

Reference: RCS/C.6

TREASURY CIRCULAR NO. 14/2017

THE PREMIER
THE MINISTER OF ECONOMIC OPPORTUNITIES
THE MINISTER OF COMMUNITY SAFETY
THE MINISTER OF CULTURAL AFFAIRS AND SPORT
THE MINISTER OF EDUCATION
THE MINISTER OF FINANCE
THE MINISTER OF HEALTH
THE MINISTER OF HUMAN SETTLEMENTS
THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING
THE MINISTER OF SOCIAL DEVELOPMENT
THE MINISTER OF TRANSPORT AND PUBLIC WORKS
THE SPEAKER: PROVINCIAL PARLIAMENT
THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT
THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (DR G LAWRENCE)
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR BK SCHREUDER)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)
THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)
THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS)
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)
THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR Z HOOSAIN)
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THE DEPUTY DIRECTOR GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN)
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THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)
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THE CHIEF DIRECTOR: ASSET MANAGEMENT (MR IG SMITH)
THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR B VINK)

For information

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THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)
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THE DEPUTY DIRECTOR GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

ROLLOVER OF UNSPENT FUNDS AND THE RETENTION OF OVER-COLLECTED OWN RECEIPTS FROM 2016/17 TO 2017/18: PRINCIPLES AND PROGRAMME

PURPOSE

1. With regards to the rollover of unspent 2016/17 funds to 2017/18 and the retention of over collected own revenue collected in 2016/17 for use in 2017/18, to –
 - (a) inform departments of the guiding statutory limitations, principles and process;
 - (b) provide departments with National Treasury's annual Division of Revenue Circular regarding the rollover of unspent national conditional grant funds, and
 - (c) provide departments with the programme and formats to be used for submission of rollover and receipt (revenue) retention requests.
2. This Circular applies to the Provincial Parliament to the extent that the Provincial Parliament must inform the Provincial Treasury of the outcome of their rollover and revenue retention process.

GUIDING STATUTORY LIMITATIONS

Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA)

3. Section 31(2)(a) of the PFMA stipulates that an adjusted budget of a province may provide for the appropriation of funds that have become available to the Province (such as over-collected own revenue).
4. In terms of section 31(2)(g) of the PFMA, an adjusted budget of a province may also provide for the rollover of unspent funds from the previous financial year.

Treasury Regulations

5. In terms of Treasury Regulation 6.4.1, funds appropriated but not spent in a particular financial year may be rolled over to a subsequent year subject to approval of the relevant treasury. Such approval will be guided by the following limitations:
 - (a) *Payments for capital assets:* Unspent funds on payments for capital assets may only be rolled over to finalise projects or asset acquisitions still in progress.
 - (b) *Transfers and subsidies:* Savings on transfers and subsidies may not be rolled over for purposes other than originally voted for.
 - (c) *Current payments:* Savings on compensation of employees may not be rolled over. A maximum of five per cent of a department's payments for goods and services may be rolled over.
6. In terms of Treasury Regulation 6.4.2 requests for rollovers must be submitted to the relevant treasury on or before the last working day of April, and must include -
 - (a) the purpose for which the funds were appropriated;
 - (b) the reasons why the funds were not spent;
 - (c) proposed changes to the use of the funds, if any, and
 - (d) a disbursement schedule indicating the month(s) in which the expenditure is expected to be incurred.
7. Funds for a specific purpose may not be rolled over for more than one financial year, unless approved in advance by the relevant treasury in terms of Treasury Regulation 6.4.3.

2016 Division of Revenue Act (Act 3 of 2016)

8. In terms of Section 22(1) of the 2016 DoRA, any conditional allocation that is not spent at the end of a financial year reverts to the National Revenue Fund, unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.
9. Furthermore, Section 22(2) of the 2016 DoRA stipulates that the National Treasury may, at the request of a transferring national officer, receiving officer or provincial treasury, approve a roll-over of a conditional allocation to the next financial year.

National Treasury's Annual Division of Revenue Circular

10. The National Treasury's annual Division of Revenue Circular (see attached), prescribes that the approval of rollover of unspent national conditional grants must be sought from National Treasury. Uncommitted balances on such grants must be surrendered to the National Revenue Fund.

Western Cape Direct Charges Act, 2000 (Act 6 of 2000)

11. In terms of the Western Cape Direct Charges Act, 2000 (Act 6 of 2000) an Accounting Officer may, after approval of the rollover funds by the Provincial Treasury, but before appropriation thereof in an Adjustments Appropriation Act, spend such rollover funds for the approved purpose or purposes, as a direct charge against the Provincial Revenue Fund.
12. Furthermore, this Act also enables an accounting officer to, after approval of funds that have become available to the Province, such as increased own revenue or revenue retention, by the Provincial Treasury, but before appropriation thereof in an Adjustments Appropriation Act, withdraw these funds, for the approved purpose or purposes, as a direct charge against the Provincial Revenue Fund.

PRINCIPLES FOR ROLLOVER

13. Requests for the rollover of funds from 2016/17 to 2017/18 will be considered in terms of the following guiding principles:
 - 13.1 All unspent funds committed to identifiable projects with regards to Schedule 4 and 5 national conditional grants be recommended to National Treasury for rollover, subject to departments providing documentary evidence of such commitments.
 - 13.2 The net balance of unspent funds will be considered for rollover, after deducting the amounts referred to in paragraph 13.1 above and taking into account the statutory limitations and policy requirements, provided that there will not be an unfinanced / increased deficit for the financial year.
 - 13.3 That the guidelines and limitations in Treasury Regulation 6.4 be strictly applied, especially Treasury Regulation 6.4.1 (c), stipulating that savings on compensation of employees may not be rolled over. The requirements of PT Circular No. 10 of 2017, dated 28 March 2017, must be adhered to.
 - 13.4 That savings or under spending intentionally created through shifts and virements on capital or current expenditure to increase the magnitude of permissible rollover, not be taken into account for rollover purposes. The Provincial Treasury will conduct an analysis of all shifts and virements affected by Departments.

- 13.5 That the following will form a first liability against the contemplated maximum of five per cent (TR 6.4.1(c)) of a vote's payments for goods and services permissible for rollover:
- (a) Under collection in own revenue.
 - (b) Unauthorised expenditure.
 - (c) Intergovernmental debt if not budgeted for in the next financial year.
 - (d) Trading entity net debt if not budgeted for in the next financial year.
 - (e) With regard to (c) and (d) above, accounting officers are requested to quantify and indicate these amounts in the covering letter of their rollover submission.
- 13.6 That, in a case where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2016/17 is less than the unspent budget available, approvals may take into account the available cash and not only the available budget.
14. Requests for the retention of own revenue will be considered in terms of the following principles:
- 14.1 That the request to retain revenue relates to the collection of revenue not anticipated at the time of the 2016/17 Adjusted Budget, or alternatively relates to the implementation of efficiency measures with regard to revenue collection, special initiatives to increase own revenue, donations, etc.
 - 14.2 The relevant request should provide a detailed description of revenue sources that led to the over-collection as well as a detailed description of how the sources will be used.
 - 14.3 That approval of requests for revenue retention is subject to current and future revenue budgets being credible.
 - 14.4 That retained revenue be utilised to primarily fund once-off expenditure.
 - 14.5 That revenue over collection firstly be used to offset overspending.
 - 14.6 That, in cases where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2016/17 is less than the unspent budget available, approvals may take into account the available cash.

NATIONAL CONDITIONAL GRANTS

15. Requests for the rollover of national conditional grants must be submitted to Viljoen.Bester@westerncape.gov.za by using the attached **Annexure for Conditional grant rollovers** and must at least contain the following information:
 - The total amount of unspent funds for each relevant conditional grant as at 31 March 2017.
 - The amount of unspent funds for the relevant grant not committed to identifiable projects.
 - The amount of funds currently committed to identifiable projects.
 - Given that section 22 of the 2016 DoRA requires proof of commitments, the Department must provide the Provincial Treasury with a list of the committed projects, clearly stipulating the tender details (pricing and numbers) related to each ongoing infrastructure project or invoices awaiting payment in respect of current expenditure.
16. Treasury Regulation 6.4 will apply with respect to requests for national conditional grant rollovers and Treasury Regulation 6.6 applies with respect to accounting for such in an adjustments budget. Therefore:
 - Only funds for projects already in progress may be rolled over.
 - Conditional grant funds earmarked / budgeted for transfers and subsidies may not be rolled over unless it will be used for the same purpose already voted for.
 - Conditional grant funds that are budgeted for compensation of employees may not be rolled over if unspent.
17. As the National Treasury, in terms of section 22(2) of the 2016 DoRA, has the authority to approve the rollover of unspent balances on national conditional grants, the submission date of 28 April 2017 to National Treasury will be adhered to, which requires that the requests be submitted to the Provincial Treasury by **26 April 2017**.
18. National Treasury will, after consultation with the Provincial Treasury and the transferring national officer, give approval for funds committed to identified projects to be retained within the relevant Provincial Revenue Fund for the purposes of rolling over to the 2017/18 financial year. Such approval will be communicated within 21 days of receipt of the project lists and the committed amounts.
19. Upon submission of the audited financial statements, the National Treasury will provide a final approval for rollovers of conditional grants, or a request for the surrender of uncommitted and unspent conditional grants. Any conditional grant funds approved must be included in the Adjusted Estimates of 2017/18.

20. Conditional grant funds for which no commitments and therefore no rollover is being requested, must be surrendered by the Provincial Treasury to the National Revenue Fund, through the relevant national department, by 31 May 2017 (or as otherwise agreed with the National Treasury).

TOTAL REQUESTS: FORMATS

21. Departments must submit their total requests, inclusive of provincial rollovers and those requests pertaining to Schedule 4 and 5 national conditional grants, as well as any requests for the retention of own revenue (over collected own receipts), by Friday, **28 April 2017** (prescribed date as per Treasury Regulation 6.4.2) by completing the formats attached hereto as Annexures A, A1, B, B1, C and D. Completed requests must be submitted to the Provincial Treasury on the dates as per the programme below. The formats will be electronically provided to the Management Accounting Unit within the CFO office.
22. Any challenges experienced with the completion of the Annexures must be taken up with the relevant Provincial Treasury Public Finance expenditure analyst, or in the case of revenue retention, with the relevant official in the Fiscal Policy unit.
23. In order to enable the Provincial Treasury to make informed decisions regarding departmental requests, Annexure A1 and B1, which includes, inter alia, explanations on the under spending, additional revenue and remedial steps instituted, must be fully completed and motivated. Any further supporting/additional documentation regarding the rollover requests may also be submitted with Annexure A1.
24. Post approval, departments must reflect their allocations from both sources, i.e. rollover and revenue retention, in the in-year monitoring (IYM) reports and also, eventually, take it up in the Adjusted Estimates of Provincial Expenditure for 2017/18.

APPROVAL OF ROLLOVER AND REVENUE RETENTION REQUESTS

25. The 2017 Adjusted Estimates will continue to inform the Provincial Fiscal Strategy, particularly in relation to fiscal discipline and consolidation. Given the recent downgrades, the economic outlook has become more uncertain. In response to this uncertainty, rollover and revenue retention approvals (excluding those pertaining to conditional grants, infrastructure related projects or for emergency purposes) will be held in abeyance until the conclusion of the MTEC 1 process later in the 2017/18 financial year.
26. In order to facilitate service delivery, particularly where the origin of funding was not from the Provincial Equitable Share, or in cases where the Province may face a reputational risk, Accounting Officers can, as and when required, by means of a letter of motivation, request the Provincial Treasury to consider a request.

PROGRAMME

27. The programme for the roll-over, re-allocations and revenue retention process is as follows:

ACTION	DATE
Accounting officers to submit their requests for national conditional grant rollovers to Provincial Treasury per e-mail.	26 April 2017
Provincial Treasury to submit requests for national conditional grant rollovers to National Treasury.	28 April 2017
Accounting officers to submit their requests for all rollovers (schedule 4 and 5 included) and revenue retention.	28 April 2017
Accounting officers to submit suitably adjusted and firmed up provincial requests after preliminary closure of books.	31 May 2017
Provincial Treasury to clear approvals with the Provincial Minister of Finance.	To be arranged
Provincial Treasury to communicate the outcome of requests.	To be communicated

28. Please note that the timely submission of departmental requests as per the programme is a legal requirement in terms of Treasury Regulation 6.4.2. Requests must be submitted under cover of a letter signed by both the Accounting Officer and the Chief Financial Officer.
29. After the preliminary closure of the books on 30 April 2017, the 2016/17 financial results/position will be determined and requests must, if required, be suitably adjusted and firmed up by **31 May 2017**.

ACTIONS REQUIRED

30. Departments to note -
- (a) the guiding statutory limitations, principles and process for rollover and revenue retention;
 - (b) National Treasury's annual Division of Revenue Circular regarding the rollover of unspent national conditional grant funds, as attached.
 - (c) the programme and formats to be used for submission of rollover and receipt (revenue) retention requests.


pp CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE
PROVINCIAL TREASURY
DATE: 20 April 2017