



KZN PROVINCIAL TREASURY

Our Reference: 11/6/13/6
Enquiries: Mr F. Cassimjee
Date: 26 August 2020

To: MAYORS
MUNICIPAL MANAGERS
CHIEF FINANCIAL OFFICERS
KWAZULU-NATAL MUNICIPALITIES

Dear Sir/Madam,

PROVINCIAL TREASURY CIRCULAR PT - MF 03 OF 2020/21

NATIONAL ROLLOVER AND UNSPENT CONDITIONAL GRANT PROCESS - 2019/20

I draw your attention to the email communique issued by National Treasury on the 24 August 2020 relating to the Rollover and Unspent Conditional Grant Processes for the 2019/20 municipal financial year.

In light of the Municipal Finance Management Act (MFMA) exemption notice as contained in Gazette No.43582 on the submission of the Annual Financial Statements (AFS), National Treasury has taken a decision to maintain the 2019/20 rollover criteria and timeframes as articulated in the National Treasury MFMA Circular No. 99.

In recognition of the implications that may arise as a result of the proof of commitment that municipalities must furnish as part of the motivation process to secure the rollover, National Treasury has emphasised the following:

1. A **letter signed by the Municipal Manager** indicating the amount of the roll-over requested. (The amount requested must provide the requests for **roll-over per individual grant** rollover and a motivation on the **list of projects** that are linked to unspent conditional grants);
2. Proof of the **bank statement** reflecting the cash balance at the end of the financial year, 30 June 2020. Note: This must be stamped by the respective financial institution;
3. Indication in the letter that the unspent grants are **committed** and **cash backed**; and
4. An opportunity will be provided to municipalities for **follow-up** (or **additional motivation**) submissions on rollovers should their cash position and unspent conditional grant position change as a result of the finalisation of the Pre-Audited AFS.

National Treasury will consider the applications of municipalities that are able to submit the Pre-Audited AFS to National Treasury by 31 August 2020, together with the rollover request application pack. In the event that a municipality will be submitting the AFS at a later date as per the MFMA exemption notice, those municipalities will be required to submit:

- The **bank statement** as at end of **June 2020**; and
- A **bank reconciliation statement** as part of the rollover request application pack.

Consequently, the rollovers of municipalities that will be submitting their Pre-Audited AFS **after 31 August 2020** will be **re-assessed** as and when the Pre-Audited AFS is submitted.

National Treasury will notify municipalities of the unspent conditional grants amount by **13 November 2020**. The respective communication dated 13 November 2020 will also **confirm** the amount approved as verified through the Pre-Audited AFS submitted by **31 October 2020**. This means that a municipality's roll over approval that would have been informed by the bank statement and bank reconciliation statement will be validated by the AFS submitted by 31 October 2020.

A municipality must return the remaining unspent conditional grant funds, which have not been approved for rollover and are not subject to a specific repayment arrangement, to the National Revenue Fund by **25 November 2020** or it will be offset against the municipalities' equitable share allocation to be received on the 4 December 2020.

Furthermore, as a result of the declaration of the Municipal Disaster Act, an amount of R150 million, allocated as part of the 2020 Division of Revenue Bill, was released to municipalities in terms of Section 28 of the Division of Revenue Act. Applications to rollover any unspent **Municipal Disaster Relief Grant (MDRG)** that were transferred in May 2020 must also be submitted. Municipalities are encouraged not to stop MDRG funded projects that are linked to COVID-19 responses.

The failure to fully or appropriately utilise conditional grants negatively impacts the development of infrastructure and the provision of service delivery by the municipalities. It therefore becomes essential that municipalities engage in proper management of conditional grant funding and adhere to the requirements regarding the submission of motivation for rollover.

Please do not hesitate to contact my office, if you have any questions relating to the above.

Yours faithfully



Mr F. Cassimjee
Chief Director: Municipal Finance

cc: Mr R. Pillay: MEC for Finance KZN

Ms N Shezi: Acting Head of Department: KZN Provincial Treasury

Mr J. Hattingh: Chief Director: National Treasury