17 MTREF

8.1 Budgeting for the cost of Free Basic Services

The basic services component of the equitable share includes funding for the provision of free basic water (six kilolitres per poor household per month), energy (50 kilowatt-hours per month), sanitation and refuse (based on service levels defined by national policy). Municipalities must ensure that the cost of providing free basic services to indigents is captured on table SA9. This will result in the cost being deducted from revenue on table SA1.

Municipalities must further ensure that any subsidies in excess of the limits as provided in the equitable share allocation are not included on table SA9 as cost of providing of free basic services, however should be deducted as revenue foregone on table SA1. The cost of free basic services funded from the equitable share is disclosed on table SA1 while the revenue cost of subsidised services is on table A10. This will allow for comparison of the cost incurred by municipalities in providing free basic services to poor households and the amount received from the national government for this purpose.

The change in the treatment of cost of free basic services indicates that municipalities must not disclose the support to indigents on table SA21 "Transfers and grants". This change will also improve the quality of information on table A10.

8.2 Submitting budget documentation and schedules for 2017/18 MTREF

To facilitate oversight of compliance with the Municipal Budget and Reporting Regulations, accounting officers are reminded that:

- Section 22(b)(i) of the MFMA requires that, **immediately** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in both printed and electronic formats. If the annual budget is tabled to council on 31 March 2017, the final date of submission of the electronic budget documents and corresponding electronic returns is **Monday, 03 April 2017**. The deadline for submission of hard copies including council resolution is **Friday, 7 April 2017**.
- Section 24(3) of the MFMA, read together with regulation 20(1), 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. If the council only approves the annual budget on 30 June 2017, the final date for such a submission is **Friday, 14 July 2017**, otherwise an earlier date applies.

The municipal manager must submit:

- the budget documentation as set out in Schedule A (version 6.1) of the Municipal Budget and Reporting Regulations, including the main Tables (A1 - A10) and ALL the supporting tables (SA1 – SA38) in both printed and electronic formats;

- the draft service delivery and budget implementation plan in both printed and electronic format;
- the draft integrated development plan;
- the council resolution;
- signed Quality Certificate as prescribed in the Municipal Budget and Reporting Regulations; and
- schedules D, E and F specific for the entities.

Municipalities are required to send electronic versions of documents and the A1 schedule to lqdocuments@treasury.gov.za.

If the budget documents are too large to be sent via email (exceeds 4MB) please submit to lqbigfiles@gmail.com. Any problems experienced in this regard can be addressed with Elsabe Rossouw at Elsabe.Rossouw@treasury.gov.za.

Municipalities are required to send printed submissions of their budget documents and council resolution to:

For couriered documents

Ms Linda Kruger
National Treasury
40 Church Square
Pretoria, 0002

For posted documents

Ms Linda Kruger
National Treasury
Private Bag X115
Pretoria, 0001

In addition to the above mentioned budget documentation, metropolitan municipalities must submit the Built Environment Performance Plan (BEPP) tabled in council on 30 May 2017 to Yasmin.coovadia@treasury.gov.za. If the BEPP documents are too large to be sent via email (exceeds 4MB) please submit to yasmin.coovadia@gmail.com or send to Yasmin Coovadia via Dropbox; any problems experienced in this regard can be addressed with Yasmin.Coovadia@treasury.gov.za. Hard copies of the BEPP may be sent to Yasmin Coovadia, National Treasury, 3rd floor 40 Church Square, Pretoria, 0002 or Private Bag X115, Pretoria, 0001.

8.3 Budget reform returns to the Local Government Database for publication

Municipalities are required to continue to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database for publication purposes. All returns are to be sent to lqdatabase@treasury.gov.za. Municipalities must submit returns for both the draft budget and the final adopted budget as this will assist the National and provincial treasuries with the annual benchmark process.

In addition, municipalities must submit the *m*SCOA compliant data strings to the LG Upload Portal. National Treasury will continue with parallel reporting from municipalities until it is satisfied that all municipalities are *m*SCOA compliant and reporting adequately to support all publications.

The current electronic returns may be downloaded from National Treasury's website at the following link: http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx.

8.4 Publication of budgets on municipal websites

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.

All relevant documents mentioned in this circular are available on the National Treasury website, <http://mfma.treasury.gov.za/Pages/Default.aspx>. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

8.5 Municipal Money and the National Treasury data portal

All municipalities are also reminded that information submitted to the National Treasury, including budget information, is made available to the public via www.municipalmoney.gov.za and an underlying data portal. This initiative was announced by the Minister of Finance in October 2016, and enables direct citizen engagement with the finances of their municipalities on a comparative basis. The information is currently being used regularly and municipalities are reminded that any inaccuracies in their submissions will also be transferred to this website. Municipalities are encouraged to widely advertise this service for citizens in municipal facilities and make available your municipal profiles, when requested by citizens at these facilities.

Contact



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post Private Bag X115, Pretoria 0001

Phone 012 315 5009

Fax 012 395 6553

Website <http://www.treasury.gov.za/default.aspx>

JH Hattingh
Chief Director: Local Government Budget Analysis
09 December 2016

Annexure A – Changes to Schedule A1 – the ‘Excel formats’

As noted above, National Treasury has released Version 6.1 of Schedule A1 (the Excel Formats). It incorporates the following changes:

No.	Sheet	Amendment	Reason
1	A2 and A2A	Changed reference to “Standard Classification” to functional classification and included detailed functional classification.	Align to version 6.1 of mSCOA classification framework
2	A4, SA2 and SA25	Deleted “Property rates – penalties and collection charges”. Changed description for fines to “Fines, penalties and forfeits”.	Align to version 6.1 of mSCOA classification framework
4	A5	Changed reference to “Standard Classification” to functional classification	Align to version 6.1 of mSCOA classification framework
5	A7 and SA30	Changed description for “property rates, penalties and collection charges” to property rates	Align to version 6.1 of mSCOA classification framework
6	A9	Changed breakdown of asset categories to align to CDIMS. Added a section on Upgrading of Existing Infrastructure.	Align to version 6.1 of mSCOA classification framework
8	SA3	Changed descriptions for “Call deposits < 90 days” and “Other current investments > 90 days” to exclude “< > 90 days”.	Align to version 6.1 of mSCOA classification framework
9	SA17	Changed description of “Long-Term Loans (annuity/reducing balance)” to Annuity and Bullet Loans.	Align to version 6.1 of mSCOA classification framework
11	SA34(a-d)	Changed breakdown of asset categories to align to CDIMS.	Align to version 6.1 of mSCOA classification framework
12	SA34e	Added a table on Upgrading of Existing Infrastructure.	Align to version 6.1 of mSCOA classification framework
13	SA38	Added a table on operating expenditure projects	Align to version 6.1 of mSCOA classification framework