



**Western Cape
Government**

Provincial Treasury

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Reference: T12/2/1

TREASURY CIRCULAR MUN 24 OF 2013

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2012/13 PROVINCIAL ROLL-OVER PROCESS

1. Purpose

The purpose of this section, as contained in this circular, is to officially communicate the implementation of the roll-over process that will be applicable, with effect from 2012/13 allocations onwards, on unspent provincial conditional allocations by 30 June of each year.

2. Background

The Western Cape Provincial Treasury has identified a need to adopt the National Treasury's process on unspent conditional allocations after discovering that the municipalities were not fully spending the allocations that are transferred by provincial departments for specific purposes.

Section 21 of the 2012 Division of Revenue Act, Act 5 of 2012 was customised and inserted as section 10 of the Western Cape Appropriation Act, Act 2 of 2012 (WCAA), which was circulated to all the municipalities with the 2012/13 budget document pack. Section 10 of the WCAA sets specific requirements with respect to provincial allocations and the requirements are outlined below:

- (1) Subject to the Public Finance Management Act, the Local Government Municipal Finance Management Act, 2003, and the Division of Revenue Act, any conditional allocation, that is not spent by the municipality at the end of a municipal financial year, reverts to the Provincial Revenue Fund, unless the relevant receiving municipal officer can prove to the satisfaction of the Provincial Treasury and the transferring provincial officer that the unspent allocation is committed to identifiable projects.
- (2) The Provincial Treasury may, at the request of a transferring provincial officer or a municipality, approve that the conditional allocation be retained by the municipality to be spent in the next municipal financial year.
- (3) Any funds which must revert to the Provincial Revenue Fund in terms of subsection (1), and which have not been approved by the Provincial Treasury to be retained in terms of subsection (2), must be repaid by the municipality to the Provincial Revenue Fund.
- (4) The Provincial Treasury, in accordance with subsection (5), may offset any funds which must be repaid to the Provincial Revenue Fund in terms of subsections (1) and (3), but which have not been repaid, against future conditional allocations to that municipality.

- (5) Prior to the Provincial Treasury setting-off any amounts against conditional allocations to municipalities in terms of subsection (4), the Provincial Treasury must give the relevant transferring provincial officer, and receiving municipal officer -
- (a) Written notice of the intention to offset amounts against upcoming advances for conditional allocations; and
 - (b) An opportunity, within 14 days of receipt of the notice referred to in paragraph (a), to—
 - (i) Submit written representations that prove to the satisfaction of the Provincial Treasury that the unspent conditional allocation was either spent in accordance with the relevant framework, or is committed to identifiable projects;
 - (ii) Propose alternative means acceptable to the Provincial Treasury by which the unspent conditional allocations can be repaid to the Provincial Revenue Fund; and
 - (iii) Propose an alternative payment arrangement in terms of which the unspent conditional allocations will be repaid to the Provincial Revenue Fund.
- (6) A notice contemplated in subsection (5) must include the intended amount to be offset against allocations, and the reasons for offsetting the amounts.

Provincial Treasury will apply the above section, read together with MFMA budget

3. Criteria for the roll-over of unspent provincial conditional grants

Municipalities may not automatically rollover unspent conditional grant in terms of section 28(2)(e) of the MFMA (read together with regulation 23(5) of the Municipal Budget and Reporting Regulations) because they are provincial funds. The municipalities must apply for the rollover of unspent conditional grants. The applicable rollover process will be given effect through the provincial adjustments budget in November each year.

Section 10 of the 2012 Western Cape Appropriation Act 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 the 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.

When applying to retain unspent conditional allocations committed to identifiable projects or requesting a rollover in terms of section 10(2) of the Western Cape Appropriation Act, municipalities must supply Provincial Treasury with the following information –

1. A formal letter, which must be incorporated to the letter addressed to the National Treasury, requesting the rollover of unspent provincial conditional grants;
2. List of all the projects that are linked to the unspent conditional grants;
3. Evidence that work on each of the projects has commenced, namely either of the following:
 - a. Proof that the project tender was published and the period for tender submissions closed before 30 June; or
 - b. Proof that a contract for delivery of the project was signed before 30 June.
4. A progress report on the state of implementation of each of the projects;
5. The amount of funds committed to each project, and the conditional allocation from which the funds come;
6. An indication of the time-period within which the funds are to be spent; and
7. Proof that the Chief Financial Officer is permanently appointed.

In addition, Provincial Treasury will also take into account the following information when assessing rollover applications, and reserves the right to decline an application if there is non-performance by the municipality in any of these areas:

1. The 2012/13 provincial allocations must be correctly reflected on table SA18 of Schedule A and on table SB7 of Schedule B where there are adjustments;
2. Compliance with the periodic reporting requirements as per the published gazettes, including the municipal manager and chief financial officer signing-off on the information sent to National Treasury and transferring departments on a quarterly basis;
3. Submission of the pre-audit Annual Financial Statements information to National Treasury by 31 August 2013;
4. Accurate disclosure of grant performance in the 2012/13 pre-audit Annual Financial Statements;

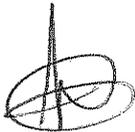
5. Proof that the committed funds are linked to the original projected or intended purpose of the allocation; and
6. Cash available in the bank as at 30 June 2013 to finance the roll-over request.

If any of the above information is not provided or the application is received by Provincial Treasury after 30 August 2013, the application will be declined and unspent conditional allocations will be paid to the Provincial Revenue Fund by the municipality.

When approving any rollover requests, Provincial Treasury will use the latest conditional grant expenditure information available at the time, which in this instance is likely to be the disclosure of grant performance in the June 2013 quarterly verification information and 2012/13 pre-audit Annual Financial Statements which need to be concluded by 31 August 2013.

A transferring provincial department will decide on how the municipalities will report on the spending of conditional grant funds that are rolled over.

Yours sincerely



MR M. SIGABI

ACTING CHIEF DIRECTOR: LOCAL GOVERNMENT FINANCE

DATE: 25 JUNE 2013