
CONTENTS

No.

Page
No. Gazette
 No.

GENERAL NOTICE

National Treasury

General Notice

71	Local Government: Municipal Finance Management Act (56/2003): Draft Municipal Budget and Reporting Regulations: Call for comments.....	3	31804
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GENERAL NOTICE

**NOTICE 71 OF 2009
NATIONAL TREASURY****LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT, 2003
DRAFT MUNICIPAL BUDGET AND REPORTING REGULATIONS****CALL FOR COMMENTS**

I, Trevor A. Manuel, Minister of Finance, with the concurrence of the Minister for Provincial and Local Government, hereby publish draft regulations, to be made in terms of section 168 of the Municipal Finance Management Act, 2003, (Act No. 56 of 2003), for public comment in accordance with section 169(1)(b) of the Act, as set out in the Schedule.

Interested persons may submit their comments on the draft regulations in writing on or before the 5 March 2009 to: The Director-General, c/o Mr Jan Hattingh, National Treasury, Private Bag X115, Pretoria, 0001 or per fax to (012) 395 6553 or email to MFMA@treasury.gov.za

Kindly provide the name, address, telephone, fax numbers and/or email address of the person or organization submitting the comments.



**T.A. MANUEL, MP
MINISTER OF FINANCE**

ADVISORY REGARDING THE IMPLEMENTATION OF THE MUNICIPAL BUDGET AND REPORTING REGULATIONS

To provide for phased implementation, the following municipalities are advised to prepare their 2009/10 budgets in accordance with these draft Regulations, as these municipalities will be required to comply fully with the Regulations as from 1 July 2009.

Metropolitan municipalities

<i>Code</i>	<i>Name</i>
WC000	City of Cape Town
GT001	City of Johannesburg
GT002	City of Tshwane
KZ000	eThekwini
GT000	Ekurhuleni
EC000	Nelson Mandela Bay

Secondary Cities

<i>Code</i>	<i>Name</i>
EC125	Buffalo City
FS172	Mangaung
FS184	Matjhabeng
GT421	Ermfuleni
GT481	Mogale City
KZN225	Msunduzi
KZN252	Newcastle
KZN282	uMhlathuze
LIM354	Polokwane
MP312	Emalahleni (Mp)
MP307	Govan Mbeki
MP322	Mbombela
MP313	Steve Tshwete
NW403	City Of Matlosana
NW372	Madibeng
NW373	Rustenburg
NW402	Tlokwe
NC091	Sol Plaatje
WC023	Drakenstein
WC044	George
WC024	Stellenbosch

All other municipalities are encouraged to prepare their 2009/10 budgets in accordance with these draft Regulations in preparation for full compliance with the Regulations as from 1 July 2010.

SCHEDULE**NATIONAL TREASURY****DRAFT****LOCAL GOVERNMENT: MUNICIPAL FINANCE MANAGEMENT ACT
MUNICIPAL BUDGET AND REPORTING REGULATIONS****FOR PUBLIC COMMENT****TABLE OF CONTENTS****CHAPTER 1****INTERPRETATION, OBJECT AND APPLICATION OF THESE REGULATIONS**

1. Definitions
2. Object of these Regulations
3. Application of these Regulations

CHAPTER 2**BUDGET AND BUDGET RELATED MATTERS OF MUNICIPALITIES*****Part 1: General provisions***

4. Budget steering committee
5. Quality certification
6. Consistency in bases of measurement and accounting policies

Part 2: Budget-related policies of municipalities

7. Preparing and amending budget-related policies
8. Funding and reserves policies

Part 3: Annual budgets of municipalities

9. Format of annual budgets
10. Funding of expenditure
11. Funding of capital expenditure
12. Funds created in terms of section 12 of the Act
13. Approval of capital projects
14. Tabling of annual budgets in municipal councils
15. Publication and submission of annual budgets for consultation
16. Consideration of annual budgets by municipal councils
17. Approval of annual budgets
18. Publication of approved annual budgets
19. Publication of approved service delivery and budget implementation plan
20. Submission of approved annual budget and other documents

Part 4: Adjustments budgets of municipalities

21. Formats of adjustments budgets
22. Funding of adjustments budgets
23. Timeframes for tabling adjustments budgets
24. Submission of tabled adjustments budgets
25. Approval of adjustments budgets
26. Publication of approved adjustments budget
27. Submission of approved adjustments budget and other documents

Part 5: In-year reports of municipalities

28. Format of monthly budget statements
29. Tabling of monthly statements
30. Publication of monthly budget statements
31. Quarterly reports on implementation of budget
32. Publication of quarterly reports on implementation of budget
33. Format of mid-year budget and performance assessment

34. Publication of mid-year budget and performance assessments
35. Submission of mid-year budget and performance assessments

CHAPTER 3

BUDGET AND BUDGET RELATED MATTERS OF MUNICIPAL ENTITIES

Part 1: General provisions

36. Quality certification
37. Consistency in bases of measurement and accounting policies

Part 2: Funding and reserves policy of municipal entities

38. Funding and reserves policies

Part 3: Annual budgets of municipal entities

39. Format of annual budget
40. Funding of expenditure
41. Funding of capital expenditure
42. Parent municipalities to submit information relating to approval of capital projects by municipal entities
43. Submission of annual budgets to parent municipality
44. Approval of annual budget
45. Submission of approved annual budgets for tabling
46. Publication of approved annual budgets
47. Submission of approved annual budgets

Part 4: Adjustments budgets of municipal entities

48. Formats of adjustments budgets
49. Framework for adjustments budgets
50. Approval of adjustments budgets
51. Submission of approved adjustments budgets
52. Publication of approved adjustments budgets
53. Submission of approved adjustments budgets

Part 5: In-year reports of municipal entities

54. Formats of monthly budget statements
55. Submission of monthly budget statements
56. Format of mid-year budget and performance assessment
57. Tabling of mid-year budget and performance assessments
58. Publication of mid-year budget and performance assessments
59. Submission of mid-year budget and performance assessments

CHAPTER 4**NON-COMPLIANCE WITH TIME PROVISIONS****Part 1: Impending non-compliance by municipalities with time lines and deadlines concerning annual budgets**

60. Applications for extension of time limits
61. Framework for consideration of applications
62. Possible non-compliance with section 16(1) of the Act

Part 2: Actual non-compliance by municipalities with time provisions concerning annual budgets and adjustments budgets

63. Notification of actual non-compliance with time provisions
64. Framework for consideration of notifications of non-compliance with time provisions affecting annual budgets and adjustments budgets

Part 3: Non-compliance by municipalities with time provisions concerning in-year reports

65. Notification of non-compliance with time provisions concerning in-year reports
66. Framework for consideration of notifications of non-compliance with time provisions concerning in-year reports

Part 4: Non-compliance by municipal entities with time provisions

67. Monitoring compliance with time provisions
68. Notifications of non-compliance with time provisions
69. Framework for consideration of notifications of non-compliance with time provisions

70. Submission of information to National Treasury

CHAPTER 5

FRAMEWORK FOR UNFORESEEN AND UNAVOIDABLE EXPENDITURE

Part 1: Unforeseen and unavoidable expenditure by municipalities

71. Authorisation of unforeseen and unavoidable expenditure
72. Monetary limits on unforeseen and unavoidable expenditure

Part 2: Unforeseen and unavoidable expenditure by municipal entities

73. Approval of unforeseen and unavoidable expenditure

CHAPTER 6

UNAUTHORISED, IRREGULAR OR FRUITLESS AND WASTEFUL EXPENDITURE

Part 1: Unauthorised, irregular or fruitless and wasteful expenditure by municipalities

74. Issues to be considered by council committee

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

75. Recovery of irregular or fruitless and wasteful expenditure
76. Board may not delegate authority to certify expenditure as irrecoverable
77. Short title and commencement

SCHEDULES

- Schedule A – Annual Budget and Supporting Documentation of Municipalities
Schedule B – Adjustments Budget and Supporting Documentation of Municipalities
Schedule C – In-year Reports of Municipalities
Schedule D – Annual Budget and Supporting Documentation of Municipal Entities
Schedule E – Adjustments Budget and Supporting Documentation of Municipal Entities
Schedule F – In-year Reports of Municipal Entities

Schedule G – Extensions and Non-compliance with Time Provisions

CHAPTER 1**INTERPRETATION, OBJECT AND APPLICATION OF THESE REGULATIONS****Definitions**

1. (1) In these Regulations, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and unless the context indicates otherwise –

“Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“in-year reports”, in relation to –

- (a) a municipality, means –
 - (i) a monthly budget statement of the municipality contemplated in section 71(1) of the Act;
 - (ii) a quarterly report on the implementation of the budget and financial state of affairs of the municipality contemplated in section 52(d) of the Act; or
 - (iii) a mid-year budget and performance assessment of the municipality contemplated in section 72 of the Act; and
- (b) a municipal entity, means –
 - (i) a monthly budget statement of the entity contemplated in section 87(11) of the Act; or
 - (ii) a mid-year budget and performance assessment of the entity contemplated in section 88 of the Act;

“quality certificate”, in relation to –

- (a) a municipality, means a certificate issued and signed by the municipal manager of the municipality confirming the accuracy and reliability of the contents of a document prepared or issued by the municipality; or

- (b) a municipal entity, means a certificate issued and signed by the chief executive officer of the entity confirming the accuracy and reliability of the contents of a document prepared or issued by the entity;

“Schedule” means a Schedule to these Regulations;

“supporting documentation”, in relation to –

- (a) an annual budget of a municipality, means documentation referred to in section 17(3) of the Act;
- (b) an annual budget of a municipal entity, means documentation that informs the annual budget;
- (c) an adjustments budget of a municipality, means documentation referred to in section 28(5)(d) of the Act; or
- (d) an adjustments budget of a municipal entity, means documentation that informs the adjustments budget.

(2) In these Regulations –

- (a) a word or expression which is a derivative or other grammatical form of a word or expression defined in subregulation (1), has a corresponding meaning unless the context indicates that another meaning is intended; and
- (b) a footnote may be taken into account in determining the meaning of a provision of these Regulations, but only as an opinion on the information it conveys.

Object of these Regulations

2. The object of these Regulations is to secure sound and sustainable management of the budgeting and reporting practices of municipalities and municipal entities by establishing uniform norms and standards and other requirements for ensuring transparency, accountability and appropriate lines of responsibility in the budgeting and reporting processes of those institutions and other relevant matters as required by the Act.

Application of these Regulations

3. These Regulations apply to all municipalities and municipal entities.

CHAPTER 2

BUDGETS AND BUDGET RELATED MATTERS OF MUNICIPALITIES

Part 1: General provisions

Budget steering committee

4. (1) The mayor of a municipality must establish a budget steering committee to assist the mayor in discharging the responsibilities set out in section 53 of the Act.

(2) The steering committee must consist of at least the following persons:

- (a) the councillor responsible for financial matters;
- (b) the municipal manager;
- (c) the chief financial officer;
- (d) the senior managers responsible for at least the three largest votes in the municipality;
- (e) the manager responsible for planning; and
- (f) any technical experts on infrastructure.

Quality certification

5. Whenever an annual budget and supporting documentation, an adjustments budget and supporting documentation or an in-year report of a municipality is submitted to the mayor, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule A, B or C, as the case may be, and signed by the municipal manager.

Consistency in bases of measurement and accounting policies

6. The municipal manager of a municipality must take all reasonable steps to ensure that –
- (a) the basis of measurement and accounting policies underpinning the municipality's annual financial statements are the same as those used in the

preparation of the municipality's annual budget and supporting documentation, its adjustments budgets and supporting documentation, and its in-year reports; and

- (b) any differences or changes between financial years are explicitly noted.

Part 2: Budget-related policies of municipalities

Preparing and amending budget-related policies

7. (1) The municipal manager of a municipality must prepare, or take all reasonable steps to ensure the preparation of the budget-related policies¹ of the

¹ As defined in section 1 of the Act. Policies that affect or are affected by the annual budget of a municipality include -

- (a) the tariffs policy which the municipality must adopt in terms of section 74 of the Municipal Systems Act;
- (b) the rates policy which the municipality must adopt in terms of section 3 of the Municipal Property Rates Act;
- (c) the credit control and debt collection policy which the municipality must adopt in terms of section 96 of the Municipal Systems Act;
- (d) the cash management and investment policy which the municipality must adopt in terms of section 13(2) of the Act;
- (e) a borrowing policy which must comply with Chapter 6 of the Act;
- (f) a funding and reserves policy;
- (g) a policy related to the long-term financial plan;
- (h) the supply chain management policy which the municipality is required to adopt in terms of section 111 of the Act;
- (i) any policies dealing with the management and disposal of assets;
- (j) any policies dealing with infrastructure investment and capital projects, including –
 - (i) the policy governing the planning and approval of capital projects; and
 - (ii) the policy on developer contributions for property developments;
- (k) the indigents policy of the municipality;
- (l) any policies related to the provision of free basic services;
- (m) any policies related to budget implementation and monitoring including –
 - (i) a policy dealing with the shifting of funds within votes;
 - (ii) a policy dealing with the introduction of adjustments budgets;
 - (ii) policies dealing with unforeseen and unavoidable expenditure; and
 - (iii) policies dealing with management and oversight;

municipality, or any necessary amendments to such policies, in accordance with the legislation applicable to those policies for tabling in the municipal council by the applicable deadline specified by the mayor in terms of section 21(1)(b) of the Act.

Funding and reserves policies

8. (1) Each municipality must have a funding and reserves policy which must set out the assumptions and methodology for estimating –

- (a) projected billings and collections;
- (b) the provision for revenue that will not be collected;
- (c) the funds the municipality can expect to receive from investments;
- (d) the dividends the municipality can expect to receive from municipal entities;
- (e) the proceeds the municipality can expect to receive from the transfer or disposal of assets;
- (f) the municipality's borrowing requirements; and
- (g) the funds to be set aside in reserves.

(2) When developing or amending the funding and reserves policy of the municipality, the municipal manager must ensure that the policy –

- (a) is consistent with the most recent actual billings and collection trends;
- (b) takes into account the credit rating of the municipality, the financial position of the municipality, the cost of borrowing and the capacity to repay debt;
- (c) takes into account all the budget-related policies of the municipality, particularly recent amendments to any of those policies;

-
- (n) any policies related to managing electricity and water including –
 - (i) a policy related to the management of losses; and
 - (ii) a policy to promote conservation and efficiency;
 - (o) any policies relating to personnel including policies on overtime, vacancies and temporary staff;
 - (p) any policies dealing with municipal entities, including –
 - (i) the service delivery agreement; and
 - (ii) the dividend preference of the municipality; and
 - (q) any other budget-related or financial management policies of the municipality.

- (d) takes account of any statutory requirements to set aside funds in reserves;
and
- (e) takes account of the transfer and disposal of assets.

Part 3: Annual budgets of municipalities

Format of annual budgets

9. The annual budget and supporting documentation of a municipality must be in the format specified in Schedule A and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.²

Funding of expenditure³

10. (1) The funding of an annual budget must -
- (a) be estimated in accordance with the assumptions and methodologies set out in the funding and reserves policy of the municipality referred to in regulation 8; and
 - (b) be consistent with the trends, current and past, of actual funding collected or received.

(2) Realistically anticipated revenues to be received from national or provincial government, other municipalities, municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds. Acceptable documentation is constituted by -

- (a) in the case of allocations from national or provincial government, the latest available -
 - (i) gazetted allocations to the municipality following the approval of the current year's Division of Revenue Act, national annual budget,

² See the MFMA Budget Formats Guide published on the National Treasury's website.

³ This regulation is intended to give effect to section 18 of the Act and must consequently be read in the context of that section.

- national adjustments budget, relevant provincial annual budget or provincial adjustments budget;
- (ii) proposed allocations to the municipality contained in the tabled national and provincial budgets as detailed in accordance with section 36(2) of the Act;
 - (iii) written notifications from the relevant treasury of proposed allocations subsequent to the previous year's national or provincial approved annual budgets and latest adjustment budgets, but prior to the current year's budgets being tabled; or
 - (iv) the previous years' allocations in the national and provincial annual budgets and adjustments budgets as gazetted;
- (b) in the case of allocations from other municipalities, the latest available of –
- (i) allocations in the approved annual budget or any subsequent approved adjustments budget of the transferring municipality;
 - (ii) proposed allocations contained in the tabled annual budget of the relevant transferring municipality;
 - (iii) written notification of proposed allocations from transferring municipalities communicated to the municipality in terms of section 37(2) of the Act; or
 - (iv) the previous year's allocations in the approved annual budget or any adjustments budget of the transferring municipality; and
- (c) in the case of public contributions, donations, donor grants or any other grants, subsidies or contributions, the relevant contract or other legally binding document which guarantees the funding.

(3) Estimated provision for revenue from rates, taxes, levies or other charges that will not be collected must be budgeted for separately and reflected on the expenditure side of the municipality's annual budget and not netted out from budgeted revenue.

(4) The cash flow budget required in terms of Schedule A must reflect all funds realistically forecast to be collected, including arrears.

(5) The municipal manager in signing the quality certificate in Schedule A, certifies that all ratepayers and consumers are accounted for in the annual budget calculations and that billing systems including property records and metering information are up to date and consistent with the revenue projections in the annual budget.

(6) To determine whether an annual budget is funded in accordance with section 18 of the Act, a simultaneous analysis is required of the financial performance, financial position, cash flow, and capital expenditure budgets together with any requirements for working capital and cash investments held for statutory or contractual purposes.

Funding of capital expenditure

11. (1) An annual budget must show total capital expenditure and the different sources of funding⁴.

(2) All sources of funding shown in terms of subregulation (1) must be available, and must not have been committed for other purposes.

(3) The total budgeted capital funding by source must equal the total budgeted capital expenditure.

Funds created in terms of section 12 of the Act

12. (1) Funds referred to in section 12 of the Act may only be created in accordance with the municipality's approved funding and reserves policy referred to in regulation 8.

(2) Funds created in terms of section 12 of the Act must be cash backed to the extent required by the funding and reserves policy of the municipality.

⁴ See Table A5 Budgeted Capital Expenditure by Vote, Standard classification & Funding in Schedule A.

(3) A transfer of any funds to a separate bank account which the municipality has opened for a fund created in terms of section 12 of the Act must be approved in an annual budget or adjustments budget.

Approval of capital projects⁵

13. (1) Within five working days after the municipal council has given individual approval for a capital project in terms of section 19(1)(b) of the Act, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public –

- (a) the municipal council resolution approving the capital project; and
- (b) details of the location and total projected cost of the approved capital project.

(2) The following capital projects may be approved by a council either individually or as part of a consolidated capital programme as contemplated in section 19(3) of the Act:

- (a) capital projects of which the total projected cost is below 5% of the municipality's revenue, in the case of a municipality with approved total revenue in its current annual budget not exceeding R250 million;
- (b) capital projects of which the total projected cost is below 8% of the municipality's revenue, in the case of a municipality with approved total revenue in its current annual budget greater than R250 million but not exceeding R500 million; and
- (c) capital projects of which the total projected cost is below R50 million, in the case of a municipality with approved total revenue in its current annual budget greater than R500 million.⁶

⁵ Section 19 of the MFMA regulates budgetary matters in relation to capital projects. In terms of section 19(1)(b) a municipality may not spend any money on a capital project unless the council has approved the specific project including the total cost. Section 19(3), however, provides that capital projects below a prescribed value may be approved either individually or as part of a consolidated capital programme.

⁶ Capital projects of which the total projected cost is above these values must be approved individually by the council in terms of section 19(1)(b) of the Act.

(3) Subregulation (1) does not apply to capital projects below the values set out in subregulation (2).

(4) Expenditure needed for capital projects below the values set out in subregulation (2) may be included in the annual budget before the project is approved in terms of section 19(3) of the Act.

Tabling of annual budgets in municipal councils⁷

14. (1) An annual budget and supporting documentation tabled in a municipal council in terms of sections 16(2) and 17(3) of the Act must –

- (a) be in the format in which it will eventually be approved by the council; and
- (b) be credible and realistic such that it is capable of being approved and implemented as tabled.

(2) When complying with section 68 of the Act, the municipal manager must submit the draft municipal service delivery and budget implementation plan to the mayor together with the annual budget to be considered by the mayor for tabling in terms of section 16(2) of the Act.

(3) For effective planning and implementation of the annual budget, the draft municipal service delivery and budget implementation plan may form part of the budget documentation and be tabled in the municipal council if so recommended by the budget steering committee.

Publication and submission of annual budgets for consultation

15. (1) When making public the annual budget and supporting documentation in terms of section 22(a) of the Act, read with section 21A of the Municipal Systems Act, the municipal manager must also make public any other information that the municipal council considers appropriate to facilitate the budget consultation process, including –

⁷ Tabling of an annual budget and supporting documentation in the council is dealt with in sections 16(2) and 17(3) of the Act. The purpose of this regulation is to prescribe certain matters incidental to the tabling of the annual budget.

- (a) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and
- (b) information relevant to each ward in the municipality.

(2) All information contemplated in subregulation (1) must cover:

- (a) the financial and service delivery implications of the annual budget; and
- (b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year, and the following two years.

(3) When submitting the annual budget to the National Treasury and the relevant provincial treasury in terms of section 22(b)(i) of the Act, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –

- (a) the supporting documentation as tabled in the municipal council;
- (b) the draft service delivery and budget implementation plan; and
- (c) any other information as may be required by the National Treasury.

(4) The municipal manager must send copies of the annual budget and supporting documentation as tabled in the municipal council, in both printed and electronic form to –

- (a) any other municipality affected by the annual budget within five working days of the annual budget being tabled in the municipal council; and
- (b) any other organ of state on receipt of a request from that organ of state.

Consideration of annual budgets by municipal councils⁸

16. (1) At least 30 days before the start of the budget year the mayor must for purposes of section 23 of the Act table the following documents in the municipal council –

- (a) a report detailing the local community's views on the annual budget;

⁸ Section 23 of the Act prescribes the procedure to be followed by a municipality once the budget has been tabled in the council, published for public comment and submitted to affected organs of state. The purpose of this regulation is to assist the council and the mayor to comply with section 23.

- (b) any comments on the annual budget received from the National Treasury and the relevant provincial treasury;
- (c) any comments on the annual budget received from any other organ of state, including any affected municipality; and
- (d) any comments on the annual budget received from any other stakeholders.

(2) The municipal manager must assist the mayor in the preparation of the documents referred to in subregulation (1) and section 23(2) of the Act.

Approval of annual budgets⁹

17. (1) A municipal council must consider the full implications, financial or otherwise, of the annual budget and supporting documentation before approving the annual budget.

(2) When approving an annual budget, a municipal council must in terms of section 24(2)(c) of the Act, consider and adopt separate resolutions dealing with each of the matters contemplated in that section.¹⁰

Publication of approved annual budgets

18. (1) Within five working days after the municipal council has approved the annual budget of a municipality, the municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved annual budget and supporting documentation and the resolutions referred to in section 24(2)(c) of the Act.

(2) The municipal manager must also make public any other information that the municipal council considers appropriate to facilitate public awareness of the annual budget, including –

⁹ A municipal council must approve an annual budget in accordance with section 24 of the Act. This regulation is intended to facilitate compliance with section 24.

¹⁰ For a list of resolutions, see item 4 of Schedule A.

- (a) summaries of the annual budget and supporting documentation in alternate languages predominant in the community; and
- (b) information relevant to each ward in the municipality.

(3) All information contemplated in subregulation (2) must cover:

- (a) the financial and service delivery implications of the annual budget; and
- (b) at least the previous year's actual outcome, the current year's forecast outcome, the budget year and the following two years.

Publication of approved service delivery and budget implementation plan

19. The municipal manager must in accordance with section 21A of the Municipal Systems Act make public the approved service delivery and budget implementation plan within five working days after the mayor has approved the plan in terms of section 53(1)(c)(ii) of the Act.

Submission of approved annual budget and other documents

20. (1) The municipal manager must comply with section 24(3) of the Act within five working days after the municipal council has approved the annual budget.

(2) The municipal manager must submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –

- (a) the supporting documentation within five working days after the municipal council has approved the annual budget;
- (b) the approved service delivery and budget implementation plan within five working days after the mayor has approved the plan; and
- (c) any other information as may be required by the National Treasury.

(3) The municipal manager must send copies of the approved annual budget and supporting documentation, in both printed and electronic form to –

- (a) any other municipality affected by the annual budget within five working days after the municipal council has approved the annual budget; and
- (b) any other organ of state on receipt of a request from that organ of state.

Part 4: Adjustments budgets of municipalities

Formats of adjustments budgets

21. An adjustments budget and supporting documentation of a municipality must be in the format specified in Schedule B and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.¹¹

Funding of adjustments budgets

22. (1) An adjustments budget of a municipality must be appropriately funded.

(2) The supporting documentation to accompany an adjustments budget in terms of section 28(5) of the Act must contain an explanation of how the adjustments budget is funded.

Timeframes for tabling of adjustments budgets

23. (1) An adjustments budget referred to in section 28(2)(b), (d), (e), and (f) of the Act may be tabled in the municipal council at any time after the mid-year budget and performance assessment has been tabled in the council, but not later than 28 February of the current year.

(2) Only one adjustments budget referred to in subregulation (1) may be tabled in the municipal council during a financial year, except when the additional revenues contemplated in section 28(2)(b) of the Act are allocations to a municipality in a national or provincial adjustments budget, in which case subregulation (5) applies.

(3) An adjustments budget referred to in section 28(2)(c) of the Act must be tabled in the municipal council at the first available opportunity after the unforeseeable and unavoidable expenditure contemplated in that section was incurred.

¹¹ See *MFMA Budget Formats Guide* published on the National Treasury's website.

- (4)¹² An adjustments budget contemplated in section 28(2)(g) may –
- (a) only authorise unauthorised expenditure as anticipated by section 32(2)(a)(i) of the Act;
 - (b) only be tabled in the municipal council during the financial year in which the unauthorised expenditure was incurred; and
 - (c) may not be approved by the municipal council after the end of the financial year in which the unauthorised expenditure was incurred.

(5)¹³ If a national or provincial adjustments budget allocates additional revenues to a municipality, the mayor of the municipality must, within 30 days of the approval of the relevant national or provincial adjustments budget, or within such longer period as the National Treasury may approve, table an adjustments budget referred to in section 28(2)(b) in the municipal council to appropriate these additional revenues.

Submission of tabled adjustments budgets

24. (1) The municipal manager must comply with section 28(7) of the Act, read together with section 22(b)(i) of the Act, within five working days after the mayor has tabled an adjustments budget in the municipal council.

(2) When submitting the tabled adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act, read together with section 22(b)(i) of the Act, the municipal manager must submit in both printed and electronic form –

¹² Section 28(2)(g) of the Act requires a prescribed framework to regulate what other expenditure may be included in adjustments budgets that is not already covered by section 28(2)(a) to (f) of the Act. This subregulation is intended to provide such a framework.

¹³ This subregulation is intended to ensure that additional revenues allocated to municipalities by national or provincial governments are approved for spending as soon as possible so as to minimise the possibility of underspending. If they only get approved in the adjustment budget contemplated in subregulation (1) there may be a gap of some months.

- (a) the supporting documentation referred to in section 28(5) of the Act within five working days of the adjustments budget being tabled in the municipal council; and
- (b) any other information as may be required by the National Treasury.

(3) The municipal manager must send copies of an adjustments budget and supporting documentation, in both printed and electronic form to –

- (a) any other municipality affected by that adjustments budget within five working days of the adjustments budget being tabled in the municipal council; and
- (b) any other organ of state on receipt of a request from that organ of state.

Approval of adjustments budget¹⁴

25. (1) A municipal council must consider the full implications, financial or otherwise, of the adjustments budget and supporting documentation referred to in regulation 21 before approving the adjustments budget.

(2) A municipal council may approve an adjustments budget dealing with matters referred to in section 28(2)(c) of the Act only if the expenditure was recommended by the mayor in accordance with the framework prescribed in Chapter 5 of these Regulations.

(3) When approving an adjustments budget, a municipal council must consider and adopt separate resolutions dealing with each of the matters listed in item 4 of Schedule B.

Publication of approved adjustments budget

26. (1) Within five working days after the municipal council has approved an adjustments budget, the municipal manager must in accordance with section 21A of

¹⁴ Section 28(1) of the Act provides that a municipality may revise an approved annual budget through an adjustments budget. This regulation is intended to facilitate compliance with section 28(1).

the Municipal Systems Act make public the approved adjustments budget and supporting documentation, as well as the resolutions referred to in regulation 25(3).

(2) When making public an adjustments budget and supporting documentation in terms of subregulation (1), the municipal manager must make public any other information that the municipal council considers appropriate to facilitate public awareness of the adjustments budget, including –

- (a) summaries of the adjustments budget and supporting documentation in alternate languages predominant in the community;
- (b) information relevant to each ward in the municipality, if that ward is affected by the adjustments budget; and
- (c) any consequential amendment of the service delivery and budget implementation plan that is necessitated by the adjustments budget.

Submission of approved adjustments budget and other documents

27. (1) The municipal manager must comply with section 28(7) of the Act read together with section 24(3) of the Act within five working days after the municipal council has approved an adjustments budget.

(2) When submitting an adjustments budget to the National Treasury and the relevant provincial treasury in terms of section 28(7) of the Act read together with section 24(3) of the Act, the municipal manager must also submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –

- (a) the supporting documentation within five working days after the municipal council has approved the adjustments budget;
- (b) the amended service delivery and budget implementation plan, within five working days after the council has approved the amended plan in terms of section 54(1)(c) of the Act; and
- (c) any other information as may be required by the National Treasury.

(2) The municipal manager must send copies of an approved adjustments budget and supporting documentation, in both printed and electronic form to –

- (a) any other municipality affected by that adjustments budget within five working days after the municipal council has approved the adjustments budget; and
- (b) any other organ of state on receipt of a request from that organ of state.

Part 5: In-year reports of municipalities

Format of monthly budget statements

28. The monthly budget statement of a municipality must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.¹⁵

Tabling of monthly budget statements

29. The mayor may table in the municipal council a monthly budget statement submitted to the mayor in terms of section 71(1) of the Act. If the mayor does so, the monthly budget statement must be accompanied by a mayor's report in a format set out in Schedule C.

Publication of monthly budget statements

30. (1) The monthly budget statement of a municipality must be placed on the municipality's website.¹⁶

(2) The municipal manager must publish on the municipality's website any other information that the municipal council considers appropriate to facilitate public awareness of the monthly budget statement, including –

- (a) summaries of monthly budget statements in alternate languages predominant in the community; and
- (b) information relevant to each ward in the municipality.

Quarterly reports on implementation of budget

¹⁵ See *MFMA Budget Formats Guide* published on the National Treasury's website.

¹⁶ See also section 75(2) of the Act.

31. (1) The mayor's quarterly report on the implementation of the budget and the financial state of affairs of the municipality as required by section 52(d) of the Act must be –

- (a) in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act; and
- (b) consistent with the monthly budget statements for September, December, March and June as applicable; and
- (c) submitted to the National Treasury and the relevant provincial treasury within five days of tabling of the report in the council.

Publication of quarterly reports on implementation of budget

32. When publishing the quarterly reports on the implementation of the budget in terms of section 75(1)(k) of the Act, the municipal manager must make public any other information that the municipal council considers appropriate to facilitate public awareness of the quarterly report on the implementation of the budget and the financial state of affairs of the municipality, including –

- (a) summaries of quarterly report in alternate languages predominant in the community; and
- (b) information relevant to each ward in the municipality.

Format of a mid-year budget and performance assessment

33. A mid-year budget and performance assessment of a municipality referred to in section 72 of the Act must be in the format specified in Schedule C and include all the required tables, charts and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1) of the Act.¹⁷

Publication of mid-year budget and performance assessments

34. (1) Within five working days of 25 January each year the municipal manager must make the mid-year budget and performance assessment public by placing it on the municipal website.

¹⁷ See *MFMA Budget Formats Guide* published on the National Treasury's website.

(2) The municipal manager must make public any other information that the municipal council considers appropriate to facilitate public awareness of the mid-year budget and performance assessment, including –

- (a) summaries in alternate languages predominant in the community; and
- (b) information relevant to each ward in the municipality.

Submission of mid-year budget and performance assessments

35. The municipal manager must submit to the National Treasury and the relevant provincial treasury, in both printed and electronic form –

- (a) the mid-year budget and performance assessment by 25 January of each year; and
- (b) any other information relating to the mid-year budget and performance assessment as may be required by the National Treasury.

CHAPTER 3 BUDGETS AND BUDGET RELATED MATTERS OF MUNICIPAL ENTITIES

Part 1: General provisions

Quality certification

36. Whenever an annual budget and supporting documentation, an adjustments budget and supporting documentation, or an in-year report of a municipal entity is submitted to the entity's board of directors or the parent municipality, tabled in the municipal council, made public or submitted to another organ of state, it must be accompanied by a quality certificate complying with Schedule D, E or F, as the case may be, and signed by the chief executive officer of the entity.

Consistency in bases of measurement and accounting policies

37. The chief executive officer of a municipal entity must take all reasonable steps to ensure that –

- (a) the basis of measurement and accounting policies underpinning the entity's annual financial statements are the same as those used in the preparation of the entity's annual budget and supporting documentation, its adjustments budgets and supporting documentation and its in-year reports; and
- (b) that any differences or changes between financial years are explicitly noted.

Part 2: Funding and reserves policy of municipal entities

Funding and reserves policies

38. When funding budgets, a municipal entity must apply the assumptions and methodology in its business plan for estimating –

- (a) projected billings and collections;
- (b) the provision for revenue that will not be collected;
- (c) the funds that the municipal entity can expect to receive from investments;
- (d) the dividends the municipal entity anticipates paying to the parent municipality;
- (e) the proceeds the municipal entity can expect to receive from the disposal of assets;
- (f) the municipal entity's borrowing requirements; and
- (g) the funds to be set aside in reserves.

Part 3: Annual budgets of municipal entities

Format of annual budget¹⁸

39. The annual budget and supporting documentation of a municipal entity must be in the format specified in Schedule D and include all the required tables, charts

¹⁸ Section 87(5)(e) of the Act provides that the annual budget of a municipal entity must comply with the requirements of section 17(1) and (2) of the Act to the extent that such requirements can reasonably be applied to municipal entities. Section 17(1) provides that an annual budget of a municipality must be a schedule in the prescribed format. This regulation gives effect to section 17(1).

and explanatory information, taking into account any guidelines issued by the Minister in terms of section 168(1)(a) of the Act.¹⁹

Funding of expenditure

40. (1) Realistically anticipated revenues to be received directly from the entity's parent municipality, other municipalities, other municipal entities, donors or any other source may be included in an annual budget only if there is acceptable documentation that guarantees the funds. Acceptable documentation is constituted by –

- (a) in the case of allocations from the entity's parent municipality or from other municipalities the latest available –
 - (i) allocations in the approved annual budget or any subsequent approved adjustments budget of the relevant municipality;
 - (ii) proposed allocations contained in the tabled annual budget of the relevant municipality;
 - (iii) proposed allocations from transferring municipalities communicated to the municipality in terms of section 37(2) of the Act; or
 - (iv) the previous years' allocations in the approved annual budgets and adjustments budgets of the relevant municipality; and
- (b) in the case of public contributions, donations, donor grants and any other grants, subsidies or contributions, the relevant contract or other legally binding document which guarantees the funding.

(2) Estimated provision for revenue from rates, taxes, levies or other charges that will not be collected, must be budgeted for separately and reflected on the expenditure side of the municipal entity's annual budget and not netted out from budgeted revenue.

(3) The cash flow budget required in terms of Schedule D must reflect all funds forecast to be collected, including arrears.

¹⁹ See *MFMA Budget Formats Guide* published on the National Treasury's website.

(4) The chief executive officer in signing the quality certificate in Schedule D, certifies that all customers are accounted for in the annual budget calculations and that billing systems including metering information are up to date and consistent with the revenue projections in the annual budget.

(5) To determine whether an annual budget is funded in accordance with section 87(5)(a) of the Act a simultaneous analysis is required of the financial performance, financial position, cash flow, and capital expenditure budgets together with any requirements for working capital and cash investments held for statutory or contractual purposes.

Funding of capital expenditure²⁰

41. (1) An annual budget of a municipal entity must show total capital expenditure and the different sources of funding for that expenditure.

(2) All sources of funding shown in terms of subregulation (1) must be available, and must not have been committed for other purposes.

(3) The total budgeted capital funding by source must equal the budgeted capital expenditure.

Parent municipalities to submit to treasuries information on capital projects approved by municipal entities

42. A parent municipality must submit to the National Treasury and the relevant provincial treasuries particulars of –

(a) each public entity's capital budget as approved by the board of directors of the municipal entity; and

²⁰ Section 87(5)(e) of the Act provides that the annual budget of a municipal entity must comply with the requirements of section 17(1) and (2) to the extent that such requirements can reasonably be applied to municipal entities. Section 17(2) provides that an annual budget of a municipality must generally be divided into a capital and an operating budget. This regulation is intended to give effect to this provision in the municipal entity context.