

10 April 2017

FAX : (012) 395 6553

Chief Director: Local Government Budget Analysis
Intergovernmental Relations
National Treasury
Pretoria
0001

ATTENTION: MR J. HATINGH

RE: FAILURE TO TABLE 2017/18 MTREF BUDGET BY 31 MARCH 2017

Your correspondence dated 06 April 2017 refers.

Please note that the municipality has complied with Section 27(2)(b) of the Municipal Finance Management Act and informed MEC – Provincial Treasury about non-compliance with section 16(2) of the said Act and stated relevant reasons that led to late tabling of the budget.

Attached please find relevant correspondence sent to MEC Provincial Treasury in the Free State.

Hoping you will find the above in order.



Adv. T.B. Mea
City Manager
Date: 10 April 2017

30 March 2017

MEC- Free State Provincial Treasury
Fidel Castro Building Building
Private Bag X20537
Bloemfontein
9300

ATTENTION: HON. MEC E. ROCKMAN

RE: MANGAUNG METROPOLITAN MUNICIPALITY- 2017/18 DRAFT BUDGET

The telephonic discussion between the Executive Mayor and yourself on 29 March 2017 regarding the delays in the tabling of the 2017/18 budget refers. The municipality would like to inform the MEC in terms of Section 27(2)(b) of Municipal Finance Management Act of the non-compliance with section 16(2) of the said Act and the corrective actions taken.

The municipality had scheduled Council meeting on 30 March 2017 for tabling of the budget. The agenda was sent out, however, some of the Councilors did not receive their agenda within 48 hours as prescribed in the Standing Rules and Orders. The delay in the issuing of the agenda was as a result of the readiness of the municipality in implementing MSCOA budget reforms effective from 01 July 2017.

In order to ensure successful implementation of MSCOA as required, the municipality procured a Budget Tool from the system vendor (BCX) to drive the budget process. The service vendor had to develop budget tool and customize it to the municipality's requirements and budget structure. The following factors as outlined by National Treasury at the ICF meeting held in Cape Town on the 9-10 March 2017, contributed to the delays in the finalization of the budget structure in the Budget Tool:

- ✚ Correct use of the Region segment (not only whole of municipality)
- ✚ Operating items used with operating projects
- ✚ Capital items used with capital projects
- ✚ Default projects may NOT have Item: Expenditure and Assets

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- ✚ Default projects are for Revenue and non-cash transactions
- ✚ Revenue forgone and cost of revenue projects must be used
- ✚ Remuneration of Councilors can only be against Function: Mayor and Council
- ✚ Items generally specific for one function can only be against that function e.g. Bulk purchase electricity => Function: Electricity
- ✚ Revenue items must be against the relevant Function e.g. Refuse Removal Fees => Function: Waste
- ✚ Services should fund themselves, Align Funding to the Function segment Revenue items also
- ✚ Grant funding should balance
- ✚ Charges and Recoveries should balance

The changes in the Budget Tool were finalized only on the 21st March 2017 and the municipality was subsequently able to capture the budget from the said date. The consolidation of the parent and Electricity entity (CENTLEC) also brought about a number of challenges that had to be resolved before the consolidated budget could be finalized. It is also worth noting that there was a delay in the issuing of schedule D form by National Treasury.

We would like to also indicate that the municipality's Budget Office is under-capacitated since the retirement of the Budget Manager and the moratorium that was placed by the MEC – COGTA on filling of vacant positions for amalgamating municipalities. These vacancies had a negative impact on the compilation of the budget.

We confirm that the budget together with the supporting documentation were distributed to all Councilors; and the Speaker has postponed the Council meeting to 05 April 2017.

The municipality is confident that it will meet the time-lines for approval of the budget as all the critical matters regarding the Budget Tool are resolved and the critical positions in the Budget Office will be advertised.

Hoping you will find the above in order.



Cllr L. Odili-Titi

MMC – Finance Portfolio Committee

Date: 30 March 2017

CC: CEO – Free State Provincial Treasury