



Reference: T11/2/2 (2012/13)

TREASURY CIRCULAR NO. 20/2012

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT
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 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

} For information

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)
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 (MS P VINJEVOLD)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KC HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR M RICHARDSON)
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR M TSHANGANA)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR J FOURIE)
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 (DR H FAST)

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 AA GAFFOOR)
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 (DR JC STEGMANN)
THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)
THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (VACANT)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: LOCAL GOVERNMENT FINANCE (MR TC ARENDSE)
THE HEAD: FINANCIAL GOVERNANCE (MR A HARDIEN)
THE HEAD: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR A REDDY)
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS L NGXONONO)
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON-KORSTEN)
THE SENIOR MANAGER: BUDGET MANAGEMENT: LOCAL GOVERNMENT (MR ML BOOYSEN)
THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (MS A PICK)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP ONE) (MR F SABBAT)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS C HORTON)
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 SENIOR MANAGER: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)
THE HEAD: OFFICE OF THE FINANCE MINISTRY (MS A SMIT) (PRO TEM)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

ROLLOVER OF UNSPENT FUNDS AND THE RETENTION OF OVER-COLLECTED OWN RECEIPTS FROM 2011/12 TO 2012/13: PRINCIPLES AND PROGRAMME

PURPOSE

1. To, in terms of sections 18(2)(i) and 31(2)(a) and (g) of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA), with regards to the rollover of unspent 2011/12 funds to 2012/13 and the retention of own receipts (revenue) collected in 2011/12 for use in 2012/13, —
 - (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.

GUIDING STATUTORY LIMITATIONS

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

2. Section 31(2)(a) of the 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.

Treasury Regulations

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.

2011 Division of Revenue Act (Act 6 of 2011)

7. Section 38(2) of the 2012 Division of Revenue Bill stipulates that the repeal of the 2011 Division of Revenue Act (Act No. 6 of 2011) does not affect any duty or obligation set out in that Act, the execution of which is still outstanding.
8. Section 20(1) of the Division of Revenue Act, 2011 (Act 6 of 2011) (2011 DoRA), stipulates that, despite the provisions of the Public Finance Management Act or the Municipal Finance Management Act relating to roll-overs, any conditional allocation, excluding the Gautrain Rapid Rail Link Grant and the Expanded Public Works Programme Incentive Grant, that is, in the case of a province, not spent at the end of a financial year or, in the case of a municipality, at the end of a municipal 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. Section 20(2) of the 2011 DoRA stipulates that the National Treasury may, at the request of a transferring national officer, provincial treasury or municipality, approve—
 - (a) a roll-over 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 or municipality projects significant unforeseeable and unavoidable over-spending on its budget.
10. Section 20(3) of the 2011 DoRA stipulates that any funds which must revert to the National Revenue Fund in terms of subsection (1), and which have not been approved by the National Treasury to be retained in terms of subsection (2), must be repaid to the National Revenue Fund.

National Treasury's Annual Division of Revenue Circular

11. In line with the National Treasury's annual Division of Revenue Circular, 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) as amended

12. In terms of the Western Cape Direct Charges Amendment Act, 2000 (Act 6 of 2000) as amended, 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.
13. Furthermore, this Act (as amended) also enables 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.

APPROVAL PROCEDURE

14. As the National Treasury, in terms of section 20(2) of the 2011 DoRA, has the authority to approve the rollover of unspent balances on national conditional grants, the national time frames will be followed in approving such rollover requests.
15. Similarly, any rollovers pertaining to national contractual agreements such as the Global Fund will also be approved as soon as possible after final book closure.
16. With regards to rollover requests pertaining to unspent provincial funds, it must be noted that consideration of such requests will be held in abeyance until the end of October 2012, by which time more certainty will be attained around future funding for the 2013 MTEF process.

PRINCIPLES

17. Requests for the rollover of funds from 2011/12 to 2012/13 will be considered in terms of the following principles (as applied by the excel model):
 - 17.1 That all unspent funds committed to identifiable projects with regards to Schedule 5 national conditional grants be recommended to National Treasury for rollover, subject to departments providing documentary evidence of such commitments.
 - 17.2 That unspent balances committed to identifiable projects with regards to Schedule 4 and 8 national conditional grants be considered by the Provincial Treasury for rollover, subject to departments providing documentary evidence of such commitments.
 - 17.3 That, after deducting the amounts referred to in paragraphs 17.1 and 17.2 above and taking into account the statutory and policy requirements, the net balance of unspent funds be considered for rollover, provided that there will not be an unfinanced / increased deficit for the financial year.
 - 17.4 That the guidelines and limitations in Treasury Regulation 6.4 be strictly applied.
 - 17.5 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.

17.6 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 receipts (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 14.6(c) and (d) above, accounting officers are requested to quantify and indicate these amounts in the covering letter of their rollover submission.

17.7 That, in a case where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2011/12 is less than the unspent budget available, approvals may be restricted to the available cash and not to the available budget.

18. 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 previous year's adjusted appropriation:

18.1 That the request to retain revenue relates to the collection of revenue not anticipated at the time of the 2011/12 Adjusted Budget, or alternatively relates to the implementation of efficiency measures with regard to revenue collection, special initiatives to increase own revenue, donations, etc.

18.2 That approval of requests for revenue retention is subject to current and future revenue budgets being credible.

18.3 That retained revenue be utilised to fund once-off expenditure.

18.4 That revenue over collection firstly be used to offset overspending.

18.5 That, in cases where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2010/11 is less than the unspent budget available, approvals will be restricted to the available cash and not to the available budget.

NATIONAL CONDITIONAL GRANTS

19. In terms of section 7(1) of the 2011 DoRA, conditional allocations to provinces in respect of the financial year from the national government's share of revenue raised nationally are provided in terms of the following Schedules:

- (a) Schedule 4, specifying allocations to provinces to supplement the funding of

programmes or functions funded from provincial budgets;

(b) Schedule 5, specifying specific-purpose allocations to provinces, and

(c) Schedule 8, specifying incentives to provinces to meet targets with regard to priority government programmes; and

20. **Schedule 4 grants:** This is supplementary grants and funding is provided to top-up provincial funding. Departments are thus requested, in as far as possible, to reflect full expenditure against the national conditional grant allocations. If there is any under spending, it must be reflected against the provincial portion of the funds.
21. **Schedule 5 grants:** Departments must provide preliminary requests for the rollover of Schedule 5 national conditional grants to the Provincial Treasury by **Wednesday, 25 April 2012** (early date due to long weekend). These preliminary information must be submitted to Viljoen Bester at Viljoen.Bester@pgwc.gov.za and must at least contain the following information (please note, no format is provided):
- The total amount of unspent funds for each relevant conditional grant as at 31 March 2012.
 - 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 20(1) of the 2011 DoRA requires proof of commitments, the Department must provide 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.
 - National Treasury will, after consultation with the relevant treasury and the transferring national officer, give provisional approval for funds committed to identified projects to be retained within the relevant Provincial Revenue Fund for the purposes of rolling over to the 2012/13 financial year. Such approval will be communicated to the Provincial Treasury within 21 days of receipt of the project lists and the committed amounts as outlined above.
 - All funds already transferred to provincial departments but unspent must be surrendered and retained within the provincial revenue fund, pending finalisation of the rollover process.
 - 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 as a provincial rollover must be included in the provincial adjusted estimates of 2012/13.
 - The relevant provincial treasury must surrender any uncommitted funds as determined by the National Treasury to the relevant national department.
22. **Schedule 8 grants:** In 2011/12 the national conditional grant portion of the Expanded Public Works Incentive grant for Provinces (Public Works) was a Schedule 8 grant. Unspent portions on this grant, in terms of section 20(1) of the 2011 DoRA, do not have to be paid back to the national department and the Provincial

Treasury thus has the authority to roll such funds over to the next financial year. As these funds have been received as incentives for projects already completed in a previous period, the Provincial Treasury will have no option, other than to roll such unspent balances over. It must be noted, however, that the Expanded Public Works Incentive grant for Provinces (Public Works) was topped up with provincial financing in the 2011 Adjusted Budget. With regard to the rollover of the provincial financing, the authority to approve such requests lies with the Provincial Treasury.

TOTAL REQUESTS: FORMATS

23. Departments must submit their total rollover requests, inclusive of those pertaining to Schedule 4, 5 and 8 national conditional grants, as well as any requests for the retention of own revenue (over collected own receipts), by Monday, **30 April 2012** (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 provided to the CFO's electronically.
24. Any problems experienced with the completion of the Annexures must be taken up with the relevant Provincial Government Finance budget analyst.
25. The Provincial Treasury will consider the requests in terms of the statutory requirements and the principles as set out above and provide accounting officers with the approved allocations on a date to be determined at a later stage.
26. In order to allow the Treasury to make informed decisions regarding departmental requests, Annexure A1, which includes, inter alia, explanations on the under spending 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.
27. Post approval, departments must reflect their allocations from both sources, i.e. rollover and receipt retention, in the in-year monitoring (IYM) reports and also, eventually, take it up in the Adjusted Estimates of Provincial Expenditure for 2012/13.

PROGRAMME

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

ACTION	DATE
Accounting officers to submit their initial requests for national conditional grant rollovers to Provincial Treasury per e-mail.	25 April 2012
Provincial Treasury to submit initial requests for national conditional grant rollovers to National Treasury.	26 April 2012
Accounting officers to submit their requests for all rollovers (schedule 4 and 5 included) and receipt (revenue) retention.	30 April 2012

ACTION	DATE
Accounting officers to submit suitably adjusted and firmed up provincial requests after preliminary closure of books.	31 May 2012
Provincial Treasury to clear approvals with the Provincial Minister of Finance and Tourism.	End October 2012

29. 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.
30. After the preliminary closure of the books on 30 April 2012, the 2011/12 financial results/position will be determined and requests must be suitably adjusted and firmed up by **31 May 2012**.

ACTIONS REQUIRED

31. Departments to note -
- (a) the guiding statutory limitations, principles and process pertaining to rollovers and receipt (revenue) retention;
 - (b) that National Treasury's Division of Revenue Circular regarding the rollover of unspent national conditional grant funds will be distributed as soon as it is received;
 - (c) that preliminary requests regarding unspent national conditional grants must be submitted by e-mail on 25 April 2012, and
 - (d) the programme and formats to be used for the submission of preliminary and final rollover and receipt (revenue) retention requests, as well as the further information required with regards to national conditional grants.



HEAD: BRANCH FISCAL AND ECONOMIC SERVICES
PROVINCIAL TREASURY
DATE: 19 April 2012