



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

## **HUMAN SETTLEMENTS DEPARTMENTS TRANSITION GUIDE ON CLASSIFICATION OF EXPENDITURE – POSTPONEMENT OF THE IMPLEMENTATION DATE**

### **Purpose**

1. The purpose of this communiqué is to inform the relevant stakeholders about the postponement of the implementation date of the *Human Settlements Departments: Transition Guide on Classification of Expenditure* from 01 April 2022 to a date to be determined by the SCOA Technical Committee in consultation with the relevant stakeholders.

### **Background and discussion**

2. The Departments of Human Settlement (DHSs) was given a special dispensation to classify housing expenditure as *Transfers to households*.
3. In 2019, the SCOA Technical Committee drafted a classification transition guide titled *Human Settlements Departments: Transition Guide on Classification of Expenditure* in consultation with, among others, National Treasury (Public Finance, Intergovernmental Relations), Chief Financial Officer(s) of National and Provincial DHSs and Provincial Accountants-General. The stakeholders were given an opportunity to comment on the transition guide with a joint decision to implement the final version on 1 April 2022.
4. The purpose of the transition guide is to provide budgeting and accounting classification guidance on expenditure by Human Settlements departments pertaining to goods and services, payments for capital assets as well as transfers and subsidies expenditure categories in line with the Economic Reporting Format (September 2009).
5. The transition guide gave the DHSs three financial years (from 2019/20 to 2021/22) to reclassify the budget. The transitional guide also includes classification guidance for the housing programmes obtained from the budget documents details of which were confirmed with the DHSs and budget group in August 2019.
6. The transition guide was issued in February 2020 and the effective date of the changeover of classification was stated as 1 April 2022.

7. Further analysis revealed other unforeseen circumstances which made the 1 April 2022 implementation date not viable. This was exacerbated by the urgency of finalising the budget and related accounting and reporting processes for DHSs.

### **Conclusion**

8. The SCOA Technical Committee agreed to defer the implementation of reclassifying housing expenditure by DHSs specified in the transition guide to a later effective date to be determined by the SCOA Technical Committee. Therefore, the DHSs will continue classifying housing expenditure as *Transfers and Subsidies* in both the budget and the financial statements until further notice.
9. The SCOA Technical Committee will continue to have further consultation with the DHSs to support them in implementing the classification as outlined in the transition guide at the appropriate time.

### **Contact information**

10. If further clarity or discussion is required, please contact the SCOA project team by sending a concise mail to [scoa@treasury.gov.za](mailto:scoa@treasury.gov.za).

Regards,

SCOA Technical Committee

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