Issues to be considered by council committee[32]

74. (1) A council committee contemplated in section 32(2)(a)(ii) of the Act to investigate the recoverability of any unauthorised, irregular or fruitless and wasteful expenditure must consider –

(a) the measures already taken to recover such expenditure;

(b) the cost of the measures already taken to recover such expenditure;

(c) the estimated cost and likely benefit of further measures that can be taken to recover such expenditure; and

(d) submit a motivation explaining its recommendation to the municipal council for a final decision.

(2) The municipal manager must provide all information required by the council committee referred to in subregulation (1), and any other information the council committee may require for the purpose of conducting a proper investigation.

Part 2: Irregular or fruitless and wasteful expenditure by municipal entities

Recovery of irregular or fruitless and wasteful expenditure[33]

75. (1) The board of directors of a municipal entity must on discovery of any irregular or fruitless and wasteful expenditure incurred by the entity investigate the recoverability of such expenditure.

(2) After completing its investigation referred to in subregulation (1), the board of directors of the municipal entity must decide whether or not the relevant expenditure is recoverable, and –

(a) if irrecoverable, certify that the expenditure is irrecoverable and submit a certificate to this effect to the mayor of the entity's parent municipality; or

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[32] In terms of section 32(2)(a)(ii) of the Act a council committee must investigate the recoverability of irregular, fruitless and wasteful expenditure before it can be certified as irrecoverable by the municipal council. This regulation is intended to ensure that uniform norms and standards inform the investigations of such council committees, and that they will be given access to all the necessary information.

[33] See also section 102 of the Act.

(b) if recoverable, decide on steps to be taken to recover the expenditure.

Board may not delegate authority to certify expenditure as irrecoverable

76. The board of directors of a municipal entity may not delegate its authority to certify expenditure as irrecoverable.

Short title and commencement

77. These Regulations are called the Municipal Budget and Reporting Regulations, 2008, and take effect on 1 July 2009.

SCHEDULES

List of Schedules

Schedule A – Annual Budgets and Supporting Documentation of Municipalities

Schedule B – Adjustments Budgets and Supporting Documentation of Municipalities

Schedule C – In-year Reports of Municipalities

Schedule D – Annual Budgets and Supporting Documentation of Municipal Entities

Schedule E – Adjustments Budgets and Supporting Documentation of Municipal Entities

Schedule F – In-year Reports of Municipal Entities

Schedule G – Extensions and Non-compliance with Time Provisions

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:

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[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 policies[35].

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;

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[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 –

(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 policies[37] 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 –

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[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 _____

SCHEDULE B

ADJUSTMENTS BUDGETS AND SUPPORTING DOCUMENTATION OF MUNICIPALITIES

Format and content of adjustments budgets and supporting documentation

1. An adjustments budget and supporting documentation of a municipality that is –

(a) contemplated in subregulation 23(1) 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[38], and

(b) is contemplated in subregulations 23 (3), (4), (5) and (6) must have all the headings in the sequence shown in Part 1 of the table of contents below, and the headings that are relevant to the particular adjustments budget from Part 2 of the table of contents below, and contain the information described in relation to the relevant headings 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

Table of contents

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

- *PART 1 – ADJUSTMENTS BUDGET*
  - Mayor's report
  - Resolutions
  - Executive summary
  - Adjustments budget tables
- *PART 2 – SUPPORTING DOCUMENTATION*
  - Adjustments to budget assumptions

- Adjustments to budget funding
- Adjustments to expenditure on allocations and grant programmes
- Adjustments to allocations and grants made by the municipality
- Adjustments to councillor allowances and employee benefits
- Adjustments to service delivery and budget implementation plan
- Adjustments to capital expenditure
- Other supporting documents
- Municipal manager's quality certification

PART 1 – ADJUSTMENTS BUDGET

Mayor's report

3. The mayor's report accompanying an adjustments budget must provide –

(a) a summary of the reasons for the adjustments budget having regard to the material variances highlighted in the latest monthly budget statement including at least the following where applicable –
  (i) new allocations of cash backed accumulated funds;
  (ii) multi-year funds shifting in relation to the capital programme;
  (iii) unforeseen and unavoidable expenditure; and
  (iv) allocations and grant adjustments;

(b) a recommendation that the municipal council approves the adjustments budget;

(c) a recommendation that the municipal council approves the revision to the service delivery targets and performance indicators in the service delivery and budget and implementation plan if applicable; and

(d) 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 adjustments budget documentation –

(a) approval of the adjustments budget;

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[38] See *MFMA Budget Formats Guide* published on the National Treasury's website.

(b) approval of any adjustments permitted in terms of section 28(2) of the Act;

(c) approval of the transfer of funds to a separate bank account for purposes contemplated in section 12 of the Act;

(d) approval of revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery and budget implementation plan, if any, to correspond with the approval of the adjustments budget; and

(e) approval of any amendments to budget-related policies[39] necessitated by the adjustments budget.

Executive summary

5. The executive summary must cover at least the following –

(a) the effect, including the financial and service delivery implications, of the adjustments budget on service delivery and related financial implications making reference to the adjustments budget tables, charts and explanations.

(b) the effect of the adjustments budget on the provision of basic services;

(c) the effect of the adjustments budget on the service delivery and budget implementation plan, service delivery agreements and medium term revenue and expenditure framework and long term financial sustainability of the municipality; and

(d) highlighting the adjustments made to the approved annual budget and any subsequent approved adjustments budgets.

Adjustments budget tables

6. If a municipality does not have any municipal entities, the adjustment budget tables must consist of the tables in the First Attachment to this Schedule, namely –

(a) Table B1 Adjustments Budget Summary

(b) Table B2 Adjustments Budget Financial Performance (standard classification)

(c) Table B3 Adjustments Budget Financial Performance (revenue and expenditure by municipal vote)

(d) Table B4 Adjustments Budget Financial Performance (revenue and expenditure)

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[39] See footnote under regulation 7.

(e) Table B5 Adjustments Capital Expenditure Budget by vote and funding

(f) Table B6 Adjustments Budget Financial Position

(g) Table B7 Adjustments Budget Cash Flows

(h) Table B8 Cash backed reserves/accumulated surplus reconciliation

(i) Table B9 Asset Management

(j) Table B10 Basic service delivery measurement

7. If a municipality does have one or more municipal entities, the adjustment budget tables must consist of –

(a) the tables mentioned in item 6; and

(b) the tables in the Second Attachment to this Schedule, namely –

(i) Table B1 Consolidated Adjustments Budget Summary

(ii) Table B2 Consolidated Adjustments Budget Financial Performance (standard classification)

(iii) Table B3 Consolidated Adjustments Budget Financial Performance (revenue and expenditure by municipal vote)

(iv) Table B4 Consolidated Adjustments Budget Financial Performance (revenue and expenditure)

(v) Table B5 Consolidated Adjustments Capital Expenditure Budget by vote and funding

(vi) Table B6 Consolidated Adjustments Budget Financial Position

(vii) Table B7 Consolidated Adjustments Budget Cash Flows

(viii) Table B8 Consolidated cash backed reserves/accumulated surplus reconciliation

(ix) Table B9 Consolidated Asset Management

(x) Table B10 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 information in **6**, **7** and **8** and any other supporting documentation must be presented for the parent municipality only.

PART 2 – SUPPORTING DOCUMENTATION

Adjustments to budget assumptions

10. Provide a description of any adjustments made to the budget assumptions presented in the annual budget.

Adjustments to budget funding

11. The disclosure on adjustments to budget funding must, where applicable, include –

(a) a narrative summary of the impact of the adjustments budget on –
  (i) the funding of operating and capital expenditure;
  (ii) financial plans;
  (iii) reserves; and
  (iv) the financial sustainability of the municipality;

(b) a reconciliation showing that operating and capital expenditure remain funded in accordance with section 18 of the Act;

(c) adjustments to collection levels estimated;

(d) any adjustments to the municipality's monetary investments by –
  (i) type; and
  (ii) maturity date;

(e) any adjustments to contributions and donations in cash or in-kind specifically listing donor assistance secured by formal agreement or contract;

(f) adjustments related to proceeds from the sale of assets;

(g) adjustments related to proceeds from the lease of assets, where the period of the lease is three years or more;

(h) adjustments related to 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) municipal council decisions to set aside funds including time schedules for progressively meeting funding of provisions;

(iii) allowances made for working capital ; and

(iv) non-statutory reserves;

(i) adjustments related to new proposed loans to be raised in the budget year; and

(j) adjustments related to allocations and grants to the municipality, distinguishing between operating and capital, from national government, provincial government, other municipalities and other donors.

Adjustments to expenditure on allocations and grant programmes

12. Provide a summary of any adjustments made to planned expenditure of allocations and grants received.

Adjustments to allocations or grants made by the municipality

13. Provide a summary of any adjustments to allocations or grants made by the municipality.

Adjustments to councillors and board members allowances and employee benefits

14. Provide details of any adjustments to councillor and board members allowances and employee benefits.

Adjustments to service delivery and budget implementation plan

15. Provide details of any adjustments to quarterly service delivery targets and performance indicators in the plan.

16. Provide a summary of any adjustments made to the key financial indicators presented in the annual budget.

17. Provide details of any adjustments to monthly targets for revenue, expenditure and cash flow.

18. Provide explanations for the adjustments referred to in **15**, **16** and **17** referring to the relevant monthly budget statement where appropriate.

Adjustments to capital expenditure

19. The disclosure on adjustments to the capital programme must provide at least –

(a) a summary of adjustments to capital expenditure by class and sub-class;

(b) a list of adjusted capital programmes and projects of the municipality aligned to the goals of the Integrated Development Plan of the municipality.

Other supporting documents

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

Municipal manager's quality certification

21. An adjustments 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 adjustments budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under that Act, and that the adjustments budget and supporting documentation are consistent with the Integrated Development Plan of the municipality.

Print name _____

Municipal manager of..... (name and demarcation code of municipality)

Signature _____

Date _____

SCHEDULE C

IN-YEAR REPORTS OF MUNICIPALITIES

Format and content of in-year reports

1. An in-year report 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(1) of the Act.[40]

Table of contents

2. An in-year report must commence with a table of contents and show the headings in the sequence set out below –

- *PART 1 – IN-YEAR REPORT*
  - Mayor's report (required if tabled in the municipal council)
  - Resolutions (required if tabled in the municipal council)
  - Executive summary
  - In-year budget statement tables
- *PART 2 – SUPPORTING DOCUMENTATION*
  - Debtors' Analysis
  - Creditors' Analysis
  - Investment portfolio analysis
  - Allocation and grant receipts and expenditure
  - Councillor and board member allowances and employee benefits
  - Material variances to the service delivery and budget implementation plan
  - Parent municipality financial performance
  - Municipal entity financial performance
  - Capital programme performance
  - Other supporting documents
  - In-year reports of municipal entities attached the municipality's in-year report
  - Municipal manager's quality certification

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[40] See *MFMA Budget Formats Guide* published on the National Treasury's website.

PART 1 – IN-YEAR REPORT

Mayor's report

3. The mayor's report accompanying an in-year must provide –

(a) a summary of whether the municipality's budget is being implemented in accordance with the service delivery and budget implementation plan and any service delivery agreements with municipal entities;

(b) a summary of any financial problems or risks facing the municipality or any such entity; and

(c) any other information considered relevant by the mayor.

4. For the mid-year budget and performance assessment, the mayor's report must also provide –

(a) a summary of the past year's annual report, and progress on resolving problems identified in the annual report and the audit report;

(b) a summary of the potential impact of the national adjustments budget and the relevant provincial adjustments budget; and

(c) a recommendation as to whether an adjustments budget for the municipality is necessary.

Resolutions

5. If an in-year report is tabled in the municipal council, resolutions dealing with at least the following matters must be prepared and presented as part of the documentation, as may be relevant –

(a) noting the monthly budget statement and any supporting documents;

(b) noting the quarterly report on the implementation of the budget and the financial affairs for the municipality referred to in section 52(d) of the Act;

(c) noting the mid-year budget and performance assessment referred to in section 72 of the Act;

(d) noting the in-year reports of any municipal entities; and

(e) any other resolutions that may be required.

Executive summary

6. The executive summary of a monthly budget statement must cover at least the following –

(a) the municipality's consolidated performance, in relation to both the approved annual budget and the latest approved adjustments budget, with specific reference to the financial and non-financial impact of the performance of municipal entities on the consolidated performance making reference to the in-year report tables, charts and explanations;

(b) any material variances from the service delivery and budget implementation plan; and

(c) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's budget.

7. The executive summary of the quarterly report on the implementation of the budget and the financial affairs for the municipality must, in addition to the information in item 6, also include a summary of –

(a) the municipality's consolidated performance in implementing the service delivery and budget implementation plan referring to actual service delivery achieved compared with the quarterly targets and explanations of any material variances, and taking into account performance in relation to both the approved annual budget and the latest adjustments budget;

(b) the performance in relation to the quarterly performance targets for the delivery of basic services; and

(c) the financial impact of the performance to date on the medium term revenue and expenditure framework and long term sustainability.

8. The executive summary of the mid-year budget and performance assessment must, in addition to the information in items 6 and 7 provide a summary of the potential impact of the national adjustments budget and the relevant provincial adjustments budget.

In-year budget statement tables

9. If a municipality does not have any municipal entities, the in-year budget statement tables must consist of the tables in the First Attachment to this Schedule, namely –

(a) Table C1 s71 Monthly Budget Statement Summary

(b) Table C2 Monthly Budget Statement - Financial Performance (standard classification)

(c) Table C3 Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote)

(d) Table C4 Monthly Budget Statement - Financial Performance (revenue and expenditure)

(e) Table C5 Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding)

(f) Table C6 Monthly Budget Statement - Financial Position

(g) Table C7 Monthly Budget Statement - Cash Flow

10. If a municipality does have one or more municipal entities, the in-year budget statement tables must consist of –

(a) the tables mentioned in item 9; and

(b) the tables in the Second Attachment to this Schedule, namely –

  (i) Table C1 Consolidated Monthly Budget Statement Summary

  (ii) Table C2 Consolidated Monthly Budget Statement - Financial Performance (standard classification)

  (iii) Table C3 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure by municipal vote)

  (iv) Table C4 Consolidated Monthly Budget Statement - Financial Performance (revenue and expenditure)

  (v) Table C5 Consolidated Monthly Budget Statement - Capital Expenditure (municipal vote, standard classification and funding)

  (vi) Table C6 Consolidated Monthly Budget Statement - Financial Position

  (vii) Table C7 Consolidated Monthly Budget Statement - Cash Flow

11. 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.

12. If a municipality has municipal entities, the information in items 6 and 7 must be consolidated covering the parent municipality's monthly budget statement and municipal entities monthly budget statements.

PART 2 – SUPPORTING DOCUMENTATION

Debtors' analysis

13. The debtors' analysis must contain –

(a) an aged analysis reconciled with the financial position grouped by –
  (i) revenue source; and
  (ii) customer group; and

(b) any bad debts written off by customer group.

Creditors' analysis

14. The creditors analysis must contain an aged analysis by customer type reconciled with the financial position.

Investment portfolio analysis

15. The investment portfolio analysis must include information consistent with the requirements of the Municipal Investment Regulations, 2005 issued by the National Treasury.

Allocation and grant receipts and expenditure

16. The disclosure on allocation and grant receipts and expenditure must reflect particulars of –

(a) allocation and grant receipts and expenditure against each allocation or grant; and

(b) any change in allocations as a result of –

(i) an adjustments budget of the national or provincial government or district or local municipality; and

(ii) changes in grants from other providers.

Expenditure on councillor and board members allowances and employee benefits

17. The disclosure on councillor and board members allowances and employee benefits must include a comparison of actual expenditure and budgeted expenditure on –

(a) councillor allowances;

(b) board member allowances; and

(c) employee benefits.

Material variances to the service delivery and budget implementation plan

18. In the monthly financial statements provide a disclosure on monthly targets for revenue, expenditure and cash flow that includes a consolidated projection of cash flow for the budget year setting out receipts by source and payments by type, per month for the budget year with actual for past months and revised forecasts for future months, and shown in total for the two years following the budget year.

19. In the quarterly report on the implementation of the budget and the financial affairs for the municipality provide –

(a) a review of actual performance against the quarterly targets for measurable performance objectives and service delivery;

(b) a consolidated projection of revenue and operating expenditure per month for the budget year with actual for past months and revised forecasts for future months, and the total for the two years following the budget year; and

(c) a projection of capital expenditure by project broken down per month for the budget year showing actual for past periods and revised forecasts for future periods, and shown in total for the two years following the budget year.

20. In the mid-year budget and performance assessment provide an explanation of the cause of variations from the approved annual budget and the impact on any contractual agreements and the overall budget, if any.

21. Where (17), (18) and (19) indicate a material variance between the actual year-to-date performance compared with the monthly or quarterly targets from the service delivery and budget implementation plan, provide explanations for such variances and indicate the likely impact on annual performance agreements of the municipal manager and senior managers.

Parent municipality financial performance

22. If the municipality has municipal entities, provide the monthly statement of financial performance for the parent municipality only.

Municipal entity summary

23. If the municipality has municipal entities, provide a summary for all entities of revenue, operating expenditure and capital expenditure.

Capital programme performance

24. The disclosure on capital programme performance must include at least –

(a) capital expenditure by month; and

(b) a summary of capital expenditure by asset class and sub-class.

Other supporting documents

25. A municipality must add to its in-year report any supporting documents not covered in this Schedule if such documents are necessary to fully explain the review of actual service delivery and financial performance compared to the approved annual budget and the latest approved adjustments budget.

In-year reports of municipal entities attached to the in-year report

26. Give a list of the municipal entity in-year reports attached to the in-year report.

Municipal manager's quality certification

27. An in-year report must be covered by a quality certificate in the format described below:

Quality certificate

I, ..., the municipal manager of.....(name of municipality), hereby certify that –

(mark as appropriate)

- ☐ the monthly budget statement
- ☐ quarterly report on the implementation of the budget and financial state affairs of the municipality
- ☐ mid-year budget and performance assessment

for the month of ..... of ..... has been prepared in accordance with the Municipal Finance Management Act and regulations made under that Act.

Print name _____

Municipal manager of.....(name and demarcation code of municipality)

Signature _____

Date _____

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 – SUPORTING 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

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[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 _____

SCHEDULE E

ADJUSTMENTS BUDGETS AND SUPPORTING DOCUMENTS OF MUNICIPAL ENTITIES

Format and content of adjustments budget and supporting documentation

1. An adjustments budget and supporting documentation of a municipal entity that is –

(a) contemplated in section 87(6)(a) and (b) of the Act 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[42], and

(b) is contemplated in section 87(6)(c) and (d) of the Act must have all the headings in the sequence shown in Part 1 of the table of contents below, and the headings that are relevant to the particular adjustments budget from Part 2 of the table of contents below, and contain the information described in relation to the relevant headings 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

Table of contents

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

- *PART 1 – ADJUSTMENTS BUDGET*
  - Chairperson's report
  - Resolutions
  - Executive summary
  - Adjustments budget tables
- *PART 2 – SUPPORTING DOCUMENTATION*

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[42] See *MFMA Budget Formats Guide* published on the National Treasury's website.

- Adjustments to budget assumptions
- Adjustments to budget funding
- Adjustments to expenditure on allocations and grant programmes
- Adjustments to allocations and grants made by the municipal entity
- Adjustments to board member allowances and employee benefits
- Adjustments to the service delivery agreement and multi-year business plan
- Adjustments to capital expenditure
- Other supporting documentation
- Chief executive officer's quality certification

PART 1 – ADJUSTMENTS BUDGET

Chairperson's report

3. The chairperson's report accompanying an adjustments must provide –

(a) a summary of the reasons for the adjustments budget having regard to the material variances highlighted in the latest monthly budget statement including at least the following where applicable –
  (i) new allocations of cash backed accumulated funds;
  (ii) multi-year funds shifting in relation to the capital programme;
  (iii) unforeseen and unavoidable expenditure; and
  (iv) parent municipality allocation adjustments;

(b) recommendation that the entity board approves the adjustments budget after the prior approval by the mayor;

(c) a recommendation that the entity approves the board of directors approves the revisions to the service delivery targets and performance indicators in the service delivery agreement, if applicable; and

(d) 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 adjustments budget document –

(a) approval of the municipal entity's adjustments budget;

(b) approval of any adjustments permitted in terms of regulation 61;

(c) approval of revisions to the monthly and quarterly service delivery targets and performance indicators in the service delivery agreement, if any, to correspond with the approval of the adjustments budget; and

(d) approval of any amendments to budget-related policies necessitated by the adjustments budget.

Executive summary

5. The executive summary must cover at least the following –

(a) the effect of the adjustments budget on service delivery and the related financial implications making reference to the adjustments budget tables, charts and explanations;

(b) the effect of the adjustments budget on the provision of basic services; and

(c) the effect of the adjustments budget on the service delivery agreement, multi-year business plan and long-term sustainability of the municipal entity.

Adjustments budget tables

6. The adjustments budget tables must consist of the tables in the Attachment to this Schedule –

(a) Table E1 Adjustments Budget Summary

(b) Table E2 Adjustments Budget - Financial Performance (revenue and expenditure)

(c) Table E3 Adjustments Capital Expenditure Budget by programme and funding

(d) Table E4 Adjustments Budget - Financial Position

(e) Table E5 Adjustments Budget - 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 operations are sufficiently complex, the parent municipality may stipulate additional requirements for the adjustments 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 consolidation.

PART 2 – SUPPORTING DOCUMENTATION

Adjustments to budget assumptions

10. Provide a description of any adjustments made to the budget assumptions presented in the annual budget.

Adjustments to budget funding

11. The disclosure on adjustments to budget funding must include at least the following where applicable –

(a) a narrative summary of the impact of the adjustments budget on –
  (i) the funding of operating and capital expenditure;
  (ii) financial plans;
  (iii) reserves; and
  (iv) the financial sustainability of the municipal entity;

(b) a reconciliation showing that operating and capital expenditure remain funded in accordance with section 18 of the Act;

(c) adjustments to debtors collection levels estimated;

(d) any adjustments to the municipal entity's monetary investments by -
  (i) type; and
  (ii) maturity date;

(e) any adjustments to contributions and donations in cash or in-kind specifically listing donor assistance secured by formal agreement or contract;

(f) adjustments related to proceeds from the sale of assets;

(g) adjustments related to proceeds from the lease of assets, where the period of the lease is three years or more;

(h) adjustments related to 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) board decisions to set aside funds including a time schedules for progressively meeting funding of provisions;
(iii) allowances made for working; and
(iv) non-statutory reserves;

(i) adjustments related to new proposed borrowing to be raised in the budget year; and

(j) adjustments related to allocations and grants from the parent municipality or other donors.

Adjustments to expenditure on allocations and grant programmes

12. Provide a summary of any adjustments made to planned expenditure of allocations and grants received.

Adjustments to allocations made by the municipal entity

13. Provide a summary of any adjustments made to allocations, grants or dividends or other distributions made by the municipal entity, including any to the parent municipality.

Adjustments to board member allowances and employee benefits

14. Provide details of any adjustments made to board member and employee benefits.

Adjustments to service delivery agreement and multi-year business plan

15. Provide details of any adjustments to quarterly service delivery targets and performance indicators in the plan.

16. Provide a summary of any adjustments made to the key financial indicators presented in the annual budget.

17. Provide details of any adjustments to monthly targets for revenue, expenditure and cash flow.

18. Provide explanations for the adjustments referred to in (15), (16) and (17) referring to the relevant monthly budget statement where appropriate.

Adjustments to capital expenditure

19. The disclosure on adjustments to the capital programme must provide at least –

(a) a summary of adjustments to capital expenditure by class and sub-class; and

(b) a list of adjusted capital programmes and projects aligned to the goals of the Integrated Development Plan of the municipality.

Other supporting documents

20. A municipal entity must add to its adjustments budget documents any supporting documents not covered in this Schedule if such documents are necessary to fully explain the impact of the adjustments budget on service delivery and the state of financial affairs of the municipal entity.

Chief executive officer's quality certification

21. an adjustments 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 adjustments 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 adjustments budget and supporting documentation are consistent with the business plan of the entity, the service delivery agreement with the parent municipality and the Integrated Development Plan of the parent municipality.

Print Name _____

Chief executive officer of .....(name of municipal entity)

Signature _____

Date _____