

Reference: RCS/C.5

TREASURY CIRCULAR MUN NO. 22/2016

THE MAYOR, CITY OF CAPE TOWN
THE MAYOR, WEST COAST DISTRICT MUNICIPALITY
THE MAYOR, MATZIKAMA MUNICIPALITY
THE MAYOR, CEDERBERG MUNICIPALITY
THE MAYOR, BERGRIVIER MUNICIPALITY
THE MAYOR, SALDANHA BAY MUNICIPALITY
THE MAYOR, SWARTLAND MUNICIPALITY
THE MAYOR, CAPE WINELANDS DISTRICT MUNICIPALITY
THE MAYOR, WITZENBERG MUNICIPALITY
THE MAYOR, DRAKENSTEIN MUNICIPALITY
THE MAYOR, STELLENBOSCH MUNICIPALITY
THE MAYOR, BREEDE VALLEY MUNICIPALIT
THE MAYOR, LANGEBERG MUNICIPALITY
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY
THE MAYOR, OVERSTRAND MUNICIPALITY
THE MAYOR, CAPE AGULHAS MUNICIPALITY
THE MAYOR, SWELLENBAM MUNICIPALITY
THE MAYOR, EDEN DISTRICT MUNICIPALITY
THE MAYOR, KANNALAND MUNICIPALITY
THE MAYOR, HESSEQUA MUNICIPALITY
THE MAYOR, MOSSEL BAY MUNICIPALITY
THE MAYOR, GEORGE MUNICIPALITY
THE MAYOR, OUDTSHOORN MUNICIPALITY
THE MAYOR, BITOU MUNICIPALITY
THE MAYOR, KNYSNA MUNICIPALITY
THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY
THE MAYOR, LAINGSBURG MUNICIPALITY
THE MAYOR, PRINCE ALBERT MUNICIPALITY
THE MAYOR, BEAUFORT WEST MUNICIPALITY

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THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: ADV H LINDE
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THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
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THE MUNICIPAL MANAGER, CAPE AGULHAS MUNICIPALITY: MR D O'NEILL
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THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR D FRIEDMAN (ACTING)
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THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR H METTLER
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THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR B BROWN
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THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR N DELO
THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN
THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR MK BOTHA
THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR K JORDAAN
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR F LÖTTER (ACTING)
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR M MEMANI (ACTING)
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THE DEPUTY DIRECTOR GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN)
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THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)
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THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)
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THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MS R ESACK) (ACTING)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

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THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

2015/16 MUNICIPAL ROLL-OVER PROCESS IN RESPECT OF PROVINCIAL ALLOCATIONS TO MUNICIPALITIES

1. PURPOSE

- 1.1 The purpose of this circular is to communicate the guidelines and requirements that will be applicable on the municipal roll-over process, on unspent provincial conditional allocations to municipalities as at 30 June 2016.

2. 2015/16 WESTERN CAPE PROVINCIAL ROLL-OVER PROCESS

- 2.1 The Western Cape Appropriation Act, Act 5 of 2015 (WCAA) regulates unspent provincial conditional allocations. The WCAA was circulated to all the Western Cape municipalities with the 2015/16 budget documents and is attached as **Annexure A** for reference; Section 10 of the WCAA sets specific requirements with respect to the unspent provincial conditional allocations and the requirements thereof.
- 2.2 Allocations for agency services delivered on behalf of the Provincial Government or allocations dealt with on a claims back basis/principle or reflected as transfer to households (as beneficiaries) will not be subject to the annual institutionalised roll-over processes and therefore the requirements of this circular will not apply.

3. CRITERIA AND REQUIREMENTS FOR THE ROLL-OVER OF UNSPENT PROVINCIAL CONDITIONAL GRANTS

- 3.1 Municipalities must first apply for the roll-over of unspent provincial conditional grant allocations to municipalities and **not** automatically roll-over unspent conditional grants in terms of section 28(2)(e) of the MFMA.
- 3.2 Section 10 of the 2015 WCAA requires that any conditional grants which are not spent at the end of the municipal financial year must revert to the Provincial Revenue Fund, unless the receiving officer proves to the satisfaction of both Provincial Treasury and the transferring provincial officer that the unspent allocation is committed to identifiable projects, in which case the funds may be rolled over.
- 3.3 When applying for the roll-over of unspent conditional allocations that were appropriated through the 2015 Main Budget allocations (Provincial Gazette No. 7360 dated 5 March 2015) and 2014 Adjusted Budget allocations (Provincial Gazettes No. 7365 dated 13 March 2015, No. 7494 dated 18 September 2015, No. 7535 dated 20 November 2015, No. 7555 dated 22 January 2016, No. 7567 dated 19 February 2016 and No. 7584 dated 16 March 2016) municipalities must supply Provincial Treasury with the following information:

- 3.3.1 **One** formal letter for all unspent provincial allocations in a specified format, see attached **Annexure B**, which must be addressed to the Provincial Treasury requesting the roll-over of unspent provincial conditional grants;
 - 3.3.2 List of all the projects that are linked to the unspent provincial conditional grants;
 - 3.3.3 Evidence that work on each of the projects has commenced, namely either of the following:
 - a. Proof that the project tender was published and the period for tender submissions closed before 30 June; or
 - b. Proof that a contract for delivery of the project was signed before 30 June.
 - 3.3.4 A progress report on the state of implementation of each of the projects;
 - 3.3.5 The conditional allocation and the amount of funds committed to each project; and
 - 3.3.6 An indication of the time-period within which the funds are to be spent.
- 3.4 In addition, Provincial Treasury and transferring departments will also take into account the following information when assessing roll-over applications and reserves the right to decline an application if there is non-performance by the municipality in any of these areas:
- 3.4.1 The 2015/16 provincial allocations must be correctly reflected on Table SA18 of Schedule A and on Table SB7 of Schedule B where there were adjustments;
 - 3.4.2 Compliance with the periodic reporting requirements as per published gazettes, including the Municipal Manager and Chief Financial Officer signing-off on the information sent to National Treasury and transferring departments on a quarterly basis;
 - 3.4.3 Submission of the pre-audit Annual Financial Statements information to Provincial Treasury by 31 August 2016;
 - 3.4.4 Accurate disclosure of grant performance in the 2015/16 pre-audit Annual Financial Statements; and
 - 3.4.5 Cash available in the bank as at 30 June 2016 to finance the roll-over request.

- 3.5 Municipalities must note that these guidelines are applicable to the 2015/16 financial year and approval will not be granted for municipalities requesting rollover of the same grant for the 3rd consecutive time. Municipalities need to distinguish between funds allocated in the 2014/15 financial year and funds allocated in the 2015/16 financial year.
- 3.6 The application must be received by Provincial Treasury by 31 August 2016. Any unspent allocations not approved by Provincial Treasury must be repaid by the Municipality to the Provincial Revenue Fund.
- 3.7 When approving any roll-over requests, Provincial Treasury will use the last provincial conditional grant expenditure information available at the time, which is the disclosure of grants information in the June 2016 Tables SC 6, 7(1) and 7(2) of the C-Schedule, the provincial allocation quarterly verification information and the 2015/16 pre-audit Annual Financial Statements which need to be concluded and submitted by 31 August 2016.
- 3.8 A transferring provincial department will recommend on whether or not a roll-over be approved and will further advise on how the municipalities will report on the spending of conditional grants funds that were approved to be rolled-over.
- 3.9 Attached to this circular as **Annexure C** is a folder for the Provincial Gazettes that were published during 2015/16 financial year in respect of Provincial Government allocations to municipalities.
- 3.10 All electronic applications for provincial roll-overs must be sent to the following email address: mfma.mfma@westerncape.gov.za for attention of:

Mr M Sigabi
Western Cape Provincial Treasury
Private Bag X9165
Cape Town
8000



MR M SIGABI

ACTING CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE

DATE: 12 August 2016