

# PROVINCIAL SUMMARY

## INTRODUCTION

The 2015/16 Adjustment Budget for the Free State Province is tabled before the Provincial Legislature in terms of section 31(2) of the Public Finance Management Act of 1999, to provide for the following:

- The rollover of unspent funds from the preceding financial year;
- The appropriation of funds that have become available to the province;
- Unforeseeable and unavoidable expenditure;
- Expenditure used in emergency situations;
- The shifting of funds between and within votes or to follow the transfer of functions;
- The utilization of savings under a main division within a vote for the defrayment of excess expenditure under another main division within the same vote; and
- Money to be appropriated for expenditure already announced by the MEC for Finance during the tabling of the annual budget.

The **main appropriation**: the total amount appropriated per programme in the Appropriation Act (2015).

**Special appropriation**: the total amount voted per programme and by economic classification in a special appropriation act.

**The adjustments appropriation consists of a variety of categories:**

**Roll-overs** are unspent funds from the preceding financial year that may be rolled over to complete projects started in the previous financial year. However, Treasury Regulations places restrictions on the following:

- Unspent funds for compensations of employees may not be rolled-over;
- Only a maximum of 5 percent of a department's budget for goods and services may be rolled-over;
- Unspent funds for transfers and subsidies may not be rolled-over for any purpose other than what the funds were originally allocated for; and
- Unspent funds on payments for capital assets may only be rolled-over to finalize projects or assets acquisitions already in progress.

**The appropriation of funds that have become available to the Province:**

During the tabling of the Adjusted Estimate of National Expenditure additional funds are allocated to provinces via the Provincial Equitable Share. Secondly, national departments may allocate additional funds to the Provinces as Conditional Grants to specifically cater for national priorities. Added to the above will be the changes in provincial own revenue for the 2015/16 financial year. All of these aspects will be reflected in the Adjusted Estimates of Provincial Revenue and Expenditure.

**Unforeseeable and unavoidable expenditure** are expenses that could not be anticipated at the time of the tabling of the main budget. Furthermore, according to Treasury Regulations the following cannot be regarded as unforeseeable and unavoidable expenditure:

- Spending that was known when finalizing the Estimates of Provincial Revenue and Expenditure, but could not be accommodated within allocations then;
- Spending increases due to tariff adjustments and price increases; and
- Spending to extend existing services or create new services that are not unforeseeable and unavoidable. An example of unforeseen and unavoidable spending is spending necessitated by adverse weather conditions.

**Virements** basically refer to defrayments of excess expenditure under another a main division (programme) utilizing savings or unspent funds from other main division (programme) within the same vote.

Funds reallocated between programmes or subprogrammes or economic classification items within the **2015/16 financial year** should be expressed as either a **virement** or a **shift**, and should be captured as such in the database. In addition to the above departments must explain why funds are not used / spent in a particular programme or subprogramme or economic classification and what these funds will be used for in the programme or subprogramme or economic classification where they are shifted to.

Departments require approval before a virement can take place from either its own Accounting Officer, the Provincial Treasury or from the Provincial Legislature. The level of approval depends on the nature of the virement. All virements that require approval from relevant Treasury include those that will:

- Increase the funds appropriated for compensation of employees;
- Increase the funds appropriated for transfers and subsidies to other institutions;
- Introduce a new transfer to other institutions;
- Result in utilising funds that were appropriated for transfers and subsidies to other institutions provided the expenditure will be utilised for the same purpose as that of the main division within the vote in which it was originally appropriated;
- Result in utilising funds that were earmarked by National Treasury in the allocation letter to an institution; and
- Result in utilising funds that were appropriated for payments for capital assets for other categories of expenditure other than for the compensation of employees.

Virements that will require approval from the Legislature include those that will:

- Result in utilising funds appropriated for items specifically and exclusively earmarked in an Appropriation Act;
- Result in utilising funds that amount to more than 8 percent of the amount appropriated for a programme (shifts between different segments within a programme do not affect the overall amount appropriated for a programme, only virements from a programme effectively reduce the programme budget);

- Result in utilising funds appropriated as transfers and subsidies that could not be approved by the Provincial Treasury; and
- Result in utilising funds appropriated for payments for capital assets for the payment of current assets that could not be approved by the Provincial Treasury.

Virement applications that require the approval of the Provincial Legislature are tabled in the Adjustments Appropriation Bill and detailed in the Adjusted Estimates of Provincial Revenue and Expenditure publication with motivations provided.

**Shifts** are utilisation of savings or under spending towards the defrayment of increased expenditure within a main division (programme) of a vote between the different segments (sub-programme and economic classification) of the main division (programme). Shifts include the reallocation of funds incorrectly allocated during the 2015/16 EPRE process.

**Declared unspent funds** are amounts not spent that departments explicitly indicate they will not require in the current financial year. Any imposed expenditure reductions should be included here.

**Other adjustments** include:

- **Function shifts:** When functions are shifted to another vote or institution in terms of legislation and/or following the reassignment of responsibility for the functions, the associated assets and liabilities also need to be shifted. Such shifts can also happen between main divisions (programmes) within a vote.
- **Unallocated amounts announced in the main budget: In certain instances,** an amount to be allocated for the three years of the MTEF period for a specific purpose will be announced by the MEC for Finance when the main budget is tabled, but the details of the annual allocations are decided later. This is usually when plans have not been finalized in time to decide on the specific allocations for the main budget.
- **Adjustments due to significant and unforeseeable economic and financial events:** When unforeseeable economic and financial events affect the fiscal targets set by the main budget, adjustments may need to be made. Significant higher inflation than anticipated in budget projections over the MTEF period is an example of such an event.
- **Use of funds in emergency situation:** The MEC for Finance can approve the use of unappropriated funds for spending of an exceptional nature. This happens if postponing the spending to a future parliamentary appropriation (sitting) would seriously prejudice the public interest. The MEC for Finance must subsequently provide a report to Legislature/Parliament.
- **Self-financing expenditure** is spending financed from revenue derived from a vote's specific activities. The revenue is paid into the Provincial Revenue Fund. If self-financing expenditure is approved, these funds are allocated to the vote.

**Direct charges against the Provincial Revenue Fund** are amounts spent in terms of statutes and do not require parliamentary approval, such as expenditure on state debt costs.

**The total adjustments appropriation** is the sum of all expenditure adjustments by programme and by economic classification. This number may be negative. In most instances this would be because of a virement of funds out of the programme or economic classification, or due to function shifts.

**The adjusted appropriation** is the total funds available to departments after the adjustments have been appropriated, that is the sum of the main appropriation plus any adjustments.

#### **SUMMARY OF THE 2015/16 ADJUSTMENTS**

The total amount of **R475.040 million** has been made available for the purposes of the 2015/16 adjustment budget. Included in the 2015/16 adjustment budget, is the rollover of **R169.327 million**, Health Facility Grant amounting to **R23.00 million** and retained revenue of **R15.446 million**. An additional **R22.200 million** was received by various departments as financial assistance from other sources. This amount exclude internal reprioritization of **R69.786 million** recommended by the Treasury Committee as well as **R0.424 million** from CATHSETA for Sport, Arts, Culture and Recreation and **R0.824 million** which was donated to DESTEA from the Department of Environmental Affairs as well **R0.980 million** for HWSETA towards the Department of Health.

Summary of adjustments for 2015/16

Table 6: Available Funding for the 2015/16 Adjustment Budget			
Details	Amount		R'000
<b>Conditional grants</b>			<b>192 327</b>
Roll overs -approved			169 327
Health Facility Grant - Conversion of indirect grant (additional)			23 000
<b>Equitable Share</b>			<b>245 067</b>
Improvement in Conditions of Services - Additional			238 794
Roll overs - approved			6 273
Surrendering of R0.091 million by 11 depts (excl Leg & SocDev) towards Fight against gangsterism (R1 million)			0
<b>Infrastructure Enhancement Allocation and Earmarked allocations (Reprioritization)</b>	<b>Internal</b>	<b>External</b>	<b>69 445</b>
Economic Development, Tourism & Environment Affairs - (IEA)	7 000	3 300	10 300
Provincial Treasury (Municipal Support)	29 000	1 000	30 000
Police, Roads and Transport (IEA)		4 715	4 715
Education - IEA)		12 000	12 000
Sport, Arts, Culture and Recreation (IEA)	160	3 000	3 160
Social Development (IEA & COE)		9 270	9 270
<b>Retained Revenue</b>			<b>15 446</b>
Legislature Retained Revenue			15 446
<b>Provincial Revenue Fund</b>			<b>6 900</b>
<b>Total Provincial Funding</b>			<b>529 185</b>
<b>Other Revenue to be appropriated</b>			<b>15 300</b>
Sport, Arts, Culture & Recreation - National Dept of Arts & Culture			1 000
CoGTA - Refund from Department of Water Affairs			14 300
<b>Total funding available for appropriation</b>			<b>544 485</b>
<b>Other Revenue not to be appropriated (Donor Funding)</b>			<b>2 228</b>
Sport, Arts, Culture & Recreation - CATHSSETA			424
Health - HWSETA			980
DESTEA Bio diversity Project (DEA)			824
<b>Total Other Revenue</b>			<b>17 528</b>
<b>Grand Total</b>			<b>546 713</b>

The details of these adjustments per source of funding are discussed below.

**ROLL-OVERS**

A total amount of **R175.600 million** has been rolled over from the previous financial year (2014/15) to the current financial year, these rollovers relate to both National Conditional Grants and Equitable Share.

The details of the approved roll-overs are presented below:

### **Conditional Grants**

**The approved conditional grants amount to R169.327 million for 2015/16 financial year.**

- Department of Health
  - ~ Health Facility Revitalisation Grant **R 21.595 million**
  
- Department of Education
  - ~ Education Infrastructure Grant **R 119.015 million**
  - ~ HIV/AIDS (Life skills Education) Grant **R 1.237 million**
  - ~ National School Nutrition Programme Grant **R 3.712 million**
  - ~ EPWP Integrated Grant for Provinces **R 0.585 million**
  
- Department of Social Development
  - ~ Substance Abuse Treatment Grant **R 2.000 million**
  - ~ EPWP Integrated Grant for Provinces **R 0.735 million**
  
- Department of Sport, Arts, Culture and Recreation
  - ~ Community Library Services Grant **R 5.562 million**
  
- Department of Human Settlements
  - ~ Human Settlement Development Grant **R 14.886 million**

### **Equitable Share**

The requests for provincial equitable share rollovers approved amount to **R6.273 million**. The request approved per department is as follows:

- Department of the Premier **R 0.872 million**
- Department of Social Development **R 1.735 million**
- Department of Human Settlement **R 2.100 million**
- Department of Sport, Arts, Culture and Recreation (IEA) **R 0.226 million**
- Department of Public Works and Infrastructure **R 1.122 million**
- Department of Public Works and Infrastructure (REA) **R 0.218 million**

### **ADDITIONAL FUNDING**

#### **Equitable Share**

An amount of **R238.794 million** was received as additional funding for 2015/16 Adjustment Budget. These funds are mainly for Improvement of Conditions of Service.

## **PROVINCIAL OWN REVENUE**

### **2015/16 Provincial own revenue adjustment**

The 2015/16 own revenue budget was not adjusted it will remain at **R1.008 million**.

### **Suspension of infrastructure enhancement allocation (IEA)**

Amount of **R35.445 million** for uncommitted Infrastructure Enhancement Allocations for the following departments has been suspended:

- **R13.300 million** – DESTEA (Soetdoring train camp and the abattoirs in Tussen die Riviere en Willem Pretorius)
- **R 4.715 million** – Police, Roads and Transport (Harrismith Logistics Hub, Integrated transport plans and Trompsburg Transport centre and goods and services). A further **R11.091 million** was reprioritized within the department.
- **R12.000 million** – Education (Various projects)
- **R 3.000 million** – Sport, Arts, Culture and Recreation (NSTC)
- **R 5.270 million** – Social Development (ECD)

## **RETAINED REVENUE**

### **Provincial Legislature**

The Provincial Legislature will retain an amount of **R15.446 million** in the current financial year as part of Legislature's Retained Revenue from the 2014/15 financial year. This amount will not form part of the revenue flowing from Provincial Revenue Fund as the Legislature does not surrender unspent funds to the Provincial Revenue Fund.

### **OTHER REVENUE (including Donations)**

- Sport, Arts, Culture & Recreation received **R1.000 million** from National Department of Arts and Culture;
- COGTA received a **R14.300 million** refund from the National Department of Water and Sanitation.
- Sport, Arts, Culture & Recreation received **R0.424 million** from CATHSSETA;
- Economic & Small Business Development, Tourism & Environmental Affairs received **R0.824 million** for Bio Diversity project;
- Health received **R0.980 million** from HWSETA.

## **REPRIORITISATION BETWEEN THE DEPARTMENTS**

The department of Police, Roads and Transport transferred an amount of **R4.000 million** to the Department of the Premier for the movement of Transport economists (CoE).

The HIV function will be transferred from the Department of Health to the Department of the Premier with an amount **R1.200 million**.

## **UNALLOCATED FUNDS**

A total of **R 0.00 million** is unallocated funding in the 2015/16 Adjustment Budget.



2015 Adjusted Estimates of Provincial Revenue & Expenditure

**2. EXPENDITURE SUMMARY BY FUNCTION**

Table 2.1: Expenditure summary by function

	Main Appropriation R'000	Special Appropriation R'000	Additional appropriation					Total additional appropriation R'000	Adjusted appropriation R'000
			Unforeseeable/U Roll-overs R'000	Virement navoidable R'000	Declared unspent funds R'000	Other adjustments R'000			
General Public Services	2 629 396		2 212		-12 664	99 263	88 811	2 718 207	
Public Order and Safety	307 117				-4 806	22 878	18 072	325 189	
Education	11 538 104		124 549		-35 091	184 657	274 115	11 812 219	
Health	8 675 429		21 595		-1 291	32 942	53 246	8 728 675	
Social Protection	1 020 074		4 470		-9 270	2 000	-2 800	1 017 274	
Housing & Community Affairs	1 224 416		16 986		-91		16 895	1 241 311	
Recreational & Cultural Affairs	679 605		5 788		-3 091	10 585	13 282	692 887	
Environmental Protection	171 458				-3 391		-3 391	168 067	
Other Economic Services	3 129 077			10 000	-91	6 900	16 809	3 145 886	
<b>Total Expenditure</b>	<b>29 374 676</b>		<b>175 600</b>	<b>10 000</b>	<b>-69 786</b>	<b>359 225</b>	<b>475 039</b>	<b>29 849 716</b>	
<b>Amount to be voted</b>								<b>475 040</b>	

**3. PROVINCIAL EXPENDITURE SUMMARY**

Table 3.1: Provincial expenditure per vote

	Main Appropriation R'000	Special Appropriation R'000	Additional appropriation					Total additional appropriation R'000	Adjusted appropriation R'000
			Unforeseeable/U Roll-overs R'000	Virement navoidable R'000	Declared unspent funds R'000	Other adjustments R'000			
1. Department of the Premier	283 896		872		-1 091	27 324	27 105	311 001	
2. Free State Legislature <sup>1</sup>	181 692					32 446	32 446	214 138	
3. Economic Development, Tourism and Environmental Affairs	472 179				-3 391		-3 391	468 788	
4. Free State Treasury	295 467				-1 091	12 729	11 638	307 105	
5. Health	8 675 429		21 595		-1 291	32 942	53 246	8 728 675	
6. Education	11 538 104		124 549		-35 091	184 657	274 115	11 812 219	
7. Social Development	1 020 074		4 470		-9 270	2 000	-2 800	1 017 274	
8. Co-operative Governance and Traditional Affairs	376 406				-10 391	14 300	3 909	380 315	
9. Public Works and Infrastructure	1 491 935		1 340		-91	12 464	13 713	1 505 648	
10. Police, Roads and Transport	2 390 931				-4 806	22 878	18 072	2 409 003	
11. Agriculture and Rural Development	744 542			10 000	-91	6 900	16 809	761 351	
12. Sport, Arts, Culture, and Recreation	679 605		5 788		-3 091	10 585	13 282	692 887	
13. Human Settlements	1 224 416		16 986		-91		16 895	1 241 311	
<b>Total: Provincial departments</b>	<b>29 374 676</b>		<b>175 600</b>	<b>10 000</b>	<b>-69 786</b>	<b>359 225</b>	<b>475 039</b>	<b>29 849 716</b>	
<b>Amount to be voted</b>								<b>475 040</b>	

Note<sup>1</sup> Included in the Provincial Legislature allocation is an amount of R15.446 million relating to retained revenue. This amount will not form part of the revenue flowing from Provincial Revenue Fund as Legislature does not surrender unspent to the Provincial Revenue Fund.



*Provincial Summary*

*2015 Adjusted Estimates of Provincial Revenue & Expenditure*

**5. PROVINCIAL OWN REVENUE**

Provincial Own Revenue per vote

	Main Appropriation R'000	Special Appropriation	Additional appropriation					Total additional appropriation R'000	Adjusted Appropriation R'000
			Unforeseeable/Una Roll-overs	voidable	Virement	Declared savings	Other adjustments		
			R'000	R'000	R'000	R'000	R'000		
1. Department of the Premier	5 484						(535)	(535)	4 949
3. Economic Development, Tourism and Environmental Affairs	86 043						6 530	6 530	92 573
4. Provincial Treasury	34 246						(22 973)	(22 973)	11 273
5. Health	173 761						(5 000)	(5 000)	168 761
6. Education	20 344						(1 138)	(1 138)	19 206
7. Social Development	1 529						100	100	1 629
8. Co-operative Governance and Traditional Affairs	2 026						(812)	(812)	1 214
9. Public Works	46 767						(2 803)	(2 803)	43 964
10. Police, Roads and Transport	614 039						25 000	25 000	639 039
11. Agriculture and Rural Development	2 273						89	89	2 362
12. Sport, Arts, Culture and Recreation	21 411						1 504	1 504	22 915
13. Human Settlements	260						38	38	298
<b>Total: Provincial departments</b>	<b>1 008 183</b>								<b>1 008 183</b>

Provincial Own Revenue per economic classification

	Main Appropriation R'000	Special Appropriation	Additional appropriation					Total additional appropriation R'000	Adjusted Appropriation R'000
			Unforeseeable/Una Roll-overs	voidable	Virement	Declared savings	Other adjustments		
			R'000	R'000	R'000	R'000	R'000		
Tax receipts	571 022						22 315	22 315	593 337
Sales of goods and services other than capital receipts	332 274						7 813	7 813	340 087
Transfers received	10 000						1 500	1 500	11 500
Fines, penalties and forfeits	15 023						574	574	15 597
Interest, dividends and rent on land	35 342						(22 578)	(22 578)	12 764
Sales of capital assets	19 966						(11 602)	(11 602)	8 364
Financial transactions in assets and liabilities	24 556						1 978	1 978	26 534
<b>Total</b>	<b>1 008 183</b>								<b>1 008 183</b>