

SOL PLAATJE MUNICIPALITY

POLICY DIRECTIVE FOR IMPENDING SHORTFALLS, OVERSPENDING AND OVERDRAFTS

Purpose

To regulate the management of any possible shortfalls, overspending and overdrafts in the municipal financial situation.

Background

As a result of various reasons very often municipalities have found themselves faced by overspending on both the operating and capital budgets.

To address the situation, the Municipal Finance Management Act, Number 56 of 2003, Section 70 requires that:

1. The accounting officer of a municipality must report in writing to the municipal council any impending shortfalls in budgeted revenue, overspending of the municipal budget and indicate any steps taken to prevent or rectify such shortfalls or overspending.
2. If a municipality's bank account, or if the municipality has more than one bank account, the consolidated balance in those bank accounts, shows a net overdrawn position for a period exceeding a prescribed period, the accounting officer of Sol Plaatje Municipality must promptly notify the National Treasury in of:
 - The amounts by which the account or accounts are overdrawn;
 - The reasons for the overdrawn account or accounts; and
 - The steps taken or to be taken to correct the matter.
3. When determining the net overdrawn position for purposes of 2 above, the accounting officer must exclude any amounts reserved or pledged for any specific purpose or encumbered in any way.

In addition, Section 71 requires that:

The accounting Officer of a municipality must by not 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:

1. Actual revenue, per revenue source;
2. Actual borrowings;
3. Actual expenditure, per vote;
4. Actual expenditure, per vote;
5. The amount of any allocations received;
6. Actual expenditure on those allocations, excluding expenditure on -
 - 6.1 its share of the local government equitable share;
 - 6.2 allocations exempted by the annual Division of Revenue Act
7. Where necessary an explanation of :
 - 7.1 any material variances from the municipality's revenue by source, and from the municipality's expenditure projections per vote;
 - 7.2 any material variances from service delivery and budget implementation plan;
and
 - 7.3 any remedial or corrective steps taken or to be taken to ensure the projected revenue and expenditure remain within the municipality's approved budget.

Financial Implication

No immediate financial implication.

Consultation: Municipal Manager

Was discussed and approved.

Contact Person:

Chief Financial Officer-053 830 6511

RECOMMENDATION

Procedures and processes to comply with the requirements and provisions of S70 of the Municipal Finance Management Act, No.70 be implemented with effect 1 July 05.