



WEST COAST DISTRICT MUNICIPALITY

BUDGET ADJUSTMENT POLICY

This policy was adopted by the West Coast District Municipality on 07 December 2016, in compliance with the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)

Effective Date: 1 JULY 2016

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1. DEFINITIONS

1.1. In this policy, unless the context indicates otherwise, the following definitions are applied –

- a) ‘Accounting Officer’ means the Municipal Manager for the Municipality within the meaning of Section 82 of the Municipal Structures Act, 1998 (Act No.117 of 1998);
- b) ‘CFO’ means Chief Financial Officer;
- c) ‘MFMA’ means the Municipal Finance Management Act (Act No. 56 of 2003);
- d) ‘Senior manager’ is an official reporting directly to the accounting officer and administratively in charge of a municipal Directorate (commonly known as Director’s);
- e) ‘Sub-vote’ means a budget for a specific section or area of responsibility as set out within the detailed budget of the municipality;
- f) ‘Budget Adjustment’ means the transfer of budgetary provision from one budget head or vote to another budget head or vote;
- g) ‘Vote’ means –
 - i. one of the main segments into which a budget of a municipality is divided for the appropriation of money for the different departments or functional areas of the municipality; and
 - ii. that specifies the total amount that is appropriated for the purposes of the department or functional area concerned. The municipality’s votes are the separate functions below within each directorate –
 - **Executive and Council;**
 - **Administration Services;**
 - **Financial Services; and**
 - **Technical Services**

2. OBJECTIVE

- 2.1.** The West Coast District Municipality resolves in terms of the MFMA to implement a *Budget Adjustment* policy that -
- a)** enables the council, Executive Committee, Portfolio Committees, *accounting officer, senior managers* and their staff, to manage budgets with a degree of flexibility within the overall policy framework determined by the council; and
 - b)** optimises the use of resources by ensuring adequate funding is available to defray expenditure that is incurred in a particular *vote* or *sub-vote*, by offsetting savings in another *vote* or *sub-vote* or additional revenue.

3. DELEGATION OF BUDGET ADJUSTMENT POWERS AND DUTIES

- 3.1.** The council hereby delegates such additional powers and duties to the *accounting officer* so as to enable the *accounting officer* –
- a)** to discharge the financial management responsibilities conferred on him in terms of –
 - i.** chapter 8 of the *MFMA*; and
 - ii.** ensuring an effective control system for this Budget Adjustment policy;
 - b)** to maximise administrative and operational efficiency in the implementation of the Budget Adjustment policy;
- 3.2.** Sections 79 and 106 of the *MFMA* apply to the sub-delegation of powers and duties delegated to an *accounting officer* in terms of paragraph 3.1 of this policy.
- 3.3.** There can be no budget adjustment between capital and operating budgets, at any level, unless approved in advance by the council.
- 3.4.** There can be no budget adjustments made on the revenue side, unless approved in advance by the council.
- 3.5.** *Budget adjustments* from an employee budget (salary or benefit related) to a non-employee budget, and vice versa, is not permitted without the specific prior approval of the Accounting Officer.
- 3.6.** The council or *accounting officer* may not delegate or sub-delegate any virement powers or duties to a person who is not an official of the municipality.

4. SUB-DELEGATIONS

- 4.1.** The council hereby delegates authority to the *accounting officer* to approve budget adjustments within and between *sub-votes* up to a cumulative value for the financial year of R1 million or 25% of the total *sub-vote* (whichever is the lesser amount). Above this level requires council approval.
- 4.2.** The *accounting officer* may in terms of section 79 or 106 of the MFMA sub-delegate any budget adjustment responsibilities, including those delegated to the *accounting officer* in terms of this policy, but any such sub-delegation must be consistent with other provisions within this policy.
- 4.3.** The power to approve a budget adjustment –
- a)** between *votes* may not be sub-delegated except as outlined in paragraph 5.1;
 - b)** between different departments or within the same department, and within the same vote, may be sub-delegated by the *accounting officer*, but only to the *CFO or DELEGATE* and only in line with this policy.;

5. BUDGET ADJUSTMENT PROCESS

- 5.1.** Budget adjustments between *votes* must be approved by the council in advance of their implementation, except in the case of an emergency as determined by the *accounting officer* including, but not limited to, –
- a)** unforeseen and unavoidable expenditure for which no provision was made in the budget and in line with the adopted policy; and
 - b)** expenditure in relation to cases of emergency as described in the municipality's supply chain management policy;
- in which case the *accounting officer* must agree the budget adjustment with the mayor and report it to the next council meeting as per policy.
- 5.2.** All budget adjustments must be reported to council as required in terms of sections 71 and 72 of the *MFMA* and, if required, as part of the adjustments budget in accordance with section 28 of the *MFMA*.
- 5.3.** All budget adjustments must be reported to, and recorded by, the *CFO*. *Senior managers* must provide the *CFO* with relevant and timely information in accordance with the prescribed format as determined by the *CFO*.

6. COMMENCEMENT

6.1. This policy takes effect on 1 July 2016.

APPENDIX TO BUDGET ADJUSTMENTS POLICY

Municipal Finance Management Act, 2003 (Act No.56 of 2003)

Key sections applicable to budget adjustment policy

Section

15 Appropriation of funds for expenditure

A municipality may, except where otherwise provided in this Act, incur expenditure only –

- a. In terms of the approved budget; and
- b. Within the limits of the amounts appropriated for the different votes in the approved budget.

28 Municipal adjustments budget

(1) A municipality may revise an approved annual budget through an adjustments budget.

(2) An adjustments budget -

- c. must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year;
- d. may appropriate additional revenues that have become available over and above those anticipated in the annual budget, but only to revise or accelerate spending programmes already budgeted for;
- e. may, within a prescribed framework, authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality;
- f. may authorise the utilisation of projected savings in one vote towards spending under another vote;
- g. may authorise the spending of funds that were unspent at the end of the past financial year where the under-spending could not reasonably have been foreseen at the time to include projected roll-overs when the annual budget for the current year was approved by the council;
- h. may correct any errors in the annual budget; and

- i. may provide for any other expenditure within a prescribed framework.
- (3) An adjustments budget must be in a prescribed form.
- (4) Only the mayor may table an adjustments budget in the municipal council, but an adjustments budget in terms of subsection (2) (b) to (g) may only be tabled within any prescribed limitations as to timing or frequency. adjustments budget must be in a prescribed form.
- (5) When an adjustments budget is tabled, it must be accompanied by-
 - a. an explanation how the adjustments budget affects the annual budget;
 - b. a motivation of any material changes to the annual budget;
 - c. an explanation of the impact of any increased spending on the annual budget and the annual budgets for the next two financial years; and
 - d. any other supporting documentation that may be prescribed.
- (6) Municipal tax and tariffs may not be increased during a financial year except when required in terms of a financial recovery plan.
- (7) Sections 22(b), 23(3) and 24(3) apply in respect of an adjustments budget, and in such application a reference in those sections to an annual budget must be read as a reference to an adjustments budget.

69 Budget implementation

- (1) The accounting officer of a municipality is responsible for implementing the municipality's approved budget, including taking all reasonable steps to ensure –
 - a. that the spending of funds is in accordance with the budget and is reduced as necessary when revenue is anticipated to be less than projected in the budget or in the service delivery and budget implementation plan; and
 - b. that revenue and expenditure are properly monitored.
- (2) When necessary, the accounting officer must prepare an adjustments budget and submit it to the mayor for consideration and tabling in the municipal council.
- (3) The accounting officer must no later than 14 days after the approval of an annual budget submit to the mayor-

- a. a draft service delivery and budget implementation plan for the budget year; and
- b. drafts of the annual performance agreements as required in terms of section 57(1) (b) of the Municipal Systems Act for the municipal manager and all senior managers

71 Monthly budget statements

(1) The accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement in the prescribed format on the state of the municipality's budget reflecting the following particulars for that month and for the financial year up to the end of that month –

- a. actual revenue, per revenue source;
- b. actual borrowings;
- c. actual expenditure, per vote;
- d. actual capital expenditure, per vote;
- e. the amount of any allocations received;
- f. actual expenditure on those allocations, excluding expenditure on –
 - i. any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
 - ii. any material variances from the service delivery and budget implementation plan; and
 - iii. any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

(2) The statement must include-

- a. a projection of the relevant municipality's revenue and expenditure for the rest of the financial year, and any revisions from initial projections; and
- b. the prescribed information relating to the state of the budget of each municipal entity as provided to the municipality in terms of section 87(10).

(3) The amounts reflected in the statement must in each case be compared with the corresponding amounts budgeted for in the municipality's approved

budget.

(4) The statement to the provincial treasury must be in the format of a signed document and in electronic format.

(5) The accounting officer of a municipality which has received an allocation referred to in subsection (1) (e) during any particular month must, by no later than 10 working days after the end of that month, submit that part of the statement reflecting the particulars referred to in subsection (1) (e) and (f) to the national or provincial organ of state or municipality which transferred the allocation.

(6) The provincial treasury must by no later than 22 working days after the end of each month submit to the National Treasury a consolidated statement in the prescribed format on the state of the municipalities' budgets, per municipality and per municipal entity.

(7) The provincial treasury must, within 30 days after the end of each quarter, make public as may be prescribed, a consolidated statement in the prescribed format on the state of municipalities' budgets per municipality and per municipal entity. The MEC for finance must submit such consolidated statement to the provincial legislature no later than 45 days after the end of each quarter.

72 Mid-year budget and performance assessment

(1) The accounting officer of a municipality must by 25 January of each year—

- a. assess the performance of the municipality during the first half of the financial year, taking into account—
 - i. the monthly statements referred to in section 71 for the first half of the financial year;
 - ii. the municipality's service delivery performance during the first half of the financial year, and the service delivery targets and performance indicators set in the service delivery and budget implementation plan;
 - iii. the past year's annual report, and progress on resolving problems identified in the annual report; and
 - iv. the performance of every municipal entity under the sole or shared control

of the municipality, taking into account reports in terms of section 88 from any such entities; and

b. submit a report on such assessment to-

i. the mayor of the municipality;

ii. the National Treasury; and

iii. the relevant provincial treasury.

(3) The accounting officer must, as part of the review-

a. make recommendations as to whether an adjustments budget is necessary; and

b. recommend revised projections for revenue and expenditure to the extent that this may be necessary.