

BUDGET OPERATIONS MANUAL FOR LOCAL GOVERNMENT UNITS

2016 EDITION

**THIS MANUAL WAS DEVELOPED WITH
SUPPORT FROM THE EUROPEAN UNION**



UNDER THE PROJECT

**“SUPPORT TO THE LOCAL GOVERNMENT UNITS
FOR MORE EFFECTIVE AND ACCOUNTABLE
PUBLIC FINANCIAL MANAGEMENT
(LGU PFM 2 PROJECT)”**

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Message from the Secretary



Over the last six years, we designed and built our Public Financial Management reforms on these principles: that the budget is one of the most potent tools for achieving inclusive growth in the country, and that this growth can only be catalyzed and sustained by good governance.

Because of this, we streamlined our budget reforms to ensure that the government spends within means, that it invests in the right priorities and delivers measurable results, and that it accomplishes these within an environment that empowers citizens through greater transparency, accountability, and meaningful citizens' participation.



In all of this, we must not overlook the crucial role that our local governments play in effecting public financial management reform, or their influence in our pursuit of transformative governance. Thus, we bring to you the 2016 Edition of the Budget Operations Manual for Local Government Units (BOM for LGUs), which details reforms for responsive, transparent, and accountable local government spending, especially as they mirror efforts that are being undertaken at the national level.

What is particularly notable about this edition is its adoption of Participatory Budgeting mechanisms and the Performance Informed Budgeting approach, which gives our people—with the help of civil society organizations—a greater voice on how public funds are spent. At the same time, citizen-centric and performance-based budgeting creates firm links between the budget and service delivery standards, resulting in greater accountability for every peso that government spends.

Furthermore, this Manual provides the framework for strengthening policy-based budgeting among LGUs, specifically through the harmonization of development plans, investment programs, and policies, and then tying these closely to the resulting budget. This Edition also incorporates the latest laws, jurisprudence, and issuances on local budgeting.

As the most comprehensive and definitive guide on local budget operations, the 2016 Edition of the BOM for LGUs represents yet another accomplishment for local expenditure reform, as well as our broader goal of instituting transparency, accountability, and openness in public spending. We trust that this edition will become a valuable instrument for budget efficiency and effectiveness on the local level, and that it will likewise allow our LGUs to bring real and sustainable progress to the very communities they serve.

Mabuhay at Maraming Salamat po!


Florencio B. Abad
Secretary 



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF BUDGET AND MANAGEMENT
 GENERAL SOLANO STREET, SAN MIGUEL, MANILA

LOCAL BUDGET CIRCULAR

No. 112
 Date: June 10, 2016

TO : Local Chief Executives, Members of the Local Sanggunian, Local Budget Officers, Local Treasurers, Local Development and Planning Officers, Local Accountants, and All Others Concerned

SUBJECT : **BUDGET OPERATIONS MANUAL FOR LOCAL GOVERNMENT UNITS (BOM for LGUs), 2016 EDITION**

1.0 PURPOSE

This Circular is being issued to prescribe the BOM for LGUs, 2016 Edition, as a guide for all provinces, cities and municipalities.

2.0 THE BUDGET OPERATIONS MANUAL FOR LOCAL GOVERNMENT UNITS, 2016 EDITION

- 2.1 The BOM for LGUs, 2016 Edition, is issued by the Department of Budget and Management (DBM) to improve and systematize methods, techniques, and procedures employed in the preparation, authorization, review, execution, and accountability in local budget operations, pursuant to Section 354 of Republic Act (RA) No. 7160.¹
- 2.2 This latest edition of the BOM for LGUs contains the following enhancements and new features:
 - 2.2.1 Emphasis on participatory budgeting, specifically on the emerging roles and engagement of the civil society organizations (CSOs) in each phase of the local budget process, consistent with the Handbook on the Participation of Civil Society Organization in the Local Budget Process which was issued under Local Budget Circular (LBC) No. 106 dated June 9, 2015.
 - 2.2.2 Framework for strengthening policy-based budgeting by harmonizing development plans, investment programs and policies, and linking the budget to these harmonized plans and policies, pursuant to the pertinent provisions of RA No. 7160 and its Implementing Rules and Regulations.
 - 2.2.3 Introduction of the Performance-Informed Budgeting (PIB) approach, which uses performance information in appropriation documents to link funding to results and to provide a framework for more informed resource allocation and management.

¹ The Local Government Code of 1991

- 2.2.4 Streamlining of local budget forms and accounts consistent with the Revised Chart of Accounts for LGUs, as prescribed under Commission on Audit Circular No. 2015-009 dated December 1, 2015; and
- 2.2.5 Integration of other developments concerning local budget operations, in view of the enactment of new laws and issuance of updated/new policies and guidelines.

3.0 ELECTRONIC BUDGET SYSTEM FOR LGUs

- 3.1 To facilitate the preparation of the local budgets consistent with the BOM for LGUs, 2016 Edition, an Electronic Budget (eBudget) System for LGUs was designed and developed by the DBM under the auspices of the European Union - funded project, "Support to the Local Government Units for More Effective and Accountable Public Financial Management (LGU PFM 2 Project)."
- 3.2 The eBudget System automates the preparation of the local budgets following the procedures outlined in the BOM for LGUs, 2016 Edition. The same shall be made available free of charge to LGUs interested in automating their local budget preparation process.

4.0 ROLL-OUT ACTIVITIES

- 4.1 Trainings for the LGUs on the BOM for LGUs, 2016 Edition, and the eBudget System for LGUs shall be conducted by the Regional Inter-Agency Teams on PFM led by the DBM Regional Offices.

5.0 SAVING CLAUSE

Cases not covered by this Circular and the BOM for LGUs, 2016 Edition, shall be referred to the DBM for resolution.

6.0 REPEALING CLAUSE

This Circular and the BOM for LGUs, 2016 Edition, supersede LBC No. 2008-90 dated September 1, 2008 and the BOM for LGUs, 2008 Edition, respectively.

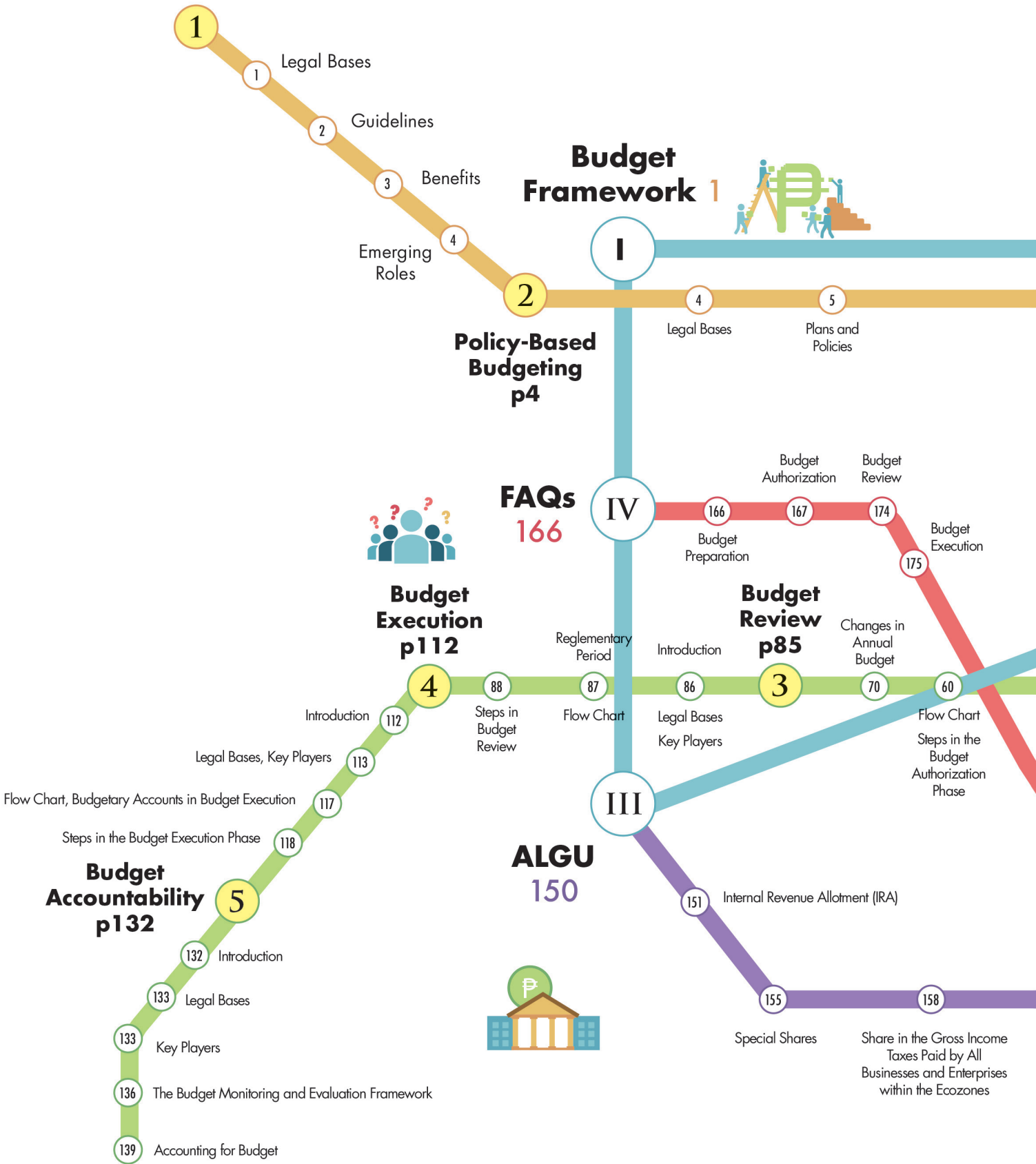
7.0 EFFECTIVITY

The guidelines provided in the BOM for LGUs, 2016 Edition, shall take effect in FY 2017.

FLORENCIO B. ABAD
Secretary




Participatory Budgeting p1



Budget Operations Manual Roadmap

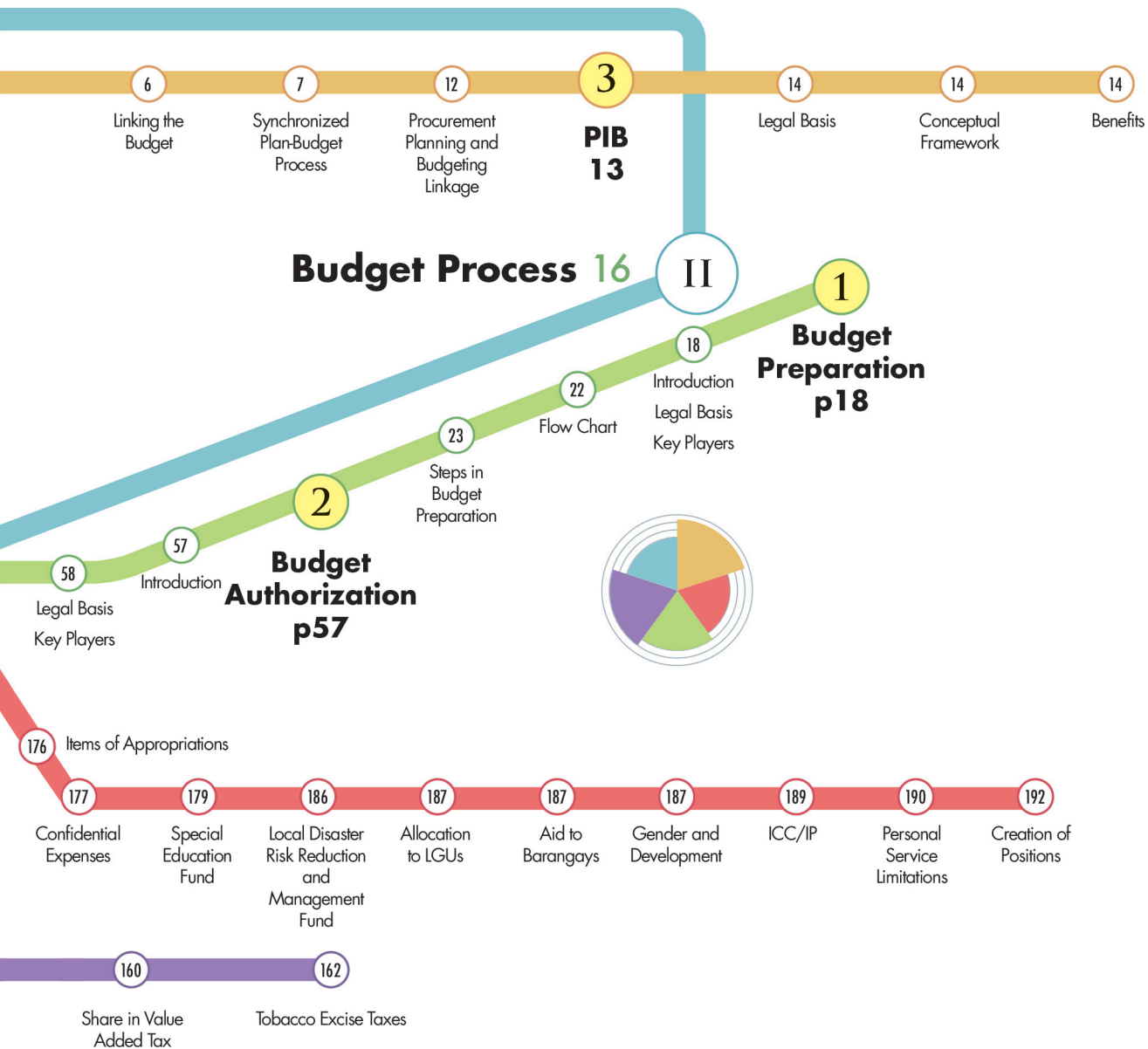


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List of Acronyms and Abbreviations

ADCOM	Additional Compensation
AIP	Annual Investment Program
AO	Appropriation Ordinance
APP	Annual Procurement Plan
BAC	Bids and Awards Committee
BLGF	Bureau of Local Government Finance
BOM	Budget Operations Manual
CAPEX	Capital Expenditure
CCT	Climate Change Tagging
CDP	Comprehensive Development Plan
CO	Capital Outlay
COA	Commission on Audit
COE	Current Operating Expenditures
CSC	Civil Service Commission
CSO	Civil Society Organization
DBM	Department of Budget and Management
DENR	Department of Environment and Natural Resources
DILG	Department of the Interior and Local Government
DOF	Department of Finance
DRRMP	Disaster Risk Reduction and Management Plan
GAD	Gender and Development
GSB	Government Servicing Bank
HOPE	Head of Procuring Entity
IAM	Internal Audit Manual for Local Government Units
IRA	Internal Revenue Allotment
LBM	Local Budget Matrix
LBO	Local Budget Officer
LCE	Local Chief Executive
LDC	Local Development Council
LDIP	Local Development Investment Program
LEE	Local Economic Enterprise
LEP	Local Expenditure Program
LFC	Local Finance Committee
LGU	Local Government Unit
LPDC	Local Planning and Development Coordinator
MFO	Major Final Output
MOOE	Maintenance and other Operating Expenses
MTEF	Medium Term Expenditure Framework

NEDA	National Economic and Development Authority
NGA	National Government Agency
PEM	Public Expenditure Management
PPA	Program/Project/Activity
PDPFP	Provincial Development and Physical Framework Plan
PI	Performance Indicator
PERA	Personnel Economic Relief Allowance
PFM	Public Financial Management
PIB	Performance Informed Budgeting
PPMP	Project Procurement Management Plan
PS	Personal Services
PU	Public Utility
RATA	Representation and Transportation Allowances
RG/TLB	Retirement Gratuity/Terminal Leave Benefits
RO	Regional Office
RPT	Real Property Tax
SB	Supplemental Budget

Foreword

Pursuant to its mandate under Section 354 of Republic Act (RA) No. 7160 to promulgate a Budget Operations Manual for local government units to improve and systematize methods, techniques, and procedures employed in the local budget process, the Department of Budget and Management (DBM) is issuing the Budget Operations Manual for Local Government Units (BOM for LGUs), 2016 Edition.

The BOM for LGUs, 2016 Edition, reflects the earnest endeavour to mirror at the local level the efforts being undertaken at the national level to make public expenditure management more responsive, transparent and accountable.

Thus, the Manual continues to espouse participatory budgeting, and reinforces the emerging roles of Civil Society Organizations in the local budget process, as embodied in the separate Handbook issued for the purpose.

The BOM for LGUs, 2016 Edition, also provides the framework for strengthening policy-based budgeting by specifying how to harmonize development plans, investment programs and policies, and how to link the budget to these harmonized plans and policies.

It also adopts the Performance Informed Budgeting Structure to ensure that the budget documents produced will be more comprehensible and relevant through the presentation of performance information. This means that stakeholders will be informed on how each government peso is aligned with performance indicators and tangible targets of the LGU.

The foregoing paradigm shifts, as well as the latest issuances on local budgeting, are integrated and reflected in the entire budget process, thus making the BOM for LGUs, 2016 Edition a potent and effective tool for sound and efficient local public expenditure management.

PART I. THE BUDGETING FRAMEWORK FOR LGUS

Introduction

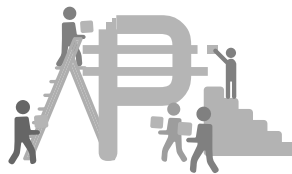
The first part of the BOM for LGUs, 2016 Edition contains three chapters.

Chapter 1 advocates the principles of **participatory governance** in the budget process. It attempts to persuade local thinking on the benefits of engaging civil society organizations (CSOs) in collective decision-making.

Complementary to the chapter on participatory budgeting, Chapter 2 focuses on further strengthening the linkage among policy, plan and budget. The inclusion of this Chapter is an attempt to address the mismatch between policy objectives and resource realities, as documented in the Local Government Units Public Financial Management (LGU PFM) Reform Roadmap. The mismatch, which is due to planning being largely separated from policy-making, leads to lack of fiscal discipline, and consequently, poor service delivery. Both policy-making and planning are also weakly linked to budgeting resulting to frequent and numerous in-year adjustments in budget items, thus, reducing the credibility of the budget.

Finally, Chapter 3 explains the rationale for performance informed budgeting, its conceptual framework and its benefits.

CHAPTER 1. PARTICIPATORY BUDGETING



Participatory budgeting is an approach wherein citizens, through CSOs, are allowed to take part in the process of allocating public resources. It offers citizens the opportunity to contribute in the formulation of options and in making choices that will affect how their government acts. Since participatory budgeting helps promote transparency, it has the potential of reducing government inefficiencies and corruption.¹

1.1 Legal Bases of Participatory Budgeting

The State shall encourage non-governmental, community-based, or sectoral organizations that promote the welfare of the nation (*Section 23, Article II, 1987 Philippine Constitution*).

The participation of the private sector in local governance, particularly in the delivery of basic services, shall be encouraged to ensure the viability of local autonomy as an alternative strategy for sustainable development (*Section 3[1], Republic Act [RA] No. 7160²*).

Role of People's and Non-governmental Organizations. - Local government units shall promote the establishment and operation of people's and non-governmental organizations to become active partners in the pursuit of local autonomy (*Section 34, RA No. 7160*).

¹ Handbook on the Participation of Civil Society Organizations in the Local Budget Process
² Local Government Code of 1991

1.2 Guidelines on Participatory Budgeting

To ensure the genuine and meaningful engagement of civil society, the following parameters shall guide both the LGUs and CSOs:

- 1.2.1 LGUs shall allow and practice genuine participation of people in the planning and budgeting processes to promote and establish transparency and accountability in all transactions related to PFM.
- 1.2.2 LGUs shall encourage participation and involvement of the CSOs, as part of the Local Development Councils (LDC) and as observers in the Local Finance Committees (LFCs), in the processes of setting directions and allocating available resources. The purpose is to draw concerned citizens together to participate and give inputs in decision-making related to local plans and budget.
- 1.2.3 LGUs shall apply democratic principles in group decision-making techniques to arrive at choices and preferences that are genuinely responsive to people's needs, particularly those of the marginalized and disadvantaged members of society.
- 1.2.4 LGUs shall embody decisions arrived at in the plan and budget as products of broad-based consultation and participation that engender people's collective consensus, commitment and ownership.
- 1.2.5 LGUs are encouraged to enhance participative planning in different venues, such as:
 - In training workshops - more work than listening to lectures.
 - In focused group discussions - discuss/resolve the issues at hand.
 - In formal institutions - schools and formal classes are used.
 - Digital Governance - wide use of electronic system or computers to communicate with constituents via social media and other inter-active platforms.
- 1.2.6 LGUs shall establish **priorities and allocate resources** during **investment programming of Programs, Projects and Activities (PPAs)** as major links to budgeting. The ranked PPAs and their corresponding resource requirements become the bases for preparing the annual budget proposals.

Both LGUs and CSOs shall also be guided by the following Principles of Engagement, as embodied under DBM National Budget Circular No. 536 dated January 31, 2012:

- Transparency – provide all parties, as well as the general public, timely access to relevant and verified information/data subject to the limits of the law;
- Accountability – abide by the policies, standards and guidelines of engagement that may be agreed upon, and fulfil commitments;
- Integrity – adhere to moral and professional standards;
- Partnership – cooperate and share responsibilities to ensure that the objectives of the engagement are achieved;
- Consultation and mutual empowerment – enhance knowledge sharing and continuing dialogue;
- Respect for internal processes – understand and abide by the limitations of the stakeholders with respect to the nature of the information to be disclosed and the extent of involvement based on institutional/legally imposed limitations; and
- Sustainability – ensure continuing engagement by instituting progressive policies and operational mechanisms that will promote and environment of mutual trust

1.3 Benefits of Participatory Budgeting

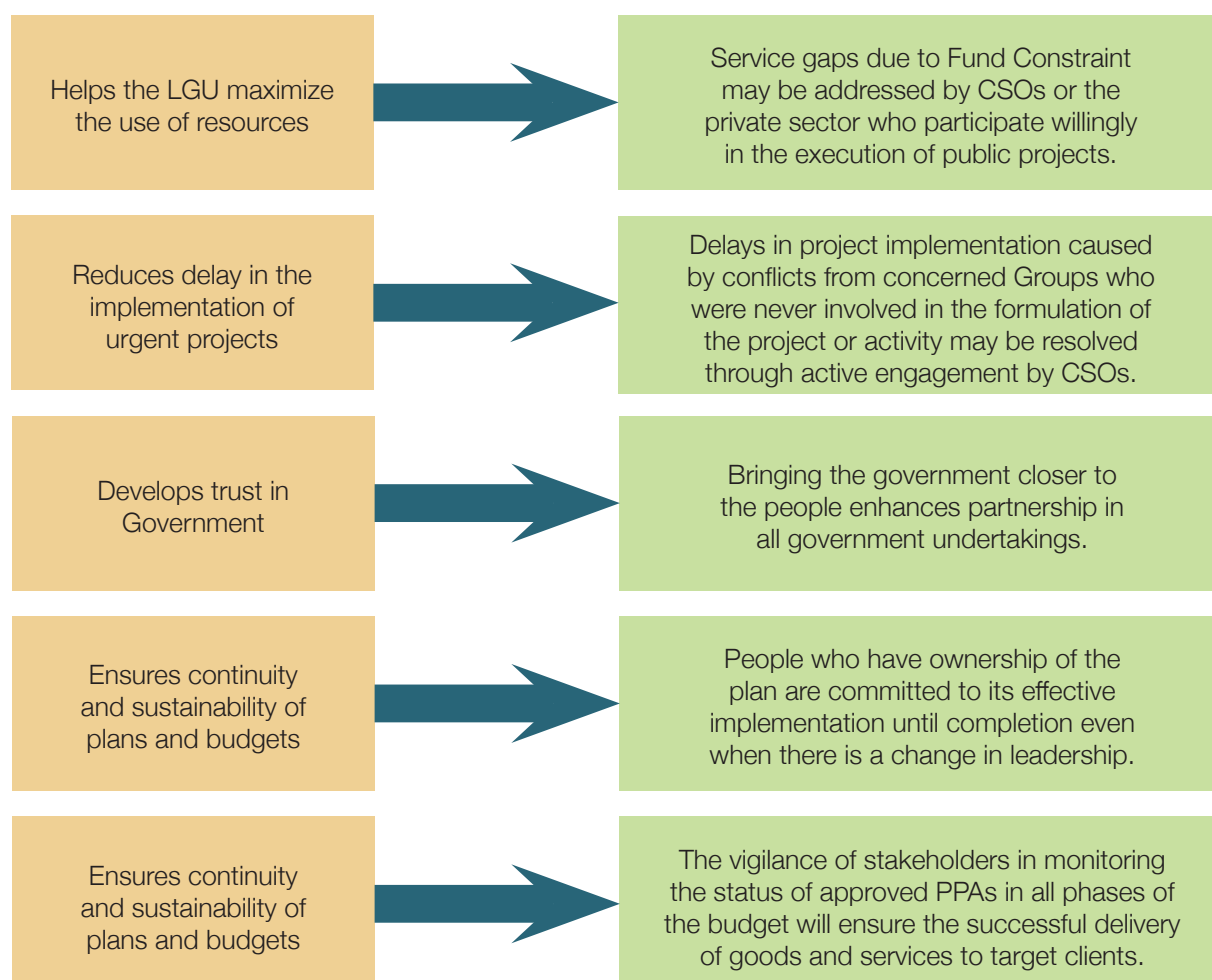
Based on a World Bank study, participatory budgeting increases opportunities for participation. While questions remain regarding whether the quality of participation is sufficient to ensure lasting interest in participating, and whether it is sufficiently broad-based, participatory budgeting can break down barriers between citizens and government, thereby, improving mutual understanding and communication.

Participatory budgeting also strengthens local CSOs, which may improve local governance in the long term. It is noted though that the organizations that gain access to decision making and partnership with local government may themselves become arms of the local government.

Participatory budgeting can also help make infrastructure and services more relevant to communities they serve, and can result in additional revenue for local development.³

Figure No. 1 below further outlines the benefits of participatory budgeting.

Figure 1. Benefits of Participatory Budgeting

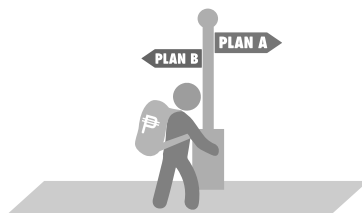


1.4 Emerging Roles of CSOs in the Budget Process

Decisions involving sources of financing, priorities in the use of funds, and allocation of scarce resources necessitate the involvement of stakeholders who can share ideas and information on sound public financial management.

The CSOs may be engaged in all phases of the budget process, as provided in the Handbook on the Participation of Civil Society Organizations in the Local Budget Process, and as outlined in subsequent Chapters of this Manual.

CHAPTER 2. POLICY-BASED BUDGETING



Policy-based budgeting means that the budget is prepared with due regard to local government policy, which, in turn, should be harmonized with the development plans and reflected in the investment programs that the LGUs are required to prepare pursuant to RA No. 7160.

A major indicator therefore of policy-based budgeting is when an LGU is able to fund in its general fund budget(s) the PPAs that were prioritized in the investment programs, which, in turn, were based on the approved long-term development plan.

Another indicator of policy-based budgeting is orderliness in the planning and budget processes, as demonstrated by compliance with the Synchronized Planning and Budgeting Calendar for LGUs.

2.1 Legal Bases of Plan-Budget Linkage

Each local government unit shall have a comprehensive multi-sectoral development plan to be initiated by its development council and approved by its sanggunian. For this purpose, the development council at the provincial, city, municipal or barangay level, shall assist the corresponding sanggunian in setting the direction of economic and social development, and coordinating development efforts within its territorial jurisdiction (*Section 106, RA No. 7160*).

The provincial, city and municipal development councils shall, among others: (1) formulate long-term, medium-term and annual socio-economic development plans and policies; and (2) formulate the medium-term and annual public investment programs (*Section 109, RA No. 7160*).

Local budget, plans and goals shall, as far as practicable, be harmonized with national development plans, goals and strategies in order to optimize the utilization of resources and to avoid duplication in the use of fiscal and physical resources (*Section 305 [h], RA No. 7160*).

Local budgets shall operationalize approved local development plans (*Section 305 [i], RA No. 7160*).

L[ocal] D[evelopment] C[ouncil]s shall submit to the local finance committee a copy of the local development plan and annual investment program prepared and approved during the fiscal year before the calendar for budget preparation in accordance with applicable laws, specifying therein projects proposed for inclusion in the local government budget as well as in the budgets of National Government Agencies (NGAs) or Government-Owned or –Controlled Corporations (GOCCs) concerned.

The local finance committee shall use the plan to ensure that projects proposed for local funding are included in the budget.

NGAs and GOCCs shall provide LGUs all necessary information on projects already funded in their respective budgets. Such information shall include specifically, among other things: name of project, location, sources, and levels of funding for said projects. The same information must be made available to the local finance committee concerned within the first quarter of the year to avoid duplications in funding project proposals (*Article 410, Implementing Rules and Regulations [IRR], RA No. 7160*).

2.2 Harmonizing Plans and Policies

RA No. 7160 explicitly requires all LGUs to have a multi-sectoral development plan, which shall be translated into programs, projects and activities (PPAs) through investment programs.

To operationalize the aforementioned requirement of the law, the existing planning manuals issued by the Department of the Interior and Local Government (DILG) and National Economic and Development Authority (NEDA) require the LGUs to prepare the following:

For provinces and highly-urbanized cities:

2.2.1 Provincial Development and Physical Framework Plan (PDPFP)

The PDPFP is a document that identifies strategies and corresponding PPAs that serve as primary inputs to the provincial investment programming process. The PDPFP also serves as a key vertical influence in linking provincial development objectives with local, regional and national policies and priorities.

2.2.2 Provincial Development Investment Program (PDIP)

The PDIP is a basic document linking the local development plan to the budget for provinces. It contains a prioritized list of PPAs which are derived from the Provincial Development and Physical Framework Plan (PDPFP) matched with financing resources, and to be implemented within a three to six-year period.

For component cities and municipalities:

2.2.3 Comprehensive Development Plan (CDP)

The CDP is the multi-sectoral plan formulated at the city or municipal level, which embodies the vision, sectoral goals, objectives, development strategies and policies within the terms of LGU officials and the medium-term. The CDP contains: (1) Ecological Profile; (2) Sectoral Development Plan; and (3) Implementing instruments.

2.2.4 Local Development Investment Program (LDIP)

The LDIP is a basic document linking the local development plan to the budget for cities and municipalities. It contains a prioritized list of PPAs which are derived from the CDP matched with financing resources, and to be implemented within a three to six-year period.

The LDIP is the principal document for implementing the CDP. It translates the CDP into PPAs, and reflects those which shall be prioritized by the LGU for funding in the general fund budgets or through other fund generation schemes.

For Provinces, Cities and Municipalities

2.2.5 Annual Investment Program (AIP)

The AIP refers to the annual slice of the Provincial/Local Development Investment Program, which constitutes the total resource requirements for all PPAs, i.e., the annual capital expenditure and regular operating requirements of the LGU.

As also provided under RA No. 7160, the foregoing plans and investment programs should be harmonized with the plans and investment programs of higher level LGUs, as well as that of the national government, to optimize the utilization of resources and to avoid duplication in the use of fiscal and physical resources.

Moreover, in formulating the investment programs, policies of both the executive and legislative departments should also be considered.

The processes for formulating the foregoing development plans and investment programs are detailed under the CDP Guide and Concise Illustrative Guide for the Preparation, Review, Monitoring and Updating of the CDP and LDIP issued by the DILG, and in the Manual for Provincial/Local Planning and Expenditure Management issued by the NEDA.

2.3 Linking the Budget to Harmonized Plans and Policies

The IRR of RA No. 7160 is very instructive on how to ensure that the local budgets are linked to harmonized local plans and policies.

The IRR, particularly Article 410 thereof, provides that local development councils (LDCs) shall submit to the local finance committee (LFC) a copy of the local development plan and AIP prepared and approved during the fiscal year before the calendar for budget preparation in accordance with applicable laws, specifying therein projects proposed for inclusion in the local government budget as well as in the budgets of National Government Agencies (NGAs) or Government-Owned or –Controlled Corporations (GOCCs) concerned.

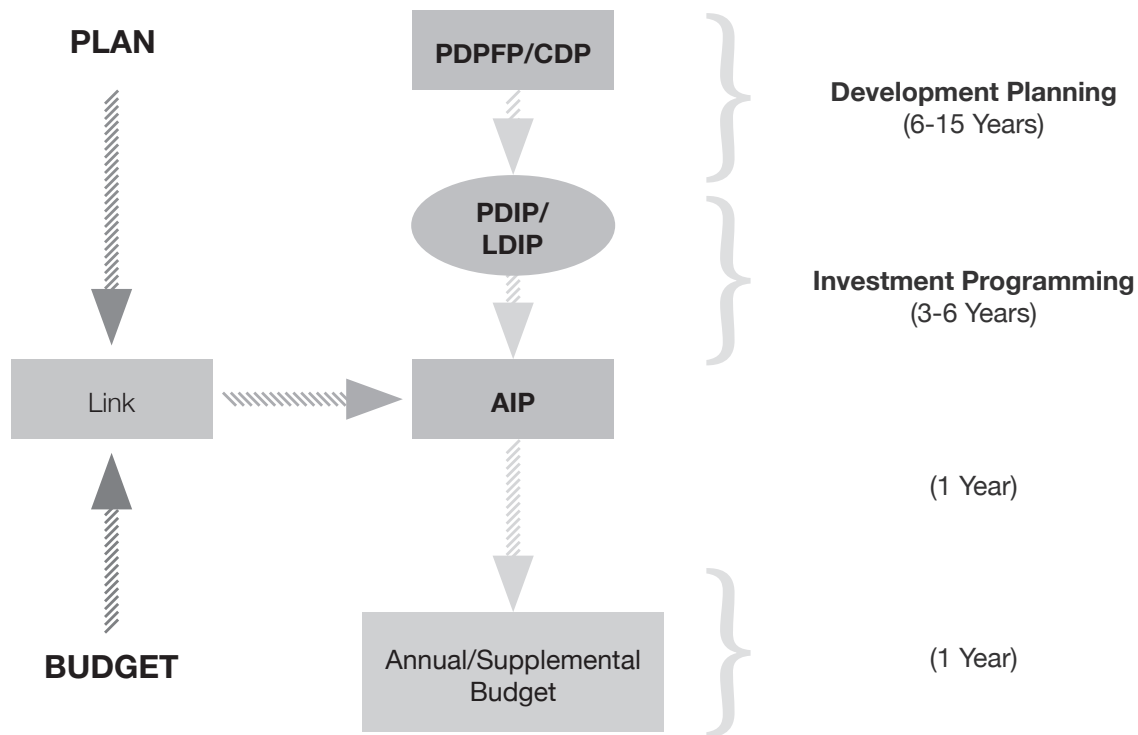
The foregoing provision is clear on the following:

1. That the AIP should be prepared and approved before the start of the local budget preparation phase; and
2. That the local budgets shall fund PPAs included in the AIP.

It may also be gleaned from the foregoing that the link between the plan and the budget is actually provided by the investment programs, particularly by the AIP (see Figure 2 below). Thus, to ensue plan-budget linkage and ensure that local budgets truly operationalize approved local development plans, it is imperative that:

1. The investment programs contain priority PPAs that will directly contribute to the achievement of the goals and objectives of the LGU, as embodied in the development plans; and
2. The local budgets fund the PPAs included in the investment programs, particularly in the AIP.

Figure 2. Plan-Budget Link Model



2.4 Synchronized Plan-Budget Process

The planning-budgeting cycle commences in July of an election year when the LGUs reconstitute their Local Planning Teams. Provinces start setting the guidelines for the updating of the planning databases, while the cities and municipalities start preparing the work plan for the updating or preparation of the CDP.

From July to August, the provinces assess the implementation of their respective PDPFP and update their planning databases. The cities and municipalities, on the other hand, update their Rationalized Planning Indicator Data Sets (RaPIDS) or Local Development Indicator Set (LDIS) and their Ecological Profile.

To help the provinces in updating their planning databases, the BLGF, through the DILG, may provide them with data on financial indicators. The DILG also provides the RaPIDS and/or LDIS financial indicators to the cities and municipalities.

Starting September, the LGUs reconstitute their Local Special Bodies – Local Development Council, Peace and Order Council, Local Health Board and Local School Board.

From November to December, the Provincial Development Councils are convened to deliberate on the PDPFP and Structured List of PPAs of their component cities and municipalities for the purpose of harmonization. At

the city and municipal levels, the Mayor presents the Structured List of PPAs to the Provincial Development Council.

Within the said period, the Medium-Term Revenue Forecasts for planning purposes are generated by the Local Treasurers while the Medium-Term Forecasts of Current Operating Expenses and Capital Outlays for administrative/support services are generated by the Local Finance Committee (LFC), with the Local Budget Officer in the lead.

The BLGF and DBM shall provide technical assistance to the Local Treasurers and LFCs, respectively, in coming up with the aforementioned forecasts.

Points to Consider in Formulating the Medium Term Forecast of COE and CO for Administrative/Support Services

- Personal Services
 - Based on the latest approved Plantilla of Personnel;
 - Proposed creation and filling-up of positions shall be included as separate items; and
 - Requirements for retirement benefits / terminal leave benefits, salary increases shall be included.
- Maintenance and Other Operating Expenses (MOOE)
 - Items which are based on contracts / fixed rates shall not be indexed with inflation;
 - Consider budgetary implications of price changes (inflation);
 - Include maintenance requirements of existing as well as newly-completed facilities and newly-acquired assets (e.g. vehicles); and
 - Consider demand-driven changes, e.g. population, cost of maintaining an ideal level of service.
- Capital Outlays
 - Include office equipment and furniture and fixtures that have to be procured over the medium-term.

The aforementioned forecasts are used as inputs to finalize the LDIP⁴, which takes off from the Structured List of PPAs or the long list of the PPAs that will implement the goals and objectives reflected in the CDP.

The Structured List of PPAs is subjected to further screening using the following tools⁵:

- Urgency Test Matrix;
- Resource Impact Matrix;
- Conflict-Compatibility-Complementary matrix; and
- Goal Achievement Matrix.

Based on the results of the foregoing screening tools, a ranked list of PPAs is derived. The ranked list of PPAs shall be considered for investment programming. It shall then be cross-matched with available resources, particularly with investible funds, as identified by the Local Finance Committee (LFC), through the evaluation

Tools for Prioritizing PPAs:



Urgency Test Matrix compares the level of urgency of PPAs.



Resource Impact Matrix compares how the PPAs will impact on LGU resources, including financial, manpower and natural resources.



Conflict-Compatibility-Complementary Matrix checks if the PPAs will conflict with or complement each other.



Goal Achievement Matrix checks how each PPA contributes to the achievement of the LGU vision or goals.

⁴ The process described hereinafter may also be adopted by the Provinces.
⁵ Concise Illustrative Guide for the Preparation, Review, Monitoring and Updating of the CDP and LDIP

of the Medium Term Revenue Forecasts vis-à-vis the Medium Term Forecast of Current Operating Expenses (COE) and capital outlays (CO) for administrative/support services.

$$\text{New Investment Financing Potential} = \text{Medium Term Revenue Forecast} - \text{Medium Term Forecast of COE and CO for Administrative/Support Services}$$

Thereafter, the LGU will prepare the LDIP depending on the financing approach it will adopt. If it chooses to take a more conservative approach, then the PPAs to be included in the LDIP will be limited to the new investment financing potential of the LGU.

If the LGU chooses to be pragmatic or developmental in its financing approach, then it will include PPAs in the LDIP that can be funded by the new investment financing potential of the LGU, as well as from additional funds resulting from resource generation measures and other financing options, e.g., borrowings, bond flotations, Public-Private Partnerships.

The LDIP is considered as an implementation instrument of the CDP, thus, is approved with the CDP, together with the other implementation instruments.

Based on the approved LDIP, the annual slice thereof is culled out to constitute the AIP.

Unless otherwise modified, the AIP Summary Form below, as prescribed under DBM-Climate Change Commission (CCC)-DILG Joint Memorandum Circular (JMC) No. 2014-1 dated August 7, 2014, as amended by DBM-CCC-DILG JMC No. 2015-1 dated July 23, 2015, shall be used.

CY ____ Annual Investment Program (AIP)													
As of _____													
Province/City/Municipality/Barangay: _____													
AIP Reference Code	Program/Project/Activity Description	Implementing Office/ Department	Schedule of Implementation		Expected Outputs	Funding Source	Amount (in thousand pesos)				Amount of Climate Change PPAs (in thousand pesos)		
			Start Date	Completion Date			Personal Services (PS)	Maintenance and Other Operating Expenses (MOOE)	Capital Outlay (CO)	Total	Climate Change Adaptation	Climate Change Mitigation	CC Typology Code
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) 8+9+10	(12)	(13)	(14)
General Services (1000)													
Social Services (3000)													
Economic Services (8000)													
Other Services (9000)													

Prepared by:

Attested by:

Planning Officer

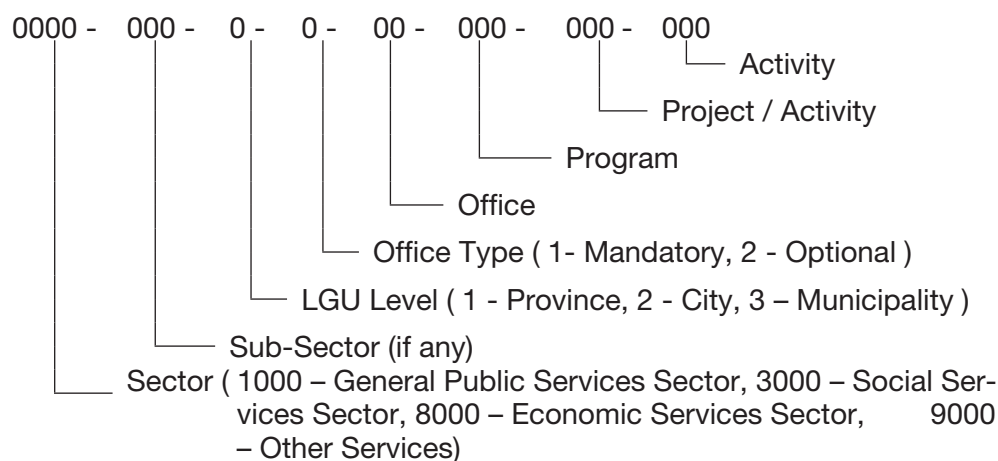
Budget Officer

Local Chief Executive

In filling out the AIP Summary Form, the following pointers shall be observed:

1. Column 1 - AIP Reference Code

The AIP Reference Code is vital to ensuring the Plan-Budget Linkage. The code assigned to each PPA facilitates validation of whether or not the PPAs funded in the budget are the same PPAs prioritized in the AIP.



The codes for the offices were included to establish the responsibility centers for the PPAs.

Services falling under each sector are presented under Annex C while the suggested coding structure for the offices in the LGU are presented under Annex D.

2. Column 2 - PPA Description

Column 2 should reflect a concise description of the work to be done under a particular sector to achieve specific objectives. The scope and nature of the work to be undertaken by the LGU is better captured by presenting the PPAs in the following manner:

PPA Structure				Example			
I.	Program			I.	Executive Governance Program		
	A.	1.	Activity 1		A.	1.	General Management and Supervision
		2.	Activity 2			2.	Public Affairs, Information, Communication and Technical Assistance
	B.	Project			B.	Operationalization of the Internal Audit Unit	
		1.	Activity 1			1.	Rehabilitation of Office Facilities
		2.	Activity 2			2.	Purchase of Office Equipment and Furniture and Fixtures

The foregoing structure requires that all activities and projects be subsumed under a specific program, which, in turn, should be under the responsibility of a particular department/office in the LGU. Accordingly, the program(s) should be directly related to the mandate of the Department/Office as it should contribute to the achievement of the Department's/Office's organizational outcome(s).

Program – an integrated group of activities that contribute to a particular continuing objective of a department/agency.

- Project – a special undertaking carried out within a definite time frame and intended to result in some pre-determined measure of goods and services.
- Activity – a work process that contributes to the implementation of a program, sub-program or project.

3. Column 3 - Implementing Office/Department

The implementing Office/Department refers to the Office/Department responsible for the execution of the PPAs, and for delivering the services as mandated by the Local Government Code of 1991. The implementing Office/Department should be presented by sector.

4. Columns 4 and 5 - Implementation Schedule

The expected start and completion dates should be specified to provide a concrete basis for work plans, and to serve as a guide in procurement planning.

5. Column 6 - Expected Outputs

Major Final Outputs (MFOs) shall be identified for each Program while immediate outputs shall be identified for each project and activity.

An **MFO** is a good or service that a department/agency is mandated to deliver to external clients through the implementation of PPAs.

It may be defined relative to the outcomes that they contribute to, the client or community group it serves, and the business lines of the department/agency.⁶

Immediate Output, for purposes of the AIP Summary Form, refer to what is actually produced when the activities are undertaken.

For example:

PPAs	MFO / Immediate Output
I. Executive Governance Program	Executive Governance Services
A. 1. General Management and Supervision	PPA implementation managed LGU personnel supervised
2. Public Affairs, Information, Communication and Technical Assistance	Information, Education and Communication activities and materials developed/ disseminated Stakeholders assisted
B. Operationalization of the Internal Audit Unit	Internal Audit Unit operationalized
1. Rehabilitation of Office Facilities	Office Facilities
2. Purchase of Office Equipment and Furniture and Fixtures	Office Equipment and Furniture and Fixtures

Sample MFOs and their corresponding Performance Indicators (PIs) are presented under Annex B.

6. Column 7 - Funding Source

Consistent with the provisions of RA No. 7160 and its IRR, whereby the AIP should indicate the PPAs for inclusion in the local government budget as well as in the budgets of NGAs or GOCCs concerned, the following may be indicated under the column for funding source:

- General Fund (GF) Proper
- GF – Special Account (SA) – 20% Development Fund (DF)

- GF – Local Disaster Risk Reduction Management Fund (LDRRMF)
- Transfers from NGAs (*Other than those accruing to the GF*)
- Transfers from GOCCs (*Other than those accruing to the GF*)
- Transfers from Other LGUs
- Income of Local Economic Enterprises (for its own operations)
- Others

7. Columns 8 to 11 - Estimated Cost

The total cost of the PPAs is broken down into PS, MOOE and CO.

For purposes of the AIP, the total PS and MOOE costs of a particular program or office, both line departments and administrative/ legislative support services, shall represent the current operating cost for all regular activities. Costs which add to the fixed assets of the LGU are categorized as capital outlays.

8. Columns 12 to 14 – Amount of Climate Change PPAs⁷

Indicate the amount pertaining to PPAs for Climate Change Adaptation (CCA) and Climate Change Mitigation under Columns 12 and 13, respectively.

PPAs for CCA are measures that address the drivers of vulnerability. Vulnerability is the degree to which people or systems are susceptible to the adverse effects of climate change but are unable to cope with them. Vulnerability can be decreased by reduced exposure (e.g., shifting population or assets to less risky areas through zoning regulations), or by increasing coping capacity (e.g., well-targeted poverty reduction, income and livelihood diversification, health programs and dissemination of climate risk information).

Measures that directly confront climate change impacts are PPAs that directly address the impacts or potential impacts of climate change variability such as construction of infrastructure that incorporate climate change risks in the design.

Measures that build resilience to current and future climate risks, on the other hand, refer to those which increase the capacity of the social or ecological system to reach or maintain an acceptable level of functioning or structuring while undergoing changes.

PPAs for CCM are measures to reduce greenhouse gas emissions such as, but not limited to, improved energy efficiency, use of renewable energy, improved forest management, and improved transport systems. They also include measures to protect and enhance greenhouse gas sinks and reservoirs such as but not limited to Bantay Gubat, Bantay Bakawan, and reforestation.

The entire cost of the PPA is reflected as Climate Change expenditure if the program/project profile indicates that the primary goal/objective of the PPA is to provide a direct adaptation or mitigation response.

If CCA or CCM is not the primary objective of the PPAs, only the cost of specific components of the PPA that match those listed in the CC Typologies (Annex A of DBM-CCC-DILG JMC No. 2015-01 dated July 23, 2015) is reflected.

2.5 Procurement Planning and Budgeting Linkage

Section 7 of RA No. 9184⁸ explicitly provides that all procurement should be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity concerned.

⁷ DBM-CCC-DILG JMC No. 2015-01 dated July 23, 2015
⁸ Government Procurement Reform Act

The importance of painstakingly planning all procurement is underscored by the provision of RA No. 9184 that no government procurement shall be undertaken unless it is in accordance with the approved Annual Procurement Plan of the Procuring Entity.

At the local level, as soon as the AIP has been approved by the respective Local Sanggunian, departments/offices or end-user units may start preparing their Project Procurement Management Plans (PPMPs) to support the requirements and/or cost estimates of the different PPAs, as embodied in the approved AIP.

Individual department/office/end-user unit shall prepare their respective PPMPs for all PPAs with proposed procurement of goods and services, civil works, and/or consulting services for the operation of their respective departments/offices.

The PPMP shall include: (a) information on whether PPAs will be contracted out, implemented by administration, or consigned; (b) the type and objective of contract to be employed; (c) the extent/size of contract scopes/packages; (d) the procurement methods to be adopted, and indicating if the procurement tasks are to be outsourced; (e) the time schedule for each procurement activity and for the contract implementation; and (f) the estimated budget for the general components of the contract.

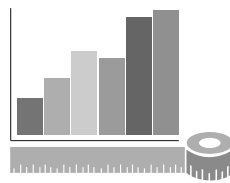
The PPMP, as appended to the budget proposals of Departments/Offices, shall then be submitted to the procuring entity's Budget Office for evaluation during budget preparation phase.

In the consolidation of PPMPs, the BAC may adopt a strategy wherein similar items to be procured are packaged into one procurement undertaking under a single PPMP.

Factors to consider in preparing/consolidating the APP

- Inclusion of all procurement activities planned for the year;
- Include provisions to cover foreseeable emergencies or contingencies usually indicated by historical records;
- Scheduling of procurement activities in the APP should be done in such a manner that the BAC and other offices/units involved in the procurement process in the LGU are able to efficiently manage the conduct of procurement transactions.

CHAPTER 3. PERFORMANCE INFORMED BUDGETING (PIB)



In parallel with the efforts of the national government to make the national budget a vehicle for a more responsive, transparent and accountable public expenditure management, PIB is also being adopted as an approach in local budgeting.

PIB is the new budgeting approach that uses performance information in appropriation documents to link funding to results and to provide a framework for more informed resource allocation and management.⁹

PIB, therefore, enables the more meaningful presentation of the budget, whereby each government peso is aligned with performance indicators and tangible targets of the LGU.

3.1 Legal Basis of PIB

Budgets of LGUs shall include a brief description of the functions, projects and activities for the ensuing fiscal year, expected results for each function, project and activity, and the nature of work to be performed, including the objects of expenditure for each function, project and activity (*Section 317 [b] [3], RA No. 7160*).

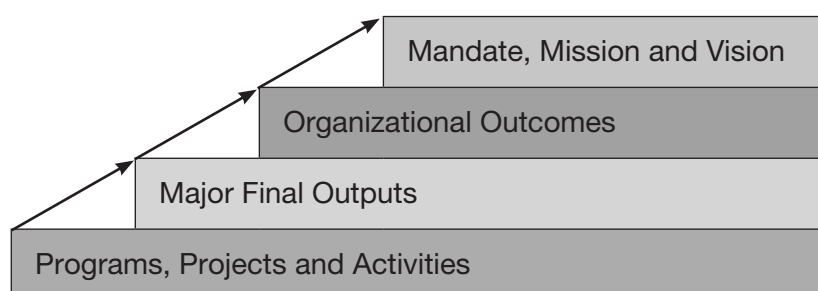
3.2 Conceptual Framework of PIB

The PIB Structure follows the Results Framework or the Logical Framework (LogFrame) which each Department should establish, and which the LGU should consider in identifying and prioritizing PPAs during investment programming. It is noted that in prioritizing PPAs, the LGUs may use the Goal Achievement Matrix, which can validate the results framework, thus, enable the LGU to formulate its performance information.

In the budgeting process, the Departments/Offices of the LGU are required to specify their PPAs that will lead to the delivery of the corresponding MFOs, which, in turn, contribute to the attainment of the Organizational Outcome. The Organizational Outcome should contribute to the attainment of the Department's mandate, mission and vision.

The PIB Structure is presented under Figure 3.

Figure 3. PIB Structure



3.3 Benefits of PIB¹⁰

The PIB as a core PFM reform program is seen as a critical tool in steering the government towards inclusive growth and delivers the following key benefits:

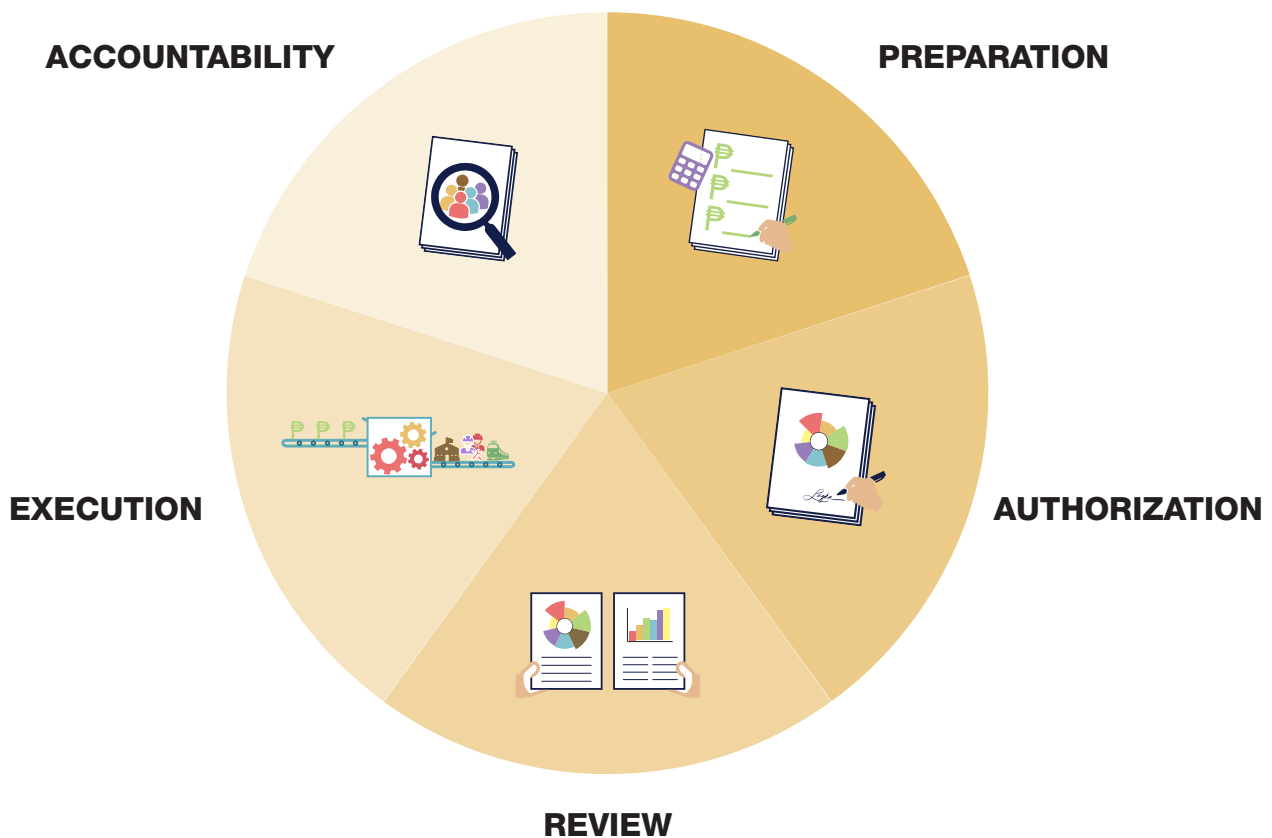
- Reinforce the meaning of accountability as a commitment to perform;
- Empower citizens to participate in the utilization and allocation of resources with more transparent, accountable and responsive budget documents;
- Enable individual agencies/LGUs to see opportunities on how activities fit in the broader development plan and how they could collaborate with other agencies/LGUs in achieving a common goal;
- Allow the Executive Branch to ensure that each peso spent is tightly linked to its priority outcomes, to reduce overlaps and to avoid duplicative or inefficient spending;
- Enable legislators to better evaluate the budget proposals and to better exercise their oversight function to check if the agencies/LGU deliver the results they committed to deliver; and
- Ensure that projects and programs are properly aligned with national development goals and objectives.

¹⁰ Source: Technical Notes on the 2015 Proposed National Budget

PART II. THE LOCAL BUDGET PROCESS

The budget process in LGUs is divided into five (5) phases: (1) Budget Preparation; (2) Budget Authorization; (3) Budget Review; (4) Budget Execution and (5) Budget Accountability. These phases are interrelated and sequential, as can be seen from Figure 4 below:

Figure 4. The Local Budget Process



CHAPTER 1. BUDGET PREPARATION

1.0 Introduction

2.0 Legal Basis

3.0 Key Players in Budget Preparation

4.0 The Budget Preparation Flow Chart

5.0 Steps in the Budget Preparation Phase

Step 1. Issue the Budget Call

Step 2. Prepare and Submit Budget Proposals

2.1 Firm Up Major Final Outputs, Identify Performance Indicators and Set Targets

2.2 Estimate Costs for the Budget Year (PS, MOOE, CO) for Each PPA

2.3 Prepare the Project Procurement Management Plan (PPMP)

2.4 Consolidate PPMPs into APP

2.5 Review and Consolidate the Budget Proposals

Step 3. Conduct Budget Hearings and Evaluate Budget Proposals

Step 4. Prepare the Local Expenditure Program

Step 5. Prepare the Budget Message

Step 6. Submit the Local Expenditure Program to the Local Sanggunian

6.0 Local Budget Preparation Forms to be Accomplished

LBP Form No. 1 - Budget of Expenditures and Sources of Financing

LBP Form No. 2 - Programmed Appropriation
and Obligations by Object of Expenditures

LBP Form No. 2A - Programmed Appropriation and
Obligations for Special Purpose Appropriations

LBP Form No. 3 - Personnel Schedule

LBP Form No. 4 - Mandate, Vision/Mission, Major Final Output,
Performance Indicators and Targets by Department/Office

LBP Form No. 5 - Statement of Indebtedness

LBP Form No. 6 - Statement of Statutory and
Contractual Obligations & Budgetary Requirements

LBP Form No. 7 - Statement of Fund Allocation by Sector

LBP Form No. 8 - Statement of Funding Source

LBP Form No. 9 - Statement of Supplemental Appropriation

7.0 Illustrative Examples

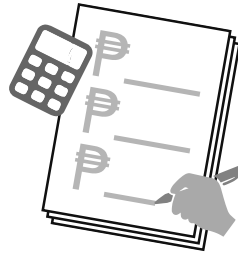
7.1 Budget Call

7.2 Local Expenditure Program

7.3 Budget Message

7.4 Local Budget Preparation No. 4

CHAPTER 1. BUDGET PREPARATION PHASE



1.1 Introduction

Budget preparation is the first phase of the local budget process. It involves cost estimation per PPA, preparation of budget proposals, executive review of budget proposals, and preparation of the LEP and the Budget Message. This phase starts with the issuance of the Budget Call, and ends with submission of the Executive Budget to the Sanggunian on or before October 16 of each year.

1.2 Legal Basis of Budget Preparation

Upon receipt of the statements of income and expenditures from the treasurer, the budget proposals of the heads of departments and offices and the estimates of income and budgetary ceilings from the local finance committee, the local chief executive shall prepare the executive budget for the ensuing year in accordance with the provisions of [Title V, Book II of RA No. 7160] (*Section 318, RA No. 7160*).

1.3 Key Players in Budget Preparation

Local Chief Executive (LCE) - The LCE shall prepare the executive budget for the ensuing fiscal year upon receipt of the statements of income and expenditure from the treasurer, the budget proposals from the heads of various departments and offices and the estimates of revenue and budgetary ceilings from the Local Finance Committee.

He shall submit said Executive Budget to the Sanggunian concerned not later than the 16th of October of the current fiscal year (*Section 318, RA No. 7160*).

Local Finance Committee (LFC) - The LFC composed of the Local Planning and Development Coordinator, Local Budget Officer and the Local Treasurer shall have, among others, the following functions, as defined in Section 316 of RA No. 7160:

- Determine the income reasonably projected as collectible for the ensuing fiscal year;
- Recommend the appropriate tax and other revenue measures or borrowings considered realistic and feasible to support the budget;
- Recommend to the LCE the level of annual expenditures and ceilings of spending for economic, social, and general public services based on the approved local development plan;
- Recommend to the LCE the proper allocation of expenditures for each development project/activity and between current operating expenditures and capital outlays; and
- Recommend to the LCE the amount to be allocated for capital outlay.

Local Treasurer - The Local Treasurer shall submit to the LCE a certified statement covering the income and expenditures of the preceding fiscal year, the actual income and expenditures of the first two (2) quarters of the current year, and the estimated income and expenditures for the last two (2) quarters of the current year (*Section 315, RA No. 7160*).

Local Budget Officer (LBO) – The LBO shall review and consolidate the budget proposals of different departments and offices of the LGU. The LBO shall also assist the LCE in the preparation of the budget and during consultation meetings with stakeholders (*Section 475, [b 2-3], RA No. 7160*).

He/she shall prepare the draft Budget Message and the LEP, in coordination with other members of the LFC prior to the submission of said documents to the LCE.

Local Planning and Development Coordinator (LPDC) – The LPDC shall analyze the income and expenditure patterns, and recommend fiscal plan and policies for consideration of the local finance committee of the LGU (*Section 476 [6], RA No. 7160*).

Local Accountant – The Local Accountant, jointly with the Local Treasurer, shall certify all statement of income and expenditure of the preceding fiscal year, the actual income and expenditures of the first two (2) quarters of the current year and the estimated income and expenditure for the last two (2) quarters of the current year (Article 411, IRR of RA No. 7160).

Heads of Departments and Offices/Heads of LEEs/PUs – The Heads of Departments and Offices/LEEs/PUs shall submit budget proposals for their respective departments or offices to the LCE thru the LFC on or before the 15th of July of each year. Said budget proposal shall be prepared in accordance with the approved AIP, guidelines and spending ceilings as specified in the Budget Call, and the other general requirements prescribed under Section 317 of RA No. 7160.

The Sanggunian is considered a separate office for purposes of Budget Preparation. Thus, the Vice-LCE shall prepare and submit to the LCE the budget proposal of the office of the Sanggunian.

CSOs and the Private Sector Group - The CSOs shall have the following functions based on the Handbook on the Participation of Civil Society Organizations in the Local Budget Process:

Table 1. Emerging Roles of CSOs in the Budget Preparation Phase

ACTIVITY	LGU ROLES	CSO ROLES
1. ISSUE THE BUDGET CALL The Budget Call is a directive from the LCE that contains general objectives, policy decisions, strategies, and prioritized PPAs by sector/office as reflected in the AIP for the budget year	Provide a copy of the Budget Call to the accredited CSOs. Include in the Budget Call a requirement for the Department Heads to consult with accredited CSOs.	Check that AIP priorities are highlighted in the Budget Call.

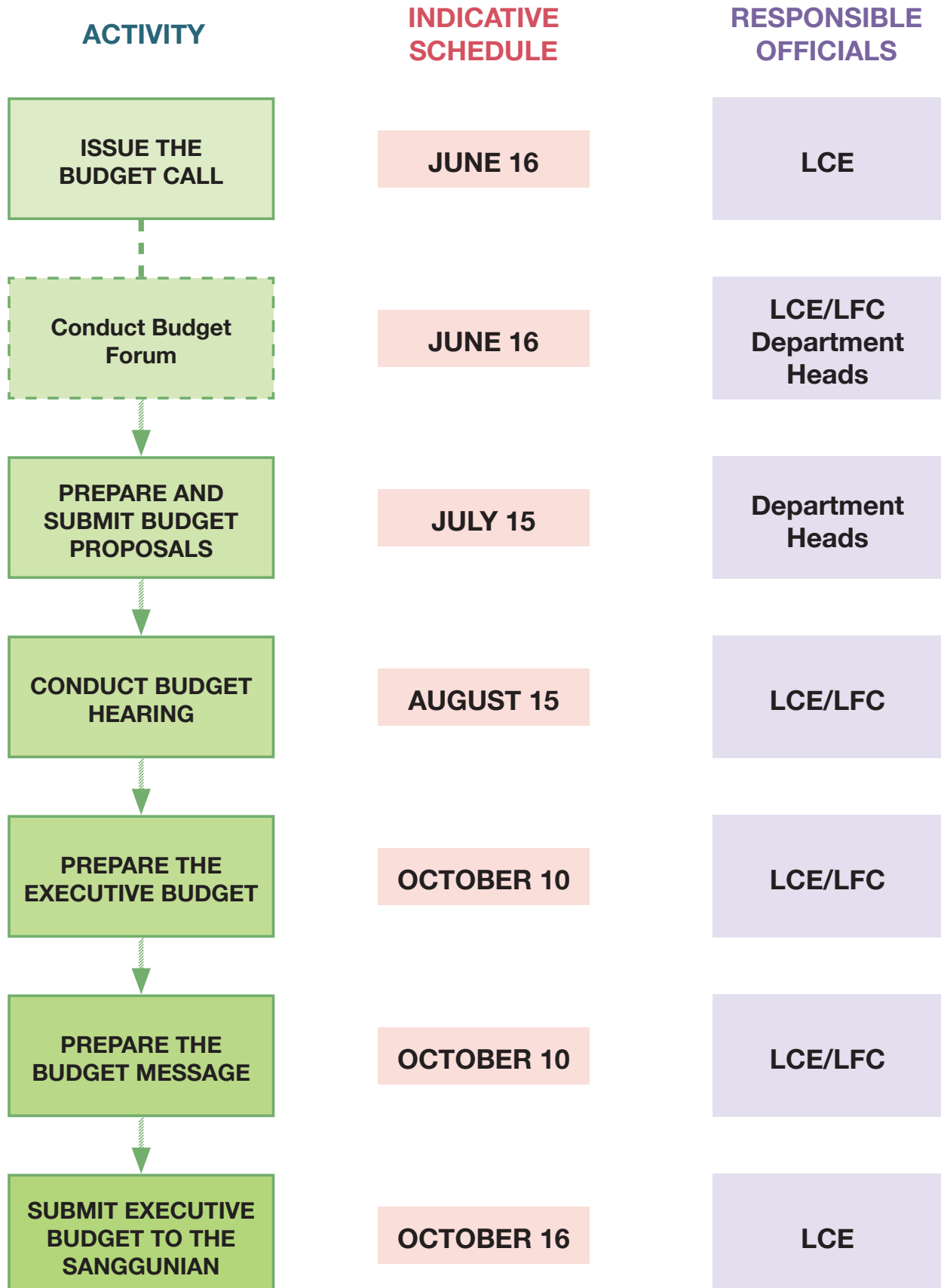
ACTIVITY	LGU ROLES	CSO ROLES
<p>2. CONDUCT THE BUDGET FORUM</p> <p>A one-day forum wherein the LBO explains to Department Heads the major thrusts and policy directions, sources of income, spending ceilings and budget strategies.</p>	<p>Invite accredited CSOs to the Budget Forum. Ideally, the Budget Forum may provide information on why recommended priorities of accredited CSOs were not included in the identified PPAs.</p>	<p>Participate in the Budget Forum to gain an overall appreciation of the thrusts and priorities of the LGU for the budget year as contained in the Budget Call.</p>
<p>3. PREPARE AND SUBMIT BUDGET PROPOSALS</p> <p>Each Department Head prepares the budget proposals and submits these to the LBO for review and consolidation. He/She needs to determine the expected outputs for the budget year and estimated costs.</p>	<p>LCE to ensure that the Department Heads consulted with accredited CSOs. The Budget Call may already prescribe such requirement.</p>	<p>The accredited CSOs sectoral representative may partner with the Department Heads concerned in determining the target beneficiaries and funding requirements for the particular sector. The CSOs may also propose projects for consideration by the Department Heads concerned. In cases where CSOs' proposed PPAs are not included in the budget, CSOs can request information from the LGU on the reasons for non-inclusion.</p>
<p>4. CONDUCT BUDGET HEARINGS</p> <p>The technical budget hearings are conducted by the LFC to validate the revenue sources, PPAs, cost estimates and expected outputs for the budget year.</p>	<p>Invite accredited CSOs to the budget hearings in relation to sectoral concerns.</p>	<p>Participate in the budget hearings to provide inputs on sectoral concerns.</p>
<p>5. EVALUATE BUDGET PROPOSALS</p> <p>The LFC evaluates all budget proposals using the output and cost criteria.</p>	<p>May replicate the best practices of other LGUs in engaging CSOs in LFC.</p>	<p>May replicate the best practices of other CSOs in engaging LFC.</p>

ACTIVITY	LGU ROLES	CSO ROLES
<p>6. SUBMIT EXECUTIVE BUDGET TO SANGGUNIAN</p> <p>After consolidation of the budget proposal and approval thereof by the LCE, the LGU shall submit the proposed executive budget not later than October 16 of the current fiscal year pursuant to Section 318 of RA No. 7160. This is usually done through a State of the Province/City/Municipality Address (SOPA/SOCA/SOMA), where the LCE presents the proposed Annual Budget to the Sanggunian and other stakeholders.</p>	<p>Invite accredited CSOs to the SOPA/SOCA/SOMA.</p>	<p>Attend the SOPA/SOCA/SOMA.</p>

1.4 The Budget Preparation Flow Chart

The budget preparation flow chart below is shown in Figure 5. The sequence of activities in preparing the LEP should be synchronized with the mandated deadline for its submission to the Local Sanggunian.

Figure 5. Budget Preparation Flowchart



1.5 Steps in the Budget Preparation Phase.

Step 1. Issue the Budget Call.

The Budget Call signals the start of the budget preparation period. This executive directive is issued based on the approved AIP, Local Government Code and this Manual.

What is a Budget Call?

A budget call is a directive from the LCE specifying the objectives, policy decisions strategies, financing requirements and prioritized PPAs by sector/office as reflected in the AIP. It provides clear guidelines in the preparation of individual budget proposals.

This directive shall be disseminated not later than June 16 to allow more time for the Department Heads to submit reasonable proposals for the budget year.

What are found in the Budget Call?

1. Spending ceilings by major expenditure (PS, MOOE and CO);
2. Resource allocation scheme or fiscal policy decisions;
3. Objectives, strategies and priority PAPs;
4. Expected results;
5. Budget Calendar and budget preparation forms; and
6. Other administrative guidelines.

All these elements are explained in Budget Preparation workshops prior to the preparation of budget proposals for the Budget Year.

Departments and offices of the LGU shall be guided by the policies, ceilings and targets embodied in the Budget Call.

Budget proposals are reviewed as to their consistency with the AIP and Budget Call policies.

Why is the Budget Call Important?

- It emphasizes the policy objectives of the budget.
- It emphasizes the guidelines to be observed in the preparation of budget proposals.
- It focuses on the outputs aimed to be produced during the budget year.
- It firms up policy decisions on how the budget shall be financed; and
- It prescribes the budget preparation schedule and forms.

How is the budget forum conducted?

1. Invite all stakeholders to a one-day Budget Forum to explain and discuss the following:
 - ⊙ objectives for the budget year, major thrusts and policy decisions;
 - ⊙ sources of income for the past three (3) years;
 - ⊙ income estimates and corresponding assumptions;
 - ⊙ spending ceilings and budget strategies.
 - ⊙ timelines of activities; and
 - ⊙ forms to be used.
2. Use focused group discussion (FGD) to engender group participation.
3. Close the forum by summarizing all issues raised.

Step 2. Prepare and Submit Budget Proposals

The budget proposals of various departments and offices shall be prepared using uniform templates to ensure the completeness and comprehensiveness of budget information, as well as to facilitate the consolidation of all proposals in an accurate and timely manner.

2.1 Firm up MFOs, Identify Performance Indicators (PIs) and Set Targets

The **MFO(s)** identified for the programs under the AIP shall be firmed up to ensure their alignment with the Department's/Office's organizational outcome, mandate, vision and mission.

Thereafter, the corresponding PIs shall be identified. PIs are the means to measure how well the goods or services were delivered. This is where we measure the quantity, quality and timeliness of service delivery to the clients.

Annex B contains the Menu of Suggested MFOS and their corresponding PIs.

Taking into consideration resource availability vis-à-vis what should be delivered by the Department/Office, set the target(s) for the budget year.

2.2 Estimate Costs for the Budget Year

There are three types of costs that may be reflected in the budget: 1) the current operating expenditures; 2) financial expenses; and 3) the capital costs or CO (e.g., equipment or structures that add to the fixed assets of the LGU).

Current Operating Expenditures (COE) refer to appropriations for the purchase of goods and services for the conduct of normal local government operations within the fiscal year, including goods and services that will be used or consumed during the budget year.

These are expenses allocated to mandatory Personal Services (PS) and other associated PS costs. These include salaries and wages, Personnel Benefit Contributions, Mid-Year Bonus, Year-End Bonus and Cash Gift, Representation Allowance and Transportation Allowance (RATA), etc.. These are fixed costs which do not vary regardless of the number of outputs produced.

The other costs, which are variable, are the Maintenance and Other Operating Expenses. These include Travel Expenses, Office Supplies Expenses, Rent, Water, Electricity, Fuel, Telephone Expenses, Internet Expenses, Security Services, Repair and Maintenance Expenses, Confidential Expenses, Printing Expenses, Extraordinary & Miscellaneous Expenses and Representation Expenses, etc..

Financial Expenses are expenses which are not used in the actual operation of the LGU. These expenses include bank charges, interest expense, commitment fees and other financial charges.

Capital Outlay (CO) - refers to appropriations for the purchase of goods and services, the benefits of which extend beyond the fiscal year and which add to the asset of the local government unit concerned, including investment in public utilities such as public markets and slaughter houses.

2.3 Prepare the Project Procurement Management Plan (PPMP) for the Budget Year

The PPMP shall be prepared by all Departments/Offices for all PPAs with proposed procurement of goods, civil works and consulting services. This shall be done by firming up the PPMP prepared based on the approved AIP, taking into consideration the available resources, particularly the budget ceilings, of the Department/Office concerned.

2.4 Consolidate PPMPs into APP

The consolidation and evaluation of PPMPs will be made much faster and economical through the BAC. This means that decisions on the mode of procurement, type and specifications of items to be procured, when to procure and costs have been considered.

2.5 Review and Consolidate Budget Proposals

The budget proposals by various Departments/Offices shall be reviewed by the Local Budget Officer (LBO) using the following criteria:

- Consistency with policies set forth in the Budget Call;
- Compliance with budgetary requirements, general limitations and other provisions under RA No. 7160; and
- Accuracy of horizontal and vertical computations.

Budget proposals not in conformity with policies and guidelines shall be returned for revision.

All budget proposals shall be consolidated by the LBO for submission to the LFC to be used in the conduct of budget hearings.

Step 3. Conduct Budget Hearings and Evaluate Budget Proposals

The hearing and evaluation of budget proposals shall follow this procedure:

3.1 Conduct technical budget hearings

A technical budget hearing is conducted to:

- ⊙ review the rationale of the Department/Office;
- ⊙ review the PPAs by department/office;
- ⊙ validate output projection; and
- ⊙ review costs estimates.

This technical hearing shall be conducted for at least ten (10) working days (August 15 to 25).

3.2 Evaluate budget proposals

Members of the LFC shall evaluate all budget proposals using the following criteria:

- ⊙ rationale of the PPA;
- ⊙ major output and performance indicators criteria, targets; and
- ⊙ cost criterion.

Step 4. Prepare Local Expenditure Program (LEP)

The Local Expenditure Program (LEP)/Executive Budget shall primarily consist of two (2) parts: estimates of receipts; and the proposed appropriations for the budget year.

Guidelines in the Preparation of the Local Expenditure Program

The first part of the LEP is the *Receipts Program*. The receipts structure shall cover the immediate past year, the current year and the budget year.

- Beginning cash balance shall be net of amounts earmarked for specific purposes (e.g., continuing appropriations, 20% Development Fund, payables, others {restricted funds}).
- Receipts sources are generated from accomplished Local Budget Preparation (LBP) Form No. 1, which reflects the following:

A. Local (Internal) Sources

1. Tax Revenue
2. Non-tax Revenue

B. External Sources

1. Internal Revenue Allotment (IRA)
2. Share from GOCCs (PAGCOR AND PCSO)
3. Other shares from National Tax Collection
4. Inter-Local Transfer
5. Extraordinary Receipts/Grants/Donation/Aids

C. Non-Income Receipts

1. Capital Investment Receipts
2. Receipts from Loans and Borrowings
3. Income of Local Economic Enterprises for its own operations

Any proposed measure/s to increase the income of the LGU shall be subject to approval by the Sanggunian. These new revenue measures may include the following:

- ⊙ New or additional local taxes, charges, fees, fines or penalties
- ⊙ Loan proceeds (to finance capital projects).

The second part of the LEP is the *Expenditure Program*. The details of the expenditure program shall include:

- **Performance Information.** Each Department/Office shall present its mandate, vision/mission, major final outputs and corresponding performance indicators, targets for the budget year and the PPAs that will deliver the MFOs and corresponding budget (PS, MOOE and CO).
- **Proposed New Appropriations by Object of Expenditures**
- **Special Purpose Appropriations** shall be provided for the following purposes:
 - ⊙ Appropriation for Development Projects - at least 20% of IRA (*Section 287, RA No. 7160*)
 - ⊙ Appropriation for Disaster Risk Reduction and Management Program. - at least 5% of estimated regular income for the budget year (*Section 324 [d], RA No. 7160, as amended under Section 21 of RA No. 10121*)
 - ⊙ Appropriation for Debt Service – Not exceeding twenty percent (20%) of the regular income (*Section 324 [b], RA No. 7160*)
 - ⊙ Advances/Loans to Local Economic Enterprises/Public Utilities (*Section 313, RA No. 7160*)
 - ⊙ Aid to Barangays (*Section 324 [c], RA No. 7160*)
 - ⊙ Other authorized special purpose appropriations

- **Special Provisions.** Policies on the use of funds, specific purpose/s or expected outputs and measures to reduce cost shall be provided after the presentation of the expenditure program for each department or office.

The LEP shall also include the *General Provisions*, which are policies and guidelines on receipts and expenditure.

- Explicit provisions on the manner and procedure for revenue generation and utilization shall be provided as guideposts for avoiding delays in the implementation of development projects and activities.
- General guidelines, for example, on the treatment of income coming from the operation of local economic enterprises and public utilities, shall be clearly provided.
- The LEP shall also provide guidelines on the expenditure side, specifically for personal services and all other personnel benefits, for maintenance and other operating expenses, and for capital outlays. A policy provision on cost-cutting or economy measures shall be included to all objects of expenditures.
- These guidelines shall be supported by rules and policies coming from oversight agencies like the COA, the CSC, the DBM and the DILG.

The LEP shall also provide the Summary of New Appropriations by Expense Class and By Sector, and by Department/Office. It shall also include the Summary Statement of All Statutory and Contractual Obligations Due.

The LEP shall be the material document for deliberation and authorization by the Sanggunian.

Step 5. Prepare the Budget Message

Legal Basis

The budget document shall contain “***A budget message of the local chief executive set forth in brief the significance of the executive budget, particularly in relation to the approved local development plan.***” (Section 314 [b], RA No. 7160)

What is a Budget Message?

A Budget Message is a summary of the proposed executive budget prepared by the LCE highlighting the following:

- Previous Years’ Fiscal Performance
- Development Goals and Objectives
- Policy Thrusts
- Priority PPAs
- Estimates of Income and Sources Thereof
- Major Items in the Expenditure Program
- Major Final Outputs/Performance Indicators/Targets

Contents of the Budget Message

The Budget Message provides justification for the policy decisions contained in the proposed executive budget. It should include, among others, the following:

- Proposed budget by sector, office and expenditure class;
- Justification for the need to expand (increased number of beneficiaries) without sacrificing quality of service delivery;
- Identification of new/additional beneficiaries if service delivery is expanded; and
- Justification for new PPAs to be implemented during the budget year.

How to Prepare the Budget Message

1. Present the objectives, policies, strategies, and priority programs/projects activities of the LGU for the budget year and relate their consistency with the proposed revenue and expenditure structure.
 - ⊙ Explain the program thrusts and the justification or reasons why resources have to be focused on said programs.
 - ⊙ Include with the justification the expected results of the projects and activities that will rationalize budget allocation and accountability.
2. Identify the “flagship projects” by sector and by program and relate how they are envisioned to carry out the development goals for the next three (3) years.
3. Review the past five (5) years revenue and expenditure patterns and disclose what basic services and facilities were provided.
 - ⊙ Present in simple graphs or charts the income trend and expenditure pattern showing what results or output were produced during the period.
4. Discuss the current year’s income and expenditure performance and disclose any improvements in the production of results as compared with those during the past five (5) years.
5. Disclose service gaps to show the inability of the LGU to deliver basic services. This may be used as a major justification for proposals to expand the budget for a sector/office.
 - ⊙ Show the analysis in graphical form: The comparison of performance for the last five (5) years vis-à-vis the performance for the current year.
 - ⊙ Discuss and explain policy decisions that will improve service delivery in terms of quality, quantity, and timeliness criteria. Relate the funding to the issues being resolved by the proposed spending policies.
 - ⊙ Summarize the goods and services to be delivered for the budget year. These are the expected results of the budget designed to close the service gaps.

An illustrative example of a Budget Message is shown on pages 41-43.

Step 6. Submit Local Expenditure Program, together with the following documents, to the Sanggunian not later than the 16th of October of the current year (*Section 318, RA No. 7160*):

- Budget Message;
- Plantilla of Personnel;
- Statement of Indebtedness;
- Annual Operating Budget of Local Economic Enterprise(s), if any;
- Annual Investment Program, duly supported by:
 - ⊙ DILG-endorsed GAD Plan and Budget;
 - ⊙ Local Disaster Risk Reduction Management Plan;
 - ⊙ Climate Change Action Plan;
 - ⊙ Peace and Order Plan;
 - ⊙ List of PPAs for the Local Council for the Protection of Children;
 - ⊙ List of PPAs for Senior Citizens and Persons with Disabilities; and
 - ⊙ List of PPAs to combat AIDS.

1.6 Local Budget Preparation Forms

LBP Form No. 1

BUDGET OF EXPENDITURES AND SOURCES OF FINANCING LGU: _____

Particulars 1	Account Code 2	Income Classification 3	Past Year (Actual) 4	Current Year Appropriation			Budget Year (Proposed) 8
				First Semester (Actual) 5	Second Semester (Estimate) 6	Total 7	
I. Beginning Cash Balance							
II. Receipts							
A. Local Sources							
1. Tax Revenue							
a. Real Property Tax (RPT)							
i. Basic RPT							
ii. Special Education Fund							
b. Business Tax							
c. Other Local Tax							
Total Tax Revenue							
2. Non-Tax Revenue							
a. Regulatory Fees							
b. Service/User Charges							
c. Receipts from Economic Enterprise							
d. Other Receipts							
Total Non-Tax Revenue							
Total Local Sources							
B. External Sources							
1. Internal Revenue Allotment							
2. Share from GOCCs (PAGCOR and PCSO)							
3. Other Shares from National Tax Collection							
a. Share from Ecozone							
b. Share from EVAT							
c. Share from National Wealth							
d. Share from Tobacco Excise Tax							
4. Inter-Local Transfer							
5. Extraordinary Receipts/Grants/Donations/Aids							
Total External Sources							
C. Non-Income Receipts							
1. Capital Investment Receipts							
a. Proceeds from Sale of Assets							
b. Proceeds from Sale of Debt Securities of Other Entities							
c. Collection of Loans Receivable							
Total Capital Investment Receipts							
2. Receipts from Loans and Borrowings							
a. Acquisition of Loans							
b. Issuance of Bonds							
Total Receipts from Borrowings and Loans							
Total Non-Income Receipts							
Total Receipts							
III. Expenditures							
Personal Services							
Salaries and Wages							
Salaries and Wages – Regular							
Other Compensation							
Personal Economic Relief Allowance (PERA)							
Personnel Benefit Contributions							
Other Personnel Benefits							
Maintenance and Other Operating Expenses							
Traveling Expenses							
Training and Scholarship Expenses							
Supplies and Materials Expenses							
Utility Expenses							
Communication Expenses							
Awards/Rewards Expenses							
Survey, Research, Exploration and Development Expenses							
Demolition/Relocation and Desilting/Dredging Expenses							
Generation, Transmission and Distribution Expenses							
Confidential Expenses							
Extraordinary Expenses							
Professional Services							
General Services							
Repairs and Maintenance							
Financial Assistance / Subsidy							
Financial Expenses							
Capital Outlays							
Investment Property							
Land and Buildings							
Property, Plant and Equipment							
Land							
Land Improvements							
Biological Assets							
Intangible Assets							
Special Purpose Appropriations (SPAs)							
Appropriation for Development Programs/Projects (20%)							
(Development Fund)							
Appropriation for Local Disaster Risk Reduction and Management							
(LDRRM) Programs/Projects (5% LDRRM Fund)							
Appropriations for Debt Service							
Advance/Loans to Local Economic Enterprise/ Public Utilities							
Aid to Barangays							
Other Authorized SPAs							
Total Expenditures							
IV. Ending Balance							

We hereby certify that the information presented above are true and correct. We further certify that the foregoing estimated receipts are reasonably projected as collectible for Budget Year.

Local Treasurer

Local Budget Officer

Local Planning Development Officer

Local Accountant

Approved:

Local Chief Executive

INSTRUCTIONS

Column 1 – Indicate the receipts by major source. The beginning cash balance shall be net of amounts earmarked for specific purposes (e.g., continuing appropriations, 20% Development Fund).

Column 2 – Indicate the account code for each itemized receipt using the Revised Chart of Accounts for LGUs, as prescribed under Commission on Audit Circular No. 2015-009 dated December 1, 2015.

Column 3 – Classify the income into regular (R) or non-regular (NR).

Column 4 - Indicate the past year's actual receipts and expenditures. The past year's and the first two quarters of the current year's actual receipts and expenditures shall be jointly certified by the Local Treasurer and the Local Accountant.

Columns 5 and 6 – Indicate current year's estimated receipts and expenditures, as follows:

- First semester – actual receipts and expenditures jointly certified by the Local Treasurer and the Local Accountant.
- Second semester – estimated receipts and expenditures prepared by the Local Budget Officer.

Column 7 – Indicate the totals of the amounts under Columns 5 and 6.

Column 8 – Indicate the proposed amount of receipts and expenditures for the budget year.

Notes: 1. Prepare the same form for each local economic enterprise/public utility.

2. Based on the Bureau of Local Government Finance Memorandum Circular No. 16-2015 dated June 19, 2015 re Local Public Financial Management (PFM) Tools for the Electronic Statement of Receipts and Expenditures (which include the Guidebook for the New Local Government Financial Performance Monitoring System), regular revenues refer to taxes, fees and receipts actually realized, including the IRA and other shares provided for in Sections 284, 290 and 291 of RA No. 7160, but exclusive of non-recurring receipts such as national aids, grants, financial assistance, loan proceeds, sales of assets, miscellaneous income/receipts and other similar receipts.

LBP Form No. 2

PROGRAMMED APPROPRIATION AND OBLIGATION BY OBJECT OF EXPENDITURE

LGU: _____

Office: _____

Object of Expenditure 1	Account Code 2	Past Year (Actual) 3	Current Year (Estimate)			Budget Year (Proposed) 7
			First Semester (Actual) 4	Second Semester (Actual) 5	Total 6	
Personal Services Salaries and Wages Salaries and Wages - Regular Other Compensation Personal Economic Relief Allowance (PERA) Personnel Benefit Contribution Other Personnel Benefit Maintenance and Other Operating Expenses Travelling Expenses Training and Scholarship Expenses Supplies and Materials Expenses Utility Expenses Communication Expenses Awards/Rewards Expenses Survey, Research, Exploration and Development Expenses Demolition/Relocation and Desilting/Dredging Expenses Generation, Transmission and Distribution Expenses Confidential, Intelligence and Extraordinary Expenses Professional Services General Services Repairs and Maintenance Financial Assistance/Subsidy Financial Expenses Capital Outlays Investment Property Land and Buildings Property, Plant and Equipment Land Land Improvements Biological Asset Intangible Assets Total Appropriations						

Prepared:

Department Head

Reviewed:

Local Budget Officer

Approved:

Local Chief Executive

INSTRUCTIONS

This form is intended to reflect the following:

Column 1 – Indicate the applicable Objects of Expenditures.

Indicate under Financial Expenditures whether the amounts represent bank charges, interest expense, commitment charges, documentary stamp expense and other financial charges, losses incurred relative to foreign exchange transactions and debt service subsidy to GOCCs consistent with NGAs.

Column 2 – Indicate account code using the Revised Chart of Accounts for LGUs, as prescribed under Commission on Audit Circular No. 2015-009 dated December 1, 2015.

Column 3 – Indicate the actual expenditures incurred in the Past Year.

Columns 4 and 5 – Indicate current year's expenditures, as follows:

- First semester – actual expenditures as certified by the Local Accountant.
- Second semester – estimated expenditures prepared by the Department Head

The totals of this column for all Departments/Offices should tally with the amount of Expenditures per Columns 5 and 6 of LBP Form No. 1.

Column 6 – Indicate the totals of the amounts under Columns 5 and 6.

Column 7 – Indicate the proposed expenditures for the budget year.

Note: 1. The Local Budget Officer shall prepare a summary for all offices using LBP Form No. 1.

LBP Form No. 2a

Programmed Appropriation and Obligation for Special Purpose Appropriations

LGU: _____

Office: _____

AIP Reference Code 1	Sector 2	Program/Project/Activity 3	Past Year (Actual) 4	Current Year		Budget Year (Proposed) 7
				Actual 5	Estimate 6	

Prepared:

Reviewed:

Approved:

Department Head_____
Local Budget Officer_____
Local Chief Executive

This form is intended to reflect the details of Special Purpose Appropriations lodged under each Department/Office.

LBP Form No. 3

Personnel Schedule CY _____

LGU: _____

Office: _____

Item Number		Position Title 3	Name of Incumbent 4	Current Year Authorized		Budget Year Proposed		Increase / Decrease 9
Old 1	New 2			Rate/Annum		Rate/Annum		
				SG/Step 5	Amount 6	SG/Step 7	Amount 8	

Prepared:

Reviewed:

Approved:

Department Head_____
Human Resource Management Officer_____
Local Chief Executive**INSTRUCTIONS**

Columns 1 and 2 – Indicate the old and new item numbers of the plantilla position.

Columns 3 and 4 – Indicate the position title and the name of the incumbent occupying each position. If the position is unfilled, indicate the word “vacant” under column 4. If the position is proposed for abolition, place the position title inside a bracket. If the position is proposed for reclassification, place the previous position title in a bracket and indicate the proposed position title below it.

Column 5 and 6 – Indicate the current salary grade/step and corresponding rate per annum of each position. Include as a footnote the compensation law/circular being implemented. For the initial implementation of changes, attach a copy of the Position Allocation List.

Column 7 & 8 – Indicate the salary grade/step and corresponding rate per annum of each position proposed for the budget year.

Column 9 – Indicate the difference between the old and the new rates of compensation per annum for the budget year.

Notes: 1. Prepare the same form for each local economic enterprise/public utility.

2. Separate plantilla using the same format shall be prepared for Casual Employees whose salaries are chargeable against Personal Services Appropriation.

3. Only funded vacant positions shall be included in the plantilla. All unfunded vacant positions shall be removed/deleted from the plantilla.

LBP Form No. 4

Mandate, Vision/Mission, Major Final Output, Performance Indicators and Targets CY _____
 LGU: _____

Office :
 Mandate :
 Vision :
 Mission :
 Organizational Outcome :

AIP Reference Code 1	Program/Project/Activity Description 2	Major Final Output 3	Performance/Output Indicator 4	Target for the Budget Year 5	Proposed Budget for the Budget Year			
					PS 6	MOOE 7	CO 8	Total 9

Prepared:

Reviewed: Local Finance Committee

Department Head_____
Local Planning and Development Coordinator_____
Local Budget Officer_____
Local Treasurer

Approved:

Local Chief Executive**INSTRUCTIONS**

Mandate: Quote the provision of the LGC on the mandate of the Department/Office.

Vision: Indicate the future role of the department/office in the LGU's development.

Mission: Indicate the significant role of the department/office in attaining the vision.

Organizational Outcome: The specific short-term benefits to clients and the community as a result of the LGU's delivery of Major Final Outputs as defined in the organization's results framework.

Column 1- Indicate the PPA reference code reflected in the AIP corresponding to each PPA.

Column 2- Indicate a concise description of the work to be done under a particular sector to achieve specific objectives. Present the PPAs following the structure prescribed in this Manual.

Column 3- Indicate the good or service that a department/agency is mandated to deliver to external clients through the implementation of PPAs.

Column 4- Indicate the means for measuring the quantity, quality and timeliness of service delivery to the clients.

Column 5- Indicate the target for the budget year in terms of the performance indicator expressed in quantity, quality and timeliness.

Columns 6,7,8 & 9 – Indicate the proposed budget for the PPA, broken down by expense class - Personal Services (PS), Maintenance and Other Operating Expenses (MOOE) and Capital Outlay (CO), including Special Purpose Appropriations attributed to and implemented by the Department/Office.

Note: 1. This Form shall be prepared by the Department Head, reviewed by the Local Planning and Development Officer, for the targets and the Local Budget Officer, for the proposed budget and approved by the Local Chief Executive.

LBP Form No. 5

Statement of Indebtedness

LGU: _____

Creditor 1	Date Contracted 2	Term 3	Principal Amount 4	Purpose 5	Previous Payments Made			Amount Due (Budget Year)			Balance of the Principal 12
					Principal 6	Interest 7	Total 8	Principal 9	Interest 10	Total 11	

Certified Correct:

Noted by:

Local Accountant_____
Local Chief Executive**INSTRUCTIONS**

This form is intended to reflect the following:

Column 1 – Full name of creditors with their corresponding addresses under each fund/special account and under each office.

Column 2 – Date when the obligation is incurred.

Column 3 – Period (months/years) within which to pay the loan.

Column 4 – Principal amount of the loan.

Column 5 – Purpose of the loan incurred.

Columns 6, 7 & 8 – Total payments prior to budget year, including payments within the current year.

Columns 9, 10 & 11 – Amounts due and budgeted for the budget year.

Column 12 – Balance of the principal after deducting previous payments and amount due for the budget year (Columns 6-11).

Note: 1. Prepare the same form for each local economic enterprise/public utility.

LBP Form No. 6

Statement of Statutory and Contractual Obligations and Budgetary Requirements CY_____

LGU: _____

Description 1	Amounts 2
1. Statutory and Contractual Obligations 1.1 5% MMDA Contribution for LGUs in NCR only (R.A.) 1.2 Retirement Gratuity 1.3 Terminal Leave Benefits 1.4 Debt Service 1.5 Employees Compensation Insurance Premiums 1.6 PhilHealth Contributions 1.7 PAG-IBIG Contributions 1.8 Retirement and Life Insurance Premiums 2. Budgetary Requirements 2.1 20% of IRA for Development Fund 2.2 5% Local Disaster Risk Reduction and Management 2.3 Financial Assistance to Barangays (Php 1,000.00 minimum aid) TOTAL	

Certified Correct:

Local Budget Officer_____
Local Treasurer_____
Local Planning and Development Coordinator

Approved:

Local Chief Executive

This form presents the statutory and contractual obligations, and budgetary requirements.

Prepare the same form for each local economic enterprise/public utility.

LBP Form No. 7

Statement of Fund Allocation by Sector CY _____

LGU: _____

Particulars	Account Code	General Public Services	Social Services	Economic Services	Other Services	Total
1	2	3	4	5	6	7
TOTAL APPROPRIATIONS						

Certified Correct:

Approved:

Local Budget Officer_____
Local Accountant_____
Local Chief**INSTRUCTIONS**

1. The Statement of Fund Allocation is a summary of appropriations covering the proposed expenditures of the budget year.
2. Indicate all allocations by sector/service, inclusive of lump-sum appropriations for 5% Disaster Risk Reduction Management Fund, 20% Development Fund, Aid to Barangays and Financial Expenses.
3. Column 2 - Indicate account code using the Revised Chart of Accounts for LGUs, as prescribed under Commission on Audit Circular No. 2015-009 dated December 1, 2015.¹
4. Columns 3-6 - The classification of PPAs that should fall within a sector shall follow these guidelines:
 Column 3: Public Service Sector - All PAPs that provide planning, financial, administrative, legal and legislative services to the front-line services of the LGUs shall be categorized within this sector.
 Column 4: Economic Services Sector - All PAPs directed towards promoting growth in the economy, using all factors in production, like increasing productivity in agriculture and all other industries, generating employment and other livelihood projects, shall within this sector.
 Column 5: Social Services Sector - All PAPs that promote the well-being and general welfare of constituents or people like education, health, public safety, and protection of the marginalized and disadvantaged members of the society, shall be classified within this sector.
 Column 6: Other Services - PAPs that cannot be categorized in any of the sectors identified above

Prepare the same form for each local economic enterprise/public utility.

LBP Form No. 8

**STATEMENT OF FUNDING SOURCES
(SUPPLEMENTAL BUDGET)
FY _____**

Province/City/Municipality

Fund/Special Account

Particulars (1)	Account Classification (2)	Amounts (3)
1.0 New Revenue Sources Tax Revenue Loan Proceeds (Borrowings)		
2.0 Actual Collection in Excess of the Estimated Income		
3.0 Savings		
4.0 Realignment		
5.0 Reversion		
Total Estimated Income		

Certified Correct:

Local Treasurer

Local Accountant

INSTRUCTIONS

1. The row in Column 1 under the new revenue source shall be filled for Supplemental Budget funded from the new revenue source.
2. The row in Column 1 under actual collection in excess of the estimated income shall be filled for Supplemental Budget funded from the said source.
3. The row in Column 1 under savings shall be filled for Supplemental Budget funded from savings.
4. The row in Column 1 under Realignment shall be filled for Supplemental Budget funded from realignment.
5. The row in Column 1 under Reversion shall be filled for Supplemental Budget funded from Reversion.
6. Indicate under Column 2 the account classification using the Revised Chart of Accounts for LGUs, as prescribed under Commission on Audit Circular No. 2015-009 dated December 1, 2015.
7. Indicate under Column 3 the appropriate amount for whatever funding source of the Supplemental Budget.
8. The certification to be signed by the Local Treasurer and Local Accountant shall depend on funding source (i.e., additional realized income, savings, new revenue measure/s, realignment in times of public calamity) of the Supplemental Budget to be enacted.

LBP Form No. 9

STATEMENT OF SUPPLEMENTAL APPROPRIATION CY 2016

Province/City/Municipality

Implementing Office	Particulars/Purpose	AIP Code	Object of Expenditure	Account Code	Amount
(1)	(2)	(3)	(4)	(5)	(6)

Prepared:

Local Budget Officer

Approved:

Local Chief Executive
INSTRUCTIONS

Column 1 - Indicate the implementing office of the item of appropriation.

Column 2 - Indicate the particulars/purpose of the appropriation in relation to the pertinent PPAs in the approved AIP.

Column 3 - Indicate the AIP Reference Code of the related PPAs.

Column 4 - Indicate the appropriate account code using the chart of accounts as prescribed by the COA.

Column 5 - Indicate the amount corresponding to each purpose/PPA and object of expenditure.

1.7 Illustrative Examples

1.7.1 Budget Call

Provincial/City/Municipal Budget Memorandum No. 1-2016
16 June 2016

TO: All Heads of Offices, Departments Heads, Chairman of the Committee on Appropriations, Members of the Sanggunian and Others Concerned.

SUBJECT: Guidelines on the Preparation and Submission of Annual General Fund Budget of Offices/Departments for Fiscal Year 2017

I. **Purpose:** This Budget Call for FY 2017 is issued primarily to prescribe guidelines to be observed by offices/departments in the preparation of budget proposals consistent with the Annual Investment Program for FY 2017 and the Local Government Code.

II. **Objectives and Policy Guidelines:**

Consistent with the approved AIP, the LGU shall focus its resources to the attainment of the following general objectives:

- 1.1 Increased per capita income of constituents by 20%;
- 1.2 Delivered basic services to all constituents of the LGU; and
- 1.3 Provided full employment to poor urban residents.

For FY 2017, the LGU shall direct its resources towards increased agricultural productivity; promote quality in the production of competitive products in the world and domestic markets; and provide health, social, education services geared towards promoting economic growth with equity to marginalized citizens.

To support the budget for FY 2017 the following fiscal policies and measures were approved and endorsed by the Sanggunian:

1. Enhanced tax collection efficiency by launching a vigorous tax info campaign supported by an intensified tax collection effort.
2. Upgraded the scale of fees comparable with other LGUs belonging to the same class; and
3. Financed the completion of the San Jose Bridge in Barangay Dita through borrowing from the DBP in the amount of P3.1 M payable in 10 years at 10% per annum.

The allocation scheme of the net amount available for appropriation for FY 2017 shall be based on the following priority:

Priority	Functional Activity	Amount (P000)	Percent ages of Total
1	Basic Services Operation	58.1	51%
2	Support to Basic Service	3.4	3%
3	Gen. Policy/Legislative	23.7	20%
4	Development Projects	20.9	18%
5	Statutory/Contractual	8.6	8%
		114.7	100%

Guidelines to be observed in the allocation of "free resources":

- 1st Priority Expansion of existing services/facilities
 2nd Priority Execution of new development projects
 3rd Priority Increased personnel benefits of local personnel

III Receipts Estimates and Spending Ceiling:

The receipts estimates for FY 2017 are to be generated from the following sources:

<i>Sources of Financing</i>	<i>Amount</i>	<i>% to Total</i>
<i>IRA</i>	<i>103,841</i>	<i>90.00%</i>
<i>National Wealth</i>	<i>1,143</i>	<i>1.00%</i>
<i>Local Tax Revenues</i>	<i>3,516</i>	<i>3.50%</i>
<i>Operating and Misc. Income</i>	<i>3,151</i>	<i>2.80%</i>
<i>Borrowings</i>	<i>3,100</i>	<i>2.70%</i>
<i>Others (Grants and Sale of Fixed Assets)</i>	<i>-</i>	<i>-</i>
	<i>114,751</i>	<i>100.00%</i>

A. General Services Sector

<i>Particulars</i>	<i>PS</i>	<i>MOOE</i>	<i>CO</i>	<i>TOTAL</i>
<i>Office of the LCE</i>	<i>1500</i>	<i>500</i>	<i>500</i>	<i>2500</i>
<i>Sanggunian</i>	<i>2500</i>	<i>500</i>	<i>100</i>	<i>3100</i>
<i>Treasurer</i>	<i>800</i>	<i>500</i>	<i>300</i>	<i>1500</i>
<i>Accounting Office</i>	<i>300</i>	<i>200</i>	<i>300</i>	<i>800</i>
<i>Budget</i>	<i>300</i>	<i>100</i>	<i>100</i>	<i>500</i>
<i>Planning and Development Office</i>	<i>300</i>	<i>200</i>	<i>100</i>	<i>600</i>
<i>Legal</i>	<i>200</i>	<i>100</i>	<i>100</i>	<i>400</i>
<i>General Services</i>	<i>200</i>	<i>100</i>	<i>14000</i>	<i>14300</i>
<i>TOTAL</i>	<i>6100</i>	<i>2200</i>	<i>15400</i>	<i>23700</i>

B. Social Services Sector

<i>Particulars</i>	<i>PS</i>	<i>MOOE</i>	<i>CO</i>	<i>TOTAL</i>
<i>Health Services</i>	<i>5100</i>	<i>4000</i>	<i>1000</i>	<i>10100</i>
<i>Day Care</i>	<i>1000</i>	<i>500</i>	<i>-</i>	<i>1500</i>
<i>Social, Welfare and Development</i>	<i>4000</i>	<i>3000</i>	<i>1400</i>	<i>8400</i>
<i>Population Development</i>	<i>1500</i>	<i>2000</i>	<i>1000</i>	<i>4500</i>
<i>TOTAL</i>	<i>11600</i>	<i>9500</i>	<i>3400</i>	<i>24500</i>

C. Economic Services Sector

<i>Particulars</i>	<i>PS</i>	<i>MOOE</i>	<i>CO</i>	<i>TOTAL</i>
<i>Engineering</i>	<i>3500</i>	<i>2000</i>	<i>24600</i>	<i>30100</i>
<i>Assessor</i>	<i>1500</i>	<i>1500</i>	<i>-</i>	<i>3000</i>
<i>Agricultural Services</i>	<i>3500</i>	<i>1500</i>	<i>10500</i>	<i>15500</i>
<i>Environment and Natural Resources</i>	<i>2500</i>	<i>1000</i>	<i>1500</i>	<i>5000</i>
<i>Development of Cooperatives</i>	<i>2500</i>	<i>500</i>	<i>-</i>	<i>3000</i>
<i>Veterinary Services</i>	<i>5500</i>	<i>3400</i>	<i>1000</i>	<i>9900</i>
<i>TOTAL</i>	<i>19000</i>	<i>9900</i>	<i>37600</i>	<i>66500</i>

GRAND TOTAL	36700	21600	56400	114700
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IV. Budget Calendar and Budget Preparation

All concerned are enjoined to follow the schedule as directed in the memorandum, particularly on the submission of budget proposals at designated inclusive dates and on the prescribed forms herein attached.

1. Schedule of Activities

	Activity	Inclusive Date
1.1	Issuance of the Budget Call	June 16
1.2	Budget Forum	June 16
1.3	Preparation/Submission of Budget Proposals	June 24-28
1.4	Technical Budget Hearings	August 16 – September 15
1.5	Consolidation of Budget Proposal	September 15-30
1.6	Preparation of the Budget Message and Local Expenditure Program (LEP)	October 1-15
1.7	Submission of the LEP	October 16

2. The following local budget preparation (LBP) forms shall be submitted:

	LBP Form	Responsible Officer
2.1	LBP Form No. 1 - Budget of Expenditures and Sources of Financing	Prepared by the Local Finance Committee (LFC) and Local Accountant
2.2	LBP Form No. 2 - Programmed Appropriation and Obligations by Object of Expenditures	Prepared by the Department Head and Reviewed by the Local Budget Officer
2.3	LBP Form No. 2A - Programmed Appropriation and Obligations for Special Purpose Appropriations	Prepared by the Department Head and Reviewed by the Local Budget Officer
2.4	LBP Form No. 3 - Personnel Schedule	Prepared by the Department Head and reviewed by the Human Resource Management Officer
2.5	LBP Form No. 4 - Mandate, Vision/Mission, Major Final Output, Performance Indicators and Targets by Department/Office	Prepared by the Department Head and Reviewed by the LFC
2.6	LBP Form No. 5 - Statement of Indebtedness	Certified correct by the Local Accountant and Local Budget Officer
2.7	LBP Form No. 6 - Statement of Statutory and Contractual Obligations & Budgetary Requirements	Certified correct by the LFC and Local Accountant
2.8	LBP Form No. 7 - Statement of Fund Allocation by Sector	Certified correct by the Local Accountant and Local Budget Officer

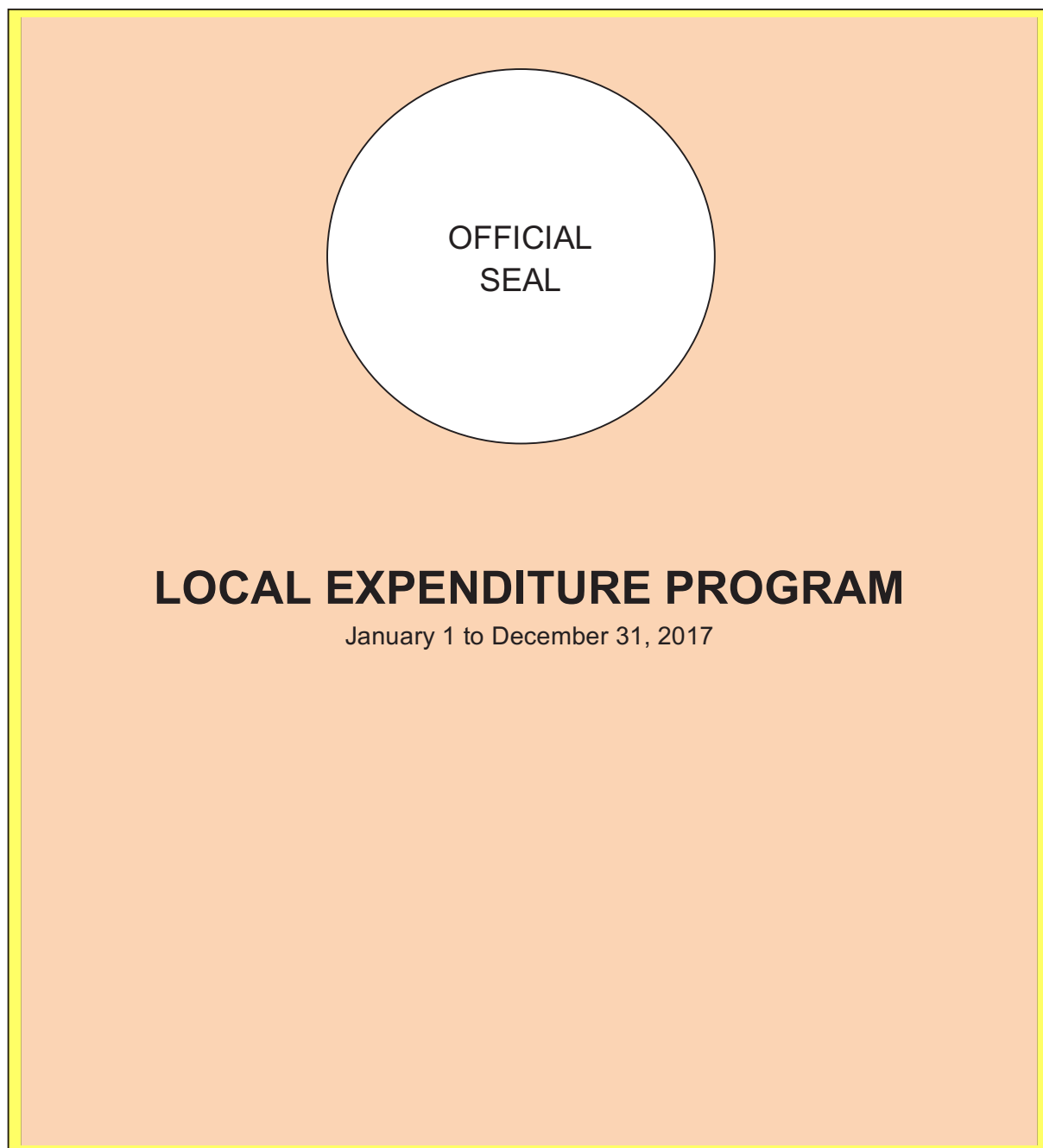
LBP Forms Nos. 2, 2A, 3 and 4 shall be submitted to the LFC, thru the Local Budget Officer, on or before August 15 for consolidation and review.

Any queries, clarificatory questions, issues and observations relative to these guidelines shall be referred at once to the LFC for resolution during the budget workshop. Technical and other assistance in the preparation of the 2017 Annual Budget may be requested from the Local Budget Officer.

Please be guided accordingly.

Local Chief Executive

1.7.2 LEP



PART 1. RECEIPTS PROGRAM**RECEIPTS PROGRAM**

FY 2015-2017

(In 000 Pesos)

Receipts	Income Classification	Past Year Receipts (Actual)	Current Year Receipts (Actual and Estimate)	Budget Year Receipts
1. Receipts: A. Local Sources 1. Tax Revenue a. Real Property Tax (RPT) i. Basic RPT ii. Special Education Fund b. Business Tax c. Other Local Taxes Total Tax Revenue 2. Non-Tax Revenue a. Regulatory Fees b. Service/User Charges c. Receipts from Economic Enterprise d. Other Receipts Total Non-Tax Revenue				
B. External Sources 1. Internal Revenue Allotment 2. Share from GOCCs (PAGCOR And PCSO) 3. Other Shares from National Tax Collection a. Share from Ecozone b. Share from EVAT c. Share from National Wealth d. Share from Tobacco Excise Tax 4. Inter-Local Transfer 5. Extraordinary Receipts/Grants/Donation/Aids Total External Sources				
C. Other Receipts 1. Capital Investment Receipts a. Proceeds from Sale of Assets b. Proceeds from Sale of Debt Securities of Other Entities c. Collection of Loans Receivable Total Capital Investment Receipts 2. Receipts from Loans and Borrowings a. Acquisition of Loans b. Issuance of Bonds Total Receipts from Borrowings And Loans 3. Income of Local Economic Enterprises Total Non-Income Receipts				
Total Available Resources for Appropriation				

PART 2. EXPENDITURE PROGRAM**A. OFFICE OF THE MAYOR****Mandate:****Vision:****Mission:****Organizational Outcome:****1. Proposed New Appropriations by Program, Activity and Project**

AIP Reference Code	PPA	Major Final Output	Performance Indicator	Target	Proposed Budget			
					PS	MOOE	CO	Total

2. Proposed New Appropriations, by Object of Expenditures

Object of Expenditure	Account Code	Past Year Expendi- tures (Actual)	Current Year Expendi- tures (Actual and Estimate)	Budget Year Expenditures (Proposed)
PERSONAL SERVICES Salaries and Wages – Regular Salaries and Wages – Others Personnel Economic Relief Allowance (PERA) Representation Allowance Transportation Allowance Clothing/Uniform Allowance Honoraria Year End Bonus Cash Gift Other Bonuses and Allowances Retirement and Life Insurance Premiums PAG-IBIG Contributions PHILHEALTH Contributions Employees Compensation Insurance Premium (ECIP) Terminal Leave Benefits				
TOTAL PERSONAL SERVICES				
MAINTENANCE & OTHER OPERATING EXPENSES Traveling Expenses Training and Scholarship Expenses Telephone Expenses – Landline Telephone Expenses – Mobile Postage and Deliveries Subscription Expenses				

Rent/Lease Expense				
Office Supplies Expenses				
Fuel, Oil & Lubricant Expenses				
Repairs & Maintenance—Land Transport Equipment				
Repairs & Maintenance—Office Equipment				
Repairs & Maintenance—Buildings and Other Structures				
Donations				
Representation Expenses				
Confidential Expenses				
Other Professional Expenses				
TOTAL MOOE				
PROPERTY PLANT & EQUIPMENT				
Office Equipment				
Technical and Scientific Machinery Equipment				
Land Improvements				
TOTAL PROPERTY PLANT & EQUIPMENT				
TOTAL APPROPRIATIONS				

3. Special Purpose Appropriations

1. LOCAL DISASTER RISK REDUCTION AND MANAGEMENT FUND

a. Proposed New Appropriations

Object of Expenditure	Account Code	Past Year Expenditures (Actual)	Current Year Expenditures (Actual and Estimate)	Budget Year Expenditures (Proposed)
QUICK RESPONSE FUND				
DISASTER PREPAREDNESS FUND				
Maintenance & Other Operating Expenses				
Travel Expenses				
Training Expenses				
Telephone Expenses – Landline				
Telephone Expenses – Mobile				
Insurance Expenses				
Rent/Lease Expense				
Supplies and Medicines				
Fuel, Oil & Lubricant Expenses				
Repairs & Maintenance—Schoolbuildings				
TOTAL MOOE				
CAPITAL OUTLAY				
Rescue Equipment				
Building and Structure				
Land Improvements				
TOTAL CAPITAL OUTLAY				
TOTAL APPROPRIATIONS				

b. Special Provisions

- 1. Use and Release of Fund.** The amount herein appropriated shall be used in accordance with RA No. 10121, "The Philippine Disaster Risk Reduction and Management Act of 2010," which shall include relief, rehabilitation, reconstruction, and other works or services, including pre-disaster activities, in connection with the occurrence of natural calamities, epidemics as declared DOH, and other catastrophes. PROVIDED, that the projects and activities are incorporated in the Local Disaster Risk Reduction and Management Plan (LDRRMP), and integrated in the approved Annual Investment Program. PROVIDED FURTHER, that the utilization of the Fund shall be in accordance with the provisions of NDRRMC-DBM-DILG Joint Memorandum Circular No. 2013-1 dated March 25, 2013.
- 2. Quick Response Fund.** Of the amount appropriated for LDRRM Fund, thirty-percent (30%) shall be allocated as Quick response Fund (QRF) of stand-by fund for relief, recovery programs in order that the situation and living conditions of people in the communities or areas stricken by disaster, calamity and epidemics may be normalized as quickly as possible.

The release and use of QRF shall be supported by a resolution of the Sanggunian declaring the LGU under state of calamity or a Presidential declaration of state of calamity.

- 3.** In no case shall the QRF be used for pre-disaster, nor be re-aligned for any other purpose.

2. APPROPRIATIONS FOR LOCAL ECONOMIC ENTERPRISES

a. Proposed New Appropriations

Object of Expenditure	Account Code	Past Year Expenditures (Actual)	Current Year Expenditures (Actual and Estimate)	Budget Year Expenditures (Proposed)
SUBSIDY TO LOCAL ECONOMIC ENTERPRISE OPERATING EXPENSES FUNDED BY INCOME OF THE LOCAL ECONOMIC ENTERPRISE	Details of which are presented in the attached Annual Operating Budget which forms an integral part hereof			
TOTAL APPROPRIATIONS				

b. Special Provisions

- 1. Use and Release of Fund.**

3. APPROPRIATIONS FOR DEVELOPMENT PROGRAMS AND PROJECTS**a. Proposed New Appropriations**

Object of Expenditure	Account Code	Budget Year (Estimate)
MOOE	Details of which are presented in the attached Annex " " which forms an integral part hereof	
CAPITAL OUTLAYS		
TOTAL APPROPRIATIONS		

b. Special Provisions**1. Use and Release of Fund.****4. OTHER SPECIAL PURPOSE APPROPRIATIONS****a. Proposed New Appropriations**

Object of Expenditure	Account Code	Budget Year (Estimate)
	Details of which are presented in the attached Annex " " which forms an integral part hereof	

b. Special Provisions**1. Use and Release of Fund.**

PART 3. GENERAL PROVISIONS

Section 1. Availability of Appropriations. Appropriations for CO under this Ordinance shall be available for release and obligation for the purpose specified for a period extending to one fiscal year after the end of the year in which such items were appropriated.

Section 2. Limitation on Cash Advance. Notwithstanding any provision of law to the contrary, cash advances shall not be granted until such time that the earlier cash advances availed of by the officials or employees concerned shall have been liquidated pursuant to pertinent accounting and auditing rules and regulations.

Section 3. Meaning of Savings. Savings refer to portions or balances of any released appropriations in this Ordinance which have not been obligated as a result of the following:

- a. Final discontinuance or abandonment of an on-going program, activity or project by the head of the agency concerned due to causes not attributable to the fault or negligence of the agency which would not render it possible for the agency implement the said P/A/P during the validity of the appropriation.
- b. Non-commencement of the P/A/P for which the appropriation is released. For this purpose, non-commencement shall refer to the inability of the agency or its duly authorized procurement agent to obligate the released allotment and implement the P/A/P due to natural or man-made calamities or other causes not attributable to the fault or negligence of the agency concerned during the validity of the appropriations.
- c. Decreased cost resulting from improved efficiency during the implementation or until the completion by agencies of their of P/A/Ps: Provided, that the agencies will still be able to deliver the targets and services as approved in this Ordinance.
- d. Difference between the approved budget for the contract and the contract award price.
- e. Unused personal services costs pertaining to a) unfilled, vacant or abolished positions; b) non-entitlement to allowance and benefits; c) leaves of absence without pay; and d) unutilized pensions and retirement benefits arising from death of pensioners, decrease in the number of retirees, or other related causes.

Section 4. Priority in the Use of Savings. In the use of savings, priority shall be given to the augmentation of the amounts set aside for the payment of compensation, year-end bonus and cash gift, retirement gratuity, terminal leave benefits, old-age pension of veterans and other personnel benefits authorized by law and in this Ordinance, as well as the implementation of priority programs, activities or projects covered in this Ordinance.

PART 4. SUMMARY OF THE FY 2017 PROPOSED NEW APPROPRIATIONS**1. Proposed New Appropriations, by Object of Expense and by Sector**

Object of Expense	Account Code	General Public Services	Social Services	Economic Services	Other Services	TOTAL
1. Personal Services (specify object of expense) Total, Personal Services						
2. Maintenance and Other Operating Expenses (MOOE) (specify object of expense) Total, MOOE						
3. Financial Expenses Total, Financial Expenses						
4. Capital Outlays (specify object of expense) Total, Capital Outlays						
5. Special Purpose Appropriations (SPA) (specify SPA) Total, Special Purpose Appropriations						
Total Appropriations						

2. Proposed New Appropriations, by Office

Office	Personal Services	MOOE	Financial Expenses	CO	TOTAL
a. Office of the Mayor b. Office of the Sanggunian c. Etc.					

3. Summary Statement of All Statutory and Contractual Obligations Due

Particulars	Amount
1. Statutory and Contractual Obligations 1.1 5% MMDA Contribution for LGUs in NCR only (RA No. 7924) 1.2 Terminal Leave and Retirement Gratuity Benefits (compulsory retirement age and end of term for elective officials) 1.3 Debt Service 1.4 ECIP 1.5 PHIC 1.6 Pag-Ibig 1.7 LRIC	
2. Budgetary Requirements 2.1 20% of IRA for Development Fund 2.2 5% Local Disaster Risk Reduction and Management Fund (LDRRMF) 2.3 Financial Assistance to Barangays (P1,000 minimum aid)	
TOTAL	

1.7.3 Budget Message

Republic of the Philippines
Province/City/Municipality of _____

_____(Date)_____

BUDGET MESSAGE

The Honorable Members
Sangguniang Panlalawigan/Panlungsod/Bayan

Gentlemen and Ladies:

May I submit the proposed Annual Budgets for FY 2017 of the Provincial/City/Municipal Government for both the General Fund and Operation of Economic Enterprise pursuant to Section 318 of RA 7160.

Exhibit 1

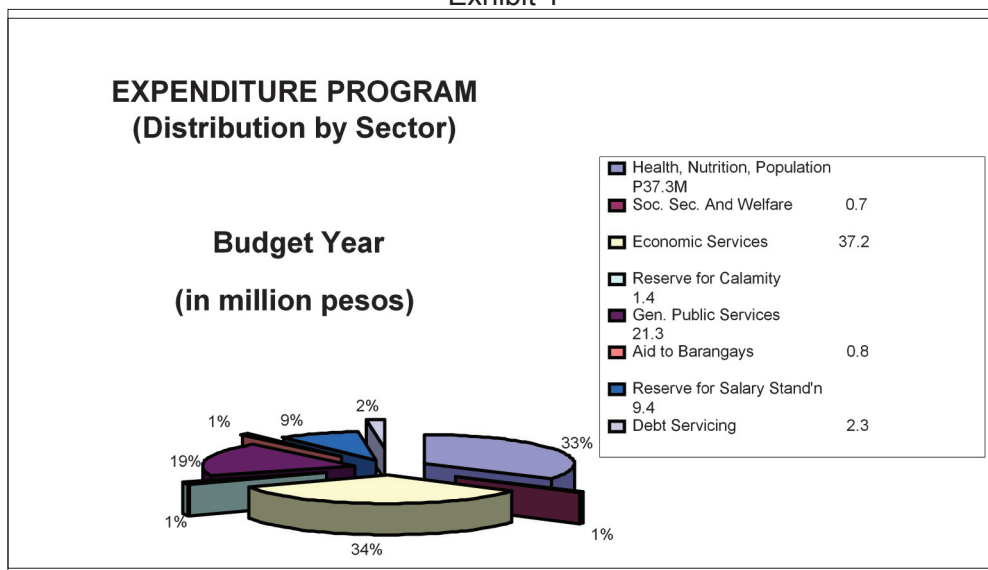
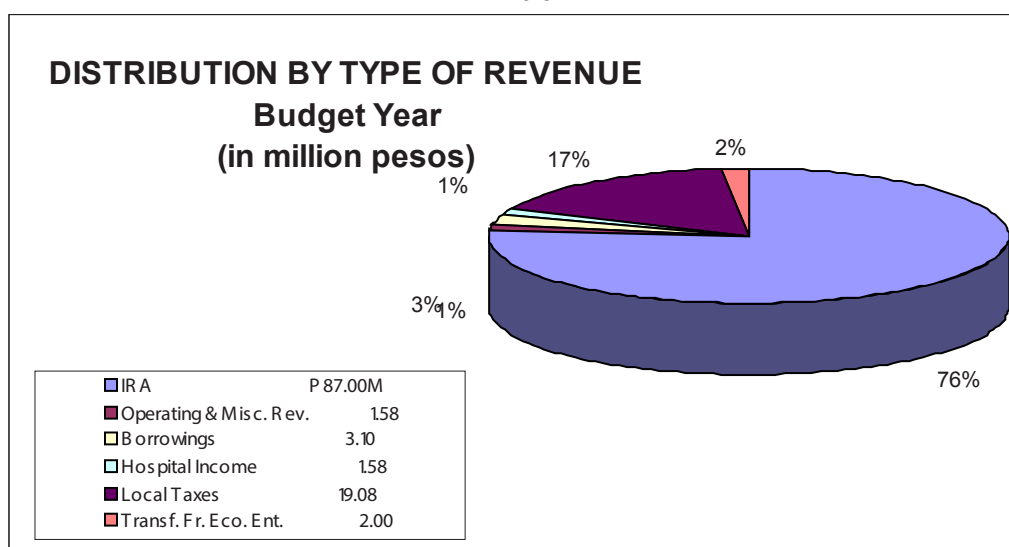


Exhibit 2



GOALS AND OBJECTIVES

The province/municipality expects to attain the following objectives during the plan period:

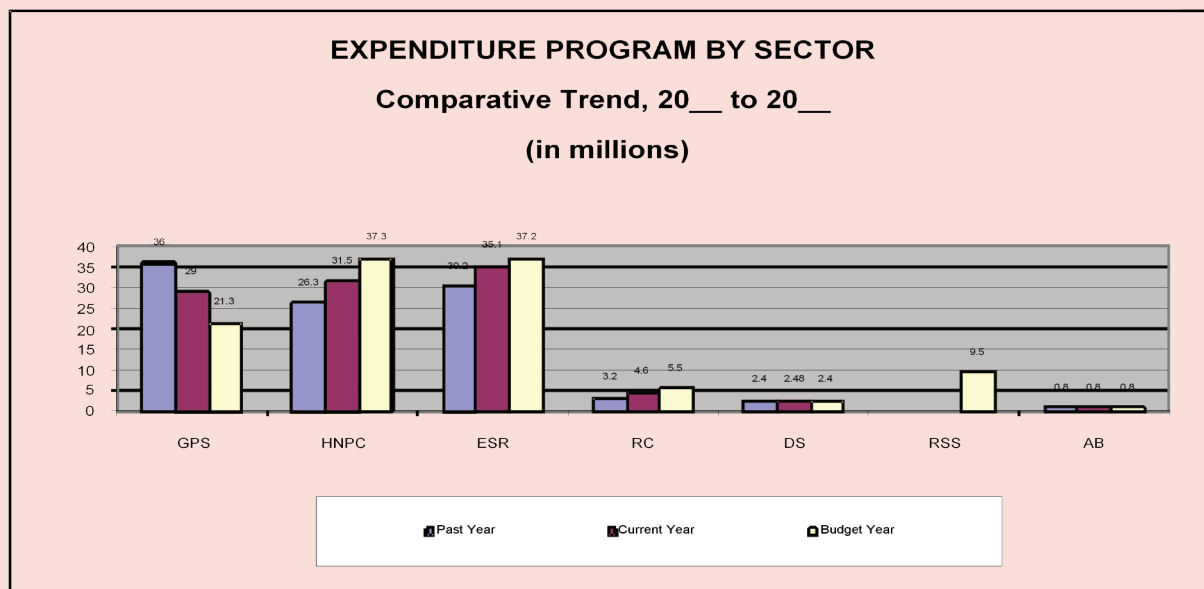
- ☐ Increase per capita income by a stated realistic percentage
- ☐ Provide accessibility to all basic needs and services
- ☐ Realistic percentage of citizens/constituents of the province
- ☐ Provide expanded employment opportunities to the urban poor residents; and
- ☐ Increase agricultural productivity and enhance delivery of health care services.

FISCAL POLICIES

Revenue-generating measures include enhanced tax collection via a vigorous tax information campaign and intensified tax collection effort.

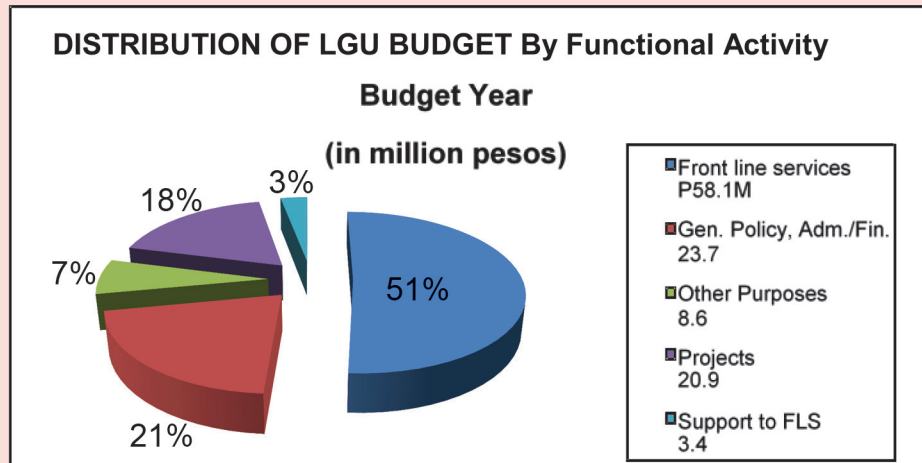
Exhibit 4 shows the trend of expenditures for FY 20__ to FY 20__. The Health, Nutrition and Population Control Sector has registered sizeable increases for the three-year period. This is attributed to the absorption of devolved health services. Expenditure for Economic Sector has also been increasing due to the provision of more infrastructure projects and bigger allocation for the agriculture sub-sector.

Exhibit 4 Distribution by Functional Activity



It has been long recognized that in order for a local government unit to achieve efficient and effective operation, it should aim for the improvement of the ratio of its overhead costs to cost of production and service delivery. Thus, it is important to present in this Message, through the chart below, the direct cost of public goods and services produced and delivered vis-à-vis their associated costs. This presentation slices the budget pie on the basis of functional activity

Exhibit 5



The distribution of the LGU budget (Exhibit 5), shows that P58,092,677 or 51% is allocated for the operation of frontline services; P3,441,320 or 3% is provided support to frontline services; P26,888,301 or 18% will be spent for development projects; P23,671,197 or 20% is provided for General Policy, Administration and Finance Services; and P8,657,266, representing 8% of the total budget will be for Other Purposes (Aid to Barangays, Reserve for Calamity and Debt Service).

DISTRIBUTION BY MAJOR EXPENSE CLASS

Personal Services

The total expenditures for Personal Services for the budget year is P50,138,976 inclusive of the provision for Salary Standardization of P9,418,928. Total Personal Services accounts for 44% of the total LGU budget.

Maintenance and Other Operating Expenses

The amount of P34,687,449 has been set aside for MOOE, representing 30% of the budget.

Capital Outlays

Expenditures for Capital Outlays will amount to P23,628,361 or 21% of the total expenditures. It includes provisions for development projects, Loan Outlay, Livestock and Crops Outlays, Equipment Outlays in the amounts of P20,288,000, P2,361,291, P879,070 and P100,000, respectively. The amount of P20,288,000 for development projects include P16,800,000 funded from the 20% Development Fund.

Other Purposes

The amounts of P5,479,975 and P816,000 are set aside as reserve for Calamity and Aid to Barangays, respectively.

OPERATION OF ECONOMIC ENTERPRISE

The proposed Budget for the Operation of Economic Enterprise (Operation of Telephone Service) in FY 20__ shall be sourced from the estimated Telephone Service Income of P33,400,000 allocated as follows:

Particulars	Amount (P)	% to Total
<i>Personal Services</i>	<i>7,600,000</i>	<i>22</i>
<i>Maintenance and Other</i>		
<i>Operating Expenses</i>	<i>3,420,000</i>	<i>10</i>
<i>Capital Outlays</i>	<i>7,980,000</i>	<i>24</i>
<i>Transfer to General Fund</i>	<i>6,000,000</i>	<i>18</i>
<i>Debt Servicing</i>	<i>6,200,000</i>	<i>19</i>
<i>5% Reserve</i>	<i>1,670,000</i>	<i>5</i>
<i>Unappropriated Balance</i>	<i>530,000</i>	<i>2</i>
TOTAL	33,400,000	100

CONCLUSION

Submitted together with this Message are the Local Expenditure Program, Plantilla of Personnel, Annual Operating Budget of LEEs, approved Annual Investment Program and other supporting schedules. Gentlemen and Ladies of the Sanggunian, this budget proposal manifests our determination to lay a strong foundation for a greater and progressive province/city/municipality. Let us join our hands together as we go about our mission of providing a brighter future for our constituents.

Very truly yours,

PROVINCIAL GOVERNOR/CITY MAYOR/MUNICIPAL MAYOR

1.7.4 Local Budget Preparation Form No. 4

Mandate, Vision/Mission, Major Final Output, Performance Indicators and Targets
CY 2017
Province of Dimaguiba

- Office** : Office of the Local Planning and Development Coordinator
- Mandate** :
 - Formulate integrated economic, special physical and other development plans and policies for consideration of the Local Development Council; and
 - Monitor and evaluate the implementation of the different programs, activities and projects in the LGU in accordance with the approved development plan.
- Vision** : Towards effective and sustainable planning for the Province of Dimaguiba's progress and advancement.
- Mission** : Initiate and cause the participatory formulation, coordination and integration of effective and comprehensive development plans; analyze income and expenditure patterns; provide sufficient and reliable information; conduct researches and continuing studies for project planning; monitor and evaluate the implementation of programs and projects with feedback mechanism in support of the LGU vision.
- Organizational Outcome** : Sound planning and development management effected.

AIP Reference Code	PPA Description	Major Final Output	Performance/ Output Indicator	Target for the Budget year	Proposed Budget for FY 2017			
					PS	MOOE	CO	Total
1000-1-01-004-001	Project Monitoring and Evaluation Program	Monitoring and Evaluation Services	Percentage of Projects Implemented and Monitored	75%	200,000	100,000		300,000

Prepared by:

Reviewed by:

Department Head

Local Planning and
Development Coordinator

Local Budget Officer

Local Treasurer

Approved by:

Local Chief Executive

CHAPTER 2. BUDGET AUTHORIZATION PHASE



- 1.0 Introduction
- 2.0 Legal Basis of Budget Authorization
- 3.0 Key Players in Budget Authorization
- 4.0 The Budget Authorization Flow Chart
- 5.0 Steps in the Budget Authorization Phase

Step 1. Enact Appropriation Ordinance

- 1.1 Check the submitted Budget Documents
- 1.2 Evaluate the Budget
- 1.3 Deliberate on the Budget
- 1.4 Authorize the Annual Budget

Step 2. Approve the Appropriation Ordinance

Step 3. Post the Appropriation Ordinance

Step 4. Submit the Appropriation Ordinance for Review

- 6.0 Changes in the Annual Budget
- 7.0 Effectivity of Budgets
- 8.0 Local Budget Authorization Forms
 - LBA Form No. 1A - Checklists on Documentary and Signature Requirements for the Annual Budget
 - LBA Form No. 1B - Checklists on Documentary and Signature Requirements for the Supplemental Budget

2.1 Introduction

Budget Authorization is the second phase in the local budget process. This phase starts from the time the Sanggunian receives the Local Expenditure Program (LEP) submitted by the LCE, and ends with the enactment of the Appropriation Ordinance and approval thereof by the LCE.

Authorization of the budget is done through an Appropriation Ordinance enacted by the Local Sanggunian in accordance with the fundamental principle that, “No money shall be paid out of the local treasury except in pursuance of an Appropriation Ordinance or law” (*Section 305 (a), RA No. 7160*).

2.2 Legal Basis of Budget Authorization

On or before the end of the current fiscal year, the Sanggunian concerned shall enact, through an ordinance, the annual budget of the local government unit for the ensuing fiscal year on the basis of the estimates of income and expenditures submitted by the local chief executive (*Section 319, RA No. 7160*).

2.3 Key Players in Budget Authorization

Local Chief Executive - The LCE shall submit the LEP to the Sanggunian for authorization (*Section 318, RA No. 7160*). After the enactment of the Appropriation Ordinance, the LCE shall approve or veto the same (*Sections 54 and 55, RA No. 7160*).

Sanggunian - As the legislative body of the LGU, the Sanggunian shall enact the annual and supplemental budgets and appropriate funds for specific programs, projects, services and activities, or for other purposes not contrary to law, in order to promote the general welfare of the locality and its inhabitants. (*Sections 447 (2) (ii), 458 (2)(i), and 468 (2)(i), RA No. 7160*).

The Sanggunian may, by ordinance, authorize the LCE or the Presiding Officer of the Sanggunian to augment any item in the approved annual budget for their respective offices from savings in other items within the same expense class of their respective appropriations (*Section 336, RA No. 7160; Article 454[b], IRR of RA No. 7160*).

Committee on Appropriations/Finance – The Committee on Appropriations/Finance, as one of the standing committees of the Sanggunian, shall be responsible for conducting a preliminary review and evaluation of the Local Expenditure Program. It shall submit its report and recommendation to the Sanggunian proper.

Secretary to the Sanggunian – The Secretary to the Sanggunian shall stamp the Appropriation Ordinance with the seal of the Sanggunian and record the same in a book kept for the purpose. He shall affix his signature to the enacted Appropriation Ordinance and present the same to the Presiding Officer for his signature and forward copies thereof to the LCE for approval (*Section 469, RA No. 7160*). Subsequently, he shall cause the posting of an ordinance or resolution in the bulletin board at the entrance of the provincial capitol and the city, municipal, or barangay hall in at least two (2) conspicuous places in the local government unit concerned not later than five (5) days after approval thereof (*Sec. 59 (b), RA No. 7160*).

Local Finance Committee - The LFC shall assist the Sanggunian in the analysis and review of the annual and supplemental budgets to determine compliance with statutory and administrative requirements (*Section 316 [g], RA No. 7160*).

Heads of Departments and Offices - Upon request of the Sanggunian through the LCE, Heads of Departments and Offices may appear before the body or the Committee on Appropriations/Finance to explain or justify their proposals.

CSOs and Private Sector Groups – Should the Sanggunian allow the CSOs to participate in the budget authorization phase, it may refer to the Handbook on the Participation of Civil Society Organizations in the Local Budget Process.

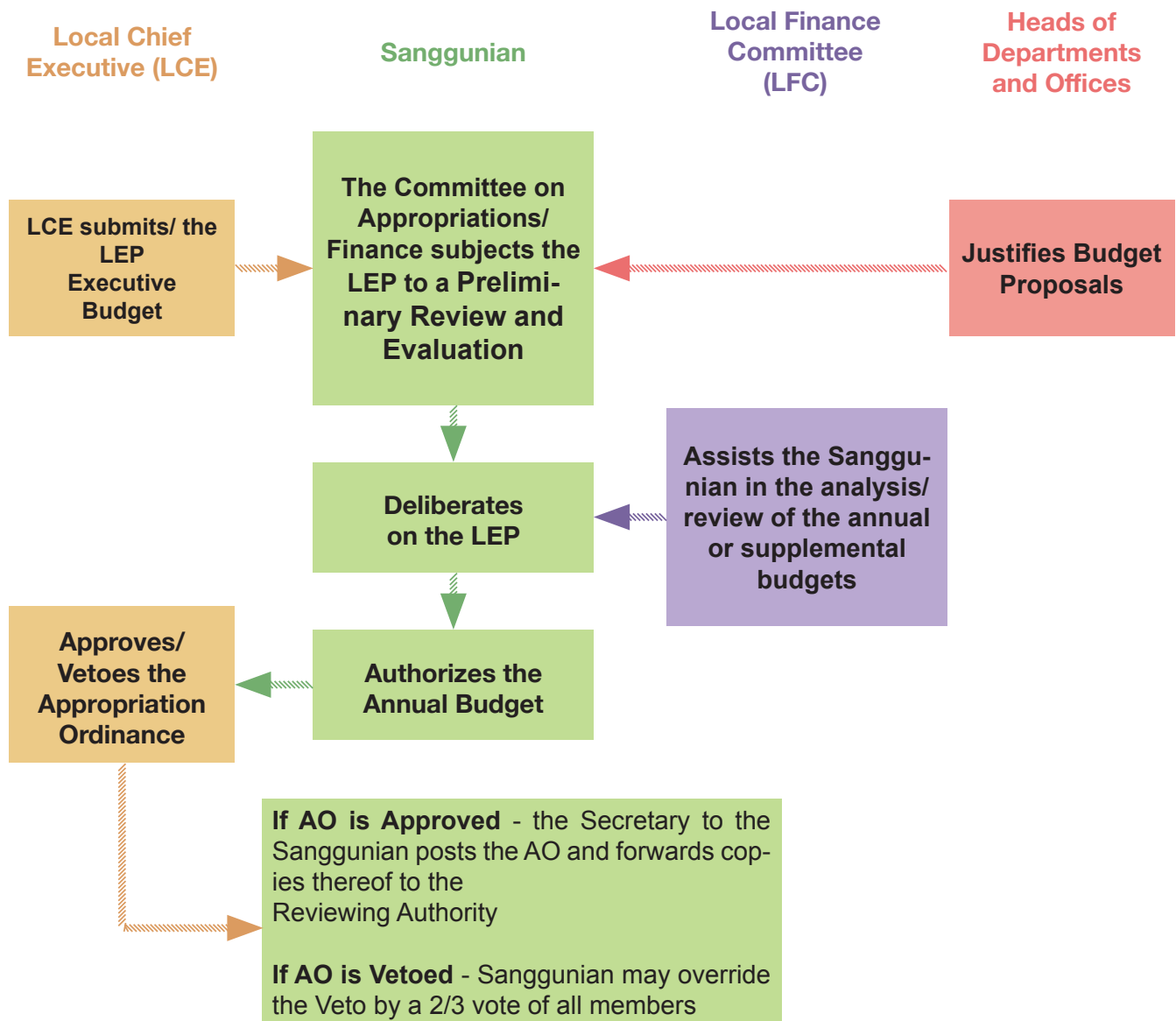
Table 2. Emerging Roles of CSOs in the Budget Authorization Phase

ACTIVITY	LGU ROLES	CSO ROLES
1. DELIBERATE ON THE BUDGET <p>The Sanggunian shall consider the executive budget as a priority measure which shall take precedence over all other pending and proposed measures. As a rule, all Sanggunian sessions shall be open to the public, unless otherwise provided by law (Article 105 [b], IRR of RA No. 7160).</p>	<p>Sanggunian to post notice of budget deliberation schedule in three (3) conspicuous places at least seven (7) days before the conduct of said activity. Invite accredited CSOs to attend and provide inputs during the budget deliberation sessions, including committee hearings.</p>	<p>Observing the Internal Rules of Procedure (IRP) of the Sanggunian, the accredited CSOs may:</p> <ol style="list-style-type: none"> Provide inputs on sectoral concerns; and Raise questions on changes in the Executive Budget not found in the approved AIP.
2. AUTHORIZE THE ANNUAL BUDGET <p>The Sanggunian authorizes the annual budget through an Appropriation Ordinance (AO).</p>	<p>Sanggunian may allow accredited CSOs to observe the voting for the enactment of the AO.</p>	<p>Accredited CSOs to observe the voting conducted by the Sanggunian.</p>
3. APPROVE THE APPROPRIATION ORDINANCE <p>The AO enacted by the Sanggunian shall be presented to the LCE for approval, in which case he shall affix his signature in every page thereof. Otherwise, the LCE may exercise veto power.</p>	<p>LCE to consider formal comments and observations of accredited CSO, if any, subject to the fifteen (15) and ten (10) days reglementary period for approval, for provinces, and cities or municipalities, respectively, per Section 54 (b), RA No. 7160.</p>	<p>Accredited CSOs to inform the LCE in writing of their observation in the deliberation and enactment of AO, subject to the applicable reglementary period.</p>
4. POST THE APPROPRIATION ORDINANCE <p>The Sanggunian is required to post the AO, in Filipino, English and the local dialect, in a bulletin board at the entrance of the provincial capitol or city, or municipal hall, as the case may be, and in at least two (2) other conspicuous places in the local government unit concerned (Section 59 [a and b], RA No. 7160).</p>	<p>Comply with the Full Disclosure Policy pursuant to existing DILG issuances.</p> <p>Comply with the posting requirement under Section 59 (a and b), RA No. 7160.</p>	<p>Monitor the posting of the approved AO, and assist in making this known to the public.</p>

2.4 The Budget Authorization Flow Chart

The flow chart below clearly describes the sequence of activities in budget authorization.

Figure 6. The Budget Authorization Flow Chart



2.5 Steps in the Budget Authorization Phase

There are only four (4) major steps to follow in Budget Authorization:

Step 1. Enact the Appropriation Ordinance

Section 319 of RA No. 7160 provides that “On or before the end of the current fiscal year, the Sanggunian concerned shall enact, through an ordinance, the annual budget of the local government unit for the ensuing fiscal year on the basis of the estimates of income and expenditures submitted by the local chief executive.”

1.1. Check the Submitted Budget Documents

Use Local Budget Authorization Form Nos. 1A and 1B (Checklists on Documentary and Signature Requirements for the Annual/Supplemental Budget), the Sanggunian, with the assistance of the LFC, shall check if the following documents are submitted for authorization:

☉ For Annual Budget (Please refer to LBA Form No. 1A)

Document	Signatory
Budget Message	Local Chief Officer
Local Expenditure Program	Local Chief Officer
Plantilla of Personnel Schedule	HRMO/Local Chief Officer
Annual Operating Budget of Local Economic Enterprise, if any	Head of the Local Economic Enterprise/ Local Chief Executive
AIP (Approved by the Sanggunian through a Resolution)	Secretary to the Sanggunian/ Presiding Officer

Supporting Documents:

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. DILG-endorsed Gender and Development Plan and Budget 2. Local Disaster Risk Reduction Management Plan (LDRRMP) 3. Climate Change Action Plan (CCAP) 4. Peace and Order Plan 5. List of PPAs for the Local Council for the Protection of Children 6. List of PPAs for Senior Citizens and Persons with Disabilities 7. List of PPAs to Combat AIDS | Local Planning and Development Officer/
Local Budget Officer/Local Chief Officer |
|--|---|

☉ For Supplemental Budget (Please refer to LBA Form No. 1B)

Document	Signatory*
Funds Actually Available:	
• Certified Statement of Additional Realized Income	Local Treasurer and Local Accountant*
• Certification of Savings	Local Treasurer and Local Accountant*
New Revenue Measure/s:	
• Certified Statement of Income from New Revenue Measure/s	Local Treasurer and Local Accountant*
• Copy of duly enacted ordinance which imposes new local taxes, charges, fees, fines, or penalties or which raises existing local taxes, charges, fees, fines and penalties.	
• Copy of official communication stating that the LGU is a recipient of new or higher remittances, contributions, subsidies or grants in aid from the National Government or from government corporations and private entities	
Realignment of Appropriations in Times of Natural Calamity	
• Certificate of Source of Funds Available for Appropriations	Local Treasurer Local Accountant LCE

*As recommended by COA.

1.2. Evaluate the Budget

The Sanggunian, with the assistance of the LFC, shall evaluate and deliberate on the LEP in terms of compliance with the budgetary requirements and general limitations.

☉ The Receipts Portion in the LEP

- To check the budget year's aggregate estimated income which will be compared with the aggregate expenditure program (*Section 324 [a], RA No. 7160*);
- To check if the taxes and fees identified as sources of the estimated income are in accordance with the approved Local Revenue Code;
- To check if the estimated receipts from Real Property Taxes (RPT) correspond to the total amount of due and demandable RPT, including delinquent accounts;

☉ The Expenditure Program

- Determine the overall level of appropriations by department/office/unit and special purpose appropriations and the overall total;
- To check the provisions for associated PS costs, e.g. Philhealth, GSIS premiums, Pag-IBIG, PERA, Year-end Bonus and Cash Gift, RATA, etc;
- To check that the provision for debt services does not exceed the ceiling required by law which is 20% of the regular income of the LGU concerned (*Section 324 (b), RA No. 7160*);
- To check that the provision for Local Disaster and Risk Reduction Management Fund (LDRRMF) is not less than 5% of the estimated regular income required by law (*RA No. 10121*);
- To check that the provision from IRA for development projects is not less than 20% required by law (*Section 287, RA No. 7160*);
- To check that the provision for discretionary expenses, if any, does not exceed 2% of the actual receipts derived from basic Real Property Tax (RPT) in the next preceding year (*Section 325 (h), RA No. 7160*); and
- To verify if the projects in the budget are consistent with the AIP.

The proposed APP, which is the consolidation of all PPMPs of all departments/offices or end-user units in the LGU, and which shall include all procurement activities planned for the budget year, and schedules of procurement activities, which are integrated into the AIP, may be used by the Sanggunian in its evaluation of the LEP (Executive Budget), among others.

1.3. Deliberate on the Budget

The Sanggunian shall consider the LEP as a priority measure, if certified as urgent by the LCE, thus, shall take precedence over all other pending and proposed measures. As a public rule, all Sanggunian sessions shall be open to the public, unless otherwise provided by law (*Article 105 [b], IRR of RA No. 7160*).

1.3.1 Presentation of the Executive Budget to the Sanggunian

On the first day of the deliberation on the LEP, the LCE may address the members of the Sanggunian to present the thrusts, programs and priorities of the budget under consideration. The LCE may likewise brief the Sanggunian on the level of proposed expenditures; how they are strategically allocated among the three (3) mandated sectoral services (**social, economic, and general services**) and the sources of financing i.e., revenues, other receipts and borrowings that will support the budget.

1.3.2 Deliberation Proper

The procedures observed in budget deliberation may vary from one LGU to another depending on the Internal Rules of Procedure (IRP) adopted by the Sanggunian members.

- The Committee on Appropriations/Finance may conduct its own budget hearing and may call upon the LFC and Heads of Departments and Offices during the preliminary review and evaluation of the budget. The Committee then renders its report and recommendations to the Sanggunian proper.
- The LFC, in assisting the Sanggunian, shall:
 - ⊙ Make available pertinent data to enable the Sanggunian and the Committee on Appropriations/Finance to carry out a more objective review and analysis of the proposed expenditure program and its component activities, the projected revenues and other sources of financing; and
 - ⊙ Be present during committee hearings and Sanggunian sessions as may be required by the legislative body to explain any detail of the (LEP) executive budget that the members may wish to be clarified on.
 - ⊙ When allowed in the IRP, the accredited CSOs may be invited to attend and provide inputs during budget deliberation sessions, including committee hearings.
 - ⊙ The Heads of Departments and Offices, as authorized by the LCE, may, when requested to appear before the Sanggunian to explain or justify their budgets, present the following:
 - The mandate, vision/mission, major final output, performance indicators and targets functions and corresponding projects of the department/office and their relevance to the total development efforts of the LGU;
 - The nature of the work to be performed for each program, project and activity measured in terms of expected results, as well as the level of funding being proposed, including the organizational setup/staffing modification, if any, and the personnel complement tasked to perform the work; and
 - The accomplishment of the department/office for the preceding fiscal year, particularly the extent to which it has met its target.
- The Sanggunian shall, among others, ensure that the provisions on budgetary requirements and general limitations under RA No. 7160 and other laws are strictly complied with in the proposed budget.
- During budget deliberation, the Sanggunian may use the following guide questions, among others:
 - ⊙ Is the budget consistent with the AIP?

- ⊙ Does the budget adequately provide funds for the delivery of basic services and maintenance of facilities enumerated under Section 17 of RA No. 7160?
- ⊙ Are the requirements of component LGUs considered and equitably allocated for in the budget?
- ⊙ Is the proposed expenditure program within the recommended ceiling for economic, social and general public services?
- ⊙ Are the existing/proposed organizational structure and staffing pattern designed and implemented taking into consideration the service requirements and financial capability of the LGU subject to the minimum standards and guidelines of the Civil Service Commission (CSC) and the provisions of RA No. 7160?
- ⊙ Does the existing/proposed complement have the capability to implement the plans and programs and to deliver basic public services?
- ⊙ Are there expenditures that need to be reduced to ensure reasonable economy in local government operations?
- ⊙ Will there be projects or activities that need to be “fast tracked,” and procedures to be simplified to minimize utilization of resources?
- ⊙ Are the estimated revenues and other receipts of reasonable probability of collection? Are the new tax and other revenue measures proposed to finance the budget covered by tax ordinances? Is the proposed borrowing or other credit financing within the capability of the LGU to pay?

1.4. Authorize the Annual Budget

After budget deliberation, the Sanggunian authorizes the annual budget through an Appropriation Ordinance. (Please see illustrative example).

An appropriation refers to an authorization made by ordinance directing the payment of goods and services from local government funds under specified conditions or for specific purpose (*Section 306 [b], RA No. 7160*).

⊙ Contents of the Appropriation Ordinance

The Appropriation Ordinance shall contain, among others, the following:

- An assigned number, a title or caption, an enacting or ordaining clause, and the date of proposed effectivity (Article 107 [b], IRR of RA No. 7160).
- A provision identifying the documents the documents appended to the Appropriation Ordinance that will form part of the authorized budget such as, but not limited to, the following:
 - ⊙ Plantilla of Personnel; and
 - ⊙ Annual Operating Budget of Local Economic Enterprise(s), if any
- Receipts Program
- Expenditure Program by Department/Office/Unit:
 - ⊙ mandate, vision, mission and organizational outcome;
 - ⊙ new appropriations of PPA, expense class and object of expenditures;
 - ⊙ special provisions, if any

- Special Purpose Appropriations shall be reflected under the appropriate implementing Department/Office/Unit
- General Provisions; and
- Summary of new appropriations by object of expenses and by sector, and by Department/Office, and Summary Statement of all Statutory and Contractual Obligations Due.

⊙ Rules Governing the Enactment of an Appropriation Ordinance

The enactment of the proposed Appropriation Ordinance shall be governed by the rules prescribed under Section 54 of RA No. 7160, Article 107 of its IRR, as well as the Internal Rules of Procedure by the Sanggunian concerned. In summary, the following may constitute basic requirements and process of enactment:

- A majority of all the members of the Sanggunian who have been elected and qualified shall constitute a quorum to transact official business. Should a question of quorum be raised during a session, the Presiding Officer shall immediately proceed to call the roll of the members and thereafter announce the results (*Section 53, RA No. 7160; Article 106, IRR of RA No. 7160*).
- The proposed Appropriation Ordinance shall be accompanied by a brief explanatory note containing the justification for its approval (*Article 107 [b], IRR of RA No. 7160*).
- The proposed Appropriation Ordinance shall be signed by the author or authors and submitted to the Secretary to the Sanggunian who shall report the same to the Sanggunian at its next meeting (*Article 107 (b), RA No. 7160*).
- The proposed Appropriation Ordinance if certified as urgent by the LCE, may be presented to and considered by the Sanggunian at the same meeting when it was first reported to the Sanggunian, whether or not it is included in the calendar of business without need of suspending the rules (*Article 107 (e), IRR of RA No. 7160*).
- No ordinance shall be considered on second reading in any regular meeting unless it has been reported out by the proper committee to which it was referred, normally the Committee on Appropriations, or certified as urgent by the LCE (*Article 107 [d], IRR of RA No. 7160*).
- The Secretary to the Sanggunian shall prepare copies of the proposed Appropriation Ordinance in the form it was passed during the second reading and shall distribute to each Sanggunian member a copy thereof for the third reading and final consideration (*Article 107 [f], IRR of RA No. 7160*).
- If the proposed Appropriation Ordinance is certified as urgent by the LCE, it may be submitted for final voting immediately after debate or amendment during the second reading (*Article 107 [f], IRR of RA No. 7160*).
- The approved Appropriation Ordinance shall be stamped with the seal of the Sanggunian and recorded in a book kept for the purpose (*Article 107 (h), IRR of RA No. 7160*).
- The Secretary to the Sanggunian shall affix his signature to the enacted Appropriation Ordinance and present the same to the Presiding Officer for his signature (*Article 469 (c) (2) IRR, RA No. 7160*).
- The Secretary to the Sanggunian shall forward the Appropriation Ordinance enacted by the Sanggunian and duly certified by the Presiding Officer to the LCE for approval (*Article 469 (c) (3), IRR, RA No. 7160*).

⊙ Voting Requirement to Enact an Appropriation Ordinance

- An Appropriation is defined under Section 306(b) of RA No. 7160 as “an authorization made by ordinance directing the payment of goods and services from local government funds.”
- Pursuant to Article 107(g), IRR of RA No. 7160, “x x x. Any ordinance or resolution directing the payment of money . . ., shall require the affirmative vote of a majority of all the Sanggunian members for its passage.
- While the IRR of RA No. 7160 does not explicitly state that an appropriation ordinance requires the majority vote of all the members of the sanggunian (qualified majority), it does not likewise expressly state that it requires only a majority vote of the members present there being a quorum (simple majority).

In determining the total membership of the Sanggunian, the Vice-Governor or the Vice-Mayor, as the case maybe, is included (Gamboa vs. Aguirre and Araneta, G.R. No. 134213, July 20, 1999).

Simple Majority means the majority vote of all those present in a session there being a quorum, while qualified majority refer to the majority vote of all the members duly elected and qualified regardless of whether all of them were present or not in a particular session (*La Carlota City vs. Rojo*, G.R. No. 181367, April 24, 2012).

- Reading the definition of an “Appropriation” under Section 306 (b) of RA No. 7160 as an authorization made by ordinance **directing the payment of goods and services** from local government funds vis-à-vis the second sentence of Article 107 (g) of the IRR of RA No. 7160 that any ordinance authorizing or **directing payment of money** or creating liability shall require the affirmative vote of all sanggunian members for its passage, it can be clearly inferred that an appropriation ordinance shall require the affirmative vote of a majority of all the sanggunian members for its passage, that is, qualified majority.
- The law would impose a more onerous requirement on a sanggunian authorization for the passage of an ordinance directing payment of goods and services than that required for other ordinances that do not involve authorization for the use of public funds.
- The decisions of the Supreme Court in the following cases would sustain the inference that the enactment of an Appropriation Ordinance (would) indeed require the majority vote of all the members of the sanggunian:

⊙ ZAMORA VS. CABALLERO, G.R. No. 147767, January 14, 2004

“Lastly, for a resolution authorizing the Governor to enter into a construction contract to be valid, the vote of the majority of all members of the Sanggunian, and not only of those present during the session, is required (*italics supplied*) in accordance with Section 468[54] of the LGC in relation to Article 107[55] of its Implementing Rules.

X x x Applying Section 468 of the LGC and Article 107 of its Implementing Rules, there being fourteen members in the Sanggunian, the approval of eight members is required to authorize the governor to enter into the Contract with the Allado Company since it involves the creation of liability for payment on the part of the local government unit.”

⊙ QUISUMBING VS. GARCIA, G.R. No. 175527, December 8, 2008

“The question of whether a sanggunian authorization separate from the appropriation ordinance is required should be resolved depending on the particular circumstances of the case. Resort to the appropriation ordinance is necessary in order to determine if there is a provision therein which specifically

covers the expense to be incurred or the contract to be entered into. Should the appropriation ordinance, for instance, already contain in sufficient detail the project and cost of a capital outlay such that all that the local chief executive needs to do after undergoing the requisite public bidding is to execute the contract, no further authorization is required, the appropriation ordinance already being sufficient (italics supplied).”

Given these Decisions of the Supreme Court, the following pronouncements are clear:

- ⊙ Provided that the Appropriation Ordinance already contains sufficient detail of the project/s and the cost/s thereof, the Appropriation Ordinance will serve as the sanggunian authorization for the local chief executive to enter into contracts, thus, considered as sufficient compliance of the requirement under Section 22 (c) of RA No. 7160, which provides:

“x x x

(c) Unless otherwise provided in this Code, no contract may be entered into by the local chief executive in behalf of the local government unit without prior authorization by the sanggunian concerned. A legible copy of such contract shall be posted at a conspicuous place in the provincial capitol or the city, municipal or barangay hall.”

- ⊙ A resolution (or ordinance) authorizing the local chief executive to enter into contract/s involves the creation of liability on the part of the LGU, thus, it requires the majority vote of all members of the sanggunian pursuant to Article 107 of the IRR if RA No. 7160.

Since the Appropriation Ordinance can be a substitute for the principal condition of prior sanggunian authorization before the local chief executive enters into contracts, then the voting requirement for that principal condition of sanggunian authorization (which is majority of all sanggunian members) should also be the voting requirement for the acceptable substitute thereof (i.e., the Appropriation Ordinance).

⊙ Limitations on Legislative Action

The Sanggunian may not increase the proposed amount in the executive budget nor include new items except to provide for statutory and contractual obligations but in no case shall it exceed the total appropriations in the executive budget (*Article 415, IRR of RA No. 7160*).

⊙ Failure to Enact the Annual Appropriations (*Section 323, RA No. 7160*)

In case the Sanggunian concerned fails to pass the ordinance authorizing the annual appropriations at the beginning of the ensuing fiscal year, **the ordinance authorizing the appropriations of the preceding year shall be deemed re-enacted**. The Sanggunian shall continue to hold sessions, without additional remuneration for its members, until the ordinance authorizing the annual appropriations is approved, and no other business may be taken up during such sessions (*Article 415, IRR of RA No. 7160*).

If the Sanggunian still fails to enact such ordinance after 90 days from the beginning of the fiscal year, the preceding year’s budget shall remain in force and effect until such time that the ordinance authorizing the annual appropriations is passed by the Sanggunian concerned (*Article 415, IRR of RA No. 7160*).

1.5 The Reenacted Budget

- Only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental for the preceding year shall be deemed re-enacted and disbursement of funds shall be in accordance therewith (*Section 323, RA No. 7160*).
- Essential operating expenses refer to specific objects of expenditure under Maintenance and Other Operating Expenses, which are necessary for the operation of a particular local government unit to carry out its mandate in providing efficient and effective basic services. The local government unit is in the best position to identify expenses which, according to its best judgment, are essential to its operation.
- In the implementation of the reenacted ordinance, the local treasurer concerned shall exclude from the estimates of income for the preceding fiscal year those realized from nonrecurring sources like national aids, proceeds from loans, sale of assets, prior year adjustments, and other analogous sources of income. National aids shall not include the IRA of LGUs and their shares in the utilization and development of national wealth (*Section 323, RA No. 7160; Article 415, IRR of RA No. 7160*).
- In case the revised income estimates be less than the aggregate reenacted appropriations, the local treasurer concerned shall accordingly advise the Sanggunian concerned which shall, within 10 days from receipt of such advice, make the necessary adjustments or reductions. The revised appropriations authorized by the Sanggunian concerned shall then be the basis for disbursements (*Section 323, RA No. 7160*).
- No ordinance authorizing supplemental appropriations shall be passed in place of the annual appropriations (*Section 323, RA No. 7160*).

Step 2. Approve the Appropriation Ordinance

The Appropriation Ordinance enacted by the Sanggunian shall be presented to the LCE for approval, in which case, he shall affix his signature on every page thereof (Sample Format No.2- Approval Letter of the LCE). Otherwise, he shall veto it and return the same with his objections to the Sanggunian, which may proceed to reconsider the same. A veto may be partial (Sample Format No. 3) or total (Sample Format No.4)

The veto shall be communicated by the LCE to the Sanggunian within 15 days in the case of a province, and 10 days in the case of a city or municipality; otherwise, the ordinance shall be deemed approved as if the LCE had signed it (*Section 54 [b], RA No. 7160*).

- **Veto power of the LCE** (*Section 55, RA No. 7160*).
 - ⊙ The LCE may veto any ordinance on the ground that it is ultra vires (i.e., “beyond the powers”) or prejudicial to the public welfare, stating his reasons therefore in writing.
 - ⊙ The LCE, except the Punong Barangay, shall have the power to veto any particular item or items of an Appropriation Ordinance, an ordinance or resolution adopting a local development plan and public investment program, or an ordinance directing the payment of money or creating liability.
 - ⊙ The veto shall not affect the item or items that are not objected to. The LCE has to sign the Appropriation Ordinance even if he has vetoed certain items in the Appropriation Ordinance. The vetoed item or items shall not take effect unless the Sanggunian overrides the veto; otherwise, the item or items in the Appropriation Ordinance of the previous year corresponding to those vetoed, if any, shall be deemed re-enacted. The vetoed item or items shall not take effect unless

the Sanggunian overrides the veto; otherwise, the item or items in the Appropriation Ordinance of the previous year corresponding to those vetoed, if any, shall be deemed re-enacted.

⊙ The LCE may veto an ordinance or resolution only once.

- **Override of the Veto** (*Section 55 [c], RA No. 7160; Article 109 [e], IRR of RA No. 7160*).

⊙ The Sanggunian may override the veto of the LCE by two-thirds (2/3) vote of all its members.

⊙ Such override will make the ordinance effective for all legal intents and purposes even without the approval of the LCE.

Step 3. Post the Appropriation Ordinance

The secretary to the sanggunian concerned shall cause the posting of an ordinance or resolution in the bulletin board at the entrance of the provincial capitol and the city, municipal, or barangay hall in at least two (2) conspicuous places in the local government unit concerned not later than five (5) days after the approval thereof. (*Section 59 (b), RA No. 7160*)

The text of the ordinance or resolution shall be disseminated and posted in Filipino or English or in the language or dialect understood by the majority of the people in the local government unit concerned, and the secretary to the sanggunian shall record such fact in a book kept for the purpose, stating the dates of approval and postings.

In the case of highly urbanized and independent component cities, the main features of the ordinance or resolution duly enacted or adopted shall, in addition to being posted, be published once in a local newspaper of general circulation. (*Section 59 (d), RA No. 7160*).

The Appropriation Ordinance shall take effect after ten (10) days from the date a copy thereof is posted in the bulletin board at the entrance of the provincial capitol and the city, municipal, or barangay hall as the case may be, and in at least two (2) other conspicuous places in the government unit concerned. (*Section 59 [a], RA No. 7160; DILG MC No. 2010-149, 12/14/10*)

In *Tanada vs Tuvera*, the Supreme Court declared that a law “which have not been published has no force and effect” (*136 SCRA 27, April 24, 1985*).

Step 4. Forward copies of the approved Appropriation Ordinance to the reviewing authority

For component cities and municipalities, the Secretary to the Sangguniang Panlungsod or Sangguniang Bayan, as the case may be, shall forward to the Sangguniang Panlalawigan within three (3) days after approval (*Section 56, RA No. 7160*), copies of the approved Appropriation Ordinance for review in accordance with Section 327 of RA No. 7160.

For provinces, highly-urbanized cities, independent component cities and municipalities within the Metropolitan Manila Area, the Secretary to the Sangguniang Panlalawigan, Sangguniang Panlungsod or Sangguniang Bayan, as the case may be, shall transmit to the DBM within three (3) days after its approval (*Section 56, RA No. 7160*), copies of the approved Appropriation Ordinance for review in accordance with (*Section 326 of RA No. 7160*).

The Appropriation Ordinance shall be supported by the approved AIP, duly supported by the DILG-endorsed GAD Plan and Budget, Local Disaster Risk Reduction and Management Plan, list of PPAs for the Local Council for the Protection of Children and Peace and Order Plan, Sanggunian Resolution approving the AIP, veto message, if any, and Sanggunian action on the veto, if any.

2.6 Changes in the Annual Budget

Supplemental Budget

General Rule

All budgetary proposals shall be included and considered in the budget preparation process. After the LCE shall have submitted the executive budget to the Sanggunian, no ordinance providing for a supplemental budget shall be enacted (*Section 321, RA No. 7160*).

Exceptions

Changes in the annual budget may be done through supplemental budgets under the following circumstances (*Article 417, IRR of RA No. 7160 as amended by AO No. 47*):

a. When supported by funds actually available as certified by the local treasurer

Funds actually available refer to the amount of money actually collected, as certified by the local treasurer, at any given point during the fiscal year, which is over and above the estimated income collection for that point in the year.

Thus, funds are actually available when realized income exceeds estimated income as of any given day, month, or quarter of a given fiscal year.

Funds are likewise deemed actually available when there are savings.

Savings refer to portions or balances as of any given point in the fiscal year or any programmed or allotted appropriation which remain free of any obligation or encumbrance and which are still available after the satisfactory completion or the unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation was originally authorized, or which result from unobligated compensation and related costs pertaining to vacant positions and leaves of absence without pay (*Article 454 [b] [1], IRR of RA No. 7160*).

b. If covered by new revenue source/s

New revenue source refers to money measure not otherwise considered during the preparation and enactment of the annual budget. Such new revenue measures include ordinance passed by the Sanggunian during the fiscal year but after the annual budget had already been enacted into law which imposes new local taxes, charges, fees, fines or penalties, or which raises existing local taxes, charges, fees, fines or penalties.

Such revenue sources also include new or higher remittances, contributions, subsidies or grants in aid from the National Government or from government corporations and private entities which have not been included in the estimates of income which served as basis for the annual budget.

c. In times of public calamity (*Section 321, RA No. 7160; Article 417, IRR of RA No. 7160, as amended by AO No. 47*).

By way of budgetary realignment to set aside appropriations for the purchase of supplies and materials or the payment of services, which are exceptionally urgent or absolutely indispensable to prevent imminent danger to, or loss of, life or property, in the jurisdiction of the LGU or in other areas declared in a state of calamity by the President.

In such case, the Appropriation Ordinance shall clearly indicate the following:

- ⊙ The sources of funds available for appropriations as certified under oath jointly by the local treasurer and the local accountant and attested to by the LCE;
- ⊙ The items of appropriations affected; and
- ⊙ The reasons for the change.

Sample Format No. 1 on page 76 illustrates an ordinance authorizing supplemental appropriations.

d. Use of Appropriated Funds and Savings

General Rule

Funds shall be available exclusively for the specific purpose for which they have been appropriated. No ordinance shall be passed authorizing any transfer of appropriations from one item to another (Section 336, RA No. 7160).

Exception

The LCE or the Presiding Officer of the Sanggunian may, by ordinance, be authorized to augment any item in the approved annual budget for their respective offices from savings in other ms within the same expense class of their respective appropriations {Section 336, RA No. 7160; (Article 454 [b], IRR of RA No. 7160)}.

- ⊙ Savings refer to portions or balances of any programmed appropriation free from any obligation or encumbrance, still available after the satisfactory completion or the unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation is authorized, or arising from unpaid compensation and related costs pertaining to vacant positions and leaves of absence without pay (Article 454 [b] [1], IRR of RA No. 7160).
- ⊙ Augmentation implies the existence in the budget of an item, project, activity or purpose with an appropriation which, upon implementation or subsequent evaluation of needed resources, is determined to be deficient (Article 454 [b][2], IRR of RA No. 7160).

Sample Format No. 5 on page 83 illustrates an ordinance authorizing the use of savings and augmentation.

e. Effectivity of Budgets

- The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year (Section 320, RA No. 7160).
- An ordinance enacting a supplemental budget shall take effect upon its approval or on the date fixed therein (Section 320, RA No. 7160).
- The effectivity of budgets is subject further to compliance with the posting requirements.

2.7 Local Budget Authorization Forms

LBA Form No. 1A			
CHECKLIST ON DOCUMENTARY AND SIGNATURE REQUIREMENTS FOR THE ANNUAL BUDGET			
Document		Signatory	
Budget Message	<input type="checkbox"/>	Local Chief Executive	<input type="checkbox"/>
Local Expenditure Program	<input type="checkbox"/>	Local Chief Executive	<input type="checkbox"/>
Plantilla of Personnel	<input type="checkbox"/>	HRMO	<input type="checkbox"/>
		Local Chief Executive	<input type="checkbox"/>
Annual Operating Budget of Local Economic Enterprise, if any	<input type="checkbox"/>	Head of the Local Economic Enterprise	<input type="checkbox"/>
		Local Chief Executive	<input type="checkbox"/>
AIP (Approved by the Sanggunian through a Resolution)	<input type="checkbox"/>	Secretary to the Sanggunian	<input type="checkbox"/>
		Presiding Officer	<input type="checkbox"/>
		Local Chief Executive	<input type="checkbox"/>
Supporting Documents:			
• DILG-endorsed GAD Plan and Budget	<input type="checkbox"/>	Local Planning and Development Officer	<input type="checkbox"/>
• Local Disaster Risk Reduction Management Plan	<input type="checkbox"/>	Local Budget Officer	<input type="checkbox"/>
• Climate Change Action Plan	<input type="checkbox"/>	Local Chief Executive	<input type="checkbox"/>
• Peace and Order Plan	<input type="checkbox"/>		

<ul style="list-style-type: none"> List of PPAs for the Local Council for the Protection of Children 	<input type="checkbox"/>		
<ul style="list-style-type: none"> List of PPAs for Senior Citizens and Persons with Disabilities 	<input type="checkbox"/>		
<ul style="list-style-type: none"> List of PPAs to Combat AIDS 	<input type="checkbox"/>		

LBA Form No. 1B

**CHECKLIST ON DOCUMENTARY AND SIGNATURE
REQUIREMENTS FOR THE SUPPLEMENTAL BUDGET**

Document		Signatory	
Funds Actually Available: <ul style="list-style-type: none"> Certified Statement of Additional Realized Income Certification of Savings 	<input type="checkbox"/> <input type="checkbox"/>	Local Treasurer and Local Accountant Local Treasurer and Local Accountant	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
New Revenue Measure/s: <ul style="list-style-type: none"> Certified Statement of Income from New Revenue Measure/s Copy of duly enacted ordinance which imposes new local taxes, charges, fees, fines or penalties or which raises existing local taxes, charges, fees, fines or penalties Copy of official communication stating that the LGU is a recipient of new or higher remittances, contributions, subsidies or grants in aid from the National Government or from government corporations and private entities 	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	Local Treasurer and Local Accountant	<input type="checkbox"/> <input type="checkbox"/>
Realignment of Appropriations in Times of Public Calamity: <ul style="list-style-type: none"> Certificate of Source of Funds Available for Appropriations 	<input type="checkbox"/>	Local Treasurer Local Accountant and LCE	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>

Illustrative Example**Ordinance Authorizing the Annual Appropriations**

APPROPRIATION ORDINANCE NO. _____

Series of _____

AN ORDINANCE AUTHORIZING THE ANNUAL BUDGET OF (Name of LGU) FOR
FISCAL YEAR _____ IN THE TOTAL AMOUNT
OF _____ (P _____) COVERING THE VARIOUS
EXPENDITURES FOR THE OPERATION OF THE _____ GOVERNMENT FOR
FISCAL YEAR _____, AND APPROPRIATING THE NECESSARY FUNDS FOR THE
PURPOSE

Introduced by:

Be it ordained in Regular Session assembled:

Section 1. The Annual Budget of the (Name of LGU) for Fiscal Year _____ in the total amount of _____ (P _____) covering the various expenditures for the operation of the Provincial/City/Municipal Government for the year _____ is hereby approved.

The budget documents consisting of the following are incorporated herein and made integral part of this Ordinance:

1. Plantilla of Personnel; and
2. Annual Operating Budget of Local Economic Enterprise(s), if any.

Section 2. Receipts Program (*Refer to the illustrative example of the LEP on pages 44 to 51*)

Section 3. Expenditure Program (*Refer to the illustrative example of the LEP on pages 44 to 51*)

Section 4. General Provisions (*Refer to the illustrative Example of the LEP on pages 44 to 51*)

Section 5. Separability Clause. If, for any reason, any Section or provision of this Appropriation Ordinance is disallowed in Budget Review or declared invalid by proper authorities, other Sections or provisions hereof that are not affected thereby shall continue to be in full force and effect.

Section 6. Effectivity. The provisions of this Appropriation Ordinance shall take effect on January one, Two thousand and _____.

ENACTED: This ____ day of _____ at _____.

X-----X

**I HEREBY CERTIFY
THAT THIS IS A TRUE AND ACCURATE COPY
OF THE ORDINANCE DULY ENACTED
BY THE SANGGUNIAN ON _____.**

NAME AND SIGNATURE
OF THE SECRETARY TO THE SANGGUNIAN

NAME AND SIGNATURE
OF THE PRESIDING OFFICER

APPROVED:

NAME AND SIGNATURE OF THE LOCAL CHIEF EXECUTIVE
DATE OF APPROVAL:

Sample Formats

Ordinance Authorizing Supplemental Appropriations

APPROPRIATION ORDINANCE NO. _____
Series of _____

AN ORDINANCE AUTHORIZING SUPPLEMENTAL BUDGET NO. __, SERIES
_____ INVOLVING AN AMOUNT OF _____ (P _____) FOR
_____ (purpose) _____).

Be it ordained in Regular Session assembled:

Section 1. The Supplemental Budget of the (Name of LGU) Government for Fiscal Year
_____ in the total amount of _____ (P _____) for
_____ is hereby approved.

The budget documents consisting of the following are incorporated herein and made integral part of this Ordinance:

- 1.
- 2.
- 3.
- 4.

Section 2. Sources of Funds. The sources of funds for the Supplemental Budget in the total amount of _____ (P _____) shall be as follows:

Beginning Balance	P _____
Add: Income Sources	
(Funds Actually Available Certified by Local Treasurer	
or New Revenue Source	
or Item/s to be Realigned in Times of Public Calamity)	_____
Total	P _____

Section 3. Use of Funds. The amount of _____ (P _____) is hereby appropriated for the Supplemental Budget of the (Name of LGU), as follows:

Proposed New Appropriations Language

For _____P_____

New Appropriations by Program/Activity/Project ('000)

Program/Project/Activity	Current Operating Expenditures		Capital Outlay	Financial Expenses	Total
	Personal Services	Maintenance and Other Operating Expenses			
A. Programs					
I. General Administration Services					
a. General Administrative and Support Services					
b.					
Sub-total					
II. Operations					
a.					
b.					
c.					
Sub-total					
Total, Programs					
B. Projects					
I. Locally-funded Project					
a.					
b.					
Sub-total					
Total, Projects					
Total New Appropriations					

Program Appropriation and Obligation by Object ('000)

Object of Expenditure	Account Code*	Past Year	Current Year	Budget Year
Personal Services (PS)				
Total PS				
Maintenance and Other Operating Expenses (MOOE)				
Total MOOE				
Capital Outlay (CO)				
Total CO				
Financial Expenses				
Total Financial Expenses				
TOTAL APPROPRIATIONS				

Section 4. Separability Clause. If, for any reason, any section or provision of this Ordinance is declared invalid or unconstitutional, other sections or provisions thereof which are not affected thereby shall continue to be in full force and effect.

Section 5. Effectivity. The provisions of this Ordinance shall take effect on _____.

ENACTED: This ____ day of _____ at _____

X-----X

**I HEREBY CERTIFY
THAT THIS IS A TRUE AND ACCURATE COPY
OF THE ORDINANCE DULY ENACTED
BY THE SANGGUNIAN ON _____.**

NAME AND SIGNATURE
OF THE SECRETARY TO THE SANGGUNIAN

NAME AND SIGNATURE
OF THE PRESIDING OFFICER

APPROVED:

NAME AND SIGNATURE OF THE LOCAL CHIEF EXECUTIVE
DATE OF APPROVAL:

Approval Letter of the LCE

Date _____

**THE HONORABLE PRESIDING OFFICER
THE HONORABLE MEMBERS OF THE SANGGUNIAN**

Ladies/Gentlemen:

Today, I sign Appropriation Ordinance No. _____ for Fiscal Year ____ entitled,
**AN ORDINANCE AUTHORIZING THE ANNUAL BUDGET OF (Name of LGU) FOR
FISCAL YEAR ____ IN THE TOTAL AMOUNT OF _____
(P_____) COVERING THE VARIOUS EXPENDITURES FOR THE
OPERATION OF THE _____ GOVERNMENT FOR FISCAL YEAR _____, AND
APPROPRIATING THE NECESSARY FUNDS FOR THE PURPOSE (or AN
ORDINANCE AUTHORIZING SUPPLEMENTAL BUDGET NO. __, SERIES _____
INVOLVING AN AMOUNT OF _____ (P_____) FOR
_____ (purpose) _____).**

With the passage of the FY ____ Annual/Supplemental Budget of the (Name of LGU)
under Appropriation Ordinance No. _____, we will be giving better basic services to our
constituents.

Very truly yours,

NAME AND SIGNATURE
LOCAL CHIEF EXECUTIVE

Veto Message - Partial Veto

Date _____

**THE HONORABLE PRESIDING OFFICER
THE HONORABLE MEMBERS OF THE SANGGUNIAN**

Ladies/Gentlemen:

Today, I sign Appropriation Ordinance No. _____ for Fiscal Year _____ entitled, **AN ORDINANCE AUTHORIZING THE ANNUAL BUDGET OF (Name of LGU) FOR FISCAL YEAR _____ IN THE TOTAL AMOUNT OF _____ (P_____)** COVERING THE VARIOUS EXPENDITURES FOR THE OPERATION OF THE _____ GOVERNMENT FOR FISCAL YEAR _____, AND APPROPRIATING THE NECESSARY FUNDS FOR THE PURPOSE (or AN ORDINANCE AUTHORIZING SUPPLEMENTAL BUDGET NO. __, SERIES _____ INVOLVING AN AMOUNT OF _____ (P_____) FOR _____ **(purpose)** _____).

On the other hand, pursuant to the powers vested in me by the Local Government Code of 1991, I am duty bound to veto some items of appropriation in the abovesited Appropriation Ordinance No. _____ on the grounds that they result from *ultra vires* acts of the Sanggunian and are prejudicial to public welfare, as follows:

Item(s) of Appropriation	Reason(s) for Veto
1.	
2.	

In view of the foregoing, with the passage of the FY _____ Annual/Supplemental Budget of the (Name of LGU) under Appropriation Ordinance No. _____, we will be giving better basic services to our constituents.

Accordingly, I am returning the approved Appropriation Ordinance No. _____ together with my partial veto, to the Sanggunian, for their appropriate action.

Very truly yours,

NAME AND SIGNATURE
OF THE LOCAL CHIEF EXECUTIVE

Veto Message - Total Veto

Date _____

**THE HONORABLE PRESIDING OFFICER
THE HONORABLE MEMBERS OF THE SANGGUNIAN**

Ladies/Gentlemen:

Today, I veto Appropriation Ordinance No. _____ for Fiscal Year ____ entitled, **AN ORDINANCE AUTHORIZING THE ANNUAL BUDGET OF (Name of LGU) FOR FISCAL YEAR ____ IN THE TOTAL AMOUNT OF _____ (P_____)** COVERING THE VARIOUS EXPENDITURES FOR THE OPERATION OF THE _____ GOVERNMENT FOR FISCAL YEAR _____, AND APPROPRIATING THE NECESSARY FUNDS FOR THE PURPOSE (or AN ORDINANCE AUTHORIZING SUPPLEMENTAL BUDGET NO. __, SERIES _____ INVOLVING AN AMOUNT OF _____ (P_____) FOR _____ (purpose) _____).

Pursuant to the powers vested in me by the Local Government Code of 1991, I veto all items of appropriations embodied in the abovementioned Appropriation Ordinance No. _____ for the following reasons:

Item(s) of Appropriation	Reason(s) for Veto
1. _____	_____
2. _____	_____

These acts of the Sanggunian are *ultra vires* and prejudicial to public welfare.

Hence, I am respectfully returning Appropriation Ordinance No. _____, together with this Veto Message to the Sanggunian, for its appropriate action.

Very truly yours,

NAME AND SIGNATURE
OF THE LOCAL CHIEF EXECUTIVE

Ordinance Authorizing Use of Savings and Augmentation

ORDINANCE NO. _____
Series of _____

**AN ORDINANCE AUTHORIZING THE GOVERNOR/MAYOR
AND/OR THE PRESIDING OFFICER OF THE SANGGUNIAN
TO USE SAVINGS FOR AUGMENTATION
IN ACCORDANCE WITH THE LOCAL GOVERNMENT CODE OF 1991**

Be it ordained in Regular Session assembled:

Section 1. Use of Savings and Augmentation. In accordance with Section 336 of Republic Act No. 7160, the Local Government Code of 1991, the Governor/Mayor and/or the Presiding Officer of the Sanggunian is/are authorized to augment any item in the approved annual budget for their respective offices from savings in other items within the same expense class of their respective appropriations.

For this purpose, “savings” refer to portions or balances of any programmed appropriation free from any obligation or encumbrance, still available after the satisfactory completion or the unavoidable discontinuance or abandonment of the work, activity or purpose for which the appropriation is authorized, or arising from unpaid compensation and related costs pertaining to vacant positions and leaves of absence without pay.

“Augmentation” implies the existence in the budget of an item, project, activity or purpose with an appropriation which, upon implementation or subsequent evaluation of needed resources, is determined to be deficient.

Section 2. Priority in the Use of Personal Services Savings. Priority shall be given to the personnel benefits of local employees in the use of Personal Services savings.

Section 3. Separability Clause. If, for any reason, any section or provision of this Ordinance is declared invalid or unconstitutional, other sections or provisions thereof which are not affected thereby shall continue to be in full force and effect.

Section 4. Effectivity. The provisions of this Ordinance shall take effect on _____.

ENACTED: This ____ day of _____ at _____.

X-----X

**I HEREBY CERTIFY
THAT THIS IS A TRUE AND ACCURATE COPY
OF THE ORDINANCE DULY ENACTED
BY THE SANGGUNIAN ON _____.**

NAME AND SIGNATURE
OF THE SECRETARY TO THE SANGGUNIAN

NAME AND SIGNATURE
OF THE PRESIDING OFFICER

APPROVED:

NAME AND SIGNATURE OF THE LOCAL CHIEF EXECUTIVE
DATE OF APPROVAL:

(Note: This form may be adopted in case the Sanggunian decides to grant the authority for use of savings and augmentation under Section 336 of R.A. No. 7160 and the same authority was not incorporated in the Ordinance authorizing the Annual Appropriations of the LGU)

CHAPTER 3. BUDGET REVIEW PHASE



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- 2.0 Legal Basis of Budget Review
- 3.0 Key Players in Budget Review
- 4.0 Reglementary Period of Review
- 5.0 The Budget Review Flow Chart
- 6.0 Steps in the Budget Review Phase
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 - 9.4 Review Letter Declaring the Appropriation Ordinance Inoperative in Part
 - 9.5 Resolution Declaring the Appropriation Ordinance Operative in its Entirety
 - 9.6 Resolution Declaring the Appropriation Ordinance Operative in its Entirety Subject to Some Conditions
 - 9.7 Resolution Declaring the Appropriation Ordinance Inoperative in its Entirety
 - 9.8 Resolution Declaring the Appropriation Ordinance Inoperative in Part
 - 9.9 Stamp of Review

3.1 Introduction

Budget Review is the third phase in the local budget process. Its primary purpose is to determine whether the Appropriation Ordinance has complied with the budgetary requirements and general limitations set forth in the Local Government Code of 1991, as well as provisions of other applicable laws. It starts from the time the reviewing authority receives the Appropriation Ordinance for review and ends with the issuance of the review action.

3.2 Legal Bases of Budget Review

The Department of Budget and Management shall review ordinances authorizing the annual or supplemental appropriations of provinces, highly-urbanized cities, independent component cities, and municipalities within the Metropolitan Manila Area in accordance with Section 327 of RA No. 7160 (*Section 326 of RA No. 7160*).

The Sangguniang Panlalawigan shall review the ordinance authorizing annual or supplemental appropriations of component cities and municipalities in the same manner and within the same period prescribed for the review of other ordinances (*Section 327, RA No. 7160*).

3.3 Key Players in Budget Review

Secretary to the Sanggunian - Within three (3) days after approval of the ordinance authorizing annual or supplemental appropriations, the Secretary to the Sanggunian shall forward the said ordinance to the Department of Budget and Management Regional Office (DBM RO) or Sangguniang Panlalawigan for review (*Section 56 in relation with Sections 326 and 327, RA No. 7160*).

Sangguniang Panlalawigan - The Sangguniang Panlalawigan shall review the ordinance authorizing annual or supplemental appropriations of component cities and municipalities within the province (*Section 327, RA No. 7160*).

Provincial Finance Committee – The Provincial Finance Committee shall assist the Sangguniang Panlalawigan in the review and evaluation of budgets of component cities and municipalities and recommend the appropriate action thereon (*Section 315 [f], RA No. 7160*).

Department of Budget and Management Regional Office – The DBM RO shall review the ordinance authorizing the annual or supplemental appropriations of provinces, highly-urbanized cities and independent component cities within its jurisdiction, and municipalities within the Metropolitan Manila Area (*Section 326, RA No. 7160*).

CSOs and Private Sector: The CSOs shall check the LGU compliance with the review following the Handbook on the Participation of CSOs in the Local Budget Process.

Table 3. Emerging Roles of CSOs in the Budget Review Phase

ACTIVITY	LGU ROLES	CSO ROLES
1. ISSUE THE REVIEW ACTION The reviewing authority may declare the AO as: a) operative in its entirety; b) operative in its entirety, subject to conditions; c) inoperative in its entirety; or d) inoperative in part.	If the arrangement is allowed in the terms of engagement between the LGU and CSO, the LGU may furnish copy of the review letter to the accredited CSOs.	Check the LGU compliance with the review findings.

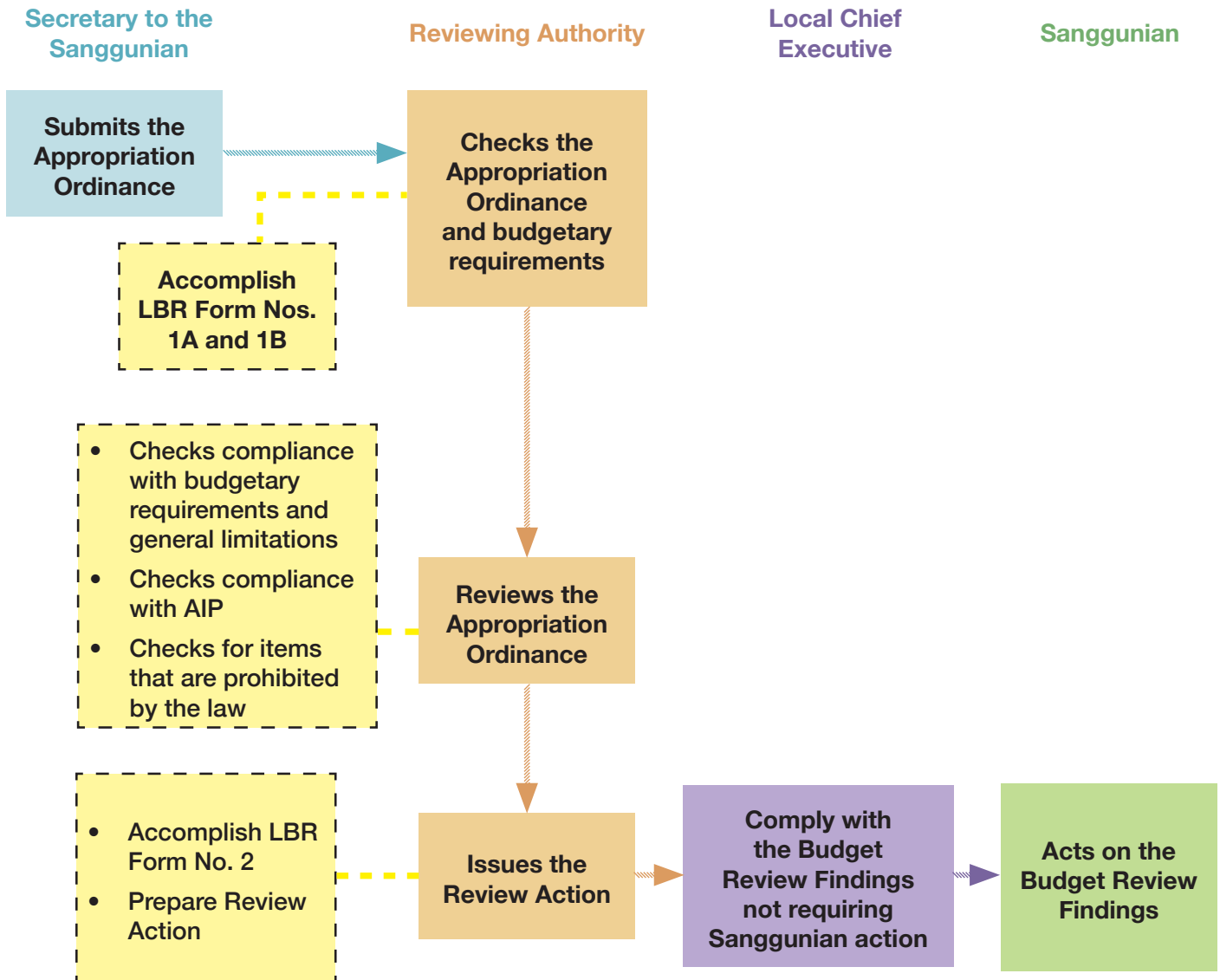
3.4 Reglementary Period of Review

The Appropriation Ordinance of provinces, highly-urbanized cities, independent component cities, component cities and municipalities shall be reviewed within 90 days from receipt of copies of such ordinances (*Section 327, RA No. 7160*).

3.5 The Budget Review Flow Chart

The budget review flow chart below (Figure 12) shows the sequence of activities from the time the Secretary to the Sanggunian submits the approved Appropriation Ordinance to the reviewing body/office until the same is returned together with the budget review action to the Sanggunian concerned through the LCE.

Figure 7. The Budget Review Flow Chart



3.6 Steps in the Budget Review Phase

Step 1. Check the Appropriation Ordinance with the Appended Budget Documents.

Using LBR Form Nos. 1A and No. 1B (Checklists on Documentary and Signature Requirements for the Annual Budget and Supplemental Budget, respectively), the DBM RO or Sangguniang Panlalawigan, as the case may be, shall check if the following documents with the required signatures have been submitted together with the Appropriation Ordinance:

1. For Annual Budget (*Please refer to LBR Form No. 1A*)

Document	Signatory
Transmittal Letter	Secretary to the Sanggunian
Appropriation Ordinance	Secretary to the Sanggunian Presiding Officer Local Chief Executive
AIP, duly supported by the DILG-approved GAD Plan and Budget, Local Disaster Risk Reduction Management Plan, List of PPAs for the Local Council the Protection of Children, and Peace and Order Plan.	Local Planning Officer Local Budget Officer Local Chief Executive
Sanggunian Resolution approving the AIP	Secretary to the Local Sanggunian Presiding Officer
Veto message, if any	Local Chief Executive
Sanggunian's action on veto, if any	Secretary to the Sanggunian Presiding Officer

2. For Supplemental Budget (*Please refer to LBR Form No. 1B*)

Document	Signatory
Transmittal Letter	Secretary to the Sanggunian
Appropriation Ordinance	Secretary to the Sanggunian Presiding Officer LCE
Funds Actually Available: <ul style="list-style-type: none"> Certified Statement of Additional Realized Income Certification of Savings 	Local Treasurer Local Treasurer and Local Accountant
New Revenue Measures: <ul style="list-style-type: none"> Certified Statement of Income from New Revenue Measures <ul style="list-style-type: none"> Copy of duly enacted Tax Ordinance which imposes new local taxes, charges, fees, fines or penalties, or which raises existing local taxes, charges, fees, fines or penalties Copy of official communication stating that the LGU is a recipient of new or higher remittances, contributions, subsidies or grants in aid from the National Government or from government corporations and private entities 	Local Treasurer and Local Accountant

Document	Signatory
Realignment of Appropriations in Times of Public Calamity	Local Treasurer
• Certificate of Source of Funds Available for Appropriations	Local Accountant
	Local Chief Executive
Supplemental AIP, if any	Local Planning and Development Officer
	Local Budget Officer
	Local Chief Executive
Sanggunian Resolution approving the Supplemental AIP	Secretary to the Local Sanggunian
	Presiding Officer
Veto message, if any	LCE
Sanggunian's action on veto, if any	Secretary to the Local Sanggunian
	Presiding Officer

All Appropriation Ordinances must carry the seal of the LGU.

Incomplete Submission

If the Appropriation Ordinance submitted for review lacks any of the documents or the required signatures mentioned above, the said Appropriation Ordinance shall not be reviewed and shall be officially returned in writing by the DBM RO or Sangguniang Panlalawigan to the LGU concerned, through its Secretary to the Sanggunian, requiring the resubmission of the same with the necessary budget documents and/or signatures.

Step 2. Review the Appropriation Ordinance

The reviewing officer shall validate the provisions of the Appropriation Ordinance for compliance with the budgetary requirements and general limitations. In addition, the following checks/validation should also be undertaken:

- Verify that no official or employee is allowed a salary rate higher than the maximum fixed for his position or other positions of equivalent rank (*Section 325 [b], RA No. 7160*).
- Using the Plantilla of Personnel, check the authorized salary grade and the corresponding salary for each position, and compare with the authorized rate in the Salary Schedule being implemented by the LGU. Use the Index of Occupational Services to check the correct position titles.
- Verify that no local fund is appropriated to increase or adjust salaries or wages of officials and employees of the National Government, except as may be expressly authorized by law (*Section 325 [c], RA No. 7160*).
- In cases of abolition of positions and the creation of new ones resulting from the abolition of existing positions in the career service, check that such abolition or creation is made in accordance with pertinent provisions of R.A. No. 7160 and civil service laws, rules and regulations (*Section 325 [d], RA No. 7160*).

- e. Verify that all positions in the official plantilla for career positions, which are occupied by incumbents holding permanent appointments, are covered by adequate appropriations (*Section 325 [e], RA No. 7160*).
- f. Verify that there are no changes in designation or nomenclature of positions resulting in a promotion or demotion in rank or increase or decrease in compensation, except when the position is actually vacant (*Section 325 [f], RA No. 7160*).
- g. Verify that the effectivity of the creation of new positions and salary increases and adjustments is not made retroactive (*Section 325 [g], RA No. 7160*).
- h. Verify if the projects in the Appropriation Ordinance are found in the approved AIP (*Section 305 [i], RA No. 7160*).
- i. Verify if there are items in the Appropriation Ordinance that are specifically prohibited by law.
- j. Use LBR No. 3A in determining deficiencies in budgetary requirements and limitations and LBR No. 3B in identifying compliance with the provisions of the Local Budget Circular covering the BOM for LGUs, 2016 Edition.

Step 3. Issue the Review Action

The DBM RO or Sangguniang Panlalawigan may prepare the Table Recapitulating the Findings and Possible Review Action (*LBR Form No. 2*).

This Table summarizes the various findings of the reviewing authority and indicates the possible action that may be taken (See illustrative example on page 101).

a. Review Actions

After the evaluation of the Appropriation Ordinance and its supporting documents, the reviewing authority may take any of the following actions:

- Declare the Appropriation Ordinance operative in its entirety.
The Appropriation Ordinance shall be declared operative in its entirety when it fully complies with the budgetary requirements and general limitations set forth under RA No. 7160 (*Section 327, RA No. 7160*).
- Declare the Appropriation Ordinance operative in its entirety, subject to conditions.
The Appropriation Ordinance shall be declared operative in its entirety but subject to conditions in the following cases:
 - ⊙ Certain items of appropriation require prior clearance or documentation;
 - ⊙ Certain items of appropriation require prior approval by appropriate authorities;
 - ⊙ Certain items of appropriation are found to be deficient from what is prescribed by law and need to be increased (e.g., insufficient provisions for PhilHealth, GSIS premiums for some employees, etc.), except in cases where the Appropriation Ordinance has to be declared inoperative in its entirety; and/or
 - ⊙ Other conditions that may restrain the declaration of the Appropriation Ordinance as operative in its entirety.
- Declare the Appropriation Ordinance inoperative in its entirety.
The Appropriation Ordinance shall be declared inoperative in its entirety under any of the following cases:

- ⊙ When appropriation exceeds estimates of income (Section 324 [a], RA No. 7160);
 - ⊙ Non-provision or insufficient provision for any of the budgetary requirements under Section 324 of RA No. 7160;
 - ⊙ Non-provision or insufficient provision of the 20% of the IRA for development projects (Section 287, RA No. 7160);
 - ⊙ When all the PPAs included in the Appropriation Ordinance are different from those listed in the AIP;
 - ⊙ When the AIP is approved/adopted by the Sanggunian after the enactment of the Appropriation Ordinance for Annual Budget, pursuant to Section 305 (i) of RA 7160, which states that “local budgets shall operationalize approved local development plans;” and
 - ⊙ When no sufficient appropriation is provided for payment of loans and other indebtedness incurred or when no provision is made to redeem or retire bonds, debentures, securities, notes and other obligations issued (Section 303, RA No. 7160).
- Declare the Appropriation Ordinance inoperative in part.
- The Appropriation Ordinance may be declared inoperative in part under the following conditions:
- ⊙ When some items are contrary to limitation or in excess of the amount prescribed by RA No. 7160, such as, but not limited to, Discretionary Purposes, Personal Services, Funds for Confidential Expenses, Appropriation for Debt Servicing;
 - ⊙ When some items have no legal basis (e.g., rice subsidy, COLA, etc.);
 - ⊙ When some PPAs not included in the approved AIP are funded under the annual/supplemental budget; and
 - ⊙ When the amount appropriated in the AO is higher than the amount provided in the AIP for the same PPA.

b. Effects of the Review Action

- When the Appropriation Ordinance is declared operative in its entirety, it shall continue to be in full force and effect.
- When the Appropriation Ordinance is declared operative in its entirety, subject to conditions, those items not subject to conditions shall continue to be in full force and effect. The items of appropriation subject to conditions shall take effect only upon compliance with the conditions imposed.
- When the Appropriation Ordinance is declared inoperative in its entirety:
 - ⊙ The Appropriation Ordinance loses force and effect.
 - ⊙ The LGU concerned shall operate under a reenacted budget effective immediately until such time that the new ordinance authorizing the annual appropriations is enacted and approved.
 - ⊙ The local treasurer shall not make further disbursements of funds from any of the items of appropriation declared inoperative, disallowed, or reduced (Section 327, RA No. 7160).
 - ⊙ The budget shall be revised to comply with the provisions of law and authorized through another Appropriation Ordinance, which shall then be submitted to the reviewing authority.

- When the Appropriation Ordinance is declared inoperative in part:
 - ⊙ The local treasurer shall not make further disbursements of funds from any of the items of appropriation declared inoperative, disallowed, or reduced (Section 327, RA No. 7160).
 - ⊙ Only the items of appropriation that have not been declared inoperative, or have not been disallowed, shall continue to be in full force and effect.

c. Format of the Review Action

The review action by the DBM RO shall be in the form of a letter, while that of the Sangguniang Panlalawigan shall be in the form of a Resolution. All the findings must be disclosed in the review action. (*See sample Formats of Review Letters and Resolutions*).

d. Nature of the Review Action

- The review action does not amend the act of the Sanggunian as embodied in the Appropriation Ordinance.
 - ⊙ The primary purpose of the review is to determine whether the Appropriation Ordinance has complied with the provisions of law.
 - ⊙ The findings of the reviewing authority are merely enumeration of infractions of budgetary requirements, general limitations and other provisions of RA No. 7160 and other applicable laws, as well as recommendations of what specific actions the Sanggunian will undertake to comply with the provisions of law. The Sanggunian shall take immediate action to correct or remedy any identified infractions.
 - ⊙ The condition requiring provision for deficiencies shall be acted upon in the next supplemental budget. If the affected PPA is prioritized as urgent a complete reallocation of resources is necessary to provide for deficiencies.
- The review action, likewise, does not authorize an item or items of appropriation that is/are specifically prohibited by law.

Based on jurisprudence, “For an ordinance to be valid, it shall not violate any law or statute.” (*Magtajas vs. Pryce Properties Corp., Inc.*, 234 SCRA 255)

e. Stamp of Review

The stamp of review of the DBM RO or Sangguniang Panlalawigan shall be affixed on every page of the reviewed Appropriations Ordinance and duly signed by the Regional Director or by the Secretary to the Sanggunian and/or the Presiding Officer, as the case may be. (*See sample format of the Stamp of Review*).

f. Return of the Reviewed Appropriation Ordinance to the LGU Concerned

The DBM RO or Sangguniang Panlalawigan shall, within the 90-day reglementary period, advise the Sanggunian concerned, through the LCE, of the action on the Appropriation Ordinance reviewed (*Section 327, RA No. 7160*).

g. Failure to Review the Appropriation Ordinance within the Mandated Period

If within 90 days from receipt of the copy of the Appropriation Ordinance, the DBM RO or Sanggunian Panlalawigan takes no action thereon, the same shall be deemed to have been reviewed in accordance with law and shall continue to be in full force and effect (*Section 327, RA No. 7160*).

h. Review Actions and Corrective Measures

REVIEW ACTIONS	CORRECTIVE MEASURES
<p>Appropriation Ordinance is declared inoperative in its entirety.</p> <ul style="list-style-type: none"> • Appropriation exceeds estimates of income • Non-provision or insufficient provision for any of the budgetary requirements • Non-provision or insufficient provision of 20% Development Projects • No sufficient appropriation is provided for payment of loans and other indebtedness incurred • When all projects included in the appropriation ordinance are different from those listed in the AIP. • AIP is approved after the enactment of the appropriation ordinance for Annual Budget 	<ul style="list-style-type: none"> • The LGU shall revise its LEP to comply with the review findings and enact a new Ordinance authorizing the Annual Appropriations for submission to the reviewing authority.
<p>Appropriation Ordinance is declared inoperative in part.</p> <ul style="list-style-type: none"> • For items without legal basis. • For items that are contrary to limitations or in excess of the amount prescribed by law 	<ul style="list-style-type: none"> • The LGU, through the Treasurer, shall not make further disbursements of funds from any of the items of appropriation declared inoperative, disallowed or reduced and the LCE shall notify the reviewing authority of such action. • The LGU shall reduce the appropriated amount accordingly.
<p>Appropriation Ordinance is declared operative subject to conditions.</p>	<ul style="list-style-type: none"> • The LGU shall comply with the conditions imposed before any disbursements are made and the LCE shall notify the reviewing authority of such action.

i. Enforcement of Ordinances or Resolutions after Disapproval by Reviewing Authority

Any attempt to enforce any disapproved ordinance or resolution adopting the local development plan and public investment program, after disapproval by the LCE or by the reviewing authority, shall be sufficient ground for or the suspension or dismissal of the official or employee concerned (*Article 112, IRR of RA No. 7160*).

3.7 Local Budget Review Forms

LBR Form No. 1A <div style="text-align: center;">CHECKLIST ON DOCUMENTARY AND SIGNATURE REQUIREMENTS FOR THE ANNUAL BUDGET</div> <div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%;"> <div style="margin-bottom: 10px;"> <div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="text-align: center;">Date Received</div> </div> <div style="margin-bottom: 10px;"> <div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="text-align: center;">Local Government Unit</div> </div> <div> <div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="text-align: center;">Title</div> </div> </div> <div style="width: 45%;"> <div style="margin-bottom: 10px;"> <div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="text-align: center;">Deadline</div> </div> <div style="margin-bottom: 10px;"> <div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="text-align: center;">Class</div> </div> <div> <div style="border-bottom: 1px solid black; width: 100%;"></div> <div style="text-align: center;">General Fund</div> </div> </div> </div>		
Check each item	Signatory	Remarks
<input type="checkbox"/> a. Transmittal Letter	<input type="checkbox"/> Secretary to the Sanggunian	
<input type="checkbox"/> b. Budget Message	<input type="checkbox"/> LCE	
<input type="checkbox"/> c. Appropriation Ordinance	<input type="checkbox"/> Secretary to the Sanggunian <input type="checkbox"/> Presiding Officer <input type="checkbox"/> LCE	
<input type="checkbox"/> d. Annual Investment Program to include Annexes E1, E2, E4 and E6.	<input type="checkbox"/> LCE <input type="checkbox"/> Planning Officer <input type="checkbox"/> Budget Officer	
<input type="checkbox"/> e. Resolution approving the Annual Investment Program	<input type="checkbox"/> Secretary to the Sanggunian <input type="checkbox"/> Presiding Officer	
<input type="checkbox"/> f. Veto message, if any	<input type="checkbox"/> LCE	
<input type="checkbox"/> g. Sanggunian's action on veto, if any	<input type="checkbox"/> Secretary to the Sanggunian <input type="checkbox"/> Presiding Officer	
<div style="border-bottom: 1px solid black; width: 100%;"></div> <div>Reviewing Officer</div>		

LBR Form No. 1B		
CHECKLIST ON DOCUMENTARY AND SIGNATURE REQUIREMENTS FOR THE SUPPLEMENTAL BUDGET		
_____ Date Received	_____ Deadline	
_____ Local Government Unit	_____ Class	
_____ Title	_____ General Fund	
Check each item	Signatory	Remarks
<input type="checkbox"/> a. Transmittal Letter	<input type="checkbox"/> Secretary to the Sanggunian	
<input type="checkbox"/> b. Appropriation Ordinance	<input type="checkbox"/> Secretary to the Sanggunian <input type="checkbox"/> Presiding Officer <input type="checkbox"/> LCE	
<input type="checkbox"/> c. Funds Actually Available: Certified Statement of Additional Realized Income Certification of Savings	<input type="checkbox"/> Local Treasurer and Local Accountant <input type="checkbox"/> Local Treasurer and Local Accountant	
<input type="checkbox"/> d. New Revenue Measures: Certified Statement of Income from New Revenue Measures; Copy of duly enacted Tax Ordinance which imposes new local taxes, charges, fees, fines or penalties or which raises existing local taxes, charges, fees, fines or penalties; and Copy of official communication stating that the LGU is a recipient of new or higher remittances, contributions, subsidies or grants in aid from the National Government or from government corporations and private entities	<input type="checkbox"/> Local Treasurer and Local Accountant	
<input type="checkbox"/> e. Realignment of Appropriations in Times of Public Calamity Certificate of Source of Funds Available for Appropriations	<input type="checkbox"/> Local Treasurer <input type="checkbox"/> Local Accountant <input type="checkbox"/> LCE	
<input type="checkbox"/> f. Veto message, if any	<input type="checkbox"/> LCE	
<input type="checkbox"/> g. Sanggunian's action on veto, if any	<input type="checkbox"/> Secretary to the Sanggunian <input type="checkbox"/> Presiding Officer	
_____ Reviewing Officer		

LBR Form No. 2	
SUMMARY OF FINDINGS AND RECOMMENDED REVIEW ACTIONS	
FINDINGS	REVIEW ACTIONS

Reviewing Officer

LBR Form No. 3A		
SUMMARY WORKSHEET - RECEIPTS & EXPENDITURES		
Province/City/Municipality		
	Next Preceding Fiscal Year	Budget Year
Source of Funds	20__	20__
Beginning Balance	-	-
Regular Sources*		
Non-Regular/Non-recurring Sources		
Total Available for Appropriation		
Less: Appropriations		
Current Operating Expenditures & Capital Outlay		
Personal Services		
MOOE		
Capital Outlay		-
Budgetary Requirement Appropriations		
Not less than 20% Development Projects		
Not less than 5% LDRRMF		
Aid to Barangay		
Debt Service		
Requirements By Attribution		
GAD & LCPC		-
Other Expenditures		
Special Purpose Appropriation		
Subsidy to LEE		
Others		
Total Appropriations		
Unappropriated Balance		
		Reviewing Officer

* Based on the Bureau of Local Government Finance Memorandum Circular No. 16-2015 dated June 19, 2015 re Local Public Financial Management (PFM) Tools for the Electronic Statement of Receipts and Expenditures (which include the Guidebook for the New Local Government Financial Performance Monitoring System), regular revenues refer to taxes, fees and receipts actually realized, including the IRA and other shares provided for in Sections 284, 290 and 291 of RA No. 7160, but exclusive of non-recurring receipts such as national aids, grants, financial assistance, loan proceeds, sales of assets, miscellaneous income/ receipts and other similar receipts.

LBR Form No. 3-B**BUDGETARY REQUIREMENTS & LIMITATIONS****Province/City/Municipality****BUDGETARY REQUIREMENTS**

Particulars	Basis of Computation	Percentage / Rate	Minimum Appropriation Required	Amount Appropriated	Excess / (Deficiency)	Remarks
A	B	C	D (BxC)	E	F (E-D)	G
A. Budgetary Requirements						
20% Development Projects	IRA - Budget Year	≥20%				
5% LDRRMF	Regular Sources - Budget Year	≥5%				
Aid to Barangays	Total Number of Barangay	≥1,000				
B. Statement of Statutory Requirements and Contractual Obligations						
Debt Service	Total Annual Statutory/ Contractual Obligation Due for the Budget Year but not to exceed 20% of Regular Sources, Budget Year	Full Provision or 100% of the Annual Amortization for the Year				
C. Budgetary Requirements for Attribution in the Regular PPAs						
5% Gender & Development	General Fund - Budget Year	5%				
Senior Citizens & PWDs	General Fund - Budget Year					
1% Protection of Children	IRA - Budget Year	1%				

Total Appropriation	Estimated Receipts - Budget Year	100%				
Personal Services	Regular Source, Next Preceding Fiscal Year	45% or 55%				
2% Discretionary Fund	Basic RPT - Next Preceding Fiscal Year	2%				
20% Debt Service	Regular Source, Budget Year	20%				
Confidential Fund	Peace and Order Program - Budget Year	30%				

 Reviewing Officer

BUDGETARY LIMITATIONS

Particulars	Basis of Computation	Percentage / Rate	Maximum Appropriation Allowed	Amount Appropriated	Still Allowable / (Excess over the Limitation)	Remarks
A	B	C	D (BxC)	E	F (E-D)	G
Total Appropriation	Estimated Receipts - Budget Year	<100%				
Personal Services	Regular Source - Next Preceding Fiscal Year	<45% or <55%				
2% Discretionary Fund	RPT - Next Preceding Fiscal Year	<2%				
20% Debt Service	Regular Source - Budget Year	<20%				
Confidential Fund	Peace & Order Program	<30%				
	Total Appropriation	3%?				

Reviewing Officer

3.8 Illustrative Example

Summary of Findings and Recommended Review Actions

FINDINGS	REVIEW ACTIONS
Incomplete budget documents appended to the Appropriation Ordinance	Return immediately in writing, the Appropriation Ordinance with the budget documents and require resubmission with complete budget documents
Lack of required signatories in the Appropriation Ordinance or budget documents	Return immediately in writing, the Appropriation Ordinance with the budget documents and require resubmission duly signed documents
Appropriation Ordinance fully complies with the budgetary requirements and general limitations	Declare the Appropriation Ordinance operative in its entirety
Some items of appropriation require prior approval by appropriate authorities, prior clearance or documentation, and other conditions.	Declare the Appropriation Ordinance operative in its entirety with some conditions
The aggregate amount appropriated exceeds the estimates of income	Declare the Appropriation Ordinance inoperative in its entirety
The Appropriation Ordinance did not sufficiently provide for payment of loans and other indebtedness	Declare the Appropriation Ordinance inoperative in its entirety
Provision for debt servicing exceeds 20% of the regular income	Declare the Appropriation Ordinance inoperative in part, disallowing the excess.
insufficient provision for requirements by attribution (i.e., GAD, , LCPC,)	Declare the Appropriation Ordinance operative in part subject to conditions

3.9 Sample Formats

9.1 Sample Format No. 1 - Review Letter Declaring the Appropriation Ordinance Operative in its Entirety

Date

**The Honorable Members of the Sanggunian
Province/City/Municipality of _____**

Thru: The Provincial Governor/City/Municipal Mayor

Ladies/Gentlemen:

Pursuant to the provisions of the Local Government Code of 1991 (Republic Act [R.A.] No. 7160), our review of the FY 2017 Annual/Supplemental Budget No. ____ of the Province/City/Municipality of _____, involving a total appropriation of P_____ under Appropriation Ordinance No. _____, submitted to this Office for review on_____, reveals substantial compliance with the same law and its Implementing Rules and Regulations.

Accordingly, the said Appropriation Ordinance is declared **operative in its entirety** effective on _____, subject to the posting requirement under Section 59 of R.A. No. 7160.

It is understood that this review action does not authorize any item of appropriation that is specifically prohibited by or inconsistent with the provisions of law.

Compliance with all existing laws, rules and regulations shall be the responsibility of the implementing local government unit.

Very truly yours,

By Authority of the
Secretary of Budget and Management:

Director IV

9.2 Sample Format No. 2 - Review Letter Declaring the Appropriation Ordinance Operative in its Entirety Subject to Some Conditions

Date

**The Honorable Members of the Sanggunian
Province/City/Municipality of _____**

Thru: The Provincial Governor/City/Municipal Mayor

Ladies/Gentlemen:

Pursuant to the provisions of the Local Government Code of 1991 (Republic Act [R.A.] No. 7160), our review of the FY 2017 Annual/Supplemental Budget No. ____ of the Province/City/Municipality of _____, involving an appropriation of P _____ under Appropriation Ordinance No. _____, submitted to this Office for review on _____, reveals substantial compliance with the same law and its Implementing Rules and Regulations, except for the following:

- 1.
- 2.

Notwithstanding the above, the Appropriation Ordinance is declared **operative in its entirety** effective on _____, subject to the posting requirement under Section 59 of R.A. No. 7160, and further subject to the following conditions:

- 1.
- 2.

The Province/City/Municipal government shall comply with the herein conditions and notify this Office of the actions taken thereon.

It is understood that this review action does not authorize any item of appropriation that is specifically prohibited by or inconsistent with the provisions of law.

Compliance with all existing laws, rules and regulations shall be the responsibility of the implementing local government unit.

Very truly yours,

By Authority of the
Secretary of Budget and Management:

Director IV

9.3 Sample Format No. 3 - Review Letter Declaring the Appropriation Ordinance Inoperative in its Entirety

Date

**The Honorable Members of the Sanggunian
Province/City/Municipality of _____**

Thru: The Provincial Governor/City/Municipal Mayor

Ladies/Gentlemen:

Pursuant to the provisions of the Local Government Code of 1991 (Republic Act [R.A.] No. 7160), our review of the FY 2017 Annual/Supplemental Budget No. ____ of the Province/City/Municipality of _____, involving an appropriation of P_____ under Appropriation Ordinance No. _____, submitted to this Office for review on_____, shows that it has not complied with the budgetary requirements and general limitations as well as other provisions of law as enumerated hereunder:

- 1.
- 2.
- 3.
- 4.
- 5.

In view thereof, the said Appropriation Ordinance is declared **inoperative in its entirety** effective immediately. Consequently, the previous year's budget is deemed reenacted pending the submission of a new ordinance authorizing the annual appropriations, taking into account the above-mentioned findings. Nevertheless, it is understood that, in the implementation of the reenacted budget, only the annual appropriation for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted.

Very truly yours,

By Authority of the
Secretary of Budget and Management:

Director IV

9.4 Sample Format No. 4 - Review Letter Declaring the Appropriation Ordinance Inoperative in Part

Date

**The Honorable Members of the Sanggunian
Province/City/Municipality of _____**

Thru: The Provincial Governor/City/Municipal Mayor

Ladies/Gentlemen:

Pursuant to the provisions of the Local Government Code of 1991 (Republic Act No. 7160), our review of the FY 2017 Annual/Supplemental Budget No. ____ of the Province/City/Municipality of _____, involving an appropriation of P_____ under Appropriation Ordinance No. _____, submitted to this Office for review on _____, shows substantial compliance with the same law and its Implementing Rules and Regulations, except for the following:

- 1.
- 2.
- 3.
- 4.

which are disallowed on the amount of P _____.

In view of the above, the budget is declared **inoperative in part** effective on _____, subject to the posting requirements under Section 59 of R.A. No. 7160. The Province/City/Municipal government shall comply with the herein review findings and notify this Office of the actions taken thereon.

It is understood that this review action does not authorize any item of appropriation that is specifically prohibited by or inconsistent with the provisions of law.

Compliance with all existing laws, rules and regulations shall be the responsibility of the implementing local government unit.

Very truly yours,

By Authority of the
Secretary of Budget and Management:

Director IV

9.5 Sample Format No. 5 – Resolution Declaring the Appropriation Ordinance Operative in its Entirety

RESOLUTION NO. ____

A RESOLUTION DECLARING THE APPROPRIATION ORDINANCE NO. ____ OF THE CITY/MUNICIPALITY OF _____ OPERATIVE IN ITS ENTIRETY

WHEREAS, Appropriation Ordinance No. ____ of the City/Municipality of _____ authorizing its Annual Budget for Fiscal Year _____, involving an appropriation of P_____, was submitted to this Sanggunian for review on _____ pursuant to the provisions of Republic Act (R.A.) No. 7160;

WHEREAS, the subject Appropriation Ordinance shows substantial compliance with the same law and its Implementing Rules and Regulations;

NOW, THEREFORE, on motion of SP Member _____ duly seconded by SP Member _____;

THE SANGGUNIANG PANLALAWIGAN IN SESSION DULY ASSEMBLED:

RESOLVED, to declare Appropriation Ordinance No. ____ of the City/Municipality of _____ **operative in its entirety**, effective on _____, subject to the posting requirements under Section 59 of R.A. No. 7160.

RESOLVED FURTHER, to inform the City/Municipality that this review action does not authorize any item of appropriation that is specifically prohibited by or inconsistent with the provisions of law.

RESOLVED FINALLY, to send a copy of this Resolution to the Sangguniang Panlungsod/Bayan of the City/Municipality of _____ through the City/Municipal Mayor.

ADOPTED. ____ (Date) ____.

X- - - - -X

I hereby certify that the foregoing is a true and accurate copy of the Resolution which was duly adopted by the Sangguniang Panlalawigan of _____ during its Regular Session held on _____.

**Secretary to the Sanggunian
Presiding Officer**

9.6 Sample Format No. 6 - Resolution Declaring the Appropriation Ordinance Operative in its Entirety Subject to Some Conditions

RESOLUTION NO. ____

**A RESOLUTION DECLARING THE APPROPRIATION ORDINANCE NO. ____
OF THE CITY/MUNICIPALITY OF _____
OPERATIVE IN ITS ENTIRETY SUBJECT TO SOME CONDITIONS**

WHEREAS, Appropriation Ordinance No. ____ of the City/Municipality of _____ authorizing its Annual Budget for Fiscal Year _____, involving an appropriation of P_____, was submitted to this Sanggunian for review on _____ pursuant to the provisions of Republic Act (R.A.) No. 7160;

WHEREAS, subject Appropriation Ordinance reveals substantial compliance with the same law and its Implementing Rules and Regulations except for the following:

- 1.
- 2.

NOW THEREFORE, on motion of SP Member _____ duly seconded by SP Member _____;

THE SANGGUNIANG PANLALAWIGAN IN SESSION DULY ASSEMBLED:

RESOLVED, to declare Appropriation Ordinance No. ____ of the City/Municipality of _____ OPERATIVE IN ITS ENTIRETY, effective _____, subject to the posting requirements under Section 59 of R.A. No. 7160, and subject further to the following conditions:

- 1.
- 2.

RESOLVED FURTHER, to require the City/Municipality to comply with the herein conditions and notify this body of actions taken thereon.

RESOLVED FURTHER, to inform the City/Municipality that this review action does not authorize any item of appropriation that is specifically prohibited by or inconsistent with the provisions of law.

RESOLVED FINALLY, to send a copy of this Resolution to the Sangguniang Panlungsod/Bayan of the City/Municipality of _____ through the City/Municipal Mayor.

ADOPTED. ____ (Date) ____.

x-----x

We hereby certify that the foregoing is a true and accurate copy of the Resolution which was duly adopted by the Sangguniang Panlalawigan of _____ during its Regular Session held on _____.

Secretary to the Sanggunian

Presiding Officer

9.7 Sample Format No. 7 – Resolution Declaring the Appropriation Ordinance Inoperative in its Entirety

RESOLUTION NO. ____

A RESOLUTION DECLARING THE APPROPRIATION ORDINANCE NO. ____ OF THE CITY/MUNICIPALITY OF _____ INOPERATIVE IN ITS ENTIRETY

WHEREAS, Appropriation Ordinance No. ____ of the City/Municipality of _____ authorizing its Annual/Supplemental Budget for Fiscal Year _____, involving an appropriation of P _____, was submitted to this Sanggunian for review on _____ pursuant to the provisions of Republic Act (R.A.) No. 7160;

WHEREAS, the subject Appropriation Ordinance has not complied with the budgetary requirements and general limitations as well as other provisions of law as enumerated hereunder:

- 1.
- 2.

NOW THEREFORE, on motion of SP Member _____ duly seconded by SP Member _____;

THE SANGGUNIANG PANLALAWIGAN IN SESSION DULY ASSEMBLED:

RESOLVED, to declare Appropriation Ordinance No. ____ of the City/Municipality of _____ inoperative in its entirety effective immediately.

RESOLVED FURTHER, to inform the Sangguniang Panlungsod/Bayan of the City/Municipality of _____, through the City/Municipal Mayor, that the previous year's budget is deemed reenacted pending the submission and enactment/approval of the new ordinance authorizing the annual appropriations, taking into account the above-mentioned findings; and that, in the implementation of the reenacted budget, only the annual appropriation for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted.

RESOLVED FINALLY, to send a copy of this Resolution to the Sangguniang Panlungsod/Bayan of the City/Municipality of _____, through the City/Municipal Mayor.

ADOPTED. _____ (Date) _____.

X- -----X

I hereby certify that the foregoing is a true and accurate copy of the Resolution which was duly adopted by the Sangguniang Panlalawigan of _____ during its regular session held on _____.

Secretary to the Sanggunian
Presiding Officer

9.8 Sample Format No. 8 - Resolution Declaring the Appropriation Ordinance Inoperative in Part

RESOLUTION NO. ____**A RESOLUTION DECLARING THE APPROPRIATION ORDINANCE NO. ____
OF THE CITY/MUNICIPALITY OF _____ INOPERATIVE IN PART**

WHEREAS, Appropriation Ordinance No. ____ of the City/Municipality of _____ authorizing its Annual Budget for Fiscal Year _____, involving an appropriation of P_____, was submitted to this Sanggunian for review on _____ pursuant to the provisions of Republic Act (R.A.) No. 7160;

WHEREAS, the subject Appropriation Ordinance has substantially complied with the budgetary requirements and general limitations as well as other provisions of law, except for the following items of appropriation:

- 1.
- 2.

which are disallowed in the amount of P_____.

NOW THEREFORE, on motion of SP Member _____ duly seconded by SP Member _____;

THE SANGGUNIANG PANLALAWIGAN IN SESSION DULY ASSEMBLED:

RESOLVED, to declare Appropriation Ordinance No. ____ of the City/Municipality of _____ inoperative in part, effective _____, subject to the posting requirements under Section 59 of R.A No. 7160:

RESOLVED FURTHER, to require the City/Municipality to comply with the herein review findings and notify this body of actions taken thereon.

RESOLVED FURTHER, to inform the City/Municipality that this review action does not authorize any item of appropriation that is specifically prohibited by or inconsistent with the provisions of law.

RESOLVED FINALLY, to send a copy of this Resolution to the Sangguniang Panlungsod/Bayan of the City/Municipality of _____, through the City/Municipal Mayor.

ADOPTED. _____ (Date) _____.

X- - - - -X

I hereby certify that the foregoing is a true and accurate copy of the Resolution which was duly adopted by the Sangguniang Panlalawigan of _____ during its regular session held on _____.

**Secretary to the Sanggunian
Presiding Officer**

9.9 Sample Format No. 9- Stamp of Review



REVIEWED

PURSUANT TO THE PROVISIONS OF REPUBLIC ACT NO. 7160

BY AUTHORITY OF THE SECRETARY OF BUDGET AND MANAGEMENT

DIRECTOR IV

REFERENCE: REVIEW LETTER DATED: _____



REVIEWED

PURSUANT TO THE PROVISIONS OF REPUBLIC ACT NO. 7160

BY AUTHORITY OF THE SANGGUNIANG PANLALAWIGAN

(Authorized Signatory/ies per the Internal Rules of Procedures)

REFERENCE: RESOLUTION NO. _____ DATED: _____

CHAPTER 4. THE BUDGET EXECUTION PHASE



- 1.0 Introduction
- 2.0 Legal Bases of Budget Execution
- 3.0 Key Players In Budget Execution
- 4.0 The Budget Execution Flow Chart
- 5.0 Budgetary Accounts in Budget Execution
- 6.0 Steps in the Budget Execution Phase

Step 1. Release of Allotments for the LGU on the basis of the Approved Appropriation Ordinance

Step 2. Prepare Summary of Financial and Physical Performance Targets and Cash Program

- 2.1 Prepare the Detailed Financial and Physical Performance Targets
- 2.2 Prepare the Summary of Financial and Physical Performance Targets
- 2.3 Prepare the Cash Program for the Budget Execution Year
- 2.4 Prepare the Local Cash Matrix
- 2.5 Revise and Adjust the Project Procurement Management Plan (PPMP) and corresponding Annual Procurement Plan (APP)
- 2.6 Procure Goods/Civil Works (Least Cost and Most Responsive Criteria)/ Consulting Services (Highest Rated and Most Responsive Criteria)

Step 3. Obligate and Disburse Funds

Step 4. Adjust Cash Programs for Shortages and Overages

Step 5. Provide Corrective Actions for Negative Deviations

7.0 Local Budget Execution Forms

- LBE Form No 1 - Allotment Release Order for PS (Allotment for the Whole Year)
- LBE Form No. 1A - Allotment Release Order for MOOE (Allotment for the Whole Year)
- LBE Form No. 1B - Allotment Release Order for FinEx (Allotment for the whole year)
- LBE Form No. 2 - Allotment Release Order for Capital Expenditures (Allotment on the basis of the Work Program and Project Priorities as Reflected in the AIP)
- LBE Form No. 3 - Summary of Financial and Physical Performance Targets

4.1 Introduction

The execution of the budget in accordance with existing rules, laws and regulations is the fourth phase of the budget process in local governments. After the usual recording of appropriations in the proper registries, the execution of the budget involves the release of allotments, the certification of available appropriations and cash, the recording of actual obligations and disbursements of funds for approved PPAs and the delivery of goods and services to target clients in the most efficient, effective, economical and ethical way.

A critical aspect of this phase is the collection of funds to ensure that cash is available for payment of obligations and further ensuring that disbursements do not exceed appropriations. While seemingly a separate activity, the collection and/or receipt of revenues are considered an integral part of Budget Execution.

4.2 Legal Bases of Budget Execution

The fundamental principles governing all financial transactions in local governments are covered in *Section 305 of RA No. 7160*. The responsibility, however, for the execution of authorized annual and supplemental budgets shall be vested upon the Local Chief Executive (*Section 320 of RA No. 7160*).

The use of appropriated Funds pursuant to *Section 336 of RA No. 7160* shall be exclusively for the specific purpose for which they have been appropriated.

Another legal basis in Budget Execution is the Certification requirement before local funds are utilized. *Section 344 of R.A. No. 7160* provides that “No money shall be disbursed unless the local budget officer certifies to the existence of appropriation that has been legally made for the purpose, the local accountant has obligated said appropriation, and the local treasurer certifies to the availability of funds for the purpose.

Finally, disbursements of local funds shall be made in accordance with the ordinance authorizing the annual or supplemental appropriations even without the prior approval of the Sanggunian concerned (*Section 346 of R.A. No. 7160*).

4.3 Key Players in Budget Execution

Local Chief Executive (LCE) – The LCE shall be responsible for the execution of the Annual Budget or Appropriations Ordinance and all subsequent supplemental budgets (*Section 320, RA No. 7160*). He/she is the Head of the Procuring Entity.

Vice Governor/ Vice Mayor - The Vice Governor/Vice Mayor shall sign all warrants drawn on the provincial/city/municipal treasury and for all expenditures appropriated for the operations of the Sanggunian Panlalawigan/Panglungsod/Bayan (*Sections 466, 456, and 445, RA No. 7160*). Likewise, he/she can sign appointments for employees in the Sanggunian (*Atienza vs. Villarosa*).

Local Budget Officer (LBO) - The LBO shall be responsible for: (1) the preparation of release documents (Allotment Release Order) for COE and CO; (2) the certification on the availability of appropriations for obligation requests; and (3) the preparation and submission of annual reports or Statement of Allotments, Obligations and Balances. The LBO shall coordinate with the Local Treasurer, Local Accountant and the Local Planning and Development Coordinator in the release of appropriations and allotments pursuant to *Section 475, RA No. 7160*. As such, the LBO should maintain a registry of Appropriations, Allotments and Obligations and should certify as to existence and availability of appropriations and allotments pursuant to *Section 344 of RA No. 7160*.

Local Treasurer - The Local Treasurer shall be responsible for the custody and proper management of the funds of the LGU concerned. He takes charge of the collection of revenues and disbursement of local government funds and such other funds the custody and proper management of the funds of the LGU concerned of which is entrusted to him by law or other competent authority and the maintenance and updating of tax information system of the LGU. The Local Treasurer also certifies as to the availability of funds prior to any disbursements (*Section 470 of RA No. 7160*). The Local Treasurer shall prepare the Cash Program for the LGU.

Local Accountant – The Local Accountant shall be responsible for ensuring the validity, reliability and propriety of all financial transactions of the LGU concerned. The Local Accountant also reviews supporting documents before the preparation of vouchers to determine completeness of requirements; and keeps and maintains the Books of Accounts pursuant to the New Government Accounting System (*Section 474, RA No. 7160*). The Local Accountant is not responsible for the operation and management of an effective Internal Audit Services (IAS) in the LGU concerned, pursuant to AO 278 as implemented by DBM Circular No. 2004-4 dated 22 March 2004, as further articulated under Gutierrez vs. DBM (18 March 2010).

Local Planning and Development Coordinator (LPDC) – The LPDC shall be responsible for the formulation of an integrated economic, social, physical, and other development plans and policies for consideration of the local development council; the monitoring and evaluation of the implementation of the various development programs, activities, and projects in the LGU concerned, in accordance with the approved development plan, the analysis of income and expenditure patterns; and the formulation of fiscal plans and policies for consideration of the Local Finance Committee (*Section 476, RA No. 7160*).

Department Head – The Department Head shall be responsible for the preparation of financial and physical performance targets and obligation requests for authorized programs, activities, and projects of department/office concerned; implementation of programs, activities, and projects to deliver goods and services to target clients; monitoring and evaluation of actual performance of PPAs to ensure smooth and proper implementation.

Civil Society Organizations (CSOs)/Private Sector Groups – The accredited CSOs shall monitor the LGU compliance on the release of allotments, the preparation of cash program and financial and physical performance targets and corresponding adjustments, the postings as required under R.A. No. 7160 and the Full Disclosure Policy of the DILG and the appropriate interventions and measures taken up by the LGU on negative deviations and may assist LGUs in implementing said interventions and measures. Accordingly, inform beneficiaries and communities concerned of the information and advocate for the citizen's awareness of posted information. Also, the accredited CSOs attend as observers in the procurement process and carry out the responsibilities as such; participate in the spot check or tracking of implementation of on-going projects.

Table 4. Emerging Roles of CSOs in the Budget Execution Phase

ACTIVITY	LGU ROLES	CSO ROLES
1. RELEASE THE ALLOTMENTS (LBM/ARO) The Local Budget Matrix (LBM) is issued to effect the comprehensive release of allotment for a Department/Office. Release of reserve amounts shall be effected through the use of Allotment Release Order/s (ARO/s).	Post information on allotment releases (LBM/SAROs) in three (3) conspicuous places in the LGU within twenty (20) days from the release of the allotment. ¹²	Monitor the LGU compliance on the release of allotments. Inform beneficiaries and communities concerned of the release of allotments through tri-media or conduct meetings with the beneficiaries and communities concerned.

ACTIVITY	LGU ROLES	CSO ROLES
<p>2. POST THE STATEMENT OF RECEIPTS AND EXPENDITURES IN THE LGU WEBSITE</p> <p>The LGU shall post the monthly Statement of Receipts and Expenditures within ten (10) days after the end of the month pursuant to <i>Section 513 of RA No. 7160</i></p>	<p>Post information on receipts and expenditures in three (3) conspicuous places in the LGU within ten (10) days after the end of the month pursuant to <i>Section 513 of RA No. 7160</i>; and within twenty (20) days after the approval by the LCE of the Annual Report of Receipts and Expenditures as required under the Full Disclosure Policy of the DILG.</p>	<p>Monitor the postings as required under <i>RA No. 7160</i> and the Full Disclosure Policy of the DILG.</p> <p>Advocate for the citizen's awareness of posted information through tri-media.</p>
<p>3. PREPARE CASH PROGRAM AND FINANCIAL AND PHYSICAL PERFORMANCE TARGETS</p> <p>The Local Treasurer shall prepare the Cash Program. The [LFC] / Department Heads shall prepare the Summary of Financial and Physical Performance Targets for the entire year. The detailed financial and performance targets present the quarterly breakdown of the financial allocation needed to accomplish a specific level of target.</p>	<p>Post information on the following:</p> <ul style="list-style-type: none"> a. Cash Program b. Financial and Physical Performance Targets <p>in three (3) conspicuous places in the LGU within twenty (20) days after the end of each quarter.¹³</p>	<p>Monitor the LGU compliance on the preparation of cash program and financial and physical performance targets.</p> <p>Inform beneficiaries and communities concerned of the information through tri-media or conduct meetings with the beneficiaries and communities concerned</p>
<p>4. OBLIGATE AND DISBURSE FUNDS FOR IMPLEMENTATION OF PPAS - PROCUREMENT PROCESS</p> <p>Procurement Process</p> <p>To enhance the transparency of the process, the BAC shall, in all stages of procurement process, invite, in addition to the representative of Commission on Audit, at least two (2) observers to sit in its proceedings, one (1) from a duly recognized private group in a duly recognized private group in a sector or discipline relevant to the procurement at hand.</p>	<p>Invite accredited CSOs, if qualified as observers, in the procurement process at least three (3) calendar days before each procurement activities in compliance with the Government Procurement Reform Act, <i>RA No. 9184</i>.</p>	<p>Attend as observer in the procurement process and carry out the responsibilities provided under <i>Section 13.4 of the IRR of RA No. 9184</i>. May use as reference the GPPB issued Procurement Observers Guide (POG).</p>

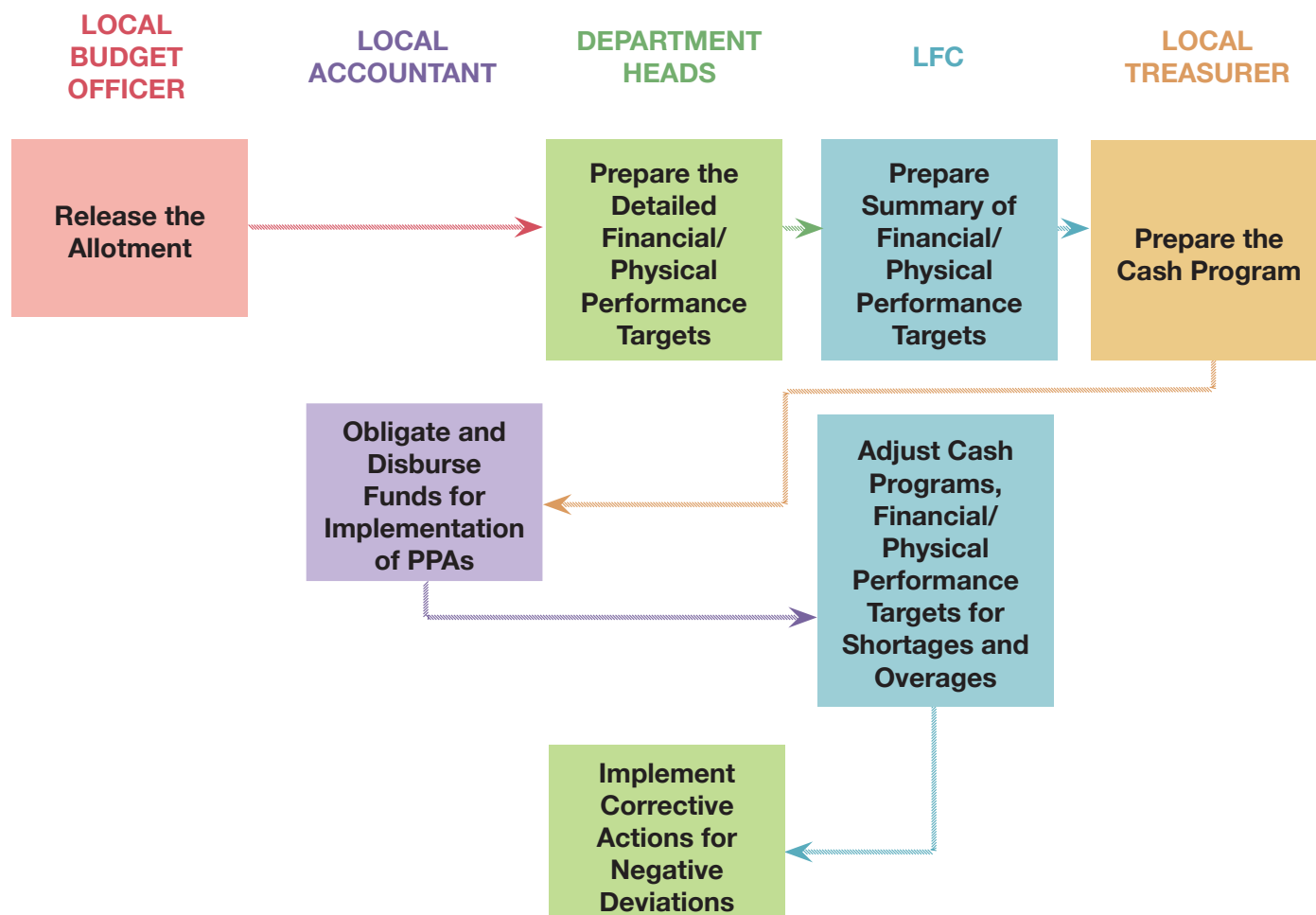
¹³ Reglementary period patterned after that prescribed in the Full Disclosure Policy of the DILG per MC No. 2013-140 dated December 3, 2013.

ACTIVITY	LGU ROLES	CSO ROLES
<p>PPA Implementation</p> <p>The responsibility for the execution of the annual and supplemental budget shall be vested primary in the LCE concerned. In the implementation of PPAs, the following must be ensured:</p> <ul style="list-style-type: none"> • standards of service • quality of work • timelines of implementation • pricing of goods, contracts and services • PPA fund release/ utilization • proper delivery to target beneficiaries 	<p>Invite accredited CSOs to spot check or track implementation of ongoing projects.</p> <p><i>(This may be differentiated from the monitoring activity in the Budget Accountability Phase which is done on scheduled periods, i.e., quarterly, mid-term and annual, and aimed at comparing accomplishments vs. targets)</i></p>	<p>Participate in the spot check or tracking of implementation of ongoing projects and prepare Project Monitoring Report for submission to the LCE. (Annex B)</p>
<p>5. ADJUST CASH PROGRAM FOR SHORTAGES AND OVERAGES</p> <p>The LFC, through the Local Treasurer, shall use the results of the cash flow analysis as basis for adjusting the Cash Program and the financial and physical targets.</p>	<p>Post information on adjusted Cash Program in three (3) conspicuous places in the LGU within twenty (20) days after the end of each quarter.¹⁴</p>	<p>Monitor the LGU compliance on the preparation of adjusted cash program, and financial and physical performance targets.</p>
<p>6. PROVIDE CORRECTIVE ACTIONS FOR NEGATIVE DEVIATIONS</p> <p>The LFC shall compare the actual performance in both the financial and physical accomplishments vis-à-vis the targets for the quarter. For variances, Department Heads concerned shall take corrective actions or prepare necessary adjustments to catch up with the plans for the year.</p>	<p>Render reports on actions taken to address negative deviations.</p> <p>Provide copies of catch-up plans to parties concerned.</p> <p>Partner with accredited CSOs in addressing service gaps and acknowledge contribution of CSOs.</p>	<p>Monitor appropriate interventions and measures taken by the LGU on negative deviations.</p> <p>Assist the LGU in implementing appropriate interventions on negative deviations, which may include providing possible support for service and/or resource gaps in the delivery of services.</p>

14 Reglementary period patterned after that prescribed in the Full Disclosure Policy of the DILG per MC No. 2013-140 dated December 3, 2013.

4.4 The Budget Execution Flow Chart

Figure 8. The Budget Execution Flow Chart



4.5 Budgetary Accounts in Budget Execution

The budgetary accounts to be maintained during the budget execution process include the following:

- Appropriations
- Allotments
- Obligations

Appropriation: an authorization made by ordinance, directing the payment of goods and services from local government funds under specified conditions or purposes.

Allotment: an authorization issued by the Local Chief Executive (LCE) to a Department/Office of the LGU which authorizes it to incur obligations for a specific amount within its appropriation.

Obligation: the specific amount within the allotment which is committed to be paid by the LGU for any lawful expenditure made by an accountable officer for and in behalf of the LGU concerned.

4.6 Steps in the Budget Execution Phase

Step 1. Release of Allotments on the Basis of the Authorized and Approved Appropriation Ordinance.

- 1.1. Prepare the Allotment Release Orders (AROs). On the basis of the authorized and approved Appropriation Ordinance, the following AROs shall be released by the Local Budget Officer:
 1. ARO for Personal Services and Associated Personal Services Costs (LBE Form No. 1) shall be used to comprehensively release for the whole year the appropriations for salaries and wages of regular permanent positions and the salaries and wages of contractual and non-permanent positions. The itemized plantilla positions of contractual and non-permanent positions shall be used as basis for the release. This shall avoid the creation of lumpsum amounts for Personal Services.
 2. The allotment for Maintenance and Other Operating Expenses (MOOE) shall also be released comprehensively for the whole year, using LBE Form No. 1A. The appropriations pertaining to the “For Later Release” portion of MOOE shall be for contingent purposes, i.e., to respond to shortfalls in revenues and other unforeseen events.
 3. The allotment for Financial Expenses (FinEx) shall also be released comprehensively for the whole year, using LBE Form No. 1B.
 4. The allotment for Capital Expenditures shall be released on the basis of the work program and the ranking of PPAs as presented in the approved AIP and as authorized and prioritized in the appropriation ordinance, using LBE Form No. 2.

The ARO gives the authority to spend within the confines of the PPAs, as defined in the Appropriation Ordinance.

The ARO is issued to each Department/Office to give the Department Head the comprehensive authority to incur obligations up to the amount of the released allotment. The imposition of an amount “For Later Release” is to provide safeguards for shortfalls in the collection of revenues during the budget year.

It is noted that these are all policy-based actions that should be consistent with the General provisions of the Appropriation Ordinance.

The following information shall be reflected in the ARO:

- Source of Appropriation: whether it is authorized under the Annual Budget or Supplemental Budget or Re-enacted Budget.
- PPA Reference Code is the same as the AIP Reference Code

- 1.2 Provide copies of ARO after its approval by the LCE. The released amount shall be stamped with the official seal of the LGU and shall be recorded in the proper registry by the LBO and Local Accountant. Copies of the ARO, as approved, shall be distributed as follows:

Original	– Local Budget Officer
Duplicate	– Department Head
Triplicate	– Local Accountant
Quadruplicate	– Records

Release of ARO for Supplemental Budgets (SBs) shall follow the same process outlined above. But for augmentation of deficiencies in allotment within the same class for offices within the

executive or legislative departments, or realignment of savings from one expense class to another, the ARO shall be the release document to effect the changes. The former can be done pursuant to a new ordinance or resolution of the Sanggunian granting the LCE or the presiding officer the authority for the purpose. The latter, on the other hand, requires the submission of a Supplemental Budget for Authorization by the Sanggunian.

Step 2. Prepare the Summary of Financial and Physical Performance Targets and Cash Program.

2.1 Prepare the Detailed Financial and Physical Performance Targets by PPA and Performance Indicator

- The Department Heads shall prepare the Detailed Financial and Physical Performance Targets by PPA. This document presents the quarterly breakdown of the financial allocation that is needed to accomplish a specific level of targets. It enables the Departments/Offices to match available resources with the level of effort to deliver their goods/services or outputs, and determine the magnitude and timing of additional releases.

2.2 Prepare the Summary of Financial and Physical Performance Targets

- On the basis of the detailed financial and physical performance targets of the different Departments/Offices, the LFC shall prepare the summary of financial and physical performance targets for the entire calendar year to serve as basis in comparing actual level of accomplishment for the preceding year and knowing the available resources for the budget year.

2.3 Prepare the cash program.

- Determine a realistic cash inflow on a monthly basis. Use as basis the actual inflow of revenues for the past three (3) years. Consider the months where revenue is high, like when payments of taxes become due, or months where revenue collection is low. A line graph may be used to show the high and low points of revenue collection to provide a historical or empirical basis of cash inflows.
- The Cash Flow Model of the BLGF may be used as reference.
- Determine a realistic cash outflow on a monthly basis. Analyze in detail the timing of expected payments affecting regular operations (payment of PS and MOOE including acquisition of equipment) and payments for the acquisition of civil works under R.A. No. 9184 (land and land improvements and building construction). Also, include in the projected cash outflows the financial requirements for calamities and emergencies, accounts payables and outstanding obligations due for payment, as well as debt servicing.
- The detailed financial and physical performance targets shall be considered in determining the magnitude and timing of cash outflows.
- Compute the difference between the cash inflows and outflows within a given period, month by month to be more specific, to determine the net cash flow. A projected cumulative net cash flow will indicate the capacity to generate surplus. Conversely, a cumulative negative cash flow will reveal the amount of additional cash requirements to sustain operations.

2.4 Revise and adjust the Project Procurement Management Plan (PPMP) and corresponding Annual Procurement Plan (APP).

As soon as the appropriation ordinance authorizing the annual/supplemental budget is enacted and approved, and where there are significant changes in the amount authorized by the Sanggunian, the Department Heads of the LGU concerned shall adjust/revise their respective PPMPs, which were formulated during the budget preparation phase.

This budget for the contracts shall be matched with the amount released through the AROs. If the amount is reduced, then there should be a corresponding reduction in the quantity to be procured and vice versa. Consequently, the APP shall be adjusted. In cases where the authorized amount in the ARO is the same as the proposed amount submitted during budget preparation, the PPMP/APP need not be adjusted.

The revised PPMPs shall be submitted to the BAC, through its Secretariat, for consolidation and finalization of the modes of procurement under the APP, subject to approval by the HOPE.

No procurement shall be undertaken unless it is in accordance with the approved APP of the LGU. The individual PPMPs and consolidated APP shall be maintained and updated regularly at least every six (6) months or as often as may be necessary.

2.5 Procure Goods/Civil Works and Consulting Services

Based on the adjusted/approved APP, the Departments/Offices shall procure the goods, services, equipment, civil works and consulting services required for the implementation of PPAs.

In these procurement activities, the provisions of RA No. 9184 and its Revised IRR shall be observed and strictly complied with.

Step 3. Obligate and Disburse Funds

Pursuant to the modified accrual system under the New Government Accounting System (NGAS), obligations shall be taken up in the registry (RAAO) as they are incurred (Please refer to COA Circular No. 2001-005 dated 30 October 2001). Accordingly, expenditures and obligations incurred during the fiscal year shall be taken up in the accounts of that year.

Obligations already incurred but not yet paid (accounts payable) shall be settled in accordance with existing budgeting, accounting and auditing rules and regulations.

Step 4. Adjust cash program for shortages and overages.

The Local Treasurer adjusts the cash program, and on the basis of the adjusted cash program, the LFC adjusts the financial and physical targets.

The LFC shall determine amounts considered as over-collection of taxes, and effect upward adjustments in the cash program to match the increase in the cash receipts forecast. If this is not done, a significant amount of cash will be idle at the end of the year.

Identify amounts considered as under-collection of taxes and revenues. This is a signal that the original cash receipts forecast is overstated. It becomes necessary to decrease the cash disbursement program for the remaining months to prevent the incurrence of a cash overdraft.

Step 5. Implement corrective measures as proposed by the Local Finance Committee and approved by the Local Chief Executive

5.1 The LFC shall compare the actual performance in both the financial and physical accomplishments vis-à-vis the targets for the quarter.

- If the actual financial performance is greater than the estimated cost, it means that there was overspending beyond the available resources. This reflects inefficiency if the actual physical performance is below the target. This needs corrective action.
- If the actual financial performance is lower than the estimated cost, it means that the estimated cost was overstated and performance is ineffective if the physical targets were not met. This also needs corrective action.
- If the actual physical performance is greater than the target, it indicates that financial resources were utilized to the maximum resulting in better than ordinary performance. This is assuming that targets were realistically set and not understated. In this case, no corrective action is needed.
- If the actual physical performance is lower than the target, it indicates that the targets were overambitious or the people worked below par. Corrective action is needed in this case.

5.2 The Department Heads shall explain substantial negative deviations, and recommend remedial measures to address negative deviations.

5.3 The Department Heads shall prepare adjustments in the original targets to catch up with plans for the fiscal year.

5.4 Proposed corrective action shall be submitted by Department Heads concerned to the LPDC for review and evaluation after which it shall be discussed with the LFC members for final deliberation. The proposed corrective action is then recommended by the LFC to the LCE for approval. Upon approval, the Department Head concerned shall implement corrective action to get back on track with planned targets for the fiscal year.

4.7 Local Budget Execution Forms

LBE Form No. 1
ARO For PS

☐ Annual Budget
☐ Supplemental Budget
☐ Reenacted Budget

ALLOTMENT RELEASE ORDER FOR PERSONAL SERVICES FY _____

Local Government Unit: _____
 Department/Office: _____
 Purpose: _____

Fund Code: _____

PPA Code	PPA DESCRIPTION	Object Class/ Account Code	AUTHORIZED APPROPRIATION (PS)	FOR LATER RELEASE	Previously Released Amount	This Release
(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL						

AMOUNT IN WORDS

NOTES _____

The allotments herein released shall be used solely for the purposes indicated and disbursements thereto shall be made in accordance with existing budgeting, accounting and auditing rules and regulations. It is the primary responsibility of the head of the Department/Office or Unit concerned to keep expenditures within the limits of the amount allotted.

Recommended By:

Local Budget Officer

Approved By:

Local Chief Executive

ARO No. _____

Date of Issue : _____

Page _____ of _____ Pages

INSTRUCTIONS for LBE Form No.1

ARO for PS shall be accomplished as follows:

- Indicate the name of the province, city, and municipality implementing the budget.
- Indicate the Department/Office concerned.
- Indicate the Fund Code, which may be:
 - 100 General Fund
 - 200 Special Education Fund
 - 300 Trust Fund
- Indicate the source of appropriation which may either be: Annual Budget, Supplemental Budget or Reenacted Budget
- Column 1: Indicate the PPA reference code as identified in the AIP Summary Form
- Column 2: Briefly describe the PPA to be implemented
- Column 3: Indicate the Account Code for the Object Classification Code based on the Revised Chart of Accounts for LGUs
- Column 4: Indicate the Authorized Appropriation for PS
- Column 5: Indicate the amount of standby appropriation for PS to answer for unforeseen events and shortfalls in revenue collection.
- Column 6: Indicate the Amount Previously Released.
- Column 7: Indicate the amount of PS to be released comprehensively for the entire year / released of allotment under FLR portion.
- For control purposes, each ARO should be numbered.

LBE Form No. 1A
ARO For MOOE

☐ Annual Budget
☐ Supplemental Budget
☐ Reenacted Budget

ALLOTMENT RELEASE ORDER FOR MAINTENANCE AND OTHER OPERATING EXPENSES

FY _____

Local Government Unit: _____
 Department/Office: _____
 Purpose: _____

Fund Code: _____

PPA Code	PPA DESCRIPTION	Object Class/ Account Code	AUTHORIZED APPROPRIATION (MOOE)	FOR LATER RELEASE	Previously Released Amount	This Release
(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL						

AMOUNT IN WORDS

NOTES _____

The allotments herein released shall be used solely for the purposes indicated and disbursements thereto shall be made in accordance with existing budgeting, accounting and auditing rules and regulations. It is the primary responsibility of the head of the Department/Office or Unit concerned to keep expenditures within the limits of the amount allotted.

Recommended By:

Approved By:

Local Budget Officer

Local Chief Executive

ARO No. _____

Date of Issue : _____

Page _____ of _____ Pages

INSTRUCTIONS for LBE Form No.1A

ARO for MOOE shall be accomplished as follows:

- Indicate the name of the province, city, and municipality implementing the budget.
- Indicate the Department/Office concerned.
- Indicate the Fund Code, which may be:
 - 100 General Fund
 - 200 Special Education Fund
 - 300 Trust Fund
- Indicate the source of appropriation which may either be: Annual Budget, Supplemental Budget or Reenacted Budget
- Column 1: Indicate the PPA reference code as identified in the AIP Summary Form
- Column 2: Briefly describe the PPA to be implemented
- Column 3: Indicate the Account Code for the Object Classification Code based on the Revised Chart of Accounts for LGUs
- Column 4: Indicate the Authorized Appropriation for MOOE
- Column 5: Indicate the amount of standby appropriation for MOOE to answer for unforeseen events and shortfalls in revenue collection.
- Column 6: Indicate the Amount Previously Released.
- Column 7: Indicate the amount of MOOE to be released comprehensively for the entire year / released of allotment under FLR portion.
- For control purposes, each ARO should be numbered.

LBE Form No. 1B
ARO For FinEX

☐ Annual Budget
☐ Supplemental Budget
☐ Reenacted Budget

ALLOTMENT RELEASE ORDER FOR FINANCIAL EXPENSES

FY _____

Local Government Unit: _____
Department/Office: _____
Purpose: _____

Fund Code: _____

PPA Code	PPA DESCRIPTION	Object Class/ Account Code	AUTHORIZED APPROPRIATION (FinEx)	FOR LATER RELEASE	Previously Released Amount	This Release
(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL						

AMOUNT IN WORDS

NOTES _____

The allotments herein released shall be used solely for the purposes indicated and disbursements thereto shall be made in accordance with existing budgeting, accounting and auditing rules and regulations. It is the primary responsibility of the head of the Department/Office or Unit concerned to keep expenditures within the limits of the amount allotted.

Recommended By:

Approved By:

Local Budget Officer

Local Chief Executive

ARO No. _____

Date of Issue : _____

Page _____ of _____ Pages

INSTRUCTIONS for LBE Form No.1B

ARO for FinEx shall be accomplished as follows:

- Indicate the name of the province, city, and municipality implementing the budget.
- Indicate the Department/Office concerned.
- Indicate the Fund Code, which may be:
 - 100 General Fund
 - 200 Special Education Fund
 - 300 Trust Fund
- Indicate the source of appropriation which may either be: Annual Budget, Supplemental Budget or Reenacted Budget
- Column 1: Indicate the PPA reference code as identified in the AIP Summary Form
- Column 2: Briefly describe the PPA to be implemented
- Column 3: Indicate the Account Code for the Object Classification Code based on the Revised Chart of Accounts for LGUs
- Column 4: Indicate the Authorized Appropriation for FinEx
- Column 5: Indicate the amount of standby appropriation for FinEx to answer for unforeseen events and shortfalls in revenue collection.
- Column 6: Indicate the Amount Previously Released.
- Column 7: Indicate the amount of FinEx to be released comprehensively for the entire year / released of allotment under FLR portion.
- For control purposes, each ARO should be numbered.

LBE Form No. 2
ARO For CapEx

☐ Annual Budget
☐ Supplemental Budget
☐ Reenacted Budget

ALLOTMENT RELEASE ORDER FOR CAPITAL EXPENDITURES FY _____

Local Government Unit: _____

Fund Code: _____

Department/Office: _____

Purpose: _____

PPA Code	PPA DESCRIPTION	Object Class/ Account Code	AUTHORIZED APPROPRIATION (CapEx)	FOR LATER RELEASE	Previously Released Amount	This Release
(1)	(2)	(3)	(4)	(5)	(6)	(7)
TOTAL						

AMOUNT IN WORDS

NOTES _____

The allotments herein released shall be used solely for the purposes indicated and disbursements thereto shall be made in accordance with existing budgeting, accounting and auditing rules and regulations. It is the primary responsibility of the head of the Department/Office or Unit concerned to keep expenditures within the limits of the amount allotted.

Recommended By:

Approved By:

Local Budget Officer

Local Chief Executive

ARO No. _____

Date of Issue : _____

Page _____ of _____ Pages

INSTRUCTIONS for LBE Form No.2

ARO for CapEx shall be accomplished as follows:

- Indicate the name of the province, city, and municipality implementing the budget.
- Indicate the Department/Office concerned.
- Indicate the Fund Code, which may be:
 - 100 General Fund
 - 200 Special Education Fund
 - 300 Trust Fund
- Indicate the source of appropriation which may either be: Annual Budget, Supplemental Budget or Reenacted Budget
- Column 1: Indicate the PPA reference code as identified in the AIP Summary Form
- Column 2: Briefly describe the PPA to be implemented
- Column 3: Indicate the Account Code for the Object Classification Code based on the Revised Chart of Accounts for LGUs
- Column 4: Indicate the Authorized Appropriation for CapEx
- Column 5: Indicate the amount of standby appropriation for CapEx to answer for unforeseen events and shortfalls in revenue collection.
- Column 6: Indicate the Amount Previously Released.
- Column 7: Indicate the amount of CapEx to be released comprehensively for the entire year / released of allotment under FLR portion.
- For control purposes, each ARO should be numbered.

LBE Form No. 3**SUMMARY OF FINANCIAL AND PHYSICAL PERFORMANCE TARGETS**

LGU : _____

Department/Office: _____

Major Final Output(s): _____

Program/Project/Activity (1)	Total Cost (2)	Performance Indicator (3)	Prior Year Accomplishments (ACTUAL) (4)	Physical Targets (5)	Remarks (6)

Prepared by:

Approved by:

Department Head_____
Local Chief Executive

INSTRUCTIONS For LBE Form No. 3

The Summary of Financial and Physical Performance Targets shall be accomplished as follows:

- Indicate the name of the province, city, and municipality implementing the budget.
- Indicate the Department/Office concerned.
- Indicate the Major Final Output(s) which shall be delivered as a result of the implementation of the PPAs
 - Services which are not directly consumed by the external clients such as the following shall be subsumed under executive services:

E.g.: MFO: Executive Services (Accounting and Internal Services)

PPA: Preparation and submission of reports

PI : 90% of financial reports submitted on time

- Column 1: Indicate the PPAs which will deliver the MFOs.
Example: MFO - Agricultural Services ; PPA - Swine dispersal program
- Column 2: Indicate the Amount approved for the current year by allotment class
- Column 3: Indicate the Performance standards/ criteria and indicators set that will be accomplished by the LGU
(e.g., No. of beneficiaries of swine dispersal program)
- Column 4: Indicate the accomplishment during the preceding year.
- Column 5: Indicate the targets for each performance indicator to be accomplished for the current year.
- Column 6: Indicate other information relative to the performance

CHAPTER 5. THE BUDGET ACCOUNTABILITY PHASE



- 1.0 Introduction
- 2.0 Legal Bases of Budget Accountability
- 3.0 Key Players in Budget Accountability
- 4.0 The Budget Accountability Flow Chart
- 5.0 Steps in the Budget Accountability Phase
 - Step 1. Monitor Receipts and Expenditures
 - Step 2. Submit Accountability Reports
 - Step 3. Evaluate Performance of Each Department/Office
- 6.0 Local Budget Accountability Forms
 - LBAc Form No. 1 - Quarterly Report of Income
 - LBAc Form No. 2 - Quarterly Financial Report of Operations
 - LBAc Form No. 3 - Quarterly Physical Report of Operations
 - LBAc Form No. 4 - Statement of Receipts and Expenditures
 - LBAc Form No. 5- Physical and Financial Performance Evaluation Form

5.1 Introduction

Budget accountability is the last and final phase of the budget process. Budget Accountability, in simple terms, is accounting for the budget. It involves the use of a management control techniques to assist in tracking receipts of income/revenues and controlling expenditures. The five (5) phases of the budget is incomplete without accountability. This mechanism provides a venue for the LCE, Local Sanggunian and stakeholders to be continuously informed of the status of implementation of PPAs being funded by public funds. It covers the monitoring and analysis of all financial transactions, the recording of budgetary accounts in the registries, recording in the books of accounts of all receipts and expenditures and financial reporting of their current status. An integral part of accountability is the evaluation of the financial and physical performance of the LGU. This review and assessment of performance is necessary to introduce improvements and reforms to make the budget more transparent to the people and stakeholders.

In this Manual, the focus of discussion is **accounting for the budget**, and not the audit of accounts. The examination of the legality and propriety of obligations and expenditures incurred in the process of executing the budget is within the realm of COA for external audit. Auditing is discussed in another field. It is understood, however, that in the execution of the budget, officials and employees involved shall strictly observe and follow the law and the rules and regulations of COA, DBM, BLGF, DILG and other oversight agencies.

5.2 Legal Bases of Budget Accountability

Section 340 of RA No. 7160 provides that “any officer of the LGU whose duty permits or requires the possession or custody of local government funds shall be accountable and responsible for the safekeeping thereof in conformity with the provisions of this Title. Other local officers, who, though not accountable by the nature of their duties, may likewise be held accountable and responsible for local government funds through their participation in the use or application thereof.”

Section 305 of RA No. 7160 also provides that “Fiscal responsibility shall be shared by all those exercising authority over the financial affairs, transactions, and operations of the local government unit.

5.3 Key Players in Budget Accountability

Local Chief Executive – The LCE shall be primarily responsible for the execution of the annual and supplemental budgets and the accountability therefor (*Section 320, R.A. No. 7160*).

Specifically, the LCE shall:

- Ensure that all taxes and other revenues of the LGU are collected, and that local government funds are applied to the payment of expenses and settlement of obligations, in accordance with law or ordinance (*Sections 444 [b] [3] [iii]; 455 [b] [3] [iii], 465 [b] [3] [iii], RA No. 7160*);
- Cause the periodic examination of books, records and other documents maintained by accountable officials, agents, or employees of the LGU to ensure that income collection and disbursements are properly recorded (*Sections 444 [b] [1] [xi]; 455 [b] [1] [xi]; 465 [b] [1] [xi], RA No. 7160*);
- Ensure that accountable officials are able to submit periodic reports in such forms as may be required under this Manual and by applicable Rules (*Sections 444 [b] [1] [x]; 455 [b] [1] [x]; 465 [b] [1] [x], RA No. 7160*);
- Ensure that all executive officials and employees faithfully discharge their duties and functions as provided by law and the Local Government Code (*Sections 444 [b] [1] [x]; 455 [b] [1] [x]; 465 [b] [1] [x], RA No. 7160*);
- Submit to the Sanggunian, on or before March 31 of each year, an annual report covering the immediately preceding calendar year which shall contain among others the budgetary/financial performance as well as physical accomplishments of the LGU (*Section 97, RA No. 7160 and Article 189 Rule XXIV, IRR of RA No. 7160*).

Local Treasurer – The Local Treasurer shall:

- Collect all local taxes, fees and charges (*Section 170, RA No. 7160*);
- Report regularly to the LCE on the tax collection efforts in the LGU (*Section 470 [b], RA No. 7160*);
- Advise the LCE, the Sanggunian, and other local and national government officials regarding the disposition of local government funds and on such other matters relative to public finance (*Section 470 [d] [1], RA No. 7160*);
- Take custody and exercise proper management of the funds of the LGU (*Section 470 [d] [2], RA No. 7160*);
- Take charge of the disbursement of all local government funds and such other funds the custody of which may be entrusted to him by law or other competent authority (*Section 470 [d] [3], RA No. 7160*);
- Submit periodic reports to the LCE through the LFC in such forms prescribed under this Manual;

- Post the required reports on monthly collections and disbursements in three (3) conspicuous and accessible public places in the LGU (*Section 513, RA No. 7160*); and
- Exercise such other powers and perform such other duties and functions as may be prescribed by law or ordinance (*Section 470 [e], RA No. 7160*).

Local Accountant – The Local Accountant shall:

- Prepare and submit financial statements to the LCE and to the Sanggunian (*Section 474 [b][2], RA No 7160*);
- Apprise the Sanggunian and other local government officials concerned on the financial condition and operations of the LGU (*Section 474 [b] [3], RA No. 7160*);
- Record all financial transactions in the appropriate journals and keep all supporting documents attached thereto as follows:
 - ⊙ statement of cash advances, liquidation, salaries, allowances, reimbursement and remittances pertaining to the LGU;
 - ⊙ statement of journal entry vouchers and liquidation of the same and other adjustments related thereto;
 - ⊙ maintain individual ledger for officials and employees of the LGU pertaining to payroll and deductions;
- Record and post in the index cards details of purchased furniture, fixture and equipment , including disposal thereof, if any;
- Maintain and update all general and subsidiary ledgers; and
- Prepare and submit periodic reports to the LCE through the LFC in such forms prescribed in this Manual.

Local Budget Officer - The LBO shall:

- Certify as to the availability of appropriations and allotments to which expenditures and obligations may be properly charged (*Section 344, RA No. 7160*);
- In coordination with the Local Accountant, Local Treasurer and Planning and Development Coordinator, monitor and evaluate budget performance of all PPAs (financial and physical evaluation of actual results vs. targets) (*Section 316 [h]; 475 [c], RA No. 7160*);
- Together with the members of the LFC, propose corrective actions for negative deviations (financial and physical) to the LCE through the LFC; and
- Prepare and submit periodic reports to the LCE through the LFC and to the DBM in such forms prescribed under this Manual (*Section 475 [b] [5], RA No. 7160*).

Planning and Development Coordinator – The Planning and Development Coordinator shall:

- Monitor and evaluate the implementation of development programs and projects of the various departments/offices in accordance with the approved development plan (*Section 476 [b] [4], RA No. 7160*);
- Analyze the income and expenditure patterns, and formulate and recommend fiscal plans and policies for consideration of the LFC (*Section 476 [b] [6], RA No. 7160*); and
- Prepare and submit periodic reports to the LFC and LCE in such forms as prescribed under this Manual.

Heads of Departments/Offices - The Heads of Departments/Offices shall:

- Monitor the implementation of all PPAs under his supervision to ensure adherence to plans, targets and performance indicators;
- Monitor physical and financial performance of major final outputs identified with his department using performance indicators as basis of evaluating performance; and
- Prepare and submit periodic reports to the LFC and LCE in such forms as prescribed under this Manual.

Local Finance Committee – The LFC shall:

- Conduct a semi-annual review and general examination of expenditures and actual accomplishments against performance standards in undertaking development projects (*Section 316 [h], RA No. 7160*); and
- Post the semi-annual and general examination report in conspicuous and accessible places in the LGU and furnish a copy of this report to the LCE and the Sanggunian concerned (*Section 316 [h], RA No. 7160*).

CSOs and Private Sector Organizations – The CSOs shall perform their duties and responsibilities prescribed under the Handbook on the Participation of Civil Society Organizations in the Local Budget Process.

Table 5. Emerging Roles of CSOs in the Budget Accountability Phase

ACTIVITY	LGU ROLES	CSO ROLES
1. MONITOR OUTPUTS AND RESULTS OF PPAs The appropriations recorded in the books shall be compared with the actual collections and disbursements for the same period. Expenditures are tracked and monitored vis-à-vis the outputs and accomplishments.	Invite accredited CSOs to participate in the local project monitoring activities. Post financial information in three (3) conspicuous places in the LGU within twenty (20) days after the end of each quarter. Invite accredited CSOs in the mid-year and year-end assessment of the overall performance of the LGU. Invite accredited CSO in the impact assessment of the programs and projects, and the overall performance of the LGU. Make use of available and existing monitoring tools such as the Citizens Satisfaction Report Card (from CODE-NGO) and the LGU Fiscal Sustainability Scorecard (from BLGF).	Actively participate in the local project monitoring activities. Enhance CSOs own technical capability in project monitoring. Monitor PPA implementation and check on the following: <ul style="list-style-type: none"> • standards of service • quality of work • timeliness of implementation • pricing of goods, contracts, and services • PPA fund release/ utilization • proper delivery to target beneficiaries Provide recommendations based on monitoring results. Organize citizens' fora with the LGU to provide feedback to the community. Actively participate in the impact assessment of programs and projects and of the overall performance of the LGU.

5.4 The Budget Monitoring and Evaluation Framework

The following chart summarizes the role of budget accountability phase in the planning, programming and budgeting cycle:

- provides feedback for PPA implementation adjustments during execution of the budget;
- provides information to the general public on the performance of the LGU; and
- provides necessary input information to the planning and programming of PPAs for inclusion in the budget preparation forms.

The monitoring and evaluation of agreed outputs of individual departments/offices together with agreed corresponding performance indicators shall be the main function of Department/Office Heads;

- monitoring of financial performance shall include actual obligation and disbursements for each PPA that is being implemented ;

- monitoring of actual financial performance shall see to it that the extent of deviation from the budget are controlled and managed;
- monitoring of physical performance for each PPA shall include actual physical output produced at a given time for each performance indicator identified and agreed after a group consultation;
- the evaluation of the financial performance of all PPAs being implemented which should include a variance analysis between actual obligations and disbursements vs authorized appropriations;
- the evaluation of the physical performance of all PPAs (their outputs and performance indicators) should include a variance analysis between actual outputs vs targets;
- a periodic report of the overall performance of all ranked PPAs shall be reported by Department/Office Head to the LFC and LCE for purposes of improving and refining the financial and physical performance of PPAs implemented by the LGU.

To refine and improve the outputs of Departments/Offices a menu of performance indicators (PIs) per major final output shall first be agreed by all departments/offices in coordination with Planning, LFC, LCE and Local Sanggunian. These PIs may be further improved or revised by giving opportunity to interested stakeholders or CSOs to give their suggestions and ideas for improvement. The final PIs for implementation shall pass the Local Sanggunian for adoption.

Please refer to samples of PPAs, their major outputs and a menu of PIs for each output in Annex #.

The entire process of monitoring an evaluation of the financial and physical performance of ranked PPAs and their PIs are illustrated in a conceptual framework below:

Figure 9. Budget Monitoring & Evaluation Framework

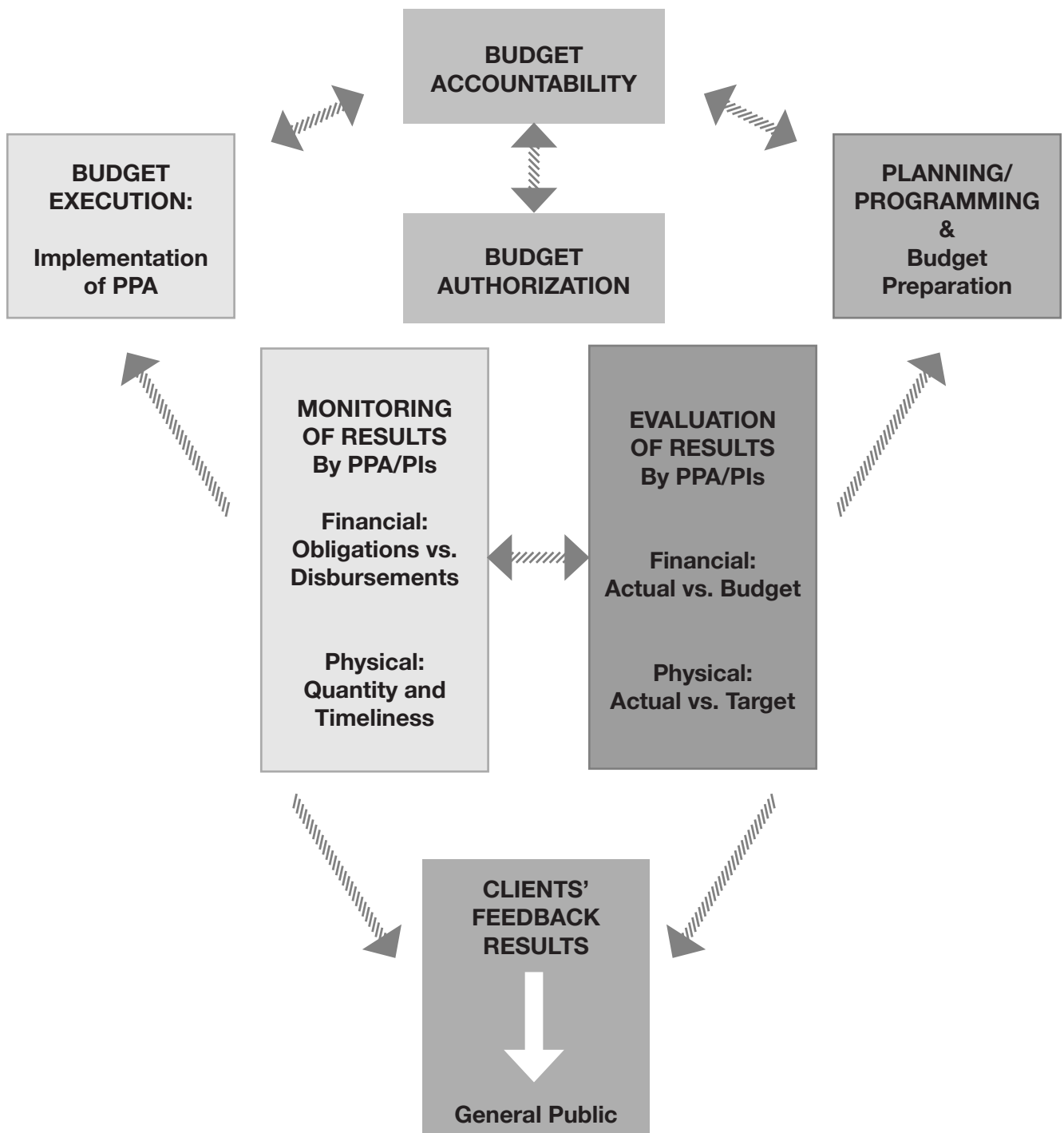
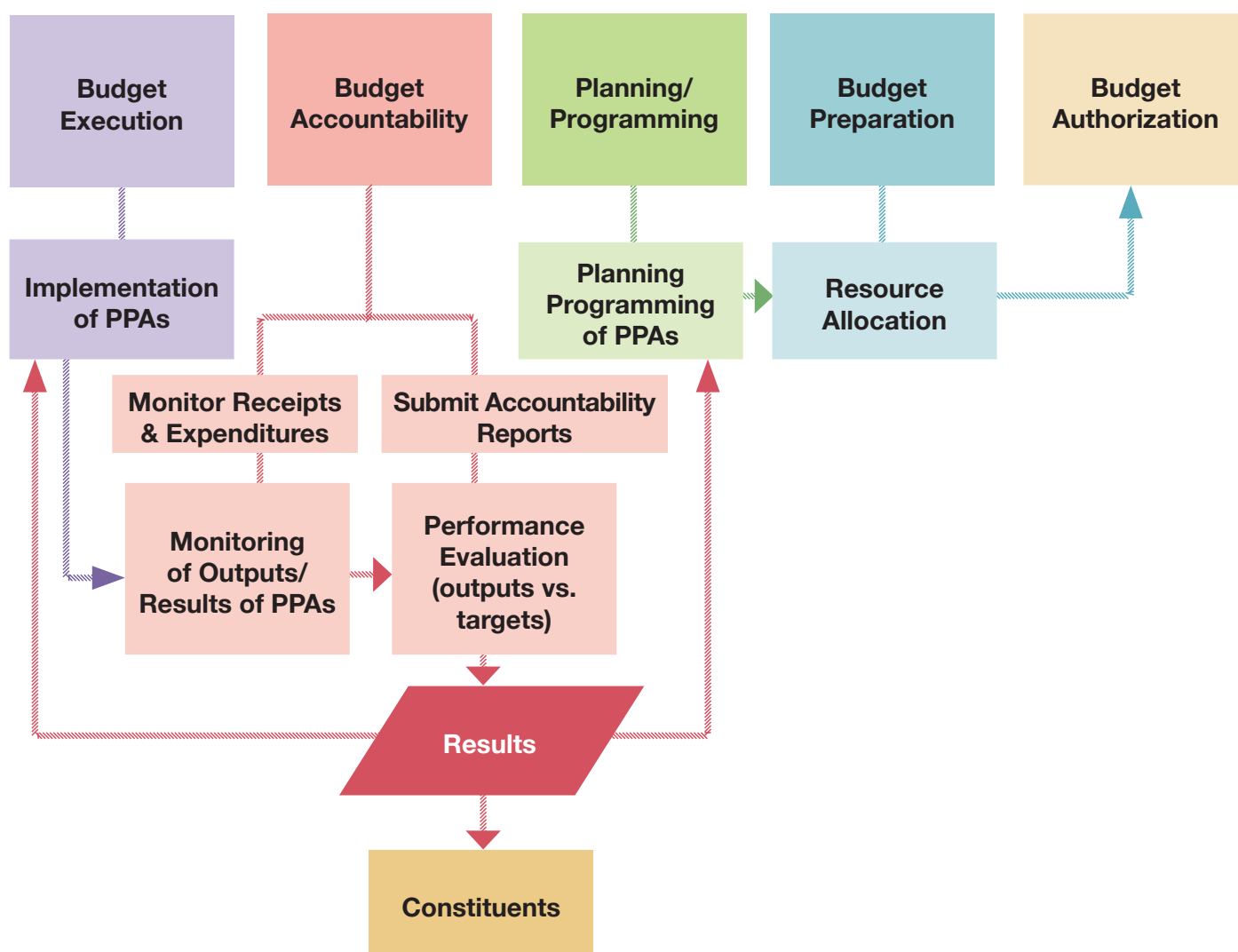


Figure 10. The Budget Accountability Flow Chart



5.5 Steps in the Budget Accountability Phase

Budget accountability is accounting for the local budget, which involves three (3) steps:

Step 1. Monitor receipts and expenditures

The budgets of the LGU are accounted for on the first day of the fiscal year. It is, therefore, logical that from the very beginning of the fiscal year one is in receipt of income/revenue/borrowings or one is in the payment process of a valid obligation. All these transactions are recorded, documented monitored and evaluated. The estimated receipts and appropriations are in amounts approved, reviewed and recorded in the books where they shall be compared with actual collections and disbursements for the same period. This simple monitoring process is necessary to keep track of all receipts and expenditures for a particular period.

Monitoring of Receipts

The required accountability report to undertake the monitoring of receipts or income/revenue/borrowings is shown in Local Budget Accountability Form No. 1 (LBAC Form No. 1) or the Quarterly Report of Receipts. This is prepared by the Local Accountant based on the actual collections from the Local Treasurer's Report of Daily Collections.

This report keeps track of all receipts (income/revenue, borrowings) for each month of the quarter and shows the variance between estimated receipts and actual receipts collected as of the end of the quarter.

Monitoring of Expenditures

The monitoring of expenditures include the monitoring of appropriations, allotments, obligations and disbursements.

- The Local Budget Officer shall keep track of the appropriations released through allotments and subsequently obligated and disbursed by the various departments and offices. This ensures that the funds used for the PPAs funded in the budget are used exclusively for the specific purpose/s for which they have been appropriated pursuant to Sections 336 and 305 (a) of RA No. 7160.
- The LBO and the Local Accountant shall ensure that lawful expenditures incurred during a fiscal year shall be taken up in the books of accounts of that year pursuant to Section 350 of RA No. 7160.
- The LBO shall prepare Local Budget Accountability Form No. 2 (LBAC Form No. 2) or the Quarterly Financial Report of Operations that would reflect obligations incurred vis-à-vis the released allotments and available appropriations. This will give a picture of the efficiency and effectiveness of the rate of utilization of appropriations and absorptive capacity by the various departments/offices of the LGU.
- The Local Treasurer, LBO and the Local Accountant shall prepare Local Budget Accountability Form No. 4 (LBAC Form No. 4) or Statement of Receipts and Expenditures (Summary of Income and Expenditures pursuant to Section 352 of RA No. 7160) for the fiscal year.
 - ⊙ The Local Treasurer, LBO and the Local Accountant and other accountable officials shall post the SRE in at least three (3) publicly accessible and conspicuous places in the LGU within 30 days from end of the fiscal year.
 - ⊙ A copy of the SRE furnished to the LBO shall be submitted to the DBM through its Regional Office within the same period.

Monitoring of Physical Outputs and Accomplishments

Each Department/Office Head shall prepare Local Budget Accountability Form No. 3 (LBAC Form No. 3) or the Quarterly Physical Report of Operations where actual performance per PPA is shown against the target output.

A Project Monitoring Report (PMR), which shall cover all procurement activities in the APP, whether ongoing and completed, shall be prepared by the BAC on a semestral basis to be approved by the HOPE and submitted to the GPPB within fourteen (14) calendar days after the end of each semester.

Step 2. Submit Accountability Reports

It is imperative that the Local Accountant, Local Treasurer, Local Budget Officer, Planning and Development Coordinator and Heads of Departments/Offices shall submit the required **accountability reports** for monitoring purposes. They establish a database of the performance record of the various departments/offices of the LGU concerned. A summary of these forms/reports are shown thus:

Table 6. Required Accountability Reports

Local Budget Accountability (LBAC) Form No.	Description	Responsible Official	Date of Submission
LBAC Form No. 1	Quarterly Report of Income	Local Accountant	10 Days after the End of Each Quarter
LBAC Form No. 2	Quarterly Financial Report of Operations	Local Budget Officer	10 Days after the End of Each Quarter
LBAC Form No. 3	Quarterly Physical Report of Operations	Department/ Office Heads, Planning and Development Coordinator	10 Days after the End Of Each Quarter
LBAC Form No.4	Statement of Receipts and Expenditures	Local Treasurer, Local Budget Officer, Local Accountant	Within 30 Days from End of Fiscal Year

Step 3. Evaluate Performance of each Department/Office

Pursuant to Section 316 and 320 of RA No. 7160, the LFC and LCE are tasked to conduct a semi-annual review and general examination of expenses and accomplishments against performance standards applied in the implementation of development projects and delivery of basic services.

- The assessment of performance shall primarily be a review of outputs per PPA for each Department/ Office. Since there is no standard performance as of this date for identified performance indicators, the review will be limited to a variance analysis of actual results vis-à-vis planned targets for each performance indicator. Similar approach will be used for the expenditure per PPA and per performance indicator. The format for this variance analysis is shown in the following example:

Table 7. Variance Analysis of Output/Physical Performance

PPA Code (1)	PPA Description (2)	Performance Indicators (3)	Target (4)	Actual Output (5)	Variance (4-5)=(6)	% 6/4=(7)
8000-1-1	Extension Services	Trained Number of Farmers	150	50	100	(67%)
		Womenfolk trained in Home Gardening	100	120	20	20%

This process of review shall be improved gradually as standards of performance are developed for each performance indicator. A similar variance analysis approach shall be used for assessing the financial performance of the PPA. See example below:

Table 8. Variance Analysis of Financial Performance

PPA Code (1)	PPA Description (2)	Performance Indicators (3)	Target (4)	Actual Output (5)	Variance (4-5)=(6)	% 6/4=(7)
8000-1-1	Extension Services in Agriculture	Number of farmers Trained	P2500	P3000	P300	12%

- The review and analysis of the output and financial performance per PPA and per indicator are done in tandem to have a complete picture of the extent and latitude of performance.

- The LFC shall report the results of the evaluation to the LCE, Local Sanggunian, oversight agencies and other observers to promote transparency and accessibility to LGU budget performance. It will also serve as bases for re-evaluating current policies and practices. The LGU may either sustain good performance or remedy shortcomings to enable it to be on track in its plans for the year and subsequent years.

The form to be accomplished in the evaluation of performance shall be LBAC Form No. 5 - Physical and Financial Performance Evaluation Form.

5.6 Local Budget Accountability Reports

LBAC Form No. 1

QUARTERLY REPORT OF INCOME For the Quarter Ending _____

Account Title/ Description of Income (1)	Account Code (2)	Estimated Income Previous Quarter (3)	Estimated Income This Quarter (4)	Total Estimated Income to Date (5)	Actual Income for the Quarter			Total Actual Income to Date (9)	Variance		Remarks (12)
					1st Month (6)	2nd Month (7)	3rd Month (8)		Amount (10)	% (11)	
					(6)	(7)	(8)	(9)	(10)	(11)	(12)

Prepared by:

Certified Correct:

LOCAL TREASURER

Date

LOCAL ACCOUNTANT

Date

INSTRUCTIONS:

Column (1) shall refer to the appropriate account classification and nature of the actual income generated during the period as appearing in Column (3) to (9) in accordance with the Revised Chart of Accounts for LGUs, i.e.,

- Other Taxes
- Community Tax
- Share from Internal Revenue Collection
- Share from Expanded Value Added Tax
- Share from National Wealth

Column (2) shall denote the numerical code per Revised Chart of Accounts for LGUs.

Column (3) shall indicate the estimated income of previous quarter.

Column (4) shall indicate the estimated income of the current quarter reported based on BLGF reportorial requirements.

Column (5) shall refer to the estimated income from January to the end of the quarter reported.

Columns (6) to (8) shall refer to the actual income realized during the three months of the quarter reported, while Column (9) shall indicate the cumulative total of each income category from January 1 to the end of the quarter reported. Said total should tally with the income account per Trial Balance as of even date.

Column (10) shall indicate the difference between the estimated income and actual income to date (Col.9 – Col.5).

Column (11) shall indicate the percentage increase/(decrease) in the income (Col. 10 / Col. 5)

Column (12) shall refer to additional information/reasons for material increase or decrease of actual income realized during the period compared with estimates.

This report shall be submitted directly to the Local Finance Committee thru the Local Budget Officer on or before the 10th day of the month following the quarter reported.

LBAC No. 2**QUARTERLY FINANCIAL REPORT OF OPERATIONS****For the Quarter Ending _____**

MFO/ PAP	Implementing Unit	Appropriation			Allotment Released			Balance of Appropriation	Obligations Incurred			Unobligated Allotment	Remarks
		Continuing	Current	Total	Previous Quarters	This Quarter	Total		Previous Quarters	This Quarter	Total		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)

Prepared by:

LOCAL BUDGET OFFICER_____
Date**INSTRUCTIONS:**

Column (1) shall refer to the major final output and PPA Code of the activity as listed down in the General Fund Budget.

Column (2) shall refer to the implementing unit (i.e. General Services Department, Accounting Department, etc.).

Column (3) shall refer to the unreleased appropriation of the past year which can still be released during the current year.

Column (4) shall indicate the current year's appropriation in the approved budget, whether from the annual budget or from supplemental budgets.

Column (5) shall refer to the total appropriation (Col. 3 + Col. 4).

Column (6) shall refer to the current year's allotment released in the previous quarters and prior years' unobligated allotment. The prior years' unobligated allotment and obligations shall be shown separately for full disclosure.

Column (7) shall refer to the allotment released during the quarter being reported.

Column (8) shall refer to the total allotment released as of end of the quarter being reported (Col. 6 + Col. 7).

Column (9) shall refer to the unreleased appropriation (Col. 5 – Col. 8) as of end of the quarter being reported.

Column (10) shall refer to the current year obligations incurred in the previous quarters as recorded in the Registry of Allotment and Obligation (RAO).

Column (11) shall refer to the obligations incurred during the quarter being reported as recorded in the RAO.

Column (12) shall refer to the total obligations incurred as of end of the quarter being reported (Col. 10 + Col. 11).

Column (13) shall refer to the unobligated allotment (Col. 8 – Col. 12) which should tally with the balance shown in the Statement of Allotments, Obligations, and Balances as of end of the quarter being reported.

Column (14) shall contain other relevant information for which no appropriate column is provided.

This report shall be prepared by the Local Budget Officer and submitted directly to the Local Finance Committee on or before the 10th day of the month following the quarter being reported.

LBAC Form No. 3**QUARTERLY PHYSICAL REPORT OF OPERATIONS**

For the Quarter Ending _____

Department/Office: _____

PPA Code (1)	Major Final Output (2)	Performance Indicator (3)	Target Output					Actual Performance					Variance as of (14)	Remarks (15)
			1 st Quarter (4)	2 nd Quarter (5)	3 rd Quarter (6)	4 th Quarter (7)	Total (8)	1 st Quarter (9)	2 nd Quarter (10)	3 rd Quarter (11)	4 th Quarter (12)	Total (13)		

Prepared by: _____

Certified Correct: _____

DEPARTMENT HEAD

Date

PLANNING AND DEVELOPMENT COORDINATOR

Date

INSTRUCTIONS:

Column (1) – shall refer to the code assigned to the PPA as reflected in the AIP.

Column (2) – shall refer to the goods and services that a Department/Office is mandated to deliver to its external clients through the implementation of the PPA.

Column (3) – shall refer to the predetermined measure of the results of a PPA against a standard of performance required to achieve set policy objectives within a given period.

Column (4) to (8) – shall refer to the annual target output with quarterly breakdown. The total of which (Column 8) shall be consistent with LBE Form No. 4 (Summary of Financial and Physical Performance Targets).

Column (9) to (13) – shall reflect the quarterly actual performances and the cumulative performance as of a given quarter.

Column (14) – shall reflect the total variance between the actual performances versus target outputs as of the quarter covered by the report.

Column (15) – shall reflect relevant information/reasons/justifications for increase or decrease in actual performance versus target output as of the quarter covered by the report.

This Report shall be prepared by each Department/Office head, in coordination with the Planning and Development Coordinator, and submitted directly to the Local Finance Committee on or before the 10th day of the month following the quarter being reported

LBAC No. 4

<p align="center">STATEMENT OF RECEIPTS & EXPENDITURES For the Fiscal Year Ending_____ Province/City/Municipality_____</p>					
Particulars (1)	Amounts		Variance		Remarks (6)
	Estimate (2)	Actual (3)	Amounts (4)	% (5)	
I. Beginning Cash Balance					
II. Receipts:					
A. Local Sources					
1. Tax Revenue					
a. Real Property Tax (RPT)					
i. Basic RPT					
ii. Special Education Fund					
b. Business Tax					
c. Other Local Taxes					
Total Tax Revenue					
2. Non-Tax Revenue					
a. Regulatory Fees					
b. Service/User Charges					
c. Receipts from Economic Enterprise					
d. Other Receipts					
Total Non-Tax Revenue					
B. External Sources					
1. Internal Revenue Allotment					
2. Share from GOCCs (PAGCOR and PCSO)					
3. Other Shares from National Tax Collection					
a. Share from Ecozone					
b. Share from EVAT					
c. Share from National Wealth					
d. Share from Tobacco Excise Tax					
4. Inter-Local Transfer					
5. Extraordinary Receipts/Grants/Donation/Aids					
Total External Sources					
C. Non-Income Receipts					
1. Capital Investment Receipts					
a. Proceeds from Sale of Assets					
b. Proceeds from Sale of Debt Securities of Other Entities					
c. Collection of Loans Receivable					
Total Capital Investment Receipts					

Particulars (1)	Amounts		Variance		Remarks (6)
	Estimate (2)	Actual (3)	Amounts (4)	% (5)	
2. Receipts from Loans and Borrowings					
a. Acquisition of Loans					
b. Issuance of Bonds					
Total Receipts from Borrowings and Loans					
Total Non-Income Receipts					
Total Receipts					
III. Expenditures					
A. General Public Services					
B. Economic Services					
C. Social Services					
D. Other Services					
TOTAL EXPENDITURE					
<div> <div>Prepared by:</div> <div>Certified Correct:</div> </div> <div> <div>_____</div> <div>_____</div> <div>_____</div> <div>_____</div> </div> <div> <div>LOCAL TREASURER</div> <div>Date</div> <div>LOCAL ACCOUNTANT</div> <div>Date</div> </div>					

INSTRUCTIONS:

Column (1) shall refer to the details of the income/receipts and expenditures. Beginning cash balance shall be net of amounts earmarked for specific purposes (e.g. continuing appropriations, 20% Development Fund, and payables, others (restricted funds)).

Column (2) shall refer to the account code using the Revised Chart of Accounts for LGUs.

Column (3) shall refer to the estimated income/receipts and expenditures for the fiscal year being reported.

Column (4) shall refer to the difference between the estimated and actual income/receipts and expenditures for the fiscal year reported (Column 3 – Column 2).

Column (5) shall refer to the variance expressed in percentage (Column 5 / Column 3)

Column (6) shall reflect relevant information/reasons/justifications for increase or decrease in actual versus target receipts and expenditures.

This Report shall be prepared by the Local Treasurer, certified correct by the Local Accountant and submitted to the LCE by the LFC within 30 days from the end of the fiscal year. Also, a copy of this Report furnished to the Local Budget Officer shall be submitted to the Department of Budget and Management through its Regional Office within the same period.

LBAc Form No. 5

PHYSICAL AND FINANCIAL PERFORMANCE EVALUATION FORM

As of the _____ Semester Ending _____

Department/Office_____

PAP Code	PAP Description/ Major Final Output	PHYSICAL PERFORMANCE				FINANCIAL PERFORMANCE			
		Target Output	Actual Output	Variance	% of Accomplishment	Allotment Released	Actual Obligations Incurred	Variance	Absorptive Capacity
(1)	(2)	(3)	(4)	(5) = 4-3	(6) = 4/5	(7)	(8)	(9) =8-7	(10) = 8/7
	TOTAL								

Prepared by:

LOCAL FINANCE COMMITTEE

Date _____

INSTRUCTIONS:

Column (1) – shall refer to the code assigned to the PPA as reflected in the AIP.

Column (2) – shall refer to the MFO of the various PPA of the Department/Office.

Column (3) – shall refer to the target output for the semester being reported.

Column (4) – shall refer to the actual output for the semester reported.

Column (5) – shall refer to the difference between Column 4 and Column 3.

Column (6) – shall refer the physical accomplishment expressed in percentage (column 4 / Column 5).

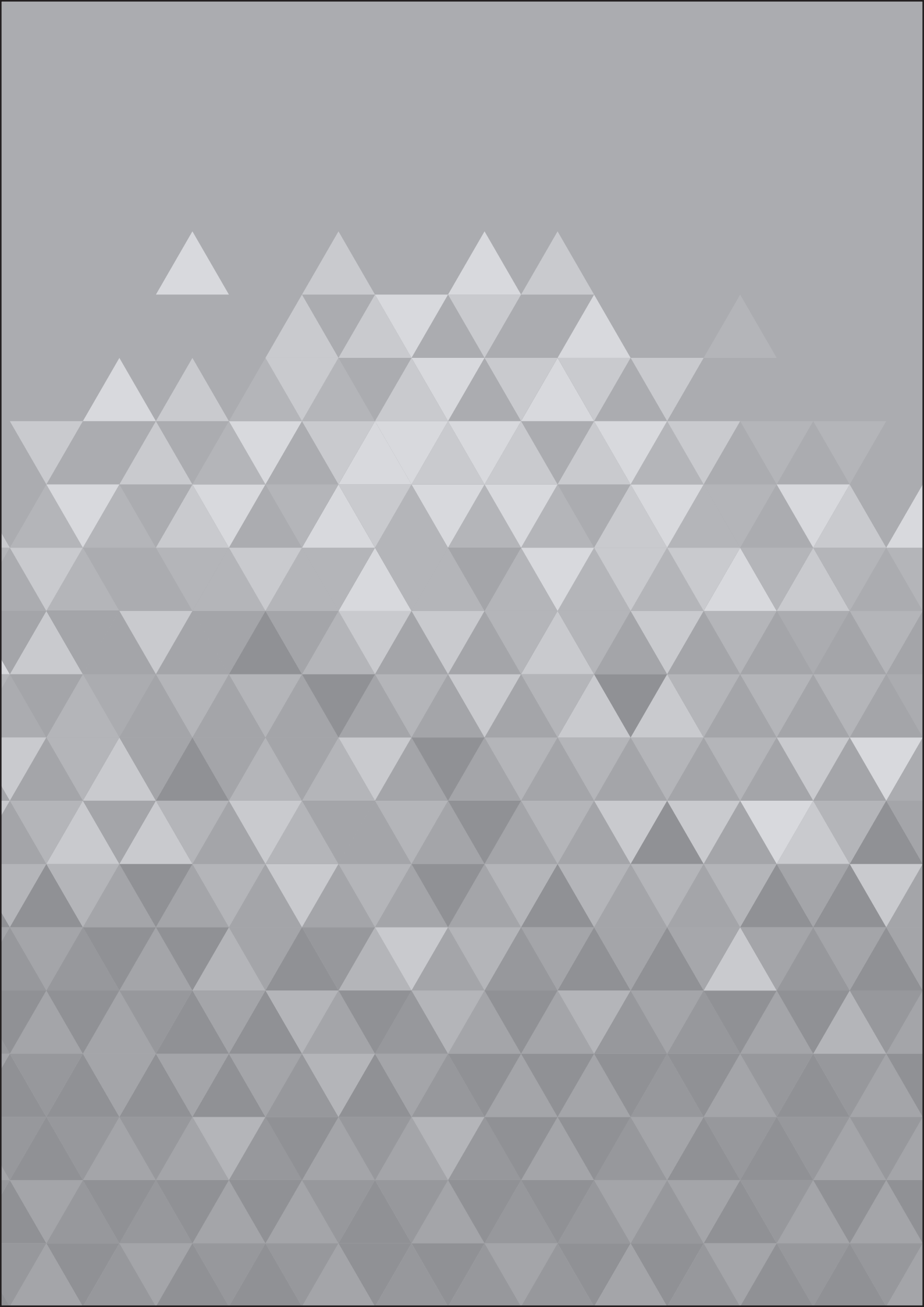
Column (7) – shall refer to the allotment released for the Department/Office for the semester being reported.

Column (8) – shall refer to the actual obligations incurred as reflected in the Registry of Allotment and Obligation (RAO) for the semester being reported.

Column (9) – shall refer to the difference between Column 8 and Column 7.

Column (10) – shall refer to the financial accomplishment expressed in percentage (Column 8 / Column 7).

This Report shall be prepared by the Local Finance Committee and submitted to the LCE within 30 days after the end of each semester.



PART III: ALLOCATIONS TO LOCAL GOVERNMENT UNITS (ALGU)



The 1973 Constitution laid down the principle of local autonomy based on self-reliance. The enactment of the 1987 Constitution marked more resolute efforts towards the attainment of the nation's dream of genuine and meaningful local autonomy.

Section 2, Article X of the 1987 Constitution provides, "The territorial and political subdivisions shall enjoy local autonomy."

This Constitutional mandate is given flesh by R.A. No. 7160, otherwise known as the 1991 Local Government Code, which provides for the establishment of more responsive and accountable government structure instituted through a system of decentralization.

Effective sharing of political and administrative powers between the national and local governments, on the other hand, is anchored, in part, on the equitable diffusion of national internal revenues among the different levels of government as well as the sharing of proceeds from the development of national wealth and from other special shares with the inhabitants of a particular community by the way of direct benefits. This part of the Manual delves on the provisions of law as well as on the procedures set forth by different issuances by which Local Government Units (LGUs) may effectively access the different allocations to LGUs.

ALLOCATIONS TO LOCAL GOVERNMENT UNITS (ALGU)

- | | |
|-----|---|
| 1.0 | Internal Revenue Allocation |
| 1.1 | Legal Bases |
| 1.2 | Distribution of Shares |
| 1.3 | Use of the Fund |
| 1.4 | Fund Release Procedures |
| 2.0 | Share in the Utilization and Development of National Wealth |
| 2.1 | Legal Bases |
| 2.2 | Distribution of Shares |
| 2.3 | Use of the Fund |
| 2.4 | Fund Release Procedures |
| 3.0 | Share in the Gross Income Taxes Paid by all Businesses and Enterprises within the ECOZONES. |
| 3.1 | Legal Basis |
| 3.2 | Computation of Shares |
| 3.3 | Use of the Fund |
| 3.4 | Fund Release Procedures |
| 4.0 | Share in the Value-Added Tax |
| 4.1 | Legal Bases |
| 4.2 | Computation of Shares |
| 4.3 | Fund Release Procedures |
| 5.0 | Tobacco Excise Taxes |
| 5.1 | Legal Bases |
| 5.1 | Computation of Shares |
| 5.2 | Use of the Fund |
| 5.3 | Fund release Procedures |

1.0 INTERNAL REVENUE ALLOTMENT (IRA)

1.1 Legal Bases

The Internal Revenue Allotment (IRA) refers to the shares of LGUs from the national internal revenue taxes (NIRT) equivalent to 40% of the total annual revenue collection of the 3rd year preceding the current fiscal year (*Section 284, RA No. 7160, Article 378 [c], IRR of RA No. 7160*).

National internal revenue taxes include the following:

- Income tax
- Estate tax and donor's tax
- Value-added tax
- Other percentage taxes
- Taxes imposed by special laws, such as travel tax.

The allocation of the share of each LGU shall be released directly, without need of any further action, to the provincial, city, municipal or barangay treasurer, as the case may be. The IRA shall not be subject to any lien or holdback that may be imposed by the national government for whatever purpose (*Section 286, RA No. 7160, Article No. 383 [c], IRR of RA No. 7160*).

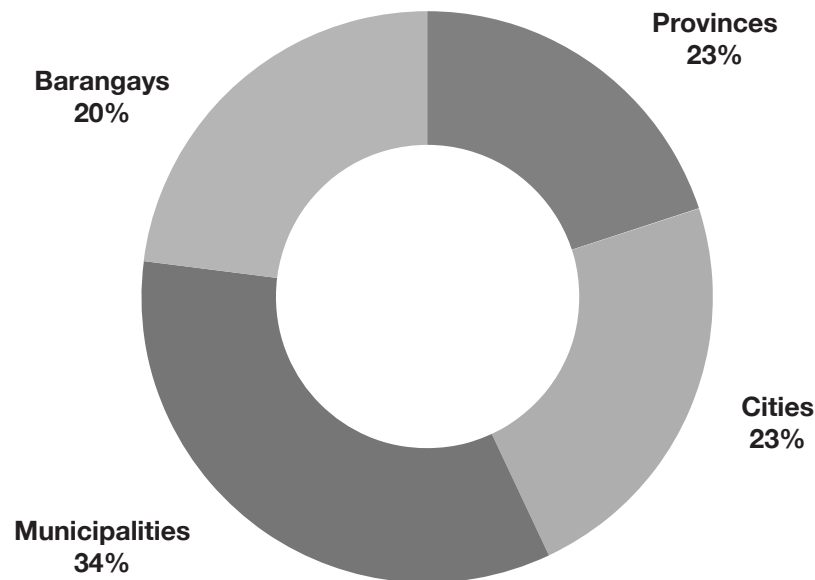
Beginning FY 2007, the IRA is not only automatically released but treated as an automatic appropriation (*Section 4, RA No. 9358, FY 2006 Supplemental Appropriations*). This means that the IRA need not pass through congressional approval before it is released to LGUs. This provision of the law makes the release of IRA shares more predictable and allows LGUs to plan/program the use of their IRA fund more effectively.

1.2 Distribution of Shares

Section 285 of the Local Government Code (LGC) as implemented by Article 382 (a), IRR of RA No. 7160, provides the “codal formula” or the manner of allocation of the IRA share prescribed by Code for the four levels of LGUs as follows:

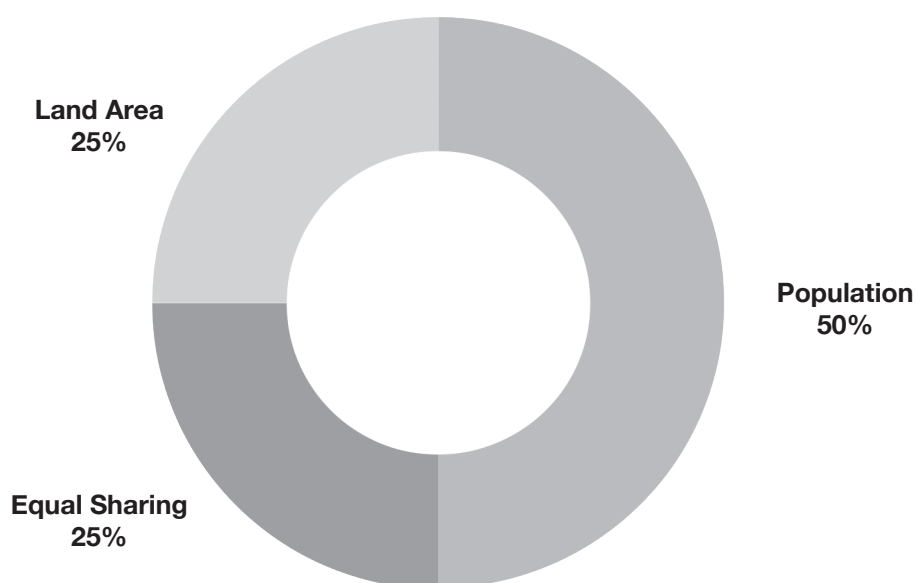
- Provinces - Twenty-three percent (23%)
- Cities - Twenty-three percent (23%)
- Municipalities - Thirty-four percent (34%)
- Barangays - Twenty percent (20%)

Figure 11. IRA share per LGU level



Illustrative examples showing the shares of provinces, cities and municipalities using the ‘*codal formula*’:

- Population - Fifty percent (50%)
- Land Area - Twenty-five percent (25%)
- Equal Share - Twenty-five percent (25%)

Figure 12. Computation of IRA based on Indicative Factors

The IRA share based on population is computed using the population data from a census of population conducted by the Philippine Statistics Authority every 5 years as contained in a Presidential Proclamation Order.

The IRA share based on land area is computed using the consolidated masterlist of land area prepared by the Land Management Bureau (LMB) of the Department of Environment and Natural Resources (DENR) every three (3) years.

The allocation of the individual share in the case of barangays, shall be P80,000 for each barangay with a population of not less than 100 inhabitants. The balance to be distributed shall be based on population (60%) and equal sharing (40%).

1.3 Use of the Fund

- Pursuant to Section 17 of RA No. 7160, the fund shall be used to provide for basic services and facilities, particularly those which have been devolved by the National Government.
- Section 287, RA No. 7160, and Article 383 (b), IRR of RA No. 7160 direct LGUs to set aside no less than 20% of their IRA to fund development projects as identified in the LGUs' development plans.
- The DBM-DILG Joint Memorandum Circular No. 2011-1 dated April 13, 2011, prescribes the specific use of the 20% Development Fund for the following development projects:

Social Development

- ⊙ Construction or rehabilitation of health centers, rural health units or hospitals, and purchase of medical equipment;
- ⊙ Construction or rehabilitation of local government-owned potable water supply system;
- ⊙ Establishment or rehabilitation of Manpower Development Centers;
- ⊙ Construction or rehabilitation of evacuation centers;
- ⊙ Purchase or repair of area-wide calamity related alarm or warning system;
- ⊙ Rehabilitation of cultural/historical sites;

- ⊙ Purchase or repair of appropriate calamity-related rescue operations equipment such as inflatable boats, breathing apparatus, extraction tools, safe line rescue ropes, fire extinguishers, chainsaws, two (2) way handheld radios and the like;
- ⊙ Purchase and development of land for the relocation of informal settlers and relocation of victims of calamities;
- ⊙ Construction or rehabilitation of facilities such as multi-purpose hall intended to cater out-of-school youths, women, senior citizens, minors, displaced families, indigenous people and differently-abled persons; and
- ⊙ Installation and maintenance of street lighting system except payment of electric bills.

Economic Development

- ⊙ Construction or rehabilitation of communal irrigation or water impounding system and purchase of post-harvest facilities such as farm or hand tractor with trailer, thresher and mechanical driers;
- ⊙ Construction or rehabilitation of local roads or bridges and purchase of appropriate engineering equipment such as dump trucks, graders and pay loaders;
- ⊙ Capital expenditures related to the implementation of livelihood or entrepreneurship/local economic development projects; and
- ⊙ Amortization of loans used to finance development projects cited in this Joint Circular, subject to the 20% debt service cap.

Environmental Management

- ⊙ Reforestation and urban greening;
- ⊙ Construction or rehabilitation of sanitary landfills, material recovery facilities and purchase of garbage trucks and related equipment;
- ⊙ Implementation of flood and erosion control projects such as rehabilitation and construction of drainage systems, de-silting of rivers, de-clogging of canals; and
- ⊙ Other environmental management projects that promote air and water quality, as well as productivity of the coastal or freshwater habitat, agricultural land and forest land.

Expenditure Items Not Covered

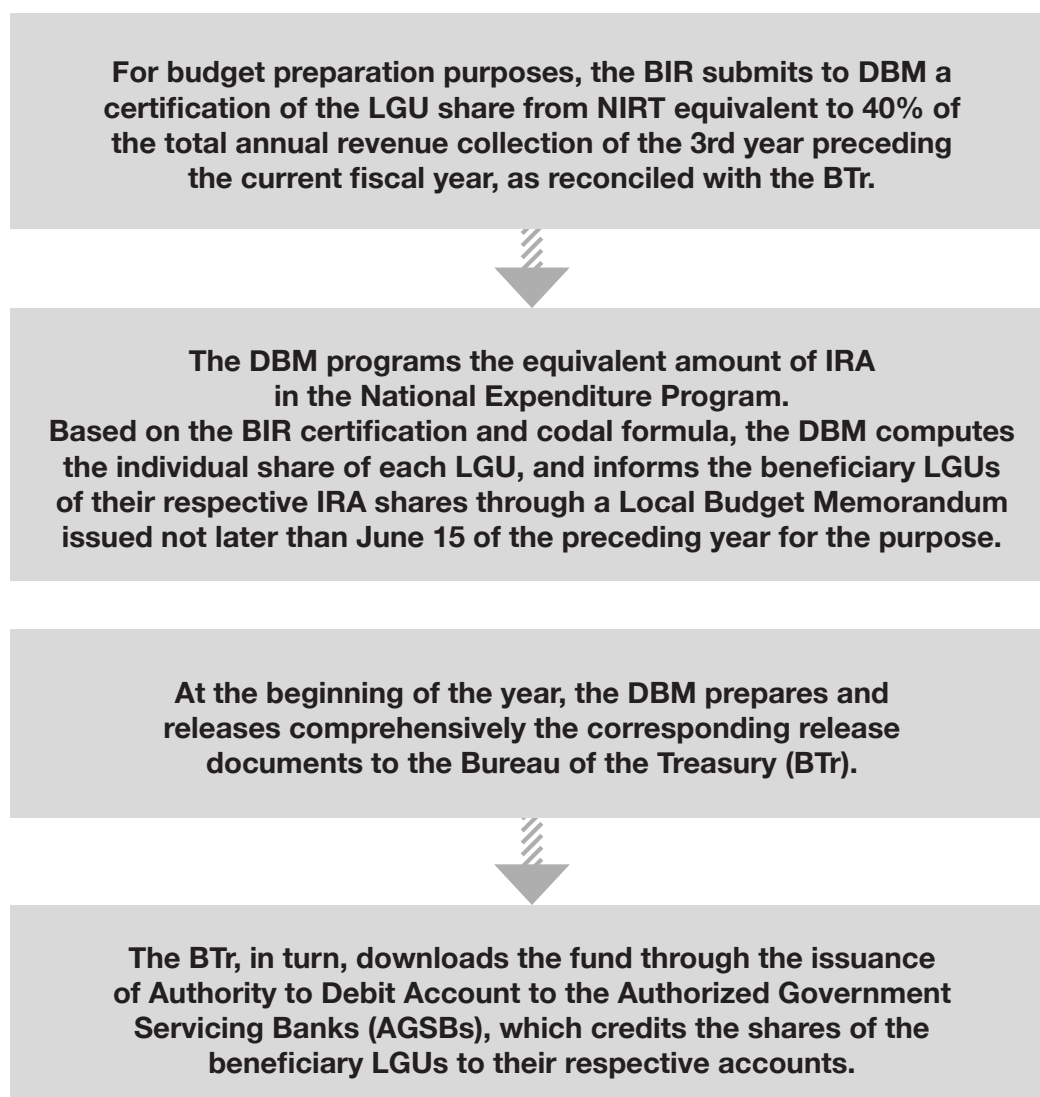
The following expense items that are not related to and/or not connected with the implementation of development projects, programs and activities shall not be paid out of the 20% development fund:

- ⊙ Administrative expenses such as cash gifts, bonuses, food allowance, medical assistance, uniforms, supplies, meetings, communication, water and light, petroleum products and the like;
- ⊙ Salaries, wages or overtime pay;
- ⊙ Traveling expenses, whether domestic or foreign;
- ⊙ Registration or participation fees in training, seminars, conferences or conventions;
- ⊙ Construction, repair or refinishing of administrative offices;
- ⊙ Purchase of administrative office furniture, fixtures, equipment or appliances; and
- ⊙ Purchase, maintenance or repair of motor vehicles or motor cycles.

1.4 Fund Release Procedures

The release of LGU share from the IRA follows these procedures:

Figure 13. Fund Release Procedures of LGU Share from the IRA



2.0 SPECIAL SHARES

2.1 Legal Bases

In addition to the internal revenue allotment, LGUs are also entitled to 40% of the gross collection by the national government from the preceding fiscal year out of the proceeds derived from the utilization and development of national wealth within the LGUs' respective areas (*Section 289 and 290, RA No. 7160 and Articles 386 and 387, IRR of RA No.7160*).

There following are the four (4) types of national wealth with the corresponding collecting agency:

Particulars	Collecting Agency
Forest Charges	Department of Environment and Natural Resources (DENR) – OSEC
Royalties and Mineral Reservation	DENR - Mines and Geo-Sciences Bureau
Energy Production Resources	Department of Energy
Mining Taxes	Bureau of Internal Revenue

LGU shall also have a share from proceeds derived by any government agency or government-owned or controlled corporation engaged in the utilization and development of the national wealth based on the following formula whichever will produce a higher share for the LGU:

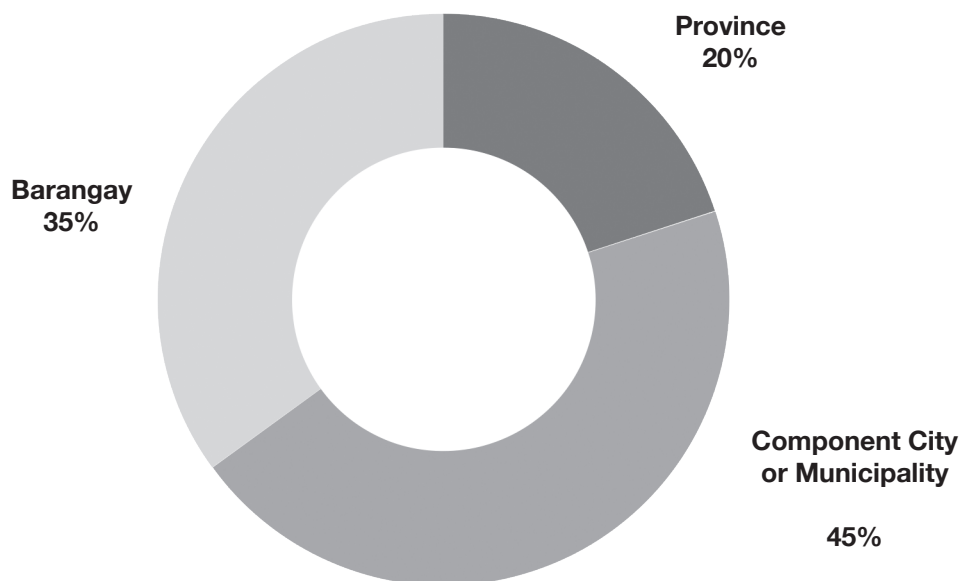
- One percent (1%) of the gross sales or receipts of the preceding calendar year; or
- Forty percent (40%) of the mining taxes, royalties, forestry, energy resources production, and such other taxes, fees and charges, including interests and fines the government agency or government-owned or controlled corporation would have paid if it were not otherwise exempt (*Section 291, RA No. 7160; Article 388, IRR of RA No. 7160*).

2.2 Distribution of Shares

Pursuant to Section 292 of RA No. 7160 and Article 389, IRR of RA No. 7160, the distribution of LGU shares from national wealth shall be as follows:

- Where the natural resources are located in the province, the province will have a share of 20%, the component city/municipality, 45%; and the barangay, 35%.

Figure 13. Distribution of Shares from National Wealth
(where the natural resources are located in the province)



- Where the natural resources are located in a highly urbanized or independent component city, the city will have a share of 65%, and the barangay, 35%.

Figure 14. Distribution of Shares from National Wealth

(where the natural resources are located in a highly urbanized or independent component city)



However, where natural resources are located in two (2) or more cities, the allocation of shares shall be computed on the basis of population (70%) and land area (30%).

2.3 Use of the Fund

LGU share from proceeds of national wealth shall be used to finance local development and livelihood projects of the recipient LGU.

In the case of proceeds derived from the development and utilization of hydrothermal, geothermal and other sources of energy, 80% of the proceeds shall be applied solely to lower the cost of electricity in the LGU where such source of energy is located. (*Section 294, RA No. 7160; Article 391, IRR of RA No. 7160*)

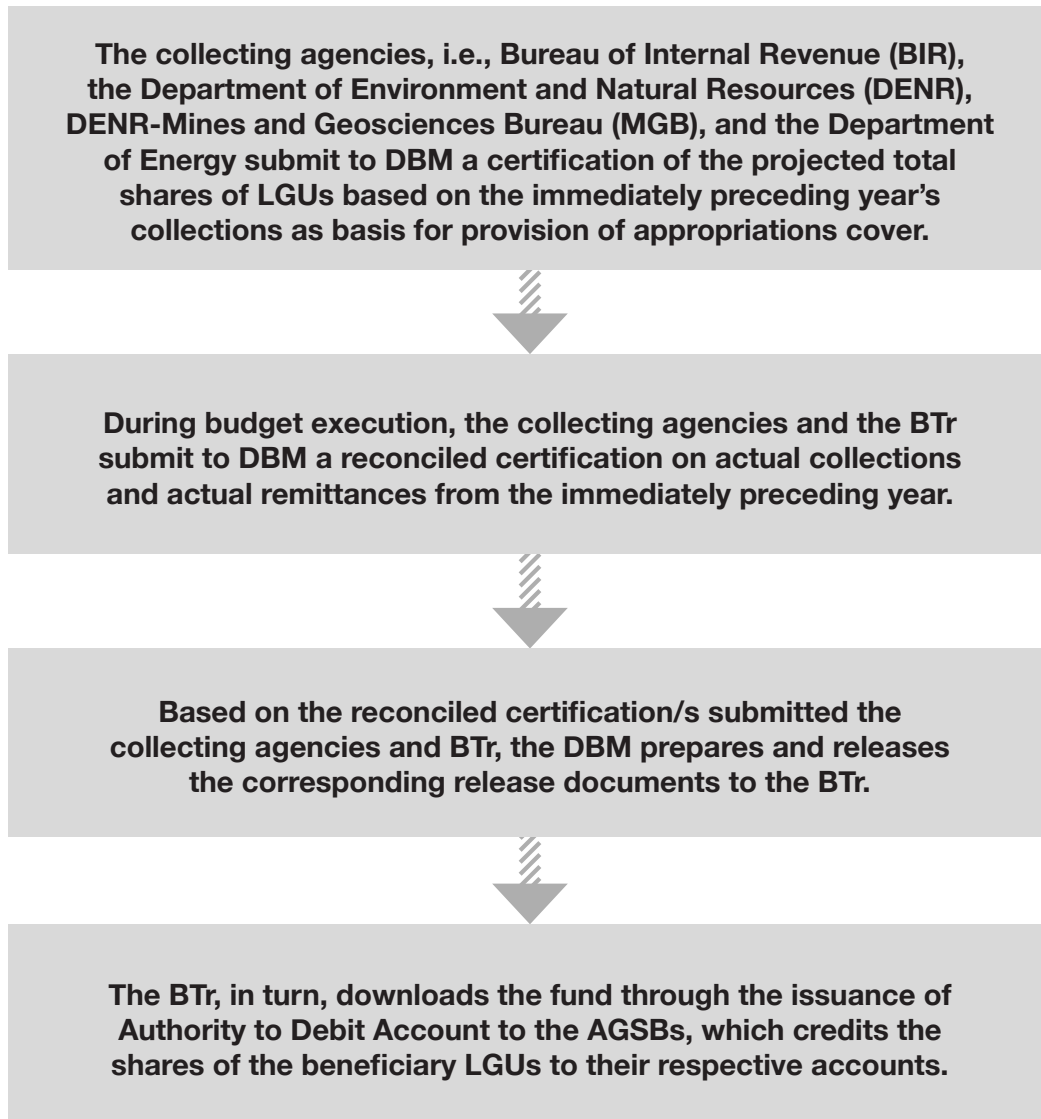
In the case of any government agency or government-owned or controlled corporations engaged in the utilization and development of the national wealth, such share shall be directly remitted by the government agency/government-owned or controlled corporation concerned to the provincial, city, municipal, or barangay treasurer within five (5) days after the end of each quarter. (*Section 293, RA No. 7160; Article 390 [b], IRR of RA No. 7160*)

2.4 Fund Release Procedures

DBM-DOF-DOE Joint Circular (JC) No. 2006-1 dated February 13, 2006, DOF-DBM-DILG-DENR JC No. 2009-1 dated March 31, 2009, DENR-DOF-DBM-DILG JC No. 2010-1 dated June 25, 2010, and DOF-DBM JC 2016-1 dated January 4, 2016 prescribe the guidelines and procedures for the release of LGU shares in the proceeds from the utilization and development of national wealth, summarized hereunder:

Forest Charges, Royalties from Mineral Reservation, Mining Taxes, and Energy Source Production

Figure 15. Fund Release Procedures of LGU Shares in the proceeds from Forest Charges, Royalties from Mineral Reservation, Mining Taxes, and Energy Source Production



3.0 SHARE IN THE GROSS INCOME TAXES PAID BY ALL BUSINESSES AND ENTERPRISES WITHIN THE ECOZONES.

3.1 Legal Basis

R.A. No. 7922 and DBM-DOF Joint Circular No. 2 dated August 7, 2014 (Guidelines and Procedures on the Release of the Shares of Local Government Units from the Gross Income Earned by All Businesses within the Cagayan Special Economic Zone for FY 2012 and Subsequent Years)

(Note: The other shares of LGUs in ECOZONES [such as those under RA No. 7227] are already remitted to the beneficiary LGUs pursuant to RA No. 9400.)

3.2 Computation of Shares

Local government units within the Cagayan Special Economic Zone (CSEZ) are entitled to a share in the five percent (5%) final tax on Gross Income Earned (GIE) paid by registered enterprises within the CSEZ, as follows:

- One percent (1%) to the Province of Cagayan; and
- One-half percent (1/2%) to be shared by the municipalities affected by the declaration of the Zone in proportion to their income from business activities within the Zone

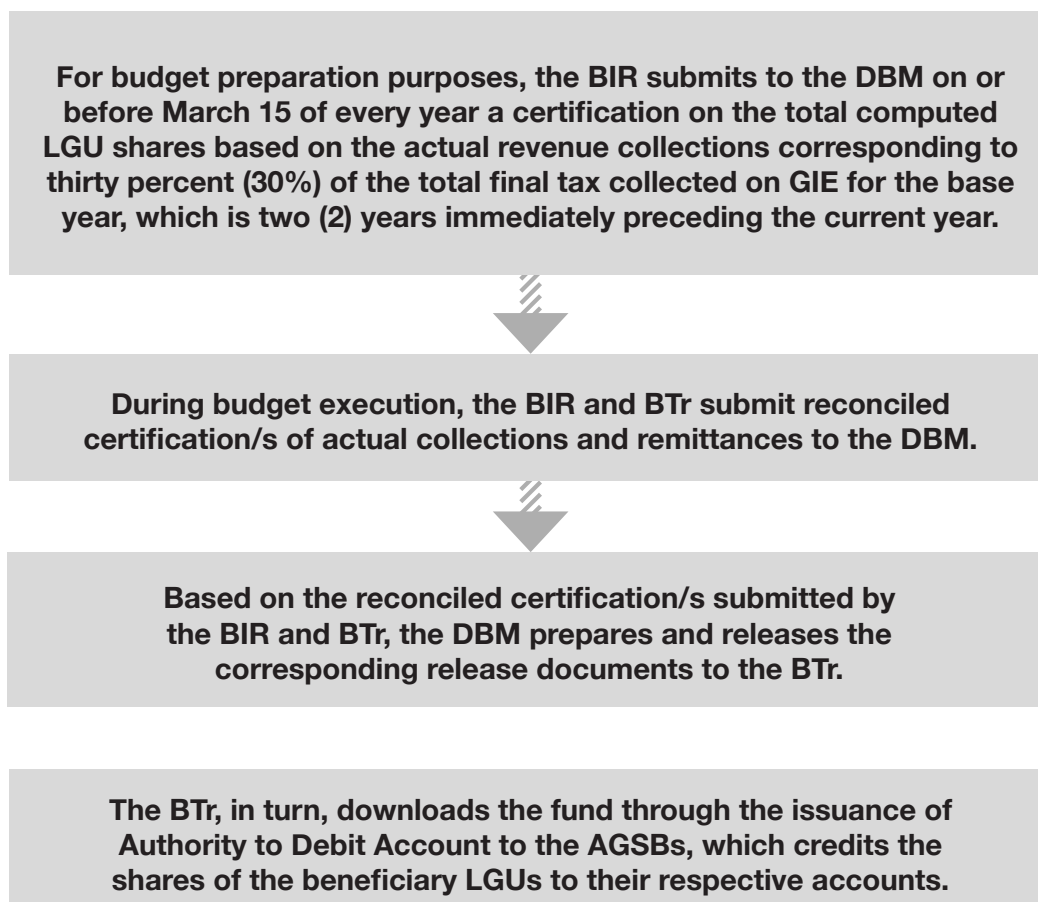
3.3 Use of the Fund

The shares of LGUs from the final tax on GIE paid by registered enterprises within the CSEZ shall be used for local development projects.

3.4 Fund Release Procedures

The following procedures are applied in releasing the shares of LGUs in the gross income taxes paid by all businesses and enterprises within the ECOZONES:

Figure 16. Fund Release Procedures of LGU Shares from Ecozone Share in Value Added Tax



4.0 SHARE IN VALUE ADDED TAX

4.1 Legal Bases

Value-Added Tax (VAT) is the internal revenue tax imposed under Section Nos. 106 and 108 of the NIRC of 1997 (formerly Sections 100, 101 and 102 of the NIRC of 1977). In addition to its IRA shares, RA No. 7643 allows Local Government Units (LGUs) to share from VAT revenues equivalent to 50% of the excess in VAT collection from the immediately preceding year, to be distributed as follows:

- 20% to the city/municipality
- 80% to the national government

DBM-DOF-DILG Joint Circular No. 1-02 dated February 6, 2002 prescribes the guidelines and procedures on the release of the 20% of the 50% share of LGUs in the incremental collection VAT.

4.2 Computation of Shares

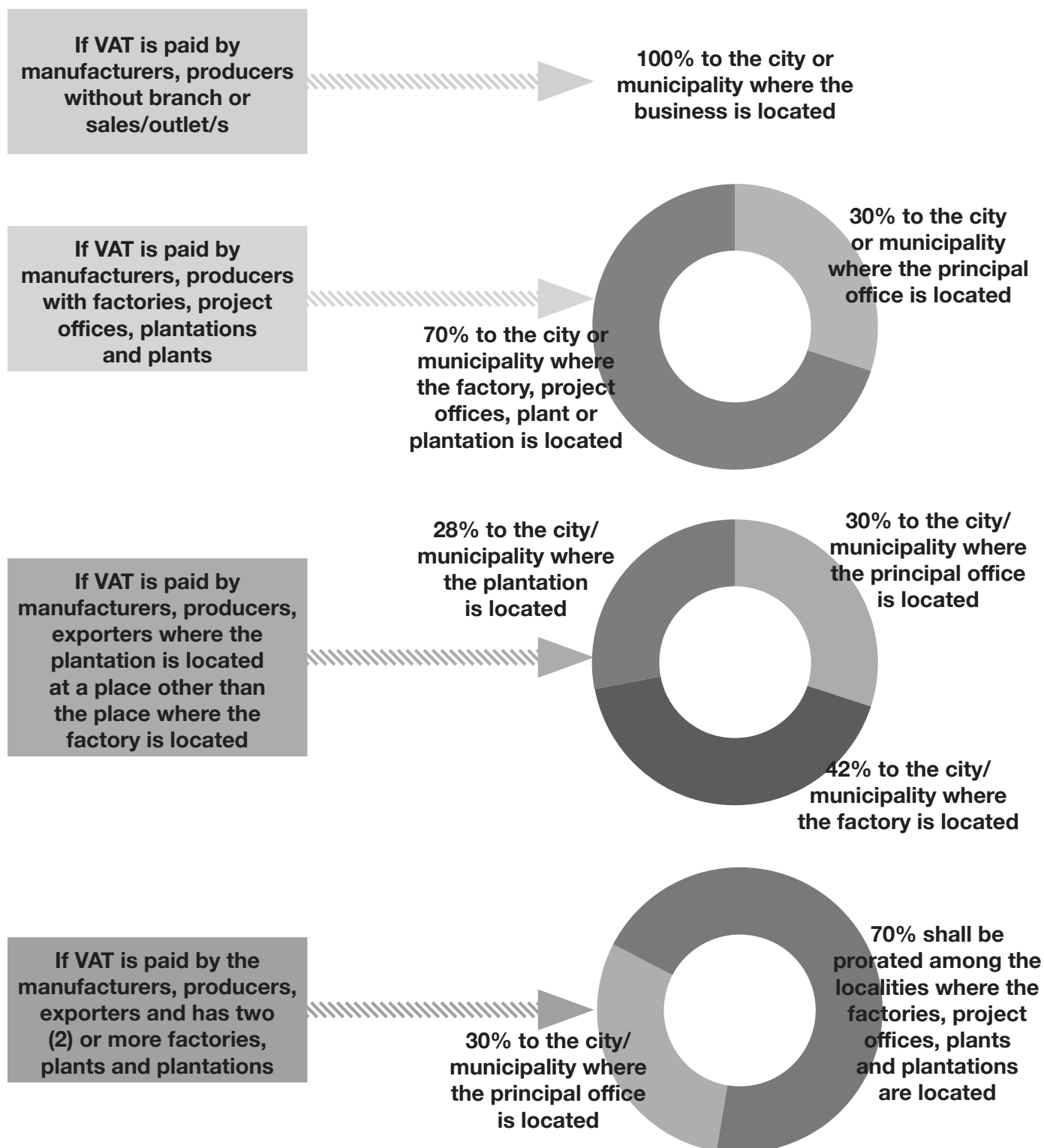
LGUs are entitled to a share in VAT only when there is an incremental collection from Value-Added Tax which refers to the excess in the annual increase in actual collection of VAT in the immediately preceding year over the annual increase in the second preceding year, illustrated as follows:

Year	VAT Collection (in Php)	Increase (in Php)
2013	64.55 M	20.972 M
2012	43.383 M	19.700 M
2011	23.886 M	-

Formula for the Distribution of LGUs' share in the Incremental Collection from VAT:

2013 increase in collection	P 20.972 M
Less: 2012 increase in collection	P 19.700 M
Excess of increase in collection	P 1.272 M
50% share in incremental collection	P 0.636 M
Distributed as follows:	
20% share of LGUs (city/municipality)	P 0.127 M
80% share of national government	<u>P 0.509 M</u>
	P 0.636 M

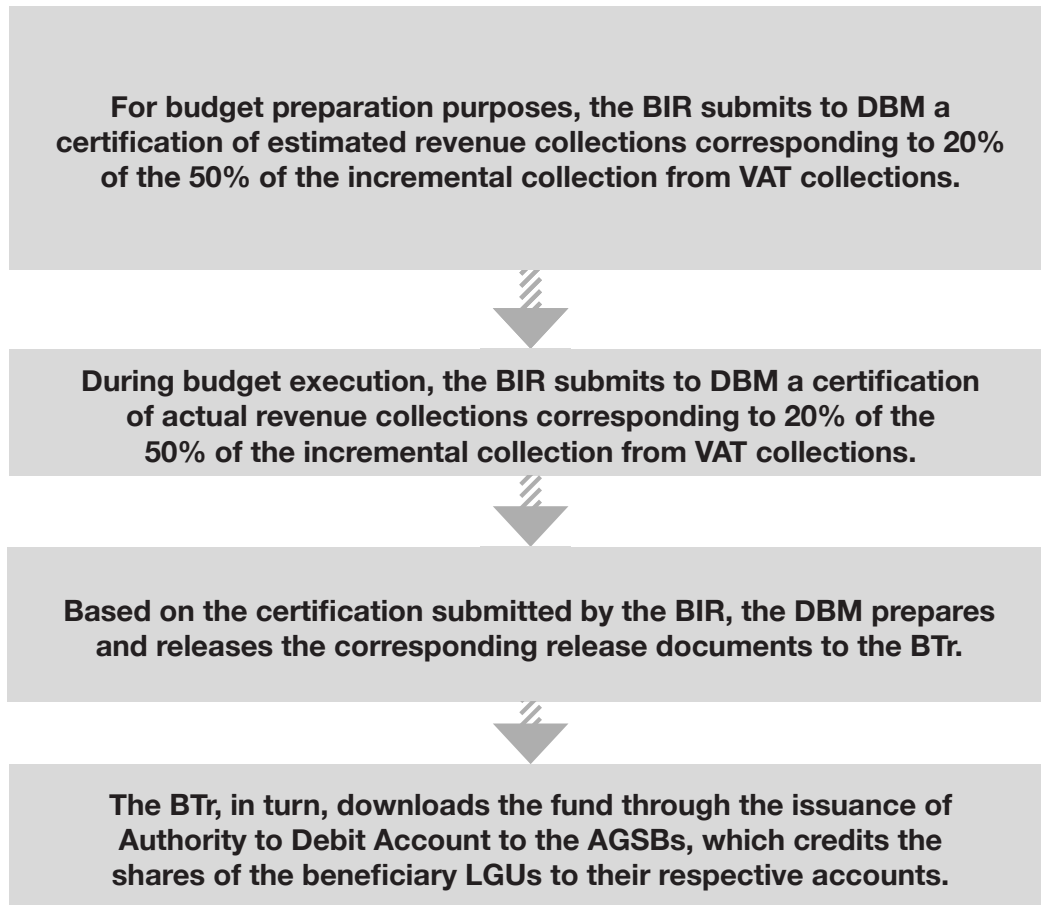
Figure 17. Formula for the Computation of LGUs' VAT Shares



Based on the foregoing formula, the BIR prepares a certification of the computed LGU share from VAT tax payments/collections and submits to DBM.

4.3 Fund Release Procedures

Figure 18. Fund Release Procedures of LGU Share from VAT tax payments/collections



5.0 TOBACCO EXCISE TAXES

5.1 Legal Bases

1. R.A. No. 7171 dated January 9, 1992, entitled, “An Act to Promote the Development of Farmers in the Virginia Tobacco Producing Provinces”.
2. R.A. No. 8240, as amended by R.A. No. 10351, entitled, “An Act Restructuring the Excise Tax on Alcohol and Tobacco Products by Amending Sections 141, 142, 143, 144, 145, 8, 131 and 288 of RA No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended by RA No. 9334, and for Other Purposes”

5.2 Computation of Shares of LGUs

1. Excise Taxes on Locally Manufactured Virginia-Type Cigarettes under RA No. 7171
 - a. BIR Certification on the fifteen percent (15%) excise tax collection on locally manufactured Virginia type cigarettes for the second calendar year preceding the year of distribution, as appropriated in the General Appropriations Act; and
 - b. National Tobacco Administration (NTA)-certified list of beneficiary tobacco-producing LGUs and their corresponding volume of production (in kilograms) for the second year preceding the year of distribution.
2. Burley and Native Tobacco Excise Taxes Pursuant to RA No. 8240, as Amended
 - a. BIR Certification of the 15% of the incremental revenue collected from the excise tax on tobacco products under RA No. 8240 for the second calendar year preceding the year of distribution, as appropriated in the General Appropriations Act; and
 - b. NTA-certified list of beneficiary tobacco-producing LGUs and their corresponding volume of production (in kilograms) for the second year preceding the year of distribution.

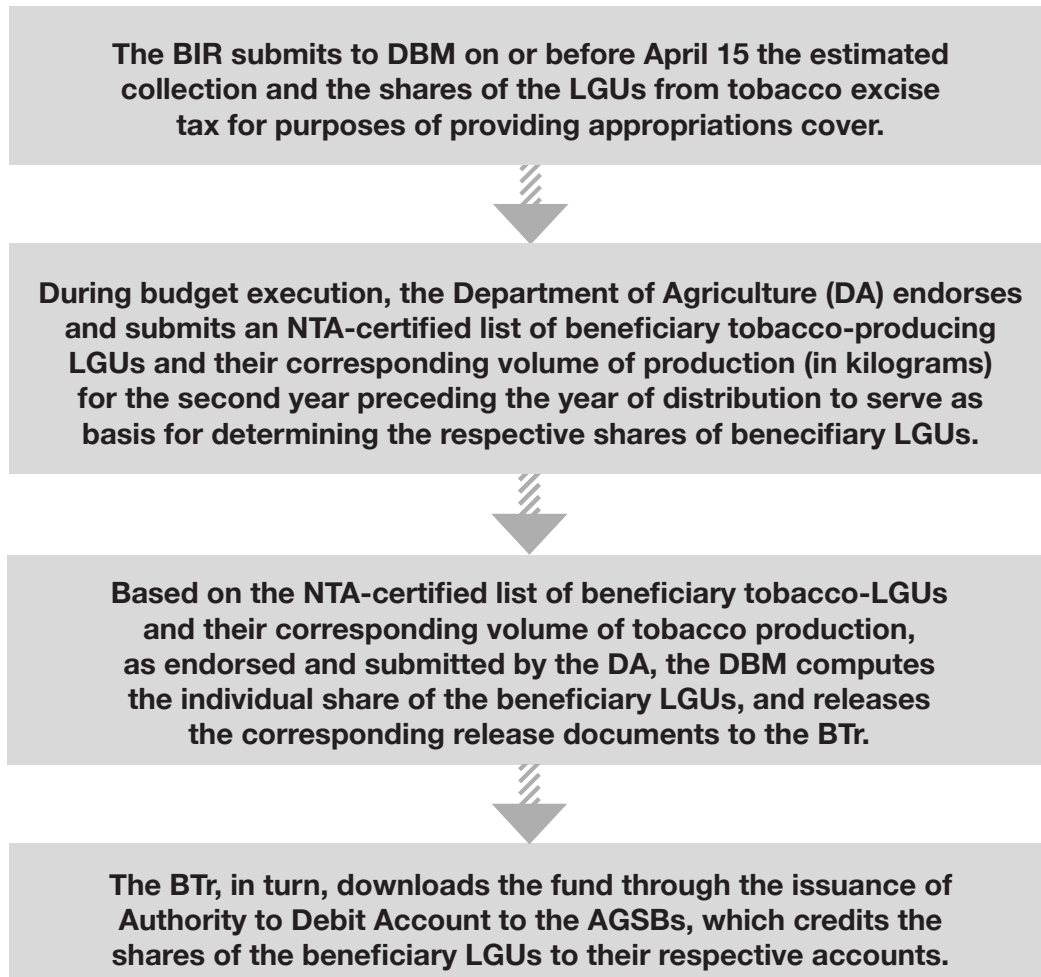
5.3 Use of the Fund

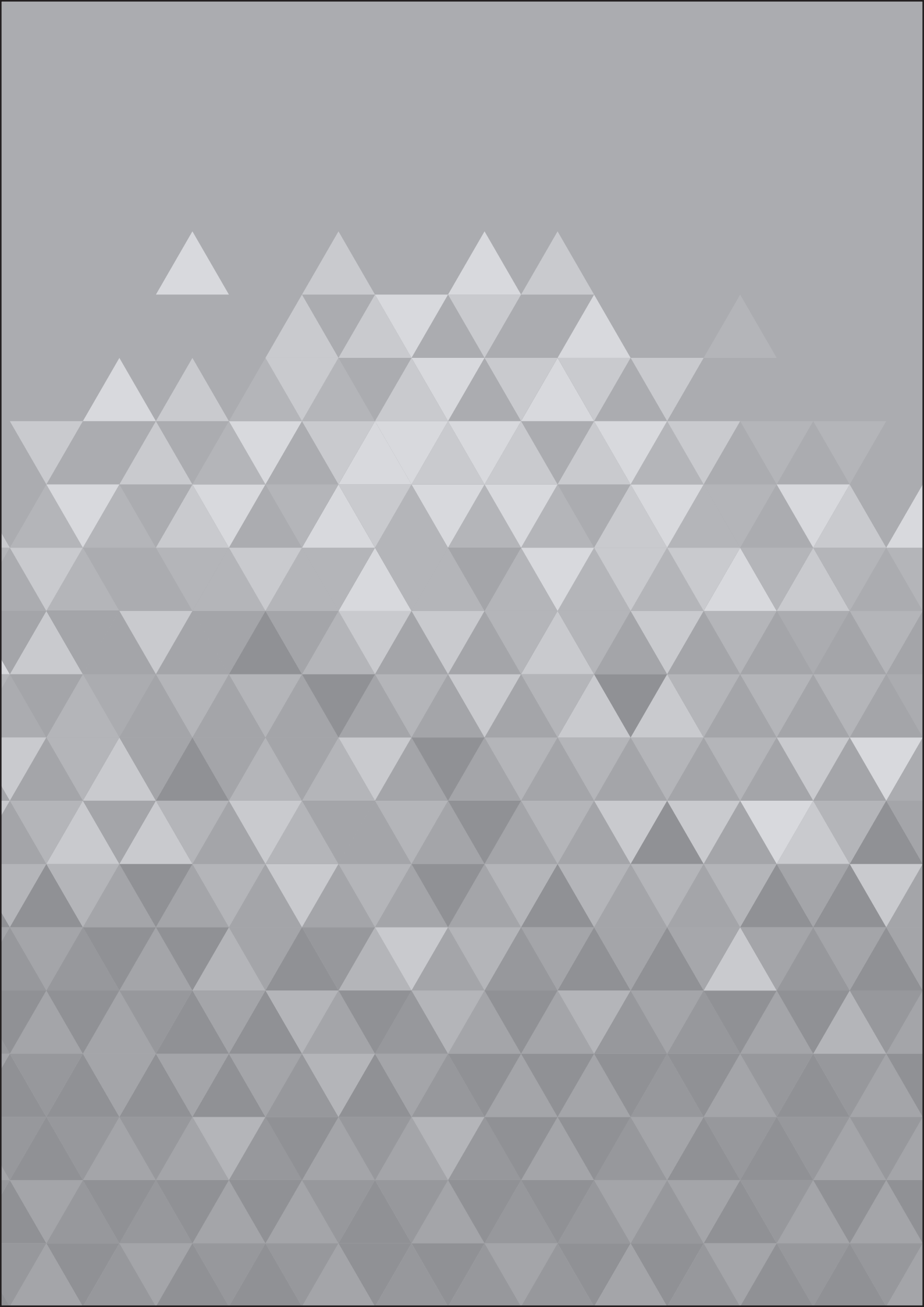
- 5.3.1 Shares of LGUs from the Collection of Excise Tax on Locally Manufactured Virginia-Type Cigarettes under RA No. 7171
 - Cooperative projects that will enhance better quality of products, increase productivity, guarantee the market and as a whole increase farmers' income;
 - Livelihood projects particularly the development of alternative farming system to enhance farmers' income;
 - Agro-industrial projects that will enable tobacco farmers in the Virginia tobacco-producing provinces to be involved in the management and subsequent ownership of these project such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization; and
 - Infrastructure projects such as farm-to-market roads.
- 5.3.2 Shares of LGUs from the Collection of Burley and Native Tobacco Excise Tax Pursuant to RA No. 8240, as Amended
 - Programs that will provide inputs, training, and other support for tobacco farmers who shift to production of agricultural products other than tobacco including, but not limited to, high-value crops, spices, rice, corn, sugarcane, coconut, livestock and fisheries;
 - Programs that will provide financial support for tobacco farmers who are displaced or who cease to produce tobacco;
 - Cooperative programs to assist tobacco farmers in planting alternative crops or implementing other livelihood projects;
 - Livelihood programs and projects that will promote, enhance, and develop the tourism potential of tobacco-growing provinces;
 - Infrastructure projects such as farm to market roads, schools, hospitals, and rural health facilities; and

- Agro-industrial projects that will enable tobacco farmers to be involved in the management and subsequent ownership of projects, such as post-harvest and secondary processing like cigarette manufacturing and by-product utilization.

5.4 Fund Release Procedures

Figure 19. Fund Release Procedures of LGU Shares from Tobacco Excise Tax





PART IV. FREQUENTLY ASKED QUESTIONS



Budget Preparation

1. *Is the inclusion of appropriation for Early and Voluntary Separation Incentive Program (EVSIP) legally tenable?*

No. It is not legally tenable. An early retirement program to be valid should be by virtue of a valid reorganization pursuant to a law passed by Congress.¹ Although local autonomy grants local governments the power to streamline and reorganize as may be inferred from Sections 16 and 76 of the Local Government Code of 1991, it does not confer authority upon any local government unit to create a separate and supplementary retirement benefit plan.²

Section 28, paragraph (b) of Commonwealth Act No. 186, as amended, prohibits government agencies from establishing supplementary retirement or pension plans from the time the Government Service Insurance System charter took effect, while those plans already existing when the charter was enacted were declared abolished. The purpose behind the proscription found in Section 28, paragraph (b), as amended was to address the need to prevent the proliferation of inequitable plans. According to the Supreme Court:

“x x x Sec. 28 (b) as amended by RA No. 4968 in no uncertain terms bars the creation of any insurance or retirement plan – other than the GSIS – for government officers and employees, in order to prevent undue and inequitable proliferation of such plans. x x x. To ignore this and rule otherwise would be tantamount to permitting every other government office or agency to put up its own supplementary retirement benefit plan under the guise of such “financial assistance.”³

2. *Can the LGU appropriate for Monetization of Leave Credits?*

Generally, Monetization of Leave Credits is chargeable against savings. However, under Civil Service Commission-Department of Budget and Management (DBM) Joint Circular No. 2, s. 2003, Monetization of Leave Credits, Collective Negotiation Agreement (CNA) Incentive Bonus, Overtime Pay, and such other benefits that are authorized by law but are chargeable against savings of the LGUs may also be included by direct appropriation either in the annual budget or supplemental budget of the LGU concerned, provided these are within the Personal Services (PS) Limitation, as stipulated under Section 325 (a) of RA No. 7160.

3. *Can the appropriation for development projects of no less than twenty percent 20% of the IRA be appropriated in a lumpsum amount?*

No. The said appropriation for the 20% Development Fund should cover itemized projects. Section 287 of RA No. 7160 provides that each LGU shall appropriate in its annual budget no less than 20% of its annual IRA for development projects. Article 384 of the IRR of RA No. 7160 further provides that it shall be mandatory for each LGU to set aside in its annual budgets amounts no less than 20% of its IRA for the next year as appropriation for local development projects that embodied or contained in local development plans.

¹ Laraño vs. Commission on Audit
² City of General Santos vs. Commission on Audit, G.R. 199439, April 22, 2014
³ Conte vs. Commission on Audit, G.R. No. 116422, November 4, 1996

4. *Is an Appropriation Ordinance necessary to authorize utilization of loan proceeds?*

Yes. An Appropriation Ordinance is necessary to authorize utilization of loan proceeds. Loans, interests, bond issues, and other contributions for specific purposes form part of the general fund of the LGU. Pursuant to Section 305 (a) of RA No. 7160, no money shall be paid out of the local treasury except in pursuance of an appropriation ordinance or law.

5. *Is an Appropriation Ordinance necessary to authorize the use of the shares in the proceeds from the development and utilization of the national wealth?*

Yes. Article 391 of the IRR of RA No. 7160 provides that the proceeds from the shares of LGUs in the proceeds from the development and utilization of the national wealth shall be appropriated by their respective Sanggunian to finance local development and livelihood projects.

Article 454 (d) of the same IRR reiterates this mandate and provides further that disbursements from such special accounts under the General Fund shall proceed from itemized appropriations in the budgets of LGU instead of by lump sum.

Such itemized appropriations shall be for specific development projects/activities embodied in the local development plan and/or public investment program formulated and prioritized by the LDC and approved by the Sanggunian concerned.

6. *How is the CNA Incentive Bonus classified in the budget?*

The CNA Incentive Bonus shall be taken up as PS Expenditure.

Budget Authorization

1. *Are the voting and procedural requirements of the ordinance authorizing the use of savings and augmentation under Section 336 of RA No. 7160 the same as those for the ordinance authorizing the use of savings as a fund source for a supplemental budget under Article 417 of RA No. 7160, as amended by Administrative Order (AO) No. 47 dated 12 April 1993 (implementing Section 321 of RA No. 7160)?*

As to voting requirement – The affirmative vote of a majority of all the Sanggunian members is required to pass an Appropriation Ordinance, whether for annual or supplemental budget, under Article 107 (g) of the IRR of RA No. 7160. Relatedly, the use of savings and augmentation within the same expense class falls under the category of “Use of Appropriated Funds and Savings” under Section 336 of the same law. Hence, if the Appropriation Ordinance requires qualified majority in its passage, it follows that any modification in said appropriation will have to comply with the same requirement.

As to procedural requirement – A supplemental budget is not required in passing an ordinance authorizing the use of savings and augmentation within the same expense class under Section 336 of RA No. 7160 since the law merely requires the authority “by ordinance.”

While the ordinance under aforementioned Section 336 and an Appropriation Ordinance have the same voting requirements, each has a different procedural requirement. Further, the ordinance under Section 336 may have a regular format simply stating that the LCE and/or the Presiding Officer of the Sanggunian is authorized to augment any item in the approved annual budget for their respective offices from savings in other items within the same expense class of their respective appropriations, as opposed to the use of savings considered as funds actually available to be covered by a supplemental budget as provided under Article 417 of RA No. 7160, as amended by AO No. 47 (implementing Section 321 of RA No. 7160).

Should the Sanggunian decide to grant the LCE and/or the Presiding Officer of the Sanggunian with the authority to use savings and augment within the same expense class in their respective appropriations, the

said authorization may be included as a general provision/section in the ordinance authorizing the annual appropriations.

- 2. *What is the difference between the use of savings as a fund source for a supplemental budget under Article 417 of the IRR of RA No. 7160 as amended by AO No. 47 (implementing Section 321 of RA No. 7160) and the use of savings for augmentation under Section 336 of RA No. 7160?***

The use of savings under Article 417 of the IRR, as amended by AO No. 47, implementing Section 321 of RA No. 7160 will require the enactment of an ordinance authorizing supplemental appropriations (supplemental budget).

Under AO No. 47, an ordinance providing for a supplemental budget may be enacted when supported by funds actually available as certified by the local treasurer. The said AO further provides that funds are likewise deemed actually available when there are savings.

In this case, the usual process of authorizing a supplemental budget will always apply. The supplemental budget will involve the reversion of the savings and its corresponding re-appropriation to any item of expenditure under any expense class. Accordingly, the Appropriation Ordinance shall be subject to review by the DBM or the Sangguniang Panlalawigan, as the case may be (Sections 326 and 327, RA No. 7160).

On the other hand, the use of savings for augmentation under Section 336 will require the enactment of an ordinance, without the necessity of a supplemental budget submitted by the LCE. The ordinance will give the omnibus authority to the LCE or the Presiding Officer of the Sanggunian to augment any item in the approved annual budget for their respective offices from savings in other items within the same expense class of their respective appropriations.

- 3. *Does the proposed ordinance covering the grant of authority to the LCE and/or the Presiding Officer of the Sanggunian to use savings and augment within the same expense class in their respective appropriations under Section 336 of RA No. 7160 need to emanate from the LCE like that of a supplemental budget?***

No. The proposed ordinance granting the authority to use savings under Section 336 of RA No. 7160 need not emanate from the LCE unlike that of a supplemental budget.

A supplemental budget reflects changes in the annual budget under the conditions provided in Section 321 of RA No. 7160 and Article 417 of its IRR as amended by AO No. 47. Accordingly, since the annual budget emanates from the LCE as provided under Section 318 of RA No. 7160, the supplemental budget should likewise emanate from the LCE.

On the other hand, the proposed ordinance granting authority to use savings under Section 336 is not a budget and need not emanate from the LCE.

- 4. *How may the use of savings and augmentation under Section 336 and the use of the savings as funds actually available for supplemental budget under Article 417 of the IRR of RA No. 7160, as amended by AO No. 47 (implementing Section 321 of RA No. 7160) be distinguished?***

The following matrix summarizes the distinctions between the use of savings under Sections 336 and 321 as aforementioned:

REQUIREMENT	SECTION 336 (Use of savings and Augmentation)	SECTION 321 (Use of savings thru Supplemental Budget)
What is the instrument required for authority?	Ordinance	Appropriation Ordinance covering a supplemental budget
Is there a need for a supplemental budget?	No need for a supplemental budget	Supplemental budget needed
What is the purpose of the savings?	For augmentation of existing item/s of expenditure within the same expense class	For re-appropriation – may be to a different expense class
Where should the proposal emanate?	From the LCE or the Sanggunian	From the LCE only
For provinces or highly urbanized cities, will the ordinance be subject to review by DBM?	No	Yes

5. *Can the LGU pass an ordinance authorizing use of savings and augmentation under Section 336 of RA No. 7160 when operating under a reenacted budget?*

No. Use of savings and augmentation under Section 336 of RA No. 7160 is possible only when there is an “approved annual budget” for the current year. A reenacted budget does not qualify as an approved annual budget for the current year.

6. *Can the Sanggunian increase items of appropriation in the executive budget?*

Yes, provided that the aggregate increase does not cause an excess over the total proposed amount in the executive budget pursuant to Article 415 (a) of the IRR of RA No. 7160.

7. *Can the Sanggunian introduce/include new items in the executive budget?*

Yes, but only to provide for statutory and contractual obligations and it does not cause an excess over the total proposed amount in the executive budget pursuant to Article 415 (a) of the IRR of RA No. 7160.

As reference to questions 6 and 7 hereof, the doctrine enunciated in the case of Sarmiento, et al. vs. The Treasurer of the Philippines, et al. (GR Nos. 125680 and 126313, September 04, 2001) may be applied where the Supreme Court ruled that under Section 25 (1), Article VI of the 1987 Constitution, Congress is enjoined from increasing the total budget for the operation of the Government as recommended by the President, not the individual items of appropriations. Records of the 1986 Constitutional Commission reveal that the purpose of the provision is to avoid the possibility of a big budget deficit if Congress were given an unbridled hand in passing upon the appropriations recommended by the President as specified in the budget. The constitutional prohibition against such increase is an assurance that the expected income of the government will be sufficient for the operational expenses of its different agencies and projects specified in the appropriations law.

It may be noted that the subject provision of R.A. No. 7160 prohibiting the increase in the proposed amount in the executive budget is similar to the provision in Executive Order No. 292 (the Administrative Code of 1987), particularly Section 24, Chapter 4 on Budget Authorization, Book VI, in the case of national government budgeting to wit:

“SEC. 24. Prohibition Against the Increase of Appropriation. – **The Congress shall in no case increase the appropriation of any project or program of any department**, bureau, agency or office of the Government over the amount submitted by the President in his budget proposal. In case of any reduction in the proposed appropriation for a project or program, a corresponding

reduction shall be made in the total appropriation of the department, office or agency concerned in the total of the General Appropriations Bill.”

8. *Can the Sanggunian pass an Appropriation Ordinance covering a supplemental budget for the current fiscal year after December 31?*

No. The Sanggunian cannot pass an Appropriation Ordinance covering a supplemental budget for the current year after December 31.

Supplemental budgets cover changes in the annual budget, thus, they should be authorized within the fiscal year covered by the annual budget. Section 353 of RA No. 7160 provides that the official fiscal year of LGUs shall be the period beginning with the first (1st) day of January and ending with the thirty-first (31st) day of December of the same year.

Further, the reversion of funds under Section 322 of RA No. 7160 is at the end of the fiscal year (except in cases of continuing appropriations when the capital outlay projects are not yet completed).

9. *Section 320 of RA No. 7160 provides that “The ordinance enacting the annual budget shall take effect at the beginning of the ensuing calendar year. An ordinance enacting a supplemental budget, however, shall take effect upon its approval or on the date fixed therein.” What about the requirement of publication under Section 59 of RA No. 7160 and Article 113 of its IRR?*

Posting and/or publication, as the case maybe, of an ordinance is required under Section 59 of RA No. 7160. The mandatory word “shall” was used by the law without any qualification or exemption, as follows:

“(a) Unless otherwise stated in the ordinance or resolution approving the local development plan and public investment program, the same shall take effect after ten (10) days from the date a copy thereof is posted in a bulletin board at the entrance of the provincial capitol or city, municipal, or barangay hall, as the case may be, and in at least two (2) other conspicuous places in the local government unit concerned.”

“(d) In the case of highly urbanized and independent component cities, the main features of the ordinance or resolution duly enacted or adopted shall, in addition to being posted, be published once in a local newspaper of general circulation within the city, provided, that in the absence thereof, the ordinance or resolution shall be published in any newspaper of general circulation.”

10. *What is the effect if the Appropriation Ordinance is not posted or published? Is posting/publication a requirement for the effectivity of the Appropriation Ordinance?*

If the Appropriation Ordinance is not posted and/or published, as the case may be, its validity may be questioned. However, laws, ordinances and other issuances enjoy the presumption of regularity and validity until invalidated by the court.

11. *In the exercise of the veto power, the reenacted figure results in a situation where the expenditure is greater than the estimated income. What figure or procedure should the LGU adopt?*

By analogy, the rule under Section 323 of RA No. 7160 may be applied. The reenacted figure should not exceed the estimated income since the basic rule is that the aggregate amount appropriated shall not exceed the estimates of income (Section 324[a], RA No. 7160).

12. *One of the functions of the Secretary to the Sanggunian is to keep the seal of the LGU and affix the same with his signature to all ordinances, resolutions, and other official acts of the Sanggunian. What is the effect on the ordinance if the Secretary to the Sanggunian does not sign the ordinance?*

The law provides that the Secretary to the Sanggunian shall affix his signature to all ordinances and present the same to the Presiding Officer for his signature (Section 469 [c] [2], RA No. 7160; Article 122 [a] [3] [ii], IRR of RA No. 7160).

The requirement is mandatory. Accordingly, the Secretary to the Sanggunian cannot refuse to sign the Appropriation Ordinance. Otherwise, he/she may be liable under applicable laws.

Nevertheless, in case the Secretary to the Sanggunian refuses to sign, such refusal will not affect the validity of the Appropriation Ordinance duly passed by the Sanggunian. Otherwise, that would be tantamount to giving the Secretary to the Sanggunian the “veto power” or the control in deciding whether the Appropriation Ordinance will be valid or not, and if it will be submitted for the consideration of the LCE.

13. *One of the functions of the Secretary to the Sanggunian is to keep the seal of the LGU and affix the same with his signature to all ordinances, resolutions, and other official acts of the Sanggunian and present the same to the Presiding Officer for his signature. What if the Presiding Officer does not sign the ordinance? What is the effect on the ordinance?*

The following provisions of RA No. 7160 mandate the Presiding Officer to sign the ordinance:

The Secretary to the Sanggunian shall affix his signature to all ordinances and present the same to the Presiding Officer for his signature (Section 469 [c] (2)], RA No. 7160; Article 122 [a] (3) (ii)], IRR of RA No. 7160).

The Secretary to the Sanggunian shall forward to the LCE for approval, copies of ordinances enacted by the Sanggunian and duly certified by the Presiding Officer (Section 469 [c] (3)], RA No. 7160; Article 122 [a] (3) (iii)], IRR of RA No. 7160).

Further, Section 49 provides that the temporary Presiding Officer “shall certify within 10 days from the passage of the ordinance xxx.”

However, if the Presiding Officer refuses to sign, such refusal will not affect the validity of the Appropriation Ordinance duly passed by the Sanggunian since the Presiding Officer has no veto power. In such case, the Secretary to the Sanggunian may certify to the fact of the Presiding Officer’s refusal to sign.

14. *Can the Sanggunian withdraw the proposed Appropriation Ordinance which was already submitted to the LCE for approval?*

There appears to be no legal provision in such a case. However, it may be assumed that the withdrawal of the proposed Appropriation Ordinance may not be allowed since the legislation process at such point has already been completed. Thus, the executive consideration of the proposed Appropriation Ordinance should take its course.

15. *What amount may the LGUs appropriate in their annual/supplemental budgets (ABs/SBs) covering proceeds from loans? May the total amount of the loan as approved (but actually to be released in tranches) be considered as “funds actually available” or only those amounts that are released to and actually received by the LGU?*

The total amount of the approved loan even if it would be received in tranches may be the subject of appropriations under the AB or SB.

Section 316 (b) of RA No. 7160 provides that the LFC shall recommend the appropriate tax and other revenue measures or borrowing which may be appropriated to support the budget.

Further, SB may be enacted when it is supported by new revenue sources pursuant to Section 321 of RA No. 7160. It may be gleaned from Article 417 of the IRR of the same law as amended by AO No. 47 that approved loans may be considered as a new revenue source when it has not been included in the estimate of income which served as basis for the AB or not taken into account during the preparation and enactment of the AB.

16. *In the case of SBs, what amount will be certified as actually available by the local treasurer and when is the fund considered actually available?*

For SB supported by funds actually available as certified by the local treasurer, the amounts to be certified are only those actually collected at any given point during the fiscal year, which is over and above the estimated income collection for that point in the year. Further, funds are likewise deemed actually available when there are savings as defined under Article 417 of the IRR of RA No. 7160, as amended by AO No. 47.

17. *If the amount to be appropriated will be based on the loan proceeds released to and actually received by the LGU, will the LGU have to conduct a separate procurement for every loan proceeds received, in view of the provisions of RA No. 9184 (The Government Procurement Reform Act)?*

In this particular case, a separate procurement for every loan proceeds released by the lender and actually received and appropriated by the LGU is necessary under Section 5 of R.A. No. 9184, the Approved Budget for the Contract (ABC) for purposes of procurement is the budget for the contract approved by the Sanggunian as embodied in the Appropriation Ordinance authorizing the Annual/Supplement Budget.

However, in order to avoid the situation where the separate procurements will be construed as Splitting of Contract, which is prohibited under R.A. No. 9184, it is necessary for the LGU to appropriate the total amount received by the LGU, where releases of loan proceeds are made in several tranches.

18. *Whose signatures are required in the Appropriation Ordinance? Will the Appropriation Ordinance need the signature of all the members of the Sanggunian or only those who have voted in favor of its passage?*

The minimum signatures required in an Appropriation Ordinance are those of the Secretary to the Sanggunian, the Presiding Officer, and the LCE.

The Internal Rules of Procedure of the Sanggunian may, however, provide additional requirements for signatures in the Appropriation Ordinance.

19. *What are the disadvantages of a reenacted budget in case of failure of the Sanggunian to enact the annual appropriations?*

Only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted and disbursement of funds shall be in accordance therewith (Section 323, RA No. 7160; Article 415, IRR of R. No. 7160).

Accordingly, a reenacted budget will have implied disadvantages, such as, but not limited to, the following:

- No creation of positions
- No new programs, projects and activities
- No utilization of the increase in IRA allocation for the year since the same is not covered by an Appropriation Ordinance
- Non-implementation of non-recurring activities no matter how vital they may be
- No supplemental appropriations

20. *Is the appropriation for development projects of no less than twenty percent (20%) of the IRA included in the reenacted items?*

No. Only the annual appropriations for salaries and wages of existing positions, statutory and contractual obligations, and essential operating expenses authorized in the annual and supplemental budgets for the preceding year shall be deemed reenacted and disbursement of funds shall be in accordance therewith (Section 323, RA No. 7160; Article 415, IRR of RA No. 7160).

Accordingly, there can be no implementation of new projects under a reenacted budget.

21. *Section 53 of the LGC provides that, “A majority of all the members of the sanggunian who have been elected and qualified shall constitute a quorum to transact official business.”*

- a. What comprises a “quorum,” and “majority” in the Sanggunian?
- b. Is the Presiding Officer included in the determination of the entire membership of the Sanggunian for purposes of computing the quorum? Can the Presiding Officer vote?
- c. What constitutes simple majority and qualified majority?

Answer a: Quorum is defined as that number of members of a body which, when legally assembled in their proper places, will enable the body to transact its proper business or that number which makes a lawful body and gives it power to pass upon a law or ordinance or do any valid act.⁴

In computing the quorum of the Sanggunian, the entire membership must be taken into account as Section 53 of the LGC requires that the majority of all members of the Sanggunian who have been elected and qualified shall constitute a quorum.⁵

Majority, when required to constitute a quorum, means the number greater than half or more than half of any total.

Answer b: The vice LCEs are also included in the determination of the entire membership of the sanggunian as the LGC clearly provides that the respective sanggunians shall be composed of the vice-mayor or vice-governor as Presiding Officer. As Presiding Officer, the vice-mayor or vice-governor can vote only to break a tie. In effect, the Presiding Officer votes when it matters the most, that is, to break a deadlock in the votes. Clearly, as presiding officer, the vice-mayor or vice-governor is a member of the Sanggunian considering that he is mandated under the LGC to vote to break a tie. To construe otherwise would create an anomalous and absurd situation where the Presiding Officer who votes to break a tie during a Sanggunian session is not considered a member of the Sanggunian.⁶

Answer c: Generally, ordinary measures require for its enactment only the approval of a **simple majority** of the sanggunian members present, there being a quorum. These pertain to the normal transactions of the sanggunian which are approved by the sanggunian through a vote of **simple majority** of those present. On the other hand, there are certain measures where the LGC requires for its approval the vote of majority of all the members who were duly elected and qualified. This is called approval by the **qualified majority** of the sanggunian. In this case, the approval is to be voted not just by the majority of those present in a session there being a quorum but by the majority of all the members of the sanggunian duly elected and qualified regardless of whether all of them were present or not in a particular session.⁷

⁴ Javellana v. Tayo as cited in Zamora vs. Caballero, G.R. 147767, January 14, 2004

⁵ Perez v. Dela Cruz as cited in Zamora vs. Caballero

⁶ Zamora vs. Caballero

⁷ La Carlota City vs. Rojo, G.R. 181367, April 24, 2012

22. *Can the Sanggunian validly appropriate for some projects under the Office of the Sanggunian?*

As a general rule, projects should be appropriated in the proper offices under the executive department as it is the LCE who is primarily vested with the responsibility for the execution of local budgets and the accountability therefor.

On the other hand, the functions of the Sanggunian is primarily legislative in nature, thus, they are not tasked to execute budgets or implement projects. However, appropriations for projects for the Office of the Sanggunian (e.g., construction of building) may be provided under the said Office.

Budget Review

1. *Should an ordinance authorizing supplemental appropriations (supplemental budget) submitted after the fiscal year be reviewed?*

Yes, provided the ordinance authorizing the supplemental appropriations was enacted within the fiscal year covered by the annual budget, inasmuch as supplemental budgets cover changes in the annual budget as authorized under Section 321 of RA No. 7160, as implemented by Article 417 of its IRR as amended by AO No. 47 dated 12 April 1993.

2. *May the provision for lumpsum before its legal basis is issued, like salary adjustments, be allowed in budget review?*

If a legal basis exists during the review of Appropriation Ordinance, the provision for the lump-sum may be allowed. Nevertheless, a condition that subsequent provisions should be made only when there is an existing legal basis at the time of enactment of the Appropriation Ordinance shall be imposed in the review action. Otherwise, in the absence of a legal basis at the time of the budget review, the lump-sum will be disallowed.

3. *Can the LCE or Sanggunian withdraw an Appropriation Ordinance already submitted to a reviewing body?*

No. The enactment of the Appropriation Ordinance has already been completed at the LGU level. Hence, the review process must take its course.

4. *Under what budget will an LGU operate after the local Sanggunian has overridden the veto of the budget or items of appropriation by the LCE?*

The budget or items of appropriations as overridden shall be implemented. Under Section 55 of RA No. 7160, the vetoed item or items of appropriation shall not take effect unless the Sanggunian overrides the veto; otherwise, the item or items in the Appropriation Ordinance of the previous year corresponding to those vetoed, if any, shall be deemed reenacted.

5. *May the LGUs appropriate less than 20% for development projects in its annual budget?*

No. Section 287 of the LGC mandates LGUs to appropriate no less than 20% of its annual IRA for development projects in the annual budget. In which case, insufficient provisions for 20% of the IRA for development projects will render the declaration of the Appropriation Ordinance as inoperative in its entirety.

6. *On budget review, can the reviewing officer include the list of specific documentary requirements (i.e., certificate of savings, trial balance, etc.) in the documents to be submitted if the funding source is from PS savings, loans, etc.*

In the checklist of Documentary and Signature Requirements for Supplemental Budget, the Certification of Savings is already included. Hence, the Trial Balance may no longer be required. However, it is the responsibility and accountability of the certifying officials in the Certification of Savings to ensure that the declaration therein are true and correct. Otherwise, they may be made liable under applicable laws.

7. *The LCE vetoed some items in the Appropriation Ordinance. The Sanggunian, instead of overriding the veto, passed a new Appropriation Ordinance which already adopted the original Executive Budget. Did the Sanggunian take the proper action on the matter? Which ordinance shall be the basis of budget review?*

No, the Sanggunian did not take the proper action on the matter. Pursuant to Section 55 of RA No. 7160, the Sanggunian may override the veto of the LCE by two-thirds (2/3) vote of all its members thereby making the ordinance effective.

The first Appropriation Ordinance which was enacted in accordance with the pertinent provisions of RA No. 7160 shall be the basis of the budget review.

Budget Execution

1. *Are adjustments in the release of annual allotments of Offices due to shortfall in the receipt/collection of anticipated revenues considered changes in the Annual Budget, which necessitate the passage of an ordinance or resolution by the Sanggunian?*

An ordinance or resolution is not required to be passed by the Sanggunian to effect adjustments in the release of quarterly allotments of Offices.

Any shortfall in revenue collection should signal the deferment of non-priority expenditures and the non-release of the allotments indicated as reserve, for later release or needing clearance under the Allotment Release Order (ARO). These reserve impositions, earmarking of funds for clearance and withholding of funds for later release to provide safeguards for shortfall in the collection of anticipated revenues are policy-based actions to be reflected in the Appropriation Ordinance for the budget year prior to the issuance or release of the ARO.

Accordingly, the deferment of non-priority expenditures and non-release of allotments are activities within the budget execution phase of the local budget process which are authorized by law to be undertaken by the Executive Branch of the LGU. Hence, an ordinance or resolution by the Legislative Branch of the LGU is no longer necessary. However, accountability/accounting reports reflecting the same must be furnished the Sanggunian on a regular basis.

2. *When is a sanggunian authorization separate from the appropriation ordinance necessary for contracts entered into by the local chief executive for and in behalf of the LGU?*

If an appropriation ordinance already contains in sufficient detail the project and cost of a capital outlay such that all that the local chief executive needs to do after undergoing the requisite public bidding is to execute the contract, no further sanggunian authorization is required, the appropriation ordinance already being sufficient.

On the other hand, if an appropriation ordinance contains lumpsum appropriations for capital outlays or describes the projects in generic terms without details such as “infrastructure projects,” “inter-municipal waterworks, drainage and sewerage, flood control, and irrigation systems projects,” “reclamation projects” or “roads and bridges,” there is an obvious need for a covering contract for every specific project that in turn

requires approval by the sanggunian. Specific sanggunian approval may also be required for the purchase of goods and services which are neither specified in the appropriation ordinance nor encompassed within the regular/personal services and maintenance operating expenses.⁸

3. *Who between the Local Chief Executive (LCE) and the Vice LCE is authorized to approve purchase orders issued in connection with the procurement of supplies, materials, equipment, including fuel, repairs and maintenance of the Sanggunian?*

The Vice-LCE has the authority.

The authority granted to the Vice LCE to sign all warrants drawn on the local treasury for all expenditures appropriated for the operation of the Sanggunian as well as to approve disbursement vouchers relating thereto necessarily includes the authority to approve purchase orders covering the same.

Effectively, since it is the Vice LCE who approves disbursement vouchers and approves the payment for the procurement of the supplies, materials and equipment needed for the operation of the Sanggunian, then he also has the authority to approve the purchase orders to cause the delivery of the said supplies, materials or equipment.⁹

4. *Who is the proper authority for the hiring of casual and job order employees in the Office of the Vice-Mayor/Vice-Governor and in the Sanggunian Bayan/Panlungsod/Panlalawigan?*

Who is the approving officer/signatory of the vouchers prepared for the payment of salaries of job order employees in the Office of the Vice-Mayor/Vice-Governor and in the Sanggunian?

The authority to appoint casual and job order employees of the local Sanggunian belongs to the Vice-Mayor/Vice-Governor. The authority of the Vice-Governor/Vice-mayor to appoint the officials and employees of the local Sanggunian is anchored on the fact that the salaries of these employees are derived from the appropriation specifically for the said local legislative body.

It is the source of their salaries which sets the employees and officials of the local Sanggunian apart from the other employees and officials of the LGU. Accordingly, the appointing power of the Vice-Mayor/Vice-Governor is limited to those employees of the local Sanggunian, as well as those of the Office of the Vice-Mayor/Vice-Governor, whose salaries are paid out of the funds appropriated for the Sangguniang Bayan/Panlungsod/Panlalawigan.

As a corollary, if the salary of an employee or official is charged against the municipal/ city/provincial funds, even if this employee reports to the Vice-Mayor/Vice-Governor or is assigned to his office, the Mayor/Governor retains the authority to appoint the said employee pursuant to Sections 444(b) (v); 455(b) (v); and 465(b) (v) of the LGC.

The Vice-Mayor/Vice-Governor, as the presiding officer of the local Sanggunian, has administrative control of the funds of the said body. Accordingly, it is the Vice-Mayor/ViceGovernor who has the authority to approve disbursement vouchers for expenditures appropriated for the operation of the Sangguniang Panlalawigan.¹⁰

⁸ Quisumbing vs. Garcia, G.R. No. 175527, December 8, 2008

⁹ Atienza vs. Villarosa, G.R. 161081, May 10, 2005

¹⁰ Atienza vs. Villarosa, G.R. 161081, May 10, 2005

Items of Appropriations Included, By Attribution, in the General Fund Annual Budget

1. *What are the items of appropriations that shall be included, by attribution, in the General Fund Annual Budget?*

The following items of appropriations shall be included, by attribution, in the General Fund Annual Budget:

- a. Gender and Development (GAD) programs, projects and activities (PPAs) that specify women's needs and GAD concerns pursuant to R.A. No. 7192 (Women in Development and Nation-Building Act), the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), and National Commission on the Role of Filipino Women (NCRFW) Joint Circular (JC) No. 2004-1 issued in 2004 (superseding DBM-NEDA-NCRFW JC No. 2001-1 dated August 15, 2001), and Philippine Commission on Women-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016;
- b. PPAs and services that will address the needs of senior citizens pursuant to the applicable provisions in the annual General Appropriations Acts (GAA) and RA No. 7432 (An Act to Maximize the Contribution of Senior Citizens to the Nation Building, Grant Benefits and Special Privileges and for Other Purposes), RA No. 7876 (An Act Establishing a Senior Citizens Center in All Cities and Municipalities of the Philippines, and Appropriating Funds Therefor);
- c. PPAs, services and facilities that will address the needs of differently – abled persons pursuant to RA No. 7277 (Magna Carta for Disabled Persons) as amended by RA Nos. 9442 and 10070 and Batas Pambansa Blg. 344;
- d. Community-based Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) prevention and care services pursuant to RA No. 8504 (Philippine AIDS Prevention and Control Act of 1998);
- e. Implementation of the programs of the Local Councils for the Protection of Children (LCPC) pursuant to RA No. 9344 (Juvenile Justice and Welfare Act of 2006). One percent (1%) of the IRA of barangays, municipalities and cities shall be allocated for the strengthening and implementation of the programs of the LCPC: Provided that the disbursement of the fund shall be made by the LGU concerned.
- f. Implementation of programs for Public Social Workers pursuant to RA No. 9433 (An Act providing for Magna Carta for Public Social Workers) and its IRR.

Confidential Expenses

1. *What are Confidential Expenses?*

Pursuant to Commission on Audit-Department of Budget and Management-Department of the Interior and Local Government- Governance Commission for Government-Owned and/or –Controlled Corporations (GCG)-Department of National Defense (DND) Joint Circular (JC) No. 2015-01 dated January 8, 2015, Confidential Expenses refer to those expenses pertaining/related to surveillance activities in civilian government agencies that are intended to support the mandate or operations of the agency.

2. *What is Confidential Fund?*

Pursuant to COA-DBM-DILG-GCG-DND JC No. 2015-01 dated January 8, 2015, Confidential Fund (CF) refers to the lump-sum amount provided as such in the appropriation ordinances of LGUs for their Confidential Expenses.

3. *What are the legal bases for the allocation and use of funds for confidential expenses?*

The general welfare clause under Section 16 of RA No. 7160 states, among others, that, LGUs shall “... *maintain peace and order, and preserve the comfort and convenience of their inhabitants.*”

COA-DBM-DILG-GCG-DND JC No. 2015-01 dated January 8, 2015 provides the “Guidelines on the Entitlement, Release, Use, Reporting and Audit of Confidential and/or Intelligence Funds.”

4. *What are the general guidelines in the allocation and use of public funds for confidential expenses?*

The guidelines for the allocation and use of public funds for confidential purposes are prescribed under COA-DBM-DILG-GCG-DND JC No. 2015-01. The following provisions thereof may be emphasized:

- a. The allocation for peace and order concerns may be provided in the annual budgets of LGUs provided that such is a priority concern. It is provided further that the specific amount for Peace and Order Program (POP) is included in their Peace and Order and Public Safety Plan and that there is a specific appropriation for POP in their annual Budget. The computation of allowable CF of an LGU shall be based on the budget of the LGU's POP only.
- b. All allocations for CF shall be supported with a Physical and Financial Plan indicating the proposed amount allocated for each program, activity and project, where disbursements pertaining to CE shall be based.
- c. The release and utilization of the total CF shall be covered by a resolution duly approved by two-thirds (2/3) of the total membership of the Local Peace and Order Council.
- d. In the event that additional CF in excess of the limitation is extremely necessary, additional appropriation supported with duly authorized supplemental budget shall be approved by the Secretary of the DILG.
- e. CF shall be used only for the following Confidential Expenses:
 - Purchase of information necessary for the formulation and implementation of program, activities and projects relevant to national security and peace and order
 - Rental of transport vehicle related to confidential activities
 - Rentals and the incidental expenses related to the maintenance of safehouses
 - Purchase or rental of supplies, materials and equipment for confidential operations that cannot be done through regular procedures without compromising the information gathering activity concerned
 - Payment of rewards of informers
 - Uncover/prevent illegal activities that pose a clear and present danger to agency personnel/property or other facilities and resources under the agency protection, done in coordination with the appropriate law enforcement agencies
 - Others that may be authorized by the GAA or other special law/s
- f. In no case shall the CF be used for the following:
 - Salaries, wages, overtime, additional compensation, allowance or other fringe benefits of official and employees who are employed by the government in whatever capacity or elected offices, except when authorized by law
 - Representation, consultancy fees or entertainment expenses
 - Construction or acquisition of buildings and housing structures
- g. Conduct of confidential activities shall, as far as practicable, be done with proper collaboration with any of the following law enforcement agencies: (a) the Philippine National Police, (b) the Armed Forces of the Philippines, (c) the Philippine Drug Enforcement Agency, or (d) other agencies with law-enforcement functions. Such collaboration, if undertaken, must be specified in the accomplishment report of the concerned agency.

- h. Disbursement from CF shall be supported with documentary evidence of payment, among others, which shall be submitted to the Intelligence and Confidential Fund Audit Unit in a sealed envelope signed by the Special Disbursing O.
- i. Disbursements from the CF shall be supported by Certification of the Accountable Officer of the CF signed under oath.

5. *What are Peace and Order Programs (POP)?*

Pursuant to COA-DBM-DILG-GCG-DND JC No. 2015-01 dated January 8, 2015, Peace and Order Programs refer to any or a combination of the following programs, activities and projects which may be included as part of the Peace and Order and Public Safety Plan of LGUs so that these shall be eligible for funding of the CF:

- Crime prevention and law enforcement activities;
- Aid and/or capability development for personnel of law enforcement agencies, and volunteers/partners; and
- Programs for anti-illegal drug, illegal gambling, counter-insurgency and/or counter terrorism, illegal logging, illegal mining, illegal fishing, smuggling and human trafficking.

6. *What are the procedural guidelines in the release, use and augmentation of Confidential Fund?*

COA-DBM-DILG-GCG-DND JC No. 2015-01 likewise provides for the following procedural guidelines:

- a. LGUs with peace and order concerns shall allocate in their respective Annual Appropriations Ordinance funds for POP, as part of the Peace and Order and Public Safety Plan. The total amount of CF shall not exceed thirty (30%) of the total annual amount allocated for the LGU's POP.
- b. The release and use of CF shall be covered by a Resolution duly approved by two-thirds (2/3) of the total membership of the Local Peace and Order Council.
- c. LGUs shall secure Certification from the concerned PNP Chief in their locality relative to the peace and order situation highlighting in concrete details the circumstances which require the urgency in allocating CF.
- d. Additional CF shall be covered with a supplemental budget authorized by the Sanggunian concerned and/or reviewed by the DBM Secretary or his authorized representative as the case may be, the source of which shall not come from the 20% Development Fund of the LGU.
- e. Request for additional CF in excess of the ceiling provided in item 5.1.3.1 of the JC shall be filed with the concerned DILG Field Officer justifying the need therefor supported with the following documentary requirements:
 - Duly approved Three-Year Peace and Order and Public Safety Plan
 - Annual and Supplemental Appropriations Ordinance indicating the appropriations for CF
 - Certification from the Budget Officer as to the availability of appropriations
 - Certifications from the concerned PNP Chief in their locality relative to the peace and order situation highlighting in concrete details the circumstances which require the urgency in allocating funds for confidential activities
 - Physical and Financial Plans for both the original allocation for CF and the subject request
 - Certification of Full Disclosure Policy compliance
- f. Upon review of the documents and field-verification of the circumstances as to the need to allocate additional CF, the DILG Regional Office shall forward the request within five (5) days to the Director of the Bureau of Local Government Supervision (BLGS) for further evaluation. The Director of the BLGS shall submit his or her recommendation to the Secretary of the DILG, who shall approve or disapprove the request.

Special Education Fund

1. *What are the legal bases for Special Education Fund (SEF)?*

One of the special funds that shall be maintained in every provincial, city or municipal treasury is the Special Education Fund (SEF). Section 309 (a) of RA No. 7160 provides that the SEF “shall consist of the respective shares of provinces, cities, municipalities and barangays in the proceeds of the additional tax on real property to be appropriated for purposes prescribed in Section 272 of this Code.”

Section 272 also provides that proceeds from the additional one percent (1%) tax on real property accruing to the SEF shall be automatically released to the Local School Boards. In the case of provinces, the proceeds shall be divided equally between the provincial and municipal School Boards; provided that the proceeds shall be allocated for the following as determined and approved by the Local School Board:

- Operation and maintenance of public schools;
- Construction and repair of school buildings;
- Facilities and equipment;
- Educational research;
- Purchase of books and periodicals; and
- Sports development.

2. *What are the policy guidelines on the use of the SEF?*

The implementing guidelines on the utilization of the utilization of the SEF are clarified in the Joint Circulars issued by the DECS (now, Department of Education [DepEd]), the DBM and the DILG:

	<u>Prioritization of Expenses Charged against the SEF</u>
<p data-bbox="272 206 683 315">DECS-DBM-DILG Joint Circular (JC) No. 01s. 1998 April 14, 1998</p> <p data-bbox="272 338 683 517">Prescribing the Rules and Regulations on the Utilization of the Special Education Funds (SEF) by the Local School Boards for the Operation and Maintenance of Elementary and Secondary Public Schools</p> <p data-bbox="272 539 683 595">DECS-DBM-DILG JC No. 01-A March 14, 2000</p> <p data-bbox="272 618 683 707">Supplemental Provisions to DECS, DBM and DILG JC No. 1, s. 1998 dated 14 April 1998</p> <p data-bbox="272 730 683 797">DECS-DBM-DILG JC No. 01-B June 25, 2001</p> <p data-bbox="272 819 683 958">Further Clarifying Certain Provisions of DECS, DBM and DILG JC Nos. 1, s. 1998 and 01-A, s. 2000 dated April 14, 1998 and March 14, 2000, respectively</p>	<ol style="list-style-type: none"> <li data-bbox="751 206 1342 506">1. Operation and maintenance of public schools, including organization of extension, non-formal, remedial and summer classes, as well as payment of existing allowances of teachers granted by LGUs chargeable against the SEF as of 31 December 1997, provided that any additional allowances that may be granted to teachers by LGUs shall be charged to the general fund of LGUs, subject to existing budgeting rules and regulations; <li data-bbox="751 517 1342 607">2. Construction and repair of school buildings, facilities and equipment, including the acquisition, titling and improvement of school sites; <li data-bbox="751 618 1342 651">3. Educational research; <li data-bbox="751 663 1342 752">4. Acquisition/procurement of books, instructional materials, periodicals and equipment, including IT resources; <li data-bbox="751 763 1342 887">5. Expenses for school sports activities of the national, regional, division, district, municipal and barangay levels, including DepEd-related activities including co-curricular activities. <li data-bbox="751 898 1342 1178">6. Establishment of new classes as extensions of existing public elementary or secondary schools as approved by the DepEd Secretary, recommended by the DepEd Regional Director and certified by the Schools Division Superintendent as to the necessity and urgency of establishing extension classes in the province, city and municipality, provided that no extension classes shall be established unless the number of pupils shall at least be 15; <li data-bbox="751 1189 1342 1312">7. Payment of compensation of those teaching personnel who will be hired temporarily in instances where there are no teaching positions available in DepEd; and <li data-bbox="751 1323 1342 1491">8. Payment of salaries and authorized allowances of teachers hired to handle new classes as extensions of existing public elementary or secondary schools established pursuant to Section 2.1 of DECS-DBM-DILG JC No. 01-A.

3. *Is an Appropriation Ordinance necessary to authorize the utilization of the SEF?*

No. Pursuant to Article 448 of the IRR of RA No. 7160, Special Funds, which include the SEF, shall be deemed automatically appropriated for purposes indicated therefor.

The allocation of the SEF shall be determined and approved by the Local School Board (Section 272, RA No. 7160).

4. *What is the Budget Process for the SEF?*

a. **Budget Preparation**

Step 1. The budget preparation phase of the SEF starts only after the official issuance by the LFC of the Estimated Proceeds of the Special Levy on Real Property, constituting the SEF, and the criteria set by the DepEd on the annual budgeting needs for the operation and maintenance of public schools.

Step 2. In accordance with the criteria set by the DepEd, the Local School Board determines the annual supplemental budgetary needs for the operation and maintenance of public schools within the province, city or municipality, as the case may be, and the supplementary local cost of meeting such needs, which shall be reflected in the form of an Annual School Board Budget corresponding to its share of the proceeds of the special levy on real property constituting the SEF (Section 99 [a], RA No. 7160).

Step 3. The division superintendent, city superintendent, or district supervisor, as the case may be, shall prepare the budget of the School Board concerned. Such budget shall be supported by PPAs of the School Board for the ensuing fiscal year (Section 100 [b], RA No. 7160).

b. Budget Authorization

Step 4. The SEF budget prepared by the division superintendent, city superintendent or district supervisor, as the case may be, shall be submitted to the School Board, chaired/co-chaired by the LCE and the division superintendents of schools, for approval. The affirmative vote of the majority of all the members of the Local School Board shall be necessary to approve the budget (Section 100 [b], RA No. 7160).

c. Budget Execution

Step 5. The SEF shall be released exclusively for the specific purpose for which they have been allocated in the approved School Board Budget.

Step 6. Disbursements shall be made in accordance with the “authority to disburse” issued by the Chairman/Co-Chairman of the Local School Board to the provincial, city, municipal treasurer (Section 99 [b], RA No. 7160), subject to existing accounting and auditing rules.

d. Budget Accountability

Step 7. A quarterly report of the SEF utilization shall be prepared and submitted by the Local School Board to the DepEd Regional Offices (ROs), copy furnished the DBM ROs and the DILG ROs. The quarterly reports shall be submitted one (1) week after the end of each quarter. For this purpose, the Report of SEF Utilization shown in SEF Budget Accountability Form No. 1 hereof shall be used (Item 3.0 of Joint Circular no. 01-A of DEC, DBM and DILG dated March 14, 2000).

SEF Budget Preparation Form No. 1**INCOME AND EXPENDITURE ESTIMATES FOR FY _____**

Provincial/City/Municipal School Board of _____

Province/City/Municipality
(In P000)

Estimated Income for Budget Year	xxx
Additional One Percent (1%) Tax on Real Property	xxx
Add: Previous Years Unexpended Balances (including Continuing Appropriation)	xxx
TOTAL	xxx
Less: Continuing Appropriation	xxx
Net Amount Available for Appropriation	xxx

Proposed Expenditures for Budget Year

Rank	Program/Activity/Project*	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
Total Expenditures for BY _____		xxx	xxx	xxx	xxx
Balance /Deficit					xxx

Prepared by:

 Division Superintendent/Supervisor
 Co-Chairman, LSB

*Please refer to prioritization on the use of the SEF (DECS-DBM-DILG JC Nos. 01, 01-A and 01-B)

SEF Budget Authorization Form No. 01

Provincial/City/Municipality of _____
Local School Board of _____

Province/City/Municipality

_____ **Regular Session**

Begun and held in _____, _____, on _____ day of _____,
 _____.

Local School Board Resolution No. _____

**A RESOLUTION APPROVING THE BUDGET FOR PRIORITY EDUCATION PROJECTS IN
 THE PROVINCE/CITY/MUNICIPAL SCHOOL BOARD**

Be it resolved by the Local School Board of _____ in Council assembled:

Section 1. Source of Funds. The following income as indicated herein are hereby declared as sources of funds, particularly the additional one percent (1%) Tax on Real Property which are realistic and probable to be collected and remitted to the Local Treasury, necessary to finance the implementation of priority education projects of the Province/City/Municipality of _____ from January one to December thirty-one, two thousand _____, except otherwise specifically provided herein:

Estimated Income for Budget Year

Additional One Percent (1%) Tax on Real Property	P _____
Add: Previous Years Unexpended Balances (including Continuing Appropriation)	_____
Gross Income	P _____
Less: Continuing Appropriation	_____
Net Amount Available for Appropriation	P _____

=====

Section 2. Allocation of Funds. The following sums are hereby allocated out of the additional one percent (1%) Tax on Real Property and any unexpended balances thereof in the Local Treasury of the Province/City/Municipality for the implementation of priority education projects in the Province/City/Municipality from January one to December thirty-one, two thousand _____:

Expenditure Program for Budget Year

Rank	Program/Activity/Project*	Personal Services	Maintenance and Other Operating Expenses	Capital Outlays	Total
Total					

*Please refer to prioritization on the use of the SEF (DECS-DBM-DILG JC Nos. 01, 01-A and 01-B)

Expected Output

Rank	P/A/P	Expected Output	Schedule of Delivery

Section 3. Effectivity. This Resolution shall take effect immediately upon its approval.

Date Adopted: _____

Carried Unanimously,

Local School Board Members

Names

Signatures

I HEREBY CERTIFY to the correctness of the above-quoted Local School Board Resolution.

Secretary-Designate to the LSB

Attested:

Co-Chairman, LSB

APPROVED:

LCE, Chairman, LSB

Date: _____

SEF Budget Accountability Form No. 01

REPORT OF SEF UTILIZATION

For the Quarter Ending _____

Province/City/Municipality _____

Receipt from SEF P _____

Less: **DISBURSEMENTS** (broken down by expense class and
by object of expenditures)

Personal Services

_____	_____
_____	_____
_____	_____

Maintenance and Other Operating Expenses

_____	_____
_____	_____
_____	_____

Capital Outlays

_____	_____
_____	_____
_____	_____

Financial Expenses

_____	_____
_____	_____
_____	_____

Sub-Total _____

Balance P _____

=====

Prepared by:_____
Local Accountant**Approved by:**_____
LCE, Chairman, LSB

Local Disaster Risk Reduction and Management Fund

1. What is a “State of Calamity”?

Pursuant to RA No. 10121 (An Act strengthening the Philippine Disaster Risk Reduction and Management System, providing for the National Disaster Risk Reduction and Management Framework and Institutionalizing the National Disaster Risk Reduction and Management Plan, appropriating funds therefor and for other purposes) and its IRR issued on September 27, 2010, it is a condition involving mass casualty and/or major damages to property, disruption of means of livelihood, roads and normal way of life of people in the affected areas as a result of the occurrence of natural or human-induced hazard.

2. What is the Local Disaster Risk Reduction and Management Fund (LDRRMF)? Is it over and above the Calamity Fund?

Pursuant to RA No. 10121, the present Local Calamity Fund shall henceforth be known as the Local Disaster Risk Reduction and Management Fund (LDRRMF) which shall be sourced from not less than 5% of the estimated revenue from regular sources. Hence, the LDRRMF is not over and above but is now what was previously called the Local Calamity Fund.

3. Is LDRRMF sourced only from the not less than 5% of the estimated revenue from regular sources?

Per COA Circular No. 2012-002 dated September 12, 2012, the following are all the sources of the LDRRMF:

- Not less than 5% of the estimated revenues from regular sources of the LGUs;
- The unexpended balance of the LDRRMF in the preceding years within the 5-year validity period of the Special Trust Fund;
- Funds transferred from the NDRRMF upon approval of the President; and
- Funds received from other LGUs and other sources.

4. What are the general guidelines on the use and allocation of the LDRRMF?

Pursuant to NDRRMC-DBM-DILG Joint Memorandum Circular (JMC) No. 2013-1 dated March 25, 2013, citing Section 21 of RA No. 10121, the LDRRMF amounting to not less than five percent (5%) of the estimated revenue from regular sources shall be set aside to support disaster risk management activities such as, but not limited to the pre-disaster preparedness programs including training, purchase of disaster response and rescue equipment, supplies and medicines, for post-disaster activities, and payment of premiums on calamity insurance.

Of the amount appropriated for LDRRMF, thirty percent (30%) shall be allocated as a lumpsum Quick Response Fund (QRF) or stand-by fund for relief and recovery programs in order that situation and living conditions of people in communities or areas stricken by disasters, calamities, epidemics or complex emergencies, may be normalized as quickly as possible.

5. Can the purchase of drugs and medicines be included as part of pre-disaster activities for which the LDRRMF may be used?

Yes. Purchase of drugs and medicines may be included as part of pre-disaster activities for which the LDRRMF may be used (*Section 1, Rule 18, IRR of RA No. 10121*).

6. Who may declare and lift a state of calamity?

Pursuant to Section 16 of RA No. 10121, the National Disaster Risk Reduction and Management Council (NDRRMC) as the National Council shall recommend to the President of the Philippines the declaration of a cluster of barangays, municipalities, cities, provinces and regions under a state of calamity, and the lifting thereof based on the criteria set by the National Council.

The declaration and lifting of the state of calamity may also be issued by the local sanggunian upon the recommendation of the LDRRMC, based on the results of the damage assessment and needs analysis.

Allocation to Local Government Units

1. *Are barangays created by LGUs after the effectivity of RA No. 7160 entitled to IRA shares?*

No. The financial requirements of barangays created by LGUs after the effectivity of RA No. 7160 shall be the responsibility of the LGU concerned (*Section 285, RA No. 7161*).

2. *For purposes of determining the IRA allocation of LGUs based on land area, can the DBM adjust the IRA of the LGU concerned based on the individual certification issued by the Land Management Bureau (LMB) to LGUs?*

Under RA No. 7160, all issues affecting land area falls under the function of the LMB-Department of Environment and Natural Resources (DENR). For purposes of IRA computation based on land area, any change in the land area shall be made every 3rd year after 1999 per the consolidated master list of land area to be submitted by the LMB-DENR to DBM on or before December 15.

In the ARMM, the request of the LMB-ARMM for land area adjustment of LGU shall be endorsed by the DENR-ARMM and approved by the Regional ARMM Governor for final endorsement/submission to the Secretary of the DENR.

Aid to Barangays

1. *What is the legal basis for the provision of Aid to Barangays?*

Section 324 (c) of RA No. 7160 provides that, *“In the case of provinces, cities, and municipalities, aid to component barangays shall be provided in amounts of not less than one thousand pesos (P1,000.00) per barangay;”*

Gender and Development

1. *What is Gender and Development (GAD)?*

GAD is an approach to development that focuses on how social, economic, political and cultural forces determine how differently women and men participate in, benefit from, and control resources and activities for development. It recognizes the different roles, responsibilities, expectations, interests, needs, and contributions of men and women in society and integrates these gender concerns in the development planning process. GAD recognizes women as agents of development and not merely as passive recipients of development assistance.

2. *What are the legal bases for GAD and GAD Planning and Budgeting?*

RA No. 7192 and Executive Order (E.O.) No. 273 mandate agencies, including LGUs, to institutionalize GAD in government by incorporating the GAD concerns in their planning, programming and budgeting process.

The allocation of funds for the implementation of a GAD Plan is a statutory requirement that must be complied with by provinces, cities, municipalities and barangays.

The Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025, which was adopted through E.O. No. 273, specifies the services that must be implemented for women in relation to those stipulated in RA No. 7160.

DBM-NEDA-NCRFW JC No. 2004-1 (superseding DBM-NEDA-NCRFW JC No. 2001-01) provides the guidelines for the preparation of annual GAD Plan and Budget and Accomplishment Report to implement the Section on programs/projects related to GAD as provided in the annual GAA.

For a more comprehensive discussion on GAD, refer to the Primer on Gender Mainstreaming and Institutionalization in the Budgeting Process, August 2002, issued jointly by the DBM and NCRFW through the support of the Canadian International Development Agency.

PCW-DILG-DBM-NEDA JMC No. 2013-1 prescribes the policies and procedures in mainstreaming gender perspective in local planning, programming and budgeting; local legislation; project development, implementation, monitoring and evaluation.

PCW-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016 provides the guidelines for the preparation of GAD Plan and Budget; and Accomplishment Reports.

3. *What is a GAD Plan?*

A GAD Plan is a tool for gender mainstreaming. A GAD Plan is a systematically designed set of PPAs carried out by agencies for a given period of time to address gender issues and concerns of their respective sectors and constituents, specifying the targets to be achieved and identifying the performance indicators that will measure their accomplishments.

The GAD Plan is viewed as an integral part of the overall LGU plan. The formulation of a GAD Plan shall follow the regular planning and budget calendar/schedule of LGUs and shall be anchored on the existing Comprehensive Land Use Plan, Provincial Development and Physical Framework Plan/Comprehensive Development Plan, Local Development Investment Program and Annual Investment Program (AIP) preparation.

4. *What is a GAD Budget?*

A GAD budget is the total amount provided in the General Fund Budget of the LGU to finance the PPAs in the GAD Plan.

The earmarking of at least 5% of the total annual appropriation for GAD-related activities is an indicative figure that should be attributed to the existing PPAs of LGUs' budgets.

Accordingly, the GAD budget must not be interpreted as an additional and separate fund that will be provided by the national or local government.

5. *How is the GAD budget prepared?*

The GAD Budget is prepared based on the estimated costs of functions and PPAs translated from the demands/commitments identified in the GAD Plan. The GAD Focal Point Chairperson, in close coordination with the LGU's Budget Officer, shall be responsible for the preparation of the GAD Budget. The review of the GAD budget proposal is done following the regular evaluation process applicable to the regular budget proposal, of which the GAD budget is a component.

In the determination of expenditure ceilings in terms of sectoral service and nature of expenditure as basis for budget preparation, the LFC shall ensure that the GAD Plan, approved by the LDC and the Sanggunian, are considered as among the primary source documents used.

The costs of functions and PPAs to implement the GAD Plan may include any or all of the following items:

- Personal Services;

- Maintenance and Other Operating Expenses; and
- Capital Outlays.

The GAD PPAs may be classified into:

- Organization-focused*, where efforts are geared to respond to gender issues that affect the welfare and performance of women and men employees of the LGU; and
- Client-focused*, where efforts address gender issues that affect the LGU's clients and/or constituents.

6. *Who reviews and approves the GAD Plan and Budget (GPB)?*

Pursuant to PCW-DILG-DBM-NEDA JMC No. 2016-01 dated January 12, 2016, all provinces, highly-urbanized cities, independent component cities, and LGUs within Metro Manila shall submit their GPBs, accompanied by their GAD ARs, to the DILG Regional Office for their review and endorsement. Reviewed and endorsed GPBs shall be returned to the LGUs concerned for incorporation in their annual budgets to be enacted by their Local Sanggunian.

Component cities and municipalities shall submit their GPBs to the PPDO to ensure the alignment of the municipality/city GAD PPAs with the priorities of the province and then from the PPDO to the DILG Provincial Office for its review and endorsement. DILG endorsed GPBs shall be returned to the LGUs concerned for incorporation in their annual budgets to be enacted by their Local Sanggunian.

Indigenous Cultural Communities (ICC)/Indigenous Peoples (IP)

1. *What is the funding source for the salaries of ICCs/IPs?*

Since the representative from ICCs/IPs is specified in RA No. 7160, and reinforced in RA No. 8371, the funding requirements relative to the IP representative to the Sanggunian shall be charged against the PS budget of the LGU, which shall be waived from the PS limitation only on the initial year of creation.

Personal Services Limitation

1. *What is Personal Services (PS)?*

PS refers to appropriations for the payment of salaries, wages and other compensation of permanent, temporary, contractual, and casual employees of the LGU (*Section 306 [k], RA No. 7160*).

For purposes of computing the 45%/55% PS Limitation, the "other compensation" as referred to therein and as determined pursuant to AO No. 42 dated March 3, 1993 issued by the President consists of the following:

- Statutory and Contractual Obligations
 - Employees Compensation Insurance Premiums (ECIP);
 - Health Insurance Contributions (HIC);
 - Pag-IBIG Contributions (Pag-IBIG);
 - Life and Retirement Insurance Contributions (LRIC); and
 - Retirement Gratuity and Terminal Leave (RG/TL) Benefits.
- Authorized Allowances/Benefits
 - Personnel Economic Relief Allowance (PERA);

- Uniform/Clothing Allowance (U/CA);
- Commutable and Representation and Transportation Allowances (RATA);
- Year-end Benefits (YEB);
- Step Increments for Length of Service;
- Magna Carta Benefits of PHWs;
- Specialists' Fees and Allowances (when there is employer-employee relationship); and
- All other legally authorized allowances/benefits of officials and employees of LGUs.

c. Lump-sum Appropriations

- Lump-sum for Salary Adjustments;
- Lump-sum for Creation of New Positions; and
- Lump-sum for Casual/Contractual Positions.

2. What is the legal basis for the PS Limitation?

The limitation of appropriations for PS for LGUs is prescribed under Section 325 (a) for provinces, cities and municipalities, and Section 331 (b) for barangays, of RA No. 7160, which, respectively, provide:

“SEC. 325. General Limitations. – The use of the provincial, city, and municipal funds shall be subject to the following limitations:

(a) The total appropriations, whether annual or supplemental, for personal services of a local government unit for one (1) fiscal year shall not exceed forty-five percent (45%) in the case of first to third class provinces, cities, and municipalities, and fifty-five percent (55%) in the case of fourth class or lower, of the total annual income from regular sources realized in the next preceding fiscal year. The appropriations for salaries, wages, representation and transportation allowances of officials and employees of the public utilities and economic enterprises owned, operated, and maintained by the local government unit concerned shall not be included in the annual budget or in the computation of the maximum amount for personal services. The appropriations for the personal services of such economic enterprises shall be charged to their respective budgets;”

“SEC. 331. Preparation of the Barangay Budget. –

x x x

(b) The total appropriations for personal services of a barangay for one (1) fiscal year shall not exceed fifty-five (55%) of the total annual income actually realized from local sources during the next preceding fiscal year.”

3. What are the guidelines on the PS Limitation?

Local Budget Circular (LBC) No. 98 dated October 14, 2011 was issued to provide the guidelines on the preparation and review of the PS component of the annual and supplemental budgets of LGUs, in relation to the waiver on the PS Limitation under Sections 325 (a) and 331 (b) of RA No. 7160.

Step 1: Compare the PS Limitation and the Total Annual PS Budget, net of waived items.

Step 2: Analyze the results.

- If the Total Annual PS Budget, net of waived items, is less than the PS Limitation, then the

- The PS Limitation/Cap is the amount equivalent to 45% of the total income from regular sources earned in the next preceding fiscal year for 1st to 3rd class provinces/cities/municipalities, or 55% for lower class LGUs, including barangays.
- The Total PS cost refers to:
 - ⊙ Salaries of existing regular personnel;
 - ⊙ Statutory and contractual obligations (ECIP, HIC, Pag-IBIG, RLIP, RG and TL Benefits); and
 - ⊙ Authorized allowances/benefits.

LGU may still provide for additional PS costs to the extent of the difference between the said amounts.

- b. If the Total Annual PS Budget is equal to or greater than the PS Limitation, then the LGU can no longer provide for additional or new PS costs.

The following is a simple illustration of the computation of the PS Limitation:

LGU A is a 4th Class Municipality.

LGU A's total income from regular sources realized in the next preceding year is P50,000,000.

The total PS cost for waived items of LGU A is P2,500,000.

Computation of LGU A's Allowable PS Level:

Total Income from Regular Sources Realized in the Next Preceding Year	P50,000,000
Multiply by PS Limitation Rate	55%
PS Limitation	27,500,000
Less: Total Annual PS Budget, Net of Waived Items*	32,500,000
Excess Over PS Limitation	(P5,000,000)
*Total Annual PS Budget	P 35,000,000
Less: Waived Items	2,500,000
Net Annual PS Budget	P 32,500,000

Since the Net Annual PS Budget has already exceeded the PS Limitation, LGU A may no longer incur additional PS costs. Moreover, if the excess over the PS Limitation is due to the creation of new positions in the LGU, such creation shall not be allowed.

For details and more illustrative examples, please refer to LBC No. 98 dated October 14, 2011.

Creation of Positions

1. What is the general rule on the creation of positions in LGUs?

Section 76 of RA No. 7160 empowers LGUs to design and implement their own organizational structure and staffing pattern that will effectively address their respective developmental plans, programs, objectives and priorities. The creation of positions shall be consistent with the rules and regulations established CSC Memorandum Circular No. 19, series of 1992.

Further, per existing policy, creation of non-mandatory positions and offices in LGUs may be allowed subject to the following conditions:

- That they are priority needs as identified by the LCE, the Sanggunian and/or LDCs concerned consistent with Section 17 of RA No. 7160;
- All mandatory positions stipulated under RA No. 7160 and other pertinent laws have been created and provided;
- The SSL has been fully implemented;
- The general limitations on PS expenditures are not exceeded; and
- The classification of the positions is consistent with the standards and implementing rules and regulations of RA No. 6758.

2. *Can the LGU create new positions without corresponding appropriations?*

RA No. 7160 provides that the Sanggunian shall determine the positions and the salaries, wages, allowances and other emoluments and benefits of officials and employees paid wholly or mainly from local funds and provide for expenditures necessary for the proper conduct of programs, projects, services and activities of the local government (*Section 447 [a][1][viii]; Section 458 [a][1][viii]; and Section 468 [a][1][viii], RA No. 7160*).

Accordingly, any position created in the LGU shall be adequately provided with funding requirements for basic salary, including the associated compensation attached to the position such as allowances, RATA if entitled thereto, year-end benefits, etc., for it to be considered a properly created position. Otherwise, a position is not deemed properly created if such had not been fully provided corresponding appropriations for basic salary and other compensation.

3. *Are unfunded positions considered vacant and deemed to be abolished?*

A vacant position is an authorized position in the official plantilla which is unfilled. Although vacant, the same is covered by adequate appropriation for salaries and associated compensation costs.

On the other hand, unfunded positions, that is, those not covered by funds for salaries and associated compensation costs, should be deleted in the plantilla since there are no appropriations to back up their legal existence.

Annex A. Synchronized Planning and Budgeting Calendar

YEAR/MONTH	NG OVERSIGHT AGENCIES GUIDELINES, MANUALS, TOOLS, SYSTEMS	ACTIVITIES		
		NG OVERSIGHT AGENCIES	PROVINCE	CITY/MUNICIPALITY
Year 1 – July	1. RPS Sourcebook (DILG) 2. CDP Guide and Illustrative Guide (DILG)		• (Election Year) Reconstitution of Local Planning Team	• (Election Year) Reconstitution of Local Planning Team
	1. DILG Policy Guidelines on Updating of Local Plans		• Setting of planning guidelines for updating planning database	• Preparation of workplan for updating/preparation of CDP
	1. PLPEM and other reference documents (NEDA)		• Assessment of implementation of current PDPFP	
	1. PLPEM and other reference documents (NEDA) 2. e-SRE (BLGF) 3. LGFPMS (BLGF)	• BLGF generates/updates financial indicators and transmits to Provinces through the DILG	• Updating of planning database	
	1. RPS Sourcebook (DILG) 2. CDP Guide and Illustrative Guide (DILG) 3. LGPMS (DILG) 4. RaPIDS (DILG)	• R a P I D S / L D I S financial indicators from BLGF made available to cities and municipalities by DILG		• Updating of RaPIDS/LDIS • Updating of Ecological Profile
Year 1 – August to November	1. PLPEM and other reference documents (NEDA)		• Formulation of PDPFP (Analysis of the planning environment; Formulation of goals, strategies and objectives; Identification of priority programs, projects and activities)	
	1. RPS Sourcebook (DILG) 2. CDP Guide and Illustrative Guide (DILG) 3. RaPIDS Guide (DILG)			• Formulation of goals, strategies and objectives based on the review and analysis in order to make them more responsive to the current situation and to make them consistent with higher level plans • Identification of priority PPAs to achieve the goals/objectives for the next six years (structured list of PPAs)
Year 1 – September	1. DILG Guidelines on Reconstitution of Local Special Bodies 2. CSO Handbook		• (Election Year) Reconstitution of Local Special Bodies (Local Development Council, Peace and Order Council, Local Health Board and Local School Board)	• (Election Year) Reconstitution of Local Special Bodies (Local Development Council, Peace and Order Council, Local Health Board and Local School Board)

YEAR/MONTH	NG OVERSIGHT AGENCIES GUIDELINES, MANUALS, TOOLS, SYSTEMS	ACTIVITIES		
		NG OVERSIGHT AGENCIES	PROVINCE	CITY/MUNICIPALITY
Year 1 – November-December	DILG Policy Guidelines on Updating of Local Plans		<ul style="list-style-type: none"> Convening of PDC to present draft PDPFPs and Structured List of PPAs of Cities and Municipalities for the purpose of harmonization 	<ul style="list-style-type: none"> Mayor to present Structured List of PPAs to PDC
	PLPEM (NEDA)		<ul style="list-style-type: none"> Approval of PDPFP 	
	RMM (BLGF)	<ul style="list-style-type: none"> BLGF to provide Medium Term Forecasts to Local Treasurers (November) 	<ul style="list-style-type: none"> Medium-Term Revenue (Own-Source and External) Forecasts for Planning Purposes generated (latest year Y_{t-2}) by Local Treasurers 	<ul style="list-style-type: none"> Medium-Term Revenue (Own-Source and External) Forecasts for Planning Purposes generated (latest year Y_{t-2}) by Local Treasurers
	BOM (DBM)		<ul style="list-style-type: none"> Medium-Term Forecasts for Current Operating Expenses prepared by Local Finance Committee 	<ul style="list-style-type: none"> Medium-Term Forecasts for Current Operating Expenses prepared by Local Finance Committee
	1. RPS Sourcebook (DILG) 2. CDP Guide and Illustrative Guide (DILG)			<ul style="list-style-type: none"> Sectoral Development Plans completed (Ranked List of PPAs completed) Preparation of First Draft of LDIP: New Development Investment Financing Potential component
Year 1 December – Year 2 February	PLPEM (NEDA)		<ul style="list-style-type: none"> Formulation of PDIP 	
Year 2 – January	1. CDP Illustrative Guide 2. RMM (BLGF)			<ul style="list-style-type: none"> Finalization of LDIP: Finalization of Local Resource Mobilization Program and Medium Term Financing Plan Drafting of Implementation Instruments: Legislative Requirements, CapDev Agenda and Monitoring and Evaluation Strategy
Year 2 – February	CDP Illustrative Guide (DILG)			<ul style="list-style-type: none"> Finalization of Implementation Instruments
Year 2 – March	CDP Illustrative Guide (DILG)		<ul style="list-style-type: none"> Conduct review of approved CDP and provide feedback to component LGUs 	<ul style="list-style-type: none"> Approval of CDP to include the Implementation Instruments (LDIP, Legislative Requirements, CapDev Program and M&E Strategy) Submission of CDP to the Province for review
	PLPEM and other reference documents (NEDA)		<ul style="list-style-type: none"> Approval of PDIP 	

YEAR/MONTH	NG OVERSIGHT AGENCIES GUIDELINES, MANUALS, TOOLS, SYSTEMS	ACTIVITIES		
		NG OVERSIGHT AGENCIES	PROVINCE	CITY/MUNICIPALITY
Year 2 – May*	1. RPS Sourcebook (DILG) 2. CDP Guide and Illustrative Guide (DILG) 3. RMM (BLGF) 4. BOM (DBM) 5. PLPEM (NEDA)		<ul style="list-style-type: none"> Preparation of AIP by the Local Finance Committee 	<ul style="list-style-type: none"> Preparation of AIP by the Local Finance Committee
Year 2 – June 7*	1. CDP Guide and Illustrative Guide (DILG) 2. BOM (DBM)		<ul style="list-style-type: none"> Approval of AIP by the Local Sanggunian 	<ul style="list-style-type: none"> Approval of AIP by the Local Sanggunian
Year 2 – June 15*	BOM (DBM)	<ul style="list-style-type: none"> Issuance of Local Budget Memorandum on IRA level for ensuing year by DBM 		
Year 2 – June 16*	BOM (DBM)		<ul style="list-style-type: none"> Issuance of Budget Call 	<ul style="list-style-type: none"> Issuance of Budget Call
Year 2 – June 16*	BOM (DBM)		<ul style="list-style-type: none"> Conduct of Budget Forum 	<ul style="list-style-type: none"> Conduct of Budget Forum
Year 2 – July 15*	BOM (DBM)		<ul style="list-style-type: none"> Prepare and submit Budget Proposals (Department Heads) 	<ul style="list-style-type: none"> Prepare and submit Budget Proposals (Department Heads)
Year 2 – August*	BOM (DBM)		<ul style="list-style-type: none"> Conduct of Budget Hearing (August 15) 	<ul style="list-style-type: none"> Conduct of Budget Hearing (August 15)
Year 2 – October*	BOM (DBM)		<ul style="list-style-type: none"> Preparation of Executive Budget (October 10) Submission of Executive Budget to Local Sanggunian for approval (not later than October 16) 	<ul style="list-style-type: none"> Preparation of Executive Budget (October 10) Submission of Executive Budget to Local Sanggunian for approval (not later than October 16)
Year 2 – October 17 onwards*	BOM (DBM)		<ul style="list-style-type: none"> Enactment of an Appropriation Ordinance authorizing the Annual Budget 	<ul style="list-style-type: none"> Enactment of an Appropriation Ordinance authorizing the Annual Budget
Year 2 – Within three (3) days after approval of the Ordinance authorizing the Annual or Supplemental Appropriations*	BOM (DBM)		<ul style="list-style-type: none"> Submission of Appropriation Ordinance to DBM for review 	<ul style="list-style-type: none"> Submission of Appropriation Ordinance to Province for review
Year 2 – Within ninety (90) days from the receipt of the submitted Annual or Supplemental Budgets for review of Provinces, Cities and Municipalities*	BOM (DBM)	<ul style="list-style-type: none"> Review of Appropriation Ordinance of Provinces, HUCs/ICCs and Municipality of Pateros 	<ul style="list-style-type: none"> Review of Appropriation Ordinance of Component Cities and Municipalities 	<ul style="list-style-type: none"> Review of Appropriation Ordinance of Barangays
Year 3 – January-December*	BOM (DBM)		<ul style="list-style-type: none"> Budget Execution Budget Accountability 	<ul style="list-style-type: none"> Budget Execution Budget Accountability
Year 3 – January-December*	PLPEM (NEDA)		<ul style="list-style-type: none"> Monitoring of implementation of the PDPFP and PDIP 	
	1. RPS Sourcebook (DILG) 2. CDP Guide and Illustrative Guide (DILG)			<ul style="list-style-type: none"> Monitoring of implementation of the CDP

YEAR/MONTH	NG OVERSIGHT AGENCIES GUIDELINES, MANUALS, TOOLS, SYSTEMS	ACTIVITIES		
		NG OVERSIGHT AGENCIES	PROVINCE	CITY/MUNICIPALITY
April*	PLPEM (NEDA)		• Adjustment of PDIP	
	CDP Guide and Illustrative Guide (DILG)			• Adjustment of LDIP
Year _n – May*	1. PLPEM (NEDA) 2. CDP Guide and Illustrative Guide (DILG)		• Preparation of AIP	• Preparation of AIP
Year _n – June 7*	1. CDP Guide and Illustrative Guide (DILG) 2. BOM (DBM)		• Approval of AIP	• Approval of AIP

* - recurring every year

Annex B. Proposed Major Final Outputs (MFOs) and Performance Indicators (PIs) of the Different Mandatory Offices in LGUs

OFFICE	MANDATE/FUNCTION	MFOs	PIs	PROGRAMS
LOCAL CHIEF EXECUTIVE	<ul style="list-style-type: none"> ● Exercise general supervision and control over all programs, projects, services and activities of the LGU ● Enforce all laws and ordinances relative to the governance of the LGU and the exercise of the appropriate corporate powers ● Ensure the delivery of basic services and the provision of adequate facilities 	MFO 1: EXECUTIVE GOVERNANCE SERVICES	<p>Percentage of programs/activities/projects (PPAs) fully implemented within prescribed schedule</p> <p>Percentage of policies and ordinances fully enforced</p> <p>Percentage of services delivered rated at least satisfactory by clients</p>	EXECUTIVE GOVERNANCE PROGRAM
LOCAL SANGGUNIANG (including VICE LOCAL CHIEF EXECUTIVE)	<ul style="list-style-type: none"> ● Enact ordinances, approve resolutions and appropriate funds for the welfare of the LGU and its inhabitants ● Approve ordinances and pass resolutions necessary for an efficient and effective local government ● Approve Annual and Supplemental Budgets of the LGU 	MFO 1: LEGISLATIVE SERVICES	<p>Number of ordinances and/or resolutions enacted</p> <p>Percentage of enacted ordinances and/or resolutions rated at least satisfactory by stakeholders</p> <p>Percentage of appropriation ordinances enacted within prescribed deadline</p> <p>Review action completed for all submitted LGU budgets within the prescribed period rated at least satisfactory in the case of Annual Budget</p>	LEGISLATIVE PROGRAM

OFFICE	MANDATE/FUNCTION	MFOs	PIs	PROGRAMS
LOCAL ACCOUNTANT	<ul style="list-style-type: none"> ● Take charge of both the accounting and internal audit services of the LGU ● Review supporting documents before preparation of vouchers to determine completeness of requirements ● Prepare and submit financial statements to the LCE and the sanggunian concerned 	MFO 1: ACCOUNTING SERVICES	<p>Percentage of expenditures with NO adverse COA audit findings</p> <p>Percentage of Bank Reconciliation completed within 5 days from receipt of Bank Statements</p> <p>Percentage of cash advances liquidated within the prescribed deadline</p> <p>Percentage of financial reports submitted within the prescribed deadline</p> <p>Budget Utilization Rate (Obligation and Disbursement)</p>	FINANCIAL ACCOUNTING AND REPORTING PROGRAM
LOCAL ADMINISTRATOR	<ul style="list-style-type: none"> ● Develop management and administration-related plans and strategies upon approval of the LCE ● Delivery of administrative support services during and after man-made and natural disasters and calamities 	MFO 1: MANAGEMENT AND ADMINISTRATIVE SERVICES	<p>Number of management and administration-related plans and strategies of PPAs</p> <p>Percentage of management and administration-related plans/strategies or PPAs approved</p> <p>Percentage of management and administration-related plans/strategies and PPAs implemented</p> <p>Percentage of effectiveness and efficiency of response during disaster/calamities</p>	MANAGEMENT AND ADMINISTRATION PROGRAM
LOCAL AGRICULTURIST	<ul style="list-style-type: none"> ● Delivery of basic agricultural and support services 	MFO 1: AGRICULTURAL PRODUCTION SERVICES	<p>Percentage of agricultural services fully implemented within prescribed schedule</p> <p>Percentage of increase in agricultural/aquacultural productivity of farmers, fishermen and local entrepreneurs</p>	AGRICULTURAL PRODUCTION PROGRAM

OFFICE	MANDATE/FUNCTION	MFOs	PIs	PROGRAMS
LOCAL ASSESSOR	<ul style="list-style-type: none"> ● Ensure all laws and policies governing the appraisal and assessment of real properties for taxation purposes are properly executed ● Exercise the functions of appraisal and assessment primarily for taxation purposes of all real properties in the LGU concerned ● Issue, upon request of any interested party, certified copies of assessment records of real property and all other records relative to its assessment ● Exercise technical supervision and visitorial functions (Provincial Assessor) 	MFO 1: APPRAISAL AND ASSESSMENT SERVICE	<p>Percentage of updated records on the valuation and assessment of real properties</p> <p>Percentage of increase in tax revenues due to appraisal and assessment of real properties</p> <p>Percentage of certificates issued within the prescribed period of issuance</p> <p>Percentage of city/municipal assessors supervised</p>	APPRAISAL AND ASSESSMENT OF REAL PROPERTY PROGRAM
LOCAL BUDGET OFFICER	<ul style="list-style-type: none"> ● Review and consolidate budget proposals of different departments and offices of the LGU ● Assist the LCE in the preparation of the annual and supplemental budgets ● Study and evaluate budgetary implications of proposed legislation and submit comments and recommendations thereon ● Acts as member of the Local Finance Committee 	MFO 1: BUDGET MANAGEMENT SERVICES	<p>On-time submission of consolidated budget proposals to LCE</p> <p>On-time release (within the standard time) of release documents</p> <p>On-time submission of required reports to oversight agencies</p> <p>Percentage of attendance to LFC meetings</p> <p>Percentage of acceptance of the proposed budget by the LCE</p> <p>On-time processing of action documents</p> <p>No overdrafts in appropriation</p>	BUDGET MANAGEMENT PROGRAM

OFFICE	MANDATE/FUNCTION	MFOs	PIs	PROGRAMS
LOCAL ENGINEER	<ul style="list-style-type: none"> ● Administer, coordinate, supervise, and control the construction, maintenance, improvement, and repair of roads, bridges, and other engineering and public works projects of the LGU concerned ● Provide engineering services to the LGU concerned, including investigation and survey, engineering designs, feasibility studies, and project management. ● Regulate and ensure compliance with existing policies in infrastructure development and public works 	MFO 1: ENGINEERING AND INFRASTRUCTURE MANAGEMENT SERVICES	<p>Percentage of infrastructure projects completed according to standards, within project budget and schedule</p> <p>Percentage of reports, designs, studies and other required documents completed within the prescribed schedule/deadline</p> <p>Percentage of permits issued within prescribed schedule (building permits, etc.)</p>	ENGINEERING AND INFRASTRUCTURE MANAGEMENT PROGRAM
LOCAL GENERAL SERVICES OFFICER	<ul style="list-style-type: none"> ● Take custody of and be accountable for all properties, real or personal, and supplies owned by the LGU and those granted to it in the form of donation, reparation, assistance and counterpart of joint projects. ● Maintain and supervise janitorial, security, landscaping and other related services in all local government public buildings and other real property, whether owned or leased by the LGU 	MFO 1: FACILITIES AND SUPPLY MANAGEMENT SERVICES	<p>Percentage of Property, Plant and Equipment of the LGU accounted for in the year-end inventory report submitted on time to the Commission on Audit</p> <p>Quantity of supplies purchased, issued and balances properly maintained</p> <p>Percentage of public buildings and other real property properly maintained</p>	GENERAL SERVICES PROGRAM

OFFICE	MANDATE/FUNCTION	MFOs	PIs	PROGRAMS
LOCAL HEALTH OFFICER	<ul style="list-style-type: none"> ● Formulate and implement policies, plans, programs and projects to promote the health of the people in the LGU concerned ● Information campaign and render health intelligence services 	MFO 1: HEALTH IMPROVEMENT SERVICES	<p>Number of policies formulated and implemented</p> <p>Strategic local health plan prepared within deadline</p> <p>Number of confined/ out-patient served</p> <p>Number of persons provided with health services</p> <p>Number of barangays provided with health information services</p>	HEALTH SERVICES PROGRAM
LOCAL LEGAL OFFICER	<ul style="list-style-type: none"> ● Render his opinion in writing on any question of law when requested to do so by the LCEs, Sanggunian and other department heads ● Represent the LGU in all civil actions and special proceedings 	MFO 1: LEGAL ASSISTANCE AND RESEARCH SERVICES	<p>Percentage of requests for legal opinion/ recommendations acted upon/responded to within 15 days from receipt of request</p> <p>Percentage of cases represented or acted upon</p>	LEGAL SERVICES PROGRAM
LOCAL PLANNING AND DEVELOPMENT COORDINATOR	<ul style="list-style-type: none"> ● Formulate integrated economic, social, physical and other development plans and policies for consideration of the local development council. ● Monitor and evaluate the implementation of the different programs, activities, and projects in the LGU concerned in accordance with the approved development plan 	MFO 1: PLANNING, MONITORING AND EVALUATION SERVICES	<p>Percentage of PPAs in the duly updated approved LDIP derived from the duly updated approved PDPFP/CDP;</p> <p>Percentage of PPAs in the duly approved AIP derived from the annual slice of the duly updated approved LDIP;</p> <p>Percentage of PPAs in the Appropriation Ordinance derived from the duly approved AIP</p> <p>Percentage of project proposals prepared</p> <p>Percentage of projects implemented and monitored</p>	PLANNING, MONITORING AND EVALUATION PROGRAM

OFFICE	MANDATE/FUNCTION	MFOs	PIs	PROGRAMS
LOCAL SOCIAL WELFARE AND DEVELOPMENT OFFICER	<ul style="list-style-type: none"> ● Formulate and implement social welfare measures, plans and strategies ● Be in the frontline of service delivery, particularly those which have to do with immediate relief during and assistance in the aftermath of man-made and natural disasters and calamities 	MFO 1: SOCIAL WELFARE AND DEVELOPMENT SERVICES	Improved response time to social welfare issues and concerns	SOCIAL AND WELFARE DEVELOPMENT PROGRAM
LOCAL TREASURER	<ul style="list-style-type: none"> ● The treasurer shall take charge of the treasury office, perform the duties provided for under Book II of the LGC. ● Take custody and exercise proper management of the funds of the LGU concerned. ● Submit to the LCE certified statement of income and expenditures for budget preparation purposes 	MFO 1: TREASURY OPERATIONS SERVICES	<p>Percentage of actual revenues over estimated revenues for the current year</p> <p>Percentage increase of collections for the current year over last year</p> <p>Percentage of notices issued to delinquent taxpayers within the prescribed period.</p> <p>Percentage of civil remedies/actions filed against delinquent taxpayers within the prescribed period.</p> <p>Percentage of collections duly receipted and intactly deposited the following banking day</p> <p>Submission of detailed statement of receipts and expenditures within the prescribed period</p>	TREASURY OPERATIONS PROGRAM

OFFICE	MANDATE/FUNCTION	MFOs	PIs	PROGRAMS
LOCAL VETERINARIAN	<ul style="list-style-type: none"> ● Regulate the keeping of domestic animals. ● Regulate and inspect poultry, milk and dairy products for public consumption ● Enforce all laws and regulations for the prevention of cruelty to animals. ● Take the necessary measures to eradicate, prevent or cure all forms of animal diseases 	MFO 1: VETERINARY REGULATION SERVICES	<p>Percentage of required laws, acts and other regulatory guidelines implemented/ enforced</p> <p>Percentage of reported animal diseases treated</p>	VETERINARY REGULATION PROGRAM

Annex C. The Services Falling Under Each of the Major Sectors Pursuant to the New Government Accounting System (NGAS) of the Commission on Audit (COA)

General Public Services Sector

- Executive Services
- Legislative Services
- Planning and Development Coordination Services
- Budgeting Services
- Treasury Services
- Accounting Services
- Administrative Services
- Civil Registry Services
- General Services
- Assessment of Real Property Services
- Auditing Services
- Information Services
- Legal Services
- Prosecution Services
- Administration of Justice Services
- Land Registration Services
- Claim Registration Services
- Police Services
- Fire Protection Services
- Repair and Maintenance of Government Facilities

Social Services Sector

- Education and Manpower Development
 - Public Education Services
 - Medical Subsidiary Services
 - Manpower Development Services
 - Sports Center, Athletic Field, and Playground Maintenance Service cultural Project Services
 - Cultural/Conference/Convention Center
 - Operation Services
- Health
 - Health Services
 - Field Projects (Immunization, Inoculation, Blood Donor Services)
 - Day Care Clinic

Hospital Services

Chest Clinic

- Housing and Community Development

- Housing Projects

Sanitary Services

Street Cleaning

Garbage Collection

Sewerage and Drainage

Street Lighting

Community Development Services

Economic Services Sector

- Agricultural Services

- Veterinary Services

- Natural Resources Services

- Architectural Services

- Engineering Services

- Economic Enterprises and Public Utilities Operation Services

- Tourism Services

Other Services

Services that cannot be categorized in any of the sectors identified above shall be under other services.

Annex D. Coding Structure by Type of LGU and Office

1	Province		
1	01	Mandatory Offices	
1	01	001	Office of the Governor
1	01	002	Office of the Vice-Governor
1	01	003	Office of the Members of the Sangguniang Panlalawigan
1	01	004	Office of the Secretary to the Sangguniang Panlalawigan
1	01	005	Office of the Provincial Treasurer
1	01	006	Office of the Provincial Assessor
1	01	007	Office of the Provincial Accountant
1	01	008	Office of the Provincial Engineer
1	01	009	Office of the Provincial Budget Officer
1	01	010	Office of the Provincial Planning and Development Coordinator
1	01	011	Office of the Provincial Legal Officer
1	01	012	Office of the Provincial Administrator
1	01	013	Office of the Provincial Health Officer
1	01	014	Office of the Provincial Social Welfare and Development Officer
1	01	015	Office of the Provincial General Services Officer
1	01	016	Office of the Provincial Agriculturist
1	01	017	Office of the Provincial Veterinarian
1	02	Optional Offices	
1	02	001	Office of the Provincial Population Officer
1	02	002	Office of the Provincial Natural Resources and Environment Officer
1	02	003	Office of the Provincial Cooperative Officer
1	02	004	Office of the Provincial Architect
1	02	005	Office of the Provincial Information Officer
1	03	Others	
2	Cities		
2	01	Mandatory Offices	
2	01	001	Office of the City Mayor
2	01	002	Office of the City Vice-Mayor
2	01	003	Office of the Sangguniang Panlungsod Members
2	01	004	Office of the Secretary to the Sangguniang Panlungsod
2	01	005	Office of the City Treasurer
2	01	006	Office of the City Assessor
2	01	007	Office of the City Accountant
2	01	008	Office of the City Budget Officer
2	01	009	Office of the City Planning and Development Coordinator
2	01	010	Office of the City Engineer
2	01	011	Office of the City Health Officer
2	01	012	Office of the City Civil Registrar

2	01	013	Office of the City Administrator
2	01	014	Office of the City Legal Officer
2	01	015	Office of the City Veterinarian
2	01	016	Office of the City Social Welfare and Development Officer
2	01	017	Office of the City General Services Officer
2	02	Optional Offices	
2	02	001	Office of the City Architect
2	02	002	Office of the City Information Officer
2	02	003	Office of the City Agriculturist
2	02	004	Office of the City Population Officer
2	02	005	Office of the City Environment and Natural Resources Officer
2	02	006	Office of the City Cooperatives Officer
2	03	Others	
3	Municipalities		
3	01	Mandatory Offices	
3	01	001	Office of the Municipal Mayor
3	01	002	Office of the Municipal Vice-Mayor
3	01	003	Office of the Sangguniang Bayan Members
3	01	004	Office of the Secretary to the Sangguniang Bayan
3	01	005	Office of the Municipal Treasurer
3	01	006	Office of the Municipal Assessor
3	01	007	Office of the Municipal Accountant
3	01	008	Office of the Municipal Budget Officer
3	01	009	Office of the Municipal Planning and Development Coordinator
3	01	010	Office of the Municipal Engineer/Building Official
3	01	011	Office of the Municipal Health Officer
3	01	012	Office of the Municipal Civil Registrar
3	02	Optional Offices	
3	02	001	Office of the Municipal Administrator
3	02	002	Office of the Municipal Legal Officer
3	02	003	Office of the Municipal Agriculturist
3	02	004	Office of the Municipal Environment and Natural Resources Officer
3	02	005	Office of the Municipal Social Welfare and Development Officer
3	02	006	Office of the Municipal Architect
3	02	007	Office of the Municipal Information Officer
3	03	Others	

Annex E. AIP Summary Form

CY ____ Annual Investment Program (AIP)													
As of _____													
Province/City/Municipality/Barangay: _____													
AIP Reference Code	Program/Project/Activity Description	Implementing Office/ Department	Schedule of Implementation		Expected Outputs	Funding Source	Amount (in thousand pesos)				Amount of Climate Change PPAs (in thousand pesos)		
			Start Date	Completion Date			Personal Services (PS)	Maintenance and Other Operating Expenses (MOOE)	Capital Outlay (CO)	Total	Climate Change Adaptation	Climate Change Mitigation	CC Typology Code
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11) 8+9+10	(12)	(13)	(14)
General Services (1000)													
Social Services (3000)													
Economic Services (8000)													
Other Services (9000)													

Prepared by:

Attested by:

Planning Officer_____
Budget Officer_____
Local Chief Executive

Annex E-1

Local Government Unit: _____

GAD Plan and Budget

Budget Year: _____

AIP Reference Code	Sector	P/A/P	Implementing Office/Department	Target Output		Estimated Cost		Implementation Schedule
				AIP	AB	AIP	AB	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL						P	P	
<div> <div>Prepared by:</div> <div>Approved:</div> </div>								
<div> <div>Planning and Development Coordinator</div> <div>Local Budget Officer</div> <div>Local Chief Executive</div> </div>								
<p>INSTRUCTIONS: This form is an aggrupation of the programs, activities and projects identified/mainstreamed for the <u>Gender and Development</u> in the AIP:</p> <p>Column 1 - AIP Reference Code</p> <p>Column 2 - Indicate the Sector</p> <p>Column 3 - Program, Activity and Project</p> <p>Column 4 - Implementing Office/Department</p> <p>Column 5 - Target Output as indicated in the AIP</p> <p>Column 6 - Target Output as indicated in the Annual Budget</p> <p>Column 7 - Estimated Cost as indicated in the AIP</p> <p>Column 8 - Estimated Cost as proposed in the Annual Budget</p> <p>Column 9 - Period of Implementation schedule/duration of the program, activity, project</p> <p>Prescribed format under PCW-DILG-DBM-NEDA Joint Memorandum Circular 2013-01.</p>								

Local Government Unit: _____
LOCAL DISASTER RISK REDUCTION AND MANAGEMENT PLAN
 Budget Year: _____

AIP Reference Code	Sector	P/A/P	Implementing Office/Department	Target Output		Estimated Cost		Implementation Schedule
				AIP	AB	AIP	AB	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL						P	P	

Prepared by: _____ Approved: _____

Planning and
Development
Coordinator

Local Budget Officer

Local Chief Executive

INSTRUCTIONS: This form is an aggrupation of the programs, activities and projects identified/mainstreamed for the Local Disaster Risk Reduction Management in the AIP:

Column 1 - AIP Reference Code

Column 2 - Indicate the Sector

Column 3 - Program, Activity and Project

Column 4 - Implementing Office/Department

Column 5 - Target Output as indicated in the AIP

Column 6 - Target Output as indicated in the Annual Budget

Column 7 - Estimated Cost as indicated in the AIP

Column 8 - Estimated Cost as proposed in the Annual Budget

Column 9 - Period of Implementation schedule/duration of the program, activity, project

Annex E-3

Local Government Unit: _____

LOCAL CLIMATE CHANGE ACTION PLAN

Budget Year: _____

AIP Reference Code	Sector	P/A/P	Implementing Office/Department	Target Output		Estimated Cost		Implementation Schedule
				AIP	AB	AIP	AB	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL						P	P	
<div> <div>Prepared by: _____</div> <div>Approved: _____</div> </div> <div> <div>Planning and Development Coordinator</div> <div>Local Budget Officer</div> <div>Local Chief Executive</div> </div>								
INSTRUCTIONS: This form is an aggregation of the programs, activities and projects identified/mainstreamed for the <u>Local Climate Change Action</u> in the AIP: <ul style="list-style-type: none"> Column 1 - AIP Reference Code Column 2 - Indicate the Sector Column 3 - Program, Activity and Project Column 4 - Implementing Office/Department Column 5 - Target Output as indicated in the AIP Column 6 - Target Output as indicated in the Annual Budget Column 7 - Estimated Cost as indicated in the AIP Column 8 - Estimated Cost as proposed in the Annual Budget Column 9 - Period of Implementation schedule/duration of the program, activity, project 								

Local Government Unit: _____

LIST OF PPAS FOR THE LOCAL COUNCIL FOR THE PROTECTION OF CHILDREN

Budget Year: _____

AIP Reference Code	Sector	P/A/P	Implementing Office/Department	Target Output		Estimated Cost		Implementation Schedule
				AIP	AB	AIP	AB	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL						P	P	
<div> <div>Prepared by: _____</div> <div>Approved: _____</div> </div> <div> <div>Planning and Development Coordinator</div> <div>Local Budget Officer</div> <div>Local Chief Executive</div> </div>								
INSTRUCTIONS: This form is an aggrupation of the programs, activities and projects identified/mainstreamed for the <u>Implementation of Programs for the Local Council for the Protection of Children</u> in the AIP; Column 1 - AIP Reference Code Column 2 - Indicate the Sector Column 3 - Program, Activity and Project Column 4 - Implementing Office/Department Column 5 - Target Output as indicated in the AIP Column 6 - Target Output as indicated in the Annual Budget Column 7 - Estimated Cost as indicated in the AIP Column 8 - Estimated Cost as proposed in the Annual Budget Column 9 - Period of Implementation schedule/duration of the program, activity, project								

Annex E-5

Local Government Unit: _____

LIST OF PPAS FOR SENIOR CITIZENS AND PERSONS WITH DISABILITIES

Budget Year: _____

AIP Reference Code	Sector	P/A/P	Implementing Office/Department	Target Output		Estimated Cost		Implementation Schedule
				AIP	AB	AIP	AB	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL						P	P	
<div> <div>Prepared by: _____</div> <div>Approved: _____</div> </div>								
<div> <div>Planning and Development Coordinator</div> <div>Local Budget Officer</div> <div>Local Chief Executive</div> </div>								
<p>INSTRUCTIONS: This form is an aggrupation of the programs, activities and projects identified/mainstreamed for the <u>Senior Citizens and Persons with Disabilities</u> in the AIP:</p> <p>Column 1 - AIP Reference Code</p> <p>Column 2 - Indicate the Sector</p> <p>Column 3 - Program, Activity and Project</p> <p>Column 4 - Implementing Office/Department</p> <p>Column 5 - Target Output as indicated in the AIP</p> <p>Column 6 - Target Output as indicated in the Annual Budget</p> <p>Column 7 - Estimated Cost as indicated in the AIP</p> <p>Column 8 - Estimated Cost as proposed in the Annual Budget</p> <p>Column 9 - Period of Implementation schedule/duration of the program, activity, project</p>								

PEACE AND ORDER PLAN

Budget Year: _____

214

Local Government Unit: _____
 LIST OF PPAS TO COMBAT ACQUIRED IMMUNE DEFICIENCY SYNDROME
 Budget Year: _____

AIP Reference Code	Sector	P/A/P	Implementing Office/Department	Target Output		Estimated Cost		Implementation Schedule
				AIP	AB	AIP	AB	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
TOTAL						P	P	

Prepared by: _____ Approved: _____

Planning and Development Coordinator _____ Local Budget Officer _____ Local Chief Executive _____

INSTRUCTIONS: This form is an aggrupation of the programs, activities and projects identified/mainstreamed for the Acquired Immune Deficiency Syndrome in the AIP:

Column 1 - AIP Reference Code

Column 2 - Indicate the Sector

Column 3 - Program, Activity and Project

Column 4 - Implementing Office/Department

Column 5 - Target Output as indicated in the AIP

Column 6 - Target Output as indicated in the Annual Budget

Column 7 - Estimated Cost as indicated in the AIP

Column 8 - Estimated Cost as proposed in the Annual Budget

Column 9 - Period of Implementation schedule/duration of the program, activity, project

Glossary of Terms

Accountability - Holding local government officials answerable to the public where their authority is derived, for use of public resources, to face consequences for their actions inside and outside of government.

Activity - A work process designed to contribute to the accomplishment of specific objectives and the implementation of a program, sub-program, or project.

Annual Budget - Refers to the financial plan embodying the estimates of income and expenditures for One (1) fiscal year (Section 306 [a], RA No. 7160).

Annual Investment Program (AIP) - Refers to the annual slice of the Local Development Investment Program (LDIP) which constitutes the total resource requirements for all PPAs.

Appropriations - Refers to an authorization made by ordinance, directing the payment of goods and services from local government funds under the specified conditions or for specific purposes (Section 306 [b], RA No. 7160).

Allotment - An authorization issued to a Department/Office by an LGU to allow the latter to incur obligation for specified amounts contained in an appropriation ordinance.

Appropriation Ordinance - Refers to the law or ordinance passed by the Local Sanggunian directing the payment of goods and services from local government funds.

Allocation - This is the amount earmarked for a specific program, activity or project to pursue a development objective.

Budget Deficit - A financial status to which government expenditures exceed revenues.

Bottom-Up-Budgeting - An approach to preparing the budget proposal of agencies, taking into consideration the development needs of provinces, cities and municipalities as identified in their local poverty reduction program.

Budget Authorization - The second phase of the local budget process where local receipts and revenue are authorized for expenditure for local development.

Budget Preparation - The first phase of the local budget process where generated funds are allocated to prioritized programs/activities/projects of the LGU to pursue its development goal.

Budget Accountability - The last phase of the budget process where all funds are accounted for at End of the year to explain what PPAs were implemented, where funds were spent and Utilized and results were attained.

Budget Review - This is the third phase of the local budget process where the local budget is subjected to scrutiny and evaluation in pursuance of the Local Government Code.

Budget Execution - This the fourth phase of the local budget process where the authorized budget is Used to implement approved PPAs.

Capital Expenditures or Capital Outlays - An allotment class to be spent for the purchase of goods and services that add to government assets, including infrastructure outlays, purchase of vehicles, and Investments in the capital stock of government corporation.

Civil Society Organizations - A non-state and non-profit association that works to improve society and the Human condition.

Comprehensive Development Plan (CDP) - A multi-sectoral plan formulated at the City/municipal level embodying the vision, sectoral goals, objectives, and policies within the term of LGU Officials and the medium term.

Continuing Appropriations - These are expenditures incurred and committed to be paid by the local Government for a specific purpose or project even when these obligations are incurred beyond the budget year. **For revisiting.**

CSO Representative - A member CSO who is authorized by the CSO to participate in the local budget Process of a particular LGU.

Debt Service-The sum loan repayments, interest payments, commitment fees, and other bank charges on foreign or domestic borrowings.

Financial Expenditures - A new allotment class for management supervision, which includes interest expenses, trusteeship fees, bank charges, and other financial charges.

Income - Refers to revenues and receipts collected or received forming the gross accretions of funds of the local government unit (Section 306[i], RA No. 7160).

Local Development Council (LDC) - The body mandated by law to assist the corresponding Sanggunian in setting the direction of economic and social development, and coordinating Development efforts within the territorial jurisdiction of the LGU.

Local Development Investment Program - A basic document linking the plan to the budget. It contains a prioritized list of PPAs which are derived from the CDP in the case of Cities and municipalities, and the PDPFP, in the case of provinces. The LDIP should include PPAs to be implemented and financed annually within a 3 to 6 year period.

Major Final Outputs (MFOs) - Goods and services that a department/office in the LGU should deliver to constituents through the implementation of programs, activities and projects. These MFOs have corresponding performance indicators according to quality, quantity and timeliness.

Maintenance and Other Operating Expenses (MOOE)-An allocation to support the operations of local government units including those for supplies and materials, transportation and travel, utilities and other maintenance activities.

Non-tax Revenues - Fees, charges and other government collections in exchange for services rendered and penalties imposed.

Participatory Budgeting - Is an approach wherein citizens, through CSOs are allowed to take part in the process of allocating public resources.

Programmed Appropriations - Appropriations in the ordinance that are supported by existing resources and can be released during the budget year.

Program - A homogenous group of activities necessary for the performance of major purpose for which the LGU is established.

Project - A special undertaking to be carried out within a definite time frame which is intended to result in some pre-determined measure of goods and services.

Receipts - Refer to income realized from operations and activities of the local government or are received by it in the exercise of its corporate functions, consisting of charges for services rendered, conveniences furnished, or the price of a commodity sold, as well as loans, contributions or aids from other entities, except provisional advances for budgetary purposes (Section 306 [I], RA No. 7160).

Resources - Refers to the revenues, gross borrowings free or unencumbered cash balances.

Revenues - Refer to the income derived from the regular system of taxation enforced under authority of law or ordinance and, as such, accrue more or less regularly every year (Section 306[m], RA No. 7160).

Reversion - refer to the moving of an unexpended balance of an appropriation to the unappropriated surplus of the general fund at the end of the fiscal year and shall not be available for expenditures except by subsequent enactment.

Stakeholders - people or organization that may come from either within or outside the LGU. The ones most commonly-referred to as stakeholders in an LGU setting are its constituents or clients. These are the businessmen, private-sector groups, senior citizens, women, farmers, fishermen, differently-able, indigents and disadvantaged-members of society.

Supplemental Budget - A budget that is enacted after the Annual Budget. Changes in the annual May be done through supplemental budgets pursuant to Section 321 of RA No. 7160.

Savings - refer to portions or balances of programmed appropriations which have not been released or obligated resulting from: i) discontinuance by the head of the agency concerned of the program, activity or project (P/A/P), for justifiable causes or for causes not attributable to the fault or negligence of the agency and which will render it impossible to implement the said P/A/P; ii) Non-commencement or inability of the agency to obligate an allotment for causes not attributable to the fault or negligence of the agency and which will render it impossible to implement the said P/A/P; iii) improved systems and efficiencies in the implementation of P/A/Ps and delivery of services which are consistent with their performance targets; iv) a lower contract cost than that provided in the approved budget for the contract; and v) unused personal services costs pertaining to a) unfilled, vacant or abolished positions; b) non-entitlement to allowance and benefits; c) leaves of absence without pay; and d) death of pensioners, decrease in the number of retirees, or other related causes.

Tax Revenues - Compulsory charges or levies imposed by the local government on real property. Goods and services, individuals, and entities like income tax, value-added tax, and special l taxes.

Transparency - Full disclosure of all local government transactions, which should include programs/activities/projects which are relevant, timely, and accessible/accurate information on local governance.

Unprogrammed Appropriations - Appropriations in the Local Annual Budget that can only be utilized when revenue collections exceed targets, and when new revenue sources arise, or when loans are approved for specific projects.

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