

Reference: T11/2/2 (2014/15)

## TREASURY CIRCULAR NO. 17/2014

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

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 (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 (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 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 CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (DR M MATSAPOLA)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR N FLAATTEN)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE HERITAGE (MR A HALL)

THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR S CONRADIE)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MR T GILIOMEE)

} For information

THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR A PRESTSON)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR I BLACKIE)  
 THE CHIEF FINANCIAL OFFICER: CAPE TOWN ROUTES UNLIMITED (DMO) (MR H BONESCHANS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (VACANT)  
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 THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)  
 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR Z HOOSAIN)  
 THE HEAD: PUBLIC POLICY SERVICES (MR H MALILA) (PRO TEM)  
 THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)  
 THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR F SABBAT) (ACTING)  
 THE HEAD: ASSET MANAGEMENT (MR IG SMITH)  
 THE HEAD: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)  
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 THE SENIOR MANAGER: FISCAL POLICY (MR H MALILA) (PRO TEM)  
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 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR F SABBAT)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR TL RADEBE)  
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 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)  
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 THE PROVINCIAL AUDITOR  
  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 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 2013/14 TO 2014/15: 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 2013/14 funds to 2014/15 and the retention of over collected own receipts (revenue) collected in 2013/14 for use in 2014/15, —
  - (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.

### *2013 Division of Revenue Act (Act 2 of 2013)*

7. Clause 39(2) of the 2014 Division of Revenue Bill stipulates that the repeal of the 2013 Division of Revenue Act (Act No. 2 of 2013) (2013 DoRA) does not affect any duty or obligation set out in that Act, the execution of which is still outstanding.
8. Section 21(1) of the 2013 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 that is, in the case of a province, 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. Section 21(2) of the 2013 DoRA stipulates that the National Treasury may, at the request of, inter alia, a provincial treasury, approve a roll-over from a conditional allocation to the next financial year.
10. Section 21(3) of the 2013 DoRA stipulates that any funds which must revert to the National Revenue Fund as discussed above, and which have not been approved by the National Treasury for retention, must be repaid to the National Revenue Fund.

#### *National Treasury's Annual Division of Revenue Circular*

11. 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)*

12. 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.
13. Furthermore, this Act 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 21(2) of the 2013 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 2014, by which time more certainty will be attained around future funding for the 2015 MTEF process.

### **PRINCIPLES**

17. Requests for the rollover of funds from 2013/14 to 2014/15 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 4 and 5 national conditional grants be recommended to National Treasury for rollover, subject to departments providing documentary evidence of such commitments.

- 17.2 That, after deducting the amounts referred to in paragraphs 17.1 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.
- 17.3 That the guidelines and limitations in Treasury Regulation 6.4 be strictly applied.
- 17.4 That, excluding funds pertaining to national conditional grant allocations, no requests for the rollover of unspent infrastructure funds will be considered, but such funds will revert to the Asset Finance Reserve for future allocation as and when required.
- 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 17.6 (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 2013/14 is less than the unspent budget available, approvals may take into account the available cash and not just 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 2013/14 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 2013/14 is less than the unspent budget available, approvals may take into account the available cash.

## NATIONAL CONDITIONAL GRANTS

19. In terms of section 7(1) of the 2013 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, and
  - (b) Schedule 5, specifying specific-purpose allocations to provinces.
20. **Schedule 4 grants:** These are 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 4 and 5 grants:** Departments must provide requests for the rollover of Schedule 4 and 5 national conditional grants to the Provincial Treasury by **Tuesday, 29 April 2014**. Please note that National Treasury normally does not provide an opportunity for these amounts to be updated, so reasonable exact amounts must be provided.
22. The information must be submitted to Viljoen Bester at [Viljoen.Bester@westerncape.gov.za](mailto: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 2014.
  - 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 21 of the 2013 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.
  - Conditional grant funds for which no commitments and therefore no rollover is being requested, must be surrendered by Provincial Treasury to the National Revenue Fund through the relevant national department by 30 May 2014.
  - National Treasury will, after consultation with the relevant 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 2014/15 financial year. Such approval will be communicated 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 the outcome as per the audited financial statements and 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 2014/15.
  - The Provincial Treasury must surrender any uncommitted balances on national conditional grants to the relevant national departments, who must surrender the same to the National Revenue Fund.
23. 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:
- 23.1 Only funds for projects already in progress may be rolled over.
  - 23.2 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.
  - 23.3 Conditional grant funds that are budgeted for compensation of employees (such as those within the Human Settlements Development Grant) may not be rolled over if unspent.
24. In the case of funds either withheld by a national department as at 31 March 2014 or where funds has been surrendered to a national department, the relevant national department may submit a request for rollovers to National Treasury. Any such request must be supported by the Provincial Treasury and must be accompanied by an appropriate motivation on behalf of the sector and the province.

#### **TOTAL REQUESTS: FORMATS**

25. Departments must submit their total rollover requests, inclusive of those 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 Wednesday, **30 April 2014** (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.
26. Any challenges experienced with the completion of the Annexures must be taken up with the relevant Provincial Government Finance expenditure analyst.

27. 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.
28. 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 2014/15.

## PROGRAMME

29. The programme for the roll-over 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.	29 April 2014
Provincial Treasury to submit initial requests for national conditional grant rollovers to National Treasury.	30 April 2014
Accounting officers to submit their requests for all rollovers (schedule 4 and 5 included) and receipt (revenue) retention.	30 April 2014
Accounting officers to submit suitably adjusted and firmed up provincial requests after preliminary closure of books.	30 May 2014
Provincial Treasury to clear approvals with the Provincial Minister of Finance and Tourism.	Middle October 2014

30. 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.
31. After the preliminary closure of the books on 30 April 2014, the 2013/14 financial results/position will be determined and requests must be suitably adjusted and firmed up by **30 May 2014**.



## **ACTIONS REQUIRED**

32. Departments to note -
- (a) the guiding statutory limitations, principles and process pertaining to rollovers and receipt (revenue) retention;
  - (b) the attached National Treasury's Division of Revenue Circular regarding the rollover of unspent national conditional grant funds;
  - (c) that preliminary requests regarding unspent national conditional grants must be submitted to the Provincial Treasury by e-mail on 29 April 2014, 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: PUBLIC FINANCE  
PROVINCIAL TREASURY**

**DATE:** 14/04/14