

Subject: 00. Criteria for the Release for the second instalment of the Equitable Share for the 2021/22 municipal financial year

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 2021/22 municipal financial year is due to be released on **6 December 2021** [see Section 5(3) of the Division of Revenue Act, 2021 (Act No. 4 of 2020)] as amended by the Division of Revenue Amendment Act, 2021 (Act No. 9 of 2021).

As previously communicated please ensure that all outstanding information and documentation are with our Office (National Treasury) by the close of business, **Friday, 12 November 2021**; this being the date on which the final decision will be made with regard to the amounts that will be released. It will be extremely unfortunate if your municipality is affected by this process owing to other non-compliance matters.

The following requirements will have to be met by all 257 municipalities:

- 1) The 2021/22 **adopted budget** must be funded and adopted by Council by as per the legal framework, as required in terms of section 18 of the MFMA and consistent with the Budget Council and Budget Forum resolutions;
 - a. The adopted budget must include budget allocations for bulk suppliers current account payments;
 - b. Should the adopted budget still be unfunded, then a funding plan will be required to show how the municipality intends moving progressively out of this position into a funded state, if this plan has been adopted in the past then, **a progress report must be submitted** on the framework previously shared to guide municipalities which is aligned to the rescue phase of the new approach to MFRS;
 - c. Those municipalities that adopted an unfunded budget must work with the respective PTs to rectify this position in the lead up to the main adjustments budget process in February 2022; and
 - d. **A council resolution** showing commitment to address the unfunded position must be submitted by these municipalities to National Treasury by 1 October 2021.
- 2) Credible *m*SCOA data strings and source documents for the 2021/22 MTREF and 2019/20 audits are generated directly from the core municipal financial system and successfully uploaded to the Local Government **GoMuni Portal**. Source documents must be submitted in PDF and no excel based spreadsheet / templates will be accepted;
- 3) Should the section 41 of the MFMA from the bulk suppliers indicate that the current account has not been honoured timeously in terms of section 65(2)(e) of the MFMA then your allocation will not be released. 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** (or evidence of negotiations underway with creditors) must be submitted to the National and provincial treasuries;
- 4) 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;
- 5) The information requested in MFMA Circulars No. 93, 98 and 107 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);
- 6) The **Competency Regulations** reporting requirements have been complied with;

- 7) Provide a copy of the UIF&W register, latest copy of MPAC recommendations, Council Resolution on UIFW as well as council approved UIFW Reduction Strategy, establishment of DC Boards (or evidence of progress towards their establishment) and updated audit action plan (where audit has been completed);
- 8) Those municipalities that received an adverse or disclaimed opinions for the 2019/20 financial year **will not receive their December 2021 funding allocation** unless there is a council resolution committing to address these opinions with an implementable plan. The resolution must be signed by **each member of the Council** and submitted to National Treasury by 1 October 2021;
- 9) Additionally, those municipalities that have outstanding audits for both the 2018/19 and 2019/20 FY as well as municipalities with outstanding 2019/20 audit opinions that also received an adverse or disclaimer opinion in the 2018/19 FY, **will also not receive their allocation in December 2021**; and
- 10) Any other outstanding documents as per the legal framework have been submitted including the AFS submission (municipality only and consolidated AFS).

Failure to submit the information as indicated above by **Friday, 12 November 2021**, will result in National Treasury invoking section 38 of the MFMA which empowers National Treasury 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 6 and 7 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,

