

# GREATER LETABA MUNICIPALITY



## DRAFT GRANTS POLICY

2026/2027

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## **1. PURPOSE OF THE POLICY**

The purpose and objective of this policy is to set clear guidelines for the control and accounting of external funding received from national or provincial government or any other external party through conditional or unconditional grants received.

The objective of this policy is further to:

- Implement accrual accounting in terms of prevailing accounting standards;
- Apply grants management practice in a consistent manner and in accordance with legal requirements and recognised good practice.

This policy therefore covers for the following financial statement disclosure line items:

- 1.1 Unspent conditional grants and receipts (Statement of financial position)  
This is represented funds unspent at the end of the financial year on grants received from national and provincial government or any other external party that can only be spent for the condition for which it was received.
- 1.2 Government grants and subsidies (Statement of financial position)  
This represents the funding awarded that was utilised and transferred as revenue source within a specific financial year.

## **2. BACKGROUND**

### **2.1. Constitutional and legal framework**

The South African Constitution requires municipalities to strive, within their financial and administrative capacity, to achieve the following objects:

- Providing democratic and accountable government for local communities;
- Ensuring the provision of services to communities in a sustainable manner;
- Promoting social and economic development;
- Promoting a safe and healthy environment; and
- Encouraging the involvement of communities and community organisations in matters of local government.

The manner in which a municipality manages its grants is central to meeting the above challenges.

### **2.2. Accounting standards**

The Municipal Finance Management Act requires municipalities to comply with the Standards of Generally Recognised Accounting Practice (GRAP), in line with international practice. GRAP 23: Revenue from Non-exchange transactions impacts on the recognition and measurement of grants received within the municipal environment:

## **2.3. Types of Government Grants the Municipality receive**

### **2.3.1. Unconditional grants/Equitable shares**

Grants that are received for no specific purpose and that can be utilised to fund the operations of the Municipality. Acknowledged through the statement of financial performance

### **2.3.2. Conditional grants**

Grants that are received for specific purpose and the spending of the grant are limited to that specific purpose. Examples of conditional grants are the following:

- **Local Government Financial Management Grants (LGFMG)**  
To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.
- **Municipal System Improvement Grant (MSIG)**  
To assist municipalities to perform their functions and stabilise institutional and governance systems as required by Municipal System Act and related legislation.
- **Expanded Public Works Programme (EPWP)**  
To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme guidelines which inter alia includes road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, other economic and social infrastructure, tourism and cultural industries, sustainable land livelihoods and waste management.
- **Municipal Infrastructure Grant (MIG)**  
To provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.
- **Integrated National Electrification Programme Grant (INEP)**  
To provide funding for electricity projects. Municipalities and Eskom are responsible for reticulation and distribution of electricity to households, in their licensed supply area and they are both funded by the DoE through the INEP programme.
- **Energy Efficiency and Demand-Side Management Grant**  
To fund Municipalities to implement energy efficiency projects, with a focus in public lighting and energy-efficient municipal infrastructure.
- **Disaster Management Relief Grant**  
To provide for the immediate release of funds for disaster response subject to compliance with section 2(1)(b) of the Disaster Management Act.

The unspent portion of conditional grants at the end of the financial year is accounted for in the statement of financial position.

### **3. COMPLIANCE, SPENDING AND CONTROL**

#### **3.1. COMPLIANCE**

3.1.1 The Accounting Officer (Municipal Manager) must ensure that:

3.1.1.1 Accounting measures are implemented to enforce the stipulations of this policy and to control the spending of the funding received;

3.1.1.2 The Municipality at all times comply with relevant framework and stipulations for all allocations of DoRA or any other specifications;

3.1.1.3 Money is spent in accordance with the purpose that it was received for;

3.1.1.4 Funding must be allocated and spent in accordance with the Municipality's approved capital and operational budgets;

3.1.1.5 Expenditure is incurred in accordance to the stipulations of the Municipality's approved Supply Chain Management Policy;

3.1.1.6 Reporting is done to Council on monthly basis on the spending and availability of funding by the set deadlines as stipulated by the Municipality's approved reporting structure;

3.1.1.7 Reporting is done on monthly basis to National or Provincial Treasury on the spending and unspent portions of conditional grants.

3.1.1.8 Funding rollover approval is obtained from National Treasury in respect of conditional grants that was not yet utilised at the end of the specific financial year-end. This approval request must not be submitted later than 31 August of each year.

3.1.1.9 In terms of section 21A of the Municipal System Act, the conditions and other information in respect of the allocation, to facilitate performance measurement and the use of required inputs and outputs are made available to the general public.

3.1.2 The Chief Financial Officer must ensure that:

3.1.2.1 A separate general ledger control account is opened for each grant received and this control account is updated, maintained and reconciled on a monthly basis;

3.1.2.2 Monthly reconciliations are generated indicating the spending transferred to revenue as well as unspent portion of grants and this information must be reported to the relevant committees and Council.

## **3.2. SPENDING**

3.2.1 The Municipal Manager, with assistance of the Chief Financial Officer, must ensure the following in respect of spending of conditional grants:

3.2.1.1 The Municipality's annual operating and capital budgets are approved by Council before the start of the financial year and clearly indicate the spending of conditional grants;

3.2.1.2 Payments funded by conditional grants are allocated to the correct general ledger control account opened for the specific grant received;

3.2.1.3 All payments from grants are approved by the Municipal Manager and Chief Financial Officer before payment is actually made;

3.2.1.4 A detailed spending activity plan must be generated at the start of the financial year clearly indicating the planned spending on month-to-month basis. The activity plan must be approved by the Municipal manager before the start of the financial year;

3.2.1.5 The Chief Financial Officer is responsible to ensure that the activity plan should be in line with DoRA conditional grants allocations for the specific year and the spending occurs accordingly;

3.2.1.6 Over-expenditure on conditional grants must be reported to and be approved by Council;

3.2.1.7 Over-expenditure on conditional grants must be reported to National and Provincial Treasury;

3.2.1.8 Surplus from unconditional grants may be used for infrastructure project, with the approval of Council only after approval is obtained from National and Provincial Government for the non-refunding of the surplus to Government.

## **4. REFERENCES**

The following references were observed in compiling this document:

- Municipal Finance Management Act, 2003, MFMA,
- MFMA Latest Circulars
- Division of Revenue Act (DoRA)
- Standards of GRAP
- Municipal System Act

## **5. RELATIONSHIP WITH OTHER POLICIES**

This policy must to be read in conjunction with other relevant policies of the Municipality, including the following adopted documents:

### **5.1. Budget policy**

The processes to be followed during the budget process as well as pre-determined prioritisation methodology.

### **5.2 Supply Chain Management policy**

Process to be followed to incur expenses.

## **6. POLICY AMENDMENTS, APPROVAL AND IMPLEMENTATION**

### **6.1 Policy amendments**

Request for changes to this policy must be done in writing and must be submitted to the Municipal Manager for review and authorisation.

In addition to the above, the policy should also be reviewed at least annually to ensure that its stipulations still apply and are in accordance with the Municipality's personnel structure and procedure manuals.

### **6.2 Policy approval**

Changes to this document shall only be applicable if approved by Council. Therefore any changes made to the policy based on requests received or through the annual review must be submitted to Council for approval.

### **6.3 Policy implementation**

The effective date for the implementation of the updated document will be the date as approved by Council.

**Municipal Manager**

**Sewape MO**



A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom, positioned above a dotted line.