

SCHEDULE D

ANNUAL BUDGETS AND SUPPORTING DOCUMENTS OF MUNICIPAL ENTITIES

Format and content of annual budgets

1. An annual budget and supporting documentation of a municipal entity 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(1) of the Act.⁴¹

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*
 - Chairperson's report
 - Resolutions
 - Executive summary
 - Annual budget tables
- *PART 2 – SUPPORTING DOCUMENTATION*
 - Overview of annual budget process
 - Overview of alignment of annual budget with service delivery agreement
 - Measurable performance objectives and indicators
 - Overview of budget-related policies
 - Overview of budget assumptions
 - Overview of budget funding
 - Expenditure on allocations and grant programmes
 - Board member allowances and employee benefits

⁴¹ See *MFMA Budget Formats Guide* published on the National Treasury's website.

- Monthly targets for revenue, expenditure and cash flow
- Contracts having future budgetary implications
- Capital expenditure details
- Legislation compliance status
- Other supporting documents
- Chief executive officer's quality certification

PART 1 – ANNUAL BUDGET

Chairperson's report

3. The chairperson'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 of the annual budget;
 - (b) a summary of the medium term infrastructure development objectives of the parent municipality applicable to the municipal entity;
 - (c) a summary of alignment of the municipal entity's annual budget and multi-year business plan with the parent municipality's annual budget and Integrated Development Plan;
 - (d) a summary of the main service delivery agreement with the municipality and any other agreements with the parent municipality or other municipal entities;
 - (e) a summary of any limits determined by the parent municipality applicable to the entity including limits on tariffs, revenue, expenditure and borrowing;
 - (f) a summary of material amendments made to the annual budget after the consultation processes with the parent municipality; and
 - (g) any other information considered relevant by the chairperson.

Resolutions

4. Resolutions dealing with at least the following matters must be prepared and presented as part of the municipal entity's annual budget documentation –
- (a) approval of the annual budget of the municipal entity;
 - (b) approval of tariffs for services provided by the municipal entity;
 - (c) approval of any amendments to the municipal entity's multi-year business plan;

- (d) approval of measurable performance objectives for the annual budget for each year of the medium term revenue and expenditure framework; and
- (e) approval of all budget-related policies or amendments to such policies.

Executive summary

5. The executive summary must cover at least the following –
- (a) the effect of the annual budget making reference to the annual budget tables, charts and explanations, and include a summary of service delivery, financial and tariff implications for at least the next three years;
 - (b) past performance and in particular the impact of the previous year's audited results and annual report;
 - (c) the financial position and medium term financial strategy;
 - (d) alignment to the service delivery agreement with the parent municipality and the parent municipality's Integrated Development Plan including alignment with and achievement of the parent municipality's goals in relation to national and provincial priorities;
 - (e) key amendments to the service delivery agreement with the parent municipality;
 - (f) key demographic, economic and other assumptions;
 - (g) key amendments to the municipal entity's budget-related policies; and
 - (h) progress with the provision of basic services provided by the entity and related financial implications.

Annual budget tables

6. 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 Attachment to this Schedule, namely –
- (a) Table D1 Budget Summary
 - (b) Table D2 Budgeted Financial Performance (revenue and expenditure)
 - (c) Table D3 Capital Expenditure Budget by programme and funding
 - (d) Table D4 Budgeted Financial Position
 - (e) Table D5 Budgeted Cash Flows

7. 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.

8. If a municipal entity's business operations are sufficiently complex, the parent municipality may stipulate additional requirements for the annual budget tables to ensure that adequate information is provided.

9. If a municipal entity's business operations extend across multiple municipal votes, the parent municipality must stipulate the provision of additional information needed to complete the necessary consolidations.

PART 2 – SUPPORTING DOCUMENTATION

Overview of annual budget process

10. The overview of the annual budget process must at least –
- (a) provide an overview of the process that was used to prepare the municipal entity's annual budget and multi-year business plan;
 - (b) address the planning processes, highlighting the parent municipality's budget preparation requirements and 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, highlighting the activities impacting on the entity and any special requirements imposed by the parent municipality.

Overview of alignment of annual budget with service delivery agreement

11. The overview of alignment of the annual budget with the service delivery agreement must at least –
- (a) provide details of the ownership and control of the municipal entity;
 - (b) provide a summary of the oversight processes instituted by the municipality;

- (c) give details of the mandate of the municipal entity, including any proposed amendments to the mandate;
- (d) provide particulars of the service delivery agreement between the parent municipality and the entity;
- (e) summarise any proposed material amendments to the existing service delivery agreement;
- (f) detail how the entity's annual budget and multi-year business plan are aligned to –
 - (i) the parent municipality's Integrated Development Plan; and
 - (ii) the service delivery agreement between the parent municipality and the entity; and
- (g) provide details of the funding of the municipal entity by the parent municipality.

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 source; and
 - (ii) for operating and capital expenditure.

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

- (a) the entity's multi-year business plan;
- (b) the service delivery agreement with the parent municipality;

- (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 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 policies must include at least –

- (a) a list of the budget-related policies of the municipal entity 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 –

- (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, taking into account the assumptions provided by the parent municipality;
- (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 budgets projections, including any present value assumptions, interest rates forecasts, bulk price

movements, dividend policy of parent municipality, tax measures, 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 the following –

- (a) a narrative summary of –
 - (i) the funding of operating and capital expenditure;
 - (ii) financial plans;
 - (iii) reserves;
 - (iv) the fiscal viability of the municipal entity;
 - (v) the overall impact on rates and tariffs; and
 - (vi) allocations from or distributions to the parent municipality;
- (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 tariffs and other charges;
- (d) the debtors' collection levels that have been estimated;
- (e) particulars of planned savings and efficiencies for the medium term as detailed in the multi year business plan;
- (f) particulars of the municipal entity's monetary investments by –
 - (i) type, and
 - (ii) maturity date;
- (g) particulars of contributions and donations in cash or in-kind received 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 board 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 any existing and any new borrowing proposed to be raised;
- (n) particulars of allocations from or distributions to the parent municipality; and
- (o) particulars of any other transfers and grants to the municipal entity.

Expenditure on allocations and grant programmes

18. Provide particulars of planned expenditure against each allocation and grant planned to be received in the same format as the information on allocation and grant receipts.

Board member allowances and employee benefits

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

- (a) a summary of board member, and employee benefits;
- (b) the detail of the cost to the municipal entity for the budget year of the salary/wage, pension and medical aid contributions, other benefits and allowances of –
 - (i) each board member, detailed separately;
 - (ii) the chief executive officer and each senior manager, detailed separately; and
 - (iii) all other staff collectively; and
- (c) the number of personnel employed by the municipal entity, distinguishing between board members, senior managers, including the chief executive officer, senior managers, 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.

Monthly targets for revenue, expenditure and cash flow

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

- (a) a projection of operating 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 two years following the budget year;
- (b) a projection of capital expenditure by project broken down per month for the budget year, and shown in total for the two years following the budget year;
- (c) a 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 two years following the budget year; and
- (d) 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.

Contracts having future budgetary implications

21. The disclosure on contracts having future budgetary implications must include a table of all contracts which will impose financial obligations on the municipal entity 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

22. The disclosure on capital expenditure details must include –

- (a) a summary of budgeted capital expenditure by asset 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 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.

Legislation compliance status

23. The disclosure on legislation compliance status provide a brief summary of the status of the implementation of any legislation applicable to the municipal entity including progress made and delays experienced in implementation.

Other supporting documents

24. A municipal entity must add to its budget documents any 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 municipal entity.

Chief executive officer quality certification

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

Quality certificate

I, chief executive officer of (name of municipal entity), 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 documentation are consistent with the Integrated Development Plan of the parent municipality, the service delivery agreement with the parent municipality and the business plan of the entity.

Print name _____

Chief executive officer of (name of municipal entity)

Signature _____

Date _____