SALDANHA BAY MUNICIPALITY

REPORT TO THE MAYORAL COMMITTEE AND COUNCIL

SUBJECT:	SECTION 21 MFMA: SCHEDULE OF KEY DEADLINES: COMPILATION OF 2024/25 MTREF IDP/BUDGET PROCESS
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1. PURPOSE OF THE REPORT

This report deals with the key deadlines time schedule to be followed for the compilation of the 2024/25 MTREF budget as well as the revision of the Integrated Development Plan (IDP) as prescribed in section 21 of the Municipal Finance Management Act (MFMA) and section 34 of the Municipal Systems Act (MSA). The aim of the schedule of key deadlines is to ensure that the mayor table the budget to council for approval during March 2024 and the final approval during May 2024. The process followed with regards to the adjustment budgets is also included in the time schedule.

2. BACKGROUND

The budget preparation process is described in detail under section 21 of the MFMA. According to legislation, the mayor of a municipality must co-ordinate the processes for preparing the annual budget and for reviewing the municipality's IDP and budget related policies to ensure consistency as well as credibility of these two documents.

The time schedule outlines key deadlines for:

(i) the preparation, tabling and approval of the 2024/25 annual budget;
(ii) the annual review of the IDP in terms of section 34 of the MSA;
(iii) the budget related policies;

(iv) the tabling and adoption of any amendments to the IDP and the budget related policies; and

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

3. LEGISLATIVE COMPLIANCE

The following legislative requirements are, inter alia, applicable when dealing with the approval of this report:

3.1 MUNICIPAL FINANCE MANAGEMENT ACT (ACT 56 OF 2003)

Section 16

(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 the municipality to comply with subsection (1), the mayor of the municipality* ***must table*** *the annual budget at a council meeting* ***at least 90 days before the start of the budget year*** *(along with the Draft SDBIP and Draft IDP).*

Section 17

(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 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.*

Section 21

(1) *The mayor of a municipality must-*

(a) *Co-ordinate the processes for preparing the annual budget and for the reviewing the municipality's IDP and budget-related policies* ***to ensure that the tabled budget and any revisions of the IDP 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;

(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 and 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 authorities within the area of the district municipality, if the municipality is a local municipality;

(ii) the relevant provincial treasury, and when requested, the National Treasury; and

(iii) any national or provincial organs of state, as may be described.

Section 24

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

The budget processes

To ensure that a credible budget is tabled in council it is of utmost importance that the process be supported by every stakeholder.

The budgeting process and accountability cycle is explained herewith with a few diagrams.

Accountability cycle: Roles and responsibilities

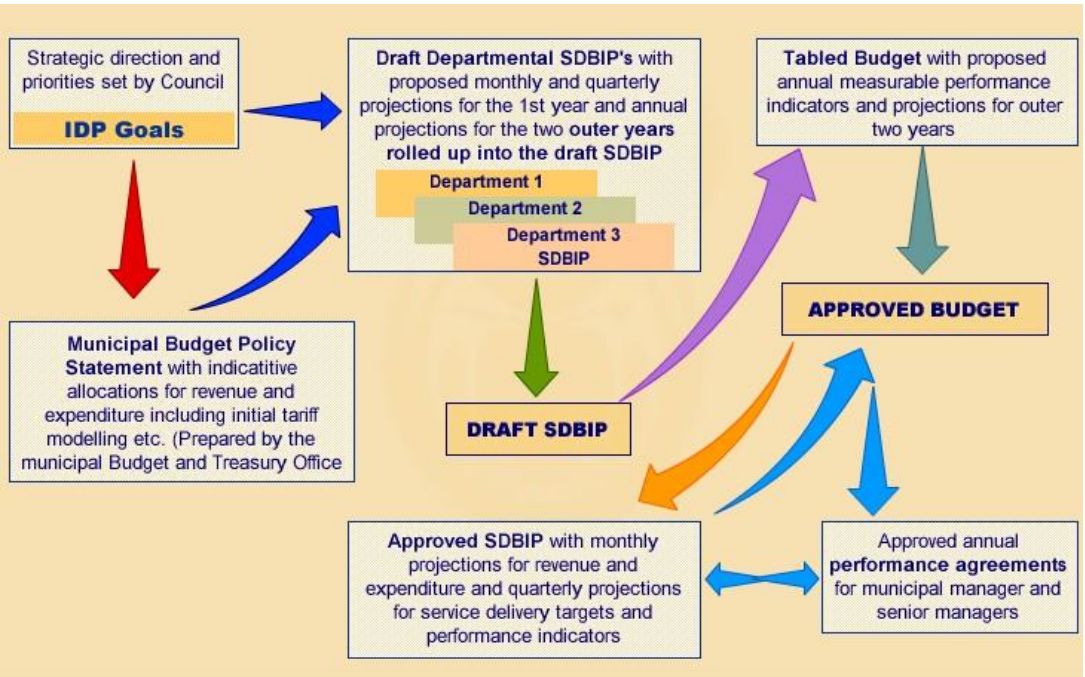

Diagram 1

Diagram 2

The accountability cycle commences with policy direction from the community and other stakeholders through council to the municipal administration. In turn the administration is accountable to council for implementing policy. The council is accountable for performance to the community and other stakeholders.

Accountability cycle processes

As the Budget IDP and Budget is the strategic and financial plan of the municipality it is also important to take note and understand the accountability cycle process.

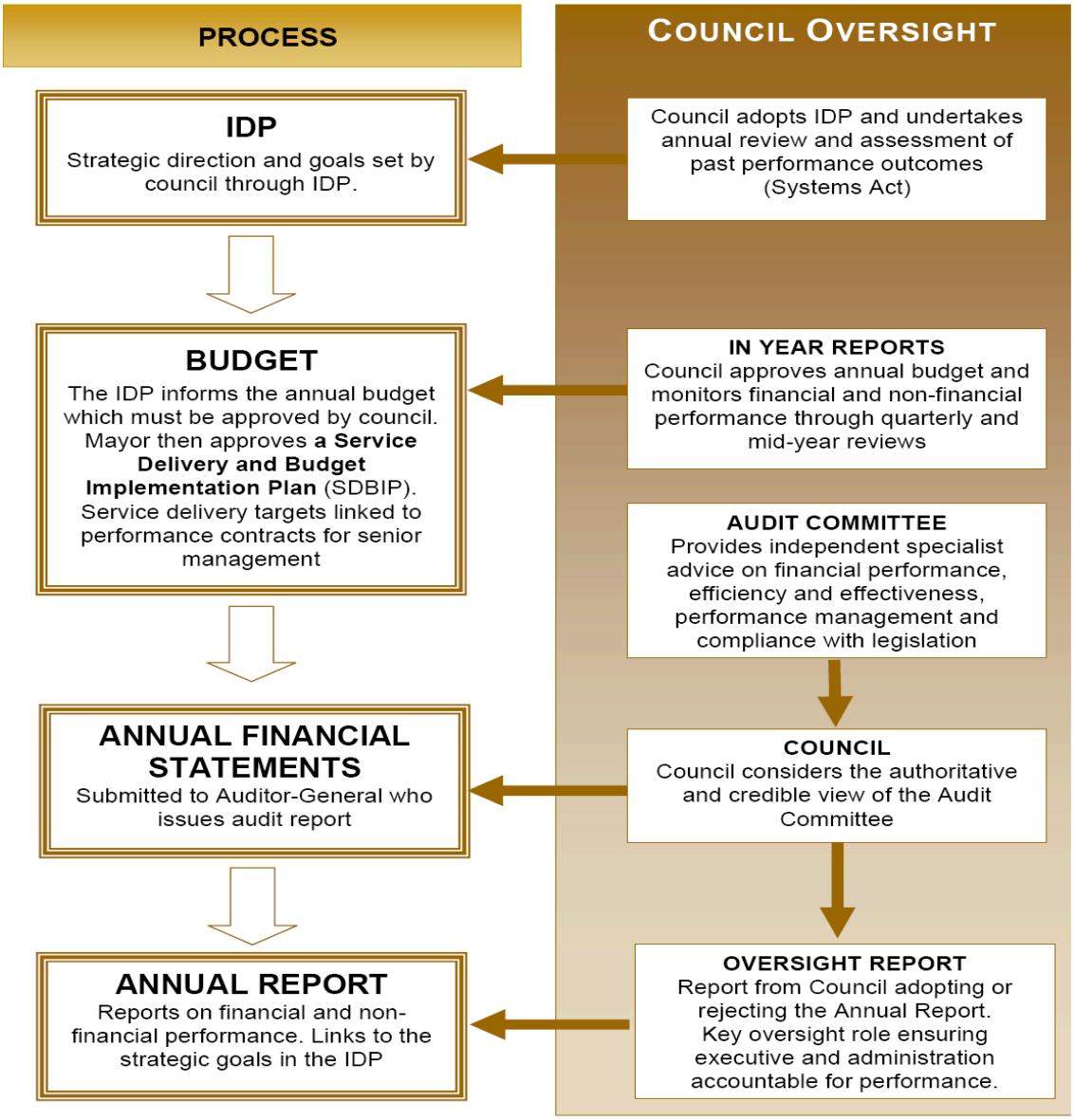

Diagram 3

In the following diagram the timelines for the IDP and budget process are depicted.

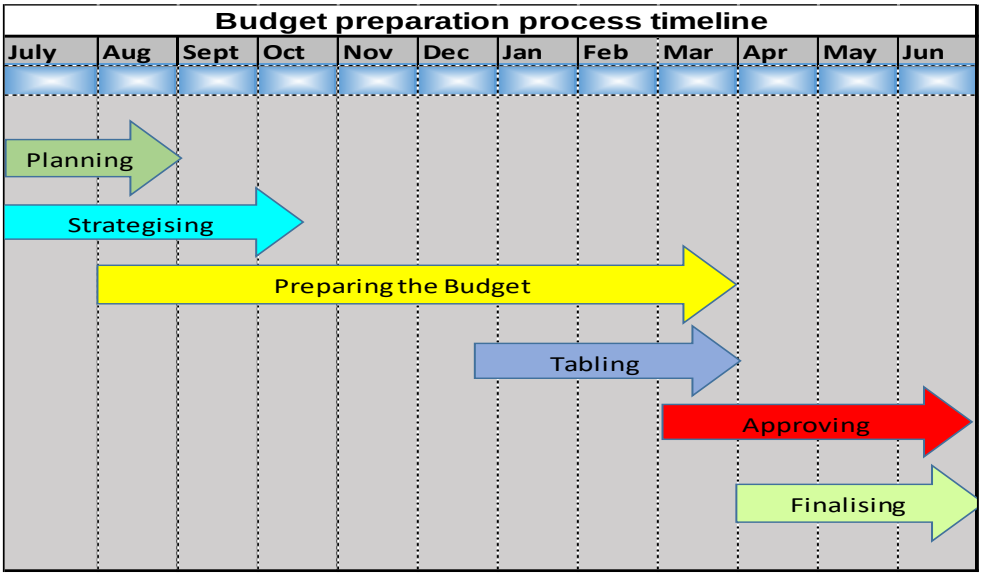

Diagram 4

Above timelines are outer limits There should be strived for earlier completion

Six steps to preparing a budget. As per MFMA Circular 10

The following table as included in MFMA Circular 10 sets out six distinct sequential high-level steps to the preparation of a budget. It is important to mention up front that consultation on the budget occurs throughout the preparation process.

	Step	Process
1	Planning	Schedule key dates, establish consultation forums, review previous processes
2	Strategising	Review IDP, set service delivery and objectives for next 3 years, consult on tariffs, indigent, credit control, free basic services, etc and consider local, provincial and national issues, previous years performance and current economic and demographic trends etc
3	Preparing	Prepare budget, revenue and expenditure projections, draft budget policies, consult and consider local, provincial and national priorities
4	Tabling	Table draft budget, IDP and budget related policies before council, consult and consider formal local, provincial and national inputs or responses
5	Approving	Council approves budget and related policies
6	Finalising	Publish and approve SDBIP and annual performance agreements and indicators

Step 1: Planning

- The Mayor will lead a review of the previous budget process and incorporate findings into planning the next budget process.
- The mayor must table in council by 31 August (10 months before the start of the budget year) a schedule of key deadlines for various budget related activities as spelled out in section 21 of the MFMA.
- This step commences at the latest on the 1st of July and must be completed by no later than 31st of August with the tabling of the schedule of key deadlines.

Step 2: Strategising.

- This step involves the review of the Integrated Development Plan and budget related policies through internal and external consultations. Internal consultation means consultation with staff within the municipality. External consultation means consultation with the community and other stakeholders.
- This step commences early in the process and carries on until October. The IDP must inform the budget.

Step 3: Preparing

- The preparation of the budget is a lengthy process spanning many months. This step commences August at the time the mayor tables the schedule of key deadlines and concludes when the council approves the budget by 31 May.
- After the approval of the budget the Mayor must approve the Service Delivery and Budget Implementation Plan within 28 days after the approval of the budget in terms of section 53©(ii) and the Mayor must ensure that the annual performance agreements as required in terms of section 57.

Step 4: Tabling.

- The MFMA stipulates that the budget and revised Integrated Development Plan must be tabled together 90 days before the start of the budget year,

  thus, no later than 31 March, together with the draft resolutions and budget related policies.

- This step may commence as early as January and must be completed no later than 31 March.

Step 5: Approving.

- The full council must meet to consider the budget for approval no later than 31 May (30 days prior to the start of the budget year).
- This step may commence as early as March and must be completed prior to the start of the budget year. Council must consider the budget for approval by 31 May.

Step 6: Finalising.

- This step of the budget process involves the finalising of plans to implement the budget, through the approval of the Service Delivery and Budget Implementation Plan and the performance agreements for the municipal manager and other senior managers for the coming financial year.
- This step may commence as early as April and should ideally be completed prior to the start of the budget year.

Alignment of National KPA's, Municipal strategies, IDP, KPI's, Municipal powers and functions, Macro structure, Budget, SDBIP, and Performance manage.

It is of utmost importance that alignment as depicted in diagram 5. below be maintained throughout the process to ensure credible budgets and compliance with all relevant legislation. Any project or item that cannot be linked and or aligned should not be budgeted for. It is important to also take note that the budget process is a sequential process that takes many months to prepare and table a credible budget in March. The IDP however runs concurrent with the budget and is therefore important that departments throughout the process consider the IDP and community as well as other stakeholders' input when their inputs are provided.

Alignment:

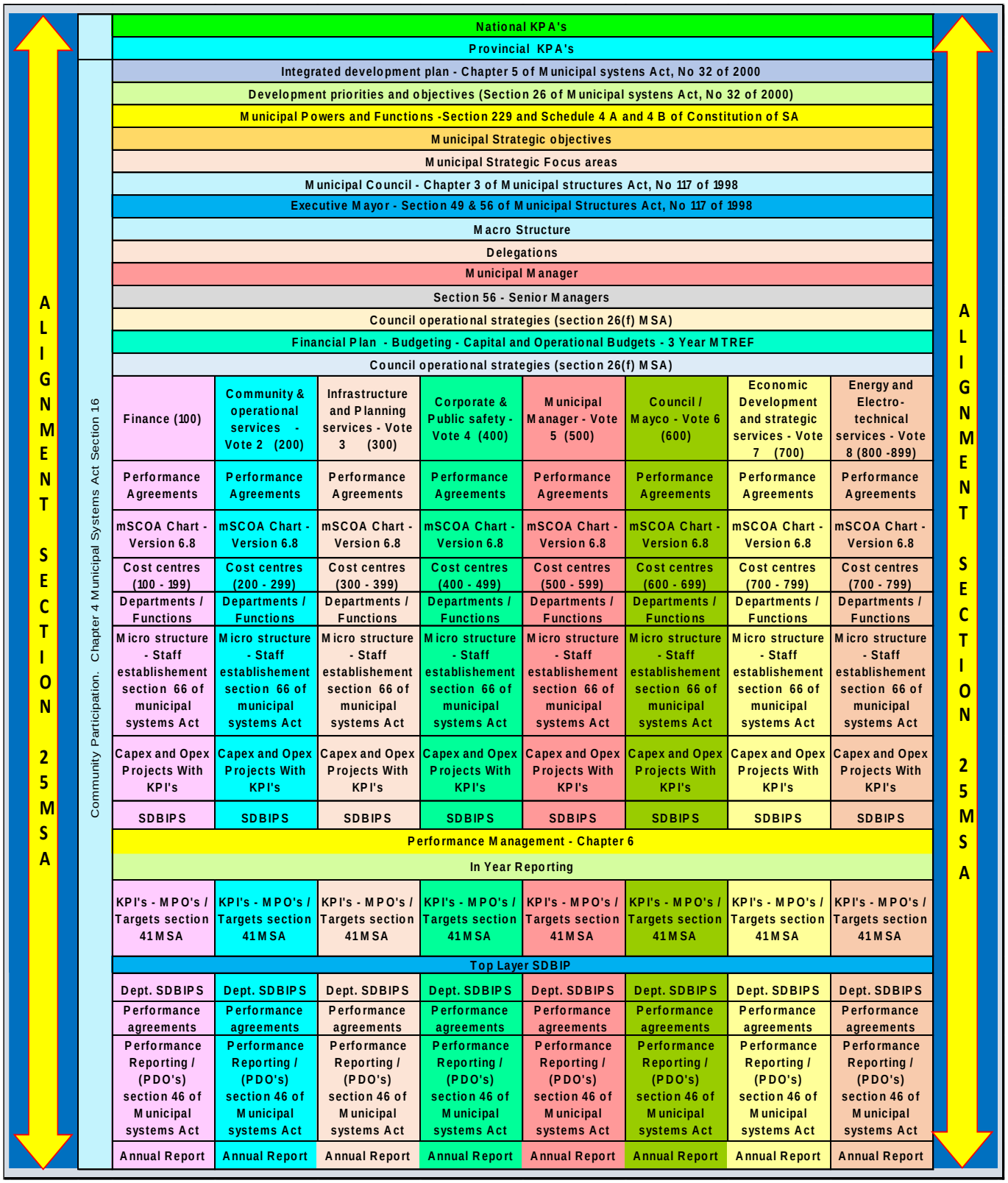

Diagram 5

4. PRINCIPLES FOR THE BUDGET PREPARATION PROCESS

The Budget steering committee will meet regularly starting early in October on budget affordability and possible tariff increases when the budget principles report is considered. The budget office will however give preliminary direction on growth and available funding when the first budget requests are issued in September. Considering the sequential nature of the budget i.e. Operating budget being informed by the Personnel (Staff establishment per cost centre and function) and Capital budget (Depreciation, interest and redemption of loans, repairs and maintenance of new projects) the following principles are important to ensure that a credible budget is timeously prepared and finalised:

(a) The alignment of each project / item / member of personnel from the outset as per the diagram of alignment in this report is of critical importance.

(b) That the Capital - and the Personnel budgets must first be finalised as indicated in the time schedule for incorporation of these results in the Operating (main) budget to ensure that a credible budget is tabled in March. It must be noted the budget office deals with the adjustments budget and after the first six months also taking into account the mid-year budget and performance assessment report (Section 72), which has to be prepared simultaneously with the main operating budget that must be completed by the end of January. The adjustments budget will also be tabled in January and the draft annual budget in March.

(c) The budget steering committee must be involved early in the budget process and workshops early in the budget process must be held to ensure that the strategic direction and alignment where required is clear.

(d) The draft completed budgets taking into account the strategic directions that is aligned where prescribed will then serve before the budget Steering committee, prior to the tabling of the budget to the Mayoral committee and council for consideration, for final adoption in March during which the budget steering committee

5. PROPOSED PROCESS AND TIME-SCHEDULE

As per the recommendations (see below).

6. COMMENTS: CHIEF FINANCIAL OFFICER

The recommendations are supported. The report and timelines are submitted a month earlier to council to provide more time for planning purposes pertaining the new budget processes that will be implemented during the next budget cycle.

7. COMMENTS: DIRECTOR IPS

No comments received.

8. COMMENTS: DIRECTOR COMMUNITY AND OPERATIONAL SERVICES

Recommendations are noted and supported.

9. COMMENTS: DIRECTOR CORPORATE AND PUBLIC SAFETY SERVICES

No comments received.

10. COMMENTS: DIRECTOR ECONOMIC DEVELOPMENT AND STRATEGIC SERVICES

No comments received.

11. COMMENTS: MUNICIPAL MANAGER

Comments will be provided during the meeting.

RECOMMENDATION

(i) that the important contents of the report be noted and applied in the budget preparation process;

(ii) that in terms of section 21 of the MFMA, council approves the schedule of key deadlines for:

a) the preparation, tabling and approval of the annual budget;
b) The annual review of the IDP;
c) The budget related polices;
d) The tabling and adoption of any amendments to the IDP and budget related polices;
e) any consultative process forming part of the processes referred to above in (a) to (d);

(iii) that all stakeholders strictly adhere to the key deadlines to ensure that a credible budget is compiled and approved on time.

NO	Activity / Task	Responsibility	Deadline
1.	Schedule of key deadlines for 2024/25 MTREF and IDP approved by council.	Budget Office	27/07/2023
2.	Publish 2024/25 MTREF and IDP schedule of key deadlines on website	IDP Office	28/07/2023
3.	Submit 2024/25 MTREF and IDP schedule of key deadlines to the West Coast District Municipality.	IDP Office	29/07/2023
4.	Internal workshop with directorates on the capturing and completion of the current project technical questions and GPS information on the Munsoft Capital Planning Module.	EMT and Munsoft	24/07/2023 - 28/07/2023
5.	Capturing and review of current project technical questions and GPS information on the Munsoft Capital Planning Module based on workshop comments.	Directorates	28/07/2023 - 25/08/2023
6.	Roll-over (capital and operating) budget to council for approval.	Budget Office	22/08/2023
7.	Public participation / consultation on the 2nd review of the 5th Generation IDP.	IDP Office	August - Sept 2023
8.	Consider and include IDP inputs received during the April 2023 public participation process.	IDP Office	August - Sept 2023
9.	Communication to directorates on capturing/review/planning of the 2024/2025 10-year capital budget on the Munsoft Capital Planning Module.	Budget Office	23/08/2023
10.	Training to directorates on capturing/review/planning of the 2024/2025 10-year capital budget on the Munsoft Capital Planning Module.	EMT and Munsoft	23/08/2023 - 25/08/2023
11.	Distribute current approved tariffs to directors and managers for input on 2024/2025 tariffs.	Budget Office	29/09/2023
12.	Internal workshop with departments on how to complete the mSCOA operating budget schedules.	Budget Office	Sept 2023

NO	Activity / Task	Responsibility	Deadline
13.	Submit directive and operating budget schedules to all directorates for completion.	Budget Office	15/09/2023
14.	Capturing/review/planning of the 2024/2025 10-year capital budget on the Munsoft Capital Planning Module (Season 01)	Directorates	28/08/2023 - 15/09/2023
15.	Sign-off of information submitted on the Munsoft Capital Planning Module (Season 01)	Directors	18/09/2023
16.	**Budget steering committee no: 1 (Consider Budget Principles report)**	**Budget Office**	**05/10/2023**
17.	Ensure PayDay organogram is updated with latest approved organogram that will inform personnel budget in PayDay. (Organogram budgeting)	Senior Manager Human Resources	01/07/2023- 9/10/2023
18.	Start budgeting in PayDay according to approved organogram	Budget Office	10/10/2023
19.	Internal workshop with departments on review of 10-year capital budget planning, project information and cashflow planning submitted on the Munsoft Capital Planning Module (Season 01)	Budget Office, Munsoft	25/09/2023 - 29/09/2023
20.	Capturing/review/planning of the 2024/2025 10-year capital budget on the Munsoft Capital Planning Module (Season 02)	Directorates	25/09/2023 - 11/10/2023
21.	Sign-off of information submitted on the Munsoft Capital Planning Module (Season 02)	Directors	12/10/2023
22.	Finalisation of 10-year capital budget planning inputs on the Munsoft Capital Planning Module	Directorates	13/10/2023
23.	Provide completed operating budget schedules for 2024/25 with motivations to Budget Office.	Directorates	20/10/2023
24.	Preparation of the 1st draft 10-year capital budget and budget scenario on the Munsoft Capital Planning Module	Budget Office, Munsoft	16/10/2023 – 06/11/2023

NO	Activity / Task	Responsibility	Deadline
25.	Submit fully fledged cost of supply study for electricity tariffs and any structural changes to NERSA for consideration. (NERSA require six months to review and consider tariffs).	Senior Manager Electro-technical	30/10/2023
26.	1st Draft capital budgeting finalised based on Capital Prioritisation Model, budget scenario development and balancing on the Munsoft Capital Planning Module.	Budget Office, Munsoft	17/11/2023
27.	Distribute year to date Opex and performance for mid-year review and adjustments budget proposals.	Budget Office	03/11/2023
28.	Budgeting in Payroll finalised according to latest mSCOA chart released by National Treasury.	Budget Office	14/11/2023
29.	**Budget steering committee no: 2 (Draft capital and salary budget)**	**Budget Office**	**30/11/2023**
30.	Provide tariffs proposals for inclusion in 2024/2025 tariffs with motivations to Budget Office.	Directors	15/12/2023
31.	Provide completed schedules for the 2023/24 main adjustment budget to Budget Office.	Directors	04/12/2023
32.	Budget balancing sessions with all directorates. (Tabled and Adjustments budget)	Budget Office	11/12/2023 -15/12/2023
33.	Submit captured proposals on adjustment Capex and Opex after budget balanced to directors.	Budget Office	22/12/2023
34.	Provide Budget Office with EMT decision of funding of new positions to be included in in salary budget.	Chief Financial Officer	28/12/2023
35.	Submit inputs for budget related policies to Finance managers responsible for respective policy.	Directors	15/12/2023
36.	Confirm final Capex and Operational Tabled budgets captured to Budget Office.	Directors	29/01/2024
37.	Mayoral Committee: Consider Main Adjustments budget	Budget Office	29/01/2024

NO	Activity / Task	Responsibility	Deadline
38.	Council Meeting: Consider approval of Main Adjustments budget 2023/2024	Budget Office	30/01/2024
39.	**Budget Steering Committee no 3: (Budget policies and tariffs)**	**Budget Office**	**08/02/2024**
40.	Submit Summary Draft Operating Budget to CFO.	Budget Office	15/02/2024
41.	**Budget Steering Committee no 4: (2024/25 MTREF Operating budget)**	**Budget Office**	**19/03/2024**
42.	Submit Draft Reviewed and Amended 2nd reviewed 5th Generation IDP to council.	IDP Office	29/02/2024
43.	Submit Electricity Tariffs to NERSA.	Senior Manager Electro- technical	29/02/2024
44.	Invite community to provide inputs and comments on draft reviewed IDP.	IDP Office	07/03/2024
45.	Closing of comments on Draft IDP.	IDP Office	29/03/2024
46.	Submit reviewed and amended draft IDP to the West Coast District Municipality and the Provincial department of Local Government.	IDP Office	07/03/2024
47.	Finalisation of the Tabled capital budget and budget scenario on the Munsoft Capital Planning Module – (To include final Grants)	Budget Office Munsoft	02/02/2024 – 18/03/2024
48.	Special Mayoral Committee Meeting: Tabling of the 2024/25 MTREF Tabled budget.	Budget Office	26/03/2024
49.	Special Council Meeting: Tabling of the 2024/25 MTREF Tabled budget.	Budget Office	28/03/2024
50.	Distribute all budget related documents to all council's offices and libraries for public inspection. Budget to NT and PT in prescribed formats for inputs.	Budget Office	02/04/2024
51.	Advertisement of 2024/25 MTREF Tabled budget for inputs and comments in local newspaper, municipal website and other social platforms	Budget Office	04/04/2024

NO	Activity / Task	Responsibility	Deadline
52.	Public comment period: Announcement and discussion of 2024/25 MTREF Tabled budget for representations to be submitted for consideration.	Community/ Councillors/ Executive Management	08/04/2024 25/04/2024
53.	Closing of written representations on the 2024/25 Tabled MTREF budget at 16:30.	Community	26/04/2024
54.	2nd review 5th Generation 2023-2027 IDP approved by council.	IDP Office	25/04/2024
55.	Give notice of adoption of IDP and publish a summary of IDP.	IDP Office	25/04/2024
56.	Special Council workshop: Consider written representations on the Tabled budget and policies.	Budget Office	07/05/2024
57.	Special Mayoral Committee Meeting: Final consideration and adoption of 2023/24 MTREF budget.	Budget Office	28/05/2024
58.	Special Council meeting: Final consideration and adoption of 2024/25 MTREF budget.	Budget Office	30/05/2024
59.	Submit budget data strings of approved budget to National Treasury.	Budget Office	31/05/2024
60.	Submit budget locking certificate to National Treasury.	Budget Office	28/06/2024

SECTION 21 MFMA: SCHEDULE OF KEY DEADLINES: COMPILATION OF 2024/25 MTREF IDP/BUDGET PROCESS

MR S ROETS
SENIOR MANAGER: FINANCIAL MANAGEMENT

11 July 2023
DATE

MR S VORSTER
CHIEF FINANCIAL OFFICER

11 July 2023
DATE

COUNCILLOR J KOTZE
PORTFOLIO COUNCILLOR: FINANCE

12 July 2023
DATE