



## Municipal Budget Circular for the 2011/12 MTREF

This circular provides further guidance to municipalities and municipal entities for the preparation of their 2011/12 Budgets and Medium Term Revenue and Expenditure Framework (MTREF).

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### 1 2011 Local government elections and the budget process

Local government elections are due to be held between 2 March and 2 June 2011. Elections are important occasions – when we, as a country, reaffirm our commitment to democratic and accountable government by choosing representatives of the people who will guide the work of local government for the next five years.

During this time of transition, all role-players need to work together to ensure municipalities continue to perform their functions efficiently and effectively. It is particularly important to ensure that arrangements for the review of IDPs and preparation of budgets continue smoothly. The Mayor and municipal manager of each municipality need to carefully consider the time schedule for the review of the IDP and the tabling, public consultations and approval of the municipal budget. The following four risks need to be explicitly managed:

1. In terms of section 13 of the Municipal Property Rates Act, and sections 24 and 42 of the MFMA, new tariffs for property rates, electricity, water and any other taxes and

tariffs may only be implemented from the start of the municipal financial year (1 July). Therefore it is critical that the municipal council approves the necessary resolutions before the start of the municipal financial year. If this does not happen, the municipality will not be able to increase its taxes and tariffs – and the result will most likely be an immediate financial crisis, and an intervention in terms of section 139 of the Constitution.

2. In terms of section 16 of the MFMA, a municipal council must approve the annual budget for the municipality before the start of the financial year. Should a municipal council not do so, then in terms of section 26 of the MFMA the provincial executive **must** intervene, and such intervention may include dissolving the municipal council and the appointment of an administrator. A municipality may also only incur expenditure with the permission of the MEC for Finance in the province subject to the restrictions set out in section 26 of the MFMA.
3. The outgoing councils need to ensure that their inputs into the 2011/12 budget and MTREF safeguard the financial sustainability of their municipalities. More specifically municipalities are advised against unrealistically low tariff increases and over-ambitious capital expenditure programmes.
4. The election campaigning period is likely to coincide with the period when municipalities normally conduct public consultations on the budget. There is a risk that these public consultations will either be neglected or used to serve narrow party political interests.

In managing the above risks, Mayors and municipal managers must seek to ensure stability and continuity. The following table sets out important information regarding events surrounding the elections that needs to be taken into consideration when determining a budget process schedule:

Election Events		Budget Process Events	
Date	Event	Date	Event
Election day plus four days	Election results likely to be declared	By 31 March	Annual budget must be tabled in municipal council – at least 90 days before the beginning of the financial year (section 16 of MFMA)
14 days after the councils election	For metros and local municipalities - they must meet to elect the Executive Mayor (section 55 of Structures Act)	April - May	Normal period for public consultations on the annual budget (section 23 of MFMA)
14 days after election results are declared	For local municipalities: they must appoint representatives to the District Council (section 23 of Structures Act)	By 30 May	All councils must consider annual budgets for approval (section 24 of MFMA)
14 days after the last local council has appointed representatives	For district Councils –the district council must meet to elect Executive Mayor (section 55 of Structures Act)	On or before 30 June	All councils must approve annual budgets (section 16 of MFMA)

Depending on the selected election day, it may or may not be possible for new municipal councils to be elected and constituted and for them to get themselves organised to consider the annual budget before the start of the new municipal financial year. However, if the selected election day is in late May 2011, if there is any delay in declaring the election results or if the

results are legally contested then the new councils will most probably not be able to consider and pass the annual budget before the start of the new municipal financial year. In fact, in the case of district municipalities there is a high probability that they will not be constituted in time to consider the annual budgets since they are dependent on the results of the local municipality elections within the district being finalised first.

In deciding on the schedule for the 2011/12 budget process, the Mayor and municipal manager must also note that the MFMA read together with the Municipal Budget and Reporting Regulations only allows for a 'main adjustments budget' to be tabled after the mid-year budget and performance assessment has been tabled in council, i.e. after 1 January 2012. In addition, the permitted scope of an adjustments budget is quite limited: taxes and tariffs may not be increased, and any additional revenues may only be appropriated to programmes and projects already budgeted for (see section 28 of the MFMA). Therefore the idea of the current council passing a 'holding budget' which the new council will change substantially through an adjustments budget soon after the start of the municipal financial year is not legally permitted.

It is each municipal council's prerogative to decide when to approve its annual budget. However, to assist municipalities, National Treasury proposes that councils consider adopting one of the following options for their 2011/12 budget process:

<b>Option 1: Outgoing council approves 2011/12 budget</b>
<ol style="list-style-type: none"> <li>1. Current Mayor prepares a budget schedule that brings the review of the IDP and the tabling of the budget forward to late February or the beginning of March 2011</li> <li>2. Community consultations on the annual budget conducted in remainder of March and early April 2011</li> <li>3. Officials complete technical work on annual budget by mid-April 2011</li> <li>4. Current council approves annual budget before the end of April 2011</li> <li>5. New council implements annual budget from 1 July 2011</li> </ol>
<b>Benefits of Option</b>
<ul style="list-style-type: none"> <li>• Minimises risk of there not being an approved budget at the start of the financial year</li> <li>• Ensures continuity</li> <li>• Safeguards the financial sustainability of the municipality by ensuring tariff increases are locked in before the start of the financial year</li> </ul>
<b>Risks of Option</b>
<ul style="list-style-type: none"> <li>• New council may not be happy with the priorities set out in the annual budget approved by the outgoing council, and so be reluctant to be held accountable for its implementation</li> </ul>
<i>All district councils are strongly advised to adopt this option. National Treasury also recommends this option for all metros and local councils, unless specific local political circumstances suggest that it is important to allow the new council to approve the budget.</i>

<b>Option 2: Outgoing council prepares 2011/12 budget, new council approves it</b>
<ol style="list-style-type: none"> <li>1. Current Mayor prepares a budget schedule that brings the review of the IDP and the tabling of the budget forward to early March 2011</li> <li>2. Community consultations conducted in remainder of March and early April 2011</li> <li>3. Officials complete technical work on budget during May, and ensure that it is ready to be placed before council for approval by 1 June 2011</li> <li>4. New council must consider budget as their first order of business, after electing the Mayor – and approve it before the start of the new financial year – 30 June 2011</li> </ol>
<b>Benefits of Option</b>
<ul style="list-style-type: none"> <li>• Allows new council to approve and 'take ownership' of the annual budget</li> </ul>
<b>Risks of Option</b>
<ul style="list-style-type: none"> <li>• There is a real risk that the municipal council may not be constituted, or may not get itself organised in time to approve the budget before the start of the municipal financial year, which will put the financial sustainability of the municipality at risk</li> <li>• New council may seek to introduce last minute changes to the tabled budget which will tend to undermine the integrity of the community consultation processes</li> </ul>
<i>National Treasury only recommends this option be adopted where specific local political circumstances suggest that it is important to allow the new council to approve the budget.</i>

## 2 National Outcomes

In January 2010, Cabinet adopted 12 outcomes within which to frame public-service delivery priorities and targets. Cabinet ministers have signed performance agreements linked to these outcomes. More detailed delivery agreements have since been developed to extend targets and responsibilities to national and provincial departments, agencies and municipalities.

All municipalities are expected to take the 12 outcomes into consideration when reviewing their IDPs and developing their annual budgets for the 2011/12 MTREF. **Annexure A** to this circular lists the 12 outcomes and the related outputs, together with examples of areas where municipalities have a role to play in either contributing directly to the realisation of the Outcomes or facilitating the work of national and provincial departments in realising them.

## 3 Financial implications of the demarcation process

The Municipal Demarcation Board announced on 1 September 2010 that the number of municipalities will be reduced from 283 currently to 278, and that there will be a number of other changes to the boundaries of the remaining municipalities. The following major changes should be noted:

- i. Mangaung will become a category A municipality
- ii. Motheo District Municipality (DM) will no longer exist
- iii. Thabo-Mofutsanyane DM will be extended to include Mantsopa Local Municipality (LM)
- iv. Xhariep DM will be extended to include Naledi LM
- v. Buffalo City will become a category A municipality
- vi. Amatole DM will no longer include Buffalo city LM

- vii. Kagisano and Molopo LMs will be amalgamated
- viii. Mbizana and Ntabankulu LMs will move from OR Tambo DM to Alfred Nzo DM
- ix. A portion of Intsika Yethu/Chris Hani will move to Mbashe/Amatole
- x. A portion of Intsika Yethu will move to Engcobo
- xi. Some villages in Ntabankulu/OR Tambo will move to Umzimvubu/Alfred Nzo
- xii. Metsweding DM, Nokeng Tsa Taemane LM and Kungwini LM will no longer exist, most of their area will be incorporated into Tshwane and some farms will be incorporated into Ekurhuleni
- xiii. Some land will move from Letsemeng LM to Kopanong LM
- xiv. A portion of Randfontein LM will move to Westonaria LM
- xv. 12 of the current wards of Hlabisa will move to Mtubatuba
- xvi. One ward will move from Ndwedwe to Kwadukuza
- xvii. Some farms will move from Aganang to Blouberg
- xviii. There will no longer be any declared district management areas (DMAs). All current DMAs will be included into local municipalities. This change will affect some 54 local municipalities.

These changes will come into effect from the date of the local government elections in 2011/12. However allocations for transfers will only be changed for the 2011/12 financial year. The municipalities that are affected by these changes must therefore prepare budgets for 2011/12 that take account of all their responsibilities in their new municipal area.

During the period between the date of the election and the start of the new municipal financial year on 1 July 2011 the current arrangements for the payment of staff and creditors should be maintained.

### **3.1 Impact of demarcation changes on financial transfers to municipalities**

#### *Implications for Local Government Equitable Share (LGES) allocations*

The LGES is allocated through a formula that takes account of the number of households and people in a municipality, their incomes, whether they are serviced or not, the ability of the municipality to raise its own revenue and the number of municipal councilors. In calculating municipalities' equitable share allocations for 2011/12 all of these indicators will be updated to match the new municipal boundaries. This change will be implemented by National Treasury and there is no need for municipalities engage on this as it is a purely technical process.

#### *Implications for Municipal Infrastructure Grant (MIG) allocations*

The MIG is allocated through a formula in a similar manner to the LGES. The MIG formula will also be updated with data reflecting the changed municipal boundaries. Again there is no need for municipalities to or departments to engage on this as it is a purely technical process.

#### *Implications for other conditional grant allocations*

Allocations for other conditional grants are made to municipalities by the responsible national departments, often on a project-based basis. Allocations for conditional grants are only made for one year and the amounts published for the outer years in the schedules of the Division of Revenue Act are published for indicative purposes only and are not guaranteed. Departments will make their allocations for the 2011/12 financial year based on the new boundaries of municipalities. For municipalities that have been merged this means that previous indicative allocations are likely to be made to the new municipality that incorporates the municipal area where a project was planned and indicative amounts were published, however there is no guarantee of this.

*Implications for the RSC levy replacement grant*

The RSC levy replacement grant to the district municipalities affected by the demarcation process will be adjusted in proportion to the population they have either gained or lost as a result of the process.

*Implications for the Fuel Levy sharing with metros*

The two new metros (Mangaung and Buffalo City) will be entitled to a share of the fuel levy, which will be determined in the same manner as for the existing metros. Note that this revenue source replaces the RSC levy replacement grant that previously flowed to the district municipalities in these areas.

### 3.2 Implications for the assets and liabilities of municipalities

The changes to municipal boundaries are published by the MECs for local government in provincial gazettes in terms of section 12 of the Municipal Structures Act. Section 14 of this Act regulates the effects these changes will have on existing municipalities. It stipulates that the section 12 notice issued by the MEC for local government must provide for:

- a) The disestablishment of a municipality (or part of a municipality),
- b) The vacation of office by councilors of the existing municipality,
- c) The transfer of staff from the existing municipality to the superseding municipality (this must be done in accordance with labour legislation).
- d) The transfer of assets, liabilities and administrative and other records from the existing municipality to the superseding municipality (creditors of the existing municipality must be paid by the new municipality),
- e) The extent to which existing by-laws will still apply.

It is therefore important that municipalities, when budgeting for 2011/12, take guidance from any section 12 notice affecting them and that they make appropriate plans for taking on board any assets, liabilities and/or staff that will be transferred to them.

## 4 The Municipal Budget and Reporting Regulations

As noted in MFMA Circular 51, the Municipal Budget and Reporting Regulations are designed to achieve a range of objectives, including improving the local government sphere's ability to deliver services by facilitating improved financial sustainability and better medium term planning. The regulations, formats and associated guides etc are available on National Treasury's website at:

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

Of the 283 municipalities, 272 used the prescribed budget schedules to prepare their 2010/11 annual budgets. This is a tremendous achievement. Roll-out to municipal entities, however, was less satisfactory. **Municipalities are reminded that the regulations apply to all municipalities and municipal entities as from 1 July 2009.**

### 4.1 All municipalities must prepare budgets in accordance with the regulations

All municipalities must prepare annual budgets, adjustments budgets and in-year reports for the 2011/12 financial year in accordance with the Municipal Budget and Reporting Regulations. In this regard, municipalities must comply with both:

- The formats set out in Schedules A, B and C; and
- The relevant attachments to each of the Schedules (the Excel Formats).



In order to assist municipalities with the preparation of their budget documents, National Treasury is preparing a 'dummy budget' template which will be made available before the end of January 2011. Municipal managers are also encouraged to review the budget documents of other municipalities and to learn from good practice examples.

If a municipality fails to prepare its budget, adjustments budget and in-year reports in accordance with the relevant formats actions the National Treasury will take includes:

- The municipality will be required to resubmit their documentation in the regulated format by a date determined by the National Treasury;
- The municipality's non-compliance with the required formats will be reported to the Auditor-General; and
- A list of municipalities that fail to comply with the required formats will be tabled in Parliament and the provincial legislatures.

**National Treasury has released Version 2.3 of the Excel Formats. Given the ongoing improvements in the accuracy of the formats it would be in municipalities best interests to move to this new version.**

Version 2.3 of Schedule A1 incorporates the following changes:

1. On Table SA1 the following section has been added:

Repairs and Maintenance											
by Expenditure Item	8										
Employee related costs											
Other materials											
Contracted Services											
Other Expenditure											
Total Repairs and Maintenance Expenditure	9	-	-	-	-	-	-	-	-	-	-

The aim is to enable municipalities to indicate what their repairs and maintenance expenditure consists of in terms of expenditure items. Note that Repairs and Maintenance has to be broken down into these component items and cannot be budgeted for as a separate item on Table A4 – because it is not a GRAP item. Also note that the total shown on Table SA1 must correspond to the total for repairs and maintenance on Table SA34c and Table A9.

National Treasury will also introduce **a new return form** so that municipalities can report on their in-year repairs and maintenance expenditure against the main expenditure items and by GFS function.

2. The funding compliance on Table SA 10 has been extended to include the kind of analysis National Treasury introduced with its budget benchmarking process.
3. The following supporting tables have been locked to editing by municipalities: SA1, SA3, SA8, SA10, SA22, SA23 and SA24. This is to enable National Treasury to automatically upload this information on the Local Government Database.
4. A number of validation checks have also been inserted on various tables to facilitate more relevant data entry.
5. The names of municipalities have all been updated, as well as the drop-down lists for conditional grants.

## 4.2 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 Municipal Budget and Reporting Regulations.

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 or where budgeted amounts are immaterial and only comprise of funds transferred from a municipality may apply to National Treasury for an exemption in respect of those entities. Applications must be sent to Jan Hattingh (e-mail: [jan.hattingh@treasury.gov.za](mailto:jan.hattingh@treasury.gov.za)) by 01 March 2011, 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 2009/10 annual financial statements; and
- (e) a copy of the entity's 2010/11 annual budget.

National Treasury will inform municipalities in writing on the outcome of these applications by 15 March 2011.

## 4.3 Preparing and amending budget related policies

According to the Municipal Budget and Reporting Regulations a municipality must prepare a range of budget related policies, or any necessary amendments to such policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1) (b) of the MFMA. A list of the principle budget related policies is included in the note to section 8 of the Municipal Budget and Reporting Regulations.

The municipality should include a section in its budget document listing the budget related policies that are in place, when they were last updated and where a member of the public can easily access them. If the municipality intends amending any of its budget related policies, such amendments must be attached as annexures to the budget document.

## 5 Revising rates, tariffs and other charges

When municipalities and municipal entities revise their rates, tariffs and other charges for their 2011/12 budgets and MTREF, they need to take into account the labour (i.e. the wage agreements with unions) 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 indigent 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 gradual recovery 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.



Nevertheless, municipalities must ensure that tariffs for utility services move progressively towards being cost reflective.

Municipalities are encouraged to start publishing multi-year tariffs so as to signal to households and businesses what increases they can expect in future. This is particularly important in respect of utility services, where municipalities must explore imaginative ways of structuring the tariffs 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.

Municipalities should note that section 20 of the MFMA specifically empowers the Minister of Finance to take appropriate steps to ensure that municipalities do not materially and unreasonably prejudice national economic policies, particularly those on inflation, administered prices and equity.

### **5.1 NERSA's approval of municipal electricity tariffs**

NERSA has released its guideline on municipal electricity price increases for 2011/12. The guideline increase is set at **20.38 per cent**.

In addition NERSA has set out an earlier timetable for receiving and reviewing tariff applications with a view to completing the process by the end of March 2011. National Treasury encourages all municipalities to submit their applications as soon as possible.

The relevant guideline, as well as NERSA's *Reasons for Decision* document can be accessed at: [www.nersa.org.za](http://www.nersa.org.za)

### **5.2 Water tariffs must be cost-reflective**

There continues to be an urgent need to promote the careful use of water. Ensuring that water is correctly priced is the most effective means getting households and businesses to conserve water.

Municipalities are, therefore, encouraged to review the level and structure of their water tariffs carefully, with a view to ensuring:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants and water networks, and the cost of new infrastructure;
- Water tariffs are structured to protect basic levels of service; and
- Water tariffs are designed to encourage efficient and sustainable consumption (e.g. through increasing block tariffs).

If a municipality's water tariffs are not fully cost reflective, the municipality must develop a pricing strategy to phase-in the necessary tariff increases in a manner that spreads the impact on consumers over a period of time. However, all municipalities should aim to have appropriately structured, cost-reflective water tariffs in place by 2014.

To mitigate the need for water tariff increases, municipalities must put in place an appropriate strategy to reduce non-revenue water, particularly leakages and water theft. In this regard municipalities must also ensure that water used by its own operations is charged to the relevant service, and not simply attributed to water 'losses'.

## 6 Funding choices and management issues

Given that the municipal budget processes coincides directly with the run-up to the 2011 local government elections, there is going to be tremendous pressure from municipal councillors seeking re-election to include 'visible' and 'vote-winning' projects in the budget. While the budget MUST reflect the political priorities of the current council, it is equally important that the current council ensure that the budget for 2011/12 is properly funded, and improves the financial sustainability of the municipality over the medium term.

All municipalities must assess whether their 2011/12 budgets are funded in accordance with the funding compliance procedure set out in MFMA Circular 42, read together with supporting table SA10, and the Funding Compliance Guideline which is available at: <http://mfma.treasury.gov.za/Guidelines/Pages/default.aspx>

Given the on-going constraints on the revenue side, municipalities will again need to make some very tough decisions on the expenditure side this year. Priority ought to be given to:

- Ensuring that drinking water meets the required quality standards at all times;
- Protecting the poor from the worst impacts of the slow recovery in the labour market;
- 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 controlling unnecessary spending on nice-to-have items and non-essential activities, such as foreign travel, councillor and staff perks, advertising and public relations activities. Attention should also be given to ensuring value for money is obtained when using consultancy and other outsourced services.

Municipalities must also ensure that their capital budgets reflect consistent efforts to address the backlogs in basic services and the refurbishment of existing network services.

### 6.1 Providing clean water and managing waste water

MFMA Circular 51 noted that there are concerns about the quality of municipal drinking water and failures in the management of waste water. Municipalities were requested to include a section on '**Drinking water quality and waste water management**' in their 2011/12 budget document supporting information (we recommend it forms part of the section on *Measurable performance objectives and indicators* – section 12 of Schedule A). Not many municipalities complied with this request.

However, given the importance of the issue, the accounting officer of a municipality is hereby

instructed in terms of section 74 of the MFMA to submit to National Treasury the information outlined below as part of the municipality's 2011/12 budget document:

- Name of the Water Service Authority in the area and name of the Water Service Provider, and who actually manages the provision of drinking water and waste water management (if outsourced);
- The *Blue Drop* and *Green Drop* performance ratings (as determined by the Department of Water Affairs) applicable to all water and waste water services within the municipality, highlighting areas that require attention;
- The current status of the municipality's *Water Safety Plan* and measures to be taken in 2011/12 and over the MTREF to implement it;
- A brief outline of problems that the municipality is experiencing with regards to the management of drinking water and sewerage;
- An outline of the steps the municipality needs to take to address the problems noted; and
- The 2011/12 budget and MTREF allocations proposed/made to fund the above interventions.

Note the focus of this section must be on the quality of the functioning of existing services, and not deal with the extension of water and waste water services to households, which must be dealt with separately elsewhere in the budget document.

## 7 Budget submissions for the 2010/11 MTREF

Over the past number of years there have been significant improvements in municipal budget processes. 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.

### 7.1 Submitting budget documentation and schedules for 2011/12

To facilitate oversight of compliance with 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. The deadline for such submissions is Friday, 8 April 2011.
- Section 24(3) of the MFMA, read together with regulation 20(1), requires that the approved annual budget must be submitted **within ten working days** after the council has approved the annual budget. So if the council only approves the annual budget on 30 June 2010, the final date for such a submission is Thursday, 14 July 2011, otherwise an earlier date applies.

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; and
- in the case of approved budgets, the council resolution.

Municipalities are required to send electronic versions to [lgdocuments@treasury.gov.za](mailto:lgdocuments@treasury.gov.za).

If the budget documents are too large to be sent via e-mail, arrangements for them to be downloaded from the municipality's website must be made with Elsabe Rossouw (e-mail: [Elsabe.Rossouw@treasury.gov.za](mailto: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

After receiving tabled budgets, National Treasury will complete a compliance checklist. This checklist will indicate the level of compliance to the Municipal Budget and Reporting Regulations. A copy of the checklist will be sent to the municipality in order to facilitate improvements in the quality of tabled and approved budgets. The template of this checklist will also be available on the National Treasury's website

## **7.2 Submissions to the National Treasury database for publication**

For publication purposes, municipalities are still required to use the Budget Reform Returns to upload budget and monthly expenditure to the National Treasury Local Government Database. These returns are available in the old formats as well as in versions aligned to the Municipal Budget and Reporting Regulations. Note that this will be the last year that National Treasury will permit municipalities to submit their budget information using the old return forms. As from 2012/13 all municipalities will need to have migrated to using the aligned version of the electronic returns. All returns are to be sent to [lgdatabase@treasury.gov.za](mailto:lgdatabase@treasury.gov.za)

Note that four new electronic returns have been posted on the website as part of the Budget and Reporting Regulations formats:

- Statement of financial position actual (BSAC)
- Cash flow revised budget (CFR)
- Cash flow audited (CFAA)
- Quarterly borrowing monitoring (BM)

The first three forms mentioned above align the electronic returns with the C Schedule formats that municipalities are required to use when reporting to council. The Quarterly borrowing return has been completely revised to cater for bonds issued and must be implemented for the current financial year. Municipalities who have already submitted their BM return for the first quarter are requested to use the new format and to resubmit for the first quarter of 2010/11.

The new aligned electronic returns may be downloaded from National Treasury's website at the following link: [http://mfma.treasury.gov.za/Return\\_Forms/Pages/default.aspx](http://mfma.treasury.gov.za/Return_Forms/Pages/default.aspx)

### 7.3 Publication of budgets on municipal websites

In terms of section 75 of the MFMA all municipalities are required to publish their 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.

## Contact



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## Annexure A – 12 Outcomes of government – role of local government

### 1. Improve the quality of basic education

Outputs	Key spending programmes (National)	Role of Local Government
<ol style="list-style-type: none"> <li>1. Improve quality of teaching and learning</li> <li>2. Regular assessment to track progress</li> <li>3. Improve early childhood development</li> <li>4. A credible outcomes-focused accountability system</li> </ol>	<ul style="list-style-type: none"> <li>• Increase the number of Funza Lushaka bursary recipients from 9300 to 18 100 over the 2011 MTEF</li> <li>• Assess every child in grades 3, 6 and 9 every year</li> <li>• Improve learning and teaching materials to be distributed to primary schools in 2014</li> <li>• Improve maths and science teaching</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate the building of new schools by:               <ul style="list-style-type: none"> <li>– Participating in needs assessments</li> <li>– Identifying appropriate land</li> <li>– Facilitating zoning and planning processes</li> </ul> </li> <li>• Facilitate the eradication of municipal service backlogs in schools by extending appropriate bulk infrastructure and installing connections</li> </ul>

### 2. Improve health and life expectancy

Outputs	Key spending programmes (National)	Role of Local Government
<ol style="list-style-type: none"> <li>1. Increase life expectancy to 58 for males and 60 for females</li> <li>2. Reduce maternal and child mortality rates to 30-40 per 1 000 births</li> <li>3. Combat HIV/Aids and TB</li> <li>4. Strengthen health services effectiveness</li> </ol>	<ul style="list-style-type: none"> <li>• Revitalise primary health care</li> <li>• Increase early antenatal visits to 50%</li> <li>• Increase vaccine coverage</li> <li>• Improve hospital and clinic infrastructure</li> <li>• Accredite health facilities</li> <li>• Extend coverage of new child vaccines</li> <li>• Expand HIV prevention and treatment</li> <li>• Increase prevention of mother-to-child transmission</li> <li>• School health promotion increase school visits by nurses from 5% to 20%</li> <li>• Enhance TB treatment</li> </ul>	<ul style="list-style-type: none"> <li>• Many municipalities perform health functions on behalf of provinces</li> <li>• Strengthen effectiveness of health services by specifically enhancing TB treatments and expanding HIV and AIDS prevention and treatments</li> <li>• Municipalities must continue to improve Community Health Service infrastructure by providing clean water, sanitation and waste removal services</li> </ul>

### 3. All people in South Africa protected and feel safe

Outputs	Key spending programmes (National)	Role of Local Government
<ol style="list-style-type: none"> <li>1. Reduce overall level of crime</li> <li>2. An effective and integrated criminal justice system</li> <li>3. Improve perceptions of crime among the population</li> <li>4. Improve investor perceptions and trust</li> <li>5. Effective and integrated border management</li> <li>6. Integrity of identity of citizens and residents secured</li> <li>7. Cyber-crime combated</li> </ol>	<ul style="list-style-type: none"> <li>• Increase police personnel</li> <li>• Establish tactical response teams in provinces</li> <li>• Upgrade IT infrastructure in correctional facilities</li> <li>• ICT renewal in justice cluster</li> <li>• Occupation-specific dispensation for legal professionals</li> <li>• Deploy SANDF soldiers to South Africa's borders</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate the development of safer communities through better planning and enforcement of municipal by-laws</li> <li>• Direct the traffic control function towards policing high risk violations – rather than revenue collection</li> <li>• Metro police services should contribute by:               <ul style="list-style-type: none"> <li>– Increasing police personnel</li> <li>– Improving collaboration with SAPS</li> <li>– Ensuring rapid response to reported crimes</li> </ul> </li> </ul>



**4. Decent employment through inclusive economic growth**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Faster and sustainable inclusive growth</li> <li>2. More labour-absorbing growth</li> <li>3. Strategy to reduce youth unemployment</li> <li>4. Increase competitiveness to raise net exports and grow trade</li> <li>5. Improve support to small business and cooperatives</li> <li>6. Implement expanded public works programme</li> </ol>	<ul style="list-style-type: none"> <li>• Invest in industrial development zones</li> <li>• Industrial sector strategies – automotive industry; clothing and textiles</li> <li>• Youth employment incentive</li> <li>• Develop training and systems to improve procurement</li> <li>• Skills development and training</li> <li>• Reserve accumulation</li> <li>• Enterprise financing support</li> <li>• New phase of public works programme</li> </ul>	<ul style="list-style-type: none"> <li>• Create an enabling environment for investment by streamlining planning application processes</li> <li>• Ensure proper maintenance and rehabilitation of essential services infrastructure</li> <li>• Ensure proper implementation of the EPWP at municipal level</li> <li>• Design service delivery processes to be labour intensive</li> <li>• Improve procurement systems to eliminate corruption and ensure value for money</li> <li>• Utilise community structures to provide services</li> </ul>

**5. A skilled and capable workforce to support inclusive growth**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. A credible skills planning institutional mechanism</li> <li>2. Increase access to intermediate and highlevel learning programmes</li> <li>3. Increase access to occupation-specific programmes (especially artisan skills training)</li> <li>4. Research, development and innovation in human capital</li> </ol>	<ul style="list-style-type: none"> <li>• Increase enrolment in FET colleges and training of lecturers</li> <li>• Invest in infrastructure and equipment in colleges and technical schools</li> <li>• Expand skills development learnerships funded through sector training authorities and National Skills Fund</li> <li>• Industry partnership projects for skills and technology development</li> <li>• National Research Foundation centres excellence, and bursaries and research funding</li> <li>• Science council applied research programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and extend intern and work experience programmes in municipalities</li> <li>• Link municipal procurement to skills development initiatives</li> </ul>

**6. An efficient, competitive and responsive economic infrastructure network**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Improve competition and regulation</li> <li>2. Reliable generation, distribution and transmission of energy</li> <li>3. Maintain and expand road and rail network, and efficiency, capacity and competitiveness of sea ports</li> <li>4. Maintain bulk water infrastructure and ensure water supply</li> <li>5. Information and communication technology</li> <li>6. Benchmarks for each sector</li> </ol>	<ul style="list-style-type: none"> <li>• An integrated energy plan and successful independent power producers</li> <li>• Passenger Rail Agency acquisition of rail rolling stock, and refurbishment and upgrade of motor coaches and trailers</li> <li>• Increase infrastructure funding for provinces for the maintenance of provincial roads</li> <li>• Complete Gauteng Freeway Improvement Programme</li> <li>• Complete De Hoop Dam and bulk distribution</li> <li>• Nandoni pipeline</li> <li>• Invest in broadband network infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Ring-fence water, electricity and sanitation functions so as to facilitate cost-reflecting pricing of these services</li> <li>• Ensure urban spatial plans provide for commuter rail corridors, as well as other modes of public transport</li> <li>• Maintain and expand water purification works and waste water treatment works in line with growing demand</li> <li>• Cities to prepare to receive the devolved public transport function</li> <li>• Improve maintenance of municipal road networks</li> </ul>

**7. Vibrant, equitable and sustainable rural communities and food security**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Sustainable agrarian reform and improved access to markets for small farmers</li> <li>2. Improve access to affordable and diverse food</li> <li>3. Improve rural services and access to information to support livelihoods</li> <li>4. Improve rural employment opportunities</li> <li>5. Enable institutional environment for sustainable and inclusive growth</li> </ol>	<ul style="list-style-type: none"> <li>• Settle 7 000 land restitution claims.</li> <li>• Redistribute 283 592 ha of land by 2014</li> <li>• Support emerging farmers</li> <li>• Soil conservation measures and sustainable land use management</li> <li>• Nutrition education programmes</li> <li>• Improve rural access to services by 2014:               <ul style="list-style-type: none"> <li>– Water - 74% to 90%</li> <li>– Sanitation - 45% to 65%</li> <li>– Sanitation - 45% to 65%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate the development of local markets for agricultural produce</li> <li>• Improve transport links with urban centres so as to ensure better economic integration</li> <li>• Promote home production to enhance food security</li> <li>• Ensure effective spending of grants for funding extension of access to basic services</li> </ul>

**8. Sustainable human settlements and improved quality of household life**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Accelerate housing delivery</li> <li>2. Accelerate housing delivery</li> <li>3. Improve property market</li> <li>4. More efficient land utilisation and release of state-owned land</li> </ol>	<ul style="list-style-type: none"> <li>• Increase housing units built from 220 000 to 600 000 a year</li> <li>• Increase construction of social housing units to 80 000 a year</li> <li>• Upgrade informal settlements: 400 000 units by 2014</li> <li>• Deliver 400 000 low-income houses on state-owned land</li> <li>• Improved urban access to basic services by 2014:               <ul style="list-style-type: none"> <li>– Water - 92% to 100%</li> <li>– Sanitation - 69% to 100%</li> <li>– Refuse removal - 64% to 75%</li> <li>– Electricity - 81% to 92%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Cities must prepare to be accredited for the housing function</li> <li>• Develop spatial plans to ensure new housing developments are in line with national policy on integrated human settlements</li> <li>• Participate in the identification of suitable land for social housing</li> <li>• Ensure capital budgets are appropriately prioritised to maintain existing services and extend services</li> </ul>

**9. A response and, accountable, effective and efficient local government system**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Differentiate approach to municipal financing, planning and support</li> <li>2. Community work programme</li> <li>3. Support for human settlements</li> <li>4. Refine ward committee model to deepen democracy</li> <li>5. Improve municipal financial administrative capability</li> <li>6. Single coordination window</li> </ol>	<ul style="list-style-type: none"> <li>• Municipal capacity-building grants:</li> <li>• Systems improvement</li> <li>• Financial management (target: 100% unqualified audits)</li> <li>• Municipal infrastructure grant</li> <li>• Electrification programme</li> <li>• Public transport &amp; systems grant</li> <li>• Bulk infrastructure &amp; water grants</li> <li>• Neighbourhood development partnership grant</li> <li>• Increase urban densities</li> <li>• Informal settlements upgrades</li> </ul>	<ul style="list-style-type: none"> <li>• Adopt IDP planning processes appropriate to the capacity and sophistication of the municipality</li> <li>• Implement the community work programme</li> <li>• Ensure ward committees are representative and fully involved in community consultation processes around the IDP, budget and other strategic service delivery issues</li> <li>• Improve municipal financial and administrative capacity by implementing competency norms and standards and acting against incompetence and corruption</li> </ul>

**10. Protection and enhancement of environmental assets and natural resources**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Enhance quality and quantity of water resources</li> <li>2. Reduce greenhouse gas emissions; mitigate climate change impacts; improve air quality</li> <li>3. Sustainable environment management</li> <li>4. Protect biodiversity</li> </ol>	<ul style="list-style-type: none"> <li>• National water resource infrastructure programme               <ul style="list-style-type: none"> <li>– reduce water losses from 30% to 15% by 2014</li> </ul> </li> <li>• Expanded public works environmental programmes               <ul style="list-style-type: none"> <li>– 100 wetlands rehabilitated a year</li> </ul> </li> <li>• Forestry management (reduce deforestation to &lt;5% of woodlands)</li> <li>• Biodiversity and conservation (increase land under conservation from 6% to 9%)</li> </ul>	<ul style="list-style-type: none"> <li>• Develop and implement water management plans to reduce water losses</li> <li>• Ensure effective maintenance and rehabilitation of infrastructure</li> <li>• Run water and electricity saving awareness campaigns</li> <li>• Ensure proper management of municipal commonage and urban open spaces</li> <li>• Ensure development does not take place on wetlands</li> </ul>

**11. A better South Africa, a better and safer Africa and world**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Enhance the African agenda and sustainable development</li> <li>2. Enhance regional integration</li> <li>3. Reform global governance institutions</li> <li>4. Enhance trade and investment between South Africa and partners</li> </ol>	<ul style="list-style-type: none"> <li>• International cooperation: proposed establishment of the South African Development Partnership Agency</li> <li>• Defence: peace-support operations</li> <li>• Participate in post-conflict reconstruction and development</li> <li>• Border control: upgrade inland ports of entry</li> <li>• Trade and Investment South Africa:               <ul style="list-style-type: none"> <li>– Support for value-added exports</li> <li>– Foreign direct investment promotion</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Role of local government is fairly limited in this area. Must concentrate on:               <ul style="list-style-type: none"> <li>– Ensuring basic infrastructure is in place and properly maintained</li> <li>– Creating an enabling environment for investment</li> </ul> </li> </ul>

**12. A development-orientated public service and inclusive citizenship**

<b>Outputs</b>	<b>Key spending programmes (National)</b>	<b>Role of Local Government</b>
<ol style="list-style-type: none"> <li>1. Improve government performance</li> <li>2. Government-wide performance monitoring and evaluation</li> <li>3. Conduct comprehensive expenditure review</li> <li>4. Information campaign on constitutional rights and responsibilities</li> <li>5. Celebrate cultural diversity</li> </ol>	<ul style="list-style-type: none"> <li>• Performance monitoring and evaluation:               <ul style="list-style-type: none"> <li>– Oversight of delivery agreements</li> </ul> </li> <li>• Statistics SA: Census 2011 – reduce undercount</li> <li>• Chapter 9 institutions and civil society: programme to promote constitutional rights</li> <li>• Arts &amp; Culture: promote national symbols and heritage</li> <li>• Sport &amp; Recreation: support mass participation and school sport programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to develop performance monitoring and management systems</li> <li>• Comply with legal financial reporting requirements</li> <li>• Review municipal expenditures to eliminate wastage</li> <li>• Ensure councils behave in ways to restore community trust in local government</li> </ul>