

# PROVINSIALE TESOURIE • PROVINCIAL TREASURY • UNONDYEBO WEPHONDO



Verwysing  
Reference  
Isalathiso T 11/2/2 – 2009/10

Navrae  
Enquiries  
Imibuzo V Bester

## TREASURY CIRCULAR NO. 18/2009

THE PREMIER

THE MINISTER OF AGRICULTURE  
THE MINISTER OF COMMUNITY SAFETY  
THE MINISTER OF CULTURAL AFFAIRS AND SPORT  
THE MINISTER OF EDUCATION  
THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM  
THE MINISTER OF HEALTH  
THE MINISTER OF HOUSING  
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

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (MS V PETERSEN)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR P WILLIAMS)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MR RB SWARTZ)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KG HOUSEHAM)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS K LUBELWANA)  
THE ACCOUNTING OFFICER: VOTE 8: LOCAL GOVERNMENT AND HOUSING (MS S MAJIET)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR R ELLIS) (ACTING)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR T MANYATHI)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR B ROBERTS)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS) (ACTING)

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS A SMIT)  
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)  
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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)

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THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR TC ARENDSE) (ACTING)  
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THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)  
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THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (MR J RADEBE)  
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THE SENIOR MANAGER: IMMOVEABLE ASSET MANAGEMENT (MR NB LANGENHOVEN)  
THE SENIOR MANAGER: MOVEABLE ASSET MANAGEMENT (MS N EBRAHIM)  
THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
THE HEAD: OFFICE OF THE MINISTRY (MS J DAVIDS)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

For information

## **ROLLOVER OF UNSPENT FUNDS AND RETENTION OF OVER-COLLECTED OWN RECEIPTS: 2008/09 TO 2009/10: PRINCIPLES AND PROGRAMME**

### **PURPOSE**

1. The purpose of this Circular, issued in terms of sections 18(2)(i) and 31(2)(a) and (g) of the Public Finance Management Act, 1999 (No 1 of 1999) (PFMA), is to -
  - (a) inform accounting officers of the departure points, guiding statutory limitations, principles and process, and
  - (b) provide accounting officers with the programme and formats for submission of requests

regarding the rollover of unspent funds from the 2008/09 financial year to the 2009/10 financial year, as well as the retention of own receipts (revenue) collected above the 2008/09 adjusted appropriation.

### **GUIDING STATUTORY LIMITATIONS**

2. Section 31(2)(a) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) stipulates that an adjustments budget of a province may provide for the appropriation of funds that have become available to the Province (such as over-collected own revenue).
3. In terms of section 31(2)(g) of the PFMA, an adjustments budget of a province may also provide for the rollover of unspent funds from the previous financial year.
4. 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.
5. 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.
6. 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.
  7. Section 28 of the Division of Revenue Act, 2008 (Act 2 of 2008) (2008 DoRA), stipulates that, despite the provisions of the Public Finance Management Act relating to rollovers, any conditional allocation (pertaining to schedule 5<sup>1</sup> grants only, see paragraph 8 below) 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. The National Treasury may, at the request of a transferring national officer, provincial treasury or municipality approve—
    - (a) rollovers from a conditional allocation to the next financial year; and
    - (b) spending of a portion of a conditional allocation on activities related to the purpose of that allocation where the province projects significant unforeseeable and unavoidable over spending on its budget.
  8. In line with National Treasury Practice Note 5 of 2008/09 dated 6 April 2008, only outstanding balances on schedule 5 grants must be paid back to the National Revenue Fund. The approval of rollover of unspent schedule 5 grants must therefore be sought from National Treasury. Unspent balances on schedule 4<sup>2</sup> grants, however, remain in the Provincial Revenue Fund and the Provincial Treasury approves the rollover of such outstanding balances.
  9. In terms of the Western Cape Direct Charges Amendment Act, 2003 (No. 9 of 2003), 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 Funds.
  10. A further amendment to the Western Cape Direct Charges Act (Act 1 of 2008) was enacted on 2 April 2008 enabling an accounting officer to, after approval of receipt (own revenue) retention funds by the Provincial Treasury, but before appropriation thereof in an adjustments appropriation Act, withdraw the receipt retention funds, for the approved purpose or purposes, as a direct charge against the Provincial Revenue Fund.

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<sup>1</sup> **Schedule 5 grants** are specific purpose allocations to provinces.

<sup>2</sup> **Schedule 4 grants** are allocations to provinces to supplement the funding of programmes or functions funded from provincial budgets (Comprehensive Agricultural Support Programme Grant, Health Professions Training and Development Grant, National Tertiary Services Grant, Infrastructure Grant to Provinces). It is recommended that, for rollover purposes, expenditure firstly be credited against the grants to ensure that underspending largely be reflected against equitable share funding.

## PRINCIPLES

11. The departure point for the rollover of funds and the retention of own revenue will be Cabinet Minute 275/2008 dated 6 November 2008. Cabinet resolved that, given the worsening fiscal envelope over the new MTEF, any savings/under spending realised by a department at the end of the 2008/09 financial year will in principle be forfeited to the Provincial Revenue Fund, without limiting the rollover of savings/under spending on national conditional grants, although its application will be more carefully scrutinised within the context of the 2008 DoRA.
12. All requests for the rollover of funds from 2008/09 to 2009/10 will be considered in terms of the following principles:
  - 11.1 That all committed unspent funds with regard to Schedule 5 national conditional grants be recommended to National Treasury for rollover, subject to departments providing documentary evidence of such commitments to identifiable projects.
  - 11.2 That, after deducting the amounts referred to in paragraphs 11.1 above and taking into account the statutory and policy requirements, the net balance of unspent funds be considered for rollovers, provided that there will not be an unfinanced/increased deficit for the financial year.
  - 11.3 That the guidelines and limitations in Treasury Regulation 6.4 be strictly applied.
  - 11.4 That savings/underspending 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.
  - 11.5 That the following will form a first liability against the contemplated maximum of five per cent (TR 6.4.1(c)) of a department'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.

With regard to points (c) and (d) above, accounting officers are requested to quantify and indicate these amounts in the covering letter of their rollover submission.
13. Requests for the retention of own revenue will be considered in terms of the following principles derived from the revenue retention strategy accepted by Cabinet in 2003, which created incentives by giving departments permission to retain and utilise any additional funds collected over and above the 2007/08 adjusted appropriation:

- 12.1 That the request to retain revenue relates to the collection of revenue not anticipated at the time of the 2008/09 Adjusted Budget, or alternatively relates to the implementation of efficiency measures with regard to revenue collection, special initiatives to increase own revenue, donations, etc.
- 12.2 That approval of requests for revenue retention is subject to current and future revenue budgets being credible.
- 12.3 That retained revenue be utilised to fund once-off expenditure.
- 12.4 That revenue over collection firstly be used to offset overspending.

## PROCESS

- 14. Departments must submit their requests for the rollover of Schedule 4 and 5 national conditional grants **by Friday, 24 April 2009, with the necessary proof that the unspent allocation is committed to identifiable projects.** For verification purposes, the requests **must** be substantiated by the necessary supporting documentation enabling the Provincial Treasury to verify and assess these requests and provide the National Treasury with proof of the commitments. The Provincial Treasury must submit the requests to National Treasury by the legislated deadline of 30 April 2009.
- 15. Departments must submit the remainder of their rollover requests as well as any requests for the retention of own revenue by 30 April 2009, in the format attached hereto as Annexures A, A1, B, B1, C and D.
- 16. After the preliminary closure of the books on 30 April 2009, the 2008/09 financial results/position will be determined, and requests must be suitably adjusted and firmed up by **31 May 2009.**
- 17. The Provincial Treasury will consider the requests in terms of the statutory requirements and the principles as set out above.
- 18. The Provincial Treasury will finalise the approvals and provide accounting officers with the allocations by 30 June 2009 or such later date that may be determined at a later stage.
- 19. Post approval, departments must reflect their allocations from both sources, i.e. rollover and receipt retention, in the in-year monitoring (IYM) system and also, eventually, take it up in the adjustments estimate for 2009/10.

## FORMATS

- 20. Requests, in the attached formats, Annexures A, A1, B, B1, C and D, must be submitted to the Provincial Treasury on the date as per the programme below. The formats will be provided to the CFO's electronically.
- 21. Any problems experienced with the completion of the annexures must be taken up with the relevant Provincial Government Finance budget analyst.

**PROGRAMME**

22. The programme for the roll-over and revenue retention process is as follows:

<b>ACTION</b>	<b>DATE</b>
Distribute Treasury Circular for submission of requests.	8 April 2009
Accounting officers to submit their requests for schedule 4 and 5 rollovers.	24 April 2009
Accounting officers to submit their requests for all other rollovers and receipt (revenue) retention.	30 April 2009
Accounting officers to submit suitably adjusted and firmed up requests after preliminary closure of books.	31 May 2009
Provincial Treasury to clear requests with the Provincial Minister of Finance and Tourism.	Mid June 2009 (preliminary date)
Provincial Treasury to provide accounting officers with allocation letters.	30 June 2009 (preliminary date)

23. In order to allow the Treasury to make informed decisions and give effect to Cabinet Minute 275/2008 (paragraph 11 above), Annexure A1, which includes, inter alia, explanations for the underspending and remedial steps instituted, must be fully completed and motivated. Furthermore any supporting/additional documentation, which supports the rollover request, can be submitted with Annexure A1.
24. The timely submission of departmental requests as per the programme (paragraph 22), under cover of a letter signed by both the accounting officer and the chief financial officer, will be much appreciated.

Kind regards

V Bester  
for **HEAD: FISCAL AND ECONOMIC SERVICE BRANCH**  
**PROVINCIAL TREASURY**

**DATE:** 8 April 2009