



provincial treasury

MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA

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Ref : MPT 3/2/1

PROVINCIAL TREASURY CIRCULAR NO. 48 OF 2022

THE MUNICIPAL MANAGER: BUSHBUCKRIDGE LOCAL MUNICIPALITY (MS CN NKUNA)
THE ACTING MUNICIPAL MANAGER: NKOMAZI LOCAL MUNICIPALITY (MS TA KASEKE)
THE MUNICIPAL MANAGER: CITY OF MBOMBELA (MR W KHUMALO)
THE MUNICIPAL MANAGER: THABA CHWEU LOCAL MUNICIPALITY (MS S MATSI)
THE MUNICIPAL MANAGER: EHLANZENI DISTRICT MUNICIPALITY (DR NP MAHLALELA)
THE ACTING MUNICIPAL MANAGER: STEVE TSHWETE LOCAL MUNICIPALITY (MS T ZULU)
THE ACTING MUNICIPAL MANAGER: VICTOR KHANYE LOCAL MUNICIPALITY
(MR T MASHABELA)
THE MUNICIPAL MANAGER: THEMBISILE HANI LOCAL MUNICIPALITY (MR ON NKOSI)
THE MUNICIPAL MANAGER: DR JS MOROKA LOCAL MUNICIPALITY (MS M MATHABELA)
THE MUNICIPAL MANAGER: EMAKHAZENI LOCAL MUNICIPALITY (MR G MTHIMUNYE)
THE MUNICIPAL MANAGER: EMALAHLENI LOCAL MUNICIPALITY (MR H MAISELA)
THE MUNICIPAL MANAGER: NKANGALA DISTRICT MUNICIPALITY (MS MM SKOSANA)
THE MUNICIPAL MANAGER: CHIEF ALBERT LUTHULI LOCAL MUNICIPALITY
(MR ME THABETHE)
THE ACTING MUNICIPAL MANAGER: DIPALESENG LOCAL MUNICIPALITY (MR L CINDI)
THE ACTING MUNICIPAL MANAGER: DR PIXLEY KA ISAKA SEME LOCAL MUNICIPALITY
(MR N MOKAKO)
THE MUNICIPAL MANAGER: GOVAN MBEKI LOCAL MUNICIPALITY (MR EN MASEKO)
THE ACTING MUNICIPAL MANAGER: LEKWA LOCAL MUNICIPALITY (MR LD TSOTETSI)
THE ACTING MUNICIPAL MANAGER: MKHONDO LOCAL MUNICIPALITY (MR B MASEKO)
THE ACTING MUNICIPAL MANAGER: MSUKALIGWA LOCAL MUNICIPALITY (MR C LISA)
THE MUNICIPAL MANAGER: GERT SIBANDE DISTRICT MUNICIPALITY (MR CA HABILE)

THE DIRECTOR-GENERAL: OFFICE OF THE PREMIER (MR M MAMPURU)
THE HEAD: CO - OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS: (MR S NGUBANE)
THE ACTING PROVINCIAL CHIEF EXECUTIVE OFFICER: SALGA (MS D MATUMBA)

THE CHIEF DIRECTORATE: FINANCIAL GOVERNANCE
THE CHIEF DIRECTORATE: ASSETS AND LIABILITIES MANAGEMENT
THE CHIEF DIRECTORATE: SUSTAINABLE RESOURCE MANAGEMENT

ROLL OVER APPLICATION PROCESS FOR 2021/22 UNSPENT CONDITIONAL GRANTS

When requesting a rollover in terms of section 22(2) of the 2021 DoRA, municipalities should include the following information with their submission to National and Provincial Treasury:

1. A formal letter, signed by the accounting officer addressed to the National and Provincial Treasury requesting the rollover of unspent conditional grants in terms of section 22(2) of the 2021 DoRA;
2. A list of all the projects that are linked to the unspent conditional grants and a breakdown of how much was allocated and spent per project;
3. The following evidence indicating that work on each of the projects has commenced, as applicable to the specific rollover(s):
 - a) Proof that a contractor or service provider was appointed for delivery of the project before 31 March; or
 - b) Proof of project tender and tender submissions published and closed before 31 March with the appointment of contractor or service provider for delivery of service before 30 June in cases where additional funding was allocated during the course of the final year of the project;
 - c) Incorporation of the Appropriation Statement;
 - d) Evidence that all projects linked to an allocation will be fully utilized by 30 June 2023 (attach cash flow projection for the applicable grant)
4. A progress report (also in percentages) on the status of each project's implementation that includes an attached legible implementation plan);
5. The value of the committed project funding and the conditional allocation from the funding source;
6. Reasons why the grants were not fully spent during the year of original allocation per the DoRA; MFMA Circular No 115 Municipal Budget Circular for the 2022/23 MTREF 04 March 2022
7. Rollover of rollovers will not be considered therefore municipalities must not include previous year's unspent conditional grants as rollover request;
8. An indication of the time period within which the funds are to be spent if the rollover is approved;
9. Proof that the Municipal Manager and Chief Financial Officer are permanently appointed.

No rollover requests will be considered for municipalities with vacant or acting Chief financial Officers and Municipal Managers for a period exceeding 6 months from the date of vacancy; this also includes acting appointments as a result of suspensions of either MM or CFO that are more than 12 months.

If any of the above information is not provided or the application is received by National and Provincial Treasury (Intergovernmental Relations Division) after 31 August 2022, the application will be declined.

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In addition, National Treasury will also consider the following information when assessing rollover applications; and reserves the right to decline an application should there be non-performance by the municipality in any of these areas: -

1. Compliance with the in-year reporting requirements in terms of sections 71 and 72 of the MFMA and section 12 of the 2021 DoRA, including the municipal manager and chief financial officer signing-off on the information sent to National Treasury;
2. Submission of the pre-audited Annual Financial Statements to National Treasury by 31 August 2022;
3. Accurate disclosure of grant performance in the 2021/22 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
4. Despite the fact local government is required to comply to different norms and standards prescribed by different legislations, municipalities are expected to fully comply with the provisions of DoRA that relates to rollover processes and disclose conditional grant performance in the 2021/22 pre-audited Annual Financial Statements in order to verify grant expenditure; and
5. Cash available in the bank (net position including short term investments) as at 30 June 2022 is equivalent to the unspent amount at the end of the financial year. If the amount that is requested for rollover is not entirely cash-backed, such a rollover will not be approved. National Treasury will also not approve portions of rollover requests

It should be noted that under no circumstances will the National Treasury consider to rollover:

1. The entire 2021/22 allocation to the municipality, in cases whereby the rollover request is more than 50 per cent of the total allocation, National Treasury will approve the rollover amount up to 50 per cent of the 2021/22 allocation;
2. Rollover request of the same grant for the third consecutive time;
3. Funding for projects constituted through Regulation 32 of the Municipal Supply Chain Management Regulations (Gazette No.27636). Projects linked to additional funding and disasters are exempted;
4. A portion of an allocation where the proof of commitment for the rollover application is linked to invoices that were issued before or on 31 May 2022. Rollover request against the Covid-19 allocated through the Equitable Share The Division of Revenue Amendment Act, 2020 (Act No 10 of 2020) made available to Local government an amount of R11 billion following the President's speech on 20 April 2020. The President pronounced that R20 billion would be made available to municipalities in order to provide emergency water supply, increase sanitation of public transport facilities, and provide MFMA Circular No 115 Municipal Budget Circular for the 2021/22 MTREF 04 March 2022

Municipalities are therefore required to provide the following information to National Treasury in order to prove that the unspent funds are committed and also provide approval to allow the unspent funds to be spent in the 2022/23 financial year.

1. Provide the contracts that are linked to the response of the Covid-19 pandemic in line with the provisions made in the 2021 DoRA;
2. Reasons why the funds were not fully spent during the year of original allocation per the DoRA;
3. Accurate disclosure of Covid-19 allocation expenditure in the 2021/22 pre-audited Annual Financial Statements, (i.e. correct disclosure of grant receipts and spending in the notes to the AFS);
4. Any expenditure incurred against the unspent Covid-19 funds that was not approved for the rollover will be regarded as unauthorized expenditure.

Unspent conditional grant funds for 2021/22

The process to ensure the return of unspent conditional grants for the 2021/22 financial year will be managed in accordance with section 22 of the DoRA. In addition to the previous MFMA Circulars, the following practical arrangements will apply:

Step 1: Municipalities must submit their June 2022 conditional grant expenditure reports according to section 71 of the MFMA reflecting all accrued expenditure on conditional grants and further ensure that expenditure reported to both National Treasury and national transferring officers reconcile;

Step 2: When preparing the Annual Financial Statements, a municipality must determine the portion of each national conditional grant allocation that remained unspent as at 30 June 2022. These amounts **MUST** exclude all interest earned on conditional grants, retentions and VAT related to conditional grant spending that has been reclaimed from SARS, which must be disclosed separately; and

Step 3: If the receiving officer wants to motivate in terms of section 22(2) of the 2020 DoRA that the unspent funds are committed to identifiable projects, the rollover application pack must be submitted to National Treasury by no later than 31 August 2022.

National Treasury will not consider any rollover requests that are incomplete or received after this deadline.

Step 4: National Treasury will confirm in writing whether or not the municipality may retain any of the unspent funds as a rollover based on criteria outlined above by 21 October 2022; MFMA Circular No 115 Municipal Budget Circular for the 2022/23 MTREF 04 March 2022

Step 5: National Treasury will communicate the unspent conditional grants amount by 08 November 2022. A municipality must return the remaining unspent conditional grant funds that are not subject to a specific repayment arrangement to the National Revenue Fund by 18 November 2022; and

Step 6: Any unspent conditional grant funds that should have, but has not been repaid to the National Revenue Fund by 18 November 2022, and for which a municipality has not requested a repayment arrangement, will be offset against the municipality's 07 December 2022 equitable share allocation.

Section 17 (3) of DoRA states that a receiving officer may not allocate any portion of a schedule 5 allocation to any other organ of state for the performance of a function, unless the receiving officer

and the organ of the state agree on the obligation of both parties and a payment schedule, the receiving officer has notified the transferring officer, the relevant provincial treasury and National Treasury of the agreed payment schedule and: -

The allocation is approved in the budget for the receiving provincial department or municipality; or

If not already approved:

- a) the receiving officer notifies the National Treasury that the purpose of the allocation is not to artificially inflate the expenditure estimates of the relevant municipality and indicates the reasons for the allocation; and
- b) the National Treasury approves the allocation; or b. The allocation is for the payment for goods or services procured in accordance with the procurement prescripts applicable to the relevant province or municipality and, if it is an advance payment, paragraph (a) (ii) applies with the necessary changes.

This section requires municipalities to comply with section 17 (3) before any DoRA allocated funds are allocated to any organ of state, and the municipality should first seek approval from National Treasury.

Note that National Treasury considers the following when assessing the request from the municipality for approval:

1. If the municipality is benefitting and utilising from the five per cent from capital grants that may be utilised for Project Management Unit (PMU). In terms of the capital grant framework (i.e. MIG and IUDG and three per cent for the USDG), municipalities are allowed to utilise a certain per cent of the grant for PMU or capacity support in order to implement capital projects. Therefore, if municipalities are benefitting from this initiative, the PMU should be capacitated enough to implement capital project;
2. Municipalities that are benefitting from the added technical support from Municipal Infrastructure Support Agent (MISA) will not be granted approval because MISA would assist with providing support and develop technical capacity towards sustained capacity. MFMA Circular No 115 Municipal Budget Circular for the 2022/23 MTREF 04 March 2022. This implies that the municipality would be capacitated and be in a better position to implement capital project;
3. If the request does not comply with the grant conditions, framework and if the transfer artificially inflates the expenditure estimates.

The following information must be submitted to National Treasury before approval is granted to municipalities to transfer funds to organs of the state: -

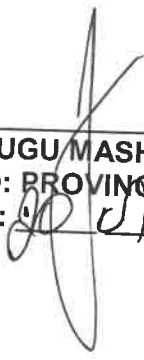
1. In consultation with the relevant transferring officer municipalities must submit their request to National Treasury for approval;
2. Provide the time frames regarding the duration of this arrangement between the municipality and the organ of the state;
3. Provide the Service Level Agreement between the municipality and the organ of the state in consultation with the relevant transferring officer;
4. Provide the agreed payment schedule reflecting the disbursement of the funds;

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5. Must provide the reasons why the municipality has taken such a decision;
6. If amongst the reasons for the request is related to capacity challenges, the municipality must therefore prove beyond reasonable doubt that there are capacity challenges and the reasons thereof; and
7. Upon approval, the municipality must submit the approved budget that includes the allocation. Note that once the allocation has been approved, the payment for goods or services must be procured in accordance with or in compliance with the procurement prescripts applicable to the relevant municipality. If there is an agreement for an advancement, subsection (a) (ii) will apply in order to determine if the payment does not artificially inflate the expenditure estimates.
8. Therefore, if any expenditure incurred which emanates from such an arrangement while there was non-compliance with section 17, grant conditions and framework, such expenditure will not be recognised by both National Treasury and relevant transferring officer and will be classified as unauthorised expenditure.

Your co-operation in this regards will be highly appreciated

Regards,



MS GUGU MASHITENG
HEAD: PROVINCIAL TREASURY
DATE: 20/01/2022