NATIONAL TREASURY

MFMA Circular No. 48

Municipal Finance Management Act No. 56 of 2003

Municipal Budget Circular for the 2009/10 MTREF

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2009/10 budgets and Medium Term Revenue and Expenditure Framework (MTREF). It is informed by the *Budget Review 2009* and the 2009 Division of Revenue Bill, as well as previous guidance issued to municipalities and other issues arising from engagements between National Treasury, provincial treasuries, sector departments, municipalities and various stakeholders.

This Circular provides instructions, guidance and information on the following issues:

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Municipalities must pay particular attention to each of these issues as many of them may have far reaching implications for municipalities' budgets, and in certain instances relate to the legality of municipalities' revenue sources.

1. The local response to the global economic crisis

In his Budget Speech to Parliament on 11 February 2009, the Minister of Finance highlighted some of the ways in which the current global economic crisis will affect the local economy. The Minister observed that:

> The global economy is experiencing a sharp downturn, spreading from developed to developing countries. Its origins lie in macroeconomic imbalances of an unprecedented scale.
>
> The consequences are felt everywhere. If the balance sheet of a bank shrinks, its capacity to lend is eroded. If its lending is curtailed, businesses and households have to reduce their spending. If demand falls in Birmingham, factories close in Beijing. If production lines in China slow, demand for commodities from Africa dries up. The vegetable shop next to the mine closes, and the drivers of the delivery vehicles are asked to work short time, on half pay, and if the driver cannot pay his mortgage, the bank forecloses on his bond, and the bank writes down its balance sheet again...

> When a global motor company cuts back on making cars, it cancels its orders for catalytic converters. Madam Speaker, this firm making catalytic converters is not in Detroit or in Shanghai, it is here in the Eastern Cape. The mine producing the platinum that goes into that converter is near Rustenburg. The worker in the factory in Uitenhage and the mineworker in Rustenburg are now without work. And the woman who runs the little stall selling vegetables outside the mine is making less money each passing week. And their families, all of them, face a future made more precarious by the vagaries of global finance.

The *Budget Review 2009* provides government's perspective on the current economic crisis, and the economic outlook going forward. It notes that:

> Nearly all developed countries are now in recession. Confidence has yet to be restored in the banking sector and the balance sheets of financial institutions remain under pressure. Credit conditions are deteriorating and demand is in decline. Employment is falling as companies adjust to a period of significantly reduced demand. Last year US employers cut nearly 2.6 million jobs – the fastest payroll reduction since 1945 – bringing the unemployment rate to 7.2 per cent in December 2008. Joblessness is increasing in the UK and in most of the European Union.
>
> Growth prospects for emerging markets have deteriorated significantly. Commodity exporters are affected by a sharp decline in the prices of their key exports, weaker demand and a reversal of capital flows. Falling asset prices have led to a sharp reduction in household consumption and declining private-sector investment. In high-growth Asian export economies, sectors such as manufacturing, mining, construction and retail are contracting. China is experiencing factory closures and large-scale job losses. Growth on the African continent is set to decline as commodity prices fall, development assistance flows slow and access to capital dries up.

Further, the *Budget Review 2009* outlines how the global economic crisis is likely to impact on the South African economy:

> Domestic GDP growth is projected to slow to 1.2 per cent in 2009 from an estimated 3.1 per cent in 2008. The period of slower growth ahead is likely to be characterised by rising unemployment, declining business profitability and the closure of some companies. While policy responses to the crisis will reduce the impact on poor and marginalised communities, economic conditions will be difficult for some time.
>
> Slowing economic growth has put pressure on government revenues and reduced the fiscal space for increased expenditure. However, as a result of government's record of sound fiscal management and prudent policy choices over the past decade, the state will be able to increase spending on social services and fixed investment over the medium term.

Unlike the national fiscus, most municipalities are not favourably positioned to absorb the impact of the local fallout from the global economic crisis. Consequently, national government has sought to insulate the local government sphere from the full impact of the slow down in national revenue collections.

An additional R11.3 billion is allocated to local government over the medium term. This means national transfers to local government grow by 14.2 per cent annually between 2008/09 and 2011/12, which is significantly higher than the average annual growth in total government expenditure. Details of national transfers to local government are discussed in Chapter 8 of the *Budget Review 2009* and in Annexure W1 to the 2009 Division of Revenue Bill. These documents are also available on National Treasury's website at:

http://www.treasury.gov.za/documents/national%20budget/2009/default.aspx

Municipalities must prepare their budgets in the context of the economic crisis

Municipalities are advised that they need to invest time in understanding the implications of the current global economic crisis, and the slow-down in the domestic economy on their local economies.

- How is the global slowdown in the world economy going to impact on the local economy?
- How will it impact on the demand for municipal services by particularly companies and households? And how will this impact on municipal revenues and provisions for bad and doubtful debts?
- How will it impact on employment and household incomes within the municipal area? What impact will this have on rate-payers' ability to pay, and therefore on municipal revenues and provisions for bad and doubtful debts?
- Will there be an increase in the number of households that qualify to receive rates discounts and free basic services in terms of the municipality's indigents policy? How will this impact on the cost of providing these services, and what impact will this have on the sustainability of the municipality's finances?
- How will the scarcity of credit impact on the municipality's cost of borrowing? Will this increase the interest it has to pay servicing existing debt? Will it affect the financial viability of using debt to finance planned capital projects? Will this make it necessary to delay certain capital projects?

Given the current economic crisis, municipalities will need to take some very tough decisions in the course of preparing their 2009/10 budgets and MTREF. They must give priority to:

- Managing all revenue streams, especially debtors;
- Protecting the poor from the worst impacts of the economic downturn;
- Supporting meaningful local economic development (LED) initiatives that foster micro and small business opportunities and job creation;
- Securing the health of their asset base (especially the municipality's revenue generating assets) by increasing spending on repairs and maintenance; and
- Expediting spending on capital projects that are funded by conditional grants.

Municipalities must pay special attention to eliminating all unnecessary spending on nice-to-have items and non-essential activities. The Minister of Finance, in his Budget Speech highlighted that there is insufficient control of foreign travel, advertising and public relations activities, as well as the use of consultancy services.

Municipalities need to ensure that their financial position remains sustainable over the medium term, even in the face of the current economic crisis.

Government policy priorities

The national government's 2009 Budget is framed by five objectives that guide government's policy response to the global economic crisis over the medium term:

- Protect the poor. Government will continue to expand programmes that alleviate poverty and strengthen the social safety net.
- Build capacity for long-term growth. Investment in infrastructure will be accelerated. This includes ensuring that public utilities can finance their capital investments and that the development finance institutions play a greater role in lending for infrastructure investments, sharing risk with the private sector.
- Sustain employment growth. Government will increase public investment spending, expand labour intensive employment programmes, and work with business and organised labour to protect work opportunities and accelerate skills development.
- Maintain sustainable debt level. While public debt is set to rise, this expansion must be kept in check so as to reduce the space to finance development in the longer term.
- Address sectoral barriers to growth and investment. Microeconomic and regulatory reforms are needed to ensure that a more competitive, labour absorbing economy emerges from the current global crisis.

In some instances the funding allocated to achieving these objectives has been allocated to municipalities, particularly in relation to infrastructure and the expanded public works programme. Therefore municipalities have a direct responsibility to ensure that the objectives for which this funding has been allocated are achieved. In addition, municipalities should craft their budgets to support the realization of the overall national objectives.

2. Headline inflation forecasts

The following headline inflation forecasts underpin the national 2009 Budget:

Fiscal year	2007/08	2008/09	2009/10	2010/11	2011/12
	Actual	Estimate		Forecast	
Headline CPI Inflation	8.1	10.8	5.4	5.1	4.6

Municipalities must take these inflation forecasts, as well as local economic conditions, into consideration when determining their new rates, tariffs and other charges and developing their budgets for 2009/10 and MTREF.

3. Revising rates, tariffs and other charges

When municipalities and municipal entities revise their rates, tariffs and other charges for their 2009/10 budgets and MTREF, they need to take into account the labour and other input costs of services provided by the municipality or entity, the need to ensure financial sustainability, local economic conditions and the affordability of services, taking into consideration the municipality's indigents policy. Municipalities should also take account of relevant policy developments in the different sectors.

In considering changes in property rates, municipalities need to take cognisance of local economic conditions such as the down turn in the property market, trends in household incomes and unemployment. Excessive increases in property rates and other tariffs are likely to be counterproductive, resulting in higher levels of non-payment and increased bad debts.

Municipalities must also explore imaginative ways of structuring the tariffs for utility services to encourage more efficient use of these services and to generate the resources required to fund the maintenance, renewal and expansion of the infrastructure required to provide the services.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as practically possible. For this reason National Treasury continues to require that municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target.

Eskom bulk tariff increases

As last year, the indications are that NERSA is unlikely to be in a position to approve a revised electricity pricing structure before 15 March 2009 for the new tariff to be implemented as from 1 July 2009 as required in terms of section 42(5) of the MFMA.

National Treasury therefore advises municipalities to budget for a 25 per cent increase in bulk electricity tariffs when preparing their tabled and adopted budgets. This recommendation should be seen as a necessary step taken to assist municipalities in preparing their budgets for the 2009/10 financial year and is not intended to in any way pre-empt NERSA's ruling on the 2009/10 tariff increase. If NERSA tables a revised electricity pricing structure before 1 July 2009, municipalities will be required to adjust their tabled budgets accordingly.

If NERSA does not revise the electricity pricing structure before 1 July 2009, the 25 per cent increase will apply to the bulk electricity tariff for the 2009/10 municipal financial year. Any further changes in the bulk price of electricity to municipalities will have to stand-over and be accommodated in the electricity price structure that NERSA must make before 15 March 2010, and will thus only apply from 1 July 2010.

Impact of the 2 cents per kWh Environmental Electricity Levy

The 2 cents per kWh levy on the sale of **all non-renewable generated electricity** will be implemented from **1 July 2009**. It is one of a series of interventions aimed at changing electricity consumers' behaviour. The levy aims to internalise the negative environmental impacts of economic activities (externalities) through the price mechanism, and so contribute towards ensuring the sustainable use of environmental resources. The levy also supports efforts to manage the demand side for electricity.

This tax will be collected at source and is levied on the producers / generators of non-renewable electricity. As a national tax, it is accordingly not a municipal responsibility to charge or collect this levy. Electricity generating utilities will however be able to pass through the tax to the distributors and directly on to end-users. The municipalities, as distributors, will be billed a bulk tariff inclusive of the 2c/kWh electricity tax by Eskom (and the levy may or may not be indicated explicitly as a line item). NERSA in its determination of the bulk tariff charge to municipalities will make an announcement on the inclusion of the tax.

Implementation of the Municipal Property Rates Act

It should be noted that all municipalities are now compelled to implement the Municipal Property Rates Act designed to promote national rating equity and the attainment of macro-economic objectives. The phasing in period for the implementation of the Act will lapse on

30 June 2009. In other words, the transitional provision that provided municipalities with the legal basis to still use valuation rolls prepared in terms of provincial ordinances that existed prior to this Act will lapse (and may be legally challenged by ratepayers if still used after 30 June 2009). All municipalities are supposed to have their valuation rolls, based on market value, in place and should assess the impact of the new Act on household bills when charging their tariffs from 01 July 2009. The new valuation rolls should facilitate an increase in revenue, but it will also have an effect on the payment levels, bad debts, as well as credit control policies which will have to be adjusted. Particular attention also needs to be given to ensure that the property rates charged to key economic sectors, such as the agriculture, remain affordable.

Verification of existing municipal taxes in terms of the Municipal Fiscal Powers and Functions Act

Municipalities are reminded that section 12 of the Municipal Fiscal Powers and Functions Act sets out the legislative requirements for the verification of existing municipal taxes:

- Section 12(1) states that a municipality must, within two years of the date on which the Act commences, apply to the Minister in accordance with the Act for authorisation of a tax, imposed by the municipality prior to the commencement of the Act; and
- Section 12(2)(a) states that a municipal tax that existed prior to the introduction of the Act, lapses two years after the date on which the Act commences in cases where the municipality fails to apply for authorization of such a tax or the implied tax will according to section 12(2)(b) of the Act, also lapse six months after the Minister of Finance has notified the municipality that its application for authorisation was not approved.

The National Treasury has put in place a procedure to facilitate the process whereby municipalities must apply for the authorization of their taxes. The key dates in this process are as follows:

Date	**Process**
End April 2009	Questionnaire and application forms for the purpose of applying for authorisation of municipal taxes that existed prior to the introduction of the MFPF Act sent to municipalities for completion by 31 July 2009 to enable the National Treasury and municipalities to verify accuracy of data provided on municipal taxes.
07 September 2009	FINAL DEADLINE for municipalities to submit applications as per section 12 of the MFPFA.
07 September 2009	All municipal taxes that existed prior to the introduction of the Act (with the exception of property tax and the former RSC/JSB levies) and in respect of which NO APPLICATION BY THE MUNICIPALITY WAS RECEIVED BY THIS DATE, MUST BE ABOLISHED WITH IMMEDIATE EFFECT.
December 2009 / January 2010	With respect to municipal taxes that existed prior to the Act and in terms of which applications were made, National Treasury will notify all municipalities to confirm which of those municipal taxes may be continued and advise on which taxes were not approved.
30 June 2010	EXISTING MUNICIPAL TAXES THAT EXISTED PRIOR TO ACT WHICH HAVE NOT BEEN APPROVED BY THE MINISTER WILL LAPSE.
1 July 2010	Municipalities may only include in their 2010/11 Budgets onwards those municipal taxes that have been approved by the Minister of Finance in terms of section 12 (in terms of taxes that existed prior to the Act) or sections 5 and 6 of the Act (in terms of any new municipal tax).

Municipalities are urged to timeously apply for the authorisation of all municipal taxes that existed prior to the introduction of the Municipal Fiscal Powers and Functions Act as the legal authority to collect such taxes will lapse on 7 September 2009. This could have a significant impact on a municipality's revenues.

Moreover, municipalities are also reminded to follow the appropriate application process prior to introducing any new municipal tax(es) as such tax(es) will only become legally enforceable after the Minister of Finance has approved such tax(es).

4. The Municipal Budget and Reporting Regulations

The Municipal Budget and Reporting Regulations are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver basic services by facilitating improved financial sustainability and better medium term planning and policy choices on service delivery.

The regulations, formats and associated guides etc are available on National Treasury's website at: http://www.treasury.gov.za/legislation/mfma/reg_gaz/

Finalisation of the budget and reporting formats

To facilitate implementation of the formats, National Treasury will publish two sets of revised formats; one set will show the changes to the current set of formats that were published on National Treasury's website on 28 June 2008, the second set will be the final set of formats (not showing changes).

Regulations apply to all municipalities, with exemptions relating to formats

In the course of our discussions around the implementation of the regulations, it would appear that the use of the term 'phasing-in' has created the impression that the regulations will as from 1 July 2009 only apply to the 27 municipalities identified in the *Government Gazette 31804* of 23 January 2009 (see Annexure A) that are required to prepare their budgets in accordance with the prescribed formats for the 2009/10 financial year, and then be extended to the remaining municipalities as from 1 July 2010. This is not the case.

The regulations will apply to all municipalities from 1 July 2009

Those municipalities that are not among the 27 municipalities are exempted from preparing their 2009/10 budgets, adjustments budgets, and in-year reports in accordance with the provisions set out in regulations 8, 9, 21, 28, 31, 33, 38, 39, 48, 54 and 56 (numbering according to the draft regulations, which may change in the final regulations).

Effectively what this means is that these municipalities are only required to comply with the 'formats' aspects of the regulations from 1 July 2010, but must comply with all the other provisions as from 1 July 2009, including:

- r.4 – Budget Steering Committee
- r.12 – Funds created in terms of section 12 of the Act
- r.13 – Approval of capital projects
- r.23 – Timeframes for tabling adjustments budgets

- Ch 4 – Non-compliance with time provisions
  - Time provisions set out in the MFMA
  - Time provisions related to r.23
- Ch 5 – Framework for unforseen and unavoidable expenditure
- Ch 6 – Unauthorised, irregular or fruitless and wasteful expenditure

Municipalities that intend implementing early must notify National Treasury
National Treasury encourages all municipalities to begin implementing the 'formats' aspects of the Regulations in the preparation of their 2009/10 budgets, adjustments budgets and in-year reports. This will enable them to learn by doing, and will also enable them to realise the benefits of the formats sooner.

However, to facilitate the capturing of information on the LG Database, municipalities that are not on the above list, but which nevertheless intend complying with the new formats for their 2009/10 budgets, adjustments budgets and monthly reports must notify Elsabé Rossouw (email: Elsabe.Rossouw@treasury.gov.za) before 1 June 2009.

Application of regulations to municipal entities
All municipal entities that provide normal municipal type services (e.g. water, electricity, refuse removal, etc.) must comply with Chapter 3 of the regulations according to the phasing-in arrangements applicable to the municipality, i.e. if the municipality must comply fully with the regulations from 1 June 2009, then so must the municipality's entities.

Municipalities that have entities that must comply with Chapter 3 of the regulations must produce the consolidated tables prescribed in Schedule A of the regulations.

Municipalities that have entities that do not provide normal municipal services may apply to National Treasury for an exemption in respect of those entities. Applications must be sent to Jan Hattingh (email: Jan.Hattingh@treasury.gov.za) by 31 March 2009, and must include the following information:

(a) the name of the entity;

(b) a description of the ownership and governance arrangements of the entity;

(c) details of the functions and services the entity delivers;

(d) a copy of the entity's 2007/08 annual financial statements; and

(e) a copy of the entity's 2008/09 annual budget.

National Treasury will inform municipalities in writing on the outcome of these applications by 30 April 2009.

Phasing in of formats and tables
National Treasury recognises that it will take time to achieve full compliance with both the letter and spirit of the new formats and tables for municipal budgets, adjustments budgets and in-year reports. It is acknowledged that there are practical difficulties in obtaining or aligning information with the new tables. In order to facilitate the phasing-in of the formats and tables by the 27 municipalities listed above, as well as those municipalities that have volunteered to implement early, the following guidance is given:

1. As a matter of principle, municipalities should seek to comply with the formats and tables as completely as practically possible. Where there are real technical difficulties these must be disclosed as footnotes to the relevant tables.

2. As regards the budgets that municipalities are required to table by 31 March 2009, the budget document itself must be in the format set out in Schedule A, while the budget tables may still be in the 'old format' used by the municipality, but there needs to be plan to comply with prescribed format for when the budget is re-tabled for approval. The supporting tables should be as complete as possible.
3. For the budgets that must be approved by council by 30 June 2009, the budget document itself must comply with Schedule A, the ten budget tables (A1-10) must be in the prescribed format, with footnotes noting reasons for areas of non-compliance, and the supporting tables should be as complete as possible, with footnotes noting reasons for areas of non-compliance.
4. Where tables require 'current year' and 'audit outcome' information municipalities should fill this in as far as possible for the 2009/10 budget. However, all municipalities should initiate projects to restate all historical information in line with the prescribed formats – ready for 2010/11 budget.
5. As regards completing Table A4, municipalities must place 'repairs and maintenance' under 'other expenditure' if it cannot be broken-up into component 'expenditure types' for the 2009/10 budget, but it must be broken up for the 2010/11 budget.
6. As regards completing Table A9, the 'Asset Register Summary' must be completed as far as information is available.
7. As regards Table A10, base the 2006/07 data on the Stats SA Cummunity Household Survey data and then project forward from there, based on what the municipality knows about demographic trends in its area, and on the extension of services that have taken place, or are planned.
8. Municipalities should make an honest effort to fill out all the supporting tables as the information is critical to sound planning and budgeting.

Transition arrangements for Appendix A and Appendix B

The municipalities that follow the formats prescribed in the regulations for the preparation of their annual budgets for 2009/10 will, instead of completing Appendix A, be required to send an electronic version of the main budget tables and supporting tables to be captured on the LG Database.

Municipalities that do not follow the formats prescribed in the regulations for the preparation of their annual budgets for 2009/10 will be required to complete the current Appendix A.

Similarly, Appendix B will be adjusted to conform to the new formats required in terms Schedule C. These changes are unlikely to be significant given the current format of Appendix B.

5. Transfers to municipalities

Section 216 of the Constitution provides for national government to transfer resources to municipalities in terms of the annual Division of Revenue Act (DoRA) to assist them in exercising their powers and performing their functions. These allocations are announced annually in the national budget. Transfers to municipalities from national government are supplemented with transfers from provincial government. Further, transfers are also made between district municipalities and local municipalities.

It is important that all these transfers are made transparently, and properly captured in municipalities' budgets. In this regard, Regulation 10 of the draft Municipal Budget and Reporting Regulations provides guidance on when municipalities may reflect a transfer on their budgets.

In support of this regulation, the 2009 Division of Revenue Bill provides that -

- In terms of section 24, National Treasury is required to publish in the Government Gazette the allocations or indicative allocations for all national grants to municipalities;
- In terms of section 43, each provincial treasury is required to publish in the Government Gazette the indicative allocation per municipality for every allocation to be made by the province to municipalities from the province's own funds; and
- In terms of section 42, each category C municipality must indicate in its budget all allocations from its equitable share and conditional allocations to be transferred to each category B municipality within the category C municipality's area of jurisdiction.

The Government Gazette reflecting the allocations and indicative allocations for all national grants to municipalities is available at:

http://www.treasury.gov.za/legislation/bills/2009/

In addition, National Treasury publishes a payment schedule that sets our exactly when equitable share and national conditional grant funds are to be transferred to municipalities:

http://www.treasury.gov.za/legislation/mfma/media_releases/Municipal%20Payment%20Schedule/

The payment schedules that provincial treasuries are required to submit to National Treasury in terms of section 43(6) of the Division of Revenue Bill 2009, will be published on National Treasury's website, along with the national payment schedule.

Responsibilities of transferring and receiving authorities

The legal obligations placed on transferring and receiving officers in terms of the 2009 Division of Revenue Bill are very similar to previous requirements. National Treasury intends ensuring strict compliance in order to improve spending levels, and the quality of information relating to the management of conditional grants.

Municipalities are again reminded that compliance with the annual Division of Revenue Act is the responsibility of the municipal manager as the "receiving officer". The municipal manager accounts to the Mayor, Executive Committee and Council on how the municipality is complying with the Division of Revenue Act as it applies to various conditional grants. The municipal manager is responsible for, among other things, the tabling of quarterly reports in Council on whether or not the municipality is complying with the Division of Revenue Act. He/she is also responsible for reporting on any delays in the transfer or the withholding of funds. Failure on the part of a municipal manager to comply with the Act will have financial implications for the municipality as it will lead to the municipality losing revenue when funds are stopped and reallocated. Where the municipality is unable to comply, or requires an extension, the municipal manager must apply to the National Treasury and provide comprehensive motivation for the non-compliance.

Municipal councils are requested to ensure that the 2009/10 performance contracts of their municipal managers, as well as those of senior officials, reflect, among other key performance areas, the above responsibilities and accountabilities.

Introduction of the Municipal Infrastructure Grant (Cities)

The service-delivery challenges facing South Africa's large urban municipalities differ considerably from those of poor rural municipalities. While the large metros are experiencing

rapid population growth and strong levels of economic activity, many rural municipalities are burdened with the backlogs resulting from previous funding inequities, high poverty levels and weaker economic activity.

In recognition of these factors, government is working to ensure an appropriately structured system for funding local government.

Integrated planning and financing is required between national, provincial and local government to accelerate the eradication of informal settlements, create communities that have access to services and transport, and put in place infrastructure that will support economic growth. There is, however, a disjuncture at the planning level: various decisions on the built environment are taken by different spheres of government: For example, provinces make decisions about housing, while municipalities make choices about services that are linked to housing, such as transport, water, sanitation and electricity.

In this context, government has identified a need to reconceptualise the way in which municipalities are funded to better leverage the capacity of the state as a whole to achieve basic service delivery targets. At its meeting on 03 December 2008, Cabinet approved the introduction of the Municipal Infrastructure Grant for Cities through splitting the Municipal Infrastructure Grant (MIG) into two windows. This decision allows a differentiated funding approach to be introduced to account for significant differences in context, challenges and capabilities between larger urban municipalities and smaller, more rural municipalities.

Adopting a differentiated funding approach will allow the national regulation of funding to respond to the generic challenges of different types of municipalities, as well as the specific issues faced by individual municipalities. The MIG (cities) focuses on enabling cities to more effectively manage, support and account for built environment outcomes. Greater discretion over the selection and implementation of capital projects, as part of their own capital investment programmes, will be matched with oversight of their entire programme performance rather than solely project inputs. This means that larger urban municipalities will be required to commit to the achievement of specific, measurable developmental outcomes related to their entire capital programme. Smaller, more rural municipalities will largely continue to operate under the existing MIG framework, with innovations to improve expenditure outcomes introduced over time to address capacity and resource deficiencies.

Cabinet has approved the introduction of the new funding arrangements from 1 April 2009. This grant will be phased in starting with the metros in 2009/10 and bringing in 21 large cities over the next two years.

The 2009 Division of Revenue Bill gives effect to this decision in line with the policies that were discussed with stakeholders over the last year. Accordingly, participating municipalities are advised to take note of sections 11, 15 and 40 of this Bill. In particular, metropolitan municipalities that intend to participate in the MIG (cities) Grant need to inform National Treasury of this fact by 13 March 2009.

Furthermore, metropolitan municipalities that choose to participate in the Grant are required to prepare a draft performance framework in accordance with the format in Annexure B of the policy framework by 20 March 2009. This draft will form the basis for engagement with national government to agree on the specific performance indicators and targets against which the city will be held accountable. The date for the submission for the infrastructure performance framework is 30 May 2009 (s15 (2)). The details of critical future dates are in the sections of the 2009 Division of Revenue Bill provided in the grant framework.

To ensure streamlining on reporting on this grant, Circular 11 that outlines requirements for the SDBIP with its supporting chapter 5, provides the basis of the information required by national stakeholders on outputs and outcomes that can guide you in determining the output and outcomes and targets for the performance matrix.

Although the formula used to determine the allocations between the two groups of municipalities is the same, different conditions will be placed on these two groups of municipalities. The MIG (cities) will focus the municipalities and national stakeholders on outputs and outcomes to be achieved from the overall capital investment programme of the cities.

Fuel levy allocation to metropolitan municipalities

The possibility of introducing the sharing of the general fuel levy with municipalities from 2009/10 was announced in the 2008 Budget Review. The 2008 Medium-Term Budget Policy Statement (MTBPS) indicated that the sharing of the general fuel levy with metropolitan municipalities will be phased-in from the 2009 Budget. The proposed phasing-in of the sharing of the general fuel levy with metros from 1 July 2009 was then consulted in various forums, including the 2008 Budget Forum and a technical workshop with existing and new metros on 1 December 2008.

The 2009 Budget Speech announced that part of the revenues from the general fuel levy will be earmarked for metropolitan municipalities. The sharing of the general fuel levy is an appropriate primary replacement for the former RSC levies (in addition to the VAT reforms already introduced from 1 July 2006), with several advantages. The general fuel levy is of sufficient size to serve as a primary replacement as the total revenue generated from the general fuel levy was R24 billion in 2008/09, with the 2010/11 amount estimated at R32 billion. The growth in the general fuel levy is on average 6 per cent annually. Similar to the former RSC levies, the base (fuel sales) is linked to economic activity, linking the subsequent fuel levy allocation on the extent of economic growth taking place within the municipal jurisdiction. The equity and flexibility over the base is therefore maintained. Although the sharing of the general fuel levy with metros will be treated as unconditional to enhance fiscal autonomy, municipalities should attempt to direct these resources, similar to that of the former RSC levies, towards basic services and infrastructure development in under-serviced communities, specifically to roads transport infrastructure given the link between fuel sales and road usage.

The sharing of the general fuel levy will remedy several of the flaws that existed in the former RSC levy system, including correcting allocations to those municipalities that benefited unfairly from the former RSC levy due to problems associated with the location of head offices. To facilitate a smooth transition from the RSC levy replacement grant system to the sharing of the general fuel levy system and to prevent any possible shocks to municipal revenues, implementation will be phased-in over the three-year period beginning with the current MTEF, for full implementation in 2012/13.

The sharing of the general fuel levy with metropolitan municipalities will be regulated by the Taxation Laws Amendment Bill, which is expected to be passed by September 2009. The Minster of Finance will then release, by Government Notice in accordance with the Act, the specific allocations per metro for the 2009/10 financial year, provisionally projected allocations for the outer two years of the MTEF, the criteria used for determining such allocations and payment dates thereof (possibly September 2009, December 2009 and March 2010). As the Government Notice will only be released after the passing of the Bill by September 2009, letters will be sent to the respective metros in March 2009 to advise them of their provisional allocations in order to assist them in their budget formulation processes for

the 2009/10 financial year. The provisional allocations provided in National Treasury's discussion document provided to metropolitan municipalities during December 2008 will be updated with latest available information on fuel sales, as obtained from the South African Petroleum Industry Association (SAPIA).

National government will continue to compensate Category C (district) municipalities through the RSC levy replacement grant. For the 2009 MTEF, R10.5 billion (R3.3 billion in 2009/10, R3.5 billion in 2010/11 and R3.7 billion in 2011/12) will remain as part of the RSC levy replacement grant for Category C municipalities. Reforms will however be made to the replacement grant in future to make it more reflective of the extent of service delivery responsibilities of the municipality rather than historical RSC levy collection rates. Further revisions to the local government fiscal framework, including determining appropriate funding for district municipalities, will be informed by the outcomes of the Department of Provincial and Local Government's White Paper policy review process.

Accounting treatment of conditional grants
Municipalities are reminded that in accordance with accrual accounting principles, conditional grants should only be treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.

Interest received on conditional grant funds
Regarding the interest earned on conditional grant funds, to date National Treasury's position has been that because the interest is earned on conditional grant funds the interest should therefore be treated in the same way as the conditional grant itself. In other words both the interest and the conditional grant must be spent in accordance with the conditions prescribed in the annual Division of Revenue Act, and if the funds remain unspent at the end of the financial year, then both the unspent portion of the grant and any interest earned thereon should revert to the National Revenue Fund.

In line with this thinking, the 2005 and 2006 Division of Revenue Acts provided that when provinces and municipalities return unspent conditional grant funds to the National Revenue Fund, they must also return 'any interest earned thereon'. However, given that it is practically speaking very difficult to separate out interest earned on all the different unspent conditional grant funds from interest earned on 'own funds' this provision was never enforced. Consequently, the phrase 'including any interest earned thereon' was dropped from the 2007 and subsequent Division of Revenue Acts.

This has resulted in there being certain challenges regarding the correct accounting treatment of the interest received on conditional grant funds –

(a) Should it be treated in the same way as conditional grant funds, which means recording the interest as a liability on the municipality's books until such time as the funds are spent in accordance with the conditions applicable to the grant funds when it is moved to income as 'transfers recognised'? And what happens when the interest remains unspent at the end of a financial year?

(b) Or should it be treated as 'own revenue' by the municipality, which means the interest is recorded as income as soon as it is earned, and the municipality spends it according to its budgeted priorities.

After reviewing the amounts that are potentially involved, and the administrative burden created by treating the interest received on conditional grant funds in the same way as the conditional grants themselves, National Treasury has decided to give the interest received on conditional grants to municipalities unconditionally. In other words, municipalities must reflect

all interest received on conditional grants as 'own revenue' and its use by the municipality is not subject to any special conditions.

Take note that we are aware that certain municipalities are deliberately delaying the spending of their conditional grants so as to earn more interest. If this bad practice persists, National Treasury may reconsider its position on this matter.

Unspent conditional grant funds

Each annual Division of Revenue Act since 2005 has contained the following provision or something similar:

> Despite the provisions of the Public Finance Management Act or the Municipal Finance Management Act relating to roll-overs, any conditional allocation … not spent at the end of a financial year or, in the case of a municipality, at the end of a municipal financial year, reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

To date these provisions have not been enforced in relation to municipal conditional grants. It has come to our attention that certain municipalities have been taking advantage of this situation, and instead of spending conditional grants funds in line with their intended purpose, have been deliberately not spending the grants and using the cash to fund other municipal expenditures. As a result such municipalities' accounts show large amounts of unspent conditional grants, but these amounts are not cash-backed.

In order to rectify this situation, and to properly incentivize municipalities to spend their conditional grant funding for the purposes and within the time-periods for which it is allocated, National Treasury has decided on the following steps –

(a) All conditional allocations (excluding any interest earned thereon) for the years 2005/06, 2006/07 and 2007/08 that were unspent as of 30 June 2008 must revert to the National Revenue Fund on 30 June 2009 unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.; and

(b) All conditional allocations (excluding any interest earned thereon) for the 2008/09 financial year that are unspent as of 30 June 2009 must revert to the National Revenue Fund on 31 August 2009 unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

As regards the repayment of unspent conditional allocations for the years 2005/06, 2006/07 and 2007/08 the following practical arrangements will apply –

- National Treasury will determine the quantum of unspent conditional allocations each municipality owes the National Revenue Fund based on their 2007/08 audited annual financial statements, or if these are not available by 31 January 2009, the determination will be based on Conditional Grants database prepared for purposes of the 2008 Local Government Budget and Expenditure Review.
- National Treasury will inform each municipality what they owe the National Revenue Fund by 15 May 2009.
- Municipalities will have until 15 June 2009 to prove to the satisfaction of the National Treasury that the unspent allocations are committed to identifiable projects. In each instance, the National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds because they are committed to identifiable projects.

- Each municipality must repay all unspent conditional allocations, in respect of which National Treasury has not given the municipality written permission to retain, directly to the National Revenue Fund by 30 June 2009 (bank account details will be given later).

As regards the repayment of unspent conditional allocations for the 2008/09 financial year the following practical arrangements will apply –

- When preparing their annual financial statements a municipality must determine what portion of each national conditional allocation it receives remained unspent as at 30 June 2009.
- The receiving officer must report these amounts to National Treasury by 31 July 2009. If the receiving officer wants to motivate that the funds are committed to identifiable projects the required information must also be submitted to National Treasury by 31 July 2009.
- National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds because they are committed to identifiable projects by 17 August 2009.
- Each municipality must repay all unspent conditional allocations, in respect of which National Treasury has not given the municipality written permission to retain, directly to the National Revenue Fund by 31 August 2009 (bank account details will be given later).

When applying to retain unspent conditional allocations committed to identifiable projects, municipalities must supply National Treasury with the following information –

(a) details of each of the projects to which funds are committed;
(b) a progress report on the state of implementation of each of the projects;
(c) the amount of funds committed to each project, and the conditional allocation from which the funds come from; and
(d) an indication of the time-period within which the funds are to be spent.

All the calculations of the amounts to be surrendered to the National Revenue Fund (NRF) will be subject to scrutiny by the Office of the Auditor-General and therefore will be audited.

Approval of rollovers

Although in terms of section 30 of the MFMA the appropriation of unspent funds lapses at the end of the financial year, section 28(2)(e) provides that an adjustments budget 'may authorize the spending of funds that were unspent at the end of the past financial year where the under-spending could not have reasonably been foreseen at the time to include the projected rollovers when the annual budget for the current year was approved by council.'

This provision is particularly relevant to the proper management of unspent conditional allocations in respect of which National Treasury has given the municipality permission to retain because they are committed to identifiable projects. Strictly speaking municipalities may not spend such funds until they are 're-appropriated' in an adjustments budget. However, this would imply delaying the spending of such funds until sometime after the National Adjustments Budget sometime in November each year.

Therefore to give effect to section 28(2)(e) of the MFMA as from 1 July 2009, National Treasury has determined the following:

- once National Treasury has given written approval to a municipality to retain unspent conditional allocations committed to identifiable projects, the municipality may proceed to spend such funds;

- municipalities that are given permission to retain unspent conditional allocations must pass an adjustments budget soon after the approval of rollovers are legalised in the National Adjustments Budget and formally gazetted in the annual Adjustments Estimate Government Gazette.

This process will minimize any delay in the spending of these funds, and provide formal approval for such funding to be spent.

VAT on conditional grants
Municipalities are again reminded that SARS has issued a specific guide to assist municipalities meeting their VAT obligations – ***VAT 419 Guide for Municipalities***. To assist municipalities accessing this guide it has been placed on the National Treasury website at:

http://www.treasury.gov.za/legislation/mfma/guidelines/default.aspx

The document has also been published on the path www.sars.gov.za/All Publications/VAT.

VAT on conditional grant expenditures
When a municipality uses conditional grant funds to purchase goods and services, input VAT is included in the price of such goods and services, which municipalities are required to pay, using conditional grant funding. In the normal course of managing their VAT, municipalities are able to reclaim this input VAT from SARS. This has led to enquiries as to the correct treatment of this 'reclaimed VAT'.

National Treasury's position is that municipalities must treat this 'reclaimed VAT' as 'own revenue'. In other words, once a municipality has used conditional grant funds to pay for goods and services, including VAT, in line with the grant conditions the funds loose their 'conditional' nature. So when the municipality reclaims the VAT, the funds are no longer subject to any of the conditions applicable to the original conditional grant.

Management and monitoring of conditional grants
In order to further improve the management and monitoring of conditional grants National Treasury will give special attention to the following matters:

- Municipalities must reflect all grants (from national, provincial and local) on both the revenue and the expenditure sides of their 2009/10 budgets, as well as for the MTREF years;
- Municipalities must submit their Council-approved annual budgets for 2009/10 and MTREF to the National Treasury by 7 July 2009;
- Monitoring that all funds transferred from national and provincial government are deposited in municipalities' primary bank accounts;
- Monitoring that accounting officers (as receiving officers) fulfill their duties set out in sections 12 and 13 of the Division of Revenue Bill, particularly as they relate to the preparation and submission of information on conditional grants to the relevant national or provincial transferring officer, and to the relevant provincial treasury and National Treasury as part of their section 71 reporting obligations; and
- Monitoring the submission of annual financial statements for 2008/09 for audit by 30 September 2009 and submission of audited annual financial statements for 2008/09 to the relevant provincial treasuries and National Treasury by 30 November 2009.

Acting in terms of sections 71 and 74 of the MFMA, National Treasury requires that all municipalities report on all transfers received from national government as from 1 July 2009.

This input reporting process replicates the practice developed in relation to the Financial Management Grant and the Restructuring Grant, and will assist National Treasury track and verify the flow of funds to municipalities. The required input forms will be placed on National Treasury's website on 1 April 2009.

6. Guidance on specific issues

Budgeting for revenue and 'revenue foregone'
The municipal budget must reflect all revenue anticipated to be received and recognised during the 2009/10 budget year and over the MTREF. All sources of revenue such as own revenue, grants, subsidies, agency receipts, donor funds, trust monies must be included.

The revenue amounts reflected in the financial performance budgets of the municipality must be net revenue (i.e. total revenue less revenue foregone).

Those municipalities that are preparing their budgets according to the new formats are required to disclose all revenue foregone on Supporting Table SA1. Note that revenue foregone must be distinguished from grant expenditures made in relation to the provision of, for instance, free basic services. These grant expenditures must be detailed on Supporting Table SA21, and reflected as expenditure in the financial performance budget (Table A4) under transfers and grants (currently 'grants and subsidies' in the current formats).

Those municipalities that are still following MFMA Circular 28 should still disclose their revenue foregone explicitly, either by way of footnotes, or by providing an appropriate table similar to Supporting Table SA1.

Guidance on identifying revenue foregone:
While not entirely definitive, as each category should be assessed on a case-by case basis, it is suggested that municipalities apply the 'generally available to all' rule to determine whether an item is revenue foregone or expenditure (most often 'grant' expenditure). For example, if a rate rebate is available to all ratepayers of a particular category; e.g. residential land use, then the rebate should be treated as 'revenue foregone'. The broadly applied rebate is considered an adjustment to the tariff. However, if a rate rebate is provided to a particular ratepayer for charitable purposes this should be treated as expenditure and should be shown as a grant. Such a rebate to specific indigent households is an efficient way of collecting the property rates and then making an equivalent donation.

Budgeting by GFS and 'internal charges'
In all instances the definition of the GFS functions includes the costs incurred in the 'administration or support of …' the specific function. This is consistent with the advice that National Treasury has given in respect of 'internal charges', namely when compiling the budgets by standard classification and by vote:

- Reflect the total cost of delivering the primary services before recharges to support functions are taken into account; and
- This may result in certain Votes or functions having very small budgets if their budgets are 'earned' by providing 'internal services' to other functions or Votes.

Note that the direction of recharges is from the primary function to the support function. This approach will facilitate the calculation of the full cost of services provided by the municipality.

Budgeting for Free Basic Services

The equitable share is designed to compensate municipalities for providing free basic services to indigent households. Table A10 in the new formats requires the municipality to reflect the cost of the free basic services it is providing to households. These amounts must be consistent with those reflected on Supporting Table SA21, which reflects all the transfers and grants the municipality makes. These expenditures on free services (grants) are then reflected in the municipality's financial performance budget Table A4 under transfers and grants (currently 'grants and subsidies' in the current formats).

Even municipalities that are not preparing the budgets in accordance with the new formats are required to include the expenditure involved in providing free services (grants) in their financial performance budgets. They are also required to show in their budget documents the levels, the number of households benefitting and the projected costs of the various free basic services they will be providing during the 2009/10 budget year and outer years.

Budgeting for Capital

Municipalities are encouraged to produce a multi-year capital budget when tabling their budget. These multi-year capital budgets must be disaggregated by municipal ward and reflect the MIG sector priorities to enable national and provincial transfers to flow directly to municipalities. Capital budgets must also differentiate between those programmes/projects for which multi-year appropriations are approved in accordance with MFMA Section 16(3), and those for which only budget year appropriations are approved.

Municipalities are reminded that sector priorities in MIG refer to functions of water, sanitation, refuse, electricity, roads, public amenities, etc. This allows for sector departments like, DWAF, DME and others to monitor progress in addressing backlogs, as reflected in the Division of Revenue framework for MIG.

Funds received for capital projects must be included in the capital budget as "revenue" under sources of finance. External loans are loans that are to be obtained from private lenders and/or financial institutions and include loans taken up to fund capital expenditure.

Prior Year Comparative Information

MFMA section (1)(d)(ii) requires the presentation of the amounts of the 'preceding year' in the annual budget. The purpose is to provide historical trend information to assist the Council and the community to assess the proposed budget. These amounts should be aligned with the audited financial statements, or the latest corrected amounts if changes are made in the comparative amounts in the following year's audited financial statements.

7. National Treasury's special focus areas

Municipalities have made great strides with regard to meeting the timeframes for the tabling and approval of municipal budgets. The next challenge is to put in place processes that will ensure systematic improvement in the quality of municipal budgets. The implementation of the Municipal Budget and Reporting Regulations will have a significant impact in this regard. However, in addition, National Treasury will be focussing on the following three aspects of municipal budgets:

- The correct calculation of personnel budgets;
- The implementation of the funding compliance assessment; and
- Appropriate budgets for repairs and maintenance.

Focus on personnel budgets

Acting in terms of section 74 of the MFMA, National Treasury requests all municipalities to submit the following information along with their 2009/10 budgets:

- The headcount of councillors, board members for entities and employees of both the municipality and municipal entities (see Supporting Table SA 24 of the new regulations);
- An explanation of the methodology used by the municipality to calculate its councillor allowances and personnel budgets for 2009/10 and outer years; and
- A listing of the key assumptions that informed the calculation of councillor allowances and municipal personnel budgets.

National Treasury, working with provincial treasuries, will put place in processes to verify the accuracy of the headcount numbers, to evaluate the soundness of the methodologies and assumptions municipalities have used to calculate their councillor allowances and personnel budgets and to assess whether municipalities have indeed budgeted accurately for councillor allowances and personnel expenditures.

2008/09 MTREF Funding Compliance Assessment

Municipalities are expected to prepare three-year budgets that are, among other things, sustainable in terms of being funded from realistically anticipated revenues to be collected. Consequently, municipalities must seriously assess their revenue situation and financial health for purposes of determining whether or not they have sufficient revenue and adequate financial stability to fund and deliver on their proposed budgets.

In addition, municipalities are urged to objectively and seriously examine the credibility of their proposed budgets in terms of their spending and institutional capacity. For example, it makes no sense for a municipality to adopt an annual capital budget when it only has a spending and / or institutional capacity to spend half of the amount budgeted.

To enable municipalities assess whether their budgets are funded in compliance with section 18 of the MFMA, National Treasury developed the Funding Compliance Assessment Procedure, described in MFMA Circular 42 dated 30 March 2007. Further guidance is given in the *MFMA Funding Compliance Guideline*, which is available at

http://www.treasury.gov.za/legislation/mfma/guidelines/default.aspx.

All municipalities must do a funding compliance assessment of their 2009/10 budgets in accordance with the guidance given in MFMA Circular 42 and the *MFMA Funding Compliance Guideline*.

In this regard, and acting in terms of section 74 of the MFMA, National Treasury requests all municipalities to submit the following information along with their 2009/10 budgets:

- Table A10 in the 'draft funding compliance master' spreadsheet (or Supporting Table SA10 in the Municipal Budget and Reporting Regulations formats);

- A narrative assessment of each of the funding compliance variables noted in the MFMA Funding Compliance Guideline; and
- An indication of any steps the municipality took in preparing its 2009/10 budget in response to its funding compliance assessment in order to ensure better compliance with section 18 of the MFMA.

National Treasury and / or the relevant provincial treasury will independently assess the funding compliance of each municipality's budget and compare the results to the self assessments done by the municipality.

In terms of the Constitution and Section 5 of the MFMA, the National Treasury and provincial treasuries will exercise their oversight roles by referring back to municipalities those budgets that are not funded in accordance with the MFMA.

Focus on repairs and maintenance

The *Local Government Budgets and Expenditure Review 2003/04 – 2009/10* highlighted the serious repairs and maintenance and renewal backlogs that exist in relation to municipal infrastructure, particularly municipalities' electricity, water reticulation, sewage and storm water and roads systems. It noted that these backlogs are impacting negatively on the financial sustainability of municipalities and on the reliability and quality of municipal services, as well as municipalities' contribution to supporting economic growth.

In the light of the above, and acting in terms of section 74 of the MFMA, National Treasury requests all municipalities to submit the following information along with their 2009/10 budgets:

- Details of their planned repairs and maintenance spending, and renewal projects by GFS function;
- Details of their planned renewal spending and renewal projects by GFS function; and
- A narrative explanation that sets out what the municipality has done to assess its repairs and maintenance backlog, its estimate of its repairs and maintenance backlog and the strategy it has put in place to progressively deal with the backlog.

National Treasury, along with provincial treasuries, will assess what each municipality has budgeted for repairs and maintenance, and renewal projects in the light of its functional responsibilities, operational budgets, and other information available from sector departments.

In terms of the Constitution and Section 5 of the MFMA, the National Treasury and provincial treasuries will exercise their oversight roles by referring back to municipalities those budgets that do not fund repairs and maintenance and renewal projects adequately.

8. Budget process and submissions for the 2009/10 MTREF

Over the past number of years there have been significant improvements in municipal budget processes. For the 2008/09 MTREF, 243 municipalities tabled their budgets by 31 March and 281 municipalities approved their budgets by 30 June. Municipalities are encouraged to continue their efforts to improve their budget processes based on the guidance provided in MFMA Circulars 10, 19, 28 and 31 as well as the new regulations.

Once more, municipalities are reminded that the IDP review process and the budget process should be combined into a single process.

Submission of tabled budgets

In line with section 22 of the MFMA, the municipal manager must submit the municipality's tabled budget to the National Treasury and the relevant provincial treasury 'immediately' after the tabling – i.e. by no later than 1 April 2009.

If the municipality is preparing its tabled budget according to the new regulations, the municipal manager must submit:

- the budget documentation as set out in Schedule A of the Municipal Budget and Reporting Regulations, including the main tables (A1 - A10) and all the supporting tables (SA1 – SA37) in both printed and electronic format; and
- the draft service delivery and budget implementation plan in both printed and electronic format.

If the municipality is not preparing its tabled budget according to the new Regulations (i.e. is still following MFMA Circular 28), the municipal manager must submit:

- the budget documentation prepared in accordance with MFMA Circular 28 in both printed and electronic format;
- the municipalities, IDP, Appendix A return form and all other budget related documents in both printed and electronic format; and
- the Appendix B return form in electronic format.

Submission of approved budgets

The municipal manager must submit the municipality's budget approved by the municipal council in terms of section (16)(1) of the MFMA to the National Treasury and the relevant provincial treasury by no later than 7 July 2009. The information must be the approved versions of the documents noted above.

Submission requirements

Hard copy submission to National Treasury must be to: National Treasury, Chief Director: Local Government Budget Analysis, 40 Church Square, Pretoria, 0001. Electronic submissions must be submitted via e-mail to lgdatabase@treasury.gov.za.

Publication of budgets on municipal websites

In terms of section 75 of the MFMA all municipalities are required to publish their budgets, annual reports 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, www.treasury.gov.za/legislation/mfma. Municipalities are encouraged to visit it regularly as documents are regularly added / updated on the website.

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