



Reference number: RCS/C.5

Private Bag X9165  
CAPE TOWN  
8000

## TREASURY CIRCULAR MUN NO. 4/2023

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 MUNICIPALITY  
 THE MAYOR, LANGEBERG MUNICIPALITY  
 THE MAYOR, OVERBERG DISTRICT MUNICIPALITY  
 THE MAYOR, THEEWATERSKLOOF MUNICIPALITY  
 THE MAYOR, OVERSTRAND MUNICIPALITY  
 THE MAYOR, CAPE AGULHAS MUNICIPALITY  
 THE MAYOR, SWELLENDAM MUNICIPALITY  
 THE MAYOR, GARDEN ROUTE 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  
 THE MAYOR, LAINGSBURG MUNICIPALITY  
 THE MAYOR, PRINCE ALBERT MUNICIPALITY  
 THE MAYOR, BEAUFORT WEST MUNICIPALITY

For information

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# WESTERN CAPE FINANCIAL MANAGEMENT CAPABILITY GRANT REPORTING REQUIREMENTS

## 1. PURPOSE

The purpose of this Circular is to inform municipal Chief Financial Officers (CFOs), Municipal Managers and other municipal officials of the in-year reporting requirements associated with Western Cape Financial Management Capability Grant (WC FMCG) funding allocations.

## 2. BACKGROUND

Following an extensive conditional grant review, in the 2022/23 financial year, Provincial Treasury (PT) merged the **Western Cape Financial Management Support Grant** and the **Western Cape Financial Management Capacity Building Grant** to establish a single grant funding mechanism in the form of the Western Cape Financial Management Capability Grant (WC FMCG). The intention of this merger was to streamline the allocation process and to remove any possible overlaps between the former two grants.

The detailed Grant Framework was published in Provincial Gazette 8566 on 14 March 2022. In line with section 29(2) of the 2022 DoRA, the Western Cape Appropriation Act (Act 2 of 2022) earmarked an amount of R18.759 million to the WC FMCG for 2022/23.

Allocations from the WC FMCG will primarily support two functions: contributions towards *financial management projects*; and an *External Bursary Programme*.

### **Financial Management Projects**

*An official request was directed to all municipalities in the latter part of 2022 to consider the grant allocation criteria as contained in the Grant Framework and to submit proposals for projects to be funded by the grant. Targeted support areas were also identified through the various in-year financial performance monitoring (IYM) processes as well as the Strategic and Technical Integrated Municipal Engagements (SIME & TIME). PT considered all proposals received and requested qualifying municipalities to submit formal implementation plans.*

### **External Bursary Programme**

*The WC FMCG will in 2022/23 continue to give effect to the need for human capacity building support as envisaged in the old Western Cape Financial Management Capacity Building Grant (WC FMCBG). The municipal specific allocations towards the External Bursary Programme were determined following a review of financial and non-financial performance against previous bursary allocations.*

Municipalities were formally notified in January 2023 of the financial management project and external bursary programme allocations and were requested to sign binding agreements prior to the transfer of the 2022/23 allocations. As required by the 2022 DoRA, PT published the final municipal specific allocations (contributions to both financial management projects and the external bursary programme) in the Provincial Gazette Extraordinary No. 8712 in February 2023.

In line with the outcomes of the grant review process, PT has also strengthened its control mechanisms to more accurately monitor the impact of the funding provided in line with the intended outcomes contained in the grant framework. To this end, PT refined the financial and non-financial reporting requirements for municipalities to better align with the commitments made in the project implementation plans.

While these requirements are briefly captured in the formal contractual agreements signed between municipalities and PT prior to the transfer of the 2022/23 allocations, this circular clarifies in more detail what will be expected of municipalities.

### **3. REPORTING REQUIREMENTS**

Formal in-year reporting against the 2022/23 WC FMCG allocations must be institutionalised as part of the existing monthly and quarterly financial and non-financial reporting mechanisms provided for in respectively sections 71 and 52 of the Local Government: Municipal Finance Management Act (MFMA) (Act 56 of 2003) (MFMA).

#### ***MFMA Section 71 Monthly Reporting***

Section 71 of the MFMA requires that the accounting officer of a municipality must by no later than 10 working days after the end of each month submit to the mayor and the relevant provincial treasury a statement, in the prescribed format, on the state of the municipality's budget. The format is prescribed in Schedule C of the Municipal Budget and Reporting Regulations (MBRR) and specifically requires that the statement (report) should include an overview of allocation and grant receipts and expenditure.

As the WC FMCG funding transfers were processed in February 2023, municipalities must ensure that the section 71 report due on 10 March 2023 reflects the amount published in Provincial Gazette Extraordinary No.8712. Municipalities must continue to reflect on expenditure against these allocations in all upcoming S71 reports.

The S71 report should distinguish between the WC FMCG allocations received for financial management projects and the external bursary programme. This is only applicable to municipalities who received both types of allocations.

Provincial Treasury is aware that most municipalities are already reporting against grant allocations in their monthly reports. This notice therefore merely serves as a timeous reminder that the inclusion of grant related expenditure in the S71 reports is a basic condition of the grant.

#### ***MFMA Section 52 Quarterly Reporting***

Section 52(d) of the MFMA states that the mayor of the municipality must, within 30 days after the end of each quarter, submit a report to the council on the implementation of the budget and the financial state of affairs of the municipality. This report must be placed on the municipal website and/or be submitted to the Provincial Treasury within five days after its tabling in council.

The S52(d) report must also be in the format prescribed in Schedule C of the MBRR and be consistent with the monthly budget statements for the quarter as applicable. In similar fashion to the S71 report, the S52(d) report should therefore also reflect on expenditure against the WC FMCG.

The quarterly report differs from the S71 report in terms of the need to submit a concise non-financial progress report of each project (both financial management projects and external bursary support) for which it received funding from the WC FMCG. While municipalities frequently report on grant expenditure (quantitative reporting), PT has introduced this requirement as a qualitative measure of value. Municipalities are requested to complete the non-financial return form (**Annexure A**) for each project and the external bursary programme and to include it in the S52(d) report submitted to council (and eventually provincial treasury).

### ***Close-out Report (Only applicable to financial management projects)***

Municipalities are required to submit a project close-out report at the end of the financial year to provide PT with an update on the project results and to reflect on lessons learnt. The close-out report should more specifically reflect on the impact statement contained in the implementation plan to ascertain whether the desired outcomes were achieved.

The close-out report should be submitted to PT within one month of the end of the municipal financial year i.e., by 1 August 2023. Please note that the close-out report is required irrespective of whether a roll-over application was made/approved.

The close-out report does not have to refer to the external bursary programme as progress against these allocations are monitored throughout the year.

#### **4. NON-COMPLIANCE**

Failure by the Municipality to report on the grant performance through the monthly, quarterly and close-out reports described above constitutes a breach of the formal contractual agreement signed prior to the transfer of funds will trigger a formal letter of caution from the Department.

Failure by a municipality to remedy such a breach within ten (10) working days of receiving the letter of caution could result in the Department, without prejudice to any other remedy which may be available to it, cancelling the agreement and claiming back all allocated funds with interest from the transgressing municipality.

#### **5. APPLICATION**

The reporting requirements outlined in this Circular is applicable to all 2022/23 WC FMCG allocations and will further remain in place for any future annual WC FMCG allocations, unless replaced or revoked.

**DR R HAVEMANN**

**DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES**