



provincial treasury

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

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PROVINCIAL TREASURY CIRCULAR NO. 17 OF 2022

THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MS CN NKUNA)
THE ACTING MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MR ES CHIBI)
THE MUNICIPAL MANAGER: CITY OF MBOMBELA (MR W KHUMALO)
THE MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY (MS S MATSI)
THE ACTING MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY
(DR NP MAHLALELA)
THE ACTING MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MR B KHENISA)
THE ACTING MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY (MS LI ZWANE)
THE MUNICIPAL MANAGER: THEMBISILE HANI LOCAL MUNICIPALITY (MR ON NKOSI)
THE ACTING MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY
(MR BM MHLANGA)
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MR G MTHIMUNYE)
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR H MAISELA)
THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MS MM SKOSANA)
THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY
(MR MA DLAMINI)
THE ACTING MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MS B KHANYE)
THE ACTING MUNICIPAL MANAGER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY
(MR N MOKAKO)
THE ACTING MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY
(MRS EK TSHABALALA)
THE ACTING MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY (MR LD TSOTETSI)
THE MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY (MR M THABETHE)
THE ACTING MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR C LISA)
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR CA HABILE)

THE DIRECTOR-GENERAL: OFFICE OF THE PREMIER (MR M MAMPURU)
THE HEAD: CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: (MR S NGUBANE)
THE ACTING PROVINCIAL CHIEF EXECUTIVE OFFICER: SALGA (MS D MATUMBA)

THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT
THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT
THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE

2022/23 TABLED MTREF ENGAGEMENTS AND MUNICIPAL BENCHMARKING EXERCISE

Section 23 of the Municipal Finance Management Act, No. 56 of 2003 (MFMA) requires that the Municipal Council must consider the views of the National Treasury, the relevant Provincial Treasury and relevant provincial and national organs of state on the tabled annual budget. In order to give effect to the Provincial Treasury's legislated monitoring and oversight responsibilities, this formal engagement has been institutionalised over the past years.

The purpose of the budget and benchmark engagement is to review your Municipality's tabled 2022/23 Medium-term Revenue and Expenditure Framework as informed by the broader municipal planning and development and to ensure that the tabled budgets meets the following criteria:

- a) Credibility
- b) Relevance
- c) Sustainability
- d) Compliance with mSCOA Budgeting requirements
- e) Progress on the Audit Action Plan
- f) Progress on Provincial Revenue Management Action Plan
- g) Progress on municipal reconciliation of the billing system, valuation roll and Deeds Property Register
- h) Progress report on the implementation of the Financial Recovery Plan and an Impact Assessment Plan

To ensure a robust and meaningful engagement, it is imperative that your delegation be represented by at least the following officials:

- a) Municipal Manager;
- b) Chief Financial Officer;
- c) All section 57 Managers, Town planning manager, Electrical and Water Managers;
- d) IDP Manager, Chief Audit Executive and Risk Manager
- e) Budget Manager and relevant officials.

You are more than welcome to expand on the delegation should you wish, but it is imperative that the delegation be represented by at least the abovementioned officials.

The engagement also provides a platform to discuss challenges with and obtain guidance from various units within the Provincial Treasury and relevant sector departments.

The following departments/organisations will also be invited to attend and provide comments on your tabled plans and budgets:

- a) Department of Co-operative Governance and Traditional Affairs (CoGTA)
- b) Department of Water and Sanitation
- c) National Energy Regulator of South Africa (NERSA)
- d) The South African Local Government Association (SALGA)
- e) Eskom
- f) Department of Economic Development and Tourism
- g) Department of Human Settlements
- h) Department of Monitoring and Evaluation
- i) Office of the Premier in the Province

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PROPOSED DATES FOR THE 2022/23 MTREF TABLED BUDGET BENCHMARK EXERCISE			
MUNICIPALITY	PROPOSED DATE	TIME	SUGGESTED VENUE
Ehlanzeni District Municipalities			
Thaba Chweu LM	04 May 2022	10:00	Thaba Chweu Council Chamber
Nkomazi LM	09 May 2022	09:00	Nkomazi Council Chamber
Ehlanzeni District	11 May 2022	09:00	Ehlanzeni District Council Chamber
Bushbuckridge LM	13 May 2022	10:00	Bushbuckridge Council Chamber
Nkangala District Municipalities			
Emalahleni LM	05 May 2022	10:00	Emalahleni Council Chamber
Thembisile Hani LM	10 May 2022	10:00	Thembisile Hani Council Chamber
Dr JS Moroka LM	11 May 2022	10:00	Dr JS Moroka Council Chamber
Steve Tshwete LM	12 May 2022	09:00	Steve Tshwete Council Chamber
Nkangala District	12 May 2022	13:00	Nkangala District Council Chamber
Victor Khanye LM	13 May 2022	10:00	Victor Khanye Council Chamber
Emakhazeni LM	16 May 2022	10:00	Emakhazeni Council Chamber
Gert Sibande District Municipalities			
Msukaligwa LM	06 May 2022	10:00	Msukaligwa Council Chamber
Govan Mbeki LM	09 May 2022	10:00	Govan Mbeki Council Chamber
Dipaleseng LM	10 May 2022	10:00	Dipaleseng Council Chamber
Lekwa LM	11 May 2022	10:00	Lekwa Council Chamber
Dr Pixley Ka Isaka Seme LM	12 May 2022	10:00	Dr Pixley Ka Isaka Seme Council Chamber
Gert Sibande District	13 May 2022	10:00	Gert Sibande District Chamber
Chief Albert Luthuli LM	16 May 2022	10:00	Chief Albert Luthuli Council Chamber
Mkhondo LM	17 May 2022	10:00	Mkhondo Council Chamber

Submitting budget documentation and 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 *mSCOA* 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 *mSCOA* 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 *mSCOA* data strings is **Wednesday, 01 June 2022**.

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 *mSCOA* 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.

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.

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:

- 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;
- 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;
- 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
- 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.**

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 *mSCOA* 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 *mSCOA* 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.

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 mSCOA data strings can be used to populate the NERSA reports and will provide guidance in this regard during 2022.

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.

Your Municipality is further reminded of the Budget Forum Resolution of 08 June 2015, which obligates all Municipalities to table and adopt funded budgets.

The Provincial Treasury would like to emphasise that where municipalities have not adhered to the Municipal Budget and Reporting Regulations, ***they will be required to go back to the Municipal Council and table a complete budget document aligned to the requirements of the Municipal Budget and Reporting Regulations.***

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In an instance where a Municipality is unable to correct the budget to be funded in a financial year due to financial challenges, such a Municipality must, together with their 2022/23 MTREF budgets, table a Budget funding plan in the municipal Council on how and by when the budget will improve from an unfunded to a funded budget.

The Provincial Treasury will assess the budget together with the plans and support the Municipality accordingly.

We look forward to a constructive engagement with your Municipality.

Your co-operation in this regard is appreciated.

Regards



MS G MASH/TENG
HEAD: PROVINCIAL TREASURY
DATE: 15/03/2022