

PROVINSIALE TESOURIE • PROVINCIAL TREASURY • UNONDYEBO WEPHONDO



Verwysing
Reference
Isalathiso T 11/2/2 – 2010/11

Navrae
Enquiries
Imibuzo V Bester

TREASURY CIRCULAR NO. 16/2010

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

For information

ALL OTHER MEMBERS OF PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)
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 (MS P VINJEVOLD)
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KG HOUSEHAM)
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MS K LUBELWANA)
THE ACCOUNTING OFFICER: VOTE 8: HOUSING (MR M TSHANGANA)
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR R ELLIS)
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 J PETERS)
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR DP DANIELS)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR P O'BRIEN) (ACTING)
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY) (ACTING)
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: LOCAL GOVERNMENT AND HOUSING (MR D BASSON)
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 (MR D BASSON)

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 (MR TC ARENDSE) (ACTING)
THE HEAD: PUBLIC POLICY SERVICES (MR A PHILLIPS)
THE HEAD: PUBLIC FINANCE (MR H MALILA) (PRO TEM)
THE HEAD: FINANCIAL GOVERNANCE (MR A REDDY) (ACTING)
THE HEAD: ASSET MANAGEMENT (MR TD PILLAY)
THE CHIEF AUDIT EXECUTIVE (MS H ROBSON)
THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)
THE SENIOR MANAGER: HUMAN RESOURCE MANAGEMENT (MS PG PIEDT)
THE SENIOR MANAGER: ACCOUNTING SERVICES: PROVINCIAL GOVERNMENT (MR N VAN NIEKERK) (ACTING)
THE SENIOR MANAGER: ACCOUNTING SERVICES: LOCAL GOVERNMENT (MS N OLIPHANT)
THE SENIOR MANAGER: CORPORATE GOVERNANCE (MR B VINK)
THE SENIOR MANAGER: INTERNAL AUDIT: GOVERNANCE AND ADMINISTRATION CLUSTER (MS B CAIRNCROSS)
THE SENIOR MANAGER: INTERNAL AUDIT: SOCIAL CLUSTER (MR M MALULEKA)
THE SENIOR MANAGER: INTERNAL AUDIT: ECONOMIC CLUSTER (MR J RADEBE)
THE SENIOR MANAGER: BUDGET MANAGEMENT: PROVINCIAL GOVERNMENT (MS M SHERATON)
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 G PAULSE)
THE SENIOR MANAGER: LOCAL GOVERNMENT FINANCE (GROUP TWO) (MR M SIGABI)
THE SENIOR MANAGER: PUBLIC FINANCE POLICY RESEARCH AND MODELLING (MS A PICK) (PRO TEM)
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 A SMIT)

THE PROVINCIAL AUDITOR

MASTER RECORDS OFFICIAL: FINANCIAL MANAGEMENT

ROLLOVER OF UNSPENT FUNDS AND THE RETENTION OF OVER-COLLECTED OWN RECEIPTS FROM 2009/10 TO 2010/11: 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, with regard to the rollover of unspent funds from the 2009/10 financial year to the 2010/11 financial year, as well as the retention of own receipts (revenue) collected above the 2009/10 adjusted appropriation, to -
 - (a) inform departments of the guiding statutory limitations, principles and process;
 - (b) provide departments with a copy of National Treasury's Division of Revenue Circular No. 1 of 2010/11 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

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 38 of the 2010 Division of Revenue Act (Act No. 1 of 2010) stipulates that the repeal of the 2009 Division of Revenue Act (Act No. 12 of 2009) does not affect any duty or obligation set out in that Act, the execution of which is still outstanding.
 8. Section 31 of the Division of Revenue Act, 2009 (Act 12 of 2009) (2009 DoRA), stipulates that, despite the provisions of the Public Finance Management Act relating to rollovers, any conditional allocation (pertaining to schedule 5¹ and schedule 4² grants) 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) a rollover 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.
 9. In line with the National Treasury's Division of Revenue Circular No. 1 of 2010/11 dated 9 April 2010 (copy attached), the approval of rollover of unspent national conditional grants must be sought from National Treasury. Uncommitted balances on such grants must be paid back to the National Revenue Fund.
 10. 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 Fund.
 11. 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.

PRINCIPLES

12. As departure point for the rollover of funds and the retention of own revenue, any uncommitted savings/under spending realised by a department at the end of the 2009/10 financial year will in principle be forfeited to the Provincial Revenue Fund. This will not limit the rollover of savings/under spending on national conditional

² **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.

grants, although its application will be more carefully scrutinised within the context of the 2010 DoRA.

13. Requests for the rollover of funds from 2009/10 to 2010/11 will be considered in terms of the following principles:
 - 12.1 That all unspent funds, committed to identifiable projects, with regard to national conditional grants be recommended to National Treasury for rollover, subject to departments providing documentary evidence of such commitments.
 - 12.2 That, after deducting the amounts referred to in paragraphs 12.1 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.
 - 12.3 That the guidelines and limitations in Treasury Regulation 6.4 be strictly applied.
 - 12.4 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.
 - 12.5 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 12.5(c) and (d) above, accounting officers are requested to quantify and indicate these amounts in the covering letter of their rollover submission.
 - 12.6 That, in a case where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2009/10 is less than the unspent budget available, approvals will be restricted to the available cash and not to the available budget.
14. 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:
 - 13.1 That the request to retain revenue relates to the collection of revenue not anticipated at the time of the 2009/10 Adjusted Budget, or alternatively relates to the implementation of efficiency measures with regard to revenue collection, special initiatives to increase own revenue, donations, etc.
 - 13.2 That approval of requests for revenue retention is subject to current and future revenue budgets being credible.
 - 13.3 That retained revenue be utilised to fund once-off expenditure.

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

13.5 That, in cases where the unspent cash available (inclusive of increased own revenue collected) in a vote at the end of 2009/10 is less than the unspent budget available, approvals will be restricted to the available cash and not to the available budget.

PROCESS

National conditional grants (Schedule 4 and 5):

15. Departments must submit their motivated requests for the rollover of national conditional grants to the Provincial Treasury by **Monday, 26 April 2010** to enable the Provincial Treasury to verify and submit it to National Treasury by the due date of **30 April 2010**. These requests must contain the following information:
- The total amount of unspent funds for each relevant conditional grant as at 31 March 2010.
 - 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 31 requires proof of commitment, the Department must provide Provincial Treasury with a list of the committed projects, clearly stipulating the tender numbers related to each project or invoice awaiting payment.
16. Please also note that the final date for the initial surrender of unspent funds to the relevant national department through the Provincial Treasury is **21 May 2010**.

All rollovers (inclusive of Schedule 4 and 5 grants):

17. 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 **30 April 2010** (prescribed date as per Treasury Regulation 6.4.2) by completing the formats attached hereto as Annexures A, A1, B, B1, C and D.
18. After the preliminary closure of the books on 30 April 2010, the 2009/10 financial results/position will be determined and requests must be suitably adjusted and firmed up by **31 May 2010**.
19. 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.
20. 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 2010/11.

FORMATS

21. 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.
22. Any problems experienced with the completion of the Annexures must be taken up with the relevant Provincial Government Finance budget analyst.

PROGRAMME

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

ACTION	DATE
Distribute Treasury Circular for submission of requests.	13 April 2010
Accounting officers to submit their requests for national conditional grant rollovers to Provincial Treasury.	26 April 2010
Provincial Treasury to submit requests for national conditional grant rollovers to National Treasury.	30 April 2010
Accounting officers to submit their requests for all rollovers (schedule 4 and 5 included) and receipt (revenue) retention.	30 April 2010
Final date for initial surrender of unspent uncommitted national conditional grant funds to national department through Provincial Treasury.	21 May 2010
Accounting officers to submit suitably adjusted and firmed up requests after preliminary closure of books.	31 May 2010
Provincial Treasury to clear provincial requests with the Provincial Minister of Finance and Tourism.	To be determined
Provincial Treasury to provide accounting officers with allocation letters.	To be determined

24. 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.
25. 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.

ACTIONS REQUIRED

26. Departments to note -

- (a) the guiding statutory limitations, principles and process pertaining to rollovers and receipt (revenue) retention;
- (b) the requirements as taken up in National Treasury's Division of Revenue Circular No. 1 of 2010/11 regarding the rollover of unspent national conditional grant funds, and
- (c) the programme and formats to be used for the submission of rollover and receipt (revenue) retention requests.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

**SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE
PROVINCIAL TREASURY
DATE: 13 April 2010**