



Reference: RCS/C.5

## **TREASURY CIRCULAR MUN NO. 19/2018**

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THE MAYOR, OUDTSHOORN MUNICIPALITY: MR CF SYLVESTER  
THE MAYOR, BITOU MUNICIPALITY: MR MP LOBESE  
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THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)

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

## **2017/18 MUNICIPAL ROLL-OVER PROCESS IN RESPECT OF PROVINCIAL CONDITIONAL ALLOCATIONS TO MUNICIPALITIES**

### **1. PURPOSE**

The purpose of this circular is to communicate the guidelines and requirements that will be applicable on the municipal roll-over process of unspent provincial conditional grant allocations to municipalities as at 30 June 2018.

### **2. 2017/18 WESTERN CAPE PROVINCIAL ROLL-OVER PROCESS**

2.1 The Western Cape Appropriation Act, No. 1 of 2017 (WCAA) regulates unspent provincial conditional allocations. The WCAA was circulated to all the Western Cape municipalities with the 2017/18 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 the Greenest Municipality Competition, agency services delivered on behalf of the Provincial Government or allocations dealt with on a claim 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. REQUIREMENTS FOR THE ROLL-OVER OF UNSPENT 2017/18 DISASTER FUNDS**

3.1 Applications to roll-over funds that were transferred during 2017/18 financial year for disaster relief must be submitted to Provincial Treasury by **15 July 2018** in order to ensure that the funds are included in the roll-over adjustments budget as required in section 28(2)(e) of the MFMA.

3.2 For this purpose, municipalities must ensure that the information reported as at 30 June 2018 for purposes of section 71 reporting is accurate and that it is aligned to the information reported to the transferring department(s).

3.3 Applications must comply with the requirements that are outlined in paragraphs 4.3.1, 4.3.2, 4.3.3, 4.4.1, 4.4.2 and 4.4.5 and non-compliant applications will be declined.

3.4 Transferring department(s) will verify the information and ensure that the reported information is aligned before the applications are approved and where there is misalignment, the applications will be declined.

3.5 **Only the disaster funding is exempt from the process outlined in paragraph 4 below.**

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

- 4.1 Municipalities must first apply for the roll-over of unspent provincial conditional grant allocations to municipalities and **must not** automatically roll-over unspent conditional grants in terms of section 28(2)(e) of the MFMA without approval.
- 4.2 Section 10 of the 2017 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.
- 4.3 When applying for the roll-over of unspent conditional allocations that were appropriated through the 2017 main budget allocations (Provincial Gazette No. 7742 dated 7 March 2017), 2017 adjusted budget allocations (Provincial Gazette No. 7808 dated 17 August 2017, Provincial Gazette No. 7812 dated 22 August 2017, Provincial Gazette No. 7841 dated 27 October 2017, Provincial Gazette No. 7848 dated 23 November 2017 and Provincial Gazette No. 7880 dated 5 March 2018) municipalities must supply Provincial Treasury with the following information:
- 4.3.1 **One** formal letter for all unspent provincial allocations using the attached **Annexure B** specified format, which must be addressed to the Provincial Treasury requesting the roll-over of unspent provincial conditional grants;
- 4.3.2 The municipality must list all the projects that are linked to the unspent provincial conditional grants in the motivation section of Annexure B with a progress report on the state of implementation, the reason(s) why the grants were not fully spent in the year that it was originally allocated and amount of funds committed for each of the projects with an indicated time period on when the funds will be spent;
- 4.3.3 **Attach supporting evidence** as an annexure for each project that the work has commenced, namely either of the following:
- a. Proof that the project tender was published and the period for tender submissions closed before 31 March;
  - b. Proof that a contractor or service provider was appointed for delivery of the project before 30 June; or

- c. Proof of a project tender or appointment of contractor/service provider for delivery of service was concluded before 30 June in cases where additional funding was allocated during the course of the municipal financial year (for single-year projects) or final year (for multi-year projects) of the project; and
  - d. Evidence that all projects linked to an allocation will be fully utilised by 30 June 2019 (attach cash flow projection for the applicable grant).
- 4.4 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:
- 4.4.1 The 2017/18 provincial allocations must be correctly reflected in table SA18 of Schedule A and in table SB7 of Schedule B where there were adjustments;
  - 4.4.2 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;
  - 4.4.3 Submission of the pre-audit Annual Financial Statements information to Provincial Treasury by 31 August 2018;
  - 4.4.4 **Accurate disclosure of grant name** and performance in the 2017/18 pre-audit Annual Financial Statements; and
  - 4.4.5 Cash available in the bank (net position including short term investments) as at 30 June 2018 and in line with the cash flow statements to finance the roll-over request.
- 4.5 Municipalities must note that these guidelines are applicable to the 2017/18 financial year and approval will not be considered or granted for municipalities requesting rollover of a rollover. The application must be submitted to Provincial Treasury by **31 August 2018**.
- 4.6 **Any unspent allocations not applied for or not approved by Provincial Treasury must be repaid by the Municipality to the relevant transferring provincial department. Details of provincial departments were provided in Treasury Circular Mun No. 14/2017 dated 26 May 2017.**
- 4.7 **Late applications and applications that do not meet the requirements of this circular will be declined and the municipality will be requested to pay the funds back to the respective transferring department.**

- 4.8 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 2018 tables SC 6, 7(1) and 7(2) of the C-Schedule, the provincial allocation quarterly verification information and the 2017/18 pre-audit Annual Financial Statements which need to be concluded and submitted by 31 August 2018.
- 4.9 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.
- 4.10 Attached to this circular as **Annexure C** is a folder for the Provincial Gazettes that were published during 2017/18 financial year in respect of Provincial Government allocations to municipalities.
- 4.11 All electronic applications for provincial roll-overs must be sent to email address of [mfma.mfma@westerncape.gov.za](mailto:mfma.mfma@westerncape.gov.za) for the attention of Mr M Sigabi.
- 4.12 Municipalities are requested to also submit **updated grant reporting returns for the month of June** as informed by the unspent amounts in the pre-audit Annual Financial Statements for 2017/18.

Yours sincerely



**MS JD GANTANA**  
**ACTING DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES**  
**DATE: 27 June 2018**