

Reference: RCS/C.5

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CAPE TOWN
8000

TREASURY CIRCULAR MUN NO. 12 OF 2020

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THE MAYOR, MATZIKAMA MUNICIPALITY: MS M BAINS
THE MAYOR, CEDERBERG MUNICIPALITY: MS S QUANTA
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THE MAYOR, SALDANHA BAY MUNICIPALITY: MR M KOEN
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
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THE MAYOR, HESSEQUA MUNICIPALITY: MR G RIDDLES
THE MAYOR, MOSSEL BAY MUNICIPALITY: MR HJ LEVENDAL
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THE MAYOR, BITOU MUNICIPALITY: MR MP LOBESE
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THE MAYOR, CENTRAL KAROO DISTRICT MUNICIPALITY: DR A RABIE
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 THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

2019/20 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 with regards to the municipal roll-over process of unspent provincial conditional grant allocations to municipalities as at 30 June 2020.

2. 2019/20 Western Cape provincial roll-over process

2.1 The Western Cape Appropriation Act, No. 4 of 2019 (WCAA) regulates unspent provincial conditional allocations. The WCAA was circulated to all the Western Cape municipalities with the 2019/20 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 reflected for agency services that are delivered in respect of Vote 8: Human Settlements and reflected as transfer to households (as beneficiaries) will be subject to the annual institutionalised roll-over processes and therefore the requirements of this circular applies.

2.3 Roll-over applications must also be submitted for Vote 3: Provincial Treasury (Western Cape Financial Management Capacity Building Grant) and Vote 14: (Community Development Workers (CDW) Operational Support Grant). The receiving municipality must submit a roll-over application containing justifiable reasons and evidence in instances where the allocations were not spent by the end of the municipal financial year. Where sufficient evidence is not submitted, unspent funds need to revert to the Provincial Revenue Fund.

3. Requirements for the roll-over of unspent 2019/20 Disaster Relief, Drought Relief or Emergency Funds, Human Settlements Development Grant (Beneficiaries) and Infrastructure-related Conditional Grants due to COVID-19 Regulations

3.1 Applications to roll-over funds that were transferred during 2019/20 financial year for disaster relief, drought relief or emergency funds, Human Settlements Development Grant (Beneficiaries) and infrastructure projects must be submitted to Provincial Treasury by **15 July 2020** in order to ensure that the funds are included in the municipal roll-over adjustments budget as required in section 28(2)(e) of the MFMA.

3.2 Instances where municipalities are unable to comply with the requirements of paragraph 4.3.3, due to level 5 and level 4 lockdown and the restrictions on the procurement processes based on National Treasury MFMA Circular No. 102, municipalities should submit a detailed motivation with valid reasons for not being able to comply, inclusive of supporting evidence outlining the causes for the delays in for the timeous implementation of the projects and spending of the associated grant allocations.

3.3 Municipalities must ensure that the information reported as at 30 June 2020 for purposes of section 71 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 paragraph 4 (four) below except for 4.4.2 as the due date of 15 July 2020 is prior to the submissions of the annual financial statements date.

3.5 Transferring department(s) will verify the information and ensure that the reported information is aligned before the applications are approved and any misalignments will result in applications being declined.

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 2019 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 2019/20 main budget allocations (Provincial Gazette No 8058 dated 5 March 2019), 2019/20 adjusted budget allocations (Provincial Gazette No. 8152 dated 26 September 2019, Provincial Gazette No. 8181 dated 26 November 2019 and Provincial Gazette No. 8232 dated 24 April 2020) municipalities must supply Provincial Treasury with the following information:

4.3.1 **One** formal letter for all unspent provincial allocations using format specified in the attached **Annexure B**, which must be addressed to the Provincial Treasury requesting the roll-over of unspent provincial conditional grants;

4.3.2 All the projects that are linked to the unspent provincial conditional grants should be listed 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 the amount of funds committed for each of the projects with a time period indicating when the funds will be spent;

4.3.3 **Supporting evidence should be attached** as an annexure for each project where 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 2020;

(b) Proof that a contractor or service provider was appointed for delivery of the project before 30 June 2020; or

(c) Proof of a project tender or appointment of contractor/service provider for delivery of service was concluded before 30 June 2020 in cases where additional funding was allocated during the course of the final year of the project;

(d) Evidence that all projects linked to an allocation will be fully utilised by 30 June 2021 (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 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 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 2020**;
- 4.4.3 **Accurate disclosure of grant name** and performance in the 2019/20 pre-audit Annual Financial Statements; and
- 4.4.4 Cash available in the bank (net position including short term investments) as at 30 June 2020 and in line with the cash flow statements to finance the roll-over request. 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 the **2019/20 financial year** and approval will not be considered or granted for municipalities requesting a roll-over of a previous roll-over request. The application must be submitted to Provincial Treasury by **31 August 2020**.
- 4.6 **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.**
- 4.7 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 2020 Tables SC 6, 7(1) and 7(2) of the C-Schedule and the 2019/20 pre-audit Annual Financial Statements which need to be concluded and submitted by 31 August 2020.
- 4.8 A transferring provincial department will provide recommendations on the approval of roll-overs and will further advise on how municipalities will report on the spending of conditional grants funds that were approved for roll-over.
- 4.9 Attached to this circular as **Annexure C** is a folder of the Provincial Gazettes that were published during 2019/20 financial year in respect of Provincial Government allocations to municipalities.
- 4.10 All electronic applications for provincial roll-overs must be sent to mfma.mfma@westerncape.gov.za email address for the attention of Mr M Sigabi. 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 email address in the space provided.
- 4.11 Municipalities are also requested to submit **updated grant reporting returns for the month of June 2020** as informed by the unspent amounts in the pre-audit Annual Financial Statements for 2019/20.
- 4.12 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 2020. 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 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.

4.13 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.

Name of Department	Bank Name Account	Branch Code
Department of the Premier	Nedbank 1 452 045 038	145209
Provincial Treasury	Nedbank 1 452 045 054	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



MR ML BOOYSEN
pp HEAD OFFICIAL: PROVINCIAL TREASURY SERVICES
DATE: 30 June 2020