



Municipal Budget Circular for the 2024/25 MTREF

CONTENTS:

INTRODUCTION	3
1. THE SOUTH AFRICAN ECONOMY AND INFLATION TARGETS	3
2. KEY FOCUS AREAS FOR THE 2024/25 BUDGET PROCESS	4
2.1 LOCAL GOVERNMENT CONDITIONAL GRANTS ALLOCATIONS	4
2.2 PUBLICATION OF ALLOCATIONS FROM THE MUNICIPAL DISASTER RESPONSE GRANT AND CHANGES FROM THE STOPPING AND REALLOCATION PROCESS	6
3. REVENUE MANAGEMENT	7
3.1 MAXIMIZING THE REVENUE GENERATION OF THE MUNICIPAL REVENUE BASE	8
3.2 SETTING THE COST REFLECTIVE TARIFFS	9
3.3 CONSUMER DEPOSITS AND SECURITIES	9
3.4 CONTRACTS WITH CUSTOMERS	9
3.5 INDIGENT MANAGEMENT	10
3.6 VOLUNTARY RESTRICTION OF NOTIFIED MAXIMUM DEMAND (NMD)	10
3.7 PRO-ACTIVELY MANAGING COLLECTION OF MUNICIPAL REVENUE IN Eskom SUPPLIED AREAS	11
3.8 MAXIMISING THE REVENUE GENERATION OF THE MUNICIPAL REVENUE BASE REVENUE ON PROPERTY RATES	11
3.9 SETTING THE COST REFLECTIVE TARIFFS	11
3.10 CRITICAL NOTICE AFFECTING STS METERS AND THE RT29 TRANSVERSAL TENDER FOR SMART METERS	11
3.11 Eskom BULK TARIFF INCREASES	12
3.12 CONSUMER DEPOSITS AND SECURITIES	12
4. FUNDING CHOICES AND MANAGEMENT ISSUES	12
4.1 EMPLOYEE RELATED COSTS	12
4.2 REMUNERATION OF COUNCILLORS	13
5. FUNDING MUNICIPAL BUDGETS	13
5.1 APPROVAL OF DEFICIT BUDGETS	13
5.2 FUNDED BUDGET	13
5.3 CREDIBLE FUNDING PLANS	13
5.4 BUDGETING FOR DEBT IMPAIRMENT LOSS, WRITE OFF OF IRRECOVERABLE DEBT AND REVERSAL OF IMPAIRMENT LOSS	14
5.5 BURIAL OF COUNCILLORS USING PUBLIC FUNDS	14
5.6 THE USE OF MAYORAL DISCRETIONARY ACCOUNTS AND ANY OTHER COUNCIL DISCRETIONARY ACCOUNTS	15
5.7 DEVELOPMENT CHARGES	15
6. MUNICIPAL STANDARD CHART OF ACCOUNTS (MSCOA)	15
6.1 RELEASE OF VERSION 6.8 OF THE CHART	15
6.2 IMPROVING MSCOA DATA STRINGS CREDIBILITY	17
6.3 MSCOA REPORTING ON VALUE ADDED TAX (VAT)	17
6.4 USE OF FUNCTION SEGMENT TO ACHIEVE GRAP 18 SEGMENTAL REPORTING	18
6.5 PERIOD CLOSURE AND RECONCILIATION OF GENERAL LEDGER	18
6.6 MSCOA GOVERNANCE AND IMPLEMENTATION	19
6.7 REGULATING THE MINIMUM BUSINESS PROCESSES AND SYSTEM SPECIFICATIONS FOR MSCOA	19
6.8 TRAINING INITIATIVES	19
7. THE MUNICIPAL BUDGET AND REPORTING REGULATIONS	20
7.1 ASSISTANCE WITH THE COMPILATION OF BUDGETS	20
8. SUBMITTING BUDGET DOCUMENTATION AND A SCHEDULES FOR THE 2024/25 MTREF	21

8.1 TIME FRAMES FOR SUBMISSION21
8.2 UPDATING OF CONTACT DETAILS ON GOMUNI22
8.3 SUBMISSION OF MONTHLY SIGN-OFF22
8.4 TRAINING ON GOMUNI22

Introduction

This budget circular provides guidance to municipalities with their compilation of the 2024/25 Medium Term Revenue and Expenditure Framework (MTREF). It is linked to the Municipal Budget and Reporting Regulations (MBRR) and the Municipal Standard Chart of Accounts (mSCOA) 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 management 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, mSCOA 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 forecasts real GDP growth of 0.8 per cent in 2023, compared with 0.9 per cent projected in the 2023 Budget Review. Growth is projected to average 1.4 per cent from 2024 to 2026. Relative to the 2023 Budget, the weaker projection for 2023 mainly reflects lower household consumption expenditure due to higher inflation and interest rates, and lower net exports. Power cuts are expected to continue for the remainder of this year and to gradually ease in 2024. Faster, determined implementation of energy and logistics reforms remains critical to boosting economic growth.

In the context of weaker global growth and risks to the domestic outlook, government is working to position the economy for sustained growth and resilience to shocks. A combination of a stable macroeconomic framework, the rapid implementation of economic and structural reforms, and improvements in state capability remains central to achieving higher growth, employment, and competitiveness.

Employment growth continues to lag South Africa's post-COVID-19 economic recovery, with 74 000 fewer people in employment in the second quarter of 2023 than in the fourth quarter of 2019. Improving employment growth sustainably over the long term requires faster GDP growth and improved education and skills development.

Headline inflation is expected to decelerate as the energy and food price shocks associated with global supply chain disruptions and the war in Ukraine dissipate. Headline consumer prices are expected to fall from an expected 6 per cent in 2023 to 4.9 per cent in 2024. Fuel prices have fallen since June 2023, largely reflecting base effects. Food price inflation, which peaked at 14.4 per cent in March 2023, slowed to 8.2 per cent by August 2023. However, the pace of deceleration has been slow relative to global food prices. This can be attributed to a weaker rand exchange rate and elevated production costs. Core inflation has remained near 5 per cent for most of 2023 due mainly to higher insurance and vehicle price inflation. Headline inflation is projected to return towards the mid-point of the 3 to 6 per cent target range in 2025.

Household consumption expenditure is expected to slow from 2.5 per cent in 2022 to 0.8 per cent in 2023 due to the cumulative effect of interest rate increases, elevated inflation and falling real disposable income, and generally weak consumer confidence. Growth in credit

extended to households continues to decelerate for both secured and unsecured credit. National Credit Regulator data shows that in the first quarter of 2023, banks rejected 70 per cent of credit applications – the highest rate on record – reflecting concerns over households' ability to repay loans. Household consumption expenditure is expected to average 1.6 per cent from 2024 to 2026.

The following macro-economic forecasts must be considered when preparing the 2024/25 MTREF municipal budgets.

Table 1: Macroeconomic performance and projections, 2022 - 2027

Fiscal year	2022/23	2023/24	2024/25	2025/26	2026/27
	Actual	Estimate	Forecast		
CPI Inflation	6.9%	6.0%	4.9%	4.6%	4.5%

Source: Medium Term Budget Policy Statement 2023.

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.

The above economic challenges will place pressure on households' ability to pay municipal accounts and Eskom power cuts affect sustainability of small and large businesses. Both these factors have placed pressure on municipal own revenues.

It is therefore noted that variations in regional specifics are possible, however, any variation of assumptions must be explicitly set out and well explained in the budget narratives, in the absence of which the Treasuries will refer the budget back to council for alignment to the macroeconomic performance projections.

2. Key focus areas for the 2024/25 budget process

2.1 Local government conditional grants allocations

Over the 2024 MTEF, the local government equitable share and conditional grants will be reduced by a total of R12.8 billion, made up of R9.6 billion in the local government equitable share and R3.2 billion in direct conditional grants. The general fuel levy sharing with municipalities will be reduced by R5.1 billion. These reductions form part of the government's efforts to drive fiscal consolidation. The implication of these changes will be outlined in more detail in the 2024 Budget Review.

Notable changes to the conditional grants system

While the review of the conditional grants system is on-going and reforms envisaged to be implemented from 2025/26, changes will be considered for the *urban settlements development grant*, *integrated urban development grant*, and *the municipal infrastructure grant* to make better use of regulatory frameworks and improve the water business of urban municipalities from 2024/25.

We kindly advise municipalities to utilise the indicative numbers that were presented in the 2023 Division of Revenue Act when developing their 2024/25 MTREF calculations. It is crucial to also make considerations to the proposed reductions to baselines that were presented in the 2023 MTBPS, as they may have a significant impact. We recommend this be prioritised in all budgetary planning for the upcoming fiscal year. In terms of the outer year allocations (2026/27 financial year), it is proposed that municipalities conservatively limit funding allocations to the indicative numbers as presented in the 2023 Division of Revenue Act for 2024/25. The Division of Revenue Bill, 2023, which includes the annexures outlining allocations to each municipality is available at:

<http://www.treasury.gov.za/documents/national%20budget/2023/default.aspx>

Division Of Revenue Amendment Bill, 2023 (DoRAB)

Declared underspending in the local government equitable share – In January 2023, the National Energy Regulator of South Africa (NERSA) approved a bulk electricity tariff increase of 18.7 per cent for the 2023/24 financial year. The subsidy for free basic electricity in 2023/24 was calculated to include an additional 2 per cent in anticipation of higher municipal tariff increases than that published in January, due to the difference in the financial years of Eskom customers and municipalities. A further R1.4 billion was left unallocated in the local government equitable share to enable additional funding for municipalities should the final municipal tariff increase that was expected to be published between March and June 2023, exceed the 20.7 per cent increase provided for. In June 2023, NERSA approved a municipal tariff increase of 15.1 per cent. The unallocated amount of R1.4 billion in the local government equitable share is therefore surrendered as declared under-expenditure.

Fiscal consolidation reductions – There is a total downward adjustment of R3.4 billion to direct municipal conditional grants. This is made up of reductions of R9 million from the *infrastructure skills development grant*; R58 million from the *programme and project preparation support grant*; R32 million from the *expanded public works programme integrated grant for municipalities*; R1.2 billion from the *municipal infrastructure grant*; R306 million from the informal settlements upgrading partnership grant for municipalities; R553 million from the *urban settlements development grant*; R180 million from the *integrated national electrification programme grant for municipalities*; R40 million from the *neighbourhood development partnership grant*; R600 million from the *public transport network grant*; R237 million from the *regional bulk infrastructure grant*; and R244 million from the *water services infrastructure grant*.

Funds for post disaster repair and recovery – An amount of R1.2 billion is added to the *municipal disaster recovery grant* to fund the reconstruction and rehabilitation of municipal infrastructure damaged by the floods that occurred between February and March 2023.

Top-up of the municipal disaster response grant – Due to the floods that occurred between February and March 2023, the *municipal disaster response grant* was depleted by June 2023. R372 million is added to this grant to enable immediate response by municipalities in the event that a disaster occurs in the remaining months of the 2023/24 financial year.

Conversion of municipal infrastructure grant allocations – R10 million from uThukela Local Municipality's allocation is converted to an indirect allocation for implementation of the Ekuvukeni Water Supply Project by the Department of Cooperative Governance on the municipality's behalf. The project entails the replacement of an asbestos rising main from the Oliphanskop water treatment works. Similarly, R20 million from Emfuleni Local Municipality's allocation is converted to an indirect allocation to address the outfall of sewer in Evaton and Sebokeng.

Conversion of neighbourhood development partnership grant allocations – R88 million in the neighbourhood development partnership grant is converted from the direct to the indirect component of the grant. This is to expedite project implementation in municipalities that are experiencing administrative and financial challenges.

Reduction in the integrated national electrification programme (Eskom) grant – As part of the fiscal consolidation reductions, the integrated national electrification programme (Eskom) grant is reduced by R250 million.

Reprioritisation from the integrated national electrification (Eskom) grant – An amount of R53 million is reprioritised from the integrated national electrification (Eskom) grant to the vote

of the national Department of Mineral Resources and Energy to fund the rehabilitation of derelict and ownerless mines.

Shift of funds from the regional bulk infrastructure grant to the water services infrastructure grant – R309 million has been shifted from the indirect component of the regional bulk infrastructure grant to the indirect component of the water services infrastructure grant. This is to enable the Department of Water and Sanitation to manage contractual obligations, budget pressures, accruals and payables for projects in several municipalities.

Changes to the municipal disaster recovery grant framework – The framework of the municipal disaster recovery grant is amended to ring-fence the additional funds for the repair and reconstruction of municipal infrastructure damaged by the floods that occurred between February and March 2023.

Correction of an error in the indirect allocations of the regional bulk infrastructure grant – An amount of R20 million for the Kirkwood Water project that was erroneously allocated to Dr Beyers Naude Local Municipality is corrected to an allocation to Sundays River Valley Local Municipality.

Amendment to the framework of the *municipal disaster recover grant* – Parliament has approved that the National Treasury amend the framework of the *municipal disaster recover grant* to ring-fence and conditionalize the fund added for the repair and recovery of infrastructure damaged by the floods that occurred in February and March 2023.

Correction of an error in the indirect allocations of the regional bulk infrastructure grant – Parliament has approved that the National Treasury correct an oversight in the indirect allocations of the *regional bulk infrastructure grant*. An amount of R20 million for the Kirkwood Water project that was erroneously allocated to Dr Beyers Naude Local Municipality is corrected to an allocation to Sundays River Valley Local Municipality.

2.2 Publication of allocations from the municipal disaster response grant and changes from the stopping and reallocation process

National Treasury has through Government Gazette No. 49584 dated 30 October 2023 published in terms of the Division of Revenue Act, 2023, (Act No. 5 of 2023) (DoRA), and provided information regarding the disaster allocations and the conversion of disaster grants to municipalities in the 2023/24 financial year. The Gazette further provided for the stopping and reallocation of funds to municipalities and reallocated to their districts.

Allocation of disaster response funding

Transfers in terms of section 27 of the 2022 DoRA

Section 27 of the 2022 DoRA provides:

“(1) Despite the Division of Revenue Act for the 2023/24 financial year not having commenced on 1 April 2023, the National Treasury may determine that an amount, not exceeding 45 per cent of the total amount of each —

- (a) equitable share in terms of section 4(1), be transferred to the relevant province;*
- (b) equitable share in terms of section 5(1), be transferred to the relevant municipality;*
- (c) allocation made in terms of section 7(1) or 8(1), as the case may be, be transferred to the relevant province or municipality.*

(2) An amount transferred in terms of subsection (1)(c) is, with the necessary changes, subject to the applicable framework for the 2022/23 financial year and the other requirements of this Act, as if it is an amount of an allocation for the 2022/23 financial year.”

Using this section of the DoRA, immediate relief funds were transferred to municipalities from the 2023/24 Municipal Disaster Response Grant (MDRG) baseline in June 2023 (before the start of the 2023/24 municipal financial year). Section 27(2) requires that these funds be subject to the 2022/23 MDRG framework and the DoRA as if these were allocations for the 2022/23 financial year. The implications of this:

MDRG condition 1: Funds from this grant must be utilised within six calendar months following the date of the transfer of the funds to the municipality

By approving the release of these funds in June 2023, National Treasury implicitly approved the roll-over of these funds to the 2023/24 financial year. Therefore, the immediate relief funds transferred to municipalities on 15 June 2023 must be spent by 15 December 2023.

In terms of section 25(3)(d) of the Division of Revenue Act, 2023 (Act No. 5 of 2023 – herein referred to as “2023 DoRA”), which is now applicable to the immediate relief funds, the National Treasury may approve that, funds allocated in Schedule 7 be used at any time. In terms of section 25(3)(e) of the 2023 DoRA, funds approved in terms of paragraph (d) must be included in either the provincial adjustments appropriation legislation, municipal adjustments budgets or other appropriate legislation.

Expenditure need not wait for the passing of such adjustments budget as this is emergency spending or unforeseen and unavoidable expenditure, which is provided for in section 29 of the Municipal Finance Management Act, 2003 (“MFMA”).

Municipalities must ensure that the disaster funding and expenditure are ring fenced (isolated) and classified correctly in terms of the *mSCOA* when budgeting and transacting, as per the guidance provided in *mSCOA* Circular No. 14 dated 16 May 2022.

3. Revenue Management

The weak economic growth continues to impact municipal finances and as communicated in MFMA Circular No. 89 this has strained consumers’ ability to pay for services. Coupled with this conundrum is the marginal growth in national transfers as compared to the past. These two critical factors necessitate municipalities to function optimally suggesting that municipal operations, processes and procedures must be efficient. Inefficiencies in this space are guaranteed to manifest on municipal finances. Although some municipalities have managed these challenges well, others have fallen into financial distress and face liquidity challenges. Subsequently, municipalities are unable to meet their payment obligations to Eskom, water boards and other creditors. Therefore, municipalities must maximise their revenue generating potential and collect what is due to them and concurrently, eliminate wasteful and non-core spending. Municipal budgets will be scrutinised to ensure that municipalities adequately provide for their core mandate and to service their debt obligations. Municipalities must ensure that expenditure is limited to the maximum revenue collected and not spend on money that they do not have.

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 the 4 to 6 per cent target band; therefore, municipalities are required to justify all increases in excess of the projected inflation target for 2024/25 in

their budget narratives and pay careful attention to the differential incidence of tariff increases across all consumer groups. In addition, municipalities should include details of their revenue growth assumptions for the different service charges in the budget narrative.

3.1 Maximizing the revenue generation of the municipal revenue base

Property Rates

Reference is made to MFMA Circulars No. 93, paragraph 3, 98 paragraph 4.1 and 123 paragraph 5.1. The emphasis in the above mentioned MFMA Circulars is to ensure that municipalities are using their entire revenue base as the basis for the revenue budget projections. The status quo remains. It is essential that municipalities reconcile their most recent consolidated valuation roll data to that of the current billing system data to ensure that revenue anticipated from property rates is realistic. The municipalities should implement a data management strategy and develop internal capacity to perform these reconciliations and investigations to improve completeness of billing.

Requirements of a billing report

The Billing report must at a minimum provide the following per each property:

- Market value;
- Property category;
- Amount billed;
- Unique property identifier (linked to the Valuation Roll);
- Property owner;
- Rebate value;
- Exemption value; and
- Reduction value.

Although the format of the billing reports will vary across municipalities, the billing report will always have the above-mentioned specifics for any municipality regardless of the financial system used as they all use the valuation roll as the basis to update the municipal financial system. Municipalities are advised to engage their service providers in ensuring that there is a standardized billing report that considers the minimum billing report requirements.

Part A and Part B Register

Reference is made to the Municipal Property Rates Act – section 23 of the MPRA reads as follows:

1. A municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B;
2. Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the municipality prepared in terms of section 78;
3. Part B of the register must specify which properties on the valuation roll or any supplementary valuation rolls are subject to – (a) an exemption from the rate in terms of section 15; (b) a rebate on or a reduction in the rate in terms of section 15; (c) a phasing-in of the rate in terms of section 21; or (d) an exclusion referred to in section 17 (1) (a), (e), (g), (h) and (i); and
4. The register must be open for inspection by the public during office hours. If the municipality has an official website or another website available to it, the register must be displayed on that website. (5) A municipality must at regular intervals, but at least annually, update Part B of the register. Part A of the register must be updated in accordance with the provisions of this Act relating to the updating and supplementing of valuation rolls.

Based on the cited section, municipalities are expected to comply with the provisions of section 23 of the MPRA to ensure that the latest information is used in the reconciliation process. All revenue foregone as supported by municipal policies due to municipal reductions rebates and exemptions must be accounted for in the Part B register and all subsequent supplementary rolls performed are accounted for using a Part A register.

Furthermore, municipalities are also advised and expected to comply with section 8(1) of the MPRA in terms of the billing methodology that should be specified within their policies to ensure that the correct categories (based on the selection made by the municipality) are used in the reconciliation process. 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/ Part A register to the billing system to the National Treasury on a quarterly basis by no later than the 10th working day after the end of the quarter. A detailed action plan must accompany the reconciliation where variances are noted.

The information must be uploaded by the municipality's approved registered user(s) using the GoMuni Upload Portal at: https://lg.treasury.gov.za/ibi_apps/signin.

3.2 Setting the Cost reflective tariffs

Municipalities must ensure that the capital repayment of loans are included in the cost when determining the tariff. In addition, they must ensure that the consumption charges for services are only based on consumption and all other variable costs. Therefore, fixed costs such as salary and wages, etc. should be covered by a fixed charge.

During the budgeting process, provision must be made for revenue to be generated by the tariffs levied for services to address the maintenance of infrastructure. New infrastructure developments in a municipal area of jurisdiction should be obliged to consider and incorporate energy efficiency sources of energy available such as solar or wind to respond to the ongoing global energy crisis.

3.3 Consumer Deposits and securities

Credit control policies should be reviewed and amended to include the raising of consumer deposits, the authority to raise deposits should be deleted where it is still in the Electricity and Water by-laws, this should be included in the credit control and debt collection by-laws. Deposits should be equal or more than two months bulk accounts from water services authorities and Eskom.

3.4 Contracts with customers

All municipalities should ensure that their service agreements with customers address the following matters:

- Requirements of POPIA;
- Digital and Physical Domicilium for the delivery of notices;
- Acceptance of liability in the case of proven tampering of services;
- Acceptance of Magistrates Court Jurisdiction if in arrears and legal action has been taken;
- Acceptance to adhere to Municipal policies and by-laws;

- Acceptance and approval to be handed over to third party if in arrears inclusive of credit bureau;
- Acceptance to give access to meter readers to read meters;
- Municipality accept to render promptly bills; and
- Municipality accept to limit the estimation of consumption on meters.

3.5 Indigent Management

It is critical to progressively manage the restriction of free basic services to national policy limits. Therefore, free basic services to indigent households must be restricted. Where any unlimited supply or supply above national policy limits is provided, the budget narrative must explicitly articulate how this is funded also in a context of facilitating adequate asset management and adequate provision for related debt impairment and ability to maintain payment of Eskom, bulk water and other creditors.

Establishing and maintaining credible indigent register – It is important that the municipalities undertake the following actions to conduct quality control and monitor the indigents:

- Check accuracy and identify any overstatement of the indigent debtor which will enable municipalities to confirm the accuracy of the reported number of indigent debtors;
- Proactively identify indigent citizens and accelerate the registration process through data-driven indigency status verification, as a precursor to tabling applications to Council for approval;
- Verify the status of indigents on the current indigent register thereby reducing the risk of citizens benefiting from the indigent subsidy when they do not qualify for it anymore;
- Create a verifiable indigent register which reduces performance audit risk through the provision of monthly controls and credible, third party, data-driven evidence to support the validity of households registered as indigent;
- Utilise the insight provided regarding indigents to possibly make any necessary amendments to current Indigent Policy; and
- Municipalities are advised to work closely with their respective DCoG (also provincially) to simplify its indigent management registration processes – even considering qualifying criteria that can be independently checked without requiring a hefty administration burden on indigent households that are already financially constrained, including facilitating such on-site close to where indigents may reside. It is noted that the municipality needs to report on all indigent households for water and energy within its demarcation also in the Eskom supplied areas since the LGES: Free basis services (FBS) allocation is targeted at the demarcation as a whole. The municipality must therefore focus in its 2024/25 MTREF Schedule A submission to report on ALL indigent households (also in Eskom supplied areas).

3.6 Voluntary restriction of notified maximum demand (NMD)

Municipalities are advised that Eskom agreed with NT that once a municipality in principle agreed to a Notified Maximum Demand (NMD) restriction with NT, Eskom will within 30 days of NT request advise on its ability to restrict the NMD at bulk supply points in that municipality. Eskom will restrict the NMD or not charge any NMD exceedance charges and penalties to the municipality until 30 June 2027 or earlier as may be agreed between NT and the municipality. Should any municipality with the electricity function not be able to maintain its Eskom bulk account, it is strongly urged to make an application to the National Treasury for such a

voluntary restriction of its NMD by Eskom. The application must include a council resolution to the effect that council approves and agrees to such a voluntary restriction and the effective date thereof. National Treasury will then make an application to Eskom for this purpose.

3.7 Pro-actively managing collection of municipal revenue in Eskom supplied areas

NT notes that in the context of the Electricity Regulation Act, 2006 (ERA) existing section 21(5) prohibiting Eskom to cut supply in their areas to assist municipalities to collect on rates, water, wastewater and refuse removal – municipalities have no other tool but the restriction of water to collect in Eskom supply areas. Until ERA is amended it is critical that municipalities update their By-laws and policies to facilitate and legally allow the restriction of water as part of proper credit control for municipal revenue collection in Eskom supplied areas. The process before the supply of water is restricted/ limited, must honour the water supply rights of the indigent as well as the administrative processes and procedures, as contained in the municipal by-laws and policies read with section 4(3)(a) of the Water Services Act.

3.8 Maximising the revenue generation of the municipal revenue base Revenue on Property rates

(This section should be read in addition to the information provided on MFMA Circular No. 123 and previous circulars pertaining to this matter).

It is important that municipalities who are performing a general valuation (GV) to implement a new valuation roll on 1 July 2024. Furthermore, it must as a best practice compare the current consolidated roll to the new valuation roll. This can identify any anomalies and errors of category of property and market values for review and investigation and the option of lodging an objection by the municipality, where applicable. This process should also identify outliers and shifts in market values by category and area so that tariffs on the new roll can be modelled and determined in an equitable manner to avoid rates shocks.

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. In order to ensure that the most updated information is used for the reconciliations, municipalities are reminded to adhere and comply with section 23(1) and section 23(2) of the MPRA and therefore use the Part A register as the basis for performing the reconciliations going forward.

3.9 Setting the Cost reflective tariffs

Municipalities must ensure that when tariffs are designed, the capital repayment of loans are also included in the cost to determine the tariff.

Municipalities must ensure that when tariffs are designed that consumption charges for services are only based on consumption and all other variable costs. Fixed costs e.g. salary and wages, etc. should be covered by a fixed charge. The municipality must ensure its budgeting process address the requirement to maintain its infrastructure. New developments in/ a municipality should mandatorily make provision for alternative energy such as solar or wind or any other energy option available.

3.10 Critical Notice Affecting STS Meters and the RT29 Transversal Tender for Smart Meters

As highlighted in MFMA Circulars No. 115 and 123 (dated 04 March 2022 and 03 March 2023 respectively) municipalities are once again alerted that there is still 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 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), have issued 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. In this respect the development of the transversal contract for smart prepaid meters as per NRS 049 (per latest approved version) is at an advanced stage.

Municipalities are cautioned against issuing their own tender to address the STS TID rollover and a smart solution for electricity and water meters as the RT29 tender should be available for municipalities to participate as early as January 2024 for participation.

3.11 Eskom Bulk Tariff increases

The National Energy Regulator of South Africa (NERSA) is responsible for the price determination of the bulk costs of electricity. In the municipal financial year 2023/24, bulk electricity costs increased significantly at 15.1 per cent, compared to 8.61 per cent in the 2022/23 municipal financial year. There has been no change to the second year of the Multi-Year Price Determination (MYPD 5), as such bulk electricity costs are to be calculated using an increase of 12.7 per cent as per MYPD-5 in the 2024/25 financial year.

Given the absence of an approved tariff increase for the outer year of the MTEF, the increase is projected to be 15.7 per cent in 2025/26. This is the average of the approved increases for the two years of the MYPD-5 period. Municipalities in arrears with Eskom should ensure that their payment arrangements are included in the 2024/25 MTREF budget.

3.12 Consumer Deposits and securities

Credit control policies should be reviewed and amended to include the raising of consumer deposits, the authority to raise deposits should be deleted where it is still in the Electricity and Water by-laws, this should be included in the credit control and debt collection by-laws. Deposits should be equal or more than two months bulk accounts from water services authorities and Eskom.

4. Funding choices and management issues

Given the current economic crisis the country faces, Municipalities are under pressure to generate revenue. The ability of customers to pay for services is declining and this means that less revenue will be collected. Municipalities are advised to consider all the advice provided in MFMA Circular No 123 and other previous circulars under this topic to ensure the adoption of surplus and funded budgets.

4.1 Employee related costs

The *Salary and Wage Collective Agreement* for the period 01 July 2021 to 30 June 2024 has come to an end and a new agreement is under consultation, which is anticipated to consider the current fiscal constraints faced by government. Therefore, in the absence of any information in this regard from the South African Local Government Bargaining Council (SALGBC), municipalities are advised to consider their financial sustainability when considering salary increases. It has been observed over the previous years that salary increases were above inflation and has posed challenges to most municipalities' sustainability. In addition, municipalities that could not afford such increases did not apply for exemption as provided by SALGBC.

Therefore, municipalities are urged to consider projecting salary and wage increases that would reflect their affordability given the current economic challenges. Municipalities that are

already not in a position to afford the current wage cost, would have to limit the increase in the 2024/25 MTREF and to exercise the option for exemption for any negotiated increase above the level of their affordability.

4.2 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 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.

5. FUNDING MUNICIPAL BUDGETS

5.1 Approval of deficit budgets

National/ Provincial Treasuries encourage municipalities to prepare a surplus budget to avoid placing the municipality's resources in financial difficulties. The adoption of a credible budget starts with the preparation of a surplus budget. With effect from 1 July 2024 all municipal Councils are advised not to approve a deficit budget, as such Mayors who table budgets to Council must be aware of the implications of a deficit budget.

Accounting Officers and their Chief Financial Officers are responsible for preparing budgets and accordingly are tasked with ensuring that the Mayor is guarded against submitting a deficit budget to Council for adoption. Failure thereof may result in Councils implementing section 171 of the MFMA to both the Accounting Officer and Chief Financial Officer.

5.2 Funded Budget

Subsequently, the National Treasury would like to re-emphasise that municipalities must not adopt an unfunded budget. The emphasis is on municipalities to comply with section 18 of the MFMA and ensure that they fund their 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. Municipalities are encouraged to limit expenditure according to the anticipated revenue projections. Should their collection rate improve during the financial year, municipalities may bring back initial expenditure items omitted. Municipalities should note that the Office of the Auditor General will soon start auditing those municipalities that have tabled and adopted unfunded budgets over an extended period given that this practice is not only illegal but also compromise their financial sustainability.

5.3 Credible Funding Plans

Municipalities must adopt a credible funding plan in cases where the budget is unfunded (an unfunded budget is not encouraged). Where a funding plan lacks credibility, 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 budget must be effected in the mid-year adjustments budget to ensure compliance with section 18 of the MFMA. The funding plan must show progressive improvement in the funding of the budget.

5.4 Budgeting for Debt Impairment Loss, Write Off of irrecoverable debt and Reversal of Impairment Loss

Assessment of the funding position of 2023/24 tabled and adopted municipal budgets revealed that a large number of municipalities incorrectly accounted for debt impairment and the write off of irrecoverable debt with the result that their budgets were assessed as unfunded. The two common mistakes made by most municipalities were:

- Provision for impairment losses was budgeted as Irrecoverable Debt Written Off on Table A4; and
- Provision to write off irrecoverable debt was budgeted for on Table A4 without any adjustment to the Accumulated Provision for Debt Impairment by way of a concomitant reversal of the impairment loss.

Any write off of irrecoverable debt previously impaired and accounted for as an impairment loss should be adjusted as a reversal of impairment loss when the write-off takes place. Failure to adjust the previous impairment loss by the reversal will impact negatively on the net receivables and therefore the funding of the budget. The receivables will be reduced by the amount of the debt written off whilst still providing for the impairment of the receivables already written off.

Municipalities should consider the following when budgeting for the annual Debt Impairment Loss, Write Off of Irrecoverable Debt and Reversal of Impairment Loss. The *m*SCOA chart includes data strings for:

- **Impairment loss** – contribution to the provision for annual non-payment based on the realistic collection rate for the municipality. Any increase in impairment is accounted for per debt type. This is treated as a loss in the Statement of Financial Performance;
- **Reversal of Impairment loss** – used to facilitate the reversal of overstated impairment losses. Any decrease in impairment is accounted for per debt type. This is treated as a gain in the Statement of Financial Performance. The reversal of impairment loss enables the reduction of debt impairment provision. Therefore, the data strings for impairment loss and reversal of impairment loss are aggregated to populate debt impairment on table A4; and
- **Irrecoverable Debts Written Off** – this is no longer written off against the Accumulated Provision for Debt Impairment but is expensed in the Statement of Financial Performance. Therefore, municipalities must record the reversal of impairment loss to reduce the Accumulated Provision for Debt Impairment with the irrecoverable Debts Written Off. The previous versions of the *m*SCOA chart provided for a single expenditure account for the recognition of any bad/ irrecoverable debt written off. However, in version 6.8 the *m*SCOA chart was expanded to include the write off of irrecoverable debt by debt type.

5.5 Burial of councillors using public funds

In terms of National Treasury's Budget Circulars No. 122 and 123 municipalities were urged to ensure that public funds are not used for burial of councillors. The issuance of this requirement in both circulars would have required in certain cases amendment of Council approved policies dealing with these matters.

Therefore, municipalities are reminded to ensure that any policies to this effect are rescinded as this matter will be referred to the Auditor General South Africa (AGSA) to verify during the 2023/24 audit if there have been no instances where public funds are utilised for burial of councillors. If such activities occurred in the municipality w.e.f. the 2023/24 financial year,

each Accounting Officer and Chief Financial Officer will be held responsible, and each Council can deal with such instances in terms of section 171 of the MFMA.

5.6 The use of mayoral discretionary accounts and any other council discretionary accounts

In the previous Budget Circulars municipalities were cautioned against the tendency of utilising Mayoral Discretionary accounts. The risk or danger herein is that public funds are availed/ allocated or given out to other bodies or institutions or individuals by the Mayors of a municipality outside the budget process.

These allocations are at times not known by the Council as they were not disclosed in the budget approved by Council, meaning that there was a lack of transparency during the budgeting processes. Municipalities are reminded that this practice of utilising “Mayoral Discretionary Accounts is not supported by the National Treasury. Therefore, if there are policies developed by municipalities allowing or promoting such activities, those policies must be rescinded when the Council approves the 2024/25 MTREF budget.

Any further use of public funds in that manner will be audited by the AGSA with effect from 1 July 2024 with an intention of ensuring that Accounting Officers/ Executive Mayors and Chief Financial Officers, that allow such practices to continue in their municipalities will be held personally responsible.

5.7 Development charges

Development charges are important components of a sustainable municipal infrastructure financing system, especially for cities and large urban municipalities, as they are used to finance land intensification. Despite their potential as an alternative option for financing infrastructure, municipalities have not fully used development charges due to uncertainty surrounding the regulatory frameworks. To address this uncertainty, amendments to the Municipal Fiscal Powers and Functions Act (2007) are proposed. The Municipal Fiscal Powers and Functions Amendment Bill proposes new, uniform regulations for levying development charges, so strengthening municipalities’ revenue-raising framework. This will allow municipalities to mobilise own revenue resources to fund their infrastructure needs and support economic growth.

Once enacted, these amendments will create legal certainty for municipalities to levy development charges, regulate their applicability and create a more standardised, equitable, and sustainable framework for development charges. The Bill was approved by Cabinet for tabling in Parliament on 17 August 2022 and subsequently introduced in Parliament on 08 September 2022. The Bill is currently being processed in line with the Parliamentary processes. Once the Bill has been enacted, the amendments will take effect from the next municipal financial year (commencing 1 July) or on a date prescribed by the President.

The National Treasury will clearly articulate the budgeting and accounting requirements upon the completion of the Parliamentary processes.

6. Municipal Standard Chart of Accounts (mSCOA)

6.1 Release of Version 6.8 of the Chart

On an annual basis, the mSCOA chart is reviewed to address implementation challenges and correct chart related errors. Towards this end, Version 6.8 is released with this circular. Version 6.8 of the chart will be effective from 2024/25 and must be used to compile the 2024/25 MTREF. The linkages to chart version 6.8 can be downloaded from GoMuni on the following link under the mSCOA/ List mSCOA WIP account linkages menu option:

https://lg.treasury.gov.za/ibi_apps/signin

The reports on the Local Government and Reporting System (LGDRS) are populated from financial and non-financial data strings. Municipalities must use of the linkages on GoMuni referred to above and not the formulas in the regulated Municipal Budget and Reporting (MBRR) Schedules when generating their data strings.

The Municipal Budget and Reporting Regulations (MBRR) Schedules (A to F) and non-financial data string (A1S) was also aligned to chart version 6.8. A protected version of the MBRR Schedules for version 6.8 of the chart and A1S is available on the MFMA Webpage on the link below:

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

Municipalities must verify that the A1S data string does not contain spaces and special characters prior to submission to the GoMuni Upload portal as this will result in the data not pulling through on table A10 of the A1 system generated schedule.

All municipalities must prepare their 2024/25 MTREF budgets using the budget modules of their ERP systems, generate their financial and non-financial data string and produce the Schedule A1 directly from the ERP system. The manual preparation of these documents outside the ERP system is not allowed in terms of the *m*SCOA Regulations.

For the National Treasury to consider a new chart change in version 6.9 of the chart, the issue must be logged with all relevant detail, supporting documents and screenshots (where applicable) on the *m*SCOA Frequently Asked Question (FAQ) portal by 31 August 2024. The *m*SCOA FAQ portal can be accessed by all registered GoMuni users on the following link:

https://lg.treasury.gov.za/ibi_apps/signin

Importantly, when a FAQ is logged, it is considered by the FAQ committee after it has been investigated. If the FAQ members do not find grounds for a chart change, the FAQ will be closed with an explanation. If there is merit for a chart change in the next version of the chart, the matter is referred to the *m*SCOA Technical and Steering Committees for recommendation and approval. This process only concludes by the end of October annually. The FAQ process will therefore not provide quick responses to queries.

If a query pertains to GoMuni related issues (such as the **A**, **B** and **C** Schedules) and not a chart change, then an email with all relevant detail, supporting documents and screenshots must be send to lgdataqueries@treasury.gov.za.

Please note the following errata in MFMA Circular No.123 on page 5 in relation to property categories that were approved by the Minister of Cooperative Governance for Bitou and Drakenstein municipalities. It was **incorrectly** indicated that the approval was in accordance with section 8(2)(j) of the Municipal Property Rates Act (MPRA) as amended in 2014, and that municipalities may apply for categories other than the categories in 8(2)(a) to (i).

The paragraph is corrected as follows:

Kindly note that, in accordance with section **8(4)** of the Municipal Property Rates Act (MPRA) as amended in 2014, municipalities may apply to the Minister for the authorisation to sub-categorise the property categories in subsection (2). Towards this end the Minister of Cooperative Governance and Traditional Affairs approved the following categories:

- Sports Clubs and Fields for Bitou Municipality and

- Residential sectional title garages for Drakenstein Municipality.

6.2 Improving *m*SCOA data strings credibility

The credibility of the *m*SCOA data strings that have been submitted by municipalities to the GoMuni Upload portal has improved over the last financial year. However, the following areas of concern remain:

- Municipalities continue to **transact against line items without budgets** and as a result exceed the annual budget already in month 1 to 3 (quarter 1) of the new financial year;
- **Opening balances** for the previous year are **not transferred** in the first month (M01) of the current year, and all adjustments made during the preparation of the annual financial statements in periods 14 and 15 are not transferred through journals to the opening balances of the current year in the month of the current year that the adjustments are done;
- **Cash flow tables** (Tables A7, B7 and C7) are still **not populating correctly** and fully. This can be attributed to the fact that several municipalities still do not use balance sheet budgeting and movement accounting. Guidance on the use of balance sheet budgeting and movement accounting to populate tables A7, B7, and C7 correctly was provided in MFMA Budget Circular No. 107 (dated 04 December 2020) and *m*SCOA Circular No. 11 (dated 04 December 2020);
- Budget and transacting for **water inventory** is **not done correctly** in terms of the guidance given in MFMA Budget Circular No.115 (dated 04 March 2022) and MFMA Budget Circular No. 122 (dated 12 December 2022); and
- Some municipalities **do not budget and transact correctly** or completely **for irrecoverable debt written off and impairment loss** as well as the reversal of impairment loss of consumer debtors that have a significant impact on the funding of budgets.

National and provincial treasuries analyse the data strings of municipalities monthly to identify errors and communicate these findings to municipalities. Municipalities must use the feedback received to correct recurring errors in subsequent periods. Going forward, the National Treasury will not allow data string errors made in a previous month to be corrected in the next open period as this skew the monthly figures on the National Treasury Local Government Database and Reporting System (LGDRS). Municipalities must therefore **verify** the credibility and accuracy of the information in their financial system **prior** to submitting the *m*SCOA data strings to the LGDRS. The data on the LGDRS is used by various stakeholders such as the South African Reserve Bank (SARB), STATSSA, SARS, Department of Water Affairs (DWA), NERSA, DCoG, SALGA, AGSA, World Bank universities and the public.

6.3 *m*SCOA reporting on Value Added Tax (VAT)

In terms of the VAT Act, 1991 (Act No. 89 of 1991) and its amendments, municipalities must be VAT registered and must declare Output tax on the taxable supply of goods and services and claim Input tax credits on expenses incurred in the course or furtherance of the enterprise (the taxable supplies). The output tax is declared, and the input tax claimed by completing a VAT 201 return.

The guidance provided in *m*SCOA Circular No. 12 must be followed when reporting on VAT. It should be noted that the South African Revenue Services (SARS) will be using the data on the LGDRS submitted by municipalities to verify the VAT 201 return in 2024/25. It is therefore

crucial that municipalities report their VAT transaction correctly on their ERP systems and in their *mSCOA* data strings.

6.4 Use of function segment to achieve GRAP 18 segmental reporting

GRAP 18 is applicable to all entities on the accrual basis of accounting. The standard applies to separate (or individual) financial statements of an entity, as well as to consolidated financial statements of an economic entity. Municipalities control significant public resources and provide a wide variety of goods or services in different geographic areas with different socio-economic conditions. Consolidated financial statements provide an overview of assets, liabilities, revenues and costs etc. of an entity, but a greater level of aggregation is necessary to provide information which is relevant for accountability and decision-making purposes.

The objective of the disclosures is to enable users of the financial statements to evaluate the nature and financial effects of the activities in which it engages and the economic environment in which it operates. To achieve the objective, disclosures are required on two levels, namely:

- Specific segment disclosures
- Geographic disclosures

Detailed guidance on GRAP 18 reporting was provided by the National Treasury in the Accounting Guideline on GRAP 18 Segment Reporting (February 2020) which is available on the following link:

<https://ag.treasury.gov.za/>

The *mSCOA* function and region segments must be used to comply with the GRAP 18 reporting requirements.

The function segment records the major activities that generate the most economic benefits or service potential of the municipality. The implication will be that all income and expenditure transactions related to a specific trading service (function) must be budgeted for and transacted within that function. Therefore, where grants are allocated to trading services, the grant must be budgeted for and transacted in the Trading Services function. Municipalities must review their classification of the function segment as to whether the function is correctly identified as a core or non-core function.

The region segment identifies the lowest relevant geographical regional indicator of the intended contributor or beneficiaries that will contribute/ benefit directly from the given service or capital investment. Municipalities must ensure that they identify the lowest geographical regional indicator in the region segment when they budget, transact and report to provide data on the geographic disclosures required in GRAP 18.

Municipalities are also reminded to include the GPS Longitude for capital projects on supporting table SA36 on the A Schedule.

6.5 Period closure and reconciliation of General Ledger

Section 65 (2)(j) of the MFMA states that the accounting officer must take all reasonable steps to ensure that all financial accounts of the municipality are closed at the end of each month and reconciled with its records.

Annexure B of MFMA Circular No. 80 (08 March 2016) provides guidance on the minimum system requirements in this regard, namely that the ERP system must contain the functionality for:

- Period closures (i.e. budget process, month-end and year-end) and certification within the statutory reporting dates;
- Reconciliations and balancing of the sub-system and the General Ledger of the core ERP System with control accounts as a condition of all period closures;
- System generated transfer of opening balance to month 1 in the following year subsequent to the year-end closures period 12 as at 30 June (of the current year);
- Automated roll-over of the closing balance from month 12 into period 13 of the current financial year and month 01 of the new financial year; and
- Automated roll-over of the closing balance from period 13 to 14 and 15 of the current financial year and the corresponding month in the new financial year.

Guidance on the required period closures will be provided in *mSCOA* Circular No. 15 that will be issued in 2024.

6.6 *mSCOA* governance and implementation

Municipalities that have not yet achieved the required level of *mSCOA* implementation, must develop and implement a road map (action plan) to fast track the implementation of *mSCOA*. The focus areas that should be considered (at a minimum) when developing the road map are articulated in **Annexure A** attached to this circular.

6.7 Regulating the minimum business processes and system specifications for *mSCOA*

The National Treasury will regulate the minimum business processes and system specifications for *mSCOA* towards the end of 2025/26. This project will also include the following outputs:

- Review and update the set of minimum business processes and system specifications for *mSCOA* (currently articulated in MFMA Circular No. 80) to incorporate new legislative requirements that have been issued since the circular was published;
- Update and develop the standard operating procedures (SOPs) for *mSCOA*;
- Align the current ICT due diligence assessment for *mSCOA* to the new Regulations;
- Consultation with key stakeholders on draft regulations; and
- Training on the new Regulations to ensure that there is a fair understanding of the new regulation by stakeholders.

Further communication will be issued on the consultation processes and training in due course.

6.8 Training Initiatives

The National Treasury has introduced several training initiatives to capacitate municipalities, government departments, system vendors and other stakeholders on *mSCOA*. In 2024, these training initiatives will include:

- **Virtual Master classes:** This training is hosted by CIGFARO at no cost via zoom on a monthly basis and deals with technical and accounting aspects of the use of *mSCOA* chart;

- **Provincial training on mSCOA:** This is a new training initiative and will be hosted at a physical venue by CIGFARO at a cost (to cover expenses) and will include the fundamentals (part 1) and technical and accounting aspects (part 2) of mSCOA. Delegates will be required to pass a test on each part of the training to receive a certificate of completion;
- **mSCOA eLearning:** This self-paced web-based course hosted by the National School of Government (NSG) at no cost (until further notice) aims to equip learners with the fundamental of mSCOA. Municipal and government officials can register for the course at on the following link:

<https://www.thensg.gov.za/elearning>

- **Annual CIGFARO/mSCOA workshop:** This annual workshop provides a platform to share lessons learnt, best practices, technical aspects of mSCOA implementation and planned new developments by the National Treasury.

The full training program for 2024 is available on the GoMuni/ Go Training portal) on the following link:

https://lg.treasury.gov.za/ibi_apps/portal

7. The Municipal Budget and Reporting Regulations

7.1 Assistance with the compilation of budgets

If municipalities require advice with the compilation of their respective budgets, specifically the budget documents or Schedule A, 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
Buffalo City	Pitso Zwane	012-315 5171	Pitso.Zwane@Treasury.gov.za
	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
	Pitso Zwane	012-315 5171	Pitso.Zwane@Treasury.gov.za
	Oreal Tshidino		Oreal.Tshidino@Treasury.gov.za
City of Tshwane and City of Johannesburg	Willem Voigt	012-315 5830	WillemCordes.Voigt@treasury.gov.za
	Makgabo Mabotja	012-315 5156	Makgabo.Mabotja@treasury.gov.za
	Enock Ndlovu	012-315 5866	Enock.Ndlovu@treasury.gov.za
City of Ekurhuleni	Kgomotso Baloyi		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
	Sibusisiwe Mchani	012-315 5539	Sibusisiwe.Mchani@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
	Enock Ndlovu	012-315 5385	Enock.Ndlovu@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 on GoMuni Website	Data management		lqdataqueries@treasury.gov.za

8. Submitting budget documentation and A schedules for the 2024/25 MTREF

8.1 Time frames for submission

The LGDRS will be locked at 00:00 on the 10th working day of every month for the submission of data strings due, as required in terms of section 71 of the MFMA. Closed periods will not be opened to correct errors or to accommodate non-submission of data strings, regardless of whether a Schedule G application was done or not.

Municipalities must therefore verify the credibility and accuracy of the information in their financial system prior to closing the month on the ERP system and submitting the *mSCOA* data strings to the LGDRS.

Annexure A (attached) provides a list of the deadline dates for the submission of *mSCOA* data strings and documents to the GoMuni Upload portal in the 2024/25 MTREF. The GoMuni Upload portal can be accessed by registered users on the following link:

https://lg.treasury.gov.za/ibi_apps/signin

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. PDF versions of documents must be submitted to the GoMuni Upload portal.

8.2 Updating of contact details on GoMuni

Municipalities must ensure that their contact details on GoMuni are updated as soon as changes occur. Often emails containing important information and deadlines do not reach the intended GoMuni users due to outdated users contact information.

To update the contact details, municipalities (registered users) must download the excel report from GoMuni under Database/Contacts/Reporting/Contact information on the following link:

https://lg.treasury.gov.za/ibi_apps/signin

Changes/ additions made must be forwarded to lgdocuments@treasury.gov.za.

8.3 Submission of monthly sign-off

From 2024/25, municipalities will be required to sign off on the *m*SCOA data strings submitted for section 71 and grant reporting monthly. Currently this is being done manually on a quarterly basis. These monthly sign-off certificates will be system generated from the LGDRS and must be uploaded monthly with the data string submission to the GoMuni Upload portal.

8.4 Training on GoMuni

The training schedule and GoMuni links for 2024 to assist those users that require new or refresher training on how to draw reports on the LGDRS, is available on the GoMuni/ Go Training portal on the following link:

https://lg.treasury.gov.za/ibi_apps/portal

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
07 December 2023

Annexure A

The following focus areas should be considered (at a minimum) when developing the road map and the road map should detail action steps, assign responsibilities, and specify time frames to address the implementation gap:

- a. **ICT Architecture**, which includes the hardware, servers, software, licences required to run the ERP management systems.
- b. **Governance and Institutional Requirements** - which includes:
 - A functioning *m*SCOA steering committee or equivalent structure to monitor and report on progress against the road map. This committee consist of the heads of all business units and meet regularly (at least quarterly).
 - Regular reporting on *m*SCOA implementation to Management and Executive Committees and Council.
 - Appointment of a *m*SCOA champion to drive the *m*SCOA implementation at the municipality.
 - Appointment of a suitably qualified System Administrator.
 - The development and adoption of the required IT policies and securities.
 - Establishment of data back-up and disaster recovery procedures.
- c. **System Functionality** - which includes:
 - The ERP modules and 3rd party systems used. These must give effect to the minimum business processes and system requirements specified in MFMA Circular No. 80. Municipalities must budget adequately to procure the required functionality and upgrade to the *m*SCOA enabling version of the ERP.
 - Seamless and full integration of data in the ERP system, including 3rd party systems used by the municipality and its entities. The ERP system vendor sets the requirements for the integration.

An ICT due diligence assessment must be conducted 6 months before the Service Level Agreements (SLA) with an existing system vendor comes to an end to determine if an ERP system changes or extension of the existing SLA is required. Municipalities must follow the due diligence processes set out in MFMA Budget Circulars No. 93, 98, 123 and *m*SCOA Circulars No. 5 and 6 prior to procuring a new ERP system. Guidance on procurement processes were also provided in MFMA Circular No. 107 (4 December 2020).

The ERP system represents the General Ledger. Any 3rd-party system with a direct impact on the General Ledger must integrate fully and seamlessly with the ERP system in terms of the mSCOA Regulations. This means that data contained in the 3rd party system must synchronise without any human or manual intervention integrate to the ERP system without human or manual intervention in real time or at least daily and drill down from the ERP system to the General Ledger of the 3rd party system must be possible.

d. **User Proficiency and Training**

- The relevant municipal officials and interns must be sufficiently capacitated on the

mSCOA chart, basic accounting, balance sheet budgeting and movement accounting and all system modules and functionalities to use the ERP systems solution. Consideration should be given to training, the establishment of User Support Groups and the availability of user manuals on the system.

- Change management initiatives to ensure that mSCOA is institutionalised as an organisational reform and not only a financial reform.

Annexure B

SUBMISSION CHECKLIST 2024/25 MTREF BUDGET DOCUMENTS:

Category	Documents Required	mSCOA Data Strings Required	Due Date	Date for Closing LGDRS Submission
BUDGET DOCUMENTS				
Tabled Budget	<ol style="list-style-type: none"> 1. A1 Schedule Draft 2. Budget Document Draft 3. Council Resolution Draft 4. Quality Certificate Draft 5. IDP Draft 6. SDBIP Draft 7. Spatial Development Framework Draft 8. Long Term Financial Strategies Draft 9. Service Standards Draft 10. Rates Billing Draft 11. Tariff List Draft 12. Property Rates and Tariffs List Draft 13. Draft Tariff Policies on: <ol style="list-style-type: none"> a. Property Rates and Service charges b. Borrowing c. Budget Implementation and Management d. Cash Management and Investment e. Credit Control and Debt Collection f. Funding and Reserves g. Indigents h. Long-term Financial Planning i. Management and Disposal of Assets Draft j. Infrastructure Investment & Capital Projects k. Supply Chain Management 14. mSCOA Road Map Draft 15. Fixed Asset Register Draft 	<ol style="list-style-type: none"> 1. TABB – Tabled Budget 2. PRTA – Tabled Project Details 3. A1D – Tabled non-financial data 	Immediately (within 24 hours) after tabling by council	15 April 2024

Category	Documents Required	mSCOA Data Strings Required	Due Date	Date for Closing LGDRS Submission
	16. Funding Plan Draft 17. Indigent Register Draft 18. General Valuation Roll (GVR) Draft			
Adopted Budget	1. A1 Schedule Final 2. Budget Document Final 3. Council Resolution Final 4. Quality Certificate Final 5. Budget locking certificate Final 6. IDP Final 7. SDBIP Final 8. Spatial Development Framework Final 9. Long Term Financial Strategies Final 10. Service standards Final 11. Rates Billing Final 12. Tariff List Final 13. Property Rates and Tariffs List Final 14. Final Tariff Policies on: <ul style="list-style-type: none"> a. Property Rates and Service charges b. Borrowing c. Budget Implementation and Management d. Cash Management and Investment e. Credit Control and Debt Collection f. Funding and Reserves g. Indigents h. Long-term Financial Planning i. Management and Disposal of Assets j. Infrastructure Investment & Capital Projects k. Supply Chain Management 15. mSCOA Road Map Final 16. Fixed Asset Register Final	1. ORGB – Original (adopted) Budget 2. PROR – Project Details Original Budget 3. A1F – Final non-financial data	10 working days after approval by council	12 July 2024

Category	Documents Required	mSCOA Data Strings Required	Due Date	Date for Closing LGDRS Submission
	17. Funding Plan Final 18. Indigent Register Final 19. General Valuation Roll (GVR) Final 20. D Schedule (entities) 21. MTREF Budget Schedule Time Table			
Adjustment Budget	1. Mid-Year Budget Perform Assessment S72 2. Resolution Mid-Year Budget Perf Assess S72 3. Adjusted Budget 4. B Schedule 5. Council Resolution 6. Quality Certificate 7. Budget locking certificate Revised 8. E schedule (entities)	1. ADJB - Adjusted Budget 2. PRAD - Project details Adjusted Budget	10 working days after approval by council	14 March 2024
In-year Reporting	1. S71 monthly report 2. Monthly C Schedule 3. Monthly Quality Certificate 4. Monthly Primary Bank Statements 5. Monthly Primary Bank Recon 6. Monthly Trial Balance 7. Signed S71 Monthly Report to Council 8. Signed Conditional Grant Monthly Report to Council 9. Monthly F Schedule (entities) 10. Quarterly mSCOA Implementation Progress Reports 11. Quarterly S52d Performance Reports	1. M01 – M12 - Monthly Actuals 2. CR01 – CR12 - Monthly Creditors 3. DB01 – DB12 - Monthly Debtors 4. BMQ1 – BMQ4 – Quarterly Borrowing Monitoring 5. IMQ1 – IMQ4 - Quarterly Investment Monitoring	10 working days after the end of month/quarter	15 August 2024 13 September 2024 14 October 2024 14 November 2024 13 December 2024 15 January 2025 14 February 2025 14 March 2025 14 April 2025 15 May 2025 13 June 2025 14 July 2025
YEAR-END DOCUMENTS				
Pre-audit	1. Pre-audited AFS	PAUD - Pre-audited AFS CRPA – Creditors DBPA - Debtors	Immediately (within 24 hours) after submission to AGSA	13 September 2024
Audit	2. Audited AFS	1. AUDA - Audited AFS 2. CRAU – Creditors	Immediately (within 24 hours) after conclusion of audit	14 March 2025

Category	Documents Required	mSCOA Data Strings Required	Due Date	Date for Closing LGDRS Submission
		3.DBAU - Debtors		
Restated	4. Restated AFS	RAUD - Restated AFS	Immediately (within 24 hours) after approved by Council	2022/23: 15 August 2024
Annual Report	5. Annual Report 6. Council Oversight Report	Not applicable	Within nine months after the end of a financial year deal	15 May 2025
REVENUE MANAGEMENT DOCUMENTS				
Revenue	<ol style="list-style-type: none"> 1. Tariff Tool Draft and Final 2. Tariff Tool Final 3. Bulk Suppliers (water and electricity) proof of payment-M01 to M12 4. Proof of payment 3rd party (Staff benefits, SARS)-M01 to M12 5. Bulk Suppliers - repayment plans 6. Repayment plan (with any of its creditors excluding bulk suppliers) 7. Municipality Valuation Roll Reconciliation-Q1 to Q4 8. Revenue Enhancement Strategy 9. Municipality Revenue Assessment Tool 10. Schedule for the new general valuation roll 11. Supplementary Valuation Roll 12. Municipal Debt relief Application 	Not applicable	<ol style="list-style-type: none"> 1. Annually 2. Monthly 3. Monthly 4. As applicable* 5. As applicable* 6. As applicable 7. Quarterly 8. Every 3 years* 9. Every 3 years* 10. Annually 11. Annually 	
MFRS DOCUMENTS				
MFRS	1. Mandatory FRP Progress Report-M01 to M12	Not applicable	Monthly*	Not applicable