



Budget tabling and adoption

This circular serves to remind all municipalities of the requirements in the MFMA relating to the tabling and adoption of budgets for the 2006/07 budget year and beyond.

In spite of the timing of the local government elections and the need to establish new councils and committees, we would like to draw your attention to the provisions in the MFMA that require the mayor to table the “draft” budget of a municipality before council no later than 31 March 2006. Section 24 of the MFMA further requires municipal councils to approve their budgets by 30 June each year.

To assist municipalities in addressing this matter the National Treasury communicated to all municipal managers, chief financial officers and Mayors in MFMA Circular No 19 on 15 August 2005, to ensure proper plans were put in place to have budgets tabled earlier. Whilst we understand that this was not ideal, municipalities were requested in the circular to strive to prepare a draft budget and revise the IDP by December 2005 (date of elections had not been declared). It was further recommended that the outgoing council table the draft budget as early as possible facilitating further consultation and review by the incoming council.

The possible impact of municipal elections on the tabling and approval of budgets and related policies was anticipated; hence the issuance of Circular 19 well in advance.

Given that the reforms in municipal planning, budgeting and reporting are almost 4 years in implementation, and that all municipalities have received support in one form or another, it is anticipated that the tabled and approved budgets will meet the following reform objectives:

- These will be credible and fully funded.
- The budgets will be linked to the Integrated Development Plans.
- The budget documents will be accompanied by the resolutions required by section 17 of the MFMA.

If not already done, municipalities must ensure that the 2006/07 and outer year budgets are tabled at the next council meeting. This will ensure that the MFMA timelines are complied with. Thereafter all the required consultations and engagements must be undertaken to review the budgets and related documents, taking into account the views of council, the communities and other stakeholders. It is expected that the quality, content and format of the budget will be consistent with Circular 28 issued on 12 December 2005.

You should note that the Minister of Finance issued general exemptions for delay in tabling of 2005/06 municipal and municipal entity budgets. This practice is not expected to continue for the 2006/07 budgets, since the support measures, including workshops and circulars, were provided to improve the levels of awareness and capacities of municipalities.

From the 2006/07 budget year, any application for exemption will not be considered.

Compliance with the above becomes particularly important as the National Treasury aims to publish the 2006 Local Government Revenue and Expenditure Review around May 2006.

The aim of the review is to alert the incumbent councillors who took office in March to challenges that municipalities may face. The document will also aim to facilitate debate on the tabled budgets for 2006/07. The tabled budgets accompanied by Appendix A (electronic summary of the budget) are therefore very critical for the publication of the review. Since the information in the tabled budget will be used in the publication, it is important that tabled budgets are credible and realistic.

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