



# PROVINCIAL TREASURY

Provincial Government of the Western Cape

## LOCAL GOVERNMENT FINANCE

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**REFERENCE:** T12/2/1  
**ENQUIRIES:** Mr E Johannes

### TREASURY CIRCULAR MUN 26 OF 2010

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THE MAYOR, MATZIKAMA MUNICIPALITY: MR P BOK  
THE MAYOR, CEDERBERG MUNICIPALITY: MS J MOUTON  
THE MAYOR, BERGRIVIER MUNICIPALITY: MR J LIEBENBERG  
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR J SKEI  
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN  
THE MAYOR, CAPE WINELANDS DISTRICT: MR B CHABAAN  
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THE MAYOR, DRAKENSTEIN MUNICIPALITY: MS C MANUEL  
THE MAYOR, STELLENBOSCH MUNICIPALITY: ALDERMAN PM SWARTZ  
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MR C NTSOMI  
THE MAYOR, BREEDE RIVER/WINELANDS MUNICIPALITY: MR SJ NGONYAMA  
THE MAYOR, OVERBERG DISTRICT: MS M GILLION  
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MR C PUNT  
THE MAYOR, OVERSTRAND MUNICIPALITY: MR T BEYLEVELDT  
THE MAYOR, CAPE AGULHAS MUNICIPALITY: MR R MITCHELL  
THE MAYOR, SWELLENDAM MUNICIPALITY: MR J JANSEN  
THE MAYOR, EDEN DISTRICT: MR S TEMNET  
THE MAYOR, KANNALAND MUNICIPALITY: MR N VALENTYN  
THE MAYOR, HESSEQUA MUNICIPALITY: MR CP TAUTE  
THE MAYOR, MOSSEL BAY MUNICIPALITY: ALDERLADY M FERREIRA  
THE MAYOR, GEORGE MUNICIPALITY: MS M DRAGHOENDER  
THE MAYOR, OUDTSHOORN MUNICIPALITY: MS D DE JAGER  
THE MAYOR, BITOU MUNICIPALITY: MR LL MVIMBI  
THE MAYOR, KNYSNA MUNICIPALITY: MS E BOUW-SPIES  
THE MAYOR, CENTRAL KAROO DISTRICT: MR T PRINCE  
THE MAYOR, LAINGSBURG MUNICIPALITY: MS R MEYER  
THE MAYOR, PRINCE ALBERT MUNICIPALITY: MS M BENJAMIN  
THE MAYOR, BEAUFORT WEST MUNICIPALITY: MS J JONAS

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR A EBRAHIM  
THE MUNICIPAL MANAGER, WEST COAST DISTRICT: MR H PRINS  
THE MUNICIPAL MANAGER, MATZIKAMA MUNICIPALITY: MR DG O'NEILL  
THE MUNICIPAL MANAGER, CEDERBERG MUNICIPALITY: MR G MATHYSE  
THE MUNICIPAL MANAGER, BERGRIVIER MUNICIPALITY: MS C LE ROUX  
THE MUNICIPAL MANAGER, SALDANHA BAY MUNICIPALITY: MR J FORTUIN  
THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ  
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT: MR M MGAJO  
THE MUNICIPAL MANAGER, WITZENBERG MUNICIPALITY: MR D NASSON  
THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR S KABANYANE  
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: ADV H LINDE (ACTING)  
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR A PAULSE  
THE MUNICIPAL MANAGER, BREEDE RIVER/WINELANDS: MR SA MOKWENI  
THE MUNICIPAL MANAGER, OVERBERG DISTRICT: MR D VAN DER HEEVER (ACTING)  
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THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR G RAS (ACTING)  
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR T BOTHA (ACTING)  
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR L NGOQO  
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THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR J BOOYSEN

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR M RICHARDSON  
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THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MR H KLEINLOOG  
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THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR M CUPIDO (ACTING)  
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THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR D LOTT  
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THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J VAN DER WESTHUIZEN  
THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR D LOUW

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)  
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE) (ACTING)  
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)  
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)  
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)  
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)  
THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)  
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUIS)  
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THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR N VAN NIEKERK) (ACTING)  
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MR T MADONDILE ) (ACTING)  
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)  
THE SENIOR MANAGER: INTERNAL AUDIT: GOVERNANCE AND ADMINISTRATION CLUSTER (MS B CAIRNCROSS)  
THE SENIOR MANAGER: INTERNAL AUDIT: SOCIAL CLUSTER (MR M MALULEKA)  
THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (MR J RADEBE)  
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)  
THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR ML BOOYSEN)  
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR E JOHANNES) (ACTING)  
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)  
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)  
THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)  
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)  
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
THE HEAD: OFFICE OF THE MINISTRY (MS A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT

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

## **UNSPENT CONDITIONAL GRANTS – 2009/10 MUNICIPAL FINANCIAL YEAR**

### **1. Purpose**

- 1.1 The purpose of this circular is to serve as a reminder to municipalities regarding the process to be followed to return all unspent conditional grants to the National Revenue Fund at the end of the 2009/10 municipal financial year in accordance with Section 20 of the Division of Revenue Act (Act No. 1 of 2010).

### **2. Background**

- 2.1 National Treasury MFMA Budget Circular 48 dated 2 March 2009, initiated the process of enforcing the provisions that have appeared in each annual Division of Revenue Act since 2005 that deal with conditional grants that remain unspent at the end of the financial year.
- 2.2 In addition to the afore-mentioned Circular, National Treasury wrote letters to each municipality requesting them to verify the calculations of the amount to be surrendered to the National Revenue Fund and where appropriate to motivate to retain the unspent funds by supplying National Treasury with updated information by 23 September 2009.
- 2.3 Municipalities were also informed that in the event that the Municipality fails to return the unspent conditional grants monies it owes the National Revenue Fund, the National Treasury will deduct the entire amount as a first charge from the municipality's November 2009 equitable share payment.
- 2.4 In addition to the above-mentioned initiatives, National Treasury also addressed CFOs at the Municipal CFO Forum meeting which was held on 2 September 2009 regarding the status and processes to be followed to retain unspent conditional grants.
- 2.5 Notwithstanding efforts around MFMA Circular 48, there has been oversight on the part of some of the Municipalities to submit written documentation that motivates a portion of the grant has been spent whilst the balance has been committed. Consequently, National Treasury deducted the entire amount as a first charge from the municipality's November 2009 equitable share payment due to alleged under expenditure on conditional grants.

### **3. Discussion**

3.1 Section 20 of the Division of Revenue Act (Act No. 1 of 2010) provides that any unspent conditional grants (except the Gautrain Rapid Rail Link Grant and the Expanded Public Works Programme) be reverted to the National Revenue Fund at the end of the municipal financial year, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

3.2 National Treasury MFMA Circular No. 51 dated 19 February 2010 outlines the practical arrangements that will apply to the return of all unspent conditional grants for the 2009/10 financial year which includes amongst others the following:

- When preparing their annual financial statements a municipality must determine what portion of each national conditional allocation it received remained unspent as at 30 June 2010.
- National Treasury will initiate the process outlined in section 20(4) and (5) of the Division of Revenue Act on 2 August 2010 based on the June 2010 conditional grant expenditure reports. If the receiving officer wants to motivate in terms of section 20(5)(b) that the funds have been spent or are committed to identifiable projects or wants to propose an alternative payment method or schedule the required information must be submitted to National Treasury by 16 August 2010.
- National Treasury will confirm in writing whether or not the municipality may retain as a rollover any of the unspent funds because they are committed to identifiable projects or whether it has agreed to any alternative payment methods or schedules by 30 September 2010.
- A municipality must return the remaining unspent conditional grant funds that are not subject of a specific repayment agreement with National Treasury to the National Revenue Fund by 15 October 2010. Failure to return these unspent funds by this date will constitute financial misconduct in terms of section 20(7) of the Division of Revenue Act.
- Any unspent conditional grant funds that should have been repaid to the National Revenue Fund by 15 October 2010 will be offset against the municipality's November equitable share allocation.

3.3 When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 20(2) of the Division of Revenue Act, municipalities must supply National Treasury with the following information –

- Details of each of the projects to which funds are committed;
- A progress report on the state of implementation of each of the projects;
- The amount of funds committed to each project, and the conditional allocation from which the funds come from; and
- An indication of the time-period within which the funds are to be spent.

#### **4. Way forward**

4.1 Municipalities are urged to abide by the processes outlined in NT MFMA Circular 51 as communicated to Municipal Managers and Chief Financial Officers at the LG MTEC 2 engagement which took place on 5 March 2010.

4.2 If you have any further enquiries, please do not hesitate to contact the relevant officials at the National Treasury:

Mr Sello Mashaba  
Senior Manager: Local Government Conditional Grant Monitoring  
Intergovernmental Relations Division, National Treasury

Tel: 012 315 5183

Fax: 012 315 5045 or 012 395 6732

E-mail: [Sello.Mashaba@Treasury.gov.za](mailto:Sello.Mashaba@Treasury.gov.za)

Tel No: 012 - 315 5183

or

Ms Bright Mchunu  
[Bright.Mchunu@Treasury.gov.za](mailto:Bright.Mchunu@Treasury.gov.za)

4.3 In conclusion, Municipalities are reminded that the Municipal Council does not have the legal authority to decide on the use of Conditional Grant transfers from National Government outside of the legal framework set out in the annual Division of Revenue Act and its various gazettes.

Your co-operation will be much appreciated.

Yours faithfully

A handwritten signature in cursive script, appearing to read 'EJ Johannes', written in a light grey or blue ink.

**MR EJ JOHANNES**

**ACTING SENIOR MANAGER: LOCAL GOVERNMENT FINANCE**

**DATE: 14 JULY 2010**