

SCHEDULE A

ANNUAL BUDGETS AND SUPPORTING DOCUMENTATION OF MUNICIPALITIES

Format and content of annual budget and supporting documentation

1. An annual budget and supporting documentation of a municipality must have all the headings in the sequence shown in the table of contents below, contain the information described in this Schedule and be appropriately page numbered, taking into account any guidelines issued by the Minister in terms of section 168 of the Act.³⁴

Table of contents

2. An annual budget and supporting documentation must commence with a table of contents and show the headings in the sequence set out below:

- *PART 1 – ANNUAL BUDGET*
 - Mayor's report
 - Resolutions
 - Executive summary
 - Annual budget tables
- *PART 2 – SUPPORTING DOCUMENTATION*
 - Overview of annual budget process
 - Overview of alignment of annual budget with Integrated Development Plan
 - Measurable performance objectives and indicators
 - Overview of budget-related policies
 - Overview of budget assumptions
 - Overview of budget funding
 - Expenditure on allocations and grant programmes
 - Allocations and grants made by the municipality
 - Councillor and board member allowances and employee benefits
 - Monthly targets for revenue, expenditure and cash flow

- Annual budgets and service delivery and budget implementation plans – internal departments
- Annual budgets and service delivery agreements – municipal entities and other external mechanisms
- Contracts having future budgetary implications
- Capital expenditure details
- Legislation compliance status
- Other supporting documents
- Annual budgets of municipal entities attached to the municipalities annual budget
- Municipal manager's quality certification

PART 1 – ANNUAL BUDGET

Mayor's report

3. The mayor's report accompanying an annual budget must provide –
- (a) a summary of the medium-term service delivery objectives and the associated medium-term financial implications contained in the annual budget;
 - (b) a summary of linkages between the annual budget, the Integrated Development Plan and the political priorities at the national, provincial, district and local levels;
 - (c) a summary of infrastructure development objectives;
 - (d) a summary of material amendments made to the annual budget after the consultation processes; and
 - (e) any other information considered relevant by the mayor.

Resolutions

4. Resolutions dealing with at least the following matters must be prepared and presented as part of the annual budget documentation:

³⁴ See *MFMA Budget Formats Guide* published on the National Treasury's website.

- (a) approval of the annual budget of the municipality, and specifically appropriating the amounts for the different votes, and for single-year and multi-year capital expenditures;
- (b) noting the consolidated annual budget in instances where a municipality has municipal entities;
- (c) approval of all rates, taxes and tariffs for services provided by the municipality;
- (d) approval of measurable performance objectives for the annual budget for each year of the medium term revenue and expenditure framework;
- (e) approval of the transfer of funds to a separate bank account for purposes contemplated in section 12 of the Act; and
- (f) approval of all budget-related policies or amendments to such policies³⁵.

Executive summary

5. The executive summary must cover at least the following:
- (a) if a municipality has municipal entities or uses external mechanisms for service delivery, a summary of the total service delivery package and associated financial implications as reflected in the consolidated annual budget;
 - (b) the effect, including the financial and service delivery implications, of the annual budget, making reference to the annual budget tables, charts and explanations, and include a summary of service delivery, financial, rate and tariff implications for at least the budget year and the following two years;
 - (c) past performance and in particular the impact on the budget of the previous year's audited results and annual report, and include a summary of service delivery, financial, rate and tariff outcomes for at least the previous year and the expected for the current year;
 - (d) the consolidated financial position and summary medium term revenue and expenditure strategy;
 - (e) the municipality's priorities and linkages to the Integrated Development Plan;
 - (f) key amendments to the Integrated Development Plan;

³⁵ See footnote under regulation 7.

- (g) alignment with and achievement of national, provincial and district priorities;
- (h) key amendments to budget-related policies;
- (i) key demographic, economic and other assumptions; and
- (j) progress with the provision of basic services and financial implications for the medium term revenue and expenditure framework and long term sustainability.

Annual budget tables

6. If a municipality does not have any municipal entities, the annual budget tables must consist of a statement regarding changes in the basis of measurement and accounting policies from past financial years and the tables in the First Attachment to this Schedule, namely –

- (a) Table A1 Budget Summary
- (b) Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)
- (c) Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)
- (d) Table A4 Budgeted Financial Performance (revenue and expenditure)
- (e) Table A5 Budgeted Capital Expenditure by vote, standard classification and funding
- (f) Table A6 Budgeted Financial Position
- (g) Table A7 Budgeted Cash Flows
- (h) Table A8 Cash backed reserves/accumulated surplus reconciliation
- (i) Table A9 Asset Management
- (j) Table A10 Basic service delivery measurement

7. If a municipality does have one or more municipal entities, the annual budget tables must consist of a statement regarding changes in the basis of measurement and accounting policies from past financial years and –

- (a) the tables mentioned in item 6; and
 - (b) the tables in the Second Attachment to this Schedule, namely –
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- (i) Table A1 Consolidated Budget Summary
- (ii) Table A2 Consolidated Budgeted Financial Performance (revenue and expenditure by standard classification)
- (iii) Table A3 Consolidated Budgeted Financial Performance (revenue and expenditure by municipal vote)
- (iv) Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)
- (v) Table A5 Consolidated Budgeted Capital Expenditure by vote, standard classification and funding
- (vi) Table A6 Consolidated Budgeted Financial Position
- (vii) Table A7 Consolidated Budgeted Cash Flows
- (viii) Table A8 Consolidated Cash backed reserves/accumulated surplus reconciliation
- (ix) Table A9 Consolidated Asset Management
- (x) Table A10 Consolidated basic service delivery measurement

8. Supporting information, charts and explanations of trends and anomalies must be presented for each table where such presentation will assist with understanding the information contained in the tables.

9. If a municipality has municipal entities, the annual budget and supporting documentation must provide the required consolidated information and detail relating to individual municipal entities, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.³⁶

PART 2 – SUPPORTING DOCUMENTATION

Overview of annual budget process

10. The overview of the annual budget process must at least –

³⁶ See *MFMA Budget Formats Guide* published on the National Treasury's website.

- (a) provide an overview of the process that was used to prepare the annual budget, the service delivery and budget implementation plan and the review of the Integrated Development Plan;
- (b) address the planning processes, highlighting the specific municipal policies taken into account in developing the annual budget;
- (c) detail the consultation process with the community and key stakeholders, and present a summarised list of community hearings and key stakeholders consulted; and
- (d) include the schedule of key deadlines as originally approved by the mayor in terms of section 21(1)(b) of the Act and provide an explanation for any deviation from the key deadlines approved.

Overview of alignment of annual budget with Integrated Development Plan

11. The overview of the alignment of the annual budget with the Integrated Development Plan of the municipality must at least –

- (a) provide details of any proposed amendments to the Integrated Development Plan including the service delivery and financial impact of such changes for the budget year and at least the two following years; and
- (b) provide a breakdown of all the revenue, operating expenditure and capital expenditure aligned to the goals and action plans of the Integrated Development Plan.

Measurable performance objectives and indicators

12. Measurable performance objectives and indicators must include at least –

- (a) key financial indicators and ratios dealing with –
 - (i) borrowing management;
 - (ii) safety of capital;
 - (iii) liquidity;
 - (iv) debtors' and creditors' management;
 - (v) the mix of expenditure type;
 - (vi) the mix of revenue source; and
 - (vii) unaccounted for losses in respect of services rendered; and
- (b) measurable performance objectives for –

- (i) revenue for each vote;
- (ii) revenue for each source; and
- (iii) for operating and capital expenditure for each vote.

13. When developing these measurable performance objectives, regard must be had for –

- (a) the municipality's Integrated Development Plan;
- (b) the service delivery and budget implementation plan;
- (c) economic development initiatives that facilitate job creation, economic growth, poverty alleviation; and
- (d) the provision of basic services.

14. The measurable performance objectives for the provision of free basic services in respect of property rates, water, sanitation, waste management and electricity must give details of –

- (a) the amount in rand value of each of the free basic services;
- (b) the level of service to be provided free;
- (c) the number of households to receive each of the free basic services;
- (d) the total budgeted cost of providing each free basic service; and
- (e) the total budgeted revenue foregone by providing each free basic service.

Overview of budget-related policies

15. The overview of budget-related policies³⁷ must include at least –

- (a) a list of the budget-related policies of the municipality including a reference of where the public can locate them; and
- (b) the proposed amendments to the budget-related policies taken into account in preparing the annual budget explaining the service delivery and financial implications for the budget year and at least the two following years.

Overview of budget assumptions

16. The overview of budget assumptions must –

³⁷ See footnote under regulation 7.

- (a) provide a summary explanation of the budget assumptions taken into account in preparing the annual budget, including those relating to demographic, economic, and service delivery trends where applicable;
- (b) highlight any significant changes in assumptions since the last approved annual budget or adjustments budget; and
- (c) include at least the following –
 - (i) the targets for the key financial indicators and ratios;
 - (ii) the basis and methodology for forecasting budget projections, including any present value assumptions, interest rates forecasts, bulk price movements and other related factors; and
 - (iii) alignment to generally recognised accounting practice.

Overview of budget funding

17. The overview of budget funding must explain how the annual budget is to be funded, which must include at least –

- (a) a narrative summary of –
 - (i) the funding of operating and capital expenditure;
 - (ii) financial plans;
 - (iii) reserves;
 - (iv) fiscal sustainability of the municipality; and
 - (v) the overall impact on rates and tariffs;
- (b) particulars of funding measures used to determine whether operating and capital expenditure are funded in accordance with section 18 of the Act;
- (c) particulars of property valuation, rates, tariffs and other charges;
- (d) the debtors' collection levels that have been estimated;
- (e) particulars of planned savings and efficiencies shown over the medium term revenue and expenditure framework;
- (f) particulars of the municipality's monetary investments by –
 - (i) type; and
 - (ii) maturity date;
- (g) particulars of contributions and donations in cash or in-kind planned to be received, specifically listing donor assistance secured by formal agreement or contract;

- (h) particulars of planned proceeds from the sale of assets;
- (i) particulars of planned proceeds from the lease of assets, where the period of the lease is three years or more;
- (j) particulars of the planned use of previous years' cash backed accumulated surplus including –
 - (i) any shortfall between liabilities or provisions and cash reserves set aside for this purpose;
 - (ii) details of council decisions to set aside funds including time schedules for progressively meeting funding of provisions;
 - (iii) details of allowances made for working capital - defined as holding sufficient funds to meet any financial obligations as they fall due; and
 - (iv) details of non-statutory reserves;
- (k) particulars of proposed future revenue sources;
- (l) particulars of planned use of any bank overdrafts and reasons therefore;
- (m) particulars of all existing and any new borrowing proposed to be raised; and
- (n) particulars of budgeted allocations and grants to the municipality, distinguishing between operating and capital, from the national government, provincial government, other municipalities, and other donors.

Expenditure on allocations and grant programmes

18. The disclosure on expenditure on allocations and grant programmes must provide particulars of planned expenditure against each allocation and grant in the same format as the information on allocations and grant receipts and a reconciliation of allocations, receipts and unspent funds.

Allocations or grants made by the municipality

19. The disclosure on allocations or grants made by the municipality must provide particulars of any allocations and grants by the municipality to –

- (a) other municipalities;
- (b) any municipal entities and other external mechanisms assisting the municipality in the exercise of its functions or powers;
- (c) any other organs of state; and

- (d) any organisations or bodies outside any sphere of government as referred to in section 67(1) of the Act.

Councillors and board member allowances and employee benefits

20. The disclosure on councillors and board member allowances and employee benefits must present the following information –

- (a) a summary of councillor allowances;
- (b) a summary of employee benefits for the municipal manager and senior managers;
- (c) a summary of employee benefits for other municipal employees;
- (d) a summary of allowances for board members of municipal entities;
- (e) a summary of employee benefits for chief executive officers and senior managers of municipal entities;
- (f) a summary of employee benefits for other employees of municipal entities;
- (g) detail of the cost to the municipality for the budget year of the salary/wage, pension and medical aid contributions, other benefits and allowances of –
 - (i) each political office-bearer of the municipality detailed separately;
 - (ii) councillors of the municipality collectively;
 - (iii) the municipal manager and each senior manager as defined by section 57 of the Municipal Systems Act, detailed separately; and
 - (iv) all other staff collectively;
- (h) the cost for the budget year to each municipal entity of the salary/wage, pension contributions, medical aid and other benefits and allowances of –
 - (i) each member of the entity's board of directors detailed separately;
 - (ii) the chief executive officer and each senior manager of the entity detailed separately; and
 - (iii) all other staff collectively;
- (i) the number of councillors;
- (j) the number of personnel employed by the municipality, distinguishing between senior managers appointed in terms of section 57 of the Municipal Systems Act, including the municipal manager, other managers, technical and professional staff and other staff members. The number of personnel must be expressed as both full time equivalent and head count; and

- (k) the number of personnel employed by each municipal entity, distinguishing between the board members, senior managers including the chief executive officer, other managers, technical as well as professional staff and other staff members. The number of personnel must be expressed as both full time equivalent and head count.

Monthly targets for revenue, expenditure and cash flow

21. The disclosure on monthly targets for revenue, expenditure and cash flow must include –

- (a) a consolidated projection of revenue by source and expenditure by type for the budget year broken down per month for the budget year, and shown in total for the following two years;
- (b) a consolidated projection of revenue and expenditure by municipal vote broken down per month for the budget year, and shown in total for the following two years;
- (c) where the municipal vote is different to the standard classification, a consolidated projection of revenue and expenditure by standard classification broken down per month for the budget year, and shown in total for the following two years;
- (d) a consolidated projection of capital expenditure by vote broken down per month for the budget year, and shown in total for the following two years;
- (e) where the municipal vote is different to the standard classification, a consolidated projection of capital expenditure by standard classification broken down per month for the budget year, and shown in total for the following two years; and
- (f) a consolidated projection of cash flow for the budget year setting out receipts by source and payments by type, both operating and capital, broken down per month for the budget year, and shown in total for the following two years.

Annual budgets and service delivery and budget implementation plans – internal departments

22. The disclosure on annual budgets and service delivery and budget implementation plans for internal departments must provide an executive summary of the SDBIP for each internal department of the municipality.

23. Where internal departments cover more than one vote, detail must be provided for each vote.

24. Each departmental executive summary must include at least –

- (a) a reference as to where the public can locate the detailed departmental SDBIP;
- (b) a brief description of the services provided which may include the level and standard of service provided to each customer group;
- (c) a description of senior management capability and structure;
- (d) an explanation of how the department's performance objectives and indicators relate to the Integrated Development Plan;
- (e) a description of the changes to service levels and standards over the period covered in the medium term revenue and expenditure framework;
- (f) commentary on the past year's performance and the impact on future performance objectives;
- (g) a summary of revenue by source and operating and capital expenditure by type;
- (h) a summary of any risks to achieving revenue projections, any expected major shifts in revenue patterns and any planned alternative sources of revenue;
- (i) a description of the major features of expenditure including highlighting discretionary and non-discretionary expenditure; and
- (j) a brief narrative on the departmental capital programme in the context of the overall capital programme of the municipality.

Annual budgets and service delivery agreements – entities and other external mechanisms

25. The disclosure on annual budgets and service delivery agreements for entities and other external mechanisms must include at least –

- (a) a list of entities and other external mechanisms showing the following –
 - (i) name of organisation;
 - (ii) period of agreement;
 - (iii) service provided;
 - (iv) expiry date of service delivery agreement or contract; and
 - (v) monetary value of any agreement with an external mechanism;
- (b) the aggregated annual budget of all entities showing –
 - (i) revenue by source and expenditure by type;
 - (ii) capital expenditure and sources of funds;
 - (iii) financial position; and
 - (iv) cash flows; and
- (c) an executive summary of the annual budget and multi-year business plan of each existing and proposed municipal entity, or external mechanism providing a substantial amount of a municipal service, including –
 - (i) ownership and control details and whether there are plans to disestablish the entity;
 - (ii) the oversight processes instituted by the municipality;
 - (iii) the mandate of the municipal entity or other external mechanism, including any proposed amendments to the mandate;
 - (iv) the funding of the municipal entity or other external mechanism over the period covered in the medium term revenue and expenditure framework;
 - (v) a summary of the service delivery agreement between the municipality and the entity or other external mechanism highlighting any material amendments and including a description of the services provided including the level and standard of service provided to each customer group and a description of the changes to service levels and standards over the period covered in the medium term revenue and expenditure framework;

- (vi) an explanation of how the entity's or external mechanism's mandate links to the Integrated Development Plan;
- (vii) commentary on past performance and the impact on future performance objectives;
- (viii) a summary of revenue by source and operating and capital expenditure by type;
- (ix) a summary of any risks to revenue projections, expected major shifts in revenue patterns and potential alternative sources of revenue;
- (x) a description of the major features of expenditure including highlighting discretionary and non-discretionary expenditure; and
- (xi) a brief narrative on the overall capital programme for the entity.

Contracts having future budgetary implications

26. The disclosure on contracts having future budgetary implications must include a table of all contracts which will impose financial obligations on the municipality beyond the three years covered in the annual budget which includes –

- (a) the names of all contracting parties,
- (b) information on expenditure on each contract for the last three years, if any,
- (c) the total expenditure on each contract to date;
- (d) the planned expenditure on each contract for the budget year, and the follow two years; and
- (e) an estimate of the total future budgetary implications of each contract .

Capital expenditure details

27. The disclosure on capital expenditure details must include –

- (a) a summary of budgeted capital expenditure by class and sub-class;
- (b) a summary of the financial implications of the capital expenditure budget, including –
 - (i) the total capital cost;
 - (ii) the costs that will be incurred until the item of property, plant and equipment, investment property or intangible asset is operational; and
 - (iii) the future financial implications of the capital expenditure on revenue by source and expenditure by vote over the estimated useful life of the item

of property, plant and equipment, investment property or intangible asset;

- (c) a list of capital programmes and projects grouped by municipality and each municipal entity aligned to the goals of the Integrated Development Plan of the municipality; and
- (d) a list of capital programmes or projects delayed from previous financial years grouped by parent municipality and each municipal entity.

Legislation compliance status

28. The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

Other supporting documents

29. A municipality must add to its budget documentation any other supporting documents not covered in this Schedule if such documents are necessary to fully explain the impact of the annual budget on service delivery and the state of financial affairs of the municipality including its municipal entities.

Annual budgets of municipal entities attached to the annual budget

30. Give a list of the municipal entity annual budgets attached to the annual budget.

Municipal manager's quality certification

31. An annual budget and supporting documentation must be covered by a quality certificate in the format described below.

Quality certificate

I, municipal manager of (name of municipality), hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal manager of (name and demarcation code of municipality)

Signature _____

Date _____