

Reference number: RCS/C.6

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TREASURY CIRCULAR NO. 14/2019

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)

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)

THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MS A SMIT)

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 GILDENHUIS)

THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (ADV. C SMITH)

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)

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THE DEPUTY DIRECTOR-GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR IG SMITH) (ACTING)

THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (VACANT)

THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)

THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)

THE CHIEF DIRECTOR: ASSET MANAGEMENT (MS N EBRAHIM) (ACTING)

THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)

THE CHIEF FINANCIAL OFFICER (MS A SMIT)

For information

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 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)
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ROLLOVER OF UNSPENT FUNDS AND RETENTION OF OVER-COLLECTED OWN REVENUE FROM 2018/19 TO 2019/20: PRINCIPLES AND PROGRAMME

PURPOSE

1. With regards to the rollover of unspent 2018/19 funds to 2019/20 and the retention of over collected own revenue received in 2018/19 for use in 2019/20, to –
 - (a) Inform departments of the guiding statutory limitations, principles and process.
 - (b) Provide departments with the programme and formats to be used for submission of rollover and revenue retention requests.
 - (c) Provide departments with National Treasury's annual Division of Revenue Circular regarding the rollover of unspent national conditional grant funds and information required on unspent transfers made to entities and implementing agencies from schedule 5 grants.
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 processes.

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.

2018 Division of Revenue Act (Act 3 of 2017)

8. In terms of Section 22(1) of the 2018 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 2018 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 2018/19 to 2019/20 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.
- 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 2018/19 is less than the unspent budget available, approvals may take into account the available cash and not only the available budget.

PRINCIPLES FOR REVENUE RETENTION

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 2018/19 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 2018/19 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 2019.
 - 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 2018 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 2018 DoRA, has the authority to approve the rollover of unspent balances on national conditional grants, the submission date of 30 April 2019 to National Treasury will be adhered to, which requires that the requests be submitted to the Provincial Treasury by Friday, **26 April 2019**.
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 2019/20 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 2019/20.

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 2019 (or as otherwise agreed with the National Treasury).

Transfers to entities and implementing agencies (from National Conditional Grants to Schedule 5 of the 2018 DoRA):

21. The following has relevance where allocations, funded from National Conditional Grants in terms of Schedule 5 of the 2018 DoRA, were made to any national or provincial public entity for the implementation of a programme funded on behalf of the Province or for assistance provided to the Province in implementing such a programme:

As part of the national conditional grants roll-over process to be followed in the current financial year, transfers made to entities and implementing agencies will also be put under scrutiny. In terms of section 17 of the Division of Revenue Act, National Treasury and the relevant national Transferring Officer must be informed of transfers to other organs of state. Transfers must be made in terms of the business plan and a Service Level Agreement between the provincial department and the entity. As for funds transferred to entities that remain unspent at the end of the 2018/19 financial year, departments must provide a copy of the Service Level Agreement and any other proof that the funds are committed to identifiable projects. If these documents are not submitted or are submitted but deemed inadequate, funds transferred to these entities will be requested to be returned to the National Revenue Fund.

EXPEDITE SPECIFIC APPLICATIONS

22. In order to facilitate seamless spending, the Provincial Treasury will expedite the conclusion of the applications relating to (i) conditional grants expenditure relating to drought and fires, and (ii) infrastructure related expenditure.
23. All other applications will be finalised as part of the 2019/20 Adjusted Estimates process, unless a department indicates otherwise with regard to a specific application.
24. Post approval, departments must reflect the expedited 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 2019/20.

TOTAL REQUESTS: FORMATS

25. 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 Tuesday, **30 April 2019** (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 Treasury Public Finance expenditure analyst, or in the case of revenue retention, with the relevant official in the Fiscal Policy unit.

27. 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.

PROGRAMME

28. 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. This must include information on unspent transfers made to entities and implementing agencies from schedule 5 grants.	26 April 2019
Provincial Treasury to submit requests for national conditional grant rollovers and information on unspent transfers made to entities and implementing agencies i.t.o. schedule 5 grants to National Treasury.	30 April 2019
Accounting officers to submit their requests for all rollovers (schedule 4 and 5 grants included) and revenue retention.	30 April 2019
Accounting officers to submit suitably adjusted and firmed up provincial requests after preliminary closure of books.	31 May 2019
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

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 2019, the 2018/19 financial results/position will be determined and requests must, if required, be suitably adjusted and firmed up by **31 May 2019**.

ACTIONS REQUIRED

31. Departments to note –
- (a) The guiding statutory limitations, principles and process for rollover and revenue retention;
 - (b) The programme and formats to be used for submission of rollover and revenue retention requests.
 - (c) National Treasury's annual Division of Revenue Circular regarding the rollover of unspent national conditional grant funds and information required on unspent transfers made to entities and implementing agencies, as attached.



MS J GANTANA
CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE
DATE: 15 April 2019