

SOL PLAATJE MUNICIPALITY

POLICY DIRECTIVE ON EXPENDITURE BEYOND BUDGET YEAR

Purpose

A policy directive on expenditure beyond the budget year. Normally per section 15 of the MFMA, Act 56 of 2003 a municipality may only incur expenditure only in terms of an approved annual budget; and within the limits of the amount appropriated for the different votes in an approved budget. This however does not preclude the appropriation of money for capital expenditure for a period not exceeding three financial years; provided a separate appropriation is made for each of those financial years.

Background

There are however instances where there is a need to shift funds between multi-year appropriations, this sometimes results in expenditure in one year being higher than that years appropriation under a specific programme. This situation will on be acceptable if:

- * The increase must not exceed 20% of that year's appropriation of the programme;
- * The increase in funds is within the following year's appropriation for that programme;
- * The municipal manager must certify that actual revenue for the financial year is expected to exceed budgeted revenue; and that sufficient funds are available for the increase without incurring further borrowing beyond the annual budget limit
- * Prior written approval must be obtained from the mayor for the increase;
- * The mayor's approval and certification by municipal manager must be submitted to the Auditor-General and relevant provincial treasury.

In the event of contracts having future budgetary implications; a municipality may enter into a contract which will impose financial obligations on the municipality beyond the three years covered in the annual budget for that financial year, a municipality may only do so if:

- * The municipal manager has at least 60 days before the meeting of the municipal council at which the contract is approved made public the draft contract and an information statement summarizing the municipality's obligations in terms of the contract; and
- * Invited the local community and other interested persons to submit to the municipality comments or representations in respect of the proposed contract; and;
- * Solicited the views of NT and the relevant provincial treasury, the national department responsible for local government and if the contract involves water, electricity sanitation, or any other service as may be prescribed, the responsible department.

After taking into account the municipality's projected financial implications in terms of the proposed contract, the impact of those financial obligations on the municipality's future municipal tariffs and revenues, and any other relevant comments from all stakeholders contacted in relation to the contract:

- The municipal council adopt a resolution in which it determines that the municipality will secure significant investment or will derive a significant financial and/or economic benefit from the contract;
- It approves the entire contract exactly as it is to be executed;
- Authorizes the municipal manager to sign the contract on behalf of the municipality

This section will not apply to contracts of employment. All other contracts referred to here may not be withheld from the public.

No immediate financial implication.

Consultation: Municipal Manager

Was discussed and approved.

Contact Person:

Chief Financial Officer-053 830 6511