



CAPE WINELANDS DISTRICT
MUNICIPALITY • MUNISIPALITEIT • UMASIPALA

UNFORSEEN AND UNAVOIDABLE EXPENDITURE POLICY

FEBRUARY 2015

ADOPTED BY COUNCIL:

IMPLIMENTATION DATE:

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1. OBJECT

The object of this policy are to ensure that any unforeseen and unavoidable expenditure approved by the Council complies with the applicable regulatory framework contained in or authorized by the Municipal Finance Management Act No. 56 of 2003 (the Act) and applicable regulations issued in terms of this Act.

2. REGULATORY FRAMEWORK

This policy is guided by and is compliant with sections 29 (1) and 29 (2) of the Act and sections 71 and 72 of the Municipal Budget and Reporting Regulations contained in General Notice 393 dated 17 April 2009 (the Regulations).

3. BACKGROUND

Section 29(1) of the Act provides that the mayor of a municipality may, in emergency or other exceptional circumstances, authorize unforeseeable and unavoidable expenditure for which no provision was made in an approved budget.

In terms of section 29(2) of the Act, the expenditure referred to in paragraph 1:

- 3.1 must be authorized in accordance with any prescribed framework;
- 3.2 may not exceed a prescribed percentage of the approved annual budget of the municipality;
- 3.3 must be reported by the mayor to the council at its next meeting;
- 3.4 must be appropriated in an adjustments budget,
- 3.5 in the event of such adjustments budget not being adopted by the council within 60 days after the expenditure was incurred, such expenditure shall be unauthorized: and
- 3.6 in such event, the council must deal with the expenditure concerned in a manner provided in section 32 of the Act.

4. THE POLICY

In order to ensure that any unforeseen and unavoidable expenditure is incurred within the parameters of the regulatory framework provided in the Act and the Regulations, the council approves the following policy:

- 4.1 The mayor may authorise expenditure which is unforeseen or unavoidable only-
 - 4.1.1 If such expenditure could not have been foreseen at the time the annual budget of the municipality was approved; and

- 4.1.2 If the delay that will be caused pending the approval of an adjustments budget by the council in terms of section 28(2)(c) of the Act to authorize such expenditure may -
 - 4.1.2.1 Result in significant financial loss for the municipality;
 - 4.1.2.2 Cause a disruption or suspension, or a serious threat to the continuation, of a basic municipal service;
 - 4.1.2.3 Lead to loss of life or serious injury or significant damage to property; or
 - 4.1.2.4 Obstruct the municipality from instituting or defending legal proceedings on an urgent basis.
- 4.2 The mayor may not authorise expenditure referred to in subparagraph 3.1 if such expenditure -
 - 4.2.1 Was considered by the council, but not approved in the annual budget or an adjustments budget;
 - 4.2.2 Is required for-
 - 4.2.2.1 Price increases of goods or services during the financial year;
 - 4.2.2.2 New municipal services or functions during the financial year;
 - 4.2.2.3 The extension of existing municipal services or functions during the financial year;
 - 4.2.2.4 The appointment of personnel during the financial year; or
 - 4.2.2.5 Allocating discretionary appropriations to any vote during the financial year;
- 4.3 The mayor may, furthermore, not authorize unforeseen or unavoidable expenditure in terms of this policy if such authorization would contravene any existing council policy or ratify or attempt to ratify irregular or fruitless and wasteful expenditure as defined in the Act.
- 4.4 The amount of expenditure that the mayor may authorize in terms of subparagraph 3.1 is limited to 5% of the municipality's own revenue and for purposes of this policy, "own revenue" means total revenue as reflected in the municipality's financial performance budget by standard classification less national and provincial conditional transfers.
- 4.5 Any expenditure authorized by the mayor in terms of subparagraph 3.1 must be reported by him/her to the council at its next meeting and such report must contain a full explanation of the reasons for such authorization.

- 4.6 The minutes of the meeting referred to in subparagraph 3.5 shall contain fully details of the expenditure authorized in terms of this policy and the reasons for such authorization.
- 4.7 The expenditure authorized in terms of this policy must be appropriated in an adjustments budget approved by the council in accordance with the requirements of the Act.