



CRITERIA AND PROCEDURE FOR THE AFFECTED MUNICIPALITIES TO SECURE THE RELEASE OF WITHHELD JULY 2026 LGES IN TERMS OF SECTION 216(2) OF THE CONSTITUTION

UIFWE Reduction Pillar:

No:	Criterion Element:	Requirement:
1.	Minimum Performance Target	<ul style="list-style-type: none"> Achieve a minimum 25% reduction in the total UIFWE balance (and as per each UIFWE item) as at 30 June 2026, based on the unaudited draft 2025/2026 financial statements to the AGSA (30% reduction per type of UIFWE item and not just of one UIFWE item).
2.	Measurement Period	<ul style="list-style-type: none"> First quarter of the 2026/27 municipal financial year (July 2026 to September 2026).
3.	Measurement Date	<ul style="list-style-type: none"> UIFWE reduction must be measured as at 30 September 2026, or soon after 31 July 2026, after the municipality has recognised all UIFWE incurred for the 2025/2026 municipal financial year, against the verified baseline as at 30 June 2026.
4.	Evidence Requirement	<ul style="list-style-type: none"> Consolidated UIFWE register, including the movements from 30 June 2026 to 30 September 2026. MPAC recommendations and Council UIFWE resolutions, recovery proof, investigation outcomes, and write-off support documents, including UIFWE reports to MPAC and Council.
5.	Valid UIFWE Reductions	<ul style="list-style-type: none"> Legally compliant and rational Council-approved authorisation (for unauthorised expenditure only), certification as irrecoverable, recoverable or write-off of UIFWE where allowed by section 32 of the MFMA, including specific consideration of deliberate or negligent actions as contemplated in section 32 of the MFMA. Council resolutions based on legally compliant UIFWE reports, and MPAC investigations, as per section 32 of the MFMA.

No:	Criterion Element:	Requirement:
6.	Minimum Release Test	<ul style="list-style-type: none"> The municipality must meet the 25% reduction target for the 30 June 2026 UIFWE balance by 30 September 2026, or earlier, based on the unaudited 2025/2026 annual financial statements UIFWE balances information submitted to the AGSA.

Consequence Management Pillar:

No:	Criterion Element:	Requirement:
1.	Assessment Approach	<ul style="list-style-type: none"> On a case-by-case basis, considering previously reported actions and subsequent progress covering the period from 1 January 2026 to September 2026.
2.	Criteria 1: Disciplinary Board appointed and effective	<ul style="list-style-type: none"> The municipality must demonstrate that the disciplinary board was lawfully appointed, or that a lawful shared disciplinary board is being used. The municipality must demonstrate that all qualifying financial misconduct matters were referred to the disciplinary board and recorded in the disciplinary board process register. The municipality must demonstrate that the disciplinary board is active and functional.
3.	Criteria 2: Matters referred for investigation, disciplinary action, civil recovery, or criminal proceedings	<ul style="list-style-type: none"> The municipality must demonstrate progress on financial misconduct matters referred to the disciplinary board by providing copies of the preliminary and final investigation report outcomes issued by the disciplinary board. The municipality must demonstrate that internal disciplinary processes were initiated by providing documentary proof of the disciplinary processes and their status, as reflected in a disciplinary process register. The municipality must demonstrate that civil recovery steps were taken, where applicable, by providing documentary proof of those steps. The municipality must demonstrate that criminal proceedings were initiated, where applicable, by providing the criminal case numbers.

No:	Criterion Element:	Requirement:
		<ul style="list-style-type: none"> The municipality must demonstrate that each UIFWE entry in the 30 June 2026 UIFWE register was considered for referral to the disciplinary board for investigation. Where a UIFWE entry was not referred to the disciplinary board, the municipality must demonstrate that there were proper and rational written reasons for the non-referral. The municipality must provide proof that all non-UIFWE-related financial misconduct matters were referred for disciplinary board investigation, disciplinary action, civil recovery, or criminal proceedings, where appropriate.
4.	Criteria 3: Disciplinary Board recommendations made to Council	<ul style="list-style-type: none"> The municipality must demonstrate that disciplinary board recommendations were made to Council by providing copies of the recommendations. The municipality must demonstrate that Council considered each disciplinary board recommendation by providing copies of each Council decision on each recommendation made. Where Council rejected or varied a disciplinary board recommendation, the municipality must demonstrate the basis for that decision by providing copies of the relevant Council resolutions and reasons.

Bulk Suppliers (Water Boards and Eskom) and third parties (SARS, Auditor-General SA and the Pension Funds) Pillar:

No:	Criterion Element:	Requirement:
1.	Signed payment agreement (signed by both parties)	<ul style="list-style-type: none"> The affected municipalities are required to submit to the National Treasury a signed payment agreement entered into with their creditors (bulk suppliers and/or third parties). Once signed agreement is received, the National Treasury will release an amount equivalent to the invoice, guided by the payment agreement and adjusted for any shortfalls from previous months, where applicable. The National Treasury will release the remaining balances to the municipalities upon receiving evidence that the previously released funds were used as intended.

Unfunded budgets:

No:	Criterion Element:	Requirement:
1.	Adoption of Unfunded 2025/26 adjustments budgets	<ul style="list-style-type: none">• According to circular 129 (par4.1), no municipality that adopted a funded budget in July 2025/26, will be allowed to table and adopt an unfunded budget going forward. The Mayors of municipalities that allowed the tabling and adoption of an unfunded adjustments budget for 2025/26, must respond in writing to the Minister of Finance, committing that, with effect from 2026/27, they will never again allow their municipalities to table and adopt an unfunded budget in future.