

From: Elsabe Rossouw

Sent: Tuesday, 29 September 2020 11:05 AM

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Cc: CD_Local Government Budget Analysis <CD_LocalGovernmentBudgetAnalysis@treasury.gov.za>

Subject: 00. Release for the second instalment of the Equitable Share for the 2020/21 municipal financial year and offsetting of unspent conditional grants

To all Municipal Managers, Chief Financial Officers and other municipal officials,

CC: The Head Official: Provincial Treasury,

CC: MFMA Coordinators,

CC: CD: LGBA,

This email serves to inform municipalities that the second instalment of the Equitable Share for the 2020/21 municipal financial year is due to be released on **08 December 2020** [see Section 5(3) of the Division of Revenue Act, 2020 (Act No. 4 of 2020)] as amended by the Division of Revenue Amendment Act, 2020 (Act No. 10 of 2020). As required by Section 22(4)(a) of the 2019 DoRA, the National Treasury will use this opportunity to offset the unspent conditional grants for the 2019/20 financial year which will subsequently return to the National Revenue Fund. The unspent amounts for your respective municipality will be communicated soon.

As previously communicated please ensure that all outstanding information and documentation are with our Office (National Treasury) by the close of business, **Monday, 16 November 2020**; this being the date on which the final decision will be made with regard to the amounts that will be released. Non-adherence can potentially result in your municipality being penalised as it relates to the offsetting process; it will be extremely unfortunate if your municipality is affected by this process owing to other non-compliance matters.

In addition, the following additional requirements will have to be met by all 257 municipalities:

- 1) The 2020/21 **adjustments budget** must be funded and adopted by Council by **30 September 2020**, as required in terms of section 18 of the MFMA and consistent with the Budget Council and Budget Forum resolutions;
- 2) The adjustments budget must include:
 - a. municipalities must adjust their 2020/21 MTREF budgets to account for the **revised funding allocations** as per the National Supplementary Budget tabled by the Minister of Finance on 24 June 2020.
 - i. Legalise their portion of the **R20 billion** (R11 billion Equitable Share and R9 billion repurposed Conditional Grants).
 - b. municipalities should use this adjustments budget **to reprioritise the 2020/21 budget** to respond to the impact of the COVID-19 pandemic (5 months of actual implementation of Covid-19 information is now available).
 - c. Municipalities that have **adopted unfunded budgets** for the 2020/21 financial year must also correct their budgets through this process to ensure that the adjustments budgets are funded.
- 3) The 2020/21 MTREF *m*SCOA data strings are submitted to the LG Portal directly generated from the municipal financial system and **no excel based spreadsheet/templates** will be accepted;
- 4) The municipality has paid its creditors as required in terms of section 65(2)(e) of the MFMA. In addition, where the municipality has a repayment plan with Eskom and /or the water boards, **proof that the current accounts have been paid** and a copy of the **agreed upon payment plan** must be submitted to the National and provincial treasuries;
- 5) Municipalities must provide evidence that **SARS, pension and other staff benefits** deducted from municipal officials have been paid over the appropriate Funds and /or institutions;
- 6) The information requested in MFMA Circulars No. 93 and 98 on the **reconciliation of the valuation roll** have been submitted to the National Treasury (the deadline for the first submission was 7 February 2020 and quarterly thereafter);
- 7) The **Competency Regulations** reporting requirements have been complied with; and
- 8) Provide a copy of the UIF&W register, latest copy of MPAC recommendations, Council Resolution on UIFW, establishment of DC Boards and updated audit action plan; and
- 9) Any other outstanding documents have been submitted.

Failure to submit the information as indicated above by **Monday, 16 November 2020**, will result in National Treasury invoking section 38 of the MFMA which empowers NT to withhold a municipality's equitable share if the municipality commits a serious or persistent breach of the measures established in terms of Section 216(1) of the Constitution which includes reporting obligations set out in the MFMA and NT requests for information in terms of Section 74 of the MFMA.

If you are unsure as to what information is outstanding, may I suggest you consult your respective Budget Analyst responsible for your province or municipality, as well as to submit all information relating to items 8 and 9 to the MFMA helpdesk at mfma@treasury.gov.za.

Your assistance in proactively ensuring that the municipality is not adversely affected by these processes will be appreciated.

We thank you in advance for your co-operation.

Kind regards,

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