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TREASURY CIRCULAR MUN. NO. 3/2025

TABLING OF NEW NATIONAL ANNUAL BUDGET - IMPLICATIONS FOR MUNICIPAL BUDGETS

THE MAYOR, CITY OF CAPE TOWN
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY
THE MAYOR, MATZIKAMA MUNICIPALITY
THE MAYOR, CEDERBERG MUNICIPALITY
THE MAYOR, BERGRIVIER MUNICIPALITY
THE MAYOR, SALDANHA BAY MUNICIPALITY
THE MAYOR, SWARTLAND MUNICIPALITY
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY
THE MAYOR, WITZENBERG MUNICIPALITY
THE MAYOR, DRAKENSTEIN MUNICIPALITY
THE MAYOR, STELLENBOSCH MUNICIPALITY
THE MAYOR, BREEDE VALLEY MUNICIPALITY
THE MAYOR, LANGEBERG MUNICIPALITY
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY
THE MAYOR, OVERSTRAND MUNICIPALITY
THE MAYOR, CAPE AGULHAS MUNICIPALITY
THE MAYOR, SWELLENDAAM MUNICIPALITY
THE MAYOR, GARDEN ROUTE DISTRICT MUNICIPALITY
THE MAYOR, KANNALAND MUNICIPALITY
THE MAYOR, HESSEQUA MUNICIPALITY
THE MAYOR, MOSSEL BAY MUNICIPALITY
THE MAYOR, GEORGE MUNICIPALITY
THE MAYOR, OUDTSHOORN MUNICIPALITY
THE MAYOR, BITOU MUNICIPALITY
THE MAYOR, KNYSNA MUNICIPALITY
THE MAYOR, CENTRAL KAROO DISTRICT
THE MAYOR, LAINGSBURG MUNICIPALITY
THE MAYOR, PRINCE ALBERT MUNICIPALITY
THE MAYOR, BEAUFORT WEST MUNICIPALITY

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THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATTHYSE
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV. H LINDE
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR H METTLER
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
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 THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR S THYS
 THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR R DU PLESSIS
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1. PURPOSE

This Circular serves to provide municipalities with guidance on the necessary adjustments to their budgets in response to recent developments arising from the national budget. It outlines considerations and updated information that must be incorporated to ensure alignment with legislative requirements and fiscal realities, particularly in the context of the 2025 Budget. Municipalities are expected to carefully consider and apply the guidance contained herein to ensure sound financial planning and compliance with the Municipal Finance Management Act (MFMA).

2. BACKGROUND

On 24 April 2025, the planned Value-Added Tax (VAT) increase, along with the Division of Revenue Bill (DoRB) and the Appropriation Bill, were formally withdrawn. This followed a ruling by the High Court of South Africa on 27 April 2025, which set aside the fiscal framework previously adopted by Parliament on 2 April 2025. In response, the National Minister of Finance proposed, in a letter dated 29 April 2025, that the national annual budget be tabled on 21 May 2025.

3. LEGISLATIVE CONTEXT

The legislative framework governing the equitable allocation and management of public funds is rooted in the Constitution of the Republic of South Africa and further operationalised through various financial management statutes. Section 214(1) of the Constitution mandates that an Act of Parliament must provide for the equitable division of nationally raised revenue among the national, provincial, and local spheres of government. This constitutional requirement is given legal effect through the Division of Revenue Bill (DoRB), which sets out the allocations to each sphere and to individual provinces.

In accordance with Section 27(2) of the Public Finance Management Act (PFMA), provincial budgets are required to be tabled no later than two weeks following the tabling of the national budget, unless an extension is granted by the Minister of Finance. As the national budget originally tabled on 12 March 2025 was subsequently withdrawn, and a revised national budget has been tabled on 21 May 2025, all provincial budgets previously tabled in March must now be formally withdrawn. New provincial budgets will need to be tabled after the revised national budget to ensure they reflect the updated revenue allocations as per the DoRB, and to maintain compliance with the constitutional and legislative requirements.

At the municipal level, Section 24(1) of the Municipal Finance Management Act (MFMA) requires that municipal councils consider approval of their annual budgets at least 30 days prior to the start of the new financial year. In terms of Section 17(1)(a) of the MFMA, these budgets must include a statement of realistically anticipated revenue from each revenue source for the budget year. Furthermore, Section 18(1) stipulates that an annual budget must be funded from realistically anticipated revenues to be collected, ensuring prudent financial planning and sustainable budgeting.

Given this legislative context, this circular provides guidance and certainty on the process required to finalise and adopt the 2025/26 municipal budgets, while ensuring that all municipalities comply with the applicable legal provisions governing the budget process. This is essential not only for maintaining continuity in service delivery and effective financial management within the local government sphere, but also for upholding the legal prescripts that underpin the public finance framework.

4. IMPLICATIONS FOR MUNICIPAL REVENUE DERIVED FROM NATIONAL AND PROVINCIAL ALLOCATIONS

The credibility and legal compliance of municipal budgets depend on the inclusion of accurate and realistic revenue projections, with specific reference to Regulation No. 10(2) of the Municipal Budget and Reporting Regulations, which sets out four acceptable sources of information for budgeting for intergovernmental transfers. These include the following: 1. Gazette based on an enacted budget; 2. Allocations in a tabled budget; 3. An allocation letter; 4. Finally, the outer year allocations from a previous approved budget.

As part of the 2025/26 budget finalisation process, municipalities are reminded of their obligation to ensure that all revenue sources are fully and realistically accounted for as described above. This includes funding derived from both national and provincial government allocations. The following guidance outlines the key considerations relating to these revenue sources to support accurate and compliant municipal budgeting.

As it pertains to revenue derived directly from the national budget and from the Province, the following must be noted for the 2025/26 municipal budget process:

- The **national budget has been tabled on 21 May 2025**. Municipalities must as such ensure that budget figures reflect the most recent and accurate information.
- Specifically, **revenue allocations from the national government** must align with the figures stipulated in the **new Division of Revenue Bill (DoRB)**, which has been made available on the date of tabling (21 May 2025).
- These allocations must be included in municipal budgets to ensure compliance with **Section 18(1) of the MFMA**, which requires that a budget may only be funded from realistically anticipated revenues.
- The **Western Cape Government's provincial allocations (as contained in Provincial Gazette Extraordinary 9046 dated 26 March 2025) to municipalities will remain unchanged** from prior indicative allocations.
- These provincial allocations will be **formally communicated** to municipalities via **official allocation letters**, which are scheduled to be issued on **26 May 2025**.

The approach outlined above is therefore in adherence to Regulation No.10(2) and thus municipalities must ensure that both national and provincial allocations are accurately incorporated into their final budget documentation in accordance with MFMA provisions.

In meeting these requirements, municipalities are enabled to have complete budgets ready to be respective Budgets "considered for adoption" by Council by end May in line with section 24(1) of the MFMA.

Municipalities are reminded that upon failure to adopt an annual budget by the start of the applicable financial year in terms of section 16(1) of the MFMA, the provincial executive must intervene in terms of section 139(4) of the Constitution by taking any appropriate steps to ensure that the budget (or the revenue-raising measures) are approved.

5. BUDGET PROCESS AND CRITICAL DATES

The critical dates for the finalisation of the 2025/26 MTREF Budgets are provided in the table below:

21 May 2025	Tabling of the National Budget
26 May 2025	Allocation letters issued to provincial departments and municipalities by Provincial Treasury
31 May 2025	Municipal Councils must consider for approval the annual budget of its municipality
3 June 2025	Tabling of the 2025 Western Cape Provincial Budget
30 June 2025	Final deadline for adoption of Municipal Budgets

These dates are indicative and may be subject to change.

6. CONCLUSION

Municipalities are advised to consider and take into account the contents of this budget circular for the finalisation of the 2025/26 budgeting process. We extend our best wishes for the successful adoption of your 2025/26 Medium-Term Revenue and Expenditure Framework (MTREF) budgets.

Please direct any queries regarding this circular to Ashley Rasool at Ashley.Rasool@westerncape.gov.za.

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