



**Western Cape
Government**

Human Settlements

Human Settlement Development Grant

Presentation to the Municipal CFO Forum

13 June 2013

Content

- DORA vs Provincial Gazette
- Shifting of funds / re allocation
- Provincial Financial Year
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- Reconciliation of completed projects
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DORA vs Prov. Gazette

DORA

- Conditional grant to Provinces
- Not to municipalities

3 Provincial Gazettes

- Main Budget (Feb/March)
- Adjustments Budget (November)
- Final gazette (Feb)

HSDG Framework

- Indicative allocations – planning purposes
- Households – not municipalities (Developers obo Province)



- Submit claims to access funds
- Province is accountable

Accountability: AO of Provincial Dept.

Section 38 (1)(j) of the PFMA stipulates that the Accounting Officer, before transferring any funds (other than grants in terms of the annual DORA or to a constitutional institution) to an entity within or outside government, **must**

- obtain a written assurance from the entity that that entity implements effective, efficient and transparent financial management and internal control systems, or,
- if such written assurance is not or cannot be given, render the transfer of the funds subject to conditions and remedial measures requiring the entity to establish and implement effective, efficient and transparent financial management and internal control systems

Accountability: AO of Provincial Department

Non – compliance

- Late or not submitting Annual Financial Statements
- Negative audit outcomes
- Not adhering to contractual agreements
- No separate call accounts
- No separate ledger accounts
- Spending funds not for the intended purpose
- Late payments to contractors, etc.
- Red lights
- Newspaper reports
- AGSA reports



- Contractors complaining of not being paid
- SIU/Hawks investigations
- Discussions with Treasury, etc.

Accountability: AO of Provincial Department

- HSDG Framework allows Province to pay contractors directly if Municipality does not comply to Sec 38 (i) (j)
 - Department does not want to move funds from Municipality
 - Beneficiaries will suffer
 - Projects could become blocked if contractors are not paid
 - When funds are received, it must be deposited in a separate call account
 - 30 days payment also applies to HSDG
 - 30 days after certification of claim
 - Municipality must pay contractor immediately if claim is paid out
 - Monthly certificate on funds received and paid by municipality
- Department's CFO team to visit

Municipal Business Plans

- Allocations based on approved municipal HSD plans
- Must be in IDP
- Ready to implement
- No outstanding planning or other approvals
- Tender ready - for implementation latest in May/June
- First draft: 15 October
- Final: 15 January
- Municipal manager signs delivery agreement with HOD
- Mayor signs delivery agreement with Provincial Minister
- Regular progress reporting against Business Plan

Shifting of Funds / Re-allocation

- Firstly within municipal own projects
- No pipeline / implementation ready projects
- Shift to other implementation ready projects in other municipalities (prioritise Regional projects).
- To be done in consultation with municipalities
- Letter from Department and counter signed by PT
- Municipality to proceed with project identified to be funded.
- Payments are done based on claims!
- Admin processes to Gazette (Nov & Feb) will follow
- Cannot delay implementation / procurement processes if not gazetted.
- Municipality can take it up in their budgets based on allocation letter

Provincial Financial year

- Allocation as per gazette are available from 1/4/xx – 31/3/xx (12 months)
- NOT 1/7/xx – 30/6/xx (municipal financial year)
- Cannot delay projects till 1/7/xx
- Running projects are not stopped on 31/3/xx
- Contractors must be paid within 30 days
- Claims must be submitted to the Department as from 1/4/xx and will be honoured i.t.o. the Agreements

VAT

The HSDG is exempted from VAT for all programmes where ownership is transferred to individuals / beneficiaries

The following programmes are excluded from the exemption

- Social Housing: Ownership SHI
- CRU: Ownership: Municipality

2 Options

- All VAT charged by contractors and claimed to be allocated as credits to the projects.
- Contractors to be requested to issue zero rated invoices
- No bridge funding needed to pay VAT and claim back from SARS

Reconciliation of completed projects

- Approvals are maximum amounts allowed for project
- Services and Top structures are separate agreements
- Saving on services can not be utilised to cover shortfalls on Top structures
- Separate maximum amounts allowed
- Interest accrued to be allocated to the project
- NOT municipal income
- All unspent funds to be paid back to the Department
- Departmental officials will assist with the reconciliations

Professional Resource Teams (PRT's)

- Appointed by Department via an open and competitive bidding process
- Available to assist municipalities
- No need for municipalities to go out on tender
- Municipal SCM Regulation 32 applicable
- Provincial Treasury instruction 5.2.1.9 applicable to Department
- MM to request approval from Departmental Accounting Officer to 'piggy-back'

Outer MTEF years

- 50% interim allocation from NDOH
- To phase in new census figures
- Meeting 18 June 2013 to discuss impact and indicative allocations

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Thank you