ANNEXURE A

KNYSNA
Municipality Munisipaliteit uMasipala

inclusive II innovative II inspired

Tabled 2022/2023 MTREF Budget Report

(Sections 16, 17 and 21 of the MFMA)

March 2022

To the Speaker

Section 21(1)(a) of the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA), requires from the Executive Mayor of Knysna Municipality to co-ordinate the processes for preparing the annual budget and for reviewing the Municipality's Integrated Development Plan (IDP) and budget-related policies to ensure that the tabled annual budget and any revisions of the IDP and budget-related policies are mutually consistent and credible.

Section 16(2) of the MFMA determines that the Executive Mayor must table the annual budget at a Council meeting at least 90 days before the start of a budget year.

Section 17 of the MFMA determines that the tabled annual budget must be in the prescribed format; must generally be divided into a capital and operating budget as may be prescribed; and, must be accompanied by specific documents.

In accordance with the above, I herewith submit the Tabled 2022/2023 MTREF Budget Report to be considered by Council.

LEVAEL DAVIS
EXECUTIVE MAYOR

28 March 2022

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1. EXECUTIVE SUMMARY

1.1 The Tabled 2022/2023 Medium Term Revenue and Expenditure Framework (MTREF) Budget Report addresses the operating budget and tariff proposals, as well as the capital budget and funding source proposals, to ensure that Knysna Municipality renders services to the local community in a financially sustainable manner.

1.2 The application of sound financial management principles for the compilation of Knysna Municipality's Long-Term Financial Plan is essential and critical to ensure that the Municipality remains financially viable, and that municipal services are provided sustainably, economically and fairly to all communities.

1.3 The process of developing the Municipality's annual budget is mainly guided by the strategic thrusts and operational priorities of Knysna Municipality's Integrated Development Plan (IDP), as well as the MTREF that outlines the projected annual revenue and expenditure for the budget year under consideration and the two outer financial years.

1.4 The Tabled 2022/2023 MTREF Budget Report commences with a discussion on the legislative requirements to which the Municipality must comply with; the MFMA Budget Circulars containing directives published by the National Treasury; the Budget Circulars released by Provincial Treasury; and, the key budget projections for the next three financial years. The Tabled 2022/2023 MTREF Budget is based on these documents, as well as forecasted economic trends.

1.5 A high level summary of the operating and capital budgets, as well as a discussion on the long-term financial sustainability of Knysna Municipality, will be followed by appropriate recommendations. Supporting information is included in the respective appendices and tables attached to this report.

2. LEGISLATION

2.1 Sections 15 to 24 of the Local Government: Municipal Finance Management Act, No 56 of 2003 (MFMA), read in conjunction with Regulations 9 to 20 of the Municipal Budget and Reporting Regulations (MBRR) legislates the processes for the compilation and approval of the municipal budget. The MFMA determines that:

*"15. **Appropriation of funds for expenditure***

A municipality may, except where otherwise provided in this Act, incur expenditure only –

(a) In terms of an approved budget; and

(b) Within the limits of the amounts appropriated for the different votes in an approved budget.

16. ***Annual budgets***

(1) *The council of a municipality must for each financial year approve an annual budget for the municipality before the start of that financial year.*

(2) *In order for a municipality to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting at least 90 days* **[31 March annually]** *before the start of the budget year.*

(3) *Subsection (1) does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years, provided a separate appropriation is made for each of those financial years.*

17. ***Contents of annual budgets and supporting documents***

(1) *An annual budget of a municipality must be a schedule in the prescribed format–*

(a) *Setting out realistically anticipated revenue for the budget year from each revenue source;*

(b) *Appropriating expenditure for the budget year under the different votes of the municipality;*

(c) *Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year;*

(d) *Setting out –*

(i) Estimated revenue and expenditure by vote for the current year; and

(ii) Actual revenue and expenditure by vote for the financial year preceding the current year; and

(e) *A statement containing any other information required by section 215(3) of the Constitution or as may be prescribed.*

(2) *An annual budget must generally be divided into a capital and an operating budget in accordance with international best practice, as may be prescribed.*

(3) *When an annual budget is tabled in terms of section 16(2), it must be accompanied by the following documents–*

(a) *Draft resolutions–*

(i) *Approving the budget of the municipality;*

(ii) *Imposing any municipal tax and setting any municipal tariffs as may be required for the budget year; and*

(iii) *Approving any other matter that may be prescribed;*

(b) *Measurable performance objectives for revenue from each source and for each vote in the budget, taking into account the municipality's integrated development plan;*

(c) *A projection of cash flow for the budget year by revenue source, broken down per month;*

(d) *Any proposed amendments to the municipality's integrated development plan following the annual review of the integrated development plan in terms of section 34 of the Municipal Systems Act* **[addressed in a separate item/report]**;
(e) *Any proposed amendments to the budget-related policies of the municipality;*
(f) *Particulars of the municipality's investments;*
(g) *Any prescribed budget information on municipal entities under the sole or shared control of the municipality* **[not applicable to Knysna Municipality]**;
(h) *Particulars of all proposed new municipal entities which the municipality intends to establish or in which the municipality intends to participate* **[not applicable to Knysna Municipality]**;
(i) *Particulars of any proposed service delivery agreements, including material amendments to existing service delivery agreements* **[not applicable to Knysna Municipality as no service providers render services (water, electricity, sanitation, refuse) on behalf of the Municipality]**;
(j) *Particulars of any proposed allocations or grants by the municipality to–*
  (i) *Other municipalities* **[not applicable]**;
  (ii) *Any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers* **[not applicable]**;
  (iii) *Any other organs of state* **[not applicable]**;
  (iv) *Any organisations or bodies referred to in section 67(1)* **[not applicable]**;
(k) *The proposed cost to the municipality for the budget year of the salary, allowances and benefits of–*
  (i) *Each political office-bearer of the municipality;*
  (ii) *Councillors of the municipality; and*
  (iii) *The municipal manager, the chief financial officer, each senior manager of the municipality and any other official of the municipality having a remuneration package greater than or equal to that of a senior manager;*
(l) *The proposed cost for the budget year to a municipal entity under the sole or shared control of the municipality of the salary, allowances and benefits of* **[not applicable]**–
  (i) *Each member of the entity's board of directors; and*
  (ii) *The chief executive officer and each senior manager of the entity; and*
(m) *Any other supporting documentation as may be prescribed.*

18. Funding of expenditure

(1) An annual budget may only be funded from–

(a) Realistically anticipated revenues to be collected;

(b) Cash-backed accumulated funds from previous years' surpluses not committed for other purposes; and

(c) Borrowed funds, but only for the capital budget referred to in section 17(2).

(2) Revenue projections in the budget must be realistic taking into account–

(a) Projected revenue for the current year based on collection levels to date; and

(b) Actual revenue collected in previous financial years.

19. Capital projects

(1) A municipality may spend money on a capital project only if–

(a) The money for the project, excluding the cost of feasibility studies conducted by or on behalf of the municipality, has been appropriated in the capital budget referred to in section 17(2);

(b) The project, including the total cost, has been approved by the council;

(c) Section 33 has been complied with, to the extent that that section may be applicable to the project **[contracts having future budgetary implications]***; and*

(d) The sources of funding have been considered, are available and have not been committed for other purposes.

(2) Before approving a capital project in terms of subsection (1)(b), the council of a municipality must consider–

(a) The projected cost covering all financial years until the project is operational; and

(b) The future operational costs and revenue on the project, including municipal tax and tariff implications.

(3) A municipal council may in terms of subsection (1)(b) approve capital projects below a prescribed value either individually or as part of a consolidated capital programme **[Regulation 13(2)(c) of the MBRR determines that this would apply to capital projects of which the total projected cost is below R50 million].**

20. Matters to be prescribed

(1) The Minister, acting with the concurrence of the Cabinet member responsible for local government–

(a) Must prescribe the form of the annual budget of municipalities: and

(b) May prescribe–

(i) The form of resolutions and supporting documentation relating to the annual budget;

(ii) The number of years preceding and following the budget year for which revenue and expenditure history or projections must be shown in the supporting documentation;

(iii) Inflation projections to be used with regard to the budget;

(iv) Uniform norms and standards concerning the setting of municipal tariffs, financial risks and other matters where a municipality uses a municipal entity or other external mechanism for the performance of a municipal service or other function;

(v) Uniform norms and standards concerning the budgets of municipal entities; or

(vi) Any other uniform norms and standards aimed at promoting transparency and expenditure control.

21. Budget preparation process

(1) The mayor of a municipality must–

(a) Co-ordinate the processes for preparing the annual budget and for reviewing the municipality's integrated development plan and budget-related policies to ensure that the tabled budget and any revisions of the integrated development plan and budget-related policies are mutually consistent and credible;

(b) At least 10 months before the start of the budget year, table in the municipal council a time schedule outlining key deadlines for–

(i) The preparation, tabling and approval of the annual budget;

(ii) The annual review of–

(aa) The integrated development plan in terms of section 34 of the Municipal Systems Act; and

(bb) The budget-related policies;

(iii) The tabling and adoption of any amendments to the integrated development plan and the budget-related policies; and

(iv) Any consultative processes forming part of the processes referred to in subparagraphs (i), (ii) and (iii).

(2) When preparing the annual budget, the mayor of a municipality must–

(a) Take into account the municipality's integrated development plan;

(b) Take all reasonable steps to ensure that the municipality revises the integrated development plan in terms of section 34 of the Municipal Systems Act, taking into account realistic revenue and expenditure projections for future years;

(c) Take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;

(d) Consult–

(i) *The relevant district municipality and all other local municipalities within the area of the district municipality, if the municipality is a local municipality;*

(ii) *All local municipalities within its area, if the municipality is a district municipality;*

(iii) *The relevant provincial treasury, and when requested, the National Treasury; and*

(iv) *Any national or provincial organs of state, as may be prescribed; and*

(e) *Provide, on request, any information relating to the budget–*

(i) *To the National Treasury; and*

(ii) *Subject to any limitations that may be prescribed, to–*

(aa) *The national departments responsible for water, sanitation, electricity and any other service as may be prescribed;*

(bb) *Any other national and provincial organ of states, as may be prescribed; and*

(cc) *Another municipality affected by the budget.*

22. Publication of annual budgets

Immediately after an annual budget is tabled in a municipal council, the accounting officer of the municipality must–

(a) *In accordance with Chapter 4 of the Municipal Systems Act–*

(i) *Make public the annual budget and the documents referred to in section 17(3); and*

(ii) *Invite the local community to submit representations in connection with the budget; and*

(b) *Submit the annual budget–*

(i) *In both printed and electronic formats to the National Treasury and the relevant provincial treasury; and*

(ii) *In either format to any prescribed national or provincial organs of state and to other municipalities affected by the budget.*

23. Consultations on tabled budgets

(1) *When the annual budget has been tabled, the municipal council must consider any views of–*

(a) *The local community; and*

(b) *The National Treasury, the relevant provincial treasury and any provincial or national organs of state or municipalities which made submissions on the budget.*

(2) *After considering all budget submissions, the council must give the mayor an opportunity–*

(a) *To respond to the submissions; and* *(b) If necessary, to revise the budget and table amendments for consideration by the council.*

(3) The National Treasury may issue guidelines on the manner in which municipal councils should process their annual budgets, including guidelines on the formation of a committee of the council to consider the budget and to hold public hearings.

(4) No guidelines issued in terms of subsection (3) are binding on a municipal council unless adopted by the council.

24. Approval of annual budgets

(1) The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.

(2) An annual budget–

(a) Must be approved before the start of the budget year;

(b) Is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and

(c) Must be approved together with the adoption of resolutions as may be necessary –

(i) Imposing any municipal tax for the budget year;

(ii) Setting any municipal tariffs for the budget year;

(iii) Approving measurable performance objectives for revenue from each source and for each vote in the budget;

(iv) Approving any changes to the municipality's integrated development plan; and

(v) Approving any changes to the municipality's budget-related policies.

(3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury."

2.2 Regulations 9 to 20 of the MBRR in essence confirm the contents of Sections 15 to 24 of the MFMA however, specific attention should be drawn to Regulations 14 and 16, which determine that–

"14. Tabling of annual budgets in municipal councils

(1) An annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17(3) of the Act must–

(a) Be in the format in which it will eventually be approved by the council; and

(b) Be credible and realistic such that it is capable of being approved and implemented as tabled.

(2) When complying with section 68 of the Act, the municipal manager must submit the draft municipal service delivery and budget implementation

plan to the mayor together with the annual budget to be considered by the mayor for tabling in terms of section 16(2) of the Act.

(3) *For effective planning and implementation of the annual budget, the draft service delivery and budget implementation plan may form part of the budget documentation and be tabled in the municipal council if so recommended by the budget steering committee.*

16. Consideration of annual budgets by municipal councils

(1) *At least 30 days before the start of the budget year the mayor must for purposes of section 23 of the Act table the following documents in the municipal council–*

(a) *A report summarising the local community's views on the annual budget;*

(b) *Any comments on the annual budget received from the National Treasury and the relevant provincial treasury;*

(c) *Any comments on the annual budget received from any other organ of state, including any affected municipality; and*

(d) *Any comments on the annual budget received from any other stakeholders.*

(2) *The municipal manager must assist the mayor in the preparation of the documents referred to in sub-regulation 1 and section 23(2) of the Act."*

2.3 The compilation of the annual budget, in terms of legislation, must also take into consideration the Budget Circulars released by both National Treasury and Provincial Treasury.

3. NATIONAL TREASURY AND PROVINCIAL TREASURY CIRCULARS

3.1 National Treasury published two budget circulars for the 2022/2023 MTREF. MFMA Municipal Budget Circular No 112 published on 06 December 2021 is attached hereto as Appendix 1, and MFMA Municipal Budget Circular No 115 published on 04 March 2022 is attached hereto as Appendix 2.

3.1.1 The National Treasury Circulars mainly address the South African economy and inflation targets; key focus areas for the 2022/2023 budget process; Local Government grant allocations; Municipal Standard Chart of Accounts (*m*SCOA); maximising the revenue generation of the municipal revenue base; setting cost-reflective tariffs; smart prepaid meter solutions; critical notice affecting STS meters; Eskom bulk tariff increases; long-term financial strategies; water management; unauthorised, irregular, fruitless and wasteful expenditure; funding choices and management issues in relation to employee-related costs and remuneration of councillors; rollover of conditional grants; unspent conditional grants; municipal budget and reporting regulations; and, the budget submissions for the 2022/2023 MTREF.

3.1.2 The actual Consumer Price Index (CPI) inflation rate for 2020/2021 equated to 2.9%, and is estimated to increase to 4.5% for 2021/2022. The forecasted CPI for 2022/2023 is 4.8% (2023/2024: 4.4% and 2024/2025: 4.5%).

3.1.3 There is a need for municipalities to focus on improving revenue management processes to enable collection, and to eliminate wasteful and non-core spending.

3.1.4 The setting of cost-reflective tariffs to ensure that the full cost of rendering services must be determined. This forms the basis of compiling a credible budget in order to deliver services of the necessary quality on a sustainable basis, and to deliver services at the lowest possible cost.

3.1.5 Municipalities are advised to enforce a culture of payment for services through normal credit control processes. As per a Constitutional Court decision, a municipality has the right to disconnect services in the event of non-payment. In relation to registered indigents, water may not be disconnected but can and should be restricted to a limit of 6 kilolitres per month.

3.1.6 The Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFW) Reduction Strategy, approved by the Minister of Finance, requires municipalities to develop UIFW reduction plans which must be approved by municipal councils. Progress with regards to these UIFW reduction plans are to be reported to the National Treasury. Consistent non-compliance or failure to adequately process and investigate UIFW will be regarded as serious and if persistent, the National Treasury will consider applying available legal sanctions.

3.1.7 In addition to the various conditions applicable for the rollover of conditional grant applications, it is important to note that these will <u>not</u> be considered for municipalities with vacant or acting Chief Financial Officers (CFO) and Municipal Managers (MM) for a period exceeding 6 months from the date of vacancy. This also includes all acting appointments as a result of suspensions of either the CFO or MM that are more than 12 months.

3.1.8 NERSA has approved bulk electricity purchases of 9.61% from Eskom for 2022/2023 (2021/2022: 17.8%). The consumer tariff increases are not yet known and as a result, for the purposes of finalising the tabled budget, the consumer tariff increases have also been increased by 9.61% (2021/2022: 14.59%).

3.2 Provincial Treasury issued two municipal budget circulars for the 2022/2023 MTREF. Municipal Budget Circular No 1/2022 released on 25 January 2022 is attached hereto as Appendix 3, and Municipal Budget Circular No 7/2022 released on 18 March 2022 is attached hereto as Appendix 4.

3.2.1 The Provincial Treasury Circulars mainly address the fiscal and economic context; provide guidance to municipalities for the compilation of the 2022/2023 MTREF and supporting budget documentation; and, to brief municipalities on the 2022 Strategic Integrated Municipal Engagements (SIME) process and related matters.

3.3 All factors affecting the compilation of the budget were taken into consideration to ensure that the anticipated revenue streams and funding sources are affordable and sustainable for funding both the operating and capital budgets. This has also been taken into consideration during the review of the budget-related policies.

4. KEY BUDGET PROJECTIONS

Table 1 : 2022/2023 MTREF: Key Budget Projections							
Row Number	Description	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025
Column Reference	A	B	C	D	E	F	G
1	**GROWTH PARAMETERS**						
2	Gross Domestic Product Growth (GDP)	0.30%	-7.20%	2.10%	1.80%	1.80%	1.80%
3	Consumer Price Inflation (CPI)	4.10%	2.90%	4.50%	4.80%	4.40%	4.50%
4	**REVENUE INCREASES**						
5	Property Rates	2.50%	3.00%	6.10%	4.80%	4.40%	4.50%
6	Service Charges: Electricity	13.10%	6.22%	14.59%	9.61%	9.61%	9.61%
7	Service Charges: Water	5.50%	3.00%	5.10%	4.80%	4.40%	4.50%
8	Service Charges: Sanitation	4.00%	3.00%	5.10%	4.80%	4.40%	4.50%
9	Service Charges: Refuse	7.50%	12.00%	12.00%	11.50%	4.40%	4.50%
10	**COST OF REMUNERATION**						
11	Estimated Cost-of-Living Increases	7.00%	6.25%	3.50%	4.90%	4.40%	4.50%
12	Estimated Notch Increases	2.40%	2.40%	2.40%	2.40%	2.40%	2.40%
13	**BULK PURCHASES**						
14	Electricity	15.70%	6.90%	17.80%	9.61%	9.61%	9.61%
15	**GRANTS: NATIONAL DEPARTMENTS**						
16	Equitable Share	86,321,000	107,996,000	98,572,000	111,170,000	120,722,000	131,247,000
17	Equitable Share % Growth	10.2%	25.1%	-8.7%	12.8%	8.6%	8.7%
18	Financial Management Grant (FMG)	1,550,000	1,550,000	1,550,000	1,721,000	1,771,000	1,771,000
19	Expanded Public Works Programme Integrated Grant (EPWP)	1,497,000	1,254,000	1,118,000	1,044,000	0	0
20	Municipal Infrastructure Grant (MIG)	33,489,344	24,887,000	26,260,000	39,114,000	29,222,000	30,400,000
21	Integrated National Electrification Programme Grant (INEP)	4,000,000	0	0	10,730,000	6,000,000	6,269,000
22	Water Services Infrastructure Grant (WSIG)	0	0	5,107,000	0	0	33,437,000
23	Neighbourhood Development Partnership Grant (NDPG)	20,000,000	15,000,000	10,000,000	5,000,000	5,000,000	10,000,000
24	Energy Efficiency and Demand Side Management Grant (EEDSMG)	6,000,000	0	0	0	0	0
25	Municipal Disaster Relief Grant	417,000	0	0	0	0	0
26	**GRANTS: PROVINCIAL DEPARTMENTS**						
27	Financial Management Capacity Building Grant	0	400,000	250,000	0	0	0
28	Financial Management Support Grant	1,553,785	600,000	0	0	0	0
29	Human Settlements Development Grant	69,303,951	53,496,000	46,657,000	21,840,000	46,910,000	32,110,000
30	Informal Settlements Upgrading Partnership Grant	0	0	0	0	2,400,000	6,000,000
31	Maintenance and Construction of Transport Infrastructure Grant	89,000	110,000	110,000	80,000	80,000	80,000
32	Public Transport and Safety Grant	3,097,980	0	0	0	0	0
33	Community Library Services Grant	11,664,789	8,275,000	8,493,000	10,659,000	8,784,000	9,178,000
34	Community Development Worker Operational Support Grant	0	56,000	57,000	56,000	56,000	56,000
35	Electrical Master Plan Grant	490,000	0	0	0	0	0
36	Municipal Interventions Grant	0	0	400,000	0	0	0
37	Disaster and Emergency Services Grant	6,333,961	0	0	0	0	0
38	COVID-19 Grant	550,000	0	0	0	0	0

4.1 Table 1 above presents the actual amounts or percentage increases imposed for the previous three financial years, as well as the budget amounts and projected percentage increases for the next three financial years.

4.2 The tabled 2022/2023 MTREF Budget has been compiled based on the financial framework, financial strategies and financial policies of Council, and is mainly guided by the forecasted Consumer Price Index (CPI).

4.3 Key assumptions relating to the tabled MTREF Budget included in Table 1 above include the following:

4.3.1 National government grant allocations for the 2022/2023 to 2024/2025 financial years, as published in the Division of Revenue Bill (DoRB).

4.3.2 Provincial government grant allocations for the 2022/2023 to 2024/2025 financial years, as promulgated in the Provincial Gazette.

4.3.3 Budgeted Property Rates revenue increases by 4.8% for the 2022/2023 financial year and 4.4% and 4.5% for the 2023/2024 and 2024/2025 financial years respectively. This is in accordance with the forecasted CPI.

4.3.4 Budgeted Electricity revenue increases by 9.61% for the 2022/2023 to 2024/2025 financial years. In the absence of the NERSA approved tariff increases to consumers, the Municipality has applied a revenue increase of 9.61% which is in accordance with the NERSA approved bulk electricity purchases from Eskom. This is however subject to change.

4.3.5 Budgeted Water revenue increases by 4.8% for the 2022/2023 financial year and 4.4% and 4.5% for the 2023/2024 and 2024/2025 financial years respectively. This is in accordance with the forecasted CPI.

4.3.6 Budgeted Sanitation revenue increases by 4.8% for the 2022/2023 financial year and 4.4% and 4.5% for the 2023/2024 and 2024/2025 financial years respectively. This is in accordance with the forecasted CPI.

4.3.7 Budgeted Refuse revenue increases by 11.5% for the 2022/2023 financial year and 4.4% and 4.5% for the 2023/2024 and 2024/2025 financial years respectively. The high increase of 11.5% for the 2022/2023 financial year is mainly to off-set increased costs in relation to recycling, transportation of waste, and the regional waste management facility.

4.3.8 The South African Local Government Bargaining Council (SALGBC) determines the final cost-of-living salary increases negotiated by the employer representative (SALGA) and the respective unions. The SALGBC Circular No. 1/2022, dated 09 March 2022, stipulates a 4.9% increase for the period 01 July 2022 to 30 June 2023.

4.3.9 Budgeted bulk electricity purchases from Eskom, as approved by NERSA, increases by 9.61% for the 2022/2023 financial year. Due to the uncertainty and unpredictability in respect of NERSA approved Eskom tariffs, the 9.61% increase has also been applied for the 2023/2024 and 2024/2025 financial years.

4.3.10 Council is sensitive to the affordability and sustainability of the tariffs to be imposed. The detailed Tariff Book is attached as Annexure B. Bad debt provision of 10% of budgeted billed revenue has been budgeted in the 2022/2023 MTREF. The Municipality closely monitors the debtor collection rates, which equated to 89.5% in the 2020/2021 financial year. The deterioration in the collection rate requires immediate attention and remedial action.

5. HIGH LEVEL OPERATING BUDGET

5.1 Revenue per Category

5.1.1 The high level revenue budget per category for the 2022/2023 MTREF is presented in Table 2 below.

Table 2 : High Level Summary of Revenue per Category

Row Number	Description	Audited Outcome 2018/2019	Audited Outcome 2019/2020	Audited Outcome 2020/2021	Original Budget 2021/2022	Revised Adjustments Budget 2021/2022	Tabled Budget 2022/2023	Indicative Budget 2023/2024	Indicative Budget 2024/2025
Column Reference	A	B	C	D	E	F	G	H	I
1	Property Rates	215,548,591	213,447,843	227,433,929	248,920,705	248,930,052	261,551,911	273,060,197	285,347,908
2	Service Charges: Electricity Revenue	246,030,860	259,990,687	275,115,778	306,741,849	328,352,890	360,129,013	375,974,690	392,893,549
3	Service Charges: Water Revenue	68,834,711	64,144,094	72,574,572	74,860,303	71,169,871	74,586,025	77,867,811	81,371,862
4	Service Charges: Sanitation Revenue	29,980,266	26,770,818	26,644,466	29,930,326	27,968,426	29,310,910	30,600,591	31,977,619
5	Service Charges: Refuse Revenue	22,100,452	23,083,568	25,890,698	28,273,392	24,961,272	27,831,817	29,056,417	30,363,956
6	Rental of Facilities and Equipment	5,600,926	5,810,448	5,756,264	5,947,784	5,146,114	5,444,020	5,683,557	5,939,318
7	Interest Earned: External Investments	9,443,215	4,687,497	3,209,892	3,650,000	2,026,013	2,046,273	2,136,309	2,232,443
8	Interest Earned: Outstanding Debtors	11,837,866	9,658,131	10,484,027	16,261,650	19,130,323	19,321,626	20,171,777	21,079,507
9	Fines, Penalties and Forfeits	122,515,368	100,463,086	113,155,769	92,551,488	104,656,700	119,059,010	124,297,606	129,890,998
10	Licences and Permits	1,586,556	1,194,339	1,590,801	1,580,277	1,620,502	1,698,285	1,773,009	1,852,793
11	Agency Services	3,297,253	3,064,946	3,630,328	3,780,000	3,654,335	3,829,743	3,998,252	4,178,173
12	Transfers and Subsidies	137,293,674	167,011,676	177,944,792	151,129,834	168,401,022	154,945,913	167,619,870	154,102,349
13	Other Revenue	11,870,258	9,309,409	12,541,200	8,949,170	7,687,102	7,662,155	7,935,152	8,280,733
14	Gains on Disposal of PPE	0	651,372	542,176	250,000	250,000	250,000	250,000	250,000
15	Total Operating Revenue	885,939,996	889,287,914	956,514,692	972,826,778	1,013,954,622	1,067,666,701	1,120,425,238	1,149,761,208
16	Contributions - Donated Assets	0	131,328	1,169,063	0	0	0	0	0
17	Capital Grants Revenue	49,856,727	61,885,132	46,418,922	47,684,166	54,800,956	46,468,087	53,325,130	106,445,651
18	Total Revenue	935,796,723	951,304,374	1,004,102,677	1,020,510,944	1,068,755,578	1,114,134,788	1,173,750,368	1,256,206,859

5.1.2 The revenue budget (capital grants included) (Row 18) equates to R 1,114 billion for the 2022/2023 financial year in comparison with the revised adjustments budget of R 1,069 billion for the 2021/2022 financial year.

5.1.3 Notable differences between the 2022/2023 budget and the revised adjustments budget of 2021/2022 are explained as follows:

(a) Property Rates (Row 1): An increase of R 12.6 million as a direct result of the 4.8% increase applied as per the forecasted CPI.

(b) Electricity (Row 2): An increase of R 31.8 million as a result of the 9.61% increase applied. This is however subject to change once NERSA approves the final tariffs.

(c) Fines, Penalties and Forfeits (Row 9): Includes an increase of R 14.4 million for traffic fines, which was based on actual traffic fines issued during the first seven months of the 2021/2022 financial year.

(d) Transfers and Subsidies (Row 12): The budgeted amount of R 155.0 million is as per the grant allocations from the National Treasury and the Provincial Treasury.

5.1.4 A detailed breakdown of the revenue per category is attached hereto as Appendix 5.

5.2 Operating Expenditure per Category

5.2.1 The high level operating expenditure budget per category for the 2022/2023 MTREF is presented in Table 3 below.

Table 3 : High Level Summary of Operating Expenditure per Category

Row Number	Description	Audited Outcome 2018/2019	Audited Outcome 2019/2020	Audited Outcome 2020/2021	Original Budget 2021/2022	Revised Adjustments Budget 2021/2022	Tabled Budget 2022/2023	Indicative Budget 2023/2024	Indicative Budget 2024/2025
Column Reference	A	B	C	D	E	F	G	H	I
1	Employee Related Costs	235,778,938	258,240,519	279,130,365	290,454,556	295,684,039	311,723,949	321,999,427	336,481,283
2	Remuneration of Councillors	8,569,575	8,108,340	8,781,010	10,373,294	9,021,208	9,449,165	9,864,928	10,308,851
3	Bad debts written off	0	47,501,672	0	0	0	0	0	0
4	Debt Impairment	117,797,141	80,351,078	142,236,937	131,220,351	142,920,351	148,538,756	155,074,461	162,052,813
5	Depreciation & Asset Impairment	33,423,920	34,106,274	39,992,670	45,670,094	43,670,094	43,687,538	45,420,029	47,243,805
6	Finance Charges	26,308,064	19,900,373	23,154,272	26,689,380	24,199,004	28,846,141	32,574,190	35,532,699
7	Bulk Purchases	169,553,269	188,257,343	199,242,027	229,094,800	231,873,452	254,156,491	265,339,377	277,279,649
8	Inventory Consumed	43,089,810	40,617,435	41,934,778	42,655,082	46,561,088	37,731,530	39,391,719	41,164,345
9	Contracted Services	177,736,782	188,522,229	166,631,541	133,214,229	159,049,932	165,470,828	173,430,209	158,194,131
10	Transfers and Subsidies	4,151,165	2,411,972	1,257,953	4,876,643	3,652,946	1,766,506	1,844,233	1,927,223
11	Other Expenditure	67,405,192	50,030,888	51,202,256	57,856,246	56,397,177	60,991,309	69,613,681	73,193,493
12	Loss on Disposal of PPE	4,098,141	0	0	0	0	0	0	0
13	Total Operating Expenditure	887,911,997	918,048,123	953,563,809	972,104,675	1,013,029,291	1,062,362,212	1,114,552,254	1,143,378,292

5.2.2 The operating expenditure budget (Row 13) equates to R 1.062 billion for the 2022/2023 financial year in comparison with the revised adjustments budget of R 1.013 billion for the 2021/2022 financial year.

5.2.3 Notable increases included in the operating expenditure budget for the 2022/2023 financial year compared to the revised adjustments budget for the 2021/2022 financial year are as follows:

(a) Employee Related Costs (Row 1): An increase of R 16.0 million which includes a salary increase of 4.9%, as well as other increases payable to staff, as determined by the SALGBC for the 2022/2023 financial year. An estimated increase of 4.9% for the Municipal Manager and Managers reporting directly to the Municipal Manager have also been included in the budget.

The filling of critical unfunded vacant positions (as per the latest approved organogram) in the Infrastructure Services and Community Services Directorates must be considered for inclusion in the final budget. This will allow for a reduction in costs in relation to overtime, standby, casual wages, and external contractors. In an attempt to further reduce these costs, it is also advisable for shift systems to be implemented as soon as possible.

(b) Debt Impairment (Row 4): Debt impairment of 10% in relation to billed debtors has been budgeted in the 2022/2023 financial year. In the short to medium term, the Municipality should attempt to reduce this to 8% which will result in a collection rate of 92%. Although the National Treasury debtor collection rate norm is 95%, the Municipality should demonstrate progress towards this norm.

Debt impairment of 85% for traffic fines has been budgeted in the 2022/2023 financial year compared to 90% in the 2021/2022 financial year. The municipality should strengthen efforts to monitor the performance of the service provider in an attempt to decrease the traffic fine impairment to 80%.

(c) Bulk Purchases (Row 7): Consists of an increase of R 22.3 million as a result of the 9.61% increase approved by NERSA for the purchase of bulk electricity from Eskom.

(d) Contracted Services (Row 9): The overall increase of R 6.4 million mainly relates to water, electricity, sewerage, spatial development framework, environmental management and housing related expenditure, which is off-set by no and/or reduced budget allocations for other contracted services.

5.2.4 Notable decreases included in the operating expenditure budget for the 2022/2023 financial year compared to the revised adjustments budget for the 2021/2022 financial year are as follows:

(a) Inventory Consumed (Row 8): The overall decrease of R 8.8 million mainly relates to water and sewerage related expenditure which are off-set by a reallocation of housing related expenditure to contracted services.

5.2.5 A detailed breakdown of operating expenditure per category is attached hereto as Appendix 6.

5.3 Revenue and Operating Expenditure Summary

5.3.1 The high level revenue and operating expenditure budget summary for the 2022/2023 MTREF is presented in Table 4 below.

Table 4 : High Level Summary of Revenue and Expenditure

Row Number	Description	Audited Outcome 2018/2019	Audited Outcome 2019/2020	Audited Outcome 2020/2021	Original Budget 2021/2022	Revised Adjustments Budget 2021/2022	Tabled Budget 2022/2023	Indicative Budget 2023/2024	Indicative Budget 2024/2025
Column Reference	A	B	C	D	E	F	G	H	I
1	Total Operating Revenue	885,939,996	889,287,914	956,514,692	972,826,778	1,013,954,622	1,067,666,701	1,120,425,238	1,149,761,208
2	Total Operating Expenditure	887,911,997	918,048,123	953,563,809	972,104,675	1,013,029,291	1,062,362,212	1,114,552,254	1,143,378,292
3	Operating Surplus / (Deficit)	-1,972,001	-28,760,209	2,950,883	722,103	925,331	5,304,489	5,872,984	6,382,916
4	Contributions - Donated Assets	-	131,328	1,169,063	-	-	-	-	-
5	Capital Grants Revenue	49,856,727	61,885,132	46,418,922	47,684,166	54,800,956	46,468,087	53,325,130	106,445,651
6	Surplus / (Deficit) for the Year	47,884,726	33,256,251	50,538,868	48,406,269	55,726,287	51,772,576	59,198,114	112,828,567

5.3.2 The operating budget surplus (capital grants excluded) (Row 3) equates to R 5.3 million for the 2022/2023 financial year in comparison with the revised adjustments budget of R 925.3 thousand for the 2021/2022 financial year.

5.3.3 The operating budget surplus (capital grants included) (Row 6) equates to R 51.8 million for the 2022/2023 financial year in comparison with the revised adjustments budget of R 55.7 million for the 2021/2022 financial year.

5.3.4 The operating budget surplus (capital grants excluded) represents a fully funded budget, based on realistically anticipated revenues to be collected in order to fund operating expenditure.

5.4 Other Disclosures

5.4.1 Section 17(3)(k) of the MFMA determines that as part of the budget documents, the proposed cost to the Municipality for the salary, allowances and benefits of each political office bearer, Municipal Manager, Chief Financial Officer, Senior Managers and any other official with a remuneration package greater than or equal to that of a Senior Manager, must be disclosed.

5.4.2 Based on a municipal categorisation of 3, the total proposed budgeted costs of the Municipality's Public Office Bearers, are as follows–

(a)	Executive Mayor	= R 903,041
(b)	Deputy Mayor	= R 722,433
(c)	Speaker	= R 722,433
(d)	Mayoral Committee Member	= R 677,283
(e)	Council Whip	= R 377,842
(f)	Chairperson of MPAC	= R 366,749
(g)	Ordinary Council Member	= R 285,779

The totals above exclude a monthly cell phone allowance of R 3,400. Councillors that opted to receive a municipal provided cell phone currently receive a monthly allocation of R 2,147.

5.4.3 Based on a municipal categorisation of 3, the total proposed budgeted costs of the Municipality's Senior Managers (Municipal Manager and Section 56 Managers reporting directly to the Municipal Manager) are as follows–

(a)	Municipal Manager	= R 1,454,582
(b)	Chief Financial Officer	= R 1,189,003
(c)	Director: Planning and Development	= R 1,189,003
(d)	Director: Corporate Services	= R 1,189,003
(e)	Director: Infrastructure Services	= R 1,189,003
(f)	Director: Community Services	= R 1,189,003

5.4.4 The total proposed budgeted costs of the Municipality's officials with a remuneration package greater than or equal to that of a Senior Manager are as follows–

(a)	Manager: Land Use Management	= R 1,438,233
(b)	Senior Manager: Electro-Technical	= R 1,460,523
(c)	Senior Manager: Project Management	= R 1,422,058
(d)	Manager: Legal Services	= R 1,372,106
(e)	Manager: Water and Waste Water Services	= R 1,212,607
(f)	Manager: Roads, Transport, Stormwater and Building Maintenance	= R 1,202,859
(g)	Senior Manager: Financial Management Services	= R 1,195,812

5.4.5 Section 17(3)(f) of the MFMA determines that as part of the budget documents, the particulars of the Municipality's investments must be disclosed. As at 28 February 2022, Knysna Municipality accumulated R 33.3 million cash and investments at the following banking institutions–

(a)	Nedbank	= R 30,548,569
(b)	Investec	= R 2,721,699
(c)	Total cash and investments	= R 33,270,268

Included in the cash and investments total is R 2.7 million currently ceded to DBSA as security for existing loans.

6. HIGH LEVEL CAPITAL EXPENDITURE BUDGET

6.1 Capital Expenditure Budget per Directorate

6.1.1 The high level capital expenditure budget per Directorate for the 2022/2023 MTREF is presented in Table 5 below.

Table 5 : High Level Capital Expenditure Budget per Directorate

Row Number	Directorate	Audited Outcome 2018/2019	Audited Outcome 2019/2020	Audited Outcome 2020/2021	Original Budget 2021/2022	Revised Adjustments Budget 2021/2022	Tabled Budget 2022/2023	% of Tabled Budget 2022/2023	Indicative Budget 2023/2024	Indicative Budget 2024/2025
Column Reference	A	B	C	D	E	F	G	H	I	J
1	Executive and Council	1,862,593	724,632	0	5,500	4,084	350,000	0.3%	0	0
2	Corporate Services	91,287	643,801	33,700	3,510,000	3,104,631	3,709,265	3.2%	2,675,000	1,575,000
3	Financial Services	2,068,614	217,762	578,066	342,000	317,750	445,000	0.4%	5,000	5,000
4	Planning and Development	6,974	0	117,617	380,000	652,532	524,550	0.5%	2,000,000	3,000,000
5	Integrated Human Settlements	9,150,628	11,248,454	4,742,229	14,654,600	14,116,555	1,512,445	1.3%	19,620,000	38,110,000
6	Community Services	29,735,679	33,699,127	15,438,739	6,600,000	13,213,168	10,505,000	9.0%	11,510,000	4,450,000
7	Electrical Services	25,256,505	16,245,233	23,469,558	16,250,000	21,683,332	14,760,435	12.7%	12,867,391	14,801,304
8	Technical Services	81,493,879	85,887,130	94,179,696	101,902,066	104,880,751	84,637,152	72.7%	80,077,739	125,504,348
9	Total Capital Expenditure	149,666,159	148,666,139	138,559,605	143,644,166	157,972,803	116,443,847	100.0%	128,755,130	187,445,652

6.1.2 The total capital expenditure budget (Row 9) equates to R 116.4 million for the 2022/2023 financial year in comparison with the revised adjustments budget of R 158.0 million for the 2021/2022 financial year.

6.1.3 Capital projects which could not be funded in the capital expenditure budget for the 2022/2023 financial year have been allocated in the budget of the two outer financial years of the MTREF (2023/2024 and 2024/2025).

6.1.4 Regulation 13(2)(c) of the MBRR determines that –

"The following capital projects may be approved by a council either individually or as part of a consolidated capital programme as contemplated in section 19(3) of the Act-capital projects of which the total projected cost is below R 50 million, in the case of a

municipality with approved total revenue in its current annual budget greater than R 500 million".

6.1.5 The capital expenditure budget per capital project, Directorate and Department is detailed in Appendix 7 attached to the Report.

6.2 Capital Expenditure Budget per Funding Source

6.2.1 The high level capital expenditure budget per funding source for the 2022/2023 MTREF is presented in Table 6 below.

Table 6 : High Level Capital Expenditure Budget per Funding Source

Row Number	Funding Source	Audited Outcome 2018/2019	Audited Outcome 2019/2020	Audited Outcome 2020/2021	Original Budget 2021/2022	Revised Adjustments Budget 2021/2022	Tabled Budget 2022/2023	% of Tabled Budget 2022/2023	Indicative Budget 2023/2024	Indicative Budget 2024/2025
Column Reference	A	B	C	D	E	F	G	H	I	J
1	National Government Grants	35,731,645	44,645,482	39 132,114	34,829,566	39,471,956	46,468,087	39.9%	33,705,130	68,335,652
2	Provincial Government Grants	16,847,582	13,764,802	5,815,504	12,854,600	15,329,000	0	0.0%	19,620,000	38,110,000
3	Public Contributions and Donations	1,160,011	20,850	0	0	0	0	0.0%	0	0
4	Borrowings	49,949,945	49,359,247	91,871,570	86,902,500	95,035,006	64,622,010	55.5%	70,220,000	75,670,000
5	Internally Generated Funds	45,976,976	40,875,758	1,740,419	9,057,500	8,136,841	5,353,750	4.6%	5,210,000	5,330,000
6	Total Capital Expenditure	149,666,159	148,666,139	138,559,605	143,644,166	157,972,803	116,443,847	100.0%	128,755,130	187,445,652

6.2.2 National Government grants (Row 1) of R 46.5 million or 39.9% will fund infrastructure projects.

6.2.3 There are no Provincial Government grant allocations for the 2022/2023 financial year. The grant allocation in the two outer years (2023/2024 and 2024/2025) relate only to Human Settlements.

6.2.4 The Municipality must strengthen efforts to source more grant funding in order to accommodate additional capital expenditure, and to reduce the dependency on borrowings.

6.2.5 Borrowings (Row 4) of R 64.6 million or 55.5% of the total capital expenditure budget will fund infrastructure projects. The Municipality is cautioned not to allow excessive reliance on borrowings as this will have a direct impact on the associated finance charges, as well as the Municipal cashflow.

6.2.6 Internally-generated funds (Row 5) of R 5.4 million or 4.6% of the total capital expenditure budget will fund infrastructure projects. The minimal allocation is mainly due to the non-existence of a Capital Replacement Reserve. It is therefore critical to limit unnecessary and unjustifiable operating costs and build cash reserves.

6.2.7 The Municipality has adopted a highly conservative approach in the calculation of the capital expenditure budget allocation by ensuring that the gearing ratio will remain within the acceptable norm of 45% as determined by the National Treasury.

6.3 Capital Budget Summary

6.3.1 The Municipality has included the maximum number of capital projects in the tabled 2022/2023 capital expenditure budget, given the limited availability of financial resources.

6.3.2 Furthermore, the Municipality is exposed to enormous risks by not sufficiently allocating funds towards the replacement, upgrade and maintenance of ageing infrastructure. The allocation of funds towards revenue-generating capital projects must also be prioritised.

6.3.3 In order to increase allocations towards capital expenditure, the existing revenue base must be supplemented by new/additional revenue sources. In addition to increasing applications for new/additional National Treasury and Provincial Treasury grants, the Municipality must consider alternative options, such as donor funding, Public-Private Partnerships, etc.

7. OVERVIEW OF ALIGNMENT OF ANNUAL BUDGET WITH THE INTEGRATED DEVELOPMENT PLAN (IDP)

7.1 The Constitution mandates local government with the responsibility to exercise local developmental and co-operative governance functions. The eradication of imbalances in the South African society can only be realised through a credible integrated development planning process.

7.2 Section 152 of the Constitution of South Africa of 1996 and the Municipal Systems Act of 2000 No. 32 of 2000, have a substantial impact on the traditional role of local government. In addition to delivering municipal services, municipalities must now plan, lead and manage development through the process of Integrated Development Planning.

7.3 Municipalities in South Africa are required to utilise integrated development planning as an approach to plan future development in their respective municipal areas, and accordingly determine the best solutions to achieve sound long-term development goals. A municipal IDP provides a five-year strategic programme of action aimed at establishing short, medium and long term strategic and budget priorities to create a developmental platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and capabilities of the Municipality to the overall development aims, which guide the municipal budget. The IDP further enables municipalities to make the best use of scarce resources to accelerate service delivery goals. An IDP is therefore a key instrument utilised by municipalities to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area.

7.4 Integrated Development Planning is a mechanism to synchronise planning and fiscal spending across all spheres of government. The IDP allows for synergy between the efforts of all spheres of government to improve the combined developmental impact of the State, thereby translating National, Provincial and District objectives into practical interventions within a defined municipal space.

7.5 The six strategic objectives or key performance areas and further planning amendments that have directly informed the compilation of the budget are as follows–

(a) Strategic Objective 1: To improve and maintain current basic service delivery through specific infrastructural development projects;

(b) Strategic Objective 2: To create an enabling environment for social development and economic growth;

(c) Strategic Objective 3: To promote a safe and healthy environment through the protection of our natural resources;

(d) Strategic Objective 4: To grow the revenue base of the municipality;

(e) Strategic Objective 5: To structure and manage the municipal administration to ensure efficient service delivery; and

(f) Strategic Objective 6: To encourage the involvement of communities in the matters of local government, through the promotion of open channels of communication.

7.6 In accordance with the Municipal Systems Act, the IDP constitutes a single, inclusive strategic plan for the Municipality. By identifying the key performance and focus areas to achieve the strategic objectives mentioned above, the five-year IDP responds to the development challenges and opportunities of Knysna Municipality.

7.7 In addition to the five-year IDP, the Municipality undertakes an extensive planning and development strategy, which primarily focuses on a longer-term horizon (15 to 20 years). Local government, in collaboration with provincial and national government, is currently in the process of developing a One Plan, which will align all sectoral and national department plans within a specific municipal area, in accordance with the needs of the local communities that they serve. This plan is aimed at influencing the development path by proposing a programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality to promote greater equity and enhanced opportunity. It provides direction to the Municipality's IDP; associated sectoral plans and strategies; the allocation of resources of the Municipality; and, other service delivery partners.

7.8 The Integrated Work Plan, adopted in 2017, builds on the 2020 integrated municipal and provincial processes to strengthen alignment between municipal and provincial planning and budgeting, and drives the theme of "integrated service delivery". In order to ensure integrated and focused service delivery between all spheres of government, it is essential for the Municipality to align the budget priorities with those of national and provincial government. All spheres of government prioritise infrastructure development, economic development, job creation, efficient service delivery, poverty alleviation and building sound institutional programs. Local priorities identified, which are directly aligned to those of the national and provincial priorities, formed part of the IDP review process.

7.9 The IDP review process has therefore directly informed the 2022/2023 MTREF. The respective SA4, SA5 and SA6 schedules, included in Appendix 10, provide a reconciliation between the IDP strategic objectives and the operating revenue, operating expenditure and capital expenditure.

8. MEASURABLE PERFORMANCE OBJECTIVES AND INDICATORS

8.1 Performance Management is a process intended to measure the implementation of the organisation's strategy. It is also a management tool to plan, monitor, measure and review performance indicators to ensure efficiency, effectiveness and the impact of service delivery in respect of the approved strategic objectives and priorities of Council.

8.2 In accordance with legislative requirements and good business practices, as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system, which is regularly monitored, reviewed and amended as the integrated planning process progresses. Individual Performance Management is currently facilitated for all Section 56/57 appointees in terms of the Local Government: Municipal Systems Act, No. 32 of 2000, which is directly linked to organisational Performance Management. The Municipality is currently in the process of cascading Performance Management to the lowest level, in an approached and phased manner.

8.3 Knysna Municipality must ensure that a culture of Performance Management is institutionalised. Performance agreements are therefore concluded with senior to middle management to cultivate accountability and good governance. This process provides assurance that the responsible directorates take ownership and execute the Integrated Development Planning objectives and key performance indicators (KPI's). Furthermore, the Audit Committee ensures that Council is involved in the review of Non-Financial Performance information. The Performance Management Policy Framework encapsulates the various processes, roles and responsibilities applicable to execute performance management and measurement.

8.4 The SA7 and SA8 schedules, included in Appendix 10, contain Knysna Municipality's measurable performance objectives and indicators.

9. OVERVIEW OF BUDGET FUNDING INCLUDING FUNDING COMPLIANCE

9.1 National Treasury requires that the Municipality assess the financial sustainability against fourteen different funding measures, which monitor various aspects of the financial health of the municipality. These measures are contained in SA10 of Appendix 10. The respective information is extracted directly from the annual budgeted statements of financial performance, financial position and cash flow. The funding compliance measurement table in essence measures the degree to which the proposed budget complies with the funding requirements of Section 18 of the MFMA.

10. EXPENDITURE ON GRANT ALLOCATIONS MADE TO THE MUNICIPALITY

10.1 Financing of the Capital Budget

10.1.1 Capital grant funding from the National Government include the following:

(a) Municipal Infrastructure Grant;

(b) Integrated National Electrification Programme Grant;

(c) Water Services Infrastructure Grant; and

(d) Neighbourhood Development Partnership Grant.

10.1.2 The Municipal Infrastructure Grant (MIG) supports government's aim to expand service delivery; alleviate poverty; and, funds the provision of infrastructure for basic services, roads and social infrastructure for poor households.

10.1.3 The Integrated National Electrification Programme Grant (INEP) aims to provide electricity to poor households and to fund bulk infrastructure to ensure a constant supply of electricity to poor households. The allocation is based on the backlog of households without electricity.

10.1.4 The Water Services Infrastructure Grant (WSIG) aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services. The WSIG funds various projects, which include the construction of new infrastructure and the refurbishment and extension of existing water schemes. There is no grant allocation for 2022/23 and 2023/24 however, there is an allocation for the 2024/2025 financial year.

10.1.5 The Neighbourhood Development Partnership Grant (NDPG) supports municipalities to develop and implement urban network plans and funds the upgrading of identified precincts in order to stimulate third-party public and private investment.

10.1.6 Capital grant funding from the Provincial Government consists of the following:

(a) Human Settlements Development Grant; and

(b) Informal Settlements Upgrading Partnership Grant.

10.1.7 The Human Settlements Development Grant aims to establish habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities.

10.1.8 The Informal Settlements Upgrading Partnership Grant aims to create sustainable and integrated human settlements that enable improved quality of household life by facilitating a programmatic and inclusive approach to upgrading informal settlements.

10.2 Financing of the Operating Budget

10.2.1 The operating budget is financed from the tariff increases as presented in Annexure B (Tariff Book). In addition to this, both the National Government and the Provincial Government have allocated the following operating grants:

(a) Equitable Share Allocation;

(b) Financial Management Grant;

(c) Expanded Public Works Programme Integrated Grant;

(d) Human Settlements Development Grant;

(e) Community Library Services Grant;

(f) Maintenance and Construction of Transport Infrastructure Grant; and

(g) Community Development Worker Operational Support Grant.

10.2.2 The corresponding expenditure in relation to the operating grant allocations have been allocated accordingly.

11. ALLOCATION OF GRANTS MADE BY THE MUNICIPALITY

11.1 Schedule SA21, included in Appendix 10, provides a breakdown of all grants payable by the Municipality. Notable grant allocations included in the schedule are as follows–

(a) Mayoral Bursary Scheme;

(b) Grants-in-aid: LIRA;

(c) Grants-in-aid: Animal Welfare;

(d) Grants-in-aid: Island Conservancy; and

(e) Ward allocations (Non-specific);

12. MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

12.1 The correct billing and management of revenue requires urgent attention. Data cleansing and revenue enhancement require immediate corrective measures to be enforced. Solutions developed and implemented in the short-term to address these challenges must demonstrate the ability to provide long-term benefits as well.

12.2 The debtor collection rate in relation to billed revenue equated to 89.5% in the 2020/2021 financial year. A bad debt impairment of 10% has been provided in the 2022/2023 Tabled Budget. The National Treasury (NT) norm for debtor collection rates is 95%. The Municipality must strive towards attaining a collection rate of at least 92% in order to demonstrate progress towards the NT norm.

12.3 Traffic fines as a revenue source has the potential to increase quite substantially should adequate pressure be placed on the service provider to increase revenue and associated collection rates. In consideration of the high rates payable to the service provider by the Municipality, the service provider should be mandated, with immediate effect, to improve collection rates to a range of at least 15% to 20%.

12.4 The monitoring of expenditure must gain momentum in order to reduce unnecessary spending, and to avoid Unauthorised, Irregular, Fruitless and Wasteful Expenditure. Expenditure must be monitored, controlled and managed at all levels in the Municipality. Sound and effective Performance Management and Consequence Management must be applied to ensure full accountability for the misuse of Municipal funds.

12.5 The use of technology can further assist in managing expenditure. The capabilities and functionalities of current systems must be explored in an attempt to configure/program such systems with appropriate restrictions. The Collaborator system, as an example, can be developed with restrictions applied for overtime, standby and casual wages. This system can be programmed to prevent any over-expenditure at the relevant source, which will enhance monitoring and control.

12.6 The continued and/or increased reliance on consultants/contractors/service providers is another area of material concern. The Municipality should simply not allow external parties to perform duties which current staff are actually being paid to perform. Here again, strict Performance Management should apply.

12.7 The management of contractor performance requires substantial improvement in order to ensure timeous completion of services and projects, quality output, and prices limited to contractual amounts.

12.8 Should drastic, aggressive and immediate measures not be implemented to improve revenue and expenditure management, the Municipality will continue to experience cashflow limitations. This is an unfortunate reality of the current financial position of the Municipality.

13. CONTRACTS HAVING FUTURE BUDGETARY IMPLICATIONS

13.1 The Municipality's Supply Chain Management Policy stipulates specific processes to be complied with for contracts that will impose financial obligations beyond the three years in the annual budget for that financial year, and will require approval by Council.

13.2 The external loans procured for capital assets is the only tender awarded by the Municipality in the 2021/2022 financial year which exceeds the three-year timeframe. All processes, as prescribed by the Supply Chain Management Policy and Section 46 of the MFMA (long-term debt), have been fully complied with for this tender. It will also apply to future external loans to be taken up.

14. LONG-TERM FINANCIAL STRATEGIES

14.1 Long-term financial strategies are aimed at developing more sustainable and integrated infrastructure development programmes over the longer term, which are informed by strategic plans and financed in the most effective and efficient manner.

14.2 Municipalities are required to develop long-term financial models (LTFM) which support decisions on investment selection and assesses the financial impact of policy choices by forecasting future financial performance and the impact of infrastructure projects on borrowing capacity. The LTFM needs to inform the municipality's long-term financial strategy which must articulate a sustainable, efficient and effective borrowing strategy and practices for the municipality.

15. LONG-TERM FINANCIAL SUSTAINABILITY

15.1 Financial sustainability over the long-term entails the management of high priority expenditure projects, both operating and capital, to ensure project sustainability; a reasonable degree of stability and predictability in the overall property rates and service charges imposed to ensure affordability and sustainability; and to promote a fair allocation in the distribution of resources and the attendant taxation between the current and future ratepayers to ensure intergenerational sustainability.

15.2 Based on the elements above, financial sustainability can be defined as follows:

"A council's long-term financial performance and position is sustainable where planned long-term services and infrastructure levels and standards are met without unplanned increases in rates and service charges or disruptive cuts to services."

15.3 Three key financial indictors or ratios are developed to monitor long-term financial sustainability planning and budgeting. The ratios include–

(a) An operating surplus ratio to monitor financial performance planning and budgeting;

(b) A net financial liabilities ratio to monitor financial position planning and budgeting; and

(c) An asset sustainability ratio to monitor asset management performance planning and budgeting.

15.4 Investment in infrastructure, which stimulates economic development, requires the creation of a fourth financial sustainability ratio to be used should the debt/revenue ratio (external borrowings as a percentage of total operating revenue less conditional grants) exceed 45%. This ratio will address the interest and redemption repayable on external borrowings as a percentage of total operating revenue less conditional grants. Interest and redemption should not exceed 6-8% of total operating expenditure.

16. MSCOA PROGRESS TO DATE

16.1 The Municipal Regulations on the Standard Chart of Accounts (*m*SCOA), promulgated on 22 April 2014, required all municipalities to be *m*SCOA compliant with effect from 1 July 2017. The relevant *m*SCOA segments, as prescribed by the regulations, were implemented on the financial reporting system by Knysna Municipality on 01 July 2017. National Treasury has since the inception of *m*SCOA released several *m*SCOA version updates consequently resulting in continuous account code re-mapping functions and amendments to the system-generated budget and financial statement reporting tools.

16.2 As per MFMA Budget Circular 115, *m*SCOA version 6.6.1 will be effective from the 2022/2023 financial year and must be used to compile the 2022/2023 MTREF. National Treasury requires that the budget be captured directly onto the financial system in order for the A1 budget schedule to automatically populate from the budget module in the financial system. No manual capturing of the A1 schedule will be allowed.

16.3 The final date for the submission of the *m*SCOA data strings in relation to the tabled budget will be a day following Council approval of the budget. Failure to do so will result in non-compliance with Section 22(b)(i) of the MFMA.

16.4 National Treasury has previously indicated that they will conduct independent audits on all municipal financial systems in order to determine the extent to which financial systems comply with the minimum business processes and system specifications in relation to *m*SCOA.

16.5 To ensure readiness for a possible external *m*SCOA audit, and to generate accurate and reliable financial reports directly from the financial system, it is imperative for there to be sound and proper management and maintenance of both the General Ledger and *m*SCOA.

17. LEGISLATIVE COMPLIANCE STATUS

Compliance with the MFMA implementation requirements have been satisfactorily complied with through the following activities:

17.1 In-Year Reporting

In-year reporting to the National Treasury and Provincial Treasury, in electronic format, is fully complied with. The monthly Section 71 and quarterly Section 52 reports, submitted to the Executive Mayor, has progressively improved with more meaningful financial information now being provided for sound and proper decision-making.

17.2 Internship Programme

The Municipality has participated in the Municipal Financial Management Internship programme since 2014. There are currently five Finance Interns included in this programme. These graduates undergo training in various departments within the Financial Services Directorate. Since the introduction of the Internship programme the Municipality has appointed a few of the individuals in permanent positions.

17.3 Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

17.4 Audit Committee

The Municipality has an Audit Committee which is fully capacitated and functional however, the monthly allowance to specific members have been suspended.

17.5 Service Delivery and Budget Implementation Plan

The Service Delivery and Budget Implementation Plan (SDBIP) will be finalised following approval of the 2022/2023 budget in May 2022.

17.6 Annual Report

The annual report is compiled in accordance with the MFMA and National Treasury guidelines.

17.7 MFMA Training

The Municipal Regulations on Minimum Competency Levels require a specific level of competence by officials exercising financial management and control. There are various officials currently registered in the program arranged by the municipality.

17.8 Policies

17.8.1 All budget-related policies were reviewed during the budget process, and amendments made where necessary. All budget-related policies are contained in Annexure C.

17.8.2 The budget-related policies are as follows–

(a) Writing-off of Irrecoverable Debt Policy;
(b) Property Rates Policy;
(c) Tariff Policy;
(d) Customer Care, Credit Control, Debt Collection, Indigent and Tampering Policy;
(e) Supply Chain Management Policy;
(f) Cash Management and Investment Policy;
(g) Funding and Reserves Policy;
(h) Liquidity Policy;
(i) Virement Policy (replacement);
(j) Contract Management Policy;
(k) Cost Containment Policy;
(l) Asset Management Policy;
(m) Disposal of Unserviceable, Obsolete or Redundant Assets Policy;
(n) Insurance Management Policy;
(o) Unauthorised, Irregular and Fruitless and Wasteful Expenditure Policy (replacement);
(p) Petty Cash Policy;
(q) Long-term Financial Plan;
(r) Accounting Policy, and
(s) Special Rating Area Policy (new).

17.8.3 Due to specific sections in the Preferential Procurement Regulations being considered invalid, a separate item in relation to Council's Preferential Procurement Policy and implementation thereof will be tabled in Council.

17.9 Procurement Plan

Municipal Budget Circular No 94 for the 2019/20 MTREF highlights the slow spending of capital budgets by most municipalities, and the associated negative impact on service delivery. It therefore became necessary to compile a procurement plan to address inefficient planning processes. The procurement plan is attached hereto as Appendix 8.

18. SERVICE LEVEL STANDARDS

18.1 The setting of service standards is an integral component of the service delivery value chain. It provides transparency in understanding performance indicators and hence strengthens the entire performance management system. In addition, it ensures accountability on the part of the officials responsible for providing the service.

18.2 Local government is mostly classified in the service delivery and governance category and as such needs to be clear on what the public at large can expect as a service delivery standard. It is for this reason that a municipality must adopt service standards as part of their strategic objectives and to report on the achievements.

18.3 All municipalities are required to formulate service standards which must be included in the MTREF budget documentation to be tabled before the municipal council. The current Service Standards are attached hereto as Appendix 9.

19. RECOMMENDATIONS

19.1 It is recommended that:

[a] Council approves the Tabled 2022/2023 Medium Term Revenue and Expenditure Framework (MTREF) Budget Report, attached as Annexure A to the item.

[b] Council approves the revenue budget (capital grants included) of R 1,114,134,788 for the 2022/2023 financial year, as presented in Table 2 of the MTREF Budget Report.

[c] Council approves the operating expenditure budget of R 1,062,362,212 for the 2022/2023 financial year, as presented in Table 3 of the MTREF Budget Report.

[d] Council takes note of the operating budget surplus of R 5,304,489 for the 2022/2023 financial year, as presented in Table 4 of the MTREF Budget Report.

[e] Council takes note of the surplus for the year (capital grants included) of R 51,772,576 for the 2022/2023 financial year, as presented in Table 4 of the MTREF Budget Report.

[f] Council approves the capital expenditure budget of R 116,443,847 for the 2022/2023 financial year, as presented in Table 5 of the MTREF Budget Report.

[g] Council approves the capital expenditure funding sources of R 116,443,847 for the 2022/2023 financial year, as presented in Table 6 of the MTREF Budget Report.

[h] Council takes note that any actual cash surpluses realised at year-end will be utilised to create a Capital Replacement Reserve for future infrastructure investment.

[i] Council approves the tariff increases for the following revenue sources with effect from 1 July 2022–

(i) Property rates (4.8%);
(ii) Water (4.8%);
(iii) Sanitation (4.8);
(iv) Refuse (11.5%); and
(v) Electricity (9.61%).

[j] Council approves the revenue increases for property rates, service charges and other revenue contained in the Tariff Book, attached hereto as Annexure B.

[k] Council approves the budget-related policies of Knysna Municipality for the 2022/2023 financial year, attached hereto as Annexure C.

[l] Council approves the 2022/2023 MTREF Procurement Plan, attached hereto as Appendix 8.

[m] Council notes the current Service Level Standards, attached hereto as Appendix 9.

[n] Council approves the Tabled budget of Knysna Municipality for the 2022/2023 financial year, as well as the indicative budgets for the two outer financial years (2023/2024 to 2024/2025), as presented in the new *m*SCOA version 6.6.1 Schedules A1 to A10 and Supporting Schedules SA1 to SA38, attached hereto as Appendix 10.

[o] Council takes note that as at 28 February 2022, Knysna Municipality accumulated R 33.3 million cash and investments at the following banking institutions–

(i)	Nedbank	= R 30,548,569
(ii)	Investec	= R 2,721,699
(iii)	Total cash and investments	= R 33,270,268

[p] Council takes note of the proposed total cost-to-municipality expenses for the salary, allowances and benefits of the Political Office Bearers, Municipal Manager, Chief Financial Officer, Senior Managers and other officials with a remuneration package greater than or equal to that of a Senior Manager, as contained in the Tabled 2022/2023 MTREF Budget Report.

[q] Council takes note that Knysna Municipality does not have any current service delivery agreements, including material amendments to existing service delivery agreements, with any service provider who renders any power or function on behalf of Knysna Municipality as defined in Section 1 of the Municipal Systems Act.

[r] Council takes note that Knysna Municipality does not have any municipal entities.

[s] The Acting Municipal Manager makes public the Tabled 2022/2023 MTREF Budget Report and invite the local community to submit representations in connection with the budget, as required by the Municipal Finance Management Act and the Municipal Systems Act.

[t] The Acting Municipal Manager submits the Tabled 2022/2023 MTREF Budget Report to the National Treasury and the Western Cape Provincial Treasury, as required by the Municipal Finance Management Act.

[u] The Acting Municipal Manager publishes the Tabled 2022/2023 MTREF Budget Report on the municipal website.

20. APPENDICES

Appendix 1: National Treasury MFMA Budget Circular 112;
Appendix 2: National Treasury MFMA Budget Circular 115;
Appendix 3: Provincial Treasury Municipal Budget Circular 1/2022;
Appendix 4: Provincial Treasury Municipal Budget Circular 7/2022;
Appendix 5: Tabled 2022/2023 MTREF: Revenue per Category;
Appendix 6: Tabled 2022/2023 MTREF: Operating Expenditure per Category;
Appendix 7: Tabled 2022/2023 MTREF: Capital Expenditure per Directorate and Department;
Appendix 8: Tabled 2022/2023 MTREF: Procurement Plan;
Appendix 9: Service Level Standards; and
Appendix 10: Tabled 2022/2023 MTREF: Schedules A1 to A10 and Supporting Schedules SA1 to SA38.

21. TABLES

Table 1: Tabled 2022/2023 MTREF: Key Budget Projections;
Table 2: Tabled 2022/2023 MTREF: High Level Summary of Revenue per Category;
Table 3: Tabled 2022/2023 MTREF: High Level Summary of Operating Expenditure per Category;
Table 4: Tabled 2022/2023 MTREF: High Level Summary of Revenue and Expenditure;
Table 5: Tabled 2022/2023 MTREF: Capital Expenditure Budget per Directorate; and
Table 6: Tabled 2022/2023 MTREF: Capital Expenditure Budget per Funding Source.

22. MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, Mr Johan Jacobs, the Acting Municipal Manager of Knysna Municipality hereby certify that the tabled budget has been prepared in accordance with the Municipal Finance Management Act and Regulations made under that Act, and that the tabled budget and supporting documentation are consistent with the Integrated Development Plan of the Municipality.

JOHAN JACOBS
ACTING MUNICIPAL MANAGER

28 March 2022

Appendix 1

National Treasury MFMA Budget Circular 112

NATIONAL TREASURY

MFMA Circular No. 112

Municipal Finance Management Act No. 56 of 2003

Municipal Budget Circular for the 2022/23 MTREF

CONTENTS

Introduction

The purpose of the annual budget circular is to guide municipalities with their compilation of the 2022/23 Medium Term Revenue and Expenditure Framework (MTREF). This circular is linked to the Municipal Budget and Reporting Regulations (MBRR) and the municipal Standard Chart of Accounts (*m*SCOA), and strives to support municipalities' budget preparation processes so that the minimum requirements are achieved.

Among the objectives of this budget circular is to demonstrate how municipalities should undertake annual budget preparation in accordance with the budget and financial reform agenda by focussing on key "game changers". These game-changers include ensuring that municipal budgets are funded, revenue management is optimised, assets are managed efficiently, supply chain management processes are adhered to, *m*SCOA is implemented correctly and that audit findings are addressed.

Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance in areas of the budget preparation that is not covered in this circular.

1. The South African economy and inflation targets

The National Treasury projects real economic growth of 5.1 per cent in 2021, following an expected contraction of 6.4 per cent in 2020. Real GDP growth is expected to moderate to 1.8 per cent in 2022,1.6 per cent in 2023 and 1.7 per cent in 2024.

South Africa experienced its largest recorded decline in economic output in 2020 due to the strict COVID-19 lockdown. Real GDP contracted by 7.2 per cent in 2020 compared to 0.1 per cent increase in 2019. It is expected to increase by 6.2 per cent in 2021/22 and moderate by an average increase of 1.7 per cent over the 2022/23 MTEF.

Manufacturing production grew by 17 per cent in the first six months of 2021 compared with the same period in 2020. Production has not recovered to pre-pandemic levels, although the Absa Purchasing Managers' Index remains above the neutral 50-point mark. Electricity disruptions, raw material shortages and rising input costs will continue to limit output in the short to medium term.

The main risks to the economic outlook are slowdown in economic growth. The evolution of COVID-19 and slow progress in vaccine rollout reinforces uncertainty and poses risks to economic recovery.

Slow implementation of structural reforms continues to weigh on business confidence and private investment. Electricity supply constraints, which could worsen over the short term, are a drag on economic growth. In contrast, progress on energy reforms poses upside risks to fixed investment and the overall economic outlook.

A further deterioration in the public finances due to various spending pressures and the materialisation of contingent liabilities could trigger further credit rating downgrades. Pressures on the government wage bill ceiling, including the implementation of the non-pensionable salary increases undermine fiscal consolidation measures.

The fiscal framework does not include any additional support to state-owned companies, but the poor financial condition and operational performance of several of these companies remains a large contingent risk. A number of entities may request further bailouts.

Government is strictly enforcing minimum criteria before guaranteeing the debt of state-owned companies, as outlined in the 2021 Budget, which has led to a decline in guarantee requests. Nonetheless, the broader context of financial distress, weak governance and unsustainable operations in many of these companies remains unaddressed.

Since the 2008 global financial crisis, economic growth has trended downwards, resulting in persistent shortfalls in tax revenue that have not been matched by adjustments to spending growth. This in turn has led to wider budget deficits, higher borrowing and a rapid increase in the ratio of debt to GDP. The reason that the debt servicing costs are growing at a pace that is faster than the rate of GDP growth, and this ratio will continue to increase until government runs a sufficiently large primary budget surplus.

To maximise the value of spending, government needs to contain costs, more especially consumption related spending, exercise prudent and compliant financial management, and eradicate wasteful treatment of public funds and resources. Compensation of employees remains a major cost pressure. It remains critical for municipalities to adhere to compensation ceilings, manage headcounts proactively and conduct staff audit to ensure the staff complement is aligned to the approved organogram. This will assist government is to improve its fiscal position.

Medium-term priorities include: reindustrialising through implementation of the master plans; growing exports through the African Continental Free Trade Area; implementing the Tourism Sector Recovery Plan; supporting township and rural economies; and promoting localisation, inclusive economic growth and job creation.

In 2021/22, gross tax revenue is expected to be R120.3 billion higher than projected in the 2021 Budget, with corresponding improvements of R69.8 billion and R59.5 billion expected in 2022/23 and 2023/24 respectively. This is still well below pre-pandemic revenue estimates, but it provides space for government to deal with immediate fiscal pressures while continuing to stabilise the public finances.

Headline inflation is expected to remain between 3 to 6 per cent target range over the 2022/23 MTEF.

In summary, the tax revenue in 2021/22 was higher than projections and this was mainly due to commodity price rally. However, these are projected to be short term, and as such long-term spending commitments should not be made based on short term revenue benefits. There are measures in place to reduce expenditure to narrow the budget deficit.

The following macro-economic forecasts must be considered when preparing the 2022/23 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2020 - 2025

Fiscal year	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Estimate		Forecast	
CPI Inflation	2.9%	4.9%	4.0%	4.4%	4.5%

Source: Medium Term Budget Policy Statement 2021.

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

2. Key focus areas for the 2022/23 budget process

2.1 Local government conditional grants allocations

Over the 2022 MTEF period, transfers to municipalities will grow below inflation. Over the next three years, local government resources increase by 4.1 per cent.

Transfers to local government will be increased by R17.8 billion, including R9.3 billion from the local government equitable share, R1.5 billion from the general fuel levy and R6.9 billion in direct conditional grants over the 2022 MTEF period. The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2022 MTEF period.

The annual Division of Revenue Bill will be published in February 2022 after the Minister of Finance's budget speech. The Bill will specify grant allocations and municipalities must reconcile their budgets to the numbers published herein.

Municipalities are advised to use the indicative numbers presented in the 2021 Division of Revenue Act to compile their 2022/23 MTREF. In terms of the outer year allocations (2023/24 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2021 Division of Revenue Act for 2021/22. The DoRA is available at:
http://www.treasury.gov.za/documents/national%20budget/2021/default.aspx

Division of Revenue Amendment Bill, 2021: changes to local government allocations

Budget Facility for Infrastructure Funding – R81 million is added to the direct regional bulk infrastructure grant for George Local Municipality for the implementation of the potable water security and remedial works project. Due to delays in the implementation of projects approved through Budget Facility for Infrastructure (BFI), the projects sponsors have requested funding to be reduced to align with the planned project rollout.

R1.3 billion is reduced from the public transport network grant for City of Cape Town to align to its revised implementation plan of myCiti phase 2A.

Neighbourhood Development Partnership Grant – R841 million is added to the direct neighbourhood development partnership grant for local government to create 32 663 jobs through precinct management, community safety, place-making, greening, integrated waste management and digitalisation, with special focus on poor and marginalised areas and economic nodes.

Roll-over of indirect regional bulk infrastructure grant – R582 million is rolled over in the indirect regional bulk infrastructure grant to fund the operational payments for the Vaal River pollution remediation project in Emfuleni Local Municipality. This change is shown in Schedule 6, Part B of this Bill.

Reprioritisation in the neighbourhood development partnership grant – In the neighbourhood development partnership grant, R90 million is shifted from the direct component to the indirect component of the grant, to fund project preparation, planning and implementation for municipalities facing implementation challenges. The affected municipalities are City of Johannesburg, Mogale City, Kwa-Dukuza, West Rand, Sol Plaatje, Ray Nkonyeni and City of Cape Town. These changes are shown in Schedule 5, Part B and Schedule 6, Part B of this Bill.

Changes to gazetted frameworks and allocations

Neighbourhood development partnership grant – The grant framework for the neighbourhood development partnership grant is amended to remove reference to Built

Environment Performance Plans and include the conditions attached to the approval of funds from the Presidential Youth Employment Initiative. The conditions require cities to expand the existing Expanded Public Works Programme projects and enter into new partnerships with the private sector and civil society.

Regional bulk infrastructure grant – The grant framework for the regional bulk infrastructure grant is amended to include the conditions attached to the approval of funding from the BFI for the implementation of the potable water security and remedial works project in George Local Municipality. The conditions require that the municipality submit a business plan, a cost-benefit analysis report and enter into a co-financing agreement with the Department of Water and Sanitation and the Department of Cooperative Governance.

Integrated urban development grant – The grant framework for the integrated urban development grant is amended to include a provision for purchasing special vehicles for waste management. This correction is needed to ensure alignment with conditions in the municipal infrastructure grant as municipalities can move between the two grants.

Municipal infrastructure grant – The grant framework for the municipal infrastructure grant is amended to correct for the omission of the baseline allocation of R14.8 billion in 2019/20 in the past performance section of the framework. The amount was erroneously not captured. This correction is needed to show the audited past financial performance of the grant.

3. IDP Consultation Process Post 2021 Local Government Elections

Municipalities are advised to refer to the guidance (refer to the email sent by CoGTA to all municipalities on 20 October 2021) provided through the joint National Treasury/ Department of Cooperative Governance/ South African Local Government Association (NT/DCoG/SALGA) Joint Circular No.1 on the transitional measures in relation to the IDP consultation process. This circular indicates that the previous municipal councils had an obligation to ensure that the legislative stipulations were complied with. Therefore, they were expected to continue the process of the development of the IDP starting with the development and adoption of the process plans as provided for in section 28 of the Municipal Systems Act. Municipalities should then implement the adopted budget process plan and conduct the public engagements as per dates they have indicated in the process plan.

4. Municipalities unable to pass the annual budget after 1 July

The provincial executive council must urgently request the Mayor to submit a report outlining detailed reasons and or circumstances that led to failure to approve the annual budget by the 1 July.

The provincial executive council must intervene in terms of section 139(4) of the Constitution and take appropriate steps by issuing a directive to the municipal council to approve a budget and any revenue raising measures necessary to give effect to the budget within a reasonable period.

Section 26(4) and (5) of the MFMA provides for how the expenses can be met pending the approval of a budget through a directive. Provincial Treasuries should establish clear internal processes for reviewing and recommending the approval of withdrawals by their MEC (templates can be obtained from National Treasury).

The provincial executive council must upon issuing of a directive to the Municipal Council conduct an assessment of the budget tabled by the Mayor against the norms and standards, approved budget process plan, and the outcome of public participation processes.

In the event the Municipal Council fails to approve a budget due to walk out or individual misconduct by a majority of councillors, the Speaker must immediately investigate the conduct of those identified councillors in terms of the Code of Conduct for councillors as provided for in the Municipal Systems Act, 2000.

If in terms of the assessment by the provincial executive council of the tabled budget, it is found that there are no justifiable grounds for not approving the budget, the former must submit/ present the outcome of the assessment to the Municipal Council with a directive to consider the assessment and adopt the budget. If the assessment of the provincial executive council of the tabled budget finds that it does not adhere to the required norms and standards, the directive from the provincial executive council should instruct the council to first amend the budget to remedy this before adopting the budget.

The provincial executive council must, if necessary give the municipal council a further 14 days to approve a tabled budget that complies with norms and standards and incorporates the outcome of public participation, failing which the provincial executive council must consider dissolution of municipal council, approval of a temporary budget and appointment of an administrator as a last resort.

5. Municipal Standard Chart of Accounts (*m*SCOA)

5.1 Release of Version 6.6 of the Chart

On an annual basis, the *m*SCOA chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.6 is released with this circular.

Version 6.6 of the chart will be effective from 2022/23 and must be used to compile the 2022/23 MTREF and is available on the link below:
http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx

The Project Summary Document (PSD) on the National Treasury webpage will be aligned to the chart changes in version 6.6 where applicable. The PSD is also available on the above link.

*m*SCOA chart changes are issued annually in December. For the National Treasury to consider a new chart change, the issue must be logged with all relevant background and details on the Frequently Asked Questions (FAQ) database. The FAQ database can also be accessed on the above link.

The matter will then be further investigated by the FAQ committee of the National Treasury. If it is found that a chart change is required in the next chart version, then the matter will be elevated to the *m*SCOA Technical Committee and if in agreement, it will be recommended for approval to the *m*SCOA Steering Committee. Requests for chart changes in the next version of the chart must be logged for consideration by 31 August of each year.

5.2 Credibility of *m*SCOA data strings

The credibility of the *m*SCOA data strings remains a concern although we have observed a marked improvement in some areas. At the core of the problem is:

- The incorrect use of the *m*SCOA chart and segments, balance sheet budgeting, movement accounting and basic municipal accounting practices by municipalities;
- Some municipalities are not budgeting, transacting and reporting directly in/ from their core financial systems; have not purchased all the modules of the core financial system or have not upgraded to the Enterprise Resource Planning (ERP) (*m*SCOA enabling) version of their financial systems;
- A number of municipalities are still transacting on their legacy systems that are not *m*SCOA enabling or they are using Ms Excel spreadsheets that are not incorporated in the functionality of their financial systems, while they are paying for maintenance and support for the *m*SCOA enabling system that was procured. This constitute fruitless and wasteful expenditure; and
- Municipalities are not locking their adopted budgets and their financial systems at month-end to ensure prudent financial management. To enforce municipalities to lock their budgets and close their financial system at month-end in 2022/23, the Local Government Database and Reporting System will lock all submission periods within the reporting period at the end of each quarter. The published period will NOT be opened again to ensure consistency between publications. System vendors were also requested to build this functionality into their municipal financial systems.

Municipalities should refer to the guidance provided in the *m*SCOA circulars issued by the National Treasury to classify their transactions correctly.

The credibility and accuracy of the data strings must be verified by municipalities before submission as the data strings submitted will be used as the single source for all analysis and publications in the 2022/23 municipal financial year.

5.3 Regulation of Minimum Business Processes and System Specifications

One of the key objectives of the *m*SCOA reform is to ensure that municipalities are planning, budgeting, transacting and reporting directly on and from integrated ERP systems to have one version of the truth in terms of the reported financial performance. The manual correction of data strings by municipal officials or system vendors are not allowed in terms of the *m*SCOA Regulations.

All municipalities and municipal entities had to comply with the *m*SCOA Regulations by 1 July 2017. MFMA Circular No. 80 (Annexure B) provided guidance on the minimum business processes and system specifications for all categories of municipalities (A, B and C). A number of Regulations and best practices as per the MFMA Circulars have been introduced since the issuing of MFMA Circular No. 80 in 2016.

The National Treasury will expand and regulate the business processes and system specifications in 2022/23 to these new developments. If your municipality has not yet achieved the minimum required level of *m*SCOA implementation, then a detailed action plan (road map) must be developed to indicate how the municipality will fast track the implementation of *m*SCOA. The action plan should include the following focus areas, as applicable to the municipality:

- **System landscape** – does the municipality has access to updated ICT hardware, software and licences that is sufficient to run the chosen financial management systems solution;
- **Governance and institutional arrangements** – is there a functional *m*SCOA steering committee or equivalent structure consisting of representatives from all business units, that meet regularly to monitor and report on *m*SCOA related issues to Management Committee (MANCO), Executive Committee (EXCO) and Council. Furthermore, did the

municipality appoint a suitably qualified System Administrator and the required IT securities are in place;
- **System functionality** – is the functionality of the system complying with the minimum business processes and system specifications articulated in MFMA Circular No 80; is the municipality utilising the core financial system solution and its modules optimally; and are 3rd party sub-systems seamlessly integrating with the *m*SCOA enabling financial system; and
- **Proficiency of municipal officials to use the financial system** – are the relevant municipal officials sufficiently capacitated on all system modules and functionalities to use the financial systems solution; are relevant officials in the organisation familiar with the *m*SCOA chart, balance sheet budgeting and movement accounting; and have change management taken place to ensure that *m*SCOA is institutionalised as an organisational reform and not only a financial reform.

It should be emphasised that the onus to ensure compliance with the *m*SCOA Regulations and minimum system specifications as per MFMA Circular No. 80 and its Annexure B rests with the municipality and not the system vendor. Municipalities should ensure that they budget sufficiently to become and remain *m*SCOA compliant.

The progress against the action plan must be monitored by the municipality's *m*SCOA Project Steering Committee and should also be reported at the 2021/22 Mid-year Budget and Performance engagements and the Budget and Benchmark engagements with the National and the respective provincial treasury. Copies of the action plan and progress reports should also be shared with the National and the respective provincial treasury.

5.4 Extension of RT25-2016 Service Level Agreements (SLA) for Financial Systems

The National Treasury has received numerous queries about the extension of the SLA for the transversal contract for the procurement of municipal systems of financials management and internal control (RT25-2016).

The RT25-2016 contract has expired in May 2019. Therefore, the RT25-2016 cannot be utilised to procure financial systems and Service Level Agreements (SLAs) entered into through the transversal contract cannot be extended when they expire. Municipalities that procured systems through the RT25-2016 transversal tender must approach the market to procure a new service provider for system support and maintenance. Due to the high financial investment in procuring financial systems, it is not cost effective to change financial systems every 3 to 5 years. Also, the expiry of the SLA does not necessitate the procurement of a new financial system - unless the system that is being used is not complying with the required business processes and system specifications.

Furthermore, the Municipal SCM Regulations does not prohibit the use of long-term contracts as long as the needs analysis and market analysis are done to justify the continuous need for the service. Municipalities may utilise Section 33 of the MFMA, taking into account the municipality's specific circumstances, provided that the decision is legally sound and there is evidence to support the municipality's decision.

Where a municipality has entered into a SLA for the provision of system support and maintenance through an open procurement process, the SLA may be extended in terms of Section 116(3) of the MFMA.

Notwithstanding the above, since the ICT environment changes very quickly the municipal needs must be re-evaluated to ensure that the IT systems in place are still 1) compatible with the needs and systems of the municipality, 2) aligned to modern technology and new legislative requirements and 3) cost effective prior to concluding long-term maintenance and support agreements in the event that there are other financial management solutions or systems that may be better or even more cost effective as opposed to the current ones that may be outdated.

5.5 *m*SCOA Monthly Trial Balance

Municipalities are required to submit the following documents to GoMuni Upload portal on a monthly basis in PDF format:

1. C Schedule
2. Primary Bank Statement
3. Bank Reconciliation
4. Quality certificate
5. Monthly budget statement (Section 71 Report)
6. Trial balance

To date, the trial balances were submitted in various formats with varying levels of detail – some of them unreadable, making it difficult to identify the submission of the trial balances. From 1 July 2022, the trial balance must include the following minimum information:

- *m*SCOA item description
- Balance brought forward (i.e. opening balance)
- Movement Debit
- Movement Credit
- Balanced closing balance at the end of the document

The name of the municipality, municipal code and relevant period (year and month) must be clearly identified in the submission. Municipalities should ensure that the monthly data string aligns to the trail balance submitted to the GoMuni Upload portal.

5.6 Budgeting for the COVID-19 pandemic

In terms of *m*SCOA Circular No. 9 municipalities are reminded to record and ring fence all funding and expenditure pertaining to the COVID-19 pandemic when budgeting and transacting.

It is evident from the *m*SCOA data strings that were submitted by municipalities in terms of the monthly Section 71 reporting that not all municipalities are budgeting and reporting on COVID-19 related allocations and expenditure as per the guidance provided. Therefore, the National Treasury is not able to draw complete COVID-19 reports from the *m*SCOA data strings inclusive of the data for all municipalities as yet and the weekly manual reporting is still required.

Once the National Treasury is able to draw COVID-19 reports from the *m*SCOA data strings for the majority of municipalities and the Covid-19 restrictions is lifted as per the Disaster Management Act, 2002 (Act 57 of 2002) and its regulations, the weekly manual reporting will be stopped.

5.7 Costing Segment

The purpose of the costing segment in *m*SCOA is to provide for the recording of the full cost for the four core municipal functions, namely: electricity, water, waste water and waste management as a minimum requirement. These four services are the most significant revenue generating functions within municipalities and essential for setting cost reflective tariffs.

The costing segment does not impact on the financial statements and will be recorded as a 'below the line cost' and are recorded in the management accounts to make decisions in formulating tariffs and cost control. Municipalities must refer to the PSD for the detailed application of the costing segment.

5.8 Classification of the Skills Development Levy

Employers must pay 1 per cent of their employees pay to the skills development levy. This is a contribution of 1 per cent of the total amount paid in respect of salaries to employees, which includes overtime payments, leave pay, bonuses etc. Therefore, this does not constitute employee related cost because it is not a compensation to employees, nor social contributions. Skills Development levy must be classified as operational costs as indicated in the *m*SCOA Project Summary Document (PSD).

5.9 Revised Municipal Property Rates Act Categories

Reference is made to paragraph 4.3 of MFMA Circular No. 107. Municipalities are reminded that section 8 of the Municipal Property Rates Act on the determination of categories of **rateable** properties has been revised through the Local Government Municipal Property Rates Amendment Act, 2014 ("the Amendment Act").

Municipalities were required to implement the new property categorisation framework by not later than 1 July 2021. The *m*SCOA chart Version 6.6 makes provision for the new and the old framework. However, the old framework will be retired in the next version of the chart and municipalities are advised to implement the new property categorisation framework as legislated. Therefore, municipalities cannot use both frameworks to avoid duplication and overstatement of revenue from property rates.

6. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. The weak economic growth has put pressure on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, Water Boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending.

Municipalities must ensure that they render basic services, maintain their assets and clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to improve the municipality's reputation. This will assist in attracting investment in the local economy which may result in reduced unemployment. Some municipalities are experiencing serious liquidity challenges. Therefore, the new leadership is advised to:

- Decisively address unfunded budgets by reducing non-priority spending and improving revenue management processes to enable collection; and
- Address service delivery failures by ensuring adequate maintenance, upgrading and renewal of existing assets to enable reliable service delivery.

It should be noted that it is easier for consumers to pay for services if they are reliable and when the environment is well maintained.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required to ***justify all increases in excess of the* projected inflation target for 2022/23** in their budget narratives and pay careful attention to tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

6.1 Maximising the revenue generation of the municipal revenue base

Reference is made to MFMA Circulars No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their 2022/23 MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates.

It is essential that municipalities reconcile their most recent valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate. Municipalities should undertake this exercise annually as a routine practice during the budget process. The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this information with the Deeds Office registry. In accordance with the MFMA Circular No. 93, municipalities are once more requested to submit their annual reconciliation of the valuation roll to the billing system to the National Treasury by no later than **04 February 2022**.

The above information must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at: https://lguploadportal.treasury.gov.za/. If the municipality experience any challenge uploading the information a request for an alternative arrangement may be emailed to linda.kruger@treasury.gov.za.

6.2 Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (Financial and Fiscal Commission (FFC), 2011). Credible budgets are critical for local government to fulfil its mandate and ensure financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- A budget adequate to deliver a service of the necessary quality on a sustainable basis; and
- A budget that delivers services at the lowest possible cost.

Municipalities are encouraged to utilise the tariff setting tool referenced in MFMA Circular No. 98, item 4.2. This tool will assist in setting tariffs that are cost-reflective and would enable a municipality to recover costs to fulfil its mandate. The National Treasury Municipal Costing Guide is available on the link below on the National Treasury website.

http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08

It is also imperative that every municipality is utilising the *m*SCOA cost segment correctly.

6.3 Bulk Account Payments and Concessions

During 2018/19, intense work was undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities.

During the process, Eskom agreed to provide relieve in certain areas. Municipalities are reminded of the following concessions that remain in place:

- The interest rate charged on overdue municipal bulk accounts were reduced from prime plus 5 per cent to prime plus 2.5 per cent;
- Payment terms were extended from 15 days to 30 days for municipal bulk accounts; and
- Eskom allocation of municipality payments to capital first and then to interest.

These concessions align to the MFMA and are meant to curb municipal growing debt levels by allowing a more conducive payment regime than what was previously employed. In addition, municipalities are urged to budget for and ring-fence their payment of bulk services. Bulk current account payments must be honoured religiously to avoid stringent application of the bulk suppliers' credit control policy.

Municipalities are also advised to enforce a culture of payment for services through their normal credit control processes. In this regard it should be noted that municipalities are only compensated for free basic services based on an indigent user component calculation through the equitable share. As such, a municipality's allocation of free basic services to all of the municipality's consumers is not funded in the equitable share. Every municipality, during the budget process, must consider the affordability to the municipality when allocating free basic services above the national norm and to consumers other than indigent consumers. **If a municipality has any arrears on any of its bulk supplier's accounts, it must limit its provision of free basic services to registered indigent consumers only**.

In this regard municipalities are reminded to take note of the Constitutional Court decision in **Mazibuko and Others vs City of Johannesburg and Others (CCT 39/09) [2009] ZACC 28; 2010 (3) BCLR 239 (CC); 2010 (4) SA 1 (CC) (8 October 2009)**. The Constitutional Court confirmed that a municipality has the right to disconnect the water service in the event of non-payment. In the case of registered indigent users, water may not be disconnected but can and should be restricted to the national policy limit of 6 kilolitres of water monthly.

6.4 Timeous allocations and clearing of the control accounts

Municipalities are encouraged to clear the control accounts on a monthly basis and to allocate trade and other receivable payments in these suspense accounts to the relevant debtor accounts regularly before the monthly submissions as required by the MFMA. Implementing and enforcing the credit control policy of the municipality whilst payments are not cleared in the control account is negligent and irresponsible. Municipalities are warned against this bad practice, and this must be avoided at all costs.

6.5 Smart Prepaid Meters Solution

The Inter-Ministerial Task Team (IMTT) of the 5th administration appointed a panel to investigate the electricity function to better understand what is causing the non-payment to Eskom. Cabinet subsequently endorsed the panel's recommendation that a smart prepaid solution for all municipalities must be explored. Municipalities are advised that the National Treasury, through the Office of the Chief Procurement Officer (OCPO), will soon facilitate a transversal contract to standardise prepaid smart meter solutions for electricity that align to minimum and critical technical specifications for local government.

If your municipality or entity is currently in the process of procuring any smart meter solution or is planning to, you are cautioned:

- Against proceeding prior to the OCPO having issued and awarded the transversal prepaid smart meter Terms of Reference (ToR); and
- That, with immediate effect, you must obtain the National Treasury's input prior to proceeding with any current procurement or proposed procurement for any smart meter solution or similar system solution. This is to prevent unnecessary and wasteful expenditure on such solutions. Any request for National Treasury's input on the current or planned procurement of any smart meter solution or similar system solution or component thereof, must be directed to the National Treasury for the attention of the Local Government Budget Analysis Unit (Mr. Sadesh Ramjathan) Sadesh.Ramjathan@treasury.gov.za.

Your assistance in proactively ensuring that the municipality and/ or its entities are not adversely affected by these processes will be appreciated.

6.6 Completeness and credibility of revenue related information in the Budget

The Municipal Budget and Reporting Regulations (MBRR) regulates the minimum level of information required from municipalities when compiling, implementing, monitoring, and evaluating the municipality's financial management situation. Failure to include the minimum required information hampers the municipal council, the public and stakeholders' ability to make informed decisions and engage on the matter. It also limits research, studies, and benchmarking undertaken for local, provincial, and national purposes.

The National Treasury would like to take this opportunity to caution municipalities that the MBRR prescribe the minimum level of information municipalities must include as part of their legal reporting obligations.

Going forward the Treasuries will place increased attention and focus on the adequacy of municipalities' submissions. The National Treasury regards this non-compliance to include the minimum level of information as serious and if persistent will consider applying the available legal sanctions, including recourse in terms of section 216(2) of the Constitution. In this context, National Treasury will particularly focus on the completeness of asset management related information as well as the statistical information required in the A, B and C schedules during the 2022/23 MTREF.

6.7 Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Bulk electricity costs are consistently much higher than inflation, having gone as high as 17.8 per cent in the 2021/22 municipal financial year. Eskom's need for increased funding means that over the period ahead they are applying for much higher tariff increases. In their Multi-Year Price Determination (MYPD 5) application Eskom requested approval for municipal bulk tariff increases of 20.5 per cent in 2022/23, 15 per cent in 2023/24 and 10 per cent in 2024/25. NERSA rejected this revenue application at the end of September 2021 and in October 2021 ESKOM filed an application in the High Court to review NERSA's decision. The matter is still in court with a decision anticipated to be made shortly. If Eskom succeeds, the court will compel NERSA to process the rejected application for tariffs for the year starting 1 April 2022 in terms of the existing MYPD methodology. NERSA will then be expected to immediately publish Eskom's application for public comment.

6.8 Long Term Financial Strategies

National Treasury is supporting municipalities to develop and implement long-term financial models and strategies. This reform seeks to develop more sustainable, and integrated infrastructure development programmes over the longer term, informed by strategic plans, and financed in the most effective and efficient manner.

Although some municipalities have long-term financial models (LTFM), they are not always integrated with municipal plans, or based on actual cash flow analysis and investment programmes, or able to consider alternative financial scenarios and outcomes in relation to the ability to borrow and the structuring of market transactions.

Municipalities need to develop LTFM that support decisions on investment selection and assesses the financial impact of policy choices, by forecasting future financial performance and the impact of infrastructure projects on borrowing capacity. The LTFM needs to inform the municipality's long-term financial strategy, which must articulate a sustainable, efficient and effective borrowing strategy and practices for the municipality and provide a clear statement of intent for lenders and other stakeholders.

National Treasury has initiated this reform in the metropolitan municipalities and some of the Intermediate City municipalities and will continue with this reform in the next financial year. Based on the piloting of this reform, guidance will be provided to all municipalities to develop and implement LTFM's and strategies.

7. Funding choices and management issues

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic municipal services. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2022/23 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates;
- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water;
- Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

7.1 Employee related costs

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2022/23 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2022 and 01 July 2023 an increase based on the projected average CPI percentages for 2022 and 2023. The forecasts of the Reserve Bank, in terms of the January 2022 and January 2023, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, in order to root out ghost employees.

7.2 Remuneration of Councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councilors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councilor(s) concerned.

8. TRANSFERS TO MUNICIPALITIES

8.1 Criteria for the release of the Equitable Share

Section 216(2) of the Constitution of South Africa requires that the National Treasury must enforce compliance with the measures established to ensure both transparency and expenditure control in each sphere of government and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of those measures.

The criteria for the release of the Equitable Share Instalments for the 2022/23 municipal financial year are as follows:

- The 2022/23 adopted budget must be funded and adopted by Council as per the legal framework, as required in terms of section 18 of the MFMA and consistent with the Budget Council and Budget Forum resolutions;
  a. The adopted budget must include budget allocations for bulk suppliers current account payments;
  b. Should the adopted budget still be unfunded, then a funding plan will be required to show how the municipality intends moving progressively out of this position into a funded state, if this plan has been adopted in the past, then a progress report must be submitted on the framework previously shared to guide municipalities which is aligned to the rescue phase of the new approach to Municipal Financial Recovery Service (MFRS);
  c. Those municipalities that adopted an unfunded budget must work with their respective Provincial Treasuries to rectify this position in the lead up to the main adjustments budget process in February 2023; and
  d. A council resolution showing commitment to address the unfunded position must be submitted by these municipalities to the National Treasury by 01 July 2022.

- Credible *m*SCOA data strings and source documents for the 2022/23 MTREF and 2021/22 audits must be generated directly from the core municipal financial system and successfully uploaded to the Local Government GoMuni Portal. Source documents must be submitted in PDF and no excel based spreadsheet/ templates will be accepted;
- The report submitted by bulk suppliers in terms of section 41 of the MFMA must indicate that the current account has been paid timeously in terms of section 65(2)(e) of the MFMA. In addition, where the municipality has a repayment plan with Eskom and/ or the water boards, proof that the current accounts have been paid and a copy of the agreed upon payment plan (or evidence of negotiations underway with creditors) must be submitted to the National and provincial treasuries;
- Municipalities must provide evidence that SARS, pension and other staff benefits deducted from municipal officials have been paid over the appropriate Funds and/ or institutions;
- The information requested in MFMA Circulars No. 93, 98 and 107 on the reconciliation of the valuation roll have been submitted to the National Treasury as per the required timeframes;
- The Competency Regulations reporting requirements have been complied with;
- Provide a copy of the Unauthorised, Irregular, Fruitless and Wasteful (UIF&W) expenditure register, the latest copy of the Municipal Public Accounts Committee (MPAC) recommendations, Council Resolution on UIFW as well as council approved UIFW Reduction Strategy, proof of establishment of the Disciplinary Committee Board (or evidence of progress towards their establishment) and updated audit action plan (where the audit has been completed);
- Those municipalities that received an adverse or disclaimed opinions for the 2020/21 financial year will not receive their funding allocation unless there is a council resolution committing to address these opinions with an implementable plan. The resolution must be signed by each member of the Council and submitted to National Treasury by 1 October 2022;
- The Municipal Financial Recovery Service progress reporting framework for financial recovery plans must be complied with by municipalities under intervention in terms of S139 of the Constitution;
- Additionally, those municipalities that have outstanding audits for both the 2019/20 and 2020/21 financial years as well as municipalities with outstanding 2020/21 audit opinions that also received an adverse or disclaimer opinion in 2019/20, will also not receive their allocation; and
- Any other outstanding documents as per the legal framework have been submitted including the AFS submission (municipality only and consolidated AFS).

Failure to comply with the above criteria will result in National Treasury invoking section 38 of the MFMA which empowers National Treasury to withhold a municipality's equitable share if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(2) of the Constitution which includes reporting obligations set out in the MFMA and National Treasury requests for information in terms of Section 74 of the MFMA.

9. The Municipal Budget and Reporting Regulations

9.1 Schedule A - version to be used for the 2022/23 MTREF

National Treasury has released Version 6.6 of the Schedule A1 (the Excel Formats) which is aligned to Version 6.6 of the *m*SCOA classification framework and must be used when compiling the 2022/23 MTREF budget.

All municipalities must prepare their 2022/23 MTREF budgets in their financial systems and produce the Schedule A1 directly from their financial system.

Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module in the financial system and must ensure that they produce their Schedule A1 directly out of the budget module. **Manual capturing on A1 schedule version 6.6 is not allowed** in terms of the *m*SCOA Regulations.

National Treasury has protected the A1 schedule version 6.6 in order to ensure that the Schedule A1 generated directly from the financial system and not populated manually.

The budget, adjustments budget and Section 71 monthly reporting Schedules that have been regulated in terms of the MBRR have also been aligned to the *m*SCOA chart version 6.6. The revised MBRR Schedules for the 2022/23 MTREF and its linkages to the financial and non-financial data string are available on the link below:

http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx

9.2 Assistance with the compilation of budgets

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

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
	Abigail Maila	012-395 6737	Abigail.Maila@Treasury.gov.za
Buffalo City	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Free State	Sifiso Mabaso	012-315 5952	Sifiso.mabaso@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za
Gauteng	Matjatji Mashoeshoe	012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
	Abigail Maila	012-395 6737	Abigail.Maila@Treasury.gov.za
Johannesburg and Tshwane	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
Ekurhuleni	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
KwaZulu-Natal	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
	Kevin Bell	012-315 5725	Kevin.Bell@treasury.gov.za
eThekwini	Sifiso Mabaso	012-315 5952	Sifiso.mabaso@treasury.gov.za
Limpopo	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Lesego Leqasa		Lesego.Leqasa@treasury.gov.za
Northern Cape	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
	Phumelele Gulukunqu	012-315 5539	Phumelele.Gulukunqu@treasury.gov.za
North West	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
Western Cape	Willem Voigt	012-315-5830	WillemCordes.Voigt@treasury.gov.za
Cape Town	Kgomotso Baloyi	012-315 5866	Kgomotso.Baloyi@treasury.gov.za
George	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Sephiri Tlhomeli	012-406 9064	lgdataqueries@treasury.gov.za

National and provincial treasuries will analyse the credibility of the data string submissions.

9.3 Assessing the 2022/23 MTREF budget

National and provincial treasuries will assess the 2022/23 MTREF budgets to determine if it is complete, funded and complies with the *m*SCOA requirements. The *m*SCOA data strings for the tabled (TABB) and adopted (ORGB) budgets will be used for this assessment.

The **assessment period** of all municipal budget will therefore be from **01 April to 30 June 2022 for both the tabled and adopted budgets**. In this period, the National and provincial treasuries will evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1 July.

Importantly, in order to generate an adopted budget (ORGB) data string, the budget must be locked on the financial system by the 10th working day of July each year. Therefore, once the ORGB data string has been generated, errors in the ORGB can only be corrected via an adjustments budget in February of each year. In terms of the design principles of *m*SCOA, municipalities are not allowed to open the budget on the system for corrections after it has been locked. This means that the tabled budget data string (TABB) should in fact be verified and errors in the TABB should be corrected in the ORGB **before the adopted budget is locked on the financial system and the ORGB data string is generated.**

Amending an unfunded, incomplete and erroneous budget through an adjusted budget is also not encouraged as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes. This will result in overspending and unauthorised expenditure not been monitored in the first six months of the financial year.

The National Treasury would like to emphasise that ***where municipalities have adopted an unfunded budget without a credible funding plan, they will be required to correct the funding plan and ensure that it is credible. The credible funding plan must be immediately adopted by the Municipal Council, and the changes to the budget must be effected in the mid-year adjustments budget to ensure compliance with Section 18 of the MFMA.***

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

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

The budget and data strings that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities). The budget of each entity must be submitted on the D Schedule in pdf format.

In the past it was noted that municipalities have challenges to align the audited outcomes on the financial system to A1 Schedule. Municipalities must ensure that the audited figures and adjusted budget figures captured on the A1 Schedule aligns to the annual financial statements and Schedule B respectively.

10. Submitting budget documentation and A1 schedules for 2022/23 MTREF

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

- Section 22(b)(i) of the MFMA requires that, ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2022**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Friday, 01 April 2022**; and
- Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury within ten working days after the council has approved the annual budget. However, given that municipalities are generating the annual budgets directly from the financial system as required by the *m*SCOA Regulations and that the budgets must be verified before it is locked on the financial system and transacted against, municipalities must submit the approved budget to the National Treasury and the relevant provincial treasury in electronic formats ***immediately*** after approval by the municipal council. Therefore, if the annual budget is tabled to council **on 31 May 2022**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Wednesday, 01 June 2022.**

Since the 2020/21 MTREF, municipalities are no longer required to submit hard copies of all required documents including budget related, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Electronic copies must be submitted in pdf format to the GoMuni Upload portal.

10.1 Expected submissions for 2022/23 MTREF

The following information should be submitted for the 2022/23 MTREF:

- The budget documentation as set out in the MBRR. The budget document must include the main A1 Schedule Tables (A1 - A10);
- The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA22, SA23, SA24 etc. and any other information not contained in the financial data string) in the A1 schedule must be submitted in the prescribed *m*SCOA data string in the format published with Version 6.6 of the A1 schedule;
- The draft and final service delivery and budget implementation plan (SDBIP) in electronic PDF format;
- The draft and final IDP;
- The council resolution for the tabled and adopted budgets;
- Signed Quality Certificate as prescribed in the MBRR for the tabled and adopted budgets;
- D Schedules specific for the entities; and
- A budget locking certificate immediately at the start of the new municipal financial year on 1 July.

10.2 Go Muni Upload Portal

The National Treasury is in the process of finalising the development work on the GoMuni Upload portal. Municipalities, provincial treasuries, system vendors and sector departments should ensure that the names and contact details of the data uploaders or users of the data, as reflected on the LG Database, for their respective institutions are correct and updated as and when changes occur.

10.3 Portals for the submission of information

Municipalities must ensure that the documents are submitted to the correct portals/ mailboxes. These portals/ mailboxes are:

https://lguploadportal.treasury.gov.za (GoMuni Upload Portal) – All documents required in terms of legislation, including:

- *m*SCOA Data Strings by approved registered users;
- Budget-related and in-year documents and schedules (A, B and C) by approved registered users; and
- Reconciliation of the valuation roll to the financial system (as per MFMA Circular No. 93).

Budget related documents and schedules must be uploaded by approved registered users using the GoMuni Upload Portal at: https://lguploadportal.treasury.gov.za/. The GoMuni Upload Portal does not have the same size restrictions encountered with lgdocuments@treasury.gov.za, but requires all documents to:

- Be in PDF format only; and
- Each PDF file must NOT contain multiple document e.g. council resolution and quality certificate within the budget document. Each document type must be identified clearly and uploaded separately.

Municipalities may ***only*** send electronic versions of the above documents to lgdocuments@treasury.gov.za when experiencing problems with the GoMuni Upload Portal.

lgdataqueries@treasury.gov.za – Database related and submission queries and the grant rollover templates.

lgdocuments@treasury.gov.za – Any additional information required by National Treasury that is not listed under the GoMuni Upload portal such as the manual COVID-19 reports.

Please do not submit the same document to ALL the platforms listed above as it means that our Database Team must register the same documents three times which slows down the process. ***Any document/ queries that are submitted to the incorrect portal/ mailbox will be deleted and not processed.***

10.4 Publication of budgets on municipal websites

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the municipality's website. This will aid in promoting public accountability and good governance.

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

10.5 Communication by municipal entities to National Treasury

Municipal entities should not request meetings directly from National Treasury. National Treasury will only engage the entities through the parent municipalities. This includes all communications apart from the legislative reporting requirements.

Contact

national treasury
Department
National Treasury
REPUBLIC OF SOUTH AFRICA

Post	Private Bag X115, Pretoria 0001
Phone	012 315 5009
Fax	012 395 6553
Website	http://www.treasury.gov.za/default.aspx

JH Hattingh
Chief Director: Local Government Budget Analysis
06 December 2021

Appendix 2

National Treasury MFMA Budget Circular 115

NATIONAL TREASURY

MFMA Circular No. 115

Municipal Finance Management Act No. 56 of 2003

Municipal Budget Circular for the 2022/23 MTREF

CONTENTS

Introduction

This budget circular is a follow-up to MFMA Circular No. 112 that was issued on 06 December 2021. It aims to provide further guidance to municipalities with the preparation of their 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) budgets and should be read together with the budget circulars that have been issued previously.

The grant allocations as per the 2022 Budget Review and the 2022 Division of Revenue Bill are also key focus areas in this circular. Municipalities are reminded to refer to the annual budget circulars of the previous years for guidance in areas of the budget preparation that is not covered in this circular.

1. The South African economy and inflation targets

The world economy is expected to grow by 4.4 per cent this year. This is lower than the 4.9 per cent that was anticipated when tabling the medium-term budget policy statement (MTBPS). The Omicron variant of the coronavirus caused many countries to impose restrictions to manage its spread. In addition, continued imbalances in global value chains have limited the pace of the world's economic recovery.

The South African economy has not been shielded from these global developments. National Treasury has revised South Africa's economic growth estimate for 2021 to 4.8 per cent, from 5.1 per cent at the time of the MTBPS.

This revision reflects a combination of the impact of changes in the global environment, along with South Africa's own unique challenges. Commodity prices, which have supported South Africa's economic recovery, slowed in the second half of 2021.

Also, violent unrest in July, and restrictions imposed to manage the third wave of COVID-19 further eroded the gains South Africa made in the first half of the year.

Industrial action in the manufacturing sector, and the re-emergence of loadshedding, also slowed the pace of the recovery.

Real Gross Domestic Product (GDP) growth of 2.1 per cent is projected for 2022. Over the next three years, GDP growth is expected to average 1.8 per cent.

Headline inflation is expected to remain between 3 to 6 per cent target range over the 2022/23 MTEF.

In summary, the tax revenue in 2021/22 was higher than projections and this was mainly due to commodity price rally. However, these are projected to be short term, and as such long-term spending commitments should not be made based on short term revenue benefits. There are measures in place to reduce expenditure to narrow the budget deficit.

The following macro-economic forecasts must be considered when preparing the 2022/23 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2020 - 2025

Fiscal year	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Estimate		Forecast	
CPI Inflation	2.9%	4.5%	4.8%	4.4%	4.5%

Source: Budget Review 2022.
Note: the fiscal year referred to is the national fiscal year (April to March) which is more closely aligned to the municipal fiscal year (July to June) than the calendar year inflation.

2. Key focus areas for the 2022/23 budget process

2.1 Local government conditional grants allocations

Over the 2022 MTEF period, direct transfers to municipalities will grow above inflation, at an annual average rate of 7.9 per cent. Direct conditional grants grow at an annual average rate of 5.3 per cent over the MTEF, while the Local Government Equitable Share (LGES) grows faster, at an annual average rate of 10.3 per cent over the same period.

The higher than inflation growth of allocations to local government is due to additional allocations over the medium term as follows:

- The local government equitable share formula has been updated to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2022 MTEF period. R28.9 billion is added to the LGES over the MTEF to increase coverage of the provision of free basic services; and
- An amount of R1.7 billion over the MTEF is added to the Neighbourhood Development Partnership Grant to fund the continuation of the upscaling of city-led public employment programmes, as part of the Presidential Youth Employment Intervention; and an amount of R347 million over the first two years of the MTEF period is allocated to fund the introduction of the Municipal Disaster Recovery Grant. More detail is provided below.

The Division of Revenue Bill was published on 23 February 2022, following the tabling of the Budget in Parliament. The Bill specifies all local government transfers and municipalities must reconcile their budgets to the numbers published herein.

In terms of the outer year allocations (2023/24 and 2024/25), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2022 Division of Revenue Act. The DoRB is available at:
http://www.treasury.gov.za/documents/national%20budget/2022/dor.aspx

2.2 Division of Revenue Bill, 2022: changes to local government allocations

Budget Facility for Infrastructure (BFI) Funding – There are reductions of R754 million in 2022/23 and R105 million in 2023/24; and an increase of R621 million in 2024/25 in the *Public Transport Network Grant* to align to the revised implementation plan and cash flow projections for the City of Cape Town's MyCiTi public transport network.

Neighbourhood Development Partnership Grant – R1.7 billion is added to the direct component of the *Neighbourhood Development Partnership Grant* for the eight metropolitan municipalities to fund the continuation of the upscaling of city-led public employment programmes that contribute to informal settlement upgrading, public space and asset maintenance, development and management, greening and cleaning, food security, innovative service delivery, local knowledge and information sharing and management, community safety, environmental services and management and community tourism. This is part of the Presidential Youth Employment Intervention and is a continuation of government's response to job losses due to COVID-19, introduced as part of the stimulus package to respond to the impact of the COVID-19 pandemic during 2020.

Regional Bulk Infrastructure Grant – R1 billion is added to the *Regional Bulk Infrastructure Grant*, funded from the BFI, to fund the continuation of the implementation of the Potable Water Security and Remedial Works project in George Local Municipality.

Integrated National Electrification Programme (Eskom) Grant – R50 million is reprioritised from the *Integrated National Electrification Programme (Eskom) Grant* to finance the operational requirements of the Independent Power Producer Office in 2022/23.

Energy Efficiency and Demand Side Management Grant – R8 million in 2022/23 and 2023/24, respectively is reprioritised from the *Energy Efficiency and Demand-Side Management Grant* to finance the operational requirements within the vote of the Department of Mineral Resources and Energy.

R10 million is shifted from the sport component of the ***Municipal Infrastructure Grant*** **(MIG)** to the ***Integrated Urban Development Grant*** **(IUDG)** in 2022/23, to fund a sport project in Polokwane Local Municipality.

The ***Municipal Disaster Recovery Grant*** is introduced to fund infrastructure recovery in municipalities in KwaZulu-Natal. This grant is allocated R347 million between 2022/23 and 2024/25.

2.3 Changes to gazetted frameworks and allocations

Infrastructure Skills Development Grant (ISDG) – The grant framework for the infrastructure skills development grant is amended to include a condition that municipalities must have a capacitated Project Management Units with qualified people to act as supervisors in terms of the relevant statutory council requirements.

Municipal Infrastructure Grant (MIG) – Over the 2022 MTEF, the Department of Cooperative Governance (DCoG) will introduce an indirect component to the MIG. This is to improve efficiency in grant expenditure to develop more and better-quality infrastructure. The conversion will be done in-year. The criteria as determined by DCoG includes indicators related to expenditure and reliability of infrastructure.

Municipal Systems Improvement Grant – Over the MTEF, a portion of the grant will be utilised to continue to support institutionalisation of the district development model.

Municipal Disaster Relief Grant – The name of the *Municipal Disaster Relief Grant* is changed to the *Municipal Disaster Response Grant*. The objective of the grant remains the same and the change aligns to existing National Disaster Management Centre (NDMC) processes in responding to disasters that have occurred.

Local Government Financial Management (FMG) Grant – Over the 2022 MTEF, the grant framework for the FMG will make provision for the preparation of asset registers.

3. IDP Consultation Process Post 2021 Local Government Elections

Municipalities are advised to refer to the guidance (refer to the email sent by the Department of Cooperative Governance and Traditional Affairs (CoGTA) to all municipalities on 20 October 2021) provided through the joint South African Local Government Association (SALGA)/ Department of Cooperative Governance (DCoG) and National Treasury (NT) Joint Circular No.1 on the transitional measures in relation to the integrated development plan (IDP) consultation process. This circular indicates that the previous municipal councils had an obligation to ensure that the legislative stipulations were complied with. Therefore, they were expected to continue the process of the development of the IDP starting with the development and adoption of the process plans as provided for in section 28 of the Municipal Systems Act,

2000. Municipalities should then implement the adopted budget process plan and conduct the public engagements as per dates they have indicated in the process plan.

4. Municipalities unable to pass the annual budget after 1 July

The provincial executive council must urgently request the Mayor to submit a report outlining detailed reasons and or circumstances that led to failure to approve the annual budget by the 1 July.

The provincial executive council must intervene in terms of section 139(4) of the Constitution and take appropriate steps by issuing a directive to the municipal council to approve a budget and any revenue raising measures necessary to give effect to the budget within a reasonable period.

Section 26(4) and (5) of the MFMA provides for how the expenses can be met pending the approval of a budget through a directive. Provincial Treasuries should establish clear internal processes for reviewing and recommending the approval of withdrawals by their MEC for Finance (templates can be obtained from National Treasury).

The provincial executive council must upon issuing of a directive to the Municipal Council conduct an assessment of the budget tabled by the Mayor against the norms and standards, approved budget process plan, and the outcome of public participation processes.

In the event the Municipal Council fails to approve a budget due to walk out or individual misconduct by a majority of councillors, the Speaker must immediately investigate the conduct of those identified councillors in terms of the Code of Conduct for councillors as provided for in the Municipal Systems Act, 2000.

If in terms of the assessment by the provincial executive council of the tabled budget, it is found that there are no justifiable grounds for not approving the budget, the former must submit/ present the outcome of the assessment to the Municipal Council with a directive to consider the assessment and adopt the budget. If the assessment of the provincial executive council of the tabled budget finds that it does not adhere to the required norms and standards, the directive from the provincial executive council should instruct the council to first amend the budget to remedy this before adopting the budget.

The provincial executive council must, if necessary give the municipal council a further 14 days to approve a tabled budget that complies with norms and standards and incorporates the outcome of public participation, failing which the provincial executive council must consider dissolution of municipal council, approval of a temporary budget and appointment of an administrator as a last resort.

5. Municipal Standard Chart of Accounts (*m*SCOA)

5.1 Release of Version 6.6.1 of the Chart

Version 6.6.1 of the chart will be released through a patch to accommodate the following changes/conditions published in the 2022 Division of Revenue (DoR) Bill:

- The capital leg of the Local Government Financial Management (FMG) grant that was retired in chart version 6.2 of the chart. As per the conditions published in the 2022 DoR Bill, the grant may be used, inter alia, for the acquisition, upgrade and maintenance of financial management systems to produce multi-year budgets, in-year reports, service delivery and budget implementation plans, annual financial statements, annual reports and automated financial management practices including the *m*SCOA;

- Allocation-in-kind for the MIG grant to make provision for the indirect grant portion of the grant; and
- The name change from Municipal Disaster relief grant to Municipal Disaster Response Grant. Municipalities should take note of this change when they report on COVID-19 in terms of *m*SCOA Circular No. 9.

Version 6.6.1 of the chart will be effective from 01 July 2022 and must be used to compile the 2022/23 MTREF. The patch is available on the link below:
http://mfma.treasury.gov.za/RegulationsandGazettes/MunicipalRegulationsOnAStandardChartOfAccountsFinal/Pages/default.aspx

5.2 Funding Depreciation

From the analysis of the *m*SCOA data strings it is evident that a number of municipalities are allocating non-funding as the funding source in the fund segment for depreciation charges. Depreciation charges must be funded from operational funds such as service charges for electricity if assets are utilised for electricity purposes, service charges water for water management purposes, waste and wastewater management in the same manner and property rates for services like roads that is primarily funded from property rates.

When deprecation is funded, it will assist the municipalities to accumulate sufficient surpluses that must be transferred to cash backed reserves. Depreciation is the method to provide for the replacement of the assets. If depreciation remains a journal without the funds being ring-fenced, municipalities will not be in a financial position to fund future infrastructure assets.

5.3 Application of Costing

The mapping for Table A2 on Financial Performance of the regulated Schedule A was updated to include the costing segment. The costing segment in *m*SCOA provides for the recording of the full cost for the four core municipal functions, namely: electricity, water, wastewater and waste management. It also allows for the charge out of costs between functions and projects. Costing: recoveries was previously recorded as 'revenue: default' in the item segment. However, as the charge out of cost does not present revenue, municipalities must use 'expenditure: default' in the item segment to record the debit and credit of all costing transactions where the charges increase cost and the recoveries decrease the cost per function or project.

Municipalities are also reminded that one of the validation rules that are applied when *m*SCOA data strings are submitted is that costing transactions for charges and recoveries must balance to zero.

5.4 Change in calculation of consumer deposits

The addition of consumer deposits as a funding source in version 6.6 of the *m*SCOA chart impacts on the population of Tables SA30 and A7 in the Schedule A. The calculation will be changed in the 6.6 chart version to the following:

CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in consumer deposits	Consumer deposits FD001001001014 linked to IA001 Deposits
(Decrease) in consumer deposits	Consumer deposit IL001002 :Withdrawals

All payments received in respect of consumer deposits will be picked up utilising the consumer deposit fund source linked to the bank: deposits posting level. The payment of consumer deposits will be picked up from item liability: consumer deposits: withdrawals posting levels, which represent the outflow of cash.

5.5 NERSA reporting

Municipalities are reminded to complete the D-Forms that the National Energy Regulator of South Africa (NERSA) requires. The National Treasury is currently looking into ways of how the *m*SCOA data strings can be used to populate the NERSA reports and will provide guidance in this regard during 2022.

5.6 Restructuring of the Long-Term Component of Trade Payables

In an effort to assist municipalities to get to a funded budget position, the National Treasury have requested municipalities to negotiate with their major trade creditors like Eskom, Water Boards and the Department of Water Affairs to restructure their outstanding trade creditors. Where the debt owed by a municipality was restructured, in terms of a debt repayment agreement, and the repayment period exceeds a period of 12 months, the debt will remain under *current liabilities trade payables* as per the version 6.6 of the *m*SCOA chart.

The restructuring of debt in the Statement of Financial Position to include the non-current portion through the reclassification of the debt to a *non-current liability of trade payables* under non-current liabilities has a major impact on the working capital requirement disclosure in the funding compliance assessment on Table A8 of the Schedule A and on the entire funding methodology of the National Treasury. The restructuring of debt also affects a number of liquidity measurement ratios such as the Current Ratio, Liquidity Ratio and Creditors to Cash Ratio.

Detailed analysis and careful consideration of the appropriate accounting treatment to ensure that future adjustments to the chart will not compromise the funding methodology of the National Treasury is required. Therefore, any changes required to the *m*SCOA Chart to accommodate the restructuring of the long-term component of trade payables will only be considered for inclusion in version 6.7 of the chart.

The restructuring of the non-current portion should not only impact on the Statement of Financial Position as it requires that municipalities include additional cost in the operation budget for the repayment of the non-current liability, including any finance charges that may be payable as per the repayment agreement. The restructuring of the trade payables without the inclusion of the interest and redemption payments of the non-current liability on the cash flow statement will significantly misstate the funding position of the municipality.

The Budget Funding Assessment Tool used by the National and provincial treasuries to assess the funding position of municipal budgets has been enhanced to include a *Restructuring of Trade Payables Module* to assess the full impact of the restructuring on both the Statement of Financial Position and the impact of interest charges and repayment of the non-current liability on the cash flow position of the municipality. Municipalities that have restructured their trade payables should:

- Indicate this to the respective National and provincial treasuries when submitting their tabled and adopted 2022/23 MTREF budget; and
- Submit the approved agreement with the supplier to the respective National and provincial treasuries with their budget documentation.

The necessary restructuring will then be taken into account in the funding assessment by the respective National and provincial treasuries prior to determining the funding position of the municipality.

5.7 *m*SCOA eLearning

A web-based eLearning course on *m*SCOA will available on the National School of Government (NSG) website from April 2022. This is a self-paced course aimed at all government and municipal officials, especially new employees and interns to on-board them on *m*SCOA.

The course is structured as follows:

Module 1 – The fundamentals of mSCOA (for financial and non-financial officials)

- An overview of the Local Government Budget and Financial Management Reform Agenda and *m*SCOA Legislative Framework;
- *m*SCOA implementation oversight (including the role of internal audit, risk management and councilors); and
- Understanding the *m*SCOA segments.

Module 2 – System and reporting requirements (for financial and non-financial officials)

- An overview of the reporting requirements in a *m*SCOA environment;
- Key business processes that underpins *m*SCOA;
- Minimum system specifications required to comply with the *m*SCOA Regulations;
- Submission of documents and data strings to the National Treasury (i.e. registration process and upload process); and
- Period Control and how to transact and report in period 13, 14 and 15.

Module 3 – Budgeting and transacting on the mSCOA chart (for financial officials)
An understanding of accounting principles and GRAP is required to complete this module.

Municipalities are reminded to budget for the course in their 2022/23 MTREF. For further information, contact the NSG on their website link: https://www.thensg.gov.za.

6. The revenue budget

Similar to the rest of government, municipalities face a difficult fiscal environment. The weak economic growth has put pressure on consumers' ability to pay for services, while transfers from national government are growing more slowly than in the past. Some municipalities have managed these challenges well, but others have fallen into financial distress and face liquidity problems. These include municipalities that are unable to meet their payment obligations to Eskom, Water Boards and other creditors. There is a need for municipalities to focus on collecting revenues owed to them and eliminate wasteful and non-core spending.

Municipalities must ensure that they render basic services, maintain their assets and clean environment. Furthermore, there must be continuous communication with the community and other stakeholders to improve the municipality's reputation. This will assist in attracting investment in the local economy which may result in reduced unemployment. Some municipalities are experiencing serious liquidity challenges. Therefore, the new leadership is advised to:

- Decisively address unfunded budgets by reducing non-priority spending and improving revenue management processes to enable collection; and
- Address service delivery failures by ensuring adequate maintenance, upgrading and renewal of existing assets to enable reliable service delivery.

It should be noted that it is easier for consumers to pay for services if they are reliable and when the environment is well maintained.

National Treasury encourages municipalities to maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The Consumer Price Index (CPI) inflation is forecasted to be within the lower limit of the 3 to 6 per cent target band; therefore, municipalities are required to ***justify all increases in excess of the*** **projected inflation target for 2022/23** in their budget narratives and pay careful attention to tariff increases across all consumer groups. In addition, municipalities should include a detail of their revenue growth assumptions for the different service charges in the budget narrative.

6.1 Maximising the revenue generation of the municipal revenue base

Reference is made to MFMA Circulars No. 93, paragraph 3.1 and No. 98, paragraph 4.1. The emphasis is on municipalities to comply with Section 18 of the MFMA and ensure that they fund their 2022/23 MTREF budgets from realistically anticipated revenues to be collected. Municipalities are cautioned against assuming collection rates that are unrealistic and unattainable as this is a fundamental reason for municipalities not attaining their desired collection rates.

It is essential that municipalities reconcile their most recent valuation roll data to that of the billing system to ensure that revenue anticipated from property rates are accurate. Municipalities should undertake this exercise as a routine practice during the budget process so that supplementary adjustments to the valuation roll are kept up to date. The list of exceptions derived from this reconciliation will indicate where the municipality may be compromising its revenue generation in respect of property rates. A further test would be to reconcile this information with the Deeds Office registry. In accordance with the MFMA Circular No. 93, municipalities are once more requested to submit their reconciliation of the valuation roll to the billing system to the National Treasury on a quarterly basis.

The above information must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at: https://lguploadportal.treasury.gov.za/. If the municipality experience any challenge uploading the information a request for an alternative arrangement may be emailed to linda.kruger@treasury.gov.za.

6.2 Setting cost-reflective tariffs

Reference is made to MFMA Circular No. 98, paragraph 4.2. The setting of cost-reflective tariffs is a requirement of Section 74(2) of the Municipal Systems Act, 2000 which is meant to ensure that municipalities set tariffs that enable them to recover the full cost of rendering the service. This forms the basis of compiling a credible budget. A credible budget is one that ensures the funding of all approved items and is anchored in sound, timely and reliable information on expenditure and service delivery (Financial and Fiscal Commission (FFC), 2011). Credible budgets are critical for local government to fulfil its mandate and ensure financial sustainability.

A credible expenditure budget reflects the costs necessary to provide a service efficiently and effectively, namely:

- A budget adequate to deliver a service of the necessary quality on a sustainable basis; and
- A budget that delivers services at the lowest possible cost.

Municipalities are encouraged to utilise the tariff setting tool referenced in MFMA Circular No. 98, item 4.2. This tool will assist in setting tariffs that are cost-reflective and would enable a municipality to recover costs to fulfil its mandate. The National Treasury Municipal Costing Guide is available on the link below on the National Treasury website.

http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08

It is also imperative that every municipality is utilising the *m*SCOA cost segment correctly.

6.3 Bulk Account Payments and Concessions

During 2018/19, intense work was undertaken to resolve systemic and structural issues pertaining to the electricity function in municipalities. Core to this work was addressing the escalating Eskom debt that threatened the sustainability of Eskom as well as that of municipalities.

During the process, Eskom agreed to provide relieve in certain areas. Municipalities are reminded of the following concessions that remain in place:

- The interest rate charged on overdue municipal bulk accounts were reduced from prime plus 5 per cent to prime plus 2.5 per cent;
- Payment terms were extended from 15 days to 30 days for municipal bulk accounts; and
- Eskom allocation of municipality payments to capital first and then to interest.

These concessions align to the MFMA and are meant to curb municipal growing debt levels by allowing a more conducive payment regime than what was previously employed. In addition, municipalities are urged to budget for and ring-fence their payment of bulk services. Bulk current account payments must be honoured religiously to avoid stringent application of the bulk suppliers' credit control policy.

Municipalities are also advised to enforce a culture of payment for services through their normal credit control processes. In this regard it should be noted that municipalities are only compensated for free basic services based on an indigent user component calculation through the equitable share. As such, a municipality's allocation of free basic services to all of the municipality's consumers is not funded in the equitable share. Every municipality, during the budget process, must consider the affordability to the municipality when allocating free basic services above the national norm and to consumers other than indigent consumers. **If a municipality has any arrears on any of its bulk supplier's accounts, it must limit its provision of free basic services to registered indigent consumers only.**

In this regard municipalities are reminded to take note of the Constitutional Court decision in **Mazibuko and Others vs City of Johannesburg and Others (CCT 39/09) [2009] ZACC 28; 2010 (3) BCLR 239 (CC); 2010 (4) SA 1 (CC) (8 October 2009)**. The Constitutional Court confirmed that a municipality has the right to disconnect the water service in the event of non-payment. In the case of registered indigent users, water may not be disconnected but can and should be restricted to the national policy limit of 6 kilolitres of water monthly.

6.4 Timeous allocations and clearing of the control accounts

Municipalities are encouraged to clear the control accounts on a monthly basis and to allocate trade and other receivable payments in these suspense accounts to the relevant debtor accounts regularly before the monthly submissions as required by the MFMA. Implementing and enforcing the credit control policy of the municipality whilst payments are not cleared in the control account is negligent and irresponsible. Municipalities are warned against this bad practice, and this must be avoided at all costs.

6.5 Smart Prepaid Meters Solution

The Inter-Ministerial Task Team (IMTT) of the 5th administration appointed a panel to investigate the electricity function to better understand what is causing the non-payment to Eskom. Cabinet subsequently endorsed the panel's recommendation that a smart prepaid solution for all municipalities must be explored. Municipalities are advised that the National Treasury, through the Office of the Chief Procurement Officer (OCPO), will soon facilitate a transversal contract to standardise prepaid smart meter solutions for electricity that align to minimum and critical technical specifications for local government.

If your municipality or entity is currently in the process of procuring any smart meter solution or is planning to, you are cautioned:

- Against proceeding prior to the OCPO having issued and awarded the transversal prepaid smart meter Terms of Reference (ToR); and
- That, with immediate effect, you must obtain the National Treasury's input prior to proceeding with any current procurement or proposed procurement for any smart meter solution or similar system solution. This is to prevent unnecessary and wasteful expenditure on such solutions. Any request for National Treasury's input on the current or planned procurement of any smart meter solution or similar system solution or component thereof, must be directed to the National Treasury for the attention of the Local Government Budget Analysis Unit (Mr. Sadesh Ramjathan) Sadesh.Ramjathan@treasury.gov.za.

Your assistance in proactively ensuring that the municipality and/ or its entities are not adversely affected by these processes will be appreciated.

6.6 Critical Notice Affecting STS Meters

Municipalities are alerted that there is a pending business risk to the prepayment metering industry that requires urgency of action. The token identifiers (TID) used to identify each credit token will run out of available numbers in November 2024, at which point all STS meters will stop accepting credit tokens. The remedy is to visit each meter and enter a special set of key change tokens in order to reset the meter memory. Municipalities are advised that the National Treasury, through the Office of the Chief Procurement Officer (OCPO), will soon facilitate a transversal contract for the provision of auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters that align to minimum and critical technical specifications for local government.

If your municipality or entity is currently in the process of procuring for a solution or is planning to, you are cautioned:

- Against proceeding prior to the OCPO having issued and awarded the transversal contract for the provision of auditing, re-calibration and re-configuration services for standard transfer specification compliant prepayment meters Terms of Reference (ToR); and
- That, with immediate effect, you must obtain the National Treasury's input prior to proceeding with any current procurement or proposed procurement for this purpose or any related solution or similar. This is to prevent unnecessary and wasteful expenditure on such solutions. Any request for National Treasury's input on the current or planned procurement of any related solution or similar or component thereof, must be directed to the National Treasury for the attention of the Local Government Budget Analysis Unit (Mr. Sadesh Ramjathan) Sadesh.Ramjathan@treasury.gov.za.

In this regard, municipalities will have two options to choose from:

- Firstly, to pursue the route of auditing, re-calibrating and re-configuring services for standard transfer specification compliant prepayment meters; and
- Secondly, to replace the old meter with a new smart prepaid meter.

For both options, the municipality will have to budget accordingly as no additional funding will be available through the national fiscus.

Your assistance in proactively ensuring that the municipality and/ or its entities are not adversely affected by these processes will be appreciated.

6.7 Completeness and credibility of revenue related information in the Budget

The Municipal Budget and Reporting Regulations (MBRR) regulates the minimum level of information required from municipalities when compiling, implementing, monitoring, and evaluating the municipality's financial management situation. Failure to include the minimum required information hampers the municipal council, the public and stakeholders' ability to make informed decisions and engage on the matter. It also limits research, studies, and benchmarking undertaken for local, provincial, and national purposes.

The National Treasury would like to take this opportunity to caution municipalities that the MBRR prescribe the minimum level of information municipalities must include as part of their legal reporting obligations.

Going forward the Treasuries will place increased attention and focus on the adequacy of municipalities' submissions. The National Treasury regards this non-compliance to include the minimum level of information as serious and if persistent will consider applying the available legal sanctions, including recourse in terms of section 216(2) of the Constitution. In this context, National Treasury will particularly focus on the completeness of asset management related information as well as the statistical information required in the A, B and C schedules during the 2022/23 MTREF.

6.8 Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Bulk electricity costs are consistently much higher than inflation, having gone as high as 17.8 per cent in the 2021/22 municipal financial year. Eskom's need for increased funding means that over the period ahead they are applying for much higher tariff increases. In their Multi-Year Price Determination (MYPD 5) application Eskom requested approval for municipal bulk tariff increases of 20.5 per cent in 2022/23, 15 per cent in 2023/24 and 10 per cent in 2024/25. NERSA rejected this revenue application at the end of September 2021 and in October 2021 ESKOM filed an application in the High Court to review NERSA's decision. Following the deliberations, NERSA has approved a 9.6 per cent tariff increase for Eskom starting from April 2022 and this figure accounts for a 3.49 per cent increase in 2022/23.

6.9 Long Term Financial Strategies

National Treasury is supporting municipalities to develop and implement long-term financial models and strategies. This reform seeks to develop more sustainable, and integrated infrastructure development programmes over the longer term, informed by strategic plans, and financed in the most effective and efficient manner.

Although some municipalities have long-term financial models (LTFM), they are not always integrated with municipal plans, or based on actual cash flow analysis and investment programmes, or able to consider alternative financial scenarios and outcomes in relation to the ability to borrow and the structuring of market transactions.

Municipalities need to develop LTFM that support decisions on investment selection and assesses the financial impact of policy choices, by forecasting future financial performance and the impact of infrastructure projects on borrowing capacity. The LTFM needs to inform the municipality's long-term financial strategy, which must articulate a sustainable, efficient and effective borrowing strategy and practices for the municipality and provide a clear statement of intent for lenders and other stakeholders.

National Treasury has initiated this reform in the metropolitan municipalities and some of the Intermediate City municipalities and will continue with this reform in the next financial year. Based on the piloting of this reform, guidance will be provided to all municipalities to develop and implement LTFM's and strategies.

6.10 Water management

Reference is made to the 2011, Chapter 8 of the Local Government Budget and Expenditure Review (LGBER) which emphasizes the importance of water management.

It has been observed recently in various platforms where municipalities engage with treasuries and the sector deportments that there is no uniformity in reporting water and electricity losses. These are material items and need to be disclosed in planning, budgeting, reporting and in the annual report and Annual Financial Statements in uniform ways in order to track performance. In order to ensure consistency of reporting, the following information must be provided:

Accounting for water sold, non-revenue water and water losses:

- System input volume (kl)
- Water Billings (sum of accounts issued) – volume in kl and rand value
- Free basic water allowance (not included in billings) - volume in kl and rand value
- Physical water losses (estimated): volume in kl and rand value
- Water revenue collected (Rand value)

Accounting for electricity sold and electricity losses:

- Electricity purchased and generated (Electricity input) (kWh)
- Electricity Billings (sum of accounts issued) (KWh and Rand value)
- Free basic electricity allowance (not included in billings) (KWh and Rand value)
- Technical losses (estimated) (KWh and Rand value)
- Electricity revenue collected (Rand value)

In addition, the norms articulated in MFMA Circular No. 71 should also be taken into consideration.

6.11 Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFW)

Cabinet adopted the Medium-Term Strategic Framework (MTSF) for 2019-2024 wherein it amongst others, committed that government will reduce irregular expenditure by 75 per cent and fruitless and wasteful expenditure by 100 per cent by 2024. It is important to note that these targets are applicable to each sphere of government. To this end, the Minister of Finance approved the UIFW Reduction Strategy for municipalities which was issued through MFMA Circular No. 111 in November 2021. The latter strategy advocated for municipalities to develop UIFW reduction plans that is approved by the municipal council, with the aim being for municipalities to utilize their 2018/19 UIFW figures as contained in their audited annual financial statements for that financial year as a baseline to develop the reduction plans. Whilst progress has been slow in terms of municipalities developing and submitting these plans to the National Treasury, some municipalities has made strides in this regard.

National Treasury would like again to encourage municipalities to develop the UIFW reduction plans and have it approved by the municipal councils through a council resolution for submission to the National Treasury to the MFMA helpdesk at mfma@treasury.gov.za for the attention of Mr. Wayne McComans on wayne.mccomans@treasury.gov.za. Municipalities are also advised to report progress against these UIFW reduction plans as part of their monthly section 71 reporting to enable the necessary monitoring and oversight by the National Treasury on the implementation of these plans.

Going forward the Treasuries will place increased attention and focus on the processing of UIFW by municipalities as required by section 32(2) of the MFMA read with MFMA Circular No. 68. The National Treasury regards this consistent non-compliance for failure to adequately process and investigate UIFW as serious and if persistent will consider applying the available legal sanctions, including recourse in terms of section 216(2) of the Constitution.

7. Funding choices and management issues

Municipalities are under pressure to generate revenue as a result of the economic landscape, the COVID-19 pandemic, weak tariff setting and increases in key cost drivers to provide basic municipal services. The ability of customers to pay for services is declining and this means that less revenue will be collected. Therefore, municipalities must consider the following when compiling their 2022/23 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read with MFMA Circular No. 82;
- Ensuring value for money through the procurement process;
- The affordability of providing free basic services to all households;
- Not taking on unfunded mandates;
- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water;
- Prioritise the filling of critical vacant posts, especially linked to the delivery of basic services; and
- Curbing the consumption of water and electricity by the indigents to ensure that they do not exceed their allocation.

Accounting officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently and economically. Failure to do this will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

7.1 Employee related costs

The Salary and Wage Collective Agreement for the period 01 July 2021 to 30 June 2024 dated 15 September 2021 through the agreement that was approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution should be used when budgeting for employee related costs for the 2022/23 MTREF. In terms of the agreement, all employees covered by this agreement shall receive with effect from 01 July 2022 and 01 July 2023 an increase based on the projected average CPI percentages for 2022 and 2023. The forecasts of the Reserve Bank, in terms of the January 2022 and January 2023, shall be used to determine the projected average CPI. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, in order to root out ghost employees.

7.2 Remuneration of Councillors

Municipalities are advised to budget for the actual costs approved in accordance with the Government Gazette on the Remuneration of Public Office Bearers Act: Determination of

Upper Limits of Salaries, Allowances and Benefits of different members of municipal councils published annually between December and January by the Department of Cooperative Governance. It is anticipated that this salary determination will also take into account the fiscal constraints. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councilors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of Section 167 of the MFMA and must be recovered from the councilor(s) concerned.

7.3 Equitable Share allocation

As highlighted in Minister Enoch Godongwana's 2022 Budget Speech, municipalities must be mindful that the Equitable Share is meant to fund basic municipal services to the indigent. Municipalities must ensure that monies are used for the purpose they were allocated for.

8. Transfers to Municipalities

The circular reiterates the requirements of the rollover and unspent conditional grants process in line with conditions outlined in the annual Division of Revenue Act. Municipalities are required to request for a rollover approval against any unspent conditional grants that were allocated through the annual Division of Revenue Act, therefore this section provides guidance to municipalities with regard to the preparation for the 2021/22 unspent conditional grants and roll-over process and should be referenced against previous annual budget circulars.

8.1 Criteria for the rollover of conditional grant funds

In terms of Section 21 of the Division of Revenue Act, 2021 (Act No.9 of 2021) (DoRA) read in conjunction with the Division of Revenue Amendment Act, 2021 (Act No. 17 of 2021) (DoRAA), the Act requires that any conditional allocation or a portion thereof that is not spent at the end of the 2021/22 financial year reverts to the National Revenue Fund (NRF), unless the rollover of the allocation is approved in terms of subsection (2). Furthermore, the receiving officer, provincial treasury and transferring national officer is required to prove to National Treasury that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.

When requesting a rollover in terms of section 21(2) of the 2021 DoRA, municipalities must include the following information with their submission to National Treasury:

- A formal letter, signed by the accounting officer addressed to the National Treasury requesting the rollover of unspent conditional grants in terms of section 21(2) of the 2021 DoRA;
- A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
- The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):

  a) Proof that a contractor or service provider was appointed for delivery of the project before 31 March 2022; or
  b) Proof of project tender and tender submissions published and finalised before 31 March 2022 with the appointment of contractor or service provider for delivery of the service before 30 June 2022 in cases where additional funding was allocated during the course of the final year of the project. Further, municipalities must note the letters issued by National Treasury dated 25 February and 03 March 2022 respectively regarding the Preferential Procurement Regulation, 2017;
  c) Incorporation of the Appropriation Statement; and

d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2022 (attach cash flow projection for the applicable grant).

- A progress report (also in percentages) on the status of each project's implementation that includes an attached legible implementation plan);
- The value of the committed project funding, and the conditional allocation from the funding source;
- Reasons why the grants were not fully spent during the year of original allocation per the DoRA;
- Rollover of rollovers will not be considered therefore municipalities must not include previous year's unspent conditional grants as rollover request;
- An indication of the time-period within which the funds are to be spent if the roll-over is approved; and
- Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief Financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy, this also includes acting appointments as a result of suspensions of either MM or CFO that are more than 12 months.

If any of the above information is not provided or the application is received by National Treasury (Intergovernmental Relations Division) after 31 August 2022, the application will not be considered.

In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas:

- Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2021 DoRA, including the municipal manager and Chief Financial Officer signing-off on the information sent to National Treasury;
- Submission of the pre-audited Annual Financial Statements to National Treasury by 31 August 2022;
- Accurate disclosure of grant performance in the 2021/22 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
- Despite the fact that local government is required to comply to different norms and standards prescribed by different legislations, municipalities are expected to fully comply with the provisions of DoRA that relates to rollover processes and disclose conditional grant performance in the 2021/22 pre-audited Annual Financial Statements in order to verify grant expenditure; and
- Cash available in the bank (net position including short-term investments) as at 30 June 2022 is equivalent to the amount that is unspent as at the end of the financial year. If the amount that is requested for roll-over is not entirely cash backed, such a roll-over will not be approved. National Treasury will also not approve portions of rollover requests.

It should be noted that under no circumstances will the National Treasury consider requests to roll-over:

- The entire 2021/22 allocation to the municipality, in cases whereby the rollover request is more than 50 per cent of the total allocation, National Treasury will approve the rollover amount up to 50 per cent of the 2021/22 allocation;
- Rollover request of the same grant for the third consecutive time;

- Funding for projects constituted through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636). Projects linked to additional funding and disasters are exempted; and
- A portion of an allocation where the proof of commitment for the rollover application is linked to invoices that were issued before or on 31 May 2022.

8.2 Unspent conditional grant funds for 2021/22

The 2021/22 unspent conditional process will be managed in accordance with section 21 of DoRA, in order to ensure that the unspent conditional grants against the 2021/22 financial year return to the National Revenue Fund (NRF). In addition to the previous MFMA Circulars, the following practical arrangements will apply:

Step 1: Municipalities must submit their 30 June 2022 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile;

Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2022. These amounts MUST exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately; and

Step 3: If the receiving officer wants to motivate in terms of section 21(2) of the 2021 DoRA that the unspent funds are committed to identifiable projects, the rollover application pack must be submitted to National Treasury by no later than 31 August 2022.

National Treasury will not consider any rollover requests that are incomplete or received after this deadline.

Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 21 October 2022;

Step 5: National Treasury will communicate the unspent conditional grants amount by 08 November 2022. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund (NRF) by 18 November 2021; and

Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund (NRF) by 18 November 2021, and for which a municipality has not requested a repayment arrangement, these funds will be offset against the municipality's 07 December 2022 equitable share allocation.

Annexure to MFMA Circular No. 86 addresses all the issues pertaining to Appropriation Statement and reporting on approved roll-overs.

8.3 Importance of section 16 of the Division of Revenue Act

The circular again reiterates the importance of compliance to section 16 of DoRA in relation to the allocation or transfer of funds by municipalities to other organs of state in order to implement projects on behalf of the municipalities.

Section 16 (3) of DoRA states that a receiving officer may not allocate any portion of a schedule 5 allocation to any other organ of state for the performance of a function, unless the receiving officer and the organ of the state agree on the obligation of both parties and a payment schedule, the receiving officer has notified the transferring officer, the relevant provincial treasury and National Treasury of the agreed payment schedule and:

- The allocation
    i) Is approved in the budget for the receiving provincial department or municipality; or
    ii) If not already approved;
        aa) the receiving officer notifies the National Treasury that the purpose of the allocation is not to artificially inflate the expenditure estimates of the relevant municipality and indicates the reasons for the allocation; and
        bb) the National Treasury approves the allocation; or
- The allocation is for the payment for goods or services procured in accordance with the procurement prescripts applicable to the relevant province or municipality and, if it is an advance payment, paragraph (a) (ii) applies with the necessary changes.

Further, section 16 (4) states that the receiving officer must submit a copy of the agreement envisaged in subsection (3) to the transferring officer and the National Treasury before payment is made.

This section requires municipalities to comply with section 16 (3) before any DoRA allocated funds that are allocated or transferred to any organ of state and the municipality should first seek approval from National Treasury. The allocation includes transfers made to any organ of state in order to perform a function using conditional grants allocated through the DoRA.

Note that National Treasury considers the following when assessing the request from the municipality for approval:

- If the municipality is benefitting and utilising from the five per cent from capital grants that may be utilized for Project Management Unit (PMU). In terms of the capital grant framework (i.e. MIG and the Integrated Urban Development Grant (IUDG) and three per cent for the Urban Settlements Development Grant (USDG) municipalities are allowed to utilise a certain per cent of the grant for PMU or capacity support in order to implement capital projects. Therefore, if municipalities are benefiting from this initiative the PMU should be capacitated enough to implement capital project;
- Municipalities that are benefiting from the added technical support from Municipal Infrastructure Support Agent (MISA) will not be granted approval because MISA would assist with providing support and develop technical capacity towards sustained accelerated municipal capacity and service delivery. This implies that the municipality would be capacitated and be in a better position to implement capital projects; and
- If the request does not comply to the grant conditions, framework and if the transfer artificially inflates the expenditure estimates.

The following information must be submitted to National Treasury before approval is granted to municipalities to transfer funds to other organs of the state:

- In consultation with the relevant transferring officer municipalities must submit their request to National Treasury for approval;
- Provide the time frames regarding the duration of this arrangement between the municipality and the organ of the state;
- Provide the Service Level Agreement (SLA) between the municipality and the organ of state in consultation with the relevant transferring officer;
- Provide the agreed payment schedule reflecting the disbursement of the funds;
- Must provide the reasons why such a decision has been taken by the municipality;
- If amongst the reasons for the request is related to capacity challenges the municipality must therefore prove beyond reasonable doubt that there are capacity challenges and the reasons thereof; and
- Upon approval the municipality must submit the approved budget that includes the allocation.

Note that once the allocation or transfer has been approved the payment for goods or services must be procured in accordance with or in compliance to the procurement prescripts applicable to the relevant municipality. If there is an agreement for an advancement, subsection (a) (ii) will apply in order to determine if the payment does not artificially inflate the expenditure estimates. Further, before funds are transferred, the transferring national officer and National Treasury must agree on the payment schedule.

Therefore, if any expenditure incurred which emanates from such an arrangement while there was non-compliance with section 16, grant conditions and framework, such expenditure will not be recognised by both National Treasury and relevant transferring officer and will be classified as unauthorised expenditure.

9. The Municipal Budget and Reporting Regulations

9.1 Schedule A - version to be used for the 2022/23 MTREF

National Treasury has released Version 6.6.1 of the Schedule A1 (the Excel Specimen) which is aligned to Version 6.6.1 of the *m*SCOA classification framework and must be used when compiling the 2022/23 MTREF budget.

All municipalities **must** prepare their 2022/23 MTREF budgets in their financial systems and produce the Schedule A1 directly from their financial system.

Municipalities must start early enough to capture their tabled budget (and later the adopted budget) in the budget module in the financial system and must ensure that they produce their Schedule A1 directly out of the budget module. **Manual capturing on A1 schedule version 6.6.1 is not allowed** in terms of the *m*SCOA Regulations.

National Treasury has protected the A1 schedule version 6.6 in order to ensure that the Schedule A1 generated directly from the financial system and not populated manually.

The budget, adjustments budget and Section 71 monthly reporting Schedules that have been regulated in terms of the MBRR have also been aligned to the *m*SCOA chart version 6.6.1. The revised MBRR Schedules for the 2022/23 MTREF and its linkages to the financial and non-financial data string are available on the link below:

http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx

9.2 Assistance with the compilation of budgets

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

Province	Responsible NT officials	Tel. No.	Email
Eastern Cape	Matjatji Mashoeshoe	012-315 5553	Matjatji.Mashoeshoe@treasury.gov.za
	Abigail Maila	012-395 6737	Abigail.Maila@Treasury.gov.za
Buffalo City	Mandla Gilimani	012-315 5807	Mandla.Gilimani@treasury.gov.za
Free State	Sifiso Mabaso	012-315 5952	Sifiso.mabaso@treasury.gov.za
	Cethekile Moshane	012-315 5079	Cethekile.moshane@treasury.gov.za

Gauteng Johannesburg and Tshwane Ekurhuleni	Matjatji Mashoeshoe Abigail Maila Willem Voigt Kgomotso Baloyi	012-315 5553 012-395 6737 012-315 5830 012-315 5866	Matjatji.Mashoeshoe@treasury.gov.za Abigail.Maila@Treasury.gov.za WillemCordes.Voigt@treasury.gov.za Kgomotso.Baloyi@treasury.gov.za
KwaZulu-Natal eThekwini	Kgomotso Baloyi Kevin Bell Sifiso Mabaso	012-315 5866 012-315 5725 012-315 5952	Kgomotso.Baloyi@treasury.gov.za Kevin.Bell@treasury.gov.za Sifiso.mabaso@treasury.gov.za
Limpopo	Sifiso Mabaso	012-315 5952	Sifiso.Mabaso@treasury.gov.za
Mpumalanga	Mandla Gilimani Lesego Leqasa	012-315 5807	Mandla.Gilimani@treasury.gov.za Lesego.Leqasa@treasury.gov.za
Northern Cape	Mandla Gilimani Phumelele Gulukunqu	012-315 5807 012-315 5539	Mandla.Gilimani@treasury.gov.za Phumelele.Gulukunqu@treasury.gov.za
North West	Willem Voigt Makgabo Mabotja	012-315 5830 012-315 5156	WillemCordes.Voigt@treasury.gov.za Makgabo.Mabotja@treasury.gov.za
Western Cape Cape Town George	Willem Voigt Kgomotso Baloyi Mandla Gilimani	012-315-5830 012-315 5866 012-315 5807	WillemCordes.Voigt@treasury.gov.za Kgomotso.Baloyi@treasury.gov.za Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Sephiri Tlhomeli	012-406 9064	lgdataqueries@treasury.gov.za

National and provincial treasuries will analyse the credibility of the data string submissions.

9.3 Assessing the 2022/23 MTREF budget

National and provincial treasuries will assess the 2022/23 MTREF budgets to determine if it is complete, funded and complies with the *m*SCOA requirements. The *m*SCOA data strings for the tabled (TABB) and adopted (ORGB) budgets will be used for this assessment.

The **assessment period** of all municipal budget will therefore be from **01 April to 30 June 2022 for both the tabled and adopted budgets**. In this period, the National and provincial treasuries will evaluate all municipal budgets for completeness and for being fully funded. Any adjustment that need to be made must be done before the start of the municipal financial year on 1 July.

Importantly, in order to generate an adopted budget (ORGB) data string, the budget must be locked on the financial system by the 10th working day of July each year. Therefore, once the ORGB data string has been generated, errors in the ORGB can only be corrected via an adjustments budget in February of each year. In terms of the design principles of *m*SCOA, municipalities are not allowed to open the budget on the system for corrections after it has been locked. This means that the tabled budget data string (TABB) should in fact be verified and errors in the TABB should be corrected in the ORGB **before the adopted budget is locked on the financial system and the ORGB data string is generated**.

Amending an unfunded, incomplete and erroneous budget through an adjusted budget is also not encouraged as the National Treasury only considers an adjusted budget in the third and fourth quarter of the financial year for analysis and publication purposes. This will result in overspending and unauthorised expenditure not been monitored in the first six months of the financial year.

The National Treasury would like to emphasise that ***where municipalities have adopted an unfunded budget without a*** **credible funding plan*****, they will be required to correct the funding plan and ensure that it is credible. The credible funding plan must be***

immediately adopted by the Municipal Council, and the changes to the budget must be effected in the main adjustments budget to ensure compliance with Section 18 of the MFMA.

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

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

The budget and data strings that the municipality submits to National Treasury must be a consolidated budget for the municipality (including entities). The budget of each entity must be submitted on the D Schedule in pdf format.

In the past it was noted that municipalities have challenges to align the audited outcomes on the financial system to A1 Schedule. Municipalities must ensure that the audited figures and adjusted budget figures captured on the A1 Schedule aligns to the annual financial statements and Schedule B respectively.

10. Submitting budget documentation and A1 schedules for 2022/23 MTREF

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

- Section 22(b)(i) of the MFMA requires that, ***immediately*** after an annual budget is tabled in a municipal council, it must be submitted to the National Treasury and the relevant provincial treasury in electronic formats. If the annual budget is tabled to council on **31 March 2022**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Friday, 01 April 2022**; and
- Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury within ten working days after the council has approved the annual budget. However, given that municipalities are generating the annual budgets directly from the financial system as required by the *m*SCOA Regulations and that the budgets must be verified before it is locked on the financial system and transacted against, municipalities must submit the approved budget to the National Treasury and the relevant provincial treasury in electronic formats ***immediately*** after approval by the municipal council. Therefore, if the annual budget is tabled to council **on 31 May 2022**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Wednesday, 01 June 2022.**

Since the 2020/21 MTREF, municipalities are no longer required to submit hard copies of all required documents including budget related, Annual Financial Statements and Annual Reports to National Treasury via post or courier services. Electronic copies must be submitted in pdf format to the GoMuni Upload portal.

10.1 Expected submissions for 2022/23 MTREF

The following information should be submitted for the 2022/23 MTREF:

- The budget documentation as set out in the MBRR. The budget document must include the main A1 Schedule Tables (A1 - A10);
- The non-financial supporting tables (A10, SA9, SA11, SA12, SA13, SA22, SA23, SA24 etc. and any other information not contained in the financial data string) in the A1 schedule must be submitted in the prescribed *m*SCOA data string in the format published with Version 6.6 of the A1 schedule;
- The draft and final service delivery and budget implementation plan (SDBIP) in electronic PDF format;
- The draft and final IDP;
- The council resolution for the tabled and adopted budgets;
- Signed Quality Certificate as prescribed in the MBRR for the tabled and adopted budgets;
- D Schedules specific for the entities; and
- A budget locking certificate immediately at the start of the new municipal financial year on 1 July.

10.2 GoMuni Upload Portal

The development work on the GoMuni Upload portal has been concluded and municipalities must submit all documents required for the 2022/23 MTREF in terms of legislation, as per the guidance provided in MFMA Circular No 112 dated 06 December 2021, via the GoMuni Upload Portal. The upload portal can be accessed on https://lguploadportal.treasury.gov.za from 01 April 2022.

All municipal officials that currently have access to the LG Upload portal will be granted access to the GoMuni Upload portal. New users will have to complete and submit a *Request for Access* to lgdataqueries@treasury.gov.za. The request form will be available on the GoMuni login page under new registrations.

10.3 Additional validation rules applicable to data string submissions

To ensure that credible data strings are submitted to the GoMuni Upload portal, additional validation rules will be introduced in the 2022/23 MTREF. The credibility and accuracy of the data strings must be verified by municipalities before submission on the GoMuni Upload. The additional validation rules will be implemented on the stage 1 validation. In other words, a data strings that fails the validation will be rejected. The additional rules are as follows:

1. A balanced data string must be submitted. This means that the data strings that is submitted must always be in balance. All the transactions should be included for Revenue, Expenditure, Gains and Losses, Assets, Liabilities and Net Assets;
2. All secondary cost data strings may only be linked to Item: Expenditure: Default. All costing transactions must be linked to Item: Expenditure default as it refers to the reallocation of cost from one function to another or one operational project to another operational project. Where cost is capitalised the costing segment is not used;
3. Inventory for water must be linked to the Function: Water Management. Bulk purchases of Water must only be recorded against the Water management function; and
4. Opening balances must be linked to Project default and Fund: non funding. All opening balances that are not linked to Project default and Non funding will not be valid.

The new validation rules will come into effect from 01 July 2022.

10.4 Publication of municipal documents

Going forward, the following municipal documents will be published on the GoMuni/ Go Public portal:

- Integrated Development Plans;
- Budget Documentation;
- Service Delivery and Budget Implementation Plans;
- Annual Financial Statements;
- Annual Reports; and
- Audit Reports.

Municipal documents submitted to the National Treasury prior to 2022 will be available on the MFMA webpage and can be accesses via the MFMP Share Point Documents option on GoMuni/ Go Public.

GoMuni/ Go Public can be accessed on the following link: https:/lg.treasury.gov.za

10.5 Communication by municipal entities to National Treasury

Municipal entities should not request meetings directly from National Treasury. National Treasury will only engage the entities through the parent municipalities. This includes all communications apart from the legislative reporting requirements.

Contact

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Post	Private Bag X115, Pretoria 0001
Phone	012 315 5009
Fax	012 395 6553
Website	http://www.treasury.gov.za/default.aspx

JH Hattingh
Chief Director: Local Government Budget Analysis
04 March 2022

Appendix 3

Provincial Treasury Municipal Budget Circular 1/2022

Western Cape Government

Provincial Treasury
Malcolm L Booysen
Local Government Budget Office
Malcolm.Booysen@westerncape.gov.za | Tel: 021 483 3386

Reference number: RCS/C.5

Private Bag X9165
CAPE TOWN
8000

TREASURY CIRCULAR MUN NO. 1/2022

THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR G PIETERSEN
THE MAYOR, BERGRIVIER MUNICIPALITY: MR R VAN ROOY
THE MAYOR, BITOU MUNICIPALITY: MR D SWART
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR P SWART
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: DR H VON SCHLICHT
THE MAYOR, CEDERBERG MUNICIPALITY: DR R RICHARDS
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: MS J BOTHA
THE MAYOR, CITY OF CAPE TOWN: MR G HILL-LEWIS
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MR C POOLE
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M BOOYSEN
THE MAYOR, GEORGE MUNICIPALITY: MR L VAN WYK
THE MAYOR, HESSEQUA MUNICIPALITY: MR G RIDDLES
THE MAYOR, KANNALAND MUNICIPALITY: MR N VALENTYN
THE MAYOR, KNYSNA MUNICIPALITY: MR L DAVIS
THE MAYOR, LAINGSBURG MUNICIPALITY: MR M SMITH
THE MAYOR, LANGEBERG MUNICIPALITY: MR S VAN EEDEN
THE MAYOR, MATZIKAMA MUNICIPALITY: MR J VAN DER HOVEN
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR D KOTZE
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR C LOUW
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR A FRANKEN
THE MAYOR, OVERSTRAND MUNICIPALITY: DR A RABIE
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MS M JAFTHA
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR A TRUTER
THE MAYOR, STELLENBOSCH MUNICIPALITY: ADV G VAN DEVENTER
THE MAYOR, SWARTLAND MUNICIPALITY: MR H CLEOPHAS
THE MAYOR, SWELLENDAM MUNICIPALITY: MR F DU RAND
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR K PAPIER
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR R STRYDOM
THE MAYOR, WITZENBERG MUNICIPALITY: MR H SMIT

THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J PENXA
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV. H LINDE
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR R BOSMAN (ACTING)
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR E PHILLIPS
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT MUNICIPALITY: MR H PRINS
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR A TITUS (ACTING)
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: DR S VATALA
THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: ADV L MBANDAZAYO
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR J LEIBBRANDT
THE MUNICIPAL MANAGER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M STRATU
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: DR M GRATZ (ACTING)
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR M HOOGBAARD (ACTING)
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR D ADONIS (ACTING)
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR J BOOYSEN
THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR A DE KLERK
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR G SEAS (ACTING)
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: MR C PUREN (ACTING)
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR W HENDRICKS (ACTING)
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR N KRUGER (ACTING)
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR D O'NEILL
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR A HENDRICKS (ACTING)
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR H METTLER
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MS G METTLER

THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR A GROENEWALD
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR J JONKERS (ACTING)
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THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON

THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MS N NTSANGANI
THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR F LÖTTER
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR M DYUSHU
THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR R ONTONG
THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H VAN BILJON
THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT MUNICIPALITY: MS FA DU RAAN-GROENEWALD
THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR M MEIMANI
THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR R DE BRUYN (ACTING)
THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY
THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR B BROWN
THE CHIEF FINANCIAL OFFICER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR JW DE JAGER
THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR R DU PLESSIS
THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN
THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR R BUTLER
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR J CARSTENS (ACTING)
THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD
THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR M SHUDE
THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR E ALFRED
THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR O FREDERICKS
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR G DE JAGER
THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR P HOFFMANN (ACTING)
THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MS S REYNEKE-NAUDÉ
THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR A HENDRICKS (ACTING)
THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR S VORSTER
THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR K CAROLUS
THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR M BOLTON
THE CHIEF FINANCIAL OFFICER, SWELLENDAM MUNICIPALITY: MS E WASSERMANN
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THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR D SAVAGE)
THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (DR R HAVEMANN)
THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MS J GANTANA)
THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (DR R HAVEMANN) (PRO TEM)
THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS A PICK)
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THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)

THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

CONTENTS

MUNICIPAL BUDGET CIRCULAR FOR THE 2022/23 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK

1. PURPOSE

The purpose of this circular is to:

- provide the economic and fiscal context that should be considered by municipalities when compiling the 2022/23 Medium Term Revenue and Expenditure Framework (MTREF);
- outline the legislative requirements guiding the tabling of the 2022/23 MTREF Budgets and accompanied budget documentation; and
- remind municipalities of additional upcoming reporting responsibilities.

2. STRATEGIC CONTEXT

Economic and Fiscal Environment

The 2022 Strategic Integrated Municipal Engagement/ Local Government Medium Term Expenditure (SIME/ LG MTEC) process will take place amidst national and provincial economic recovery following sharp economic contractions in 2020. Based on historical data since1960, South Africa experienced its steepest decline in economic output with a contraction of 16 per cent from the first to the second quarter of 2020, which was largely due to the strict COVID-19 lockdown. This resulted in an estimated 6.4 per cent contraction in the national GDP for 2020. National Treasury (NT)[1] expects a real economic growth rate of 5.1 per cent in the country for 2021 as the economy rebounds.

National real GDP growth is projected at 1.8 per cent in 2022, 1.6 per cent in 2023 and 1.7 per cent in 2024. The Western Cape economy has outperformed that of South Africa as a whole but has not substantially diverged from the national trajectory. The Provincial economy contracted by 5.5 per cent in 2020 and recovered with an estimated growth of 5.3 per cent in 2021 and a forecast of 1.4 per cent growth in 2022. The rebound is clouded by the COVID-19 pandemic, the discovery of new variants which compromise travel to and from South Africa and slow progress in the national vaccine rollout which reinforces uncertainty and poses risks to economic recovery.

[1] National GDP growth rates are projected by the National Treasury within MFMA Circular No. 112

Other risks to the economic environment include but are not limited to the slow implementation of structural reforms which continues to have a negative impact on business confidence and private investment; supply chain and electricity supply constraints, which could worsen over the short term; deceleration in global demand and declines in commodity prices which could have a negative impact on local industry.

The fiscal environment faces the risk of a further deterioration in public finances which could trigger credit rating downgrades. Cost of Employment pressures, the implementation of the non-pensionable salary increases for Public Servants of salary levels 1 to 12 and the Social Relief Distress Grant (including a potential introduction of a basic income grant) further compromise fiscal consolidation measures. While the fiscal framework does not currently include any additional support to state-owned enterprises, the poor financial condition and operational performance of several of these entities remain a large contingent risk. Ageing infrastructure and outdated technology, vandalism, continued population growth and increasing demand for services require resources that are not met with sufficient increases in revenue. From a governance perspective, an unprecedented number of municipalities have hung councils, which poses risks to municipal operations and service delivery. Significant job losses during this period of economic decline impacts on the affordability of municipal services and therefore municipalities' ability to collect revenue and increases demand for free basic services. Social unrest and challenges such as poverty, crime, low levels of skills, and substance abuse also require intervention.

Since the 2008 global financial crisis, economic growth has trended downwards, resulting in persistent shortfalls in tax revenue that have not been matched by appropriate cost containment measures to reduce expenditure. This in turn has led to wider budget deficits, higher borrowing and a rapid increase in the ratio of debt to GDP. The debt servicing costs are growing at a pace that is faster than the rate of GDP growth, and this ratio will continue to increase until government runs a sufficiently large primary budget surplus. The current prime lending rate is 7.25 per cent. There appears to be consensus in the private sector that there will be quarterly increases in interest rates during 2022 as the Monetary Policy Committee of the South African Reserve Bank is determined to contain inflation and maintain price stability. This will reduce the disposable income of households as interest on loans will increase. It also impacts adversely on municipalities' ability to service debt and take up new loans to fund infrastructure programmes. Headline inflation is currently at a five-year high but is expected to remain between the 3 to 6 per cent target range over the 2022/23 MTEF; at 4.0 per cent for 2022/23, 4.4 per cent for 2023/24 and 4.5 per cent for 2024/25.[2]

Considering the fiscal constraints, maximising the value of spending is crucial. Government needs to contain costs, especially consumption related spending, exercise prudent and compliant financial management, and eliminate the waste of public funds and resources. Compensation of employees remains a major cost pressure. It remains critical for municipalities to adhere to compensation ceilings, manage headcounts proactively and conduct staff audits to ensure the staff complement is aligned to the approved organogram. It will also be critical for municipalities to build risk management into the budget process, i.e., mitigating, identifying and protecting the institution against potential risks. These will assist government to improve its fiscal position.

2 MFMA Circular 112

To combat the socio-economic challenges highlighted above, the Western Cape Recovery Plan themes of Jobs, Safety and Wellbeing remain at the centre of the response to address the impact of COVID-19 and lay the foundation for faster long-run economic growth and poverty reduction in the Province. It is underpinned by the Vision Inspired Priorities within the Provincial Strategic Plan 2019 - 2024. Local Government also has a vital role to play in this regard. Consideration should be given as to how value can be unlocked from good governance. The real challenge is to get beyond stability and for WCG to partner with municipalities to leverage our governance advantage to drive the recovery and growth.

Municipalities should make conscious efforts to maximize service delivery given these social, socio-demographic, economic and fiscal challenges. Municipalities are advised to consult the 2021 Socio-economic profiles[3] and Municipal Economic Review and Outlook (MERO)[4] for municipal specific socio-economic information. The MERO, which was tabled by the Minister of Finance and Economic Opportunities on 6 December 2021, will be distributed to various business forums across the Province and rolled out via the District Coordination Forums. These source documents as well as the above-mentioned macro-economic forecasts should be considered when preparing the 2022/23 MTREF budgets and plans.

3. NATIONAL TREASURY AND PROVINCIAL TREASURY GUIDELINES

3.1 Context

- Municipalities are advised to consult the latest Budget Circular, MFMA Circular 112 released on 6 December 2021.
- Municipalities MUST include the National and Provincial Treasury Budget Circulars as part of the source documents consulted in the preparation of the 2022/23 MTREF Budget documents and table it as part of the budget documentation in the Municipal Council.

3.2 Legislative Requirements: Tabling of the 2022/23 Budgets

- As per section 16(1) of the Local Government: Municipal Finance Management Act (Act No. 56 of 2003) (MFMA), the council of a municipality must approve an annual budget before the start of the financial year. In order for a municipality to comply with section 16(1), the mayor must table the annual budget at a council meeting at least 90 days (end of March 2022) before the start of the budget year as required by section 16(2) of the MFMA.
- Should it be foreseen that a municipality will not be able to comply with section 16(2), the mayor must, as per section 27(1) of the MFMA, inform the MEC for Finance in the province, in writing, of such impending non-compliance.
- Section 27(2) of the MFMA allows the MEC of Finance, on application by the mayor, and if good cause is shown, to extend any time limit or deadline pertaining to the tabling of the budget, provided that such extension does not compromise compliance with section 16(1). Municipalities must however make every effort to ensure that their budgets are tabled by 31 March 2022. This timeline is required to enable effective participation in the budget process by all stakeholders, including Council and the public; and for provincial departments to fulfil their oversight role. Provincial Treasury (PT) will therefore not recommend that an extension be granted unless exceptional circumstances exist.

3 https://www.westerncape.gov.za/provincial-treasury/socio-economic-profiles-2021

4 https://www.westerncape.gov.za/provincial-treasury/investor-economic

- In the event of non-compliance (that the budget was not timeously tabled by the end of March 2022), the mayor must, according to section 27(3) of the MFMA, inform the municipal council, the MEC for Finance and the National Treasury, in writing, of such non-compliance and any remedial or corrective measures the municipality intends to implement to avoid a recurrence. This requirement is dependent on, and subject to, any extension provided by the MEC in terms of section 27(2).
- Notification of impending and/or actual non-compliance with a time provision relating to the annual budget must be done in terms of Chapter 4 of the Municipal Budget and Reporting Recommendations (MBRR) and be in the format outlined in Schedule G of the MFMA.
- Failure to comply with section 16(2) of the MFMA, will compromise a municipality's ability to approve the budget before the start of the financial year as required by section 16(1) of the MFMA. Should a municipality not approve its budget by the start of the new municipal financial year (i.e. 1 July 2022), the Provincial Executive must intervene in terms of section 136(3) of the MFMA and section 139(4) of the Constitution. The Provincial Executive will accordingly take corrective measures which include, but are not limited to, placing a temporary hold on the Municipality's bank account, appointing an administrator, approving a temporary budget, or even dissolving council. Further guidance on this will be provided in a subsequent circular.

3.3 Development and Adoption of IDPs

The date of the 2021 Local Government elections presented a challenge for incoming councils to adopt new Integrated Development Plans (IDPs) by May 2022 within the legislated timeframes. The results from a survey conducted by the Department of Local Government indicates that many newly elected municipal councils plan to adopt the IDP of their predecessor in terms of section 25(3) of the Local Government: Municipal System Act, Act No. 32 of 2000 (MSA) and to only adopt a new IDP in their second year of office to facilitate thorough interrogation and extensive consultation for the finalisation of the new five-year strategy. Some municipalities are however planning to adopt new term of office IDPs in May 2022 despite the tight timelines.

For further guidance municipalities are referred to the joint National Treasury/Department of Cooperative Governance/South African Local Government Association (NT/DCoG/SALGA) Joint Circular No.1 (20 October 2021) on the transitional measures in relation to the IDP process and to, if any further guidance or assistance is required in this regard, contact the IDP Directorate of the Department of Local Government.

3.4 Ensuring Municipal Sustainability through a funded budget

In the current economic and fiscal environment, municipalities may face financial strain for several reasons including rising demand for basic and free basic services, revenue collected being hampered due to reductions in household income, and below inflation increases in transfers from national government.

As per section 18 of the MFMA, municipalities should nevertheless ensure that their budgets are funded from realistically anticipated revenue to be collected, cash backed accumulated funds from the previous year as well as borrowed funds to be utilised for capital projects.

To ensure financial sustainability each Municipality must consider the following when compiling their 2022/23 MTREF budgets:

- Improving the effectiveness of revenue management processes and procedures;
- Cost containment measures to, amongst other things, control unnecessary spending on nice-to-have items and non-essential activities as highlighted in the Municipal Cost Containment Regulations read together with MFMA Circular No. 97 (31 July 2019);
- Ensuring value for money through the procurement process and promoting sustainable public procurement;
- The affordability of providing free basic services to all households;
- Any changes to functional assignments between spheres and/or intergovernmental funding arrangements for these services must be assessed for their long-term impact on municipal financial sustainability.
- Strictly control the use of costly water tankers and fix the water infrastructure to enable the sustainable provision of water;
- Curbing the consumption of water and electricity by indigent households to ensure that they do not exceed their allocation without paying for additional consumption;
- Prioritising the filling of critical vacant posts, especially those linked to the delivery of basic services. Municipalities should also carefully consider whether non-critical vacancies need to be filled, or whether savings can be achieved by freezing some of these posts; and
- Ensuring that the budget is aligned to the municipality's Municipal Spatial Development Framework (MSDF), informed by its Capital Expenditure Framework, where this is in place, and is responsive to the municipality's identified risks.

The following sections contain additional guidelines regarding revenue and expenditure to ensure credible and sustainable budgeting.

3.4.1 Revenue

a) Municipalities are advised to use the indicative numbers presented in the 2021 Division of Revenue Act (DoRA) to compile their 2022/23 MTREF. In terms of the outer year allocations (2023/24 and 2024/25 financial years), it is proposed that municipalities conservatively limit funding allocations for conditional grants to the indicative numbers as presented in the 2021 DoRA for 2023/24. The DoRA is available at:

http://www.treasury.gov.za/documents/national%20budget/2021/default.aspx

The 2021 national Medium Term Budget Policy Statement (MTBPS) gave an estimation of growth in equitable share and conditional grants for local government over the 2022/23 MTREF. While these numbers may still change when the Budget is tabled in February, the indication is that following growth in the equitable share of only 0.6 per cent (in nominal terms) in 2023/24, the equitable share will increase by 4.5 per cent in 2024/25. Although municipalities can use this growth rate to estimate their equitable share allocation for 2024/25, cognisance should be taken that NT has taken the approach to gradually decrease the number of indigent households subsidised as part of the equitable share.

Table 1: Local Government Intergovernmental Transfers for the 2022 MTREF

R billion & per cent	2021/22	2022/23	2023/24	2024/25	2022/23	2023/24	2024/25
	Revised	Medium-term estimates			Growth rates		
Local government	**137,6**	**146,3**	**148,9**	**155,4**	**6,4%**	**1,8%**	**4,3%**
Equitable share	78,0	83,1	83,6	87,3	6,5%	0,6%	4,5%
General fuel levy sharing with metropolitan municipalities	14,6	15,3	15,4	16,1	4,9%	0,6%	4,5%
Conditional grants	45,0	47,9	49,9	51,9	6,5%	4,2%	4,0%
Main budget expenditure	**1 893,1**	**1 897,9**	**1 936,7**	**2 039,1**	**0,3%**	**2,0%**	**5,3%**
Percentage shares							
National departments	50,6%	48,7%	48,3%	48,2%			
Provinces	40,9%	42,0%	42,0%	42,1%			
Local government	8,5%	9,3%	9,7%	9,7%			

Source: 2021 National MTBPS

Municipalities are advised to consult section 2.1 of MFMA Budget Circular 112 for detail regarding the changes to local government allocations. All allocations must be updated once the national Minister of Finance tables the 2022 DoRA.

b) Municipalities should comply with Section 74(2) of the MSA by setting cost-reflective tariffs. This ensures that municipalities set tariffs that enable the recovery of the full cost of providing the service. Municipalities should pay careful attention to tariff increases across all consumer groups. Municipalities are further encouraged to utilise the tariff setting tool referenced in MFMA Circular 98, item 4.2. The NT Municipal Costing Guide is available on the link below:

http://mfma.treasury.gov.za/Guidelines/Documents/Forms/AllItems.aspx?RootFolder=%2fGuidelines%2fDocuments%2fMunicipal%20Costing%20Guide&FolderCTID=0x0120004720FD2D0551AE409361D6CB3E122A08

Municipalities should also maintain tariff increases at levels that reflect an appropriate balance between the affordability to poorer households and other customers while ensuring the financial sustainability of the municipality. The inflation rates have been provided in section 2 above. Municipalities must justify any increases in excess of the projected inflation rate for 2022/23 and include details of their revenue growth assumptions for the different service charges within the 2022/23 budget narrative.

c) It is essential that municipalities reconcile their most recent valuation roll data to that of the billing system to ensure that anticipated revenue from property rates are accurate. The recent valuation roll data can be reconciled with the billing system and with the Deeds Office Registry as a further test. In accordance with the MFMA Circular No. 93 (7 December 2018), municipalities are once more requested to submit their annual reconciliation of the valuation roll to the billing system to NT by no later than 4 February 2022. The above information must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at: https://lguploadportal.treasury.gov.za/.

d) Based on the Constitutional Court decision in Mazibuko and Others vs City of Johannesburg and Others (CCT 39/09) [2009] ZACC 28; 2010 (3) BCLR 239 (CC); 2010 (4) SA 1 (CC) (8 October 2009), a municipality has the right to disconnect the water service in the event of non-payment, or in the case of indigent households, restrict usage to only the national policy limit of 6 kilolitres of water per month.

e) On 3 December 2021, the Gauteng High Court ruled that the National Energy Regulator of South Africa (NERSA) should process Eskom's application for Electricity Retail Tariffs and Structure Adjustment (ERTSA). Eskom has requested an average increase of 20.5 per cent in 2022/23, 15 per cent in 2023/24 and 10 per cent in 2024/25. The High Court set for the National Energy Regulator to make their decision on the ERTSA by 25 February 2022. The Municipal Benchmark tariff will only be finalised once the decision on the ERTSA is made, as this is the municipal bulk tariff input. NERSA's upcoming *Municipal Tariff Guidelines Increases, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2022/23 financial year* publication should be consulted before the approval of the final budgets.

f) The MBRR regulates the minimum level of information required from municipalities when compiling, implementing, monitoring, and evaluating the municipality's financial management situation. Failure to include the minimum required information hampers the municipal council, the public and stakeholders' ability to make informed decisions and engage on the matter. Going forward the National and Provincial Treasury will place increased attention and focus on the completeness of municipalities' submissions. National Treasury regards the exclusion of the minimum level of information as serious non-compliance and if persistent will consider applying the available legal sanctions, including recourse in terms of section 216(2) of the Constitution. NT will particularly focus on the adequacy of asset management related information as well as the statistical information required in the A, B and C schedules during the 2022/23 MTREF.

g) Section 216(2) of the Constitution requires that NT enforce compliance with the measures established to ensure both transparency and expenditure control in each sphere of government and may stop the transfer of funds to an organ of state if that organ of state commits a serious or persistent material breach of those measures. The criteria for the release of the Equitable Share instalments for the 2022/23 municipal financial year are outlined in section 8.1 of MFMA Budget Circular 112. Western Cape municipalities are encouraged to maintain their current high level of compliance.

3.4.2 Expenditure

a) Accounting Officers are reminded of their responsibility in terms of section 62(1)(a) of the MFMA to use the resources of the municipality effectively, efficiently, and economically. Failure to do so will result in the accounting officer committing an act of financial misconduct which will trigger the application of chapter 15 of the MFMA, read together with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

b) Municipalities are encouraged to budget and ringfence their payment for bulk services and honour their current account payments (inclusive of Eskom) consistently to avoid stringent application of the bulk suppliers' credit control policy. Note that Eskom's payment terms have been extended to 30 days and the interest on overdue accounts is set at 2.5 per cent plus prime interest rate. Furthermore, municipal payments are allocated to capital first and then to interest.

c) Every municipality, during the budget process, must consider the affordability to the municipality when allocating free basic services above the national norm and to consumers other than indigent consumers. If a municipality has any arrears on any of its bulk supplier's accounts, it must limit its provision of free basic services to registered indigent consumers only.

d) Municipalities are encouraged to clear the control accounts monthly and to allocate trade and other receivable payments in these suspense accounts to the relevant debtor accounts regularly before the monthly submissions as required by the MFMA.

e) To address non-payment to Eskom, National Cabinet endorsed the recommendation that a smart prepaid solution for all municipalities be explored. NT, through the Office of the Chief Procurement Officer (OCPO), will soon facilitate a MFMA Circular No. 112 transversal contract to standardise prepaid smart meter solutions for electricity that align to minimum and critical technical specifications for local government. If a municipality or entity is currently in the process of procuring any smart meter solution or is planning to, it is cautioned against proceeding prior to the OCPO having issued and awarded the transversal prepaid smart meter Terms of Reference (ToR). With immediate effect, the municipality must obtain NT's input prior to proceeding with any current procurement or proposed procurement for any smart meter solution or similar system solution. This is to prevent unnecessary and wasteful expenditure on such solutions. Contact Mr Sadesh Ramjathan (Sadesh.Ramjathan@treasury.gov.za) for NT inputs on procurement of similar solutions.

f) Municipalities need to develop a Long-term Financial Model (LTFM) that support decisions on investment selection and assesses the financial impact of policy choices, by forecasting future financial performance and the impact of infrastructure projects on borrowing capacity. The LTFM needs to inform a municipality's long-term financial strategy, which must articulate a sustainable, efficient, and effective borrowing strategy and practices for the municipality and provide a clear statement of intent for lenders and other stakeholders. National Treasury will provide guidance to all municipalities on developing and implementing LTFM's and strategies, based on the pilot projects in this regard. The LTFM must be integrated with the MSDF's Capital Expenditure Framework, where this is in place.

g) Municipalities are advised to develop a Capital Expenditure Framework, linked to its Long-Term Financial Plan (LTFP) and LTFM, that sets out a 10-year capital expenditure portfolio of projects that are prioritised, sequenced, and within the affordability envelop defined by the LTFM and LTFP. This will guide capital expenditure over the short, medium, and long term, and assist a municipality in allocating its capital budget to capital projects that align to the municipal vision and strategies.

h) The Salary and Wage Collective Agreement for the period 1 July 2021 to 30 June 2024, as approved by the Bargaining Committee of the Central Council in terms of Clause 17.3 of the Constitution, should be used when budgeting for employee related costs for the 2022/23 MTREF. In terms of the agreement, all employees covered by the agreement shall receive with effect from 1 July 2022 and 1 July 2023 an increase based on the projected average CPI percentages for 2022 and 2023. Municipalities are encouraged to perform an annual head count and payroll verification process by undertaking a once-a-year manual salary disbursement, to root out ghost employees.

i) Municipalities are advised to budget for the actual costs approved in accordance with the *Government Gazette on the Remuneration of Public Office Bearers Act: Determination of Upper Limits of Salaries, Allowances and Benefits of Different Members of Municipal Councils* published annually between December and January by DCoG. Municipalities should also consider guidance provided above on salary increases for municipal officials during this process. Any overpayment to councillors contrary to the upper limits as published by the Minister of Cooperative Governance and Traditional Affairs will be irregular expenditure in terms of section 167 of the MFMA and must be recovered from the councillor(s) concerned.

3.4.3 Implementation of Municipal Cost Containment Regulations

Provincial Treasury has a legal responsibility to advocate for fiscal discipline and financial prudency, the need for which cannot be over-stated in the current fiscal and socio-economic environment. The implementation of Municipal Cost Containment Regulations is crucial in this regard.

An effective cost containment program requires the active oversight of management, as well as a budgeting process that yields reasonable expenditure targets. A downside of cost containment is that management focuses too much on the cost side of the business, rather than pursuing new revenue opportunities. A delicate balancing act must be maintained between operational efficiency and the long-term sustainability of an institution.

Most non-metro municipalities are not budgeting on a quarterly basis as per Annexure D of MFMA Circular 97 which results in under reporting and compromise oversight efforts by Council, National Treasury and the relevant provincial treasury, to curb non-essential spending. Observations as per 2021 Quarter 1 reporting outcomes, are that non-metro municipalities allocated 46.8 per cent of the budget towards *Other related Expenditure Items* in terms of the Municipal Cost Containment Regulations. This requires a microscopic view to prevent unnecessary budgeting and spending by some municipalities as a result of the possible vagueness of this section in the Regulations.

Municipalities are encouraged to pay attention to the quarterly reporting requirements since the maturity in the 3rd year of the Municipal Cost Containment Regulations should be at a level where budget cuts and expenditure ceilings on certain items on the item, *Other related Expenditure Items* can be identified.

3.4.4 Addressing Unfunded Budgets

a) All tabled municipal budgets will be assessed by PT to determine whether they are funded. This assessment uses a Tool prescribed by NT. An assessment of the funding status will be provided to each municipality in their SIME assessment. Further information will be provided to any municipality found to have an unfunded budget on the factors that led to this status as well as advice on how to correct this.

b) Municipalities are reminded that they should make changes to ensure that they adopt a funded budget for all three years of the 2022/23 MTREF period. If a municipality fails to adopt a funded budget, a credible Budget Funding Plan must be developed. This plan must be tabled and adopted by Council and be submitted to National and Provincial Treasury with its tabled and adopted budget in terms of section 24 (3) of the MFMA. PT is available to review and provide guidance on the credibility of draft Budget Funding Plans.

c) Where municipalities have adopted an unfunded budget without a credible Budget Funding Plan, they will be required to correct the funding plan and ensure that it is credible. The credible funding plan must be immediately adopted by the municipal council, and the changes to the budget must be effected in the mid-year adjustments budget to ensure compliance with section 18 of the MFMA.

3.5 Municipal Standard Chart of Accounts

3.5.1 Release of Version 6.6 of the chart

Version 6.6 was released with MFMA Circular No. 112 and must be used to compile the 2022/23 MTREF budget. As per the mSCOA regulations, each municipality is expected to submit the prescribed supporting data strings containing the required data directly from the financial system using the LG Upload Portal.

The Budget, Adjustments Budget and Section 71 Monthly Reporting Schedules that have been regulated in terms of the MBRR have also been aligned to the mSCOA Chart Version 6.6. The revised MBRR Schedules for the 2022/23 MTREF, and its linkages to the financial and non-financial data strings are available on the link below:

http://mfma.treasury.gov.za/RegulationsandGazettes/Municipal%20Budget%20and%20Reporting%20Regulations/Pages/default.aspx

Requests for chart changes in the next version of the mSCOA Chart Version 6.6 should be logged on the Frequently Asked Questions (FAQ) database by 31 August 2022. Requests will be considered by the FAQ Committee, mSCOA Technical Committee and the mSCOA Steering Committee for the review of the Chart to be released by December 2022.

3.5.2 Budgeting and Reporting through MSCOA

a) The credibility of mSCOA data strings remains a concern, although improvements have been observed in some areas. The areas of concern include:

- The incorrect use of the mSCOA Chart and Segments, balance sheet budgeting, movement accounting and basic municipal accounting practices.
- Some municipalities are either not budgeting, transacting, and reporting directly from their core financial system; have not purchased all the modules of their core financial system; or have not upgraded to the Enterprise Resource Planning (mSCOA enabling) Version of their Financial System.
- Municipalities are not locking their adopted Budgets and their Financial Systems at month-end to ensure prudent financial management. The Local Government Database and Reporting System will therefore lock all submission periods within the reporting period at the end of each quarter to enforce municipalities to lock their Budgets and close their Financial System at month-end in 2022/23.

Municipalities should refer to the guidance provided in the mSCOA circulars issued by NT to classify their transactions correctly.

b) Municipalities are required to submit the C-schedule, primary bank statement, bank reconciliation, quality certificate, monthly budget statement and trial balance to the GoMuni Upload portal monthly in PDF format.

c) The trial balances should from 1 July 2022 include the following minimum information: the mSCOA item description; balance brought forward; movement debit; movement credit; and balanced closing balance at the end of the document. Furthermore, the name of the municipality, municipal code and relevant period (year and month) must be clearly identified in the submission. Municipalities should ensure that the monthly data string aligns to the trial balance submitted to the GoMuni Upload portal.

d) Municipalities are reminded to record and ring fence all funding and expenditure pertaining to the COVID-19 pandemic when budgeting and transacting in terms of mSCOA Circular No. 9 (9 June 2020). Once NT can draw COVID-19 reports from the mSCOA data strings for the majority of municipalities and the COVID-19 restrictions is lifted as per the Disaster Management Act, 2002 (Act 57 of 2002) and its regulations, the weekly manual reporting will no longer be required.

e) The purpose of the costing segment in mSCOA is to provide for the recording of the full cost for the four core municipal functions as a minimum requirement. The costing segment does not impact on the financial statements and will be recorded as a 'below the line cost' and are recorded in the management accounts to make decisions in formulating tariffs and cost control. Municipalities must refer to the mSCOA Project Summary Document (PSD) for the detailed application of the costing segment.

f) Municipalities are not populating the GPS Coordinates in the IDP/Planning and Budgeting stage for their projects. PRTA, PROR, PRAD Data Strings must be populated including GPS Coordinates. GPS coordinates enhances the identification of location of tangible assets, aids in maintenance and replacement of assets, enhances revenue collection and assists with the location of assets during the audit process. Municipalities must ensure that all projects and infrastructure assets have GPS coordinates. PT will analyse the PRTA, PROR and PRAD data strings for completeness in this regard.

g) Employers must pay 1 per cent of their employees pay to the skills development levy. This is a contribution of 1 per cent of the total amount paid in respect of salaries to employees, which includes overtime payments, leave pay, bonuses, etc. Therefore, this does not constitute employee related cost because it is not a compensation to employees, nor social contributions. Municipalities must ensure that the Skills Development Levy is correctly classified as operational costs as indicated in the PSD.

h) With reference to MFMA Circular 107 (4 December 2020) municipalities were required to implement the new property categorisation framework by not later than 1 July 2021. The mSCOA Chart Version 6.6 makes provision for the new and old framework. However, the old framework will be retired in the next version of the chart and municipalities are advised to implement the new property categorisation framework as legislated. To avoid duplication and overstatement of revenue from property rates municipalities should not use both frameworks.

i) National and Provincial Treasury will assess the 2022/23 MTREF budgets to determine if it is complete, funded and complies with mSCOA requirements. The mSCOA data strings for the tabled (TABB) and adopted (ORGB) budgets will be used for this assessment. To generate an adopted budget (ORGB) data string, the budget must be locked on the financial system by 15 July 2022. Therefore, once the ORGB data string has been generated, errors in the ORGB can only be corrected via the adjustments budget in February 2023. The TABB should be verified and errors in the TABB should be corrected in the ORGB before the adopted budget is locked on the financial system and the ORGB data string is generated.

3.5.3 Municipal Financial Systems

a) National Treasury will not be extending the RT25-2016 Service Level Agreements (SLA) for Financial Systems which expired in May 2019. Financial systems procured through this SLA therefore cannot be extended. Municipalities should instead approach the open market to procure a service provider for system support and maintenance. The Municipality may consider the use of long-term contracts in terms of section 33 of the MFMA. Where a municipality has entered an SLA for the provision of system support and maintenance through an open procurement process, the SLA may be extended in terms of section 116(3) of the MFMA.

b) Due to the high financial investment in procuring financial systems, it is not cost effective to change financial systems every 3 to 5 years. Municipalities need not procure a new financial system unless the system being used does not comply with the required business processes and system specifications. As such, the municipal needs must be re-evaluated to ensure that the IT systems in place are still i) compatible with the needs and systems of the municipality, ii) aligned to modern technology and new legislative requirements and iii) cost effective prior to concluding long-term maintenance and support agreements in the event that there are other financial management solutions or systems that may be better or even more cost effective as opposed to the current ones that may be outdated.

3.5.4 Non-compliance with mSCOA Requirements

a) One of the key objectives of the mSCOA reform is to ensure that municipalities are planning, budgeting, transacting and reporting directly on and from integrated ERP systems to have one version of the truth in terms of the reported financial performance. All municipalities and municipal entities had to comply with the mSCOA Regulations by 1 July 2017. Several Regulations and best practices as per the MFMA Circulars have been introduced since the issuing of MFMA Circular No. 80 in 2016. These will be expanded on in 2022/23.

b) If a municipality has not yet achieved the minimum required level of mSCOA implementation, then a detailed action plan (road map) must be developed to indicate how the municipality will fast track the implementation of mSCOA. The action plan should include the system landscape, governance and institutional arrangements, system functionality and the proficiency of municipal officials to use the financial system (see section 5.3 of MFMA Circular 112 for further detail on what should be included in the action plan).

c) The progress against the action plan must be monitored by the municipality's mSCOA Project Steering Committee and should also be reported on at the 2021/22 Mid-year Budget and Performance engagements, the Budget and Benchmark engagements with the National and Provincial Treasury, as well as the SIME engagements. Copies of the action plan and progress reports should also be shared with the National and Provincial Treasury.

4. UPCOMING MFMA REPORTING REQUIREMENTS

4.1 Mid-year Report

a) As per section 72(1) of the MFMA, the Accounting Officer must by 25 January 2022 assess the municipality's financial and non-financial performance for the first half of 2021/22 and submit a report of such an assessment to the mayor as well as National and Provincial Treasury.

b) The Accounting Officer must furthermore make the report public by close of business on 31 January 2022. In turn, the mayor must also in terms of section 54(1)(f) of the MFMA submit the report to the municipal council by 31 January 2022.

c) Electronic versions (PDF and where applicable, Excel) of the report can be e-mailed to MFMA.MFMA@westerncape.gov.za copying in Dian.Cronje@westerncape.gov.za.

4.2 Annual Report

a) In terms of section 127(2) of the MFMA, the mayor is required to table the (draft) annual report in council within seven (7) months after the end of the financial year, i.e., 31 January 2022. Municipalities are encouraged to prepare and submit the annual report in the template as outlined in MFMA Circular No. 63 (26 September 2012).

b) In terms of section 127(5)(b), the annual report must immediately after being tabled in council, be submitted to the Auditor-General, the relevant PT and provincial department responsible for local government in the province. The tabled report can be e-mailed to MFMA.MFMA@westerncape.gov.za.

c) Section 129(1) of the MFMA prescribes that the council of a municipality must consider the Annual Report (as tabled) and by no later than two months from the date on which the Annual Report was tabled, adopt an oversight report containing the council's comments on the annual report.

d) In terms of section 132(2) of the MFMA, the approved annual report and the oversight report must be submitted to the Provincial Legislature within seven (7) days after the adoption hereof.

e) Section 129(2) of the MFMA states that minutes of the council meetings and oversight committee meetings at which the annual report is discussed should be submitted to the AG, PT and the provincial department responsible for local government in the province.

f) In terms of section 121(3)k of the MFMA, which indicates that the annual report of a municipality should include *any other information as may be prescribed*, the municipalities' attention is drawn to Section 13G of the Broad-based Black Economic Empowerment (B-BBEE) Act which requires the municipality to report on their compliance with B-BBEE in their AFS and annual reports. Municipalities were alerted to this requirement in section 4 of Treasury Circular Mun No. 29/2019 (1 November 2019). Compliance in this regard has been lacking. Municipalities are therefore reminded to provide the required information in the completion of the 2020/21 Annual Reports and AFS. The B-BBEE Commission's Explanatory Notice No.2 of 2021 (hereto attached as Annexure A) contains guidelines for completing the information required in terms of section 13G(1) of the B-BBEE Act.

5. KEY DATES OF THE 2022/23 INTEGRATED PLANNING AND BUDGETING PROCESS

Municipalities are urged to consult MFMA Circular 112 for information regarding the budget process and submissions. Provincial Treasury will issue a follow-up circular in which the budgeting process and submission, as well as the tabled budget, IDP and related documentation assessments and SIME engagements will be outlined.

The following key dates should be considered by the Municipality in the 2022/23 IDP and budgeting process.

Dates	Budget Process
25 January 2022	Mid-year Budget and Performance Assessment
31 January 2022	Tabling of Annual Report
28 February 2022	Municipal Main Adjustments Budget
23 February 2022	National Budget Day
8 March 2022	Provincial Budget Day
Latest 31 March 2022	Tabling of Annual Municipal Budget Adoption of Annual and Oversight Reports
Provisionally 25 April – 20 May 2022	SIME Engagements
31 May 2022	Adoption of Annual Municipal Budget

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A1, they should direct their enquiries to the following WC PT officials:

Directorate	Official	Tel. No.	Email
MFMA Co-Ordination	Elton Johannes	021 483 4229	Elton.Johannes@westerncape.gov.za
Public Finance	Kim-Kay Neethling	021 483 9186	Kim-Kay.Neethling@westerncape.gov.za
	Isaac Tsie	021 483 6241	Isaac.Tsie@westerncape.gov.za
Budget Office	Malcolm Booysen	021 483 3386	Malcolm.Booysen@westerncape.gov.za
	Kim Engel	021 483 8459	Kim.Engel@westerncape.gov.za
	Shannon Engel	021 483 9198	Shannon.Engel@westerncape.gov.za
	Keith Roman	021 483 5434	Keith.Roman@westerncape.gov.za
Fiscal Policy	Shafeeqa Davids	021 483 9192	Shafeeqa.Davids@westerncape.gov.za
Cash Management	Anthea Paries	021 483 5472	Anthea.Paries@westerncape.gov.za
Accounting	Faez Salie	021 483 4252	Faez.Salie@westerncape.gov.za

Municipalities may also contact the following officials at NT:

	Responsible official	Tel. No.	Email
Western Cape **Cape Town** **George**	Willem Voigt Kgomotso Baloyi Mandla Gilimani	012 315 5830 012 315 5866 012 315 5807	WillemCordes.Voigt@treasury.gov.za Kgomotso.Baloyi@treasury.gov.za Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Sephiri Tlhomeli	012 406 9064	lgdataqueries@treasury.gov.za

6. CONCLUSION

Municipalities are encouraged to consider and apply the contents on this budget circular in the 2022/23 planning and budgeting process.

Please direct any queries regarding this circular to: Malcolm Booysen at Malcolm.Booysen@westerncape.gov.za.

David Savage
2022.01.25
08:49:21 +02'00'

DAVID SAVAGE
HEAD OFFICIAL: PROVINCIAL TREASURY
DATE:

Appendix 4

Provincial Treasury Municipal Budget Circular 7/2022

Western Cape Government

Provincial Treasury
Dian Cronje
Local Government Budget Office
Dian.Cronje@westerncape.gov.za | Tel: 021 483 0390

Reference: RCS/C.5

Private Bag X9165
CAPE TOWN
8000

TREASURY CIRCULAR MUN. NO. 7/2022

THE MAYOR, CITY OF CAPE TOWN: MR G HILL-LEWIS
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR R STRYDOM
THE MAYOR, MATZIKAMA MUNICIPALITY: MR J VAN DER HOVEN
THE MAYOR, CEDERBERG MUNICIPALITY: DR R RICHARDS
THE MAYOR, BERGRIVIER MUNICIPALITY: MR R VAN ROOY
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR A TRUTER
THE MAYOR, SWARTLAND MUNICIPALITY: MR H CLEOPHAS
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY: DR H VON SCHLICHT
THE MAYOR, WITZENBERG MUNICIPALITY: MR H SMIT
THE MAYOR, DRAKENSTEIN MUNICIPALITY: MR C POOLE
THE MAYOR, STELLENBOSCH MUNICIPALITY: ADV. G VAN DEVENTER
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN
THE MAYOR, LANGEBERG MUNICIPALITY: MR S VAN EEDEN
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR A FRANKEN
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR K PAPIER
THE MAYOR, OVERSTRAND MUNICIPALITY: DR A RABIE
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR P SWART
THE MAYOR, SWELLENDAM MUNICIPALITY: MR F DU RAND
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M BOOYSEN
THE MAYOR, KANNALAND MUNICIPALITY: MR N VALENTYN
THE MAYOR, HESSEQUA MUNICIPALITY: MR G RIDDLES
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR D KOTZE
THE MAYOR, GEORGE MUNICIPALITY: MR L VAN WYK
THE MAYOR, OUDTSHOORN MUNICIPALITY: MR C LOUW
THE MAYOR, BITOU MUNICIPALITY: MR D SWART
THE MAYOR, KNYSNA MUNICIPALITY: MR L DAVIS
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: MS J BOTHA
THE MAYOR, LAINGSBURG MUNICIPALITY: MR M SMITH
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MS M JAFTHA
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR G PIETERSEN

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: ADV. L MBANDAZAYO
THE MUNICIPAL MANAGER, WEST COAST DISTRICT MUNICIPALITY: MR D JOUBERT
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR G SEAS (ACTING)
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR D ADONIS
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV. H LINDE
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR H METTLER
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT MUNICIPALITY: MR H PRINS
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR J LEIBBRANDT
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MS G METTLER
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS
THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR A DE KLERK
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR P OLIVER (ACTING)
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MR J JONKERS
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR D O'NEILL
THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR E PHILLIPS
THE MUNICIPAL MANAGER, SWELLENDAM MUNICIPALITY: MR A GROENEWALD
THE MUNICIPAL MANAGER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR M STRATU
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR I AVONTUUR (ACTING)
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR H VISSER (ACTING)
THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: MR C PUREN (ACTING)
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: DR M GRATZ (ACTING)
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR W HENDRICKS (ACTING)
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR N MAREDI (ACTING)
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR J JACOBS (ACTING)
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: DR S VATALA
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MR J BOOYSEN
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR A HENDRICKS (ACTING)
THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J PENXA

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY
THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT MUNICIPALITY: DR J TESSELAAR
THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR E ALFRED
THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR M MEIMANI
THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR F LÖTTER
THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR S VORSTER
THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR M BOLTON
THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT MUNICIPALITY: MS F DU RAAN-GROENEWALD
THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR C KRITZINGER
THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR B BROWN
THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR K CAROLUS
THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR R ONTONG
THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR M SHUDE
THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: MR N KRUGER
THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW
THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MS S REYNEKE-NAUDÉ
THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H VAN BILJON
THE CHIEF FINANCIAL OFFICER, SWELLENDAM MUNICIPALITY: MS E WASSERMANN
THE CHIEF FINANCIAL OFFICER, GARDEN ROUTE DISTRICT MUNICIPALITY: MR J DE JAGER
THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR P MGENI (ACTING)
THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS H VILJOEN
THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR O FREDERICKS
THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR R DU PLESSIS
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR G DE JAGER
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR M DYUSHU
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR A JAGAYSOR (ACTING)
THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR M ABDULLAH
THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD
THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR A HENDRICKS (ACTING)
THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MS N NTSANGANI

THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR D SAVAGE)
THE DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES (DR R HAVEMANN)
THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MS J GANTANA)
THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (DR R HAVEMANN) (PRO TEM)
THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS A PICK)
THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR S KENYON)
THE CHIEF DIRECTOR: ASSET MANAGEMENT (MR I SMITH)
THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)
THE CHIEF FINANCIAL OFFICER (MS A SMIT)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS C GREEN)
THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR P PIENAAR)
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THE DIRECTOR: FISCAL POLICY (MR M BOOYSEN) (PRO TEM)
THE DIRECTOR: INFRASTRUCTURE (MR K LANGENHOVEN)
THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MR F SALIE)
THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR M BOOYSEN)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR T NTSHINGILA)
THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR I TSIE)
THE DIRECTOR: LOCAL GOVERNMENT MFMA COORDINATION (MR S KENYON) (PRO TEM)
THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MS A ABOO)
THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS T VAN DE RHEEDE)
THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK) (PRO TEM)
THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS N ISMAIL)
THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A MAZOMBA)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)

THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

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MUNICIPAL BUDGET CIRCULAR FOR THE 2022/23 MTREF AND ASSOCIATED 2022 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENTS

1. INTRODUCTION

This Circular is a follow-up to the Provincial Treasury (PT) Circular 01/2022 issued on 24 January 2022 and should be read in conjunction with National Treasury (NT) MFMA Circulars No. 112 and No. 115 issued on 06 December 2021 and 04 March 2022 respectively.

The purpose of this circular is to:

- provide guidance to municipalities with the finalisation of the 2022/23 Medium Term Revenue and Expenditure Framework (MTREF) Budgets and accompanied budget documentation, and
- brief municipalities on the 2022 Strategic Integrated Municipal Engagements (SIME) process and related matters.

2. LEGISLATIVE CONTEXT

The Western Cape Provincial Government (WCG) has institutionalised the Strategic Integrated Municipal Engagements (SIME; previously referred to as LGMTEC) process in fulfilment of its obligations under:

- Sections 5, 22 and 23 of the Local Government: Municipal Finance Management Act (MFMA), Act No. 56 of 2003;
- Chapter 5 of the Local Government: Municipal Systems Act (Act No. 32 of 2000) [MSA];
- Chapter 3 of the National Environmental Management Act (Act No. 107 of 1998) (NEMA); and
- Chapter 4 of the Spatial Planning and Land Use Management Act (Act No. 16 of 2013) (SPLUMA).

The 2022 SIME process will give effect to the "Integrated Work Plan" adopted in 2017. It builds on the 2021 integrated municipal and provincial processes to strengthen alignment between municipal and provincial planning and budgeting and drives the theme of "Integrated service delivery", specifically as municipalities are preparing for the new Integrated Development Planning Cycle.

3. FISCAL AND ECONOMIC CONTEXT

3.1 2022 National Budget

The key highlights of the 2022 National Budget are summarised below.

- The world economy is expected to grow by 4.4 per cent in 2022 which is slightly lower than the 4.9 per cent that was anticipated when tabling the Medium-term Budget Policy Statement (MTBPS). The Omicron variant of the coronavirus caused many countries to impose restrictions to manage its spread. In addition, continued imbalances in global supply chains, global geopolitical risk (particularly the Russian invasion of Ukraine) and reduced fiscal and monetary policy support have limited the pace of the world's economic recovery.

- The South African economy has not been shielded from these global developments; hence real GDP growth is estimated at 4.9 per cent in 2021, bouncing back from a 6.4 per cent contraction in 2020 and is projected to be followed by growth averaging 1.9 per cent over the next two years. The Western Cape GDP is expected to follow the national trajectory, expanding by 4.3 per cent in 2021, by 2.0 per cent in 2022 and by 1.9 per cent in 2023. This outlook partly reflects a slowing recovery. A more rapid implementation of economic reforms, complemented by fiscal consolidation, will ease investor concerns and support faster recovery and higher levels of economic growth over the long term. Significant risks to the economic outlook include new COVID-19 variants leading to new waves of infections, continued interruptions in power supply, rising inflation resultant from supply chain disruptions and increasing energy prices, fiscal risks as well as global economic uncertainty.

- Headline inflation is expected to remain between the 3 - 6 per cent target range over the 2022/23 MTEF as seen in the CPI inflation projections below. Although prime lending rates are increasing ,borrowing conditions remain favourable. Lending rates are however expected to increase in the short-term.

Table 1: CPI Performance and Projections, 2020-2025[1]

Fiscal year	2020/21	2021/22	2022/23	2023/24	2024/25
	Actual	Estimate	Forecast		
CPI Inflation	2.9%	4.5%	4.8%	4.4%	4.5%

Source: National Treasury, 2022

- A consolidated budget deficit of 6 per cent of GDP is projected for 2022/23, narrowing to 4.2 per cent of GDP in 2024/25. Gross debt is projected to stabilise at 75.1 per cent of GDP in 2024/25. Gross tax revenue for 2021/22 is expected to be R181.9 billion higher than projections in the 2021 budget. Government will continue to focus on broadening the tax base, improving administration and lowering taxes.

- Government's medium-term spending plans include an allocation of R3.3 trillion for the social wage, and R18.4 billion to support youth employment and the creation of short-term jobs in 2022/23 and 2023/24. Additional allocations since the 2021 MTBPS support policy priorities in higher education, teacher retention in basic education, health budgets for new hires and the continued response to COVID-19. Debt-service costs account for 15.1 per cent of total spending and grow faster than all functions, including learning and culture and health.

[1] Updated from the 2021 National Medium Term Budget Policy Statement (MTBPS). The Provincial Government inflation assumptions are based on the 2021 MTBPS projections.

- Over the 2022 MTEF period, after budgeting for debt-service costs, the contingency reserve and provisional allocations, 48.8 per cent of nationally raised funds are allocated to national government, 41.4 per cent to provinces and 9.8 per cent to local government.

The 2022 National Budget documentation is available at: http://www.treasury.gov.za/documents/National%20Budget/2022/

3.2 2022 Western Cape Provincial Budget

On Monday, 14 March 2022, the Western Cape Minister for Finance and Economic Opportunities, Mr. David Maynier, tabled the 2022 Western Cape Budget in the provincial legislature. The 2022 Budget focuses on implementing the Western Cape Recovery Plan priorities namely, Jobs, Safety, and Wellbeing, while maintaining a response to COVID-19. The budget policy priorities will support economic growth and job creation; strengthen law enforcement and social protection; and ensure human dignity by protecting human rights and supporting mental wellbeing.

The 2022 Budget is informed by the WCG's Fiscal Strategy which is based on four key fiscal decision-making principles, namely, *Protect basic services outcomes*; *Unlock allocative efficiency*; *Enhance productive efficiency*; and *Enable long-run fiscal sustainability*.

The 2022 Budget, named, "***A Budget to Push Forward***" will over the medium term spend R19.6 billion on "Jobs"; R4.4 billion on "Safety"; R111.3 billion on "Wellbeing"; and R30.3 billion over the medium term on infrastructure in the Western Cape.

The 2022 MTEF budget will over the medium term also allocate an additional R6.2 billion to education; R2.4 billion to healthcare; R136 million to social development; and R2.6 billion on infrastructure in the Western Cape.

These budgetary allocations support the WCGs fiscal principles and ensures that the WCG continues to –

- sustain the fight against the COVID-19 pandemic, including the successful rollout of the vaccination programme;
- support the recovery plan priorities of Jobs, Safety and Wellbeing;
- protect frontline services, including education, health and social development;
- rebalance the composition of expenditure by increasing spending on infrastructure;
- supports effective local governance;
- significantly improves the efficiency of expenditure by driving value for money in procurement;
- mitigate risks including drought, fire and flooding; and
- ensure long-term fiscal sustainability replenishing provincial reserves.

The 2022/23 Budget will spend R76.8 billion across the five districts and the metro in the Western Cape as follows: R8.7 billion in the Cape Winelands District; R3.8 billion in the West Coast District; R6.4 billion in the Garden Route District; R2.8 billion in the Overberg District; R989 million in the Central Karoo District; and R54.2 billion in the City of Cape Town.

To further support municipalities to drive economic growth, a new Municipal Ease of Doing Business Fund will be launched, which will allocate R10 million to projects which reduces red tape in municipalities in the Western Cape.

The budget also allocates an additional R30 million over the medium term to strengthen forensic investigation capability, and legal services capability, in the municipal space in order to support clean governance.

These priority objectives are as relevant to the local government space as it is to the Western Cape as a whole and has informed the formulation of the 2022 SIME theme i.e., Enabling Sustainability and Growth. Municipalities are urged to familiarise themselves with the fiscal strategy underlining the 2022 WCG MTEF Budget and to take cognisance of the Provincial expenditure allocations (including infrastructure investments) within the respective municipal areas. The allocations to be made per school and per hospital in the province, as well as those by Casidra and CapeNature, will be finalised and published in April 2022. The 2022 Main Budget documentation can be found here:

https://www.westerncape.gov.za/provincial-treasury/news/western-cape-budget-202223

4. NATIONAL AND PROVINCIAL BUDGET GUIDELINES

Municipalities are advised to consult MFMA Circulars No. 112 (2021) and No. 115 (2022) as well as the Provincial Treasury Circular No. 1/2022 (24 January 2022) for guidance in respect of planning and budgeting towards the 2022 MTREF.

Municipalities MUST include the National and Provincial Treasury 2022 Budget Circulars as part of the source documents consulted in the preparation of the 2022 MTREF Budget documents and table it as part of the budget documentation in the municipal council.

The NT and PT circulars provide guidance to municipalities on revenue, expenditure and accounting related matters for consideration when compiling their 2022/23 MTREF budgets. Although municipalities must thoroughly scrutinise these circulars in their own time, PT wishes to highlight the following key consideration:

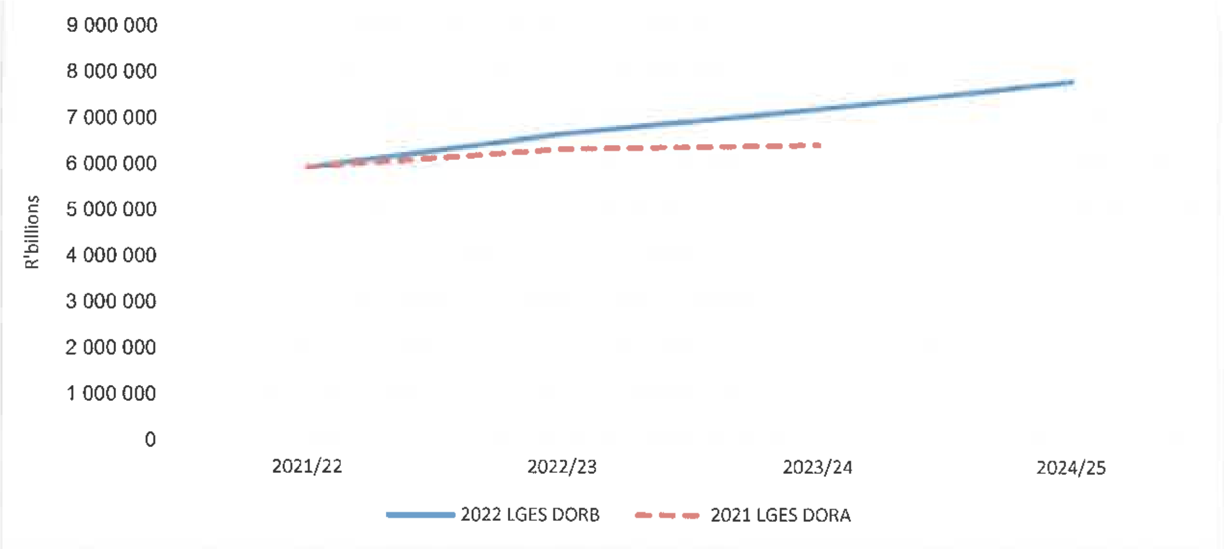
4.1 Direct Transfers to Local Government

The Division of Revenue Bill (DORB) was published on 23 February 2022, following the tabling of the 2022 National Budget in Parliament. The Bill specifies all local government transfers and municipalities must reconcile their budgets to the numbers published therein. Note that in terms of the outer year allocations (2023/24 and 2024/25) it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2022 Division of Revenue Bill. All the budget documentation can be accessed from the National Treasury website at the following link:

http://www.treasury.gov.za/documents/national%20budget/2022/dor.aspx

According to the DORB, direct transfers to municipalities will grow at an annual average rate of 7.9 per cent over the 2022 MTREF; direct conditional grants at 5.3 per cent, while the local government equitable share (LGES) will grow at 10.3 per cent on average per annum over this period. These growth rates are all above the inflationary estimates provided above.

Graph 1: Equitable Share Estimates, 2021 DORA vs 2022 DORB



Graph 2: Nominal vs Real LGES Growth across the 2022 MTEF

Source: Financial and Fiscal Commission; National Treasury, 2022

The two graphs above illustrate the impact of the significant additions to the equitable share over the MTEF. Graph 1 compares projected allocations in the 2021 DoRA with the new allocations in the 2022 DoRA. Graph 2 provides a comparison of average annual LGES growth rates in real and nominal terms for the 2022 MTREF allocations. When adjusted for inflation, the overall allocations to local government (equitable share, direct grants as well as fuel levels) show strong positive growth. This will help municipalities to offset the ever-increasing cost of basic services. The higher than inflation growth of allocations in the local government equitable share ensures that it fully compensates for the annual data updates made to account for projected household growth, inflation and estimated increases in bulk water and electricity costs over the 2022 MTREF. Growth in conditional grant allocations has been more modest.

An amount of R28.9 billion has been added to the LGES allocation over the MTREF to increase coverage for the provision of free basic services. Municipal budgets should demonstrate how the additional funds they have been allocated are being used to sustain and/or expand the provision of basic services to poor households. Municipalities are advised to prioritise ensuring that the full cost of providing free basic services to existing indigent households are fully covered before providing for expanded services.

Municipalities must be mindful that the Equitable Share is primarily meant to fund basic municipal services to indigents. Municipalities must ensure that monies are used for the purpose they were allocated for.

4.2 Salary and Wage Considerations

In line with the 2021 Multi-year Salary and Wage Collective Agreement for the 2022/23 financial year, and as instructed by the South African Local Government Bargaining Council Circular 1 of 2022 (9 March 2022), salary and wage increases shall, as of 1 July 2022, be as follows:

- In terms of Clauses 6.4 and 6.5, the salary and wage increase shall be 4.9 per cent.
- In terms of clause 7.2, the minimum wage shall increase to R9 043.21.
- In terms of clause 9.1.2, the flat rate homeowners' allowance shall increase to R1 011.77.
- In terms of clause 10.1.2, the medical aid maximum employer contribution shall increase to R5 007.00.
- In terms of clause 11.1, all benefits linked to salary shall increase by 4.9 per cent.

Municipalities that cannot afford to implement the above, may in terms of Clause 15 of the Agreement, apply for exemption. Municipalities that want to apply for exemption are requested to inform SALGA of such a decision as soon as possible, but not later than 31 May 2022.

4.3 Eskom Bulk Tariff Increases

The National Energy Regulator of South Africa (NERSA) is responsible for price determination of the bulk costs for electricity. Bulk electricity costs are consistently much higher than inflation, having gone as high as 17.8 per cent in the 2021/22 municipal financial year. Eskom's need for increased funding means that over the period ahead they have in their Multi-Year Price Determination (MYPD 5) applied for much higher tariff increases of 20.5 per cent in 2022/23, 15 per cent in 2023/24 and 10 per cent in 2024/25. NERSA has, after deliberation, approved a 9.61 per cent tariff increase for Eskom starting from April 2022 and includes the 2022/23 tariff approval of 3.49 per cent.

NERSA's "Municipal Tariff Guidelines Increases, Benchmarks and Proposed Timelines for Municipal Tariff Approval Process for the 2021/22 financial year" publication should be consulted before the tabling of the budgets. This guideline will include the maximum increase for tariffs for municipal consumers. Municipalities that table their budgets before the NERSA Guideline is published are advised to base their electricity tariff increases in their tabled budgets on the 9.6 per cent increase published for Eskom customers for the 2022/23 national financial year. Municipalities can then update with the corrected tariff for the 2022/23 municipal financial year as published in the NERSA Guideline when they finalise their budgets for adoption.

4.4 Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Municipalities are reminded to develop council approved Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIF&W) reduction plans as advocated for by MFMA Circular No.111 of November 2021. These reduction plans must align to the targets outlined in the 2019 – 2024 Medium Term Strategic Framework (MTSF). Progress reporting against these plans must be institutionalised as part of the monthly section 71 process to enable effective monitoring and oversight by National and Provincial Treasury, in addition to the reporting to the MEC for Local Government that is already required.

4.5 Unspent conditional grant funds for 2021/22

Municipalities must familiarise themselves with the provisions of Section 21 of the Division of Revenue Act, 2021 (Act No.9 of 2021) (DoRA), read in conjunction with the Division of Revenue Amendment Act, 2021 (Act No. 17 of 2021) (DoRAA), which outlines the process to be followed in dealing with unspent conditional grant funding for 2021/22.

Noteworthy action steps and deadlines are briefly as follows:

- Roll-over applications must be submitted to NT by no later than 31 August 2022.
- Outcomes of the roll-over application process will be communicated to municipalities by 21 October 2022.
- Specific unspent grant amounts will be communicated by 8 November 2022 whereafter municipalities will have until 18 November 2022 to return the funds in question to the National Revenue Fund (NRF).
- Any unspent conditional grant funds that should have, but are not repaid to the NRF by 18 November 2021, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's equitable share allocation transfer on 07 December 2022.

When requesting a rollover in terms of section 21(2) of the 2021 DoRA, municipalities must include the information as outlined in section 8.1 of the MFMA Budget Circular 115 with their submission to NT.

Provincial Treasury will shortly issue a circular to guide municipalities in terms of unspent provincial grant allocations for 2021/22 and the roll-over process that should be followed.

4.6 Provincial Conditional Grant Allocations

Total departmental transfers to local government in the Western Cape will in 2022/23 amount to R2.591 billion which equates to a 20.7 per cent decrease from R3.266 billion in 2021/22 (revised estimates). Looking forward, transfers will decrease towards 2023/24 (-0.04 per cent) and 2024/25 (-6.3 per cent). The decline is because of significant amounts being retained by the Department of Human Settlements across the MTREF.

The structure of provincial grants to municipalities remains largely the same as it has been in previous years. Municipalities were briefed on proposed changes to grants in a CFO Forum Technical Engagement workshop on 21 February 2022.

Two of the grants previously transferred by Provincial Treasury have been merged into a consolidated new Western Cape Financial Management Capability Grant. Details of this and all other conditional grants were published in Provincial Gazette 8566 (14 March 2022) and can be accessed at:

https://www.westerncape.gov.za/provincial-treasury/news/western-cape-budget-202223).

Municipalities must ensure that the provincial transfer receipts detailed in their budgets, align to the Provincial Gazette.

4.7 Municipal Standard Chart of Accounts

The 2022 MTREF budgets must be compiled making use of Version 6.6.1 of the mSCOA Chart, which will come into effect on 01 July 2022.

Municipalities must take note of the technical changes to the new version of the chart and follow the guiding recommendations made by NT (within MFMA Circular 115) insofar the successful completion of the budget is concerned.

Municipalities are reminded to complete the D-Forms required by NERSA. National Treasury is currently looking into how the mSCOA data strings can be used to populate the NERSA reports and will provide guidance in this regard during 2022.

To ensure that credible data strings are submitted to the GoMuni Upload portal, additional validation rules are being introduced in the 2022/23 MTREF. The credibility and accuracy of the data strings must be verified by municipalities before submission on the GoMuni Upload. The additional rules are outlined in NT MFMA Circular 115.

A web-based eLearning course on mSCOA will be available on the National School of Government (NSG) website from April 2022. This is a self-paced course aimed at all government and municipal officials, especially new employees and interns to on-board them on mSCOA. The course covers fundamentals of mSCOA, system and reporting requirements and budgeting and transacting on the mSCOA chart. Municipalities are reminded to budget for the course in their 2022/23 MTREF budgets.

5. OTHER MATTERS

5.1 Performance Reporting Obligations: Implementation of MFMA Circular 88 (2017) for the 2022/23 municipal financial year

Municipalities are once again reminded to familiarise themselves with MFMA Circular No. 88 of 2017, its accompanying annexures and subsequent addendums which provide guidance to municipalities on the adoption and internalisation of a common set of performance indicators. Experience since the 2018/19 implementation of the original circular has shown that the on-going planning, budgeting and reporting reforms process is complex and requires sufficient time and change management for incremental roll-out, growth and institutionalisation.

Addendum 2 (released in December 2020) introduced a significant shift in the reforms in four respects: 1) it more closely integrates and guides planning, budgeting and reporting reforms; 2) it significantly expands and revises the set of MFMA Circular No. 88 indicators applicable to metropolitan municipalities; 3) it expands the application of the reforms and the indicators to differential categories of municipalities and levels of readiness, for application in 2021/22 MTREF cycle going forward; and 4) it introduces evaluations in the context of these reforms.

For immediate implementation purposes, municipalities should be able to identify the indicators in Appendix A to Addendum 2 that are listed as Tier 1 or Tier 2 for their category of municipality and start establishing baselines for those measurements (if they are not already being tracked). Understanding the standard definitions will require engaging with the technical indicator descriptions (TID) in Appendix B to Addendum 2. Municipalities should be able to navigate Appendix A without any further guidance to understand what is going to apply to them for the 2022/23 financial year and be able to refer to Appendix B to get the detail on the standard formulation of each indicator.

Importantly, please note that intermediate cities, districts and local municipalities will still not yet for 2022/23 be required to incorporate these indicators in their IDPs and SDBIPs. Instead, the relevant indicators should be included as an annexure to the IDP and SDBIP. Although the indicators do not formally have to be included in the IDP/SDBIP, municipalities will be required to report on performance against said indicators on a quarterly and annual basis. Municipalities are therefore advised to put in place the necessary standard operating procedures and portfolios of evidence to ensure timeous reporting throughout 2022/23 to ultimately strengthen the link between planning, budgeting and reporting. Please do note that the roll-out process currently remains a pilot project. Reporting against these indicators will as such not be audited for 2022/23.

6. 2022/23 STRATEGIC INTEGRATED MUNICIPAL ENGAGEMENTS (SIME) PROCESS

6.1 Municipal Budget Day

According to sections 16(2) and 17(3)(d) of the MFMA, the Mayor of a municipality must table the annual budget at a council meeting at least 90 days (i.e. by 31 March 2022) before the start of the budget year.

It is important to note that there is no explicit requirement for council to endorse or approve the tabled budget or draft IDP tabled by the mayor for public participation. The municipal council only has the legal authority to consider a tabled budget and draft IDP after the completion of one or more public participation processes undertaken pursuant to Section 22, read with section 23 of the MFMA. Council will only consider for approval "*the product of an inclusive budget preparation and consultative process*" when the proposed annual budget (as amended, if applicable) is tabled before council in terms of section 24(1) of the MFMA.

Given that the preparation, consultation, adoption and implementation of a municipality's annual budget is inextricably linked to, and must be substantially aligned to and informed by the contents of that municipality's IDP, it would be procedurally flawed for the mayor to proceed with the tabling of the proposed annual budget (and commence with public participation process required in terms of section 22 of the MFMA) at a time when the municipality's draft IDP has not been completed.

6.2 Consequence Management

If a municipality has failed to complete the relevant processes applicable for the review and revision of the annual budget and the compilation of an IDP in time for the deadline applicable to the tabling of the proposed annual budget (i.e. 31 March), the mayor must submit an application for an extension of the said deadline. As per section 27 of the MFMA, the mayor of a municipality must, upon becoming aware of any impending non-compliance by the municipality of any provisions of the Act or any other legislation pertaining to the tabling or approval of the annual budget or compulsory consultation processes, inform the MEC for Finance in the province in writing of any impending non-compliance.

If the impending non-compliance pertains to a time provision, except section 16(1) of the MFMA, the mayor may apply to the MEC for Finance for an extension, which must be in accordance with Schedule G of the Municipal Budget and Reporting Regulations (MBRR). In addition to the requirement to inform the MEC of impending non-compliance with the MFMA, mayors and accounting officers are requested to inform PT should they have reasons to believe that that their municipality's budget might not be tabled/approved timeously due to dynamics in council. This will enable PT to engage with municipal officials to prepare for any possible action (including in terms of 139(4) of the Constitution) that may be required if a budget is not adopted.

In the event of actual non-compliance by a municipality with time provisions concerning the annual budget, the mayor must inform council, the MEC for Finance and NT, in writing, of such non-compliance and any remedial action or corrective measures the municipality intends to implement. Such a notification must be done in accordance with section 63 and Schedule G of the MBRR.

Municipalities are cautioned that any delay to table the budget in terms of section 16(2) of the MFMA could compromise the ability to approve the budget before the start of the financial year as required by section 16(1) of the MFMA. Failure to approve the budget before the start of the financial year will automatically invoke the provisions of sections 25(1) and 55 of the MFMA. Should a municipality not approve the budget by the start of the new financial year, the provincial executive MUST intervene in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget or revenue-raising measures are approved. These steps include, but are not limited to, dissolving council and appointing an administrator and approving a temporary budget or revenue raising measures to provide for the continued functioning of the municipality.

Municipalities are kindly requested to communicate any changes to the confirmed tabling dates (as it appears in **Appendix A)** to PT via Tania.Bosser@westerncape.gov.za by **23 March 2022.**

6.3 Submitting budget documentation and schedules for 2022/23 MTREF

Section 22 (b)(i) of the MFMA requires that, immediately after an annual budget is tabled in municipal council, it must be submitted to NT and the relevant provincial treasury. If the annual budget is tabled in council on 31 March 2022, the **final date of submission of the electronic budget documents and corresponding mSCOA data strings is Friday, 01 April 2022.**

Section 24(3) of the MFMA, read together with regulation 20(1) of the MBRR, requires that the approved annual budget must be submitted to both National Treasury and the relevant provincial treasury within ten working days after the council has approved the annual budget. However, given that municipalities are generating the annual budgets directly from the financial system as required by the *m*SCOA Regulations and that the budgets must be verified before it is locked on the financial system and transacted against, municipalities must submit the approved budget to NT and the relevant provincial treasury in electronic formats ***immediately*** after approval by the municipal council. Therefore, if the annual budget is tabled to council **on 31 May 2022**, the final date of submission of the electronic budget documents and corresponding *m*SCOA data strings is **Wednesday, 01 June 2022.**

The accompanying document submission checklist (***see Appendix B***) provides a list of the documentation required by Provincial Government. Electronic budget related documents must be provided in PDF format. The designated municipal official needs to complete and sign the accompanying checklist (***Appendix B***) as confirmation that the set of budget, IDP and related documents have been submitted.

Municipalities should note that NT will no longer accept submissions by email, NT will now only accept uploads via the GoMuni portal. The development work on the GoMuni Upload portal has been concluded and municipalities must submit all documents required for the 2022/23 MTREF in terms of legislation, as per the guidance provided in MFMA Circular No 112 (2021), via the **GoMuni Upload Portal.** The upload portal can be accessed on ***https://lguploadportal.treasury.gov.za*** from 01 April 2022. All municipal officials that currently have access to the LG Upload portal will be granted access to the GoMuni Upload portal. New users will have to complete and submit a *Request for Access* to lgdataqueries@treasury.gov.za. The request form will be available on the GoMuni login page under *New Registrations*.

Municipalities must also submit electronic documents to **Provincial Treasury** to: MFMA.MFMA@westerncape.gov.za or if too large (exceeds 3 MB), must be submitted via One Drive. Instructions for uploading the budget and related documents via **One Drive** are provided in **Appendix C**. Provincial Treasury will engage further with NT and municipalities to establish whether in future it is feasible for documentation to only be uploaded to the GoMuni portal. At present, municipalities are still required to separately submit all documentation to PT (as required in the MFMA).

If municipalities require advice with the compilation of their respective budgets, they should direct their enquiries to the following WC Provincial Treasury officials:

Directorate	Official	Tel. No.	Email
MFMA Co-Ordination	Steven Kenyon	021 483 0811	Steven.kenyon@westerncape.gov.za
Public Finance	Isaac Tsie	021 483 6241	Isaac.Tsie@westerncap.gov.za
	Thobelani Ntshingila	021 483 6100	Thobelani.Ntshingila@westerncape.gov.za
Budget Office	Malcolm Booysen	021 483 3386	Malcolm.Booysen@westerncape.gov.za
	Dian Cronje	021 483 0390	Dian.Cronje@westerncape.gov.za
Fiscal Policy	Shafeeqa Davids	021 483 9192	Shafeeqa.Davids@westerncape.gov.za
Accounting	Faez Salie	021 483 4252	Faez.Salie@westerncape.gov.za

Municipalities may also contact the following officials at NT for assistance.

Responsible Area	Official	Tel. No.	Email
Western Cape	Willem Voigt	012 315 5830	WillemCordes.Voigt@treasury.gov.za
Cape Town	Kgomotso Baloyi	012 315 5866	Kgomotso.Baloyi@treasury.gov.za
George	Mandla Gilimani	012 315 5807	Mandla.Gilimani@treasury.gov.za
Technical issues with Excel formats	Sephiri Tlhomeli	012 406 9064	lgdataqueries@treasury.gov.za

6.4 Publication of budgets on municipal website

In terms of section 75 of the MFMA, all municipalities are required to publish their tabled budgets, adopted budgets, annual reports (containing audited annual financial statements) and other relevant information on the Municipality's website. This will aid in promoting public accountability and good governance.

6.5 Strategic Integrated Municipal Engagement (SIME) Process

Integrated planning and budgeting focusses on strengthening the alignment of planning and budgeting in the Province, and places particular emphasis on enhancing the provincial and local government interface. The SIME engagements, which takes place in May 2022, precedes the approval and implementation of municipal budgets. The engagements afford the WCG the opportunity to provide feedback on its assessment of the municipal planning and budgeting efforts for the upcoming financial year and for the 2022 MTREF.

The assessments are based on compliance and performance information obtained from the Western Cape Monitoring and Evaluation System (WCMES) as well as an assessment on conformance, responsiveness, credibility, and sustainability of the municipality's draft budget, IDP, SDF and supporting plans. It is therefore important that all Municipalities timeously submit all the required information. The assessment of the tabled IDPs will be undertaken by the Department of Local Government, in close contact with all relevant sector departments in the Province impacting on municipalities, to ensure alignment between the IDPs and all the Provincial strategic priorities and plans.

The SIME engagements will primarily focus on strategic issues emanating from municipalities' draft IDPs and tabled annual budgets to gear municipalities for sustainable growth and development.

The overall objectives of the 2022/23 SIME process and the key messages therefore emphasises:

- Aligning strategic intent as encapsulated within the Integrated Development Plans (IDP) and municipal budgets to create public value based on the community needs/priorities identified through the public participation processes;
- Safeguarding of municipal sustainability by ensuring that municipalities table funded budgets and the strengthening of municipal financial management;
- Ensure optimal and targeted service delivery through strategic spatial planning and alignment;
- Deepening of an integrated approach to service delivery with the intention of creating synergies through the consolidation/concentration of resources across all spheres of government;
- Identification of areas that require support as well as opportunities for collaboration and partnerships.

The 2022 SIME engagements are planned to be in person, with a hybrid approach where officials can also join in via Microsoft Teams where such facilities can be accommodated by the municipality. Confirmation of the arrangements will be confirmed individually with each municipality.

- The SIME engagements are provisionally scheduled to take place from 3 May 2022 to 18 May 2022, subject to confirmation from the municipalities. PT will communicate with each Municipality on an individual basis to confirm the date and time of the engagement.

7. CONCLUSION

Municipalities should consider and apply the contents of this budget circular in the 2022/23 planning and budgeting process.

Please direct any queries regarding this circular to Dian Cronje at: Dian.Cronje@westerncape.gov.za.

Roy Havemann Digitally signed by Roy Havemann
Date: 2022.03.18 21:08:43 +02'00'

DR R HAVEMANN
DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES
DATE: 18 March 2022

ANNEXURE A

CONFIRMED 2022 BUDGET TABLING DATES

Municipality	Confirmed date
City of Cape Town	Thursday, 31 March 2022
Matzikama	Tuesday, 29 March 2022
Cederberg	Thursday, 31 March 2022
Bergrivier	Tuesday, 29 March 2022
Saldanha Bay	Thursday, 31 March 2022
Swartland	Thursday, 31 March 2022
West Coast District Municipality	Friday, 25 March 2022
Witzenberg	Wednesday, 30 March 2022
Drakenstein	Wednesday, 30 March 2022
Stellenbosch	Wednesday, 30 March 2022
Breede Valley	Tuesday, 29 March 2022
Langeberg	Thursday, 31 March 2022
Cape Winelands District Municipality	Thursday, 24 March 2022
Theewaterskloof	Wednesday, 30 March 2022
Overstrand	Wednesday, 30 March 2022
Cape Agulhas	Tuesday, 29 March 2022
Swellendam	Thursday, 31 March 2022
Overberg District Municipality	Monday, 28 March 2022
Kannaland	Thursday, 31 March 2022
Hessequa	Friday, 18 March 2022
Mossel Bay	Thursday, 31 March 2022
George	Friday, 25 March 2022
Oudtshoorn	Thursday, 31 March 2022
Bitou	Thursday, 31 March 2022
Knysna	Wednesday, 30 March 2022
Garden Route District Municipality	Tuesday, 29 March 2022
Laingsburg	Wednesday, 30 March 2022
Prince Albert	Tuesday, 29 March 2022
Beaufort West	Thursday, 31 March 2022
Central Karoo District Municipality	Monday, 28 March 2022

ANNEXURE B

DOCUMENT SUBMISSION CHECKLIST FOR THE 2022/23 TABLED INTEGRATED DEVELOPMENT PLAN, BUDGET, AND RELATED DOCUMENTATION

MUNICIPALITY: ____________________________________

In completing and signing the Budget and IDP documentation checklist below, the municipality confirms that Schedule A1 **complies with the Municipal Budget and Reporting Regulations (MBRR)** and that the main tables and the relevant supporting tables (as listed below) are in ***version 6.6.1*** of Schedule A1 and **drawn directly from the municipal financial system.**

The Integrated Development Plan as set out in Section 26, 32 and 34 of the Local Government: Municipal Systems Act, No 32 of 2000 and Regulations (MSA) and Section 21 of the Local Government Municipal Finance Management Act 56 of 2003 (MFMA).

The Spatial Development Framework, Disaster Management Framework and additional documents must be submitted as required in terms of budget circulars.

Budget Documentation	**Yes**	**No**	**N/A**
Council Resolution in terms of the Tabled Budget			
The Budget Documentation as set out in the MBRR. The Budget Document must include the main A1 Schedule Tables (A1-A10)			
The non-financial supporting tables A10, SA9, SA11, SA12, SA13, SA22, SA23, SA24 **and any information not contained in the financial data string** in ***the A1 in the prescribed mSCOA data string in the format published with Version 6.6.1 of the A1 schedule***			
Draft Service Delivery and Budget Implementation Plan			
Procurement Plan			
Draft Service Level Standards			
Signed Quality Certificate as prescribed in the MBRR			
D Schedules specific for the entities (where applicable)			
Budget Related Policies			
Information on any amendments to budget related policies			
Suite of budget related policies			
IDP and Related Documentation			
Council Resolution in terms of the IDP			
Draft Integrated Development Plan			
If the predecessors IDP with amendments, the draft memorandum referred to in Regulation 3(2) of the Local Government: Municipal Planning and Performance Management Regulations of 2001			
If a District Municipality, the IDP District Framework according to Section 27 of the MSA			
Process Plan according to Section 28 of the MSA			
Spatial Development Framework			
Council Resolution in terms of the adoption of the Spatial Development Framework			
Applicable Disaster Management Plan			
Council Resolution in terms of the adoption of the Disaster Management Plan			

ANNEXURE B

Budget Documentation	**Yes**	**No**	**N/A**
Integrated Waste Management Plan			
Council Resolution in terms of the adoption of the Integrated Waste Management Plan			
Air Quality Management Plan			
Council Resolution in terms of the adoption of the Air Quality Management Plan			
Coastal Management Plan *(Coastal Municipalities only)*			
Council Resolution in terms of the adoption of the Coastal Management Plan			
Biodiversity Management Plan *(if relevant)*			
Invasive Species Monitoring, Control and Eradication Plan			
Climate Change Strategy			
Human Settlement Plan			
Local Economic Development Strategy			
Water Services Development Plan			
Storm Water Master Plan			
Integrated Transport Plan			
Electricity Master Plan			
Infrastructure Growth Plan			
Workplace Skills Plan			

MUNICIPAL REPRESENTATIVE:

Designation: ______________________________

Name: ______________________________

Signature: ______________________________

Date: ______________________________

The following instructions provide a guide for the upload of budget documentation onto OneDrive.

- **How to upload documents to One drive:**

You can use this option if you have OneDrive linked to your Microsoft Office or Office 365

1. In any Office document, select File > Save As, choose your OneDrive, and then pick the folder where you want to save the file. Create a new folder (e.g. DC1 2022 Budget Documents) and place all the budget related documents within it.

2. To share the link to that folder, Go into OneDrive
3. Select the file that you want to share and right click on it
4. Choose "share"
5. Ensure that sharing is defaulted to "Anyone with the link can edit"
6. Enter the MFMA email address: MFMA.MFMA@westerncape.gov.za and email addresses of anyone else that you want to share the link with.
7. Click the Share Button

File names in following sequence for budget related documents to be submitted to MFMA:

- Demarcation code
- "ccyy" century and year (eg.2022)
- Name of document submitted (e.g. Draft Budget, Draft IDP, Draft SDBIP etc.)

  E.g.: DC1 2022 Draft IDP

  E.g.: DC1 2022 MTREF Main Budget

  E.g.: DC1 2022 Draft SDBIP

Appendix 7:

Capital Expenditure Per Directorate and Department

Appendix 8 : Capital Expenditure per Directorate and Department

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
1	COUNCIL GENERAL	Program Office Furniture	New	CRR	100,000	-	-	All
2	COMMUNICATION	New Vehicle	9/145-2-2	Loans	250,000	-	-	All
3		Total: Executive and Council =			350,000	0	0	
4	DIRECTOR: CORPORATE	Installation of Wheelchair lift	9/101-61-61	Loans	869,565	-	-	All
5	DIRECTOR: CORPORATE	New Fencing 14 Church Street, 42 Old Toll Road, Milkwood Flats, Protea Flats, West View Court, 3 Clyde	9/101-63-63	CRR	-	800,000	600,000	10
6	DIRECTOR: CORPORATE	Replace abestos roofs - municipal offices - Clyde Street, Sedgefield, Khayalethu	9/101-64-64	Loans	800,000	500,000	500,000	2,7,10
7	DIRECTOR: CORPORATE	New airconditioners	9/101-62-62	CRR	235,000	100,000	100,000	All
8	DIRECTOR: CORPORATE	Ward 11 Office	New	Loans	-	700,000	-	11
9	DIRECTOR: CORPORATE	Window Blinds for Municipal Offices	New	CRR	50,000	200,000		All
10	DIRECTOR: CORPORATE	Program Office Furniture	9/101-39-39	CRR	70,000	50,000	50,000	All
11	PUBLIC PARTICIPATION	Program Plant & Equipment	New	CRR	18,700	-	-	All
12	PUBLIC PARTICIPATION	Program Plant & Equipment	New	CRR	36,000	-	-	All
13	INFORMATION TECHNOLOGY	Data Centre Upgrade	9/106-23-23	CRR	300,000	100,000	100,000	All
14	INFORMATION TECHNOLOGY	Program Computer Equipment	9/106-6-8	CRR	160,000	160,000	160,000	All
15	INFORMATION TECHNOLOGY	Program Computer Equipment	9/106-6-9	CRR	130,000	65,000	65,000	All
16	INFORMATION TECHNOLOGY	UPS System	9/106-20-20	CRR	60,000	-	-	All
17	INFORMATION TECHNOLOGY	New Server and Switches	New	Loans	980,000	-	-	All
18		Total: Corporate Services =			3,709,265	2,675,000	1,575,000	
19	DIRECTOR: FINANCE	Buildings Refurbishment	9/101-65-65	CRR	30,000	-	-	All
20	DIRECTOR: FINANCE	Program Office Furniture	9/101-2-16	CRR	35,000	5,000	5,000	All

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
21	INCOME	New LDV	New	Loans	380,000	-	-	All
22				**Total: Financial Services =**	**445,000**	**5,000**	**5,000**	
23	DIRECTOR: PLANNING DEVELOPMENT	Office Furniture	9/101-67-67	CRR	24,550	-	-	All
24	ENVIRONMENTAL MANAGEMENT	Rehabiliation of the Bongani river Phase 1 of implementation	New	Loans	500,000	2,000,000	3,000,000	7
25				**Total: Planning and Development Services =**	**524,550**	**2,000,000**	**3,000,000**	
26	HOUSING ADMINISTRATION	Sedgefield Infill - Informal Settlements Upgrading Partnership Grant	New	Provincial Grant	-	12,420,000	26,165,000	1
27	HOUSING ADMINISTRATION	Knysna Vision(1393) UISP	9/105-16-30	Provincial Grant	-	2,400,000	6,000,000	3
28	HOUSING ADMINISTRATION	Hornlee Infill - Informal Settlements Upgrading Partnership Grant	New	Provincial Grant	-	4,800,000	5,945,000	6,11
29	HOUSING ADMINISTRATION	Servicing of 30 erven on erf 4712 Hornlee	9/105-27-27	Loans	1,512,445	-	-	6
30				**Total: Integrated Human Settlements =**	**1,512,445**	**19,620,000**	**38,110,000**	
31	HALLS / FACILITIES	Upgr Brenton Hall - Underpinning	9/103-28-28	Loans	2,200,000	700,000	500,000	5
32	HALLS / FACILITIES	Furniture Equipment	9/103-32-32	CRR	100,000	120,000	140,000	All
33	PARKS RECREATION	Small Plant Equipment	9/115-30-30	CRR	200,000	220,000	240,000	All
34	SAFETY LAW ENFORCEMENT	CCTV camera Project	9/157-1-1	CRR	200,000	200,000	400,000	All
35	CLEANSING REFUSE REMOVAL SERV.	Acquisition of Compactor Trucks (2)	9/113-28-28	Loans	1,700,000	1,700,000	-	All
36	CLEANSING REFUSE REMOVAL SERV.	Repl CX 4906 (2004) Street Cleaning Bakkie	9/113-22-22	Loans	-	250,000	-	All
37	CLEANSING REFUSE REMOVAL SERV.	New Front end Loader - Waste Facilities	New	Loans	-	1,600,000	-	All
38	CLEANSING REFUSE REMOVAL SERV.	Replacing bin lifting Equipment	New	CRR	-	150,000	150,000	All
39	PARKS RECREATION	New Bakkie-Parks Supervisor Sedgefield	9/115-21-21	Loans	-	380,000	-	All
40	CEMETERY	Cemetery Windheuwel	9/124-11-11	Loans	600,000	200,000	-	All
41	CEMETERY	Mini Hydraulic Excavator - veh	9/124-12-12	Loans	-	450,000	-	All

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
42	SAFETY LAW ENFORCEMENT	Trailer	New	CRR	-	100,000	-	All
43	SAFETY TRAFFIC DEPARTMENT	Two Motor Vehicles(Sedans)	New	Loans	300,000	600,000	-	All
44	SAFETY TRAFFIC DEPARTMENT	Breatherlizer Sets	New	CRR	50,000	50,000	50,000	All
45	SAFETY TRAFFIC DEPARTMENT	Replacement of Fence-Driving Testing Station	New	CRR	-	200,000	-	All
46	SAFETY TRAFFIC DEPARTMENT	Motor Cycle Testing Equipment	New	CRR	100,000	-	150,000	All
47	SAFETY LAW ENFORCEMENT	Baboon deterrent equipment	New	CRR	100,000	-	-	9
48	MUSEUM	Museum Upgrade	New	CRR	-	120,000	-	10
49	LIBRARY	Library Upgrade and refurbishment	New	CRR	-	60,000	-	10
50	SAFETY FIRE BRIGADE SERVICES	Construction of parking Bay	New	Loans	500,000	1,500,000	-	All
51	SAFETY FIRE BRIGADE SERVICES	Establishment of fire stations - Rheenendal	New	Loans	-	1,000,000	1,000,000	5
52	SAFETY FIRE BRIGADE SERVICES	Establishment of fire stations - Khayalethu	New	Loans	1,000,000	1,000,000	-	7
53	SAFETY FIRE BRIGADE SERVICES	Replacement of fire engine CX 10515 & CX 43651	New	Loans	1,200,000	-	1,200,000	All
54	SAFETY FIRE BRIGADE SERVICES	Procurement of fire hose and pressure gauge meter kit	New	CRR	300,000	200,000	200,000	All
55	SAFETY FIRE BRIGADE SERVICES	Procurement of portable handheld radio's	New	CRR	55,000	60,000	70,000	All
56	TRANSFER STATION	Acquisition of Hooklift Trucks	New	Loans	1,900,000	-	-	All
57	TRANSFER STATION	Acquisition of Trailer	New	Loans	-	650,000	-	All
58	PUBLIC TOILETS	Install turn style system at taxi rank	New	CRR	-	-	350,000	10
59				**Total: Community Services =**	**10,505,000**	**11,510,000**	**4,450,000**	
60	ELECTRICITY DISTRIBUTION	Electrification of informal areas - Ward 4	9/104-105-131	Loans	500,000	250,000	150,000	4
61	ELECTRICITY DISTRIBUTION	Eastford 11KV Line to Concordia	9/104-119-119	Loans	-	500,000	400,000	8
62	ELECTRICITY DISTRIBUTION	Electrification of informal areas - Hornlee (Ward 11)	9/104-111-137	Loans	500,000	250,000	150,000	11

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
63	ELECTRICITY DISTRIBUTION	Electrification of informal areas - Ward 6	9/104-130-130	Loans	500,000	250,000	150,000	6
64	ELECTRICITY DISTRIBUTION	Electrification of informal areas	9/104-100-125	Loans	-	250,000	150,000	7
65	ELECTRICITY DISTRIBUTION	Electrification of informal areas	9/104-101-126	Loans	-	250,000	150,000	8
66	ELECTRICITY DISTRIBUTION	Elec Nothern areas (INEP)	9/104-62-69	National Grant	9,330,435	5,217,391	5,451,304	3,7,8,1
67	ELECTRICITY DISTRIBUTION	Electrification of informal areas	9/104-97-122	Loans	-	250,000	150,000	1
68	ELECTRICITY DISTRIBUTION	Electrification of informal areas	9/104-98-123	Loans	-	250,000	150,000	3
69	WORKSHOP & DEPOT	Vehicle Replacements	9/194-1-1	Loans	-	400,000	-	All
70	ELECTRICITY DISTRIBUTION	8 ton crane Truck 20 m-t (Sedg): Vehicle Replacement	9/104-123-123	Loans	-	-	2,700,000	All
71	ELECTRICITY DISTRIBUTION	Salt River Control Plant Upgrade	9/104-124-124	Loans	-	400,000	200,000	10
72	ELECTRICITY DISTRIBUTION	Vehicle replacement CX39578 - NISSAN 2.7D	9/104-128-128	Loans	380,000	-	-	All
73	ELECTRICITY DISTRIBUTION	Vehicle replacement -Toyota Hilux 2.4D	9/104-129-129	Loans	-	400,000	-	All
74	ELECTRICITY DISTRIBUTION	3 x bakkie 1 ton: New electricians	9/104-75-92	Loans	-	-	400,000	All
75	ELECTRICITY DISTRIBUTION	Brenton - Upgr power supply	9/104-94-119	Loans	-	600,000	-	5
76	ELECTRICITY DISTRIBUTION	Western Feeder 11kV line refurbishments	New	Loans	500,000	500,000	700,000	1
77	ELECTRICITY DISTRIBUTION	Eastern heads Feeder 11kV line refurbishments	New	Loans	-	700,000	-	9
78	ELECTRICITY DISTRIBUTION	Xolweni SS to Sawmill RMU replacement of OH to underground refurbishments	New	Loans	800,000	400,000	-	4
79	ELECTRICITY DISTRIBUTION	Groenvlei 11kv line replacement	New	Loans	-	-	900,000	2
80	ELECTRICITY DISTRIBUTION	EMI -Smart metering project	New	Loans	250,000	500,000	500,000	All
81	ELECTRICITY DISTRIBUTION	Asset replacements refurbishments	9/104-6-41	CRR	2,000,000	1,500,000	2,500,000	All
82				**Total: Electrical Services =**	**14,760,435**	**12,867,391**	**14,801,304**	
83	DIRECTOR : INFRASTRUCTURE	Program Tools Equipment	9/101-33-33	CRR	500,000	500,000	-	All

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
84	RDS,S/WTR,DRAINAGE:STORMWATER	Upgrade Stormwater Infrastructure	9/117-28-28	Loans	250,000	250,000	250,000	All
85	RDS,S/WTR,DRAINAGE:STORMWATER	Upgrade Stormwater Infrastructure	9/117-19-19	Loans	750,000	500,000	1,000,000	All
86	RDS,S/WTR,DRAINAGE:STREETS	Resealing of Streets	9/110-107-107	Loans	7,500,000	4,000,000	7,000,000	All
87	RDS,S/WTR,DRAINAGE:STREETS	Upgrade Gravel Roads Ward 3	9/110-99-99	Loans	-	2,000,000	2,000,000	3
88	RDS,S/WTR,DRAINAGE:STREETS	Upgrade Gravel Roads Ward 4	9/110-100-100	Loans	3,000,000	2,000,000	2,000,000	4
89	RDS,S/WTR,DRAINAGE:STREETS	Upgrade Gravel Roads Ward 7	9/110-102-102	Loans	3,000,000	2,000,000	2,000,000	7
90	RDS,S/WTR,DRAINAGE:STREETS	Upgrade Gravel Roads Ward 8	9/110-103-103	Loans	-	2,000,000	-	8
91	RDS,S/WTR,DRAINAGE:STREETS	Cola Beach	9/110-112-112	Loans	850,000	-	-	1
92	RDS,S/WTR,DRAINAGE:STREETS	George Rex Drive	9/110-113-113	Loans	1,000,000	4,000,000	10,000,000	9
93	RDS,S/WTR,DRAINAGE:STREETS	Road Safety Improvements	9/110-116-116	Loans	100,000	250,000	250,000	All
94	RDS,S/WTR,DRAINAGE:STREETS	Sedgefield Mouth parking area refurbishment	9/110-117-117	Loans	500,000	1,000,000	2,000,000	1
95	RDS,S/WTR,DRAINAGE:STREETS	MIG : Upgrade of Gravel Roads - Ph2 (Karatara)	New	National Grant	-	-	1,304,348	2
96	RDS,S/WTR,DRAINAGE:STREETS	MIG : Upgrade of Gravel Roads - Ph2 (Rheenendal)	New	National Grant	-	-	1,304,348	5
97	RDS,S/WTR,DRAINAGE:STREETS	MIG : Upgrade of Gravel Roads - Ph2 (Northern Areas)	New	National Grant	-	-	2,956,522	3,4,7,8
98	RDS,S/WTR,DRAINAGE:STREETS	MIG : Upgrade of Gravel Roads	9/110-87-87	National Grant	5,095,380	5,095,380	-	4
99	RDS,S/WTR,DRAINAGE:STREETS	NDPG - Public Transport Facilities	9/110-115-115	National Grant	4,347,826	4,347,826	8,695,652	All
100	RDS,S/WTR,DRAINAGE:STREETS	MIG: Rehabilitation of Streets	New	National Grant	5,792,278	8,971,466	8,174,782	6,11
101	RDS,S/WTR,DRAINAGE:STREETS	New Vehicle: 1 Ton LDV	9/110-119-119	Loans	-	380,000	-	All
102	RDS,S/WTR,DRAINAGE:STREETS	New Vehicle: 1.5 Ton LDV	9/110-120-120	Loans	450,000	-	-	All
103	RDS,S/WTR,DRAINAGE:STREETS	Veh Repl - CX1741 (Digger Loader)	9/110-121-121	Loans	-	-	1,250,000	All
104	RDS,S/WTR,DRAINAGE:STREETS	Vehicle Repl: Chevrolet Corsa	9/110-122-122	Loans	-	380,000	-	All

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
105	RDS,S/WTR,DRAINAGE:STREETS	Vehicle Repl: NISSAN 2.7 D	9/110-123-123	Loans	-	380,000	-	All
106	RDS,S/WTR,DRAINAGE:STREETS	Vehicle Repl: NISSAN NP300	9/110-124-124	Loans	-	380,000	-	All
107	RDS,S/WTR,DRAINAGE:STREETS	Vehicle Replacement CX44804	9/110-52-52	Loans	-	380,000	-	All
108	RDS,S/WTR,DRAINAGE:STREETS	Pavement ripper	New	CRR	199,500	-	-	All
109	RDS,S/WTR,DRAINAGE:STREETS	Rehabilitation of Streets	New	Loans	-	4,000,000	4,470,000	All
110	SPORT FIELDS	MIG: 285770 Upgrade Sportsfield PH2 (Bongani)	New	National Grant	9,565,217	-	-	7
111	SPORT FIELDS	MIG: 285767 - (Rheenendal) Upgrade Sportsground Ph2: Rugby/Soccer Field & Athletics Track	New	National Grant		2,173,913	7,391,304	5
112	SEWERAGE RETICULATION SERVICES	MCC Replacement	9/112-59-59	Loans	1,350,000	750,000	-	All
113	SEWERAGE RETICULATION SERVICES	MIG : Rehabilitation of Khayalethu Sewer Bridge	New	National Grant	1,200,000	2,532,174	-	7
114	SEWERAGE RETICULATION SERVICES	MIG : Damsebos to Hlalani Bulk Sewer Link	New	National Grant	869,565	2,638,974	3,981,739	3
115	SEWERAGE RETICULATION SERVICES	Replacement of Pump, Valves and rails	9/112-60-60	Loans	750,000	750,000	1,000,000	All
116	SEWERAGE RETICULATION SERVICES	MIG : Upgrading of the Sedgefield Wastewater Infrastructure, Phas	9/112-61-61	National Grant	10,267,385	2,728,007	-	2
117	SEWERAGE RETICULATION SERVICES	Brenton on Lake to Belvedere Sewer Link	9/112-65-65	Loans	500,000	1,900,000	-	5
118	SEWERAGE RETICULATION SERVICES	Increase storage capacity at Salt River Sewer Pumpstation feeding Welbedacht and Simola	9/112-66-66	Loans	500,000	-	-	10
119	SEWERAGE RETICULATION SERVICES	Knysna Windheuwel WWTW	9/112-67-67	Loans	500,000	1,000,000	14,000,000	All
120	SEWERAGE RETICULATION SERVICES	Rehabilitate Sewer Pipe Bridge in Khayalethu	9/112-68-68	Loans	1,000,000	-	-	7
121	SEWERAGE RETICULATION SERVICES	Replace Bio-disc in Belvidere	9/112-69-69	Loans	800,000	-	-	5
122	SEWERAGE RETICULATION SERVICES	Upgrade main Sewer Pump Station and sewers in the CBD	9/112-25-17	Loans	2,000,000	-	-	10
123	WATER PURIFICATION WORKS	Fencing and Secuity of Key Points	9/118-55-55	Loans	2,000,000	1,000,000	-	All
124	WATER PURIFICATION WORKS	Knysna Dam Phasing	9/118-56-56	Loans	1,500,000	1,650,000	-	All
125	WATER PURIFICATION WORKS	Retaining Wall Knysna Heights	9/118-57-57	Loans	750,000	-	-	10

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
126	WATER RETICULATION	Water Demand management devices	9/119-49-49	Loans	6,500,000	3,000,000	-	All
127	WATER RETICULATION	Upgrade Knysna CBD Water reticulation	9/119-51-51	Loans	3,250,000	2,000,000	-	10
128	WATER RETICULATION	Refurbish Fire Damaged Infrastructure	9/119-73-73	Loans	-	1,250,000	-	All
129	WATER RETICULATION	Re-align Karawater pipeline	New	Loans	-	800,000	-	2
130	WATER RETICULATION	Water services infrastructure Grant	9/119-78-78	National Grant	-	-	29,075,652	All
131	SEWERAGE RETICULATION SERVICES	Veh Repl: CX 12804 NISSAN NP 300 2.5D	9/112-72-72	Loans	-	380,000	-	All
132	WATER RETICULATION	Veh Repl: CX44803	9/119-37-37	Loans	-	380,000	-	All
133	WATER RETICULATION	Veh Repl: CX 40142 NISSAN NP300	9/119-79-79	Loans	-	380,000	-	All
134	WATER RETICULATION	Veh Vacuum tanker (Water Sewer)	9/119-80-80	Loans	-	-	3,600,000	All
135	WATER PURIFICATION	Refurbish Akkerkloof and Glebe Dam Tower	New	Loans	200,000	-	-	All
136	WATER RETICULATION	Pipeline from PG Bison to Akkerkloof 600m. 150 mm pipeline to Tsitsitsi Street. Class 12	New	Loans	-	1,000,000	-	All
137	WATER RETICULATION	Dam se bos Water reservoir Khayalethu 200mm pipeline	New	Loans	-	900,000	-	3,7
138	SEWER RETICULATION	Chambers - outfall sewers	New	Loans	500,000	500,000	-	All
139	WATER RETICULATION	Old Place Pipe replacement - Melkhoud, Old Toll Road, Camdeboo, Sand piper	New	Loans	-	6,500,000	-	10
140	WATER RETICULATION	Paradise pipe replacement - Circular Drive, Camble Drive, Meyer Drive	New	Loans	-	-	2,500,000	10
141	WATER PURIFICATION	Knysna WTW - refurbishment of building	New	Loans	200,000	300,000	-	All
142	WATER RETICULATION	Sedgefield - water line - Makou to Swallow	New	Loans	-	-	1,500,000	1,2
143	SEWERAGE PURIFICATION	Replace Compressors @ Sedgefield WWTW	New	Loans	500,000	-	-	1,2
144	WATER RETICULATION	Knysna Brenton feed - Bulk line replacement	New	Loans	-	-	1,000,000	5
145	WATER RETICULATION	Buffalo bay replacement of pipeline(s)	New	Loans	500,000	1,500,000	-	5
146	WATER PURIFICATION	Buffalo Bay Upgrade WTW	New	Loans	-	1,000,000	1,000,000	5

Row Number	Directorate and Department	Capital Project Item Description	Vote Number	Funding Source	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Ward Allocation
Column Reference	A	B	C	D	E	F	G	H
147	WATER PURIFICATION	Replace and refurbish Sand filters all WTW	New	Loans	4,000,000	-	-	All
148	SEWER PURIFICATION	Replace and refubish dry bed filter media all WWTW	New	Loans	-	-	2,000,000	All
149	SEWER RETICULATION	Roos Bolton - Sewer line	New	Loans	-	-	1,300,000	10
150	SEWER RETICULATION	Jett Machine	New	Loans	-	-	500,000	All
151	WATER RETICULATION	Tools and Equipment	New	CRR	50,000	-	-	All
152	WATER RETICULATION	Drone	New	CRR	-	250,000	-	All
153	WATER RETICULATION	Metal detector	New	CRR	25,000	-	-	All
154	WATER RETICULATION	Leak detector	New	CRR	200,000	-	-	All
155	WATER RETICULATION	New reservoir @ Noetzie	New	Loans	-	-	2,000,000	9
156	WATER RETICULATION	Purchase of new 20mm Water Meters	New	Loans	750,000	-	-	All
157	SEWER PURIFICATION	Odour control	New	Loans	600,000	-	-	All
158	WATER RETICULATION	MCC replacement	New	Loans	450,000	-	-	9
159	WATER RETICULATION	Loggers	New	CRR	25,000	-	-	All
160				**Total: Infrastructure Services =**	**84,637,152**	**80,077,739**	**125,504,348**	
161				**Grand Total: Capital Expenditure Budget =**	**116,443,847**	**128,755,130**	**187,445,652**	

Appendix 8:

Procurement Plan

Appendix 8: Draft Demand Management Plan (Capital)

Row Number	Directorate	Department	Expenditure Description	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Project Manager	Proposed BSC Date	Proposed BEC Date	Proposed BAC Date	Actual BSC Date	Actual BEC Date	Actual BAC Date	Comments
Column Reference	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	1. Executive Council	COUNCIL GENERAL	Program Office Furniture	100,000	-	-	Christopher Bezuidenhout							RFQ process will be followed
2	1. Executive Council	COMMUNICATION	New Vehicle	250,000	-	-	Christopher Bezuidenhout							Tender to be advertised
3	2. Corporate	DIRECTOR: CORPORATE	Installation of Wheelchair lift	869,565	-	-	Melony Paulsen							RFQ process will be followed
2	2. Corporate	DIRECTOR: CORPORATE	Road, Milkwood Flats, Protea Flats, West View Court, 3 Clyde Street	-	800,000	600,000	Melony Paulsen							Tender to be advertised
3	2. Corporate	DIRECTOR: CORPORATE	Replace abestos roofs - municipal offices - Clyde Street, Sedgefield, Khayalethu	800,000	500,000	500,000	Melony Paulsen							Tender to be advertised
4	2. Corporate	DIRECTOR: CORPORATE	New airconditioners	235,000	100,000	100,000	Melony Paulsen							RFQ process will be followed
5	2. Corporate	DIRECTOR: CORPORATE	Ward 11 Office	-	700,000	-	Melony Paulsen							
6	2. Corporate	DIRECTOR: CORPORATE	Window Blinds for Municipal Offices	50,000	200,000		Melony Paulsen							RFQ process will be followed
7	2. Corporate	DIRECTOR: CORPORATE	Program Office Furniture	70,000	50,000	50,000	Melony Paulsen							RFQ process will be followed
8	2. Corporate	PUBLIC PARTICIPATION	Program Plant & Equipment	18,700	-	-	Jacky Kalani							B-order process will be followed
9	2. Corporate	PUBLIC PARTICIPATION	Program Plant & Equipment	36,000	-	-	Jacky Kalani							RFQ process will be followed
10	2. Corporate	INFORMATION TECHNOLOGY	Data Centre Upgrade	300,000	100,000	100,000	Lezelle Plaatjies							RFQ process will be followed
12	2. Corporate	INFORMATION TECHNOLOGY	Program Computer Equipment	160,000	160,000	160,000	Lezelle Plaatjies							RFQ process will be followed
13	2. Corporate	INFORMATION TECHNOLOGY	Program Computer Equipment	130,000	65,000	65,000	Lezelle Plaatjies							RFQ process will be followed
14	2. Corporate	INFORMATION TECHNOLOGY	UPS System	60,000	-	-	Lezelle Plaatjies							RFQ process will be followed
15	2. Corporate	INFORMATION TECHNOLOGY	New Server and Switches	980,000	-	-	Lezelle Plaatjies							Tender 10/2021/22: Awarded to Tsoga
16	3. Finance	DIRECTOR: FINANCE	Buildings Upgrade ~~(Filing space)~~	30,000	-	-	CFO							RFQ process will be followed
17	3. Finance	DIRECTOR: FINANCE	Program Office Furniture	35,000	5,000	5,000	CFO							RFQ process will be followed
18	3. Finance	INCOME	New LDV	380,000	-	-	Busisiwe Kova	30/08/2022	03/10/2022	05/10/2022				Tender to be advertised
19	5. Planning	DIRECTOR: PLANNING DEVELOPMENT	Office Furniture	24,550	-	-	Hennie Smit							RFQ process to be followed
120	5. Planning	ENVIRONMENTAL MANAGEMENT	Rehabiliation of the Bongani river Phase 1 of implementation	500,000	5,000,000	-	Pam Booth	30/08/2022	03/10/2022	06/10/2022				Tender to be advertised
21	6. Community	HALLS / FACILITIES	Upgr Brenton Hall - Underpinning	2,200,000	700,000	500,000	Richard Meyer	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
22	6. Community	HALLS / FACILITIES	Furniture Equipment	100,000	120,000	140,000	Richard Meyer							RFQ process to be followed
23	6. Community	PARKS RECREATION	Small Plant Equipment	200,000	220,000	240,000	Ivan Van Wyk							RFQ process will be followed
24	6. Community	SAFETY LAW ENFORCEMENT	CCTV camera Project	200,000	200,000	400,000	Steven Langlands	30/04/2021	30/05/2021	30/05/2021	05/05/2021	11/06/2021	23/06/2021	Tender 55/2020/21 awarded to Bona Electronic Solutions
25	6. Community	CLEANSING REFUSE REMOVAL SERV.	Acquisition of Compactor Trucks (2)	1,700,000	1,700,000	-	Randal Bouwer	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
26	6. Community	CLEANSING REFUSE REMOVAL SERV.	Repl CX 4906 (2004) Street Cleaning Bakkie	-	250,000	-	Randal Bouwer	30/08/2022	03/10/2022	05/10/2022				New Tender to advertised
27	6. Community	CLEANSING REFUSE REMOVAL SERV.	New Front end Loader - Waste Facilities	-	1,600,000	-	Randal Bouwer							

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	A	B	C	D	E	F	G	H	I	J	K	L	M	N
28	6. Community	CLEANSING REFUSE REMOVAL SERV.	Replacing bin lifting Equipment		150,000	150,000	Randal Bouwer							RFQ process to be followed
29	6. Community	PARKS RECREATION	New Bakkie-Parks Supervisor Sedgefield	-	380,000	-	Ivan Van Wyk							
30	6. Community	CEMETERY	Cemetery Windheuwel	600,000	200,000	-	Ivan Van Wyk	30/08/2022	03/10/2022	05/10/2022				New Tender to advertised
31	6. Community	CEMETERY	Mini Hydraulic Excavator - veh	-	450,000	-	Ivan Van Wyk							
32	6. Community	SAFETY LAW ENFORCEMENT	Trailer	-	100,000	-	Steven Langlands							
33	6. Community	SAFETY TRAFFIC DEPARTMENT	Two Motor Vehicles(Sedans)	300,000	600,000		Steven Langlands	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
34	6. Community	SAFETY TRAFFIC DEPARTMENT	Breatherlizer Sets	50,000	50,000	50,000	Steven Langlands							RFQ process to be followed
35	6. Community	SAFETY TRAFFIC DEPARTMENT	Replacement of Fence-Driving Testing Station		200,000	-	Steven Langlands	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
36	6. Community	SAFETY TRAFFIC DEPARTMENT	Motor Cycle Testing Equipment	100,000	-	150,000	Steven Langlands							RFQ process to be followed
37	6. Community	SAFETY LAW ENFORCEMENT	Baboon deterrent equipment	100,000	-	-	Steven Langlands							RFQ process to be followed
38	6. Community	MUSEUM	Museum Upgrade	-	120,000	-	Xola Frans							
39	6. Community	LIBRARY	Library Upgrade and refurbishment	-	60,000	-	Xola Frans							
40	6. Community	SAFETY FIRE BRIGADE SERVICES	Construction of parking Bay	500,000	1,500,000	-	Ian Bezuidenhout	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
41	6. Community	SAFETY FIRE BRIGADE SERVICES	Establishment of fire stations - Rheenendal		1,000,000		Ian Bezuidenhout	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
42	6. Community	SAFETY FIRE BRIGADE SERVICES	Establishment of fire stations - Khayalethu	1,000,000			Ian Bezuidenhout	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
43	6. Community	SAFETY FIRE BRIGADE SERVICES	Replacement of fire engine CX 10515 & CX 43651	1,200,000	-	1,200,000	Ian Bezuidenhout	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
44	6. Community	SAFETY FIRE BRIGADE SERVICES	Procurement of fire hose and pressure gauge meter kit	300,000	200,000	200,000	Ian Bezuidenhout	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
45	6. Community	SAFETY FIRE BRIGADE SERVICES	Procurement of portable handheld radio's	55,000	60,000	70,000	Ian Bezuidenhout							RFQ process to be followed
46	6. Community	TRANSFER STATION	Acquisition of Hooklift Trucks	1,900,000		-	Randal Bouwer	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
47	6. Community	TRANSFER STATION	Acquisition of Trailer	-	650,000		Randal Bouwer	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
48	6. Community	PUBLIC TOILETS	Install turn style system at taxi rank	-		350,000	Randal Bouwer	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
49	7. Electricity	ELECTRICITY DISTRIBUTION	Electrification of informal areas - Ward 4	500,000	250,000	150,000	Tholi	10/04/2021	11/06/2021	12/08/2021				Currently on professional services
50	7. Electricity	ELECTRICITY DISTRIBUTION	Eastford 11KV Line to Concordia		500,000	400,000	Tholi							
51	7. Electricity	ELECTRICITY DISTRIBUTION	Electrification of informal areas - Hornlee (Ward 11)	500,000	250,000	150,000	Tholi	10/04/2021	11/06/2021	12/08/2021				Currently on professional services
52	7. Electricity	ELECTRICITY DISTRIBUTION	Electrification of informal areas - Ward 6	500,000	250,000	150,000	Tholi	10/04/2021	11/06/2021	12/08/2021				Currently on professional services
53	7. Electricity	ELECTRICITY DISTRIBUTION	Electrification of informal areas	-	250,000	150,000	Tholi	10/04/2021	11/06/2021	12/08/2021				Currently on professional services
54	7. Electricity	ELECTRICITY DISTRIBUTION	Electrification of informal areas	-	250,000	150,000	Tholi	10/04/2021	11/06/2021	12/08/2021				Currently on professional services
55	7. Electricity	ELECTRICITY DISTRIBUTION	Elec Nothern areas (INEP)	9,330,435	5,217,391	5,451,304	Tholi							
56	7. Electricity	ELECTRICITY DISTRIBUTION	Electrification of informal areas	-	250,000	150,000	Tholi	10/04/2021	11/06/2021	12/08/2021				Currently on professional services

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Column Reference	A	B	C	D	E	F	G	H	I	J	K	L	M	N
57	7. Electricity	ELECTRICITY DISTRIBUTION	Electrification of informal areas	-	250,000	150,000	Tholi	10/04/2021	11/06/2021	12/08/2021				Currently on professional services
58	7. Electricity	WORKSHOP & DEPOT	Vehicle Replacements	-	400,000	-	Tholi	30/08/2022	03/10/2022	05/10/2022				New Tender to advertised
59	7. Electricity	ELECTRICITY DISTRIBUTION	8 ton crane Truck 20 m-t (Sedg): Vehicle Replacement	-	-	2,700,000	Tholi							
60	7. Electricity	ELECTRICITY DISTRIBUTION	Salt River Control Plant Upgrade	-	400,000	200,000	Tholi							
61	7. Electricity	ELECTRICITY DISTRIBUTION	Vehicle replacement CX39578 - NISSAN 2.7D	380,000	-	-	Tholi	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
62	7. Electricity	ELECTRICITY DISTRIBUTION	Vehicle replacement -Toyota Hilux 2.4D	-	400,000	-	Tholi							
63	7. Electricity	ELECTRICITY DISTRIBUTION	3 x bakkie 1 ton: New electricians	-	-	400,000	Tholi							
64	7. Electricity	ELECTRICITY DISTRIBUTION	Brenton - Upgr power supply	-	600,000	-	Tholi							
65	7. Electricity	ELECTRICITY DISTRIBUTION	Western Feeder 11kV line refurbishments	500,000	500,000	700,000	Tholi	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
66	7. Electricity	ELECTRICITY DISTRIBUTION	Eastern heads Feeder 11kV line refurbishments	-	700,000	-	Tholi							
67	7. Electricity	ELECTRICITY DISTRIBUTION	replacement of OH to underground refurbishments	800,000	-	-	Tholi	30/08/2022	03/10/2022	05/10/2022				New Tender to be advertised
68	7. Electricity	ELECTRICITY DISTRIBUTION	Groenvlei 11kv line replacement	-	-	900,000	Tholi							

Appendix 8 : Draft Demand Management Plan (Operating)

Row Number	Directorate	Department	Expenditure Description	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Project Manager	Proposed BSC Date	Proposed BEC Date	Proposed BAC Date	Actual BSC Date	Actual BEC Date	Actual BAC Date	Comments
Column Reference	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Vote 1 - Executive and Council	1.1 - Council General Expenses	Advertising Publicity Marketing: Tenders	187 901	196 168	204 996	Christopher Bezuidenhout							RFQ process to be followed
2	Vote 1 - Executive and Council	1.1 - Council General Expenses	ESKOM Charges (Direct)	28 350	29 597	30 929	Christopher Bezuidenhout							RFQ process to be followed
3	Vote 1 - Executive and Council	1.1 - Council General Expenses	Operational Cost: Insurance Underwriting: Insurance Brokers Fees	43 392	47 731	52 504	Christopher Bezuidenhout							RFQ process to be followed
4	Vote 1 - Executive and Council	1.1 - Council General Expenses	Operational Cost: Licences : Motor Vehicle Licence Registrations	692	723	756	Christopher Bezuidenhout							RFQ process to be followed
5	Vote 1 - Executive and Council	1.1 - Council General Expenses	Materials Stores	27 432	28 639	29 928	Christopher Bezuidenhout							RFQ process to be followed
6	Vote 1 - Executive and Council	1.1 - Council General Expenses	Stationery Costs	54 176	56 559	59 104	Christopher Bezuidenhout							RFQ process to be followed
7	Vote 1 - Executive and Council	1.1 - Council General Expenses	Operational Cost: Professional Bodies, Membership Subscription	-	-	-	Christopher Bezuidenhout							RFQ process to be followed
8	Vote 1 - Executive and Council	1.1 - Council General Expenses	S T Accommodation Other	27 598	28 812	30 109	Christopher Bezuidenhout							RFQ process to be followed
9	Vote 1 - Executive and Council	1.1 - Council General Expenses	S T Daily Allowance Other	1 476	1 541	1 610	Christopher Bezuidenhout							RFQ process to be followed
10	Vote 1 - Executive and Council	1.1 - Council General Expenses	S T Travel Claim Own Other	14 970	15 628	16 331	Christopher Bezuidenhout							RFQ process to be followed
11	Vote 1 - Executive and Council	1.1 - Council General Expenses	S T Accommodation Training	1 772	1 850	1 933	Christopher Bezuidenhout							RFQ process to be followed
12	Vote 1 - Executive and Council	1.1 - Council General Expenses	S T Travel Claim Domestic Airfareare Other	5 640	5 883	6 153	Christopher Bezuidenhout							RFQ process to be followed
13	Vote 2 - Corporate Services	2.3 - Committee Services	Stationery Costs	10 598	11 065	11 563	Jill Lackay							RFQ process to be followed
14	Vote 2 - Corporate Services	2.3 - Committee Services	S T Accommodation Other	10 285	10 738	11 221	Jill Lackay							RFQ process to be followed
15	Vote 2 - Corporate Services	2.3 - Committee Services	S T Daily Allowance Other	8 030	8 384	8 761	Jill Lackay							RFQ process to be followed
16	Vote 2 - Corporate Services	2.3 - Committee Services	S T Travel Claim Own Other	15 102	15 766	16 475	Jill Lackay							RFQ process to be followed
17	Vote 2 - Corporate Services	2.8 - Public Participation	Fuel and Oil	28 530	29 785	31 125	Jacky Kalani							RFQ process to be followed
18	Vote 2 - Corporate Services	2.8 - Public Participation	Operational Cost: Licences : Motor Vehicle Licence Registrations	486	508	531	Jacky Kalani							RFQ process to be followed
19	Vote 2 - Corporate Services	2.8 - Public Participation	Materials Stores	8 259	8 623	9 011	Jacky Kalani							RFQ process to be followed
20	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 2	14 000	14 616	15 274	Jacky Kalani							RFQ process to be followed
21	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 3	-	-	-	Jacky Kalani							RFQ process to be followed
22	Vote 2 - Corporate Services	2.8 - Public Participation	Translators, Scribes Editors Ward 3	-	-	-	Jacky Kalani							RFQ process to be followed
23	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 4	14 400	15 034	15 711	Jacky Kalani							RFQ process to be followed
24	Vote 2 - Corporate Services	2.8 - Public Participation	Hire Charges Ward 4	6 000	6 264	6 546	Jacky Kalani							RFQ process to be followed
25	Vote 2 - Corporate Services	2.8 - Public Participation	Translators, Scribes Editors Ward 5	-	-	-	Jacky Kalani							RFQ process to be followed
26	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 7	-	-	-	Jacky Kalani							RFQ process to be followed
27	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 8	593	619	647	Jacky Kalani							RFQ process to be followed
28	Vote 2 - Corporate Services	2.8 - Public Participation	Hire Charges Ward 8	7 342	7 665	8 010	Jacky Kalani							RFQ process to be followed
29	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 9	-	-	-	Jacky Kalani							RFQ process to be followed
30	Vote 2 - Corporate Services	2.8 - Public Participation	Hire Charges Ward 11	-	-	-	Jacky Kalani							RFQ process to be followed
31	Vote 2 - Corporate Services	2.8 - Public Participation	Stationery Costs	3 506	3 660	3 825	Jacky Kalani							RFQ process to be followed
32	Vote 2 - Corporate Services	2.8 - Public Participation	S T Accommodation Other	2 727	2 847	2 975	Jacky Kalani							RFQ process to be followed
33	Vote 2 - Corporate Services	2.8 - Public Participation	S T Daily Allowance Other	1 367	1 427	1 491	Jacky Kalani							RFQ process to be followed

Row Number Directorate	Directorate	Department	Expenditure Description	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Project Manager	Proposed BSC Date	Proposed BEC Date	Proposed BAC Date	Actual BSC Date	Actual BEC Date	Actual BAC Date	Comments
Column Reference	A	B	C	D	E	F	G	H	I	J	K	L	M	N
34	Vote 2 - Corporate Services	2.8 - Public Participation	S T Travel Claim Own Other	7 417	7 743	8 091	Jacky Kalani							RFQ process to be followed
35	Vote 2 - Corporate Services	2.8 - Public Participation	Catering Services - Whole Muni	25 000	26 100	27 275	Jacky Kalani							RFQ process to be followed
36	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation - Whole Muni	40 000	41 760	43 639	Jacky Kalani							RFQ process to be followed
37	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 4	2 285	2 386	2 493	Jacky Kalani							RFQ process to be followed
38	Vote 2 - Corporate Services	2.8 - Public Participation	Transportation Ward 7	2 285	2 386	2 493	Jacky Kalani							RFQ process to be followed
39	Vote 2 - Corporate Services	2.8 - Public Participation	Advertising Publicity Marketing	56 000	56 000	56 000	Jacky Kalani							RFQ process to be followed
40	Vote 2 - Corporate Services	2.3 - Committee Services	Insurance: Broker Fees	8 646	9 510	10 461	Jacky Kalani							RFQ process to be followed
41	Vote 2 - Corporate Services	2.8 - Public Participation	Insurance: Broker Fees	16 984	18 683	20 551	Jacky Kalani							RFQ process to be followed
42	Vote 1 - Executive and Council	1.1 - Council General Expenses	Events Festivals	36 994	38 622	40 360	Christopher Bezuidenhout							RFQ process to be followed
43	Vote 2 - Corporate Services	2.8 - Public Participation	Repairs and Maintenance Vehicles	7 912	8 260	8 632	Jacky Kalani							RFQ process to be followed
44	Vote 2 - Corporate Services	2.8 - Public Participation	Loud hailing / Distribution	5 946	6 208	6 487	Jacky Kalani							RFQ process to be followed
45	Vote 2 - Corporate Services	2.8 - Public Participation	Fuel Management Rental Fee	533	556	581	Jacky Kalani							RFQ process to be followed
46	Vote 1 - Executive and Council	1.1 - Council General Expenses	Business and Advisory Forensic Investigators	-			Christopher Bezuidenhout							RFQ process to be followed
47	Vote 1 - Executive and Council	1.2 - Municipal Manager	Operational Cost: External Audit Fees	518 352	541 159	565 511	Christopher Bezuidenhout							RFQ process to be followed
48	Vote 1 - Executive and Council	1.2 - Municipal Manager	Operational Cost: Insurance Underwriting: Insurance Brokers Fees	10 924	12 016	13 218	Christopher Bezuidenhout							RFQ process to be followed
49	Vote 1 - Executive and Council	1.2 - Municipal Manager	Operational Cost: Travel & Subsistence: Domestic: Food & Beverage (Se	-	-	-	Christopher Bezuidenhout							RFQ process to be followed
50	Vote 1 - Executive and Council	1.2 - Municipal Manager	Stationery Costs	9 733	10 162	10 619	Christopher Bezuidenhout							RFQ process to be followed
51	Vote 1 - Executive and Council	1.2 - Municipal Manager	S&T Non Employees	-	-	-	Christopher Bezuidenhout							RFQ process to be followed
52	Vote 1 - Executive and Council	1.4 - Organisational Performance	PostagePO BoxCourierTransport	-	-	-	Zoleka Gutas							RFQ process to be followed
53	Vote 1 - Executive and Council	1.4 - Organisational Performance	Insurance: Broker Fees	7 428	8 171	8 988	Zoleka Gutas							RFQ process to be followed
54	Vote 1 - Executive and Council	1.4 - Organisational Performance	Management Fee	55 029	57 451	60 036	Zoleka Gutas							RFQ process to be followed
55	Vote 1 - Executive and Council	1.3 - Communication	NCA: PPE: Owned Revaluation: Buildings: AWex NERSA: Acquisition	14 330	14 961	15 634	Christopher Bezuidenhout							RFQ process to be followed
56	Vote 1 - Executive and Council	1.3 - Communication	Advertising Publicity Marketing Signs	286 611	299 222	312 687	Christopher Bezuidenhout							RFQ process to be followed
57	Vote 1 - Executive and Council	1.3 - Communication	Operational Cost: Printing Publications Books	117 893	123 081	128 620	Christopher Bezuidenhout							RFQ process to be followed
58	Vote 1 - Executive and Council	1.3 - Communication	Stationery Costs	1 538	1 605	1 677	Christopher Bezuidenhout							RFQ process to be followed
59	Vote 1 - Executive and Council	1.3 - Communication	S T Travel Claim Own Other	1 792	1 870	1 954	Christopher Bezuidenhout							RFQ process to be followed
60	Vote 1 - Executive and Council	1.3 - Communication	Insurance: Broker Fees	10 873	11 961	13 157	Christopher Bezuidenhout							RFQ process to be followed
61	Vote 1 - Executive and Council	1.3 - Communication	Project	210 182	219 430	229 304	Christopher Bezuidenhout							RFQ process to be followed
62	Vote 1 - Executive and Council	1.4 - Organisational Performance	Audit Fees: Internal	1 500 000	1 566 000	1 636 470	Zoleka Gutas							RFQ process to be followed
63	Vote 1 - Executive and Council	1.4 - Organisational Performance	PostagePO BoxCourierTransport	-	-	-	Zoleka Gutas							RFQ process to be followed
64	Vote 1 - Executive and Council	1.4 - Organisational Performance	Insurance: Broker Fees	8 817	9 699	10 669	Zoleka Gutas							RFQ process to be followed
65	Vote 1 - Executive and Council	1.4 - Organisational Performance	Prof Bodies Subscription CAE (CIGFARO & IIASA)	8 580	8 957	9 360	Zoleka Gutas							RFQ process to be followed
66	Vote 1 - Executive and Council	1.4 - Organisational Performance	Consultants - Risk Management System	167 381	174 746	182 610	Zoleka Gutas							RFQ process to be followed
67	Vote 1 - Executive and Council	1.4 - Organisational Performance	Stationery Costs	5 732	5 984	6 253	Zoleka Gutas							RFQ process to be followed

Row Number	Directorate	Department	Expenditure Description	Draft Indicative Budget 2022/2023	Draft Indicative Budget 2023/2024	Draft Indicative Budget 2024/2025	Project Manager	Proposed BSC Date	Proposed BEC Date	Proposed BAC Date	Actual BSC Date	Actual BEC Date	Actual BAC Date	Comments
Column Reference	A	B	C	D	E	F	G	H	I	J	K	L	M	N
68	Vote 1 - Executive and Council	1.4 - Organisational Performance	S T Accommodation Other	12 000	12 528	13 092	Zoleka Gutas							RFQ process to be followed
69	Vote 1 - Executive and Council	1.4 - Organisational Performance	S T Daily Allowance Other	5 500	5 742	6 000	Zoleka Gutas							RFQ process to be followed
70	Vote 1 - Executive and Council	1.4 - Organisational Performance	S T Travel Claim Own Other	10 000	10 440	10 910	Zoleka Gutas							RFQ process to be followed
71	Vote 1 - Executive and Council	1.4 - Organisational Performance	S T Travel Claim Car Rental Other	191	199	208	Zoleka Gutas							RFQ process to be followed
72	Vote 1 - Executive and Council	1.4 - Organisational Performance	Insurance: Broker Fees	9 109	10 020	11 022	Zoleka Gutas							RFQ process to be followed
73	Vote 2 - Corporate Services	2.1 - Director: Corporate	Stationery Costs	1 299	1 356	1 417	Jacky Kalani							RFQ process to be followed
74	Vote 2 - Corporate Services	2.1 - Director: Corporate	Operational Cost: Professional Bodies, Membership Subscription	-	-	-	Jacky Kalani							RFQ process to be followed
75	Vote 2 - Corporate Services	2.2 - Administration	Consumables	8 610	8 989	9 394	Jill Lackay							RFQ process to be followed
76	Vote 2 - Corporate Services	2.2 - Administration	Materials Stores	58 425	60 996	63 741	Jill Lackay							RFQ process to be followed
77	Vote 2 - Corporate Services	2.2 - Administration	Operational Cost: Courier Delivery Services	23 735	24 779	25 894	Jill Lackay							RFQ process to be followed
78	Vote 2 - Corporate Services	2.2 - Administration	Operational Cost: Uniform & Protective Clothing	22 479	23 468	24 524	Jill Lackay							RFQ process to be followed
79	Vote 2 - Corporate Services	2.2 - Administration	Operational Cost: Printing, Publications Books	8 359	8 727	9 120	Jill Lackay							RFQ process to be followed
80	Vote 2 - Corporate Services	2.2 - Administration	Stationery Costs	10 959	11 441	11 956	Jill Lackay							RFQ process to be followed
81	Vote 6 - Community Services	6.5 - Director: Community	Consumables	30 [illegible]	32 226	33 676	Director Community Services							RFQ process to be followed
82	Vote 6 - Community Services	6.5 - Director: Community	Stationery Costs	10 000	10 440	10 910	Director Community Services							RFQ process to be followed
83	Vote 3 - Financial Services	3.1 - Director: Finance	Operational Cost: Bank Charges, Facility & Card Fees: Bank Accounts	1 502 022	1 568 111	1 638 676	CFO							RFQ process to be followed
84	Vote 3 - Financial Services	3.1 - Director: Finance	Operational Cost: Insurance Underwriting: Insurance Brokers Fees	9 693	10 663	11 729	CFO							RFQ process to be followed
85	Vote 3 - Financial Services	3.1 - Director: Finance	Materials Stores	40 000	41 760	43 639	CFO							RFQ process to be followed
86	Vote 3 - Financial Services	3.1 - Director: Finance	ProjectConsultants AFS	-	-	-	CFO							RFQ process to be followed
87	Vote 3 - Financial Services	3.1 - Director: Finance	ProjectConsultants Assets	-	-	-	CFO							RFQ process to be followed
88	Vote 3 - Financial Services	3.1 - Director: Finance	Bursaries	-	-	-	CFO							RFQ process to be followed
89	Vote 3 - Financial Services	3.1 - Director: Finance	Stationery Costs	7 500	7 830	8 182	CFO							RFQ process to be followed
90	Vote 7 - Electrical Services	7.2 - Electricity Administration	Operational Cost: Insurance Underwriting: Insurance Brokers Fees	15 865	17 452	19 197	Tholi							RFQ process to be followed
91	Vote 7 - Electrical Services	7.2 - Electricity Administration	Contr Serv: Consult Prof Serv: Infrastructure Planning: Engineering: E	170 000	168 606	185 003	Tholi							RFQ process to be followed
92	Vote 7 - Electrical Services	7.2 - Electricity Administration	Stationery Costs	8 340	8 707	9 099	Tholi							RFQ process to be followed
93	Vote 7 - Electrical Services	7.2 - Electricity Administration	S T Accommodation Other	10 000	10 440	10 910	Tholi							RFQ process to be followed
94	Vote 5 - Planning and Development	5.1 - Director: Planning Planning and Development	Operational Cost: Insurance Underwriting: Insurance Brokers Fees	8 191	9 011	9 912	Director Planning							RFQ process to be followed
95	Vote 5 - Planning and Development	5.1 - Director: Planning Planning and Development	Materials Stores	30 572	31 917	33 353	Director Planning							RFQ process to be followed
96	Vote 5 - Planning and Development	5.1 - Director: Planning Planning and Development	Stationery Costs	5 088	5 312	5 551	Director Planning							RFQ process to be followed
97	Vote 8 - Technical Services	8.2 - Director: Technical Services	Consumables	-	-	-	Director Technical Services							RFQ process to be followed
98	Vote 8 - Technical Services	8.2 - Director: Technical Services	Operational Cost: Insurance Underwriting: Insurance Brokers Fees	[illegible]	15 979	17 577	Director Technical Services							RFQ process to be followed
99	Vote 8 - Technical Services	8.2 - Director: Technical Services	Materials Stores	-	-	-	Director Technical Services							RFQ process to be followed
100	Vote 8 - Technical Services	8.2 - Director: Technical Services	Planning Consultants: Engineering: Civil	-	-	-	Director Technical Services							RFQ process to be followed

Appendix 9:

Service Level Standards

CUSTOMER SERVICE CHARTER

Knysna Municipality
inclusive | innovative | inspired

MESSAGE FROM THE EXECUTIVE MAYOR

The Knysna Municipality Customer Care Policy, incorporating this Customer Service Charter, sets out Council's commitment towards service excellence.

Underlined by the eight Batho Pele principles that national government prescribes as the core of service delivery for all levels of government, this document intends putting People First and has at its heart government's vision of 'Creating a better life for all'.

This municipality considers everyone who lives, works and plays in the Greater Knysna Municipal Area as customers. We want to ensure that you understand your rights and responsibilities, receive the services you are entitled to, and have the opportunity for feedback. We believe that the Customer Care Policy and Service Charter is a progressive step towards achieving such goals.

VISION

Knysna –
Inclusive Innovative Inspired

MESSAGE FROM THE MUNICIPAL MANAGER

The Customer Relations Department located in the Department of the Municipal Manager is tasked to address issues surrounding service delivery and related communication. This department serves as a direct line of communication between the customer and Council.

In this Customer Service Charter every department within the municipality has been assigned specific Service Standards according to the services it provides, and will be measured accordingly.

I believe that this department, this document and its related processes signify a new approach to customer service within the municipality and will go far in affirming the values we have always believed in: transparency, accountability and service excellence.

This document also signifies a relationship in which the customer has responsibility to pay timeously for the services he expects to be delivered, and reports issues and problems as soon as they occur. The municipality and its people remain in partnership which has a better chance of success when everyone is working together.

GREATER KNYSNA AT A GLANCE

Knysna Municipality covers a total of 1 059 km² that stretches from Swartvlei in Sedgefield in the west to Brackenhill in the east with an estimated population of 65 000 people.

The municipal area includes the towns of Sedgefield, Karatara, Buffalo Bay, Rheenendal, Belvidere & Brenton, Knysna and Knoetzie.

WHAT WE DO

Our organizational structure comprises of the following directorates:

DIRECTORATE: MUNICIPAL MANAGER

The Municipal Manager heads the Administration arm of the Knysna Municipality and is therefore **responsible and accountable for tasks and functions as provided for in section 55 of the Municipal Systems Act,** other **functions and tasks** as provided for in legislation as well as **functions delegated to him by the Executive Mayor and Council.** According to the Municipal Finance Management Act he also assumes the role of **Accounting Officer.**

His office also incorporates the Department Communications and IGR, the Department Internal Audit and the Department Integrated Development Planning (IDP) & Institutional Performance. The Municipal Manager is supported by six Directors.

DIRECTORATE: COMMUNITY SERVICES

The Director Community Services oversees five major departments that incorporate services including **Disaster Management, Fire and Rescue, Traffic and Law Enforcement, Parks, Waste Management, Libraries, Halls, Cemeteries, Museums, Arts and Culture, Youth and Gender, and Sport Development.**

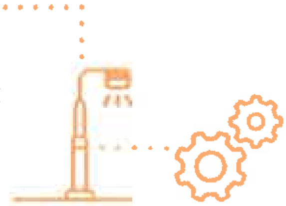
DIRECTORATE: CORPORATE SERVICES

The Director Corporate Services, is responsible for the administrative processes that **ensure good governance** and **the achievement of Council's strategic objectives.** The directorate incorporates the Departments of **Administration, Committee Services, Estates, Human Resources, Legal Services, Property and Records Management, and Public Participation.** Corporate Services is also the secretariat of Council and supports the legislative and executive functions of Council.

DIRECTORATE: FINANCIAL SERVICES

This directorate administrates all **finance-related services** as well as the **Information Technology** department.

DIRECTORATE: INFRASTRUCTURE SERVICES



Services pertaining mainly to bulk infrastructure are the responsibility of the Director Technical Services. It also incorporates all **Electrical & Mechanical services related to distribution of electricity** and oversees the municipality's **fleet and mechanical workshop.**

DIRECTORATE: INTEGRATED HUMAN SETTLEMENTS

This directorate administrates **all housing-related services.** The Directorate Integrated Human Settlements acts as an agent for Provincial Government and is working with them to achieve their vision, to develop sustainable integrated human settlements.

DIRECTORATE: PLANNING AND ECONOMIC DEVELOPMENT

This directorate is responsible for the departments related to **town and economic development** including **Town Planning, Building Control, Environmental Management and Economic Development.**

OUR CUSTOMERS

Our customers are all the people we deal with during our work. **They are people who live in, work in or visit our municipality and who do business with us.** We are committed to deal with all our customers' needs, attention will be given to each individual case and it will be handled in the best possible way.

SERVICE STANDARDS

We have developed the following service standards for the municipality. Customers will have the opportunity to measure us against these standards.

DIRECTORATE COMMUNITY SERVICES		
SERVICE TITLE	**SERVICE DESCRIPTION**	**SERVICE LEVEL DAYS**
COMMUNITY SERVICE	General - Correspondence	10
EVENTS	Events and Festivals	5
FIRE SERVICES	Chemical Spills	1
	Building Fires	1
	Field, Hazardous & Vehicle Fires	1
	Plot Clearing	21
LAW ENFORCEMENT	Animal Control	1
	Beach Control & Noise Control	1
	Illegal Dumping: Notices	7
	Nuisance Control Vagrants & Car Guards	1
	Road Marking	2
	Signage: Street Names & Traffic Signs	14
PARKS	Horticulture: CBD Maintenance	5
	Open Spaces: Bush Clearing & Tree Cutting	20
	Open Spaces: Grass Cutting	30
	Sport Field: Buildings	5
	Garden Refuse	5
SOLID WASTE	Cemeteries	3
	Illegal Dumping	5
	Public Ablution: Maintenance	7
	Refuse Collection	1
	Septic Tank Removals	1
	Street Cleaning CBD	2
	General - Correspondence	5
TRAFFIC SERVICES	Drivers License: Renewal	1
	Motor Vehicle License	1
	Motor Vehicle Registration	1
	Traffic Fines	10
	Complaints: Protest Action	7

DIRECTORATE

CORPORATE SERVICES

SERVICE TITLE	SERVICE DESCRIPTION	SERVICE LEVEL DAYS
ADMINISTRATION	No response to correspondence	5
	Records: Misplaced & Lost Documents	14
CORPORATE SERVICES	General - Correspondence	10
HUMAN RESOURCE	Job Applications: Not shortlisted	7
	General - CV's	5
LEGAL SERVICES	Complaints: By-Laws Enforcement	14
	Complaints: Contract Management	14
	Complaints: Land Use Planning Ordinance	14
	Enquiries: Title Deeds	14
	RDP House: Illegal Sale	5

DIRECTORATE

FINANCIAL SERVICES

SERVICE TITLE	SERVICE DESCRIPTION	SERVICE LEVEL DAYS
ACCOUNT ENQUIRIES	Account Accuracy	5
	General Enquiries (Financial)	5
	Property Valuations	21
	Rates	7
ASSETS & INSURANCE	Acknowledge receipt of Insurance claim	5
	Processing time (after receipt of all documents requested from other departments)	14
	Notification of decision (after receipt of decision from insurers)	5
CREDIT CONTROL	Indigent Applications	21
	Payment Arrangements	1
	Rebates	21
CUSTOMER INFORMATION	Change of Address	1
	Name Change: Pre-Paid only	1
FINANCIAL SERVICES	General - Correspondence	10
TRADE SERVICES	Electricity: New Connections	14
	Electricity: Reconnections	2
	Electricity: Upgrades/Downgrades	1
	Meter Readings	3
	Suspended Services	3

DIRECTORATE FINANCIAL SERVICES

SERVICE TITLE	SERVICE DESCRIPTION	SERVICE LEVEL DAYS
TRADE SERVICES	Water: New Connections	7
	Water: Reconnections	1

DIRECTORATE INFRASTRUCTURE SERVICES

SERVICE TITLE	SERVICE DESCRIPTION	SERVICE LEVEL DAYS
ELECTRICAL SUPPLY	Faulty Cable Repair & Load Switches	1
	No Electrical Supply	1
	Upgrades/Downgrades	1
LIGHTING	Faults Sports field Lights	7
	Faults Street Lights	7
METERING	Faulty Pre-paid Meter	1
	Meter Tampering	1
TRAFFIC LIGHTS	Faults	1
ROADS	Grading Gravel Roads	240
	General Road Repairs	90
	Pothole Repairs	90
SEWERAGE	Blockages: Sewer Reticulation	2
	Broken Sewer Pipes	14
	Manhole Covers: Sewer	28
	New Connections: Sewer	7
	Sewer Smells: Investigate	2
STORMWATER	Blocked Drains	90
	Manhole Covers	90
TECHNICAL SERVICES	General - Correspondence	10
WATER	Burst Pipe: Minor Leakage	2
	Faulty Meters	14
	Fire Hydrant Leakages	14
	Meter Testing	60
	New Connections: Water	7
	Valve Leakages	14
	Water: Quality Check	7
	Water: Tanker Delivery	2
	Burst Pipe: Major Leakage	2
AUGMENTATION	General - Correspondence	10

DIRECTORATE

INTEGRATED HUMAN SETTLEMENTS

SERVICE TITLE	SERVICE DESCRIPTION	SERVICE LEVEL DAYS
HOUSING	Emergency Housing Kits: Fire Damage	5
	Emergency Housing Kits: Storm Damage	5
	Enquiries: General	5

DIRECTORATE

PLANNING & ECONOMIC DEVELOPMENT

SERVICE TITLE	SERVICE DESCRIPTION	SERVICE LEVEL DAYS
BUILDING INSPECTORATE	Inspection of Complaints	10
	Issue Completion Certificates	14
	Process Plans larger than 500m²	60
	Process Plans smaller than 500m²	30
	RDP Erven: Illegal Building	14
ECONOMIC DEVELOPMENT	Local Economic Development: General Enquiries	5
ENVIRONMENTAL HEALTH ECONOMIC DEVELOPMENT	Environmental Health: General Enquiries	5
ENVIRONMENTAL MANAGEMENT	Emergencies	1
	OSCAE permit	21
LAND USE APPLICATIONS	Acknowledge Completed Application	14
	Advertising (if necessary)	21
	Comments provided to Applicant (after closing date)	14
	Decision on authorised official applications (after receipt of response to comments)	60
	Inspection of Complaints	5
	Notification of Council decision	14
	Processing time (excl advertising & comments time)	90
	Submission to authorised official since applicant's comment period	120
PLANNING AND DEVELOPMENT	General - Correspondence	10

HOW TO CONTACT US:

EMERGENCIES ALL HOURS

Telephone:	+27 (0)44 302 8911

ALL SECTIONS OFFICE HOURS

Telephone:	+27 (0)44 302 6300
Facsimile:	+27 (0)44 302 6333
Email:	knysna@knysna.gov.za
Physical Address:	Clyde Street, Knysna
Postal Address:	PO Box 21, Knysna, 6570

CUSTOMER SERVICES

SMS:	44453
Email:	customercare@knysna.gov.za

AREA OFFICES

Sedgefield	+27(0)44 302 6500

MUNICIPAL MANAGER

Municipal Manager	+27(0)44 302 6590

DIRECTORATE COMMUNITY SERVICES

Director	+27(0)44 302 6363	
Cemeteries	+27(0)44 302 6327	+27(0)44 384 1613
Waste Management	+27(0)44 302 6405	
Drivers Licences	+27(0)44 302 6451	+27(0)44 302 6593
	+27(0)44 302 6434	
Traffic & Law Enforcement	+27(0)44 302 6551	+27(0)44 302 6337
Vehicle Registrations	+27(0)44 302 6433	+27(0)44 302 6439
	+27(0)44 302 6439	

DIRECTORATE CORPORATE SERVICES

Director	+27(0)44 302 6316
Administration	+27(0)44 302 6445

Human Resources	+27(0)44 302 6307
Public Participation	+27(0)44 302 6535
Legal Services	+27(0)44 302 6576

DIRECTORATE FINANCIAL SERVICES

Director	+27(0)44 302 6389
Enquiries General Finance	+27(0)44 302 6567
	+27(0)44 302 6558
Enquiries Rates	+27(0)44 302 6414
Enquiries Water Accounts	+27(0)44 302 6597

DIRECTORATE INFRASTRUCTURE SERVICES

Director	+27(0)44 302 6312
Water & Wastewater Services	+27(0)44 302 6332
Roads & Storm Water	+27(0)44 302 6309
Project Management Office	+27(0)44 302 6392
Electrical Services	+27(0)44 302 6409
Water Fault reports office hours	+27(0)44 302 6331
Electrical Fault reports office hours	+27(0)44 302 6397
	+27(0)44 302 6399

DIRECTORATE INTEGRATED HUMAN SETTLEMENTS

Director	+27(0)44 302 6347
Human Settlements	+27(0)44 302 6580

DIRECTORATE PLANNING AND ECONOMIC DEVELOPMENT

Director	+27(0)44 302 6348
Building Control	+27(0)44 302 6324
Environmental Management	+27(0)44 302 6317
Town Planning	+27(0)44 302 6319
Economic Development (ED)	+27(0)44 302 6366

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Knysna Municipality
inclusive | innovative | inspired