O.R. TAMBO
DISTRICT MUNICIPALITY

Adjustment Budget Management Policy

2025-2026

O.R.TAMBO DISTRICT MUNICIPALITY
APPROVED

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1. PREAMBLE/INTRODUCTION

This policy is dealing with the adjustment budget and of when an adjustment budget should be done by the municipality.

2. ACRONYMS AND ABBREVIATIONS

CFO – Chief Financial Officer

CM – Council Minute

COGTA – Corporative Government and Traditional Affairs

IDP – Integrated Development Plan

MBRR – Municipal Budget Reporting Regulations

MFMA – Municipal Finance Management Act, Act No. 56 of 2003

MSA – Municipal Systems Act, Act No.32 of 2000

MSTA – Municipal Structures Act

MTREF – Medium Term Revenue and Expenditure Framework

SALGA – South African Local Government Association

SALGBC – South African Local Government Bargaining Council

SARS – South African Revenue Services

SCM – Supply Chain Management

SDBIP - Service delivery and budget implementation plan

3. DEFINITION OF TERMS

WORD	DEFINITION
Budget Adjustment Policy	Means the Budget adjustment Policy of the Municipality as envisaged in terms of regulation 8 of the Regulations.
MFMA	Means the Local Government: Municipal Finance Management Act, Act 56 of 2003 and the regulations promulgated in terms of this act.
Municipality	OR Tambo District Municipality.
Vote	Means 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
Executive mayor	Means the councillor elected as the executive mayor of the municipality in terms of section 55 of the Municipal Structures Act
Accounting officer	Means a person appointed in terms of section 82(I) (a) or (b) of the Municipal Structures Act

4. LEGAL/STATUTORY FRAMEWORK

Regulation 7 (1) (m) (ii) of the MFMA requires that each municipality must have policies relating to budget implementation and monitoring including a policy dealing with the introduction and adjustment of budgets.

In terms of section 28 of the MFMA, the municipality may adjust approved budget under the following circumstances:

1. To adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue during the current year
2. To 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
3. To authorise unforeseeable and unavoidable expenditure recommended by the mayor of the municipality within a prescribed framework
4. To authorise the utilisation of projected savings in one vote towards spending under another vote
5. 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
6. Correct any errors in the annual budget
7. Provide for any other expenditure within a prescribed framework

5. PURPOSE AND OBJECTIVES OF THE POLICY

1. The rational for this report is to obtain Council approval for the implementation of Adjustment Budget Management Policy in line with the Municipal Finance Management Act (MFMA), 2003, (Act 56 of 2003), in order:
2. To establish, maintain and approve a policy framework by which Executive Managers, Managers and Specialists can compile, control and review departmental budgets to ensure effective financial management;

3. To assist **Executive Mayor, Mayoral Committee, Accounting Officer, Executive Managers, Managers and Officials** to identify (detect) financial problems on time and during the adjustment process so as to implement intervention,
4. A municipality has to revise an approved annual budget through an adjustments budget. The adjustment budget must adjust the revenue and expenditure estimates downwards if there is material under-collection of revenue. It may also appropriate revenues that have become available, or it may authorize certain other adjustments elucidated in the Act. Only the Mayor may table an adjustments budget in the municipal council.
5. An adjustment may be tabled in the municipal council at any time after the mid-year budget and performance assessments has been tabled in the council, but not later than 28 February of the current year.
6. Only one adjustments budget may be tabled in the municipal council during a financial year, except when the additional revenues are allocated to a municipality in a national or provincial adjustments budget.
7. The mayor may within 60 days after unforeseeable and unavoidable expenditure was incurred for the purpose of an emergency or other exceptional circumstance and for which no provision was made in an approved budget, table an adjustments budget.
8. An adjustments budget as per MFMA section 28 (2) (g) may only authorize unauthorized expenditure as anticipated by section 32 (2) (a) (i) of the MFMA, and must deal with –

1.1. A special adjustments budget tabled in the municipal council when the mayor tables the annual report in terms of section 127 (2) of the Act, which may only deal with unauthorized expenditure from the previous financial year which the council is being requested to authorize in terms of section 32 (2) (a) (i) of the MFMA.

6. SCOPE/APPLICATION OF THE POLICY

6.1. Guiding Principles

6.1.1. Each adjustments budget shall reflect realistic excess, however nominal, of current revenues over expenses.

6.1.2. The Chief Financial Officer shall ensure that the adjustments budgets comply with the requirements of the National Treasury reflect the budget priorities determined by the executive mayor, are aligned with the IDP, and comply with all budget-related policies, and shall make recommendations to the executive mayor on the revision of the IDP and the budget-related policies where these are indicated.

6.1.3. Only the mayor shall table an adjustments budget. Adjustments budget shall be done at most three times a year after the end of each quarter and be submitted to Council in the following months:

i. In October - to adjust funding rolled over from the previous financial year as well as to include additional funding that has become available from external sources,

ii. February - to take into account recommendations from the mid-year budget and performance report tabled to Council in January that affect the annual budget

iii. May - final budget adjustment to adjust current year's budget in cases where there is an indication that there will be rolling over of funding to the next financial year

6.1.4. An adjustments budget must contain all of the following:

i. an explanation of how the adjustments affect the approved annual budget;

ii. appropriate motivations for material adjustments; and

iii. an explanation of the impact of any increased spending on the current and future annual budgets.

6.1.5. Any unappropriated surplus from previous financial years, even if fully cash-backed, shall not be used to balance any adjustments budget, but shall be appropriated to the municipality's capital replacement reserve.

6.1.6. Tariffs may not be increased during a financial year except if required in terms of a financial recovery plan.

6.1.7. Unauthorized expenses may be authorized in an adjustments budget.

6.1.8. In regard to unforeseen and unavoidable expenditure, the following apply:

6.1.9. the Executive mayor may authorize such expenses in an emergency or other exceptional circumstances;

ii. the municipality may not exceed 3 % of the approved annual budget in respect of such unforeseen and unavoidable expenses;

iii. these expenses must be reported by the mayor to the next Council meeting;

iv. the expenses must be appropriated in an adjustments budget; and

v. Council must pass the adjustments budget within sixty days after the expenses were incurred.

6.1.10. This policy framework is not applicable to situations referred to in Section 31 of the MFMA. Section 31 applies to capital projects approved with multi-year allocations. It allows a 20% increase in a single year's appropriation, provided the increase is funded by a reduction in the following year's appropriation. The MFMA specifies the procedure to be followed, which includes notification to the Provincial Treasury and the Auditor-General.

7. Links to Other Policies

I. The Adjustment Budget policy is linked to the Budget policy.

8. Who Uses the Policy

i. Councilors';

ii. Staff;

iii. Communities;

8. Who Should Be Consulted Upfront in Respect of Policy Changes

I. Council as a Policy formulator;
II. Staff as implementers of the Policy;
III. Communities if the Policy directly affects them; or
IV. Any relevant stakeholders;

9. Implications of The Policy

I. Intended Consequences;
II. Unintended Consequences;

10. Who Drives the Policy

I. The Chief Financial officer is responsible for driving this policy with the assistance of the Municipal Manager.
II. The Executive Mayor is responsible for tabling the Adjustment Budget policy in council.
III. The Budget and Treasury office are custodians of the policy.

11. POLICY PROVISIONS/STATEMENTS

a. Adjustment to the approved annual budget may essentially be made under following conditions

I. Under-collection of revenue
II. Emergency or other exceptional circumstance; and
III. Mid-term budget review

b. Under-collection of Revenue

The Accounting Officer must ensure 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 budget implementation plan.

Should a material under-collection of revenue become apparent, it will be necessary for the municipality to revise the budgeted revenue levels to a realistic forecast. It is also necessary to revise the expenditure levels associated with this revenue downwards in proportion to the revenue budgeted. This could be undertaken with the mid-term budget review which could result in an adjustment budget.

Should the under-collection however be considered to be material of nature, the CFO should report such under-collection to the Accounting Officer as a matter of urgency to consider implementing corrective measures. Material is normally considered to be 10% or more of an individual item measured against the periodic planning for that item. In some cases, the magnitude of the amount concerned may suggest a deviation of less than 10%.

c. Emergency or other exceptional circumstances

The Executive Mayor may in case of an emergency or other exceptional circumstances authorize unforeseeable and unavoidable expenditure for which no provision was in the annual approved budget of the municipality. Exceptional circumstances may include - rolled over from the previous financial year as well as to include additional funding which has become available but only to revise or accelerate spending programmes already budgeted for or any areas of critical importance identified by Council in compliance with Item 2 of Section 10. **A detailed procedure to be followed when dealing with unforeseeable and unavoidable expenditure is covered under budget Policy.**

d. Mid-term Budget Review

Municipalities are required to assess their performance during the first half of the financial year based on their respective services delivery targets, their performance indicators and financial performance. The assessment has to take place on or before 25th January each year according to Section 72 of the MFMA.

The assessment outcomes may or not necessitate budget adjustments. In instances where an adjustments budget is necessitated, an adjustments budget has to be prepared and submitted to Mayor for consideration and tabling in the Municipal Council.

In terms of section 72 (3) of the MFMA the Accounting Officer must as part of the review:

I. Make recommendations as to whether an adjustments budget is necessary; and
II. Recommend revised projections for revenue and expenditure to the extent that is necessary.

12. INTERPRETATION OF THIS POLICY

12.1. Municipal Manager has the authority to give a final interpretation of the policy when there is a dispute through the executive mayor.

13. PERMANENT/TEMPORARY WAIVER OR SUSPENSION

13.1. Council has the authority to waiver the policy;

13.2. A written request to waive the policy should be tabled in council where council must approve the waiver.

14. POLICY APPROVAL

14.1. The following should be consulted before the adjustment budget policy is adopted.

I. Councilors';
II. Management;
III. Staff;
IV. Community
V. Any relevant stakeholder

14.2. This policy, being a budgetary policy, shall come into full force and effect upon the adoption thereof by the Council of the Municipality by resolution.

15. COMPLIANCE, IMPLEMENTATION AND ENFORCEMENT

15.1. The Policy existence will be communicated through the budget memo, adjustment budget memo, advertised in the newspaper and uploaded in the municipal website.

15.2. The adjustment budget policy must be signed by the Municipal Manager after its adoption;

15.3. The adjustment budget policy must be reviewed at least once in a financial year;

15.4. The Adjustment budget policy implementation will be monitored through compliance reports such as the monthly section 71, section 52d, and section 72 reports by Executive Mayor.

15.5. Violation of the Adjustment Budget Policy shall constitute an offence and may lead to disciplinary action;

16. AUTHENTICATION

The Adjustment Budget Policy is approved by the O.R Tambo District Municipality Council on the 29th of May 2025

Council Resolution Number.....

Sign Off

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B. Mase

Municipal Manager