

# Session 8

## Re-Appropriation and Supplementary Grant



### Objectives

By the end of the session, participants will be able to.....

- Understand the concept of re-appropriation and supplementary grants;
- Understand the logical process for re-appropriation and supplementary grants;
- Recognize the powers of re-appropriation as they apply to different offices (as per Budget Rules 2003).



### Duration

1 hour



### Timing

1400 to 1500 hours



### Methodology

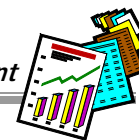
Group Work; Individual exercise; plenary discussion; presentation



### Material

Equipment  
 FLIP CHARTS  
 TRAINER'S NOTES  
 POSTERS  
 REFERENCE READING

Slides	Handouts (HO)	Worksheets (WS)	Reference Material (Ref)
8-01 Definition of Terms 8-02 Process for Re-appropriation and supplementary grants 8-03 Case Background 8-04 to 06 - Case Studies 8-07 The Question	8-01 Process for Re-appropriation and supplementary grants 8-02	8-01 Quiz-Process for Re-appropriation and supplementary grants 8-02 Case Study - Process for Re-appropriation and supplementary grants.	9-01 Annual Budget Statement 9-02 Budget Documents 9-03 Budget Speech 9-04 Communication and Distribution of Grants 9-05 Presentation of the Budget to the Council
Other: <ul style="list-style-type: none"> <li>•</li> </ul>			

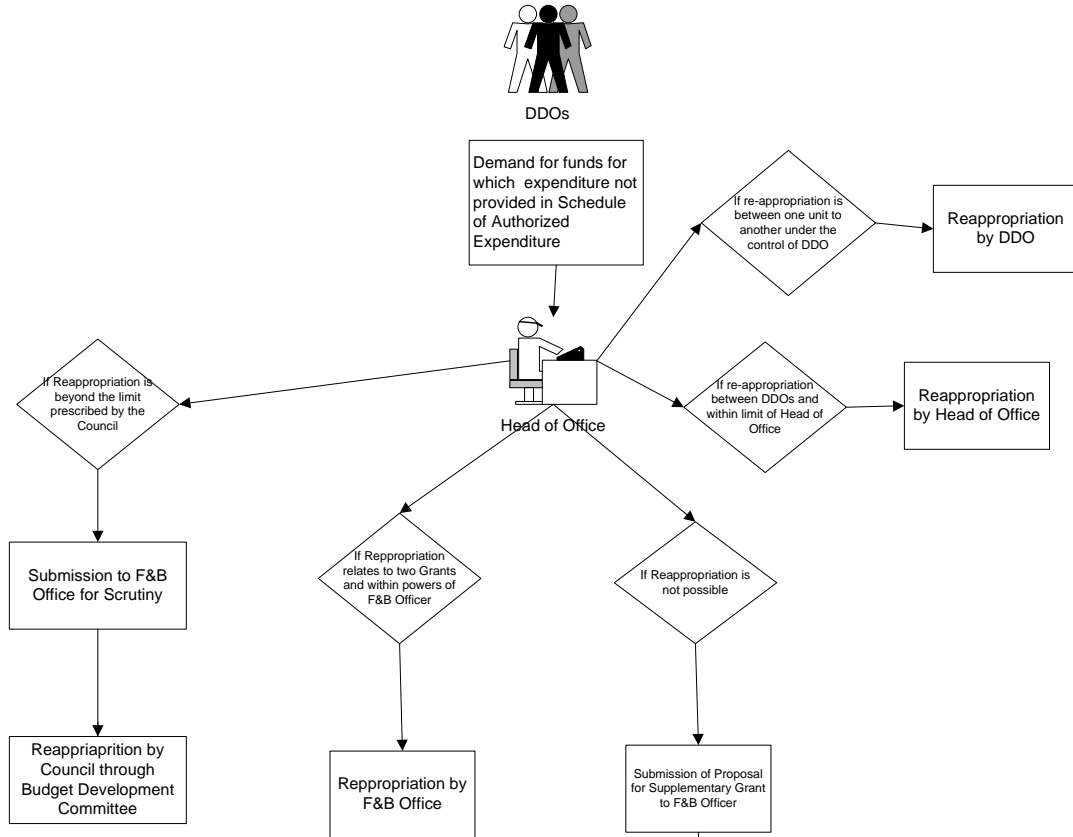
**Steps:**

1. Put up two flip charts. Title one as *reappropriation*, and the other as *supplementary grants*. Ask participants how they would define each term. Put their comments on the relevant flip chart and using *Slide-01 (Definition of Terms)*, reiterate the definition of both terms.
2. Ask participants to refer to *WS-01 (Quiz on Process for Reappropriation and Supplementary Grants)*. Give participants 5 minutes to complete the quiz. Collect the Quiz. Ask participants how many of them were able to easily complete the Quiz? For the answer to the Quiz, ask participants to refer to *HO-01 (Process for Reappropriation and Supplementary Grants)*. Using *Slide-02 (Process for Reappropriation and Supplementary Grants)*, highlight the steps and logic of the process.
3. Ask participants why there should be a need for Reappropriation and supplementary grants? Emphasize that the Budget is a plan, a document based on many assumptions. While there should be some discipline and element of 'rigidity' to the Budget document, there must also be windows for flexibility so that it is possible to respond to unpredictable occurrences or situations. Ask participants what kinds of situations would demand Reappropriation or supplementary grants? Prompt participants to provide examples falling into the following categories:
  - between objects - POL to utilities: other stores to printing for publications
  - between functions - Education to health; Agriculture to education
  - between current and development - Savings in salaries are re-appropriated for a development scheme
4. Ask participants who has the authority to sanction Reappropriation and supplementary grants? Emphasize that it is the Council, which is responsible for public funds, and is accountable to the public for all resources. Highlight that for ease of day-to-day functioning, the Council can delegate the powers of Reappropriation to different offices.
5. Tell the participants that to better understand the concept, and the powers of delegation for Reappropriation, you will do with them a quick individual exercise. Ask participants to refer to *WS-02 (Case Study - Reappropriation and Supplementary Grants)*. Using *Slide-03 (Case Background)*, highlight the situation.
6. Inform the participants that given this background, three cases of Reappropriation occurred during the year. Explain each case study through *Slides 04, 05 & 06 (Case Studies)*. Finally show *Slide-07 (the Question)* and generate a discussion with the participants as to whether, given the delegated powers, reappropriation was justified in each case, or not. If not, why?
7. Use *TN-01 (Justification for Decisions)* to support your discussion.



## Quiz

### Process for Re-Appropriation and Supplementary Grant

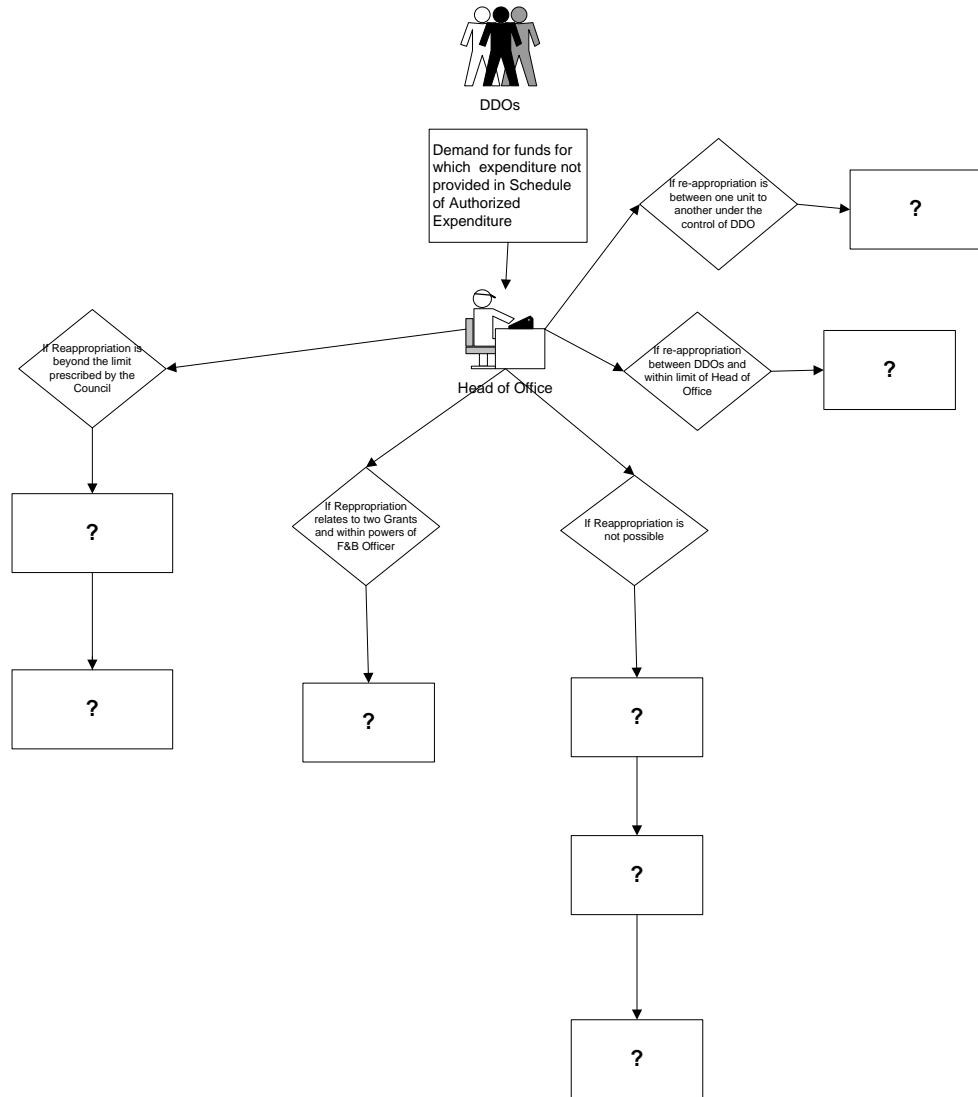


Definition of Terms	
<p><b>Re-appropriation</b></p> <p>Re-appropriation means the transfer of savings in a unit of appropriation to meet excess expenditure anticipated under another unit of appropriation</p> <p><b>Example:</b></p> <p>Budget allocation for POL in a head of office has exceeded while sufficient allocation is available for the entire fiscal year for Utilities, therefore re-appropriation can be done from Utilities to POL</p>	<p><b>Supplementary Grant</b></p> <p>If the need arises in an office for which no re-appropriation is available, a supplementary grant is issued. Allocation of expenditure on activities not included in the original budget estimates is called supplementary grant.</p> <p><b>Examples:</b></p> <p>Budget allocation for POL in a head of office has exceeded and funds from other offices / sectors are not available for re-appropriation, a supplementary grant will have to be issued</p> <p>A new road, not included in ADP, is required to be constructed. The allocation of expenditure for the project will be funded from supplementary grant</p>

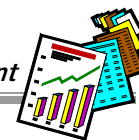


### Quiz

### Process for Re-Appropriation and Supplementary Grant







## Case Study

### Re-appropriation and Supplementary Grant

District Council has delegated the following powers of re-appropriation to different offices:

No	Office	Max Re-appropriation Powers (Rs.)	Remarks
1	DDO	10,000	Only within the unit of appropriation under DDO's control
2	Head of Office	20,000	Only within offices under his control
3	EDO(F&B)	50,000	If re-appropriations involve two different grants
4.	F&B Committee	Rs. 100,000	
5.	Unlimited	Unlimited	

#### Cases of Re-appropriation

1. A DDO of Secondary Education Office is faced with a problem, he is about to exhaust the budgetary allocation of Rs. 50,000 under **Travelling Allowance** for the current financial year. He still needs Rs. 15,000. He has sufficient funds available under **POL charges**, which he will not be able to use as two of the three vehicles of his office are unserviceable / condemned. He re-appropriates the amount and goes on to expend the additional expenditure
2. An EDO(Health) has received a request from a DO(H) for additional funds of Rs. 20,000 for **Repairs and Maintenance of Durable Goods and Works** to get his vehicle repaired as he does not have sufficient funds available under other heads for re-appropriation. EDO(Health) has funds available in another office under his control. He re appropriates the amount and allows the DO(H) to incur the expenditure.
3. During his visit to the district, the Chief Minister on popular demand of the community directs the Zila Nazim to construct the road linking Usmaniabad to Shahzadnagar. The orders of Chief Minister are conveyed to EDO(W&S) by Zila Nazim with direction that the work should be started immediately. The total cost of the project is Rs. 0.5 million. EDO after reviewing the ADP allocation found that sufficient funds were not available with him to start the work. He requests the EDO(F&P) for re-appropriation from other sectors for completion of road in accordance with the directive of the Chief Minister. EDO(F&P) re-appropriates an amount of Rs. 40,000 to the new scheme for the current fiscal year from other another sector.

*Do you think that the re-appropriation done by each of the officers in cases 1 to 3 is justified under the powers delegated to them? Justify your answer.*



## Justification for Decisions

### Case Study - 1

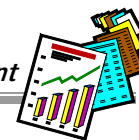
Under the delegation of powers for reappropriation approved by the council, a DDO can reappropriate within units of appropriation under his control provided the appropriated amount does not exceed Rs. 10,000. In this example the DDO has reappropriated Rs. 15000 which is beyond the powers delegated to him by the council. DDO should have sent the case for reappropriation to his Head of Office.

### Case Study - 2

The reappropriation powers exercised by DDO are in accordance with the Reappropriation powers delegated to him.

### Case Study - 3

Although EDO(F&P) has not exceeded the powers delegated to him by the council, but this is a case of new scheme where funding can only be given through a supplementary grant which requires the approval of district council.



## Re-Appropriations

### Definition

Re-appropriation means the transfer of savings in the provision of expenditure made for a particular object to meet excess expenditure anticipated under another such object.

### Powers to sanction-re-appropriations

All powers of re-appropriation of funds rest with the Local Council and in terms of section 111(3) of PLGO, 2001 (as amended) the officers of Local Governments shall exercise the powers of re-appropriation of funds in accordance to the extent delegated to them by the respective Council. In case the re-appropriation is beyond the limit set by the Council, it shall require the approval of the Council.

### Procedural Matters

Ordinarily it is too early to make re-appropriations in the first half of the financial year, unless there is an urgent need for re-appropriation. In the second half of the financial year, the re-appropriations should be sanctioned generally on the basis of the second statement of Excesses and Surrenders. However, if need arises for any individual re-appropriation, the competent authority may sanction in prescribed manner.

After the revised estimates are fixed by the Finance & Budget Officer (F&BO), the net surrenders under each grant are taken as "Surrenders or Withdrawals within the grant". If subsequently, excesses are likely to occur which are absolutely not possible to avoid the excess for which additional funds can be met from, "Surrender or Withdrawals within the grant". In such cases the re-appropriation cannot be sanctioned by the competent authorities but with the prior concurrence of the Finance & Budget Officer, District/Tehsil Development Committee.

### Communication of sanctions for re-appropriations

i.	When the sanctioning authority is F&BO	To the District Accounts Officer, Head of Office, who may communicate these orders to all concerned.
ii.	When the sanctioning authority is Head of Office.	To the District Accounts Officer, E.D.O (F&P) and other subordinate authorities.
iii.	When the sanctioning authority is other than mention above.	To the District Accounts Officer, Head of Office, F&BO and other authority concerned. If any.



## Statement of Excesses and Surrenders

If the amount allowed to be spent during a financial year under the authority of the Schedule of Authorized Expenditure, relating to that financial year, is not expected to be spent completely before the close of the financial year, the savings expected are surrendered or otherwise not matching the actual requirements of the financial year, the excess fund are demanded through statement of Excesses and Surrenders.

Under Rule 71 of District/Tehsil Budget Rules 2003, annually one statement of Excesses & Surrenders shall be prepared in the month of March each year and submitted by the Head of offices to the Finance & Budget Officer along with explanatory memorandum. Form BM-13 has been prescribed for the purpose. It shall be completed in prescribed manner, after taking into account the requirements of excess funds and surrender of surplus funds.

Based on the information contained in the statement of Excesses & Surrenders, Revised Estimates of a financial year (Receipts / Expenditure) are fixed. The revised estimates are instrumental for estimating the Budget Estimates for the next financial year, besides, formulating the demands for additional funds, if required.

The consolidated statement of Excess & Surrenders is submitted to District Development Committee for approval. The revised estimates so approved shall be reflected in the budget estimates of the next financial year, and shall also be approved by the council while approving the budget estimates.



Ref 8-03

## Statement of Excesses and Surrenders

The additional funds, which can not be met through re-appropriations, provided during a financial year, in addition to the Original Grant, approved by the Council and included in the Schedule of Authorized Expenditure (Rule 72(2) of Budget Rule, 2003 refers).

Prospects for supplementary grants are objectionable in principle and free resort to them indicates, on the one hand, bad estimation or improvident administration and, on the other hand, impairs the proper management of the Finances. It is obvious that an equitable and well considered distribution of funds available for expenditure in a financial year can only be made at the time when the requirements of the District Government/TMAs are comprehensively considered.

If a Head of Office feels that there is need for additional grant and justification thereof exists in the public interest and no re-appropriation is available, he should submit a proposal for a net supplementary grant to the District/Tehsil Development Committee through the Finance and Budget Officer.

In case the object is unfunded under the schedule of Authorized Expenditure and sufficient savings are available within the grants to meet such expenditure, a token amount should be obtained through supplement grant in order to open the object and the additional expenditure then met by re-appropriation.

Requests for supplementary grants during the financial year shall be consolidated by the Finance & Budget Officer (FBO) in the form of a Supplementary Budget Statement and placed before the Council for its approval. Same procedure shall be followed for the approval of a supplementary Budget Statement from the Council as prescribed for regular Budget Estimates.



## Supplementary Budget Statement

A statement to be laid before the Council showing the estimated amount of the additional expenditure to be required during a financial year, over and above the expenditure already contemplated in the schedule of authorized expenditure for that year.

The supplementary grant, if considered necessary, may be sanctioned by the officer of a local government authorized by the Council, in anticipation to the subsequent approval by the Council.

The procedure for approval of the Supplementary Budget Statement by the respective Council is the same as prescribed for normal budget estimates. Subsequent to approval by the Council and intimation for the same by the Finance & Budget Officer of the supplementary grant, the Head of Offices concerned, in terms of rule 73(1) of Budget Rules 2003, shall distribute the supplementary grant and communicate the breakup of grant to DDOs and the Accounts Officer concerned.



Ref 8-05

## Revised Estimates

The estimates of probable receipts or expenditure for a financial year, framed in the course of that year, with reference to the transactions already recorded are called Revised Estimates of that year. The information received from Head of Offices through the statement of Excesses & Surrenders, which also includes the token sum sanctioned as supplementary grant or net supplementary grants (which cannot be met out of the savings within the grant), sanctioned during the financial year are the basis of the Revised Estimates of a financial year.

The Revised Estimates framed, in terms of Rules 72 of Budget Rules 2003, on the basis of the statement of Excesses & Surrenders should be communicated after the approval of the District/Tehsil Development Committee to the Head of Offices. The said communication to Head of Offices reflects the acceptance of revised estimates and sanctioning the subsequent re-appropriations within the grant, which otherwise require the sanction of the competent authority. The Head of Offices shall also further intimate the concerned DDOs the revised estimates, respectively, under intimation to the Accounts Officers concerned. If additional funds are made available by the Finance & Budget Officer, the same would be utilized by the DDOs and the expenditure in no case should exceeds the revised estimates.

The Revised Estimates of a year are also reflected along with Budget Estimate of that year in the next financial year's Budget Estimates and got approved from Council while approving the next financial year's Budget Estimates.

The Revised Estimates in respect of receipts are fixed by the Collecting Officers at the time of proposing Receipt Estimates of the next financial year, whereas, the Revised Estimates of expenditure are latter finalized by the F&BO in prescribed manner.