

Reference number: RCS/C.5

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CAPE TOWN  
8000

## TREASURY CIRCULAR MUN NO. 9/2021

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THE MAYOR, MATZIKAMA MUNICIPALITY: MS M BAINS  
THE MAYOR, CEDERBERG MUNICIPALITY: MS S QUNTA  
THE MAYOR, BERGRIVIER MUNICIPALITY: MR R VAN ROOY  
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR M KOEN  
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN  
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THE MAYOR, STELLENBOSCH MUNICIPALITY: ADV. G VAN DEVENTER  
THE MAYOR, BREEDE VALLEY MUNICIPALITY: MS A STEYN  
THE MAYOR, LANGEBERG MUNICIPALITY: MR S VAN EEDEN  
THE MAYOR, OVERBERG DISTRICT MUNICIPALITY: MR A FRANKEN  
THE MAYOR, THEEWATERSKLOOF MUNICIPALITY: MS C VOSLOO  
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THE MAYOR, SWELLENDAM MUNICIPALITY: MR N MYBURGH  
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THE MAYOR, BITOU MUNICIPALITY: MR S GCABAYI (ACTING)  
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THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR N CONSTABLE

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## **2020/21 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 2021.

### **2. 2020/21 Western Cape provincial roll-over process**

- 2.1 The Western Cape Appropriation Act, No. 2 of 2020 (WCAA) regulates unspent provincial conditional allocations. The WCAA was circulated to all the Western Cape municipalities with the 2020/21 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.
- 2.2 Municipalities are urged to refer to the roles and responsibilities section in the published gazettes to confirm whether the provincial grant is subject to the roll-over process and any specific requirements that apply to roll-overs for that grant. All provincial grants are subject to the annual institutionalised roll-over processes, except for Vote 6 transfers for agency payments.
- 2.3 Roll-over applications must set out reasons why allocations were not spent, and evidence that the funds are committed to identified projects (as required by section 10(1) of the WCAA). Where sufficient evidence is not submitted, unspent funds need to be paid back to the Provincial Revenue Fund.

### **3. Requirements for the roll-over of unspent 2020/21 Infrastructure-related Provincial Conditional Grants**

- 3.1 The roll-over process provides an accelerated process for the roll-over of infrastructure-related conditional grant allocations in order to minimise the duration of delays while roll-over applications are being processed.
- 3.2 Applications to roll-over funds that were transferred during 2020/21 financial year for disaster relief, drought relief or emergency funds, Human Settlements Development Grant (Beneficiaries) and any other infrastructure-related conditional grants must be submitted to Provincial Treasury by **15 July 2021**. This will also allow any approved roll-overs for these funds to be included in the adjustments budget as required in section 28(2)(e) of the MFMA.
- 3.3 For this purpose, municipalities must ensure that the information reported as at 30 June 2021 for purposes of section 71 MFMA reporting is accurate and that it is aligned to the information reported to the transferring department(s).
- 3.4 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.
- 3.5 Transferring department(s) will verify the information and ensure that the reported information is aligned before making recommendations on whether applications should be approved. Where there is misalignment, the applications will be declined.

**4. Criteria and requirements for the roll-over of unspent provincial conditional grants (for all non-infrastructure related 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 2020 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 2020/21 main budget allocations (Provincial Gazette no 8217 dated 10 March 2020), 2020/21 adjusted budget allocations (Provincial Gazette no 8232 dated 24 April 2020, Provincial Gazette no 8316 dated 28 August 2020, Provincial Gazette no 8345 dated 3 November 2020, Provincial Gazette no 8358 dated 26 November 2020) 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 any of the following:
- a) Proof that the project tender was published and the period for tender submissions closed before 31 March 2021; or
  - b) Proof that a contractor or service provider was appointed for delivery of the project before 30 June 2021; or
  - c) Proof of a project tender or appointment of contractor/service provider for delivery of service was concluded before 30 June 2021 in cases where additional funding was allocated during the course of the final year of the project; or
  - d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2022 (attach cash flow projection for the applicable grant);
  - e) For the delivery of integrated human settlements considering the housing subsidy systems, a list of the unspent balances per project should be submitted to the Department of Human Settlements. In the case of the Integrated Residential Development Programme (IRDP) top structure and services, subsection 4.3.3 (a)(b)(c) or (d) above apply.
- 4.4 In addition, Provincial Treasury and transferring departments will also consider the following information when assessing roll-over applications and reserve the right to decline an application if there is non-performance by the Municipality in any of these areas:

- 4.4.1 Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA, including the municipal manager and chief financial officer signing-off on the information sent to National Treasury;
- 4.4.2 Submission of the pre-audit Annual Financial Statements information to Provincial Treasury by 31 August 2021;
- 4.4.3 **Accurate disclosure of grant name and performance** in the 2020/21 pre-audit Annual Financial Statements. Due to different methods of disclosure municipalities are requested to provide a schedule linking the grant names used in the Annual Financial Statement to the grant names as published in the relevant provincial gazettes (if they have not used the gazetted grant names); and
- 4.4.4 **Cash available in the bank** (net position including short term investments) as at **30 June 2021** must be able to finance all commitments against cash including unspent grants. If the full amount that is requested for roll-over is not entirely cash backed, such a roll-over will not be approved. Provincial Treasury will not approve portions of roll-over requests.
- 4.5 **Municipalities must note that these guidelines are applicable to allocations for the 2020/21 financial year and the further roll-over of previously approved roll-overs should not be applied for.**
- 4.6 The application must be submitted to Provincial Treasury by **31 August 2021**.
- 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 repay the funds to the respective transferring department by 30 November 2021.**
- 4.8 When approving any roll-over requests, Provincial Treasury will use the latest provincial conditional grant expenditure information available at the time, which is the disclosure of grants information in the June 2021 tables SC 6, 7(1) and 7(2) of the C-Schedule, the provincial allocation quarterly verification information and the 2020/21 pre-audit Annual Financial Statements which need to be concluded and submitted by 31 August 2021.
- 4.9 Each transferring provincial department will review whether or not the application meets all the requirements and recommend whether a roll-over should be approved. They will also advise on how the municipalities will report on the spending of conditional grants funds that are approved to be rolled over.
- 4.10 Attached to this circular as **Annexure C** is a folder with the Provincial Gazettes that were published during 2020/21 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: **[MFMA.MFMA@westerncape.gov.za](mailto:MFMA.MFMA@westerncape.gov.za)** for the attention of Ms ZM Hans. Where documents are larger than 13 MB, municipalities are advised to use the lift server link: <http://lift.pgwc.gov.za/> and type in **[mfma.mfma@westerncape.gov.za](mailto:mfma.mfma@westerncape.gov.za)** as the email address in the space provided.
- 4.12 Municipalities are requested to also submit **updated grant reporting returns for the month of June 2021** as informed by the unspent amounts in the pre-audit Annual Financial Statements for 2020/21.
- 4.13 Any unspent allocations not applied for or not approved by Provincial Treasury or where no appeal is lodged must be repaid by the Municipality to the relevant transferring provincial department by **30 November 2021**. Further details will be provided regarding the date by when the unspent grants must be repaid in cases where municipalities have lodged appeals and the outcome is negative. The capital portion of the unspent funds must be deposited into the bank account of the transferring

department and proof of payment must be sent to [mfma.mfma@westerncape.gov.za](mailto:mfma.mfma@westerncape.gov.za) for the attention of Ms ZM Hans. The email must clearly indicate the department to which the repayment was made, the amount that was repaid, the year in which the allocation was published and the purpose of the allocation.

- 4.14 The banking details of the transferring departments are clearly contained in the table below. Municipalities are advised to use the correct banking details for the respective Western Cape Government department and the Municipality's code as a reference.

<b>5. Name of Department</b>	<b>Bank Name Account</b>	<b>Branch Code</b>
Department of the Premier	Nedbank 1 452 045 038	145209
Provincial Treasury	Nedbank 1 452 045 054	145209
Department of Community Safety	Nedbank 1 452 045 011	145209
Department of Health	Nedbank 1 452 045 097	145209
Department of Human Settlements	Nedbank 1 452 045 046	145209
Department of Environment Affairs and Development Planning	Nedbank 1 452 045 003	145209
Department of Transport and Public Works	Nedbank 1 452 045 100	145209
Department of Economic Development and Tourism	Nedbank 1 452 045 135	145209
Department of Cultural Affairs and Sport	Nedbank 1 452 045 127	145209
Department of Local Government	Nedbank 1 452 055 661	145209

Note that all the accounts are with Nedbank and the branch code is the same for all the departments.

Yours sincerely



**DR R HAVEMANN**  
**DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES**  
**DATE:** 4 June 2021