



national treasury

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REPUBLIC OF SOUTH AFRICA

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Dear Mr. Mahlatsi

PROVINCIAL ADJUSTMENTS APPROPRIATION FOR 2016/17

As discussed at the Budget Council meeting of 23 September 2016, a number of factors have necessitated adjustments to national transfers set out in the 2016 Division of Revenue Act. These allocations were endorsed by Extended Cabinet on 29 September 2016 and will be effected through the 2016 Division of Revenue Amendment Act.

ADJUSTMENTS TO PROVINCIAL EQUITABLE SHARES

Provincial Equitable share

No changes will be made to the provincial equitable share.

ADJUSTMENTS TO CONDITIONAL GRANTS

Roll-over

A roll over for the Provincial Roads Maintenance Grant with respect to KwaZulu-Natal was approved. This rollover was due to the funds being stopped and withheld; justification was given to release the funds and thus will be effected in the Amendment Act.

Conversions of Earmarked National Funds to Direct Provincial Conditional Grants

The national Department of Health (NDOH) indicated that Western Cape and KwaZulu-Natal will benefit from an in-year transfer to be redirected out of earmarked funds on NDOH's core budget, to the NHI direct grant. R4 million will be shifted to KwaZulu-Natal and R5 million to Western Cape. The purpose of the transfer is to help strengthen the Health Information Systems, a necessary step for the successful implementation of NHI's Disease Related Grouping (DRG) reimbursement model.

Conversions of Indirect Funds to Direct Provincial Conditional Grants

In order to cover the shortfall caused by high food inflation in the National School Nutrition Programme Grant, R51.8 million has been reprioritised from the School Infrastructure Backlogs Grant. Also from the School Infrastructure Backlogs Grant, R142.5 million has been converted to the Education Infrastructure Grant allocation to the Western Cape.

Correction of Allocations

Due to an oversight by the national Department of Sport and Recreation South Africa (SRSA), the erroneous grant allocations published in the 2016 Division of Revenue Act will be rectified through the Amendment Act to reflect allocations that were agreed to at a HEADCOM meeting held in 2015. This will align the allocation letters that were sent by SRSA with what is in the Amendment Act. This was discussed and agreed to at the 16 September 2016 Technical Committee on Finance (TCF) meeting.

Additions to Direct Provincial Conditional Grants

For the purposes of school infrastructure rehabilitation, Limpopo will benefit from a total of R177.1 million. This allocation will be directed through the Education Infrastructure Grant. A further R1.8 million will be added to the National School Nutrition Programme Grant to Limpopo for feeding of learners and educators during catch up camps.

The drought that started in 2015, and persists in 2016, has resulted in unforeseen expenditure for mitigation efforts against the adverse effects of the drought. CASP will now have an indirect component that will allow R212 million to be spent on behalf of provinces in order to leverage the economies of scale in purchasing and distribution of fodder to affected farmers.

ADJUSTMENTS TO CONDITIONAL GRANT FRAMEWORKS

The Comprehensive Agriculture Support Programme Grant framework will be amended by the deletion of the phrase: *“The CASP grant will be top-sliced by R60 million over the 2016 MTEF (R10 million 2016/17 R20 million 2017/18, and R30 million 2018/19) in order for DAFF to provide an oversight and monitoring function for the grant”*. The grant has already been top-sliced; the phrase quoted can lead to a duplicate top-slicing. The second amendment to the grant framework will allow for an indirect component to be created for the effective use of drought funding as highlighted above.

The National Health Insurance (NHI) Grant framework will be amended to allow for funding of efforts to strengthen hospital information systems. This is part of the Diseases Related Grouping project necessary for the rollout of NHI.

CONSOLIDATED ALLOCATIONS FOR YOUR PROVINCE

Annexure A contains your province’s share of the allocations discussed in this letter.

GENERAL POINTS TO NOTE IN RESPECT OF 2016/17 ADJUSTMENTS

The allocations discussed in this letter must, as required in terms of Section 16(1) of the 2016 Division of Revenue Act, be published in the Division of Revenue Amendment Act. These adjustments can only be transferred to provinces once the President has signed the National Adjustments Appropriation Bill and Division of Revenue Amendment Bill into law.

While preparing the provincial 2016/17 Adjusted Estimates, please ensure that all additional allocations received from national departments are appropriated and included in a provincial gazette in terms of the 2016 Division of Revenue Act.

It is critical that provincial Adjustments Appropriation Bill be aligned with the format used by National Government (Annexure B) and that it fully complies with the provisions contained in Section 31 of the Public Finance Management Act (PFMA). Moreover, given Section 43 of the PFMA on virements, provinces should note that any provincial contingency reserve or provincial own revenue overruns must be allocated to departmental votes in provincial adjustments budgets to enable authorised spending of such funds. Further adjustments

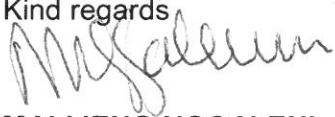
should be in line with all National Treasury circulars on virements.

Amounts included in the Adjusted Estimates will influence the approved provincial payment schedules circulated to provincial treasuries earlier this year. A revised payment schedule that accommodates the above revisions will be submitted to provinces in due course. It must be noted that, in addition to the legal process in respect of the national Adjusted Appropriation Bill outlined above, transfer dates for provinces are informed by cash availability and the asset and liability management obligations of the National Treasury. Therefore, Provincial Treasuries are expected to carefully cash-manage their revenue funds and to manage the commitments of the province in order to ensure a sustainable in-year financial position.

It is important that the in-year Management, Monitoring and Reporting System is adjusted to reflect the revised allocations on both the Revenue and Expenditure side. Importantly, all provincial roll-overs and additional funding from the Provincial Revenue Fund should be reflected as financing. All these adjustments should be reflected in the provincial In-year Management, Monitoring and Reporting System to be submitted on 20 January 2017 for the period ending 30 December 2016 to be published for the third quarter by 30 January 2017.

You are requested to promptly submit to the National Treasury copies (both hard and electronic) of your Adjusted Estimates once these are finalised and tabled in your legislature.

Kind regards



MALIJENG NGQALENI
DEPUTY DIRECTOR-GENERAL: INTERGOVERNMENTAL RELATIONS

DATE: 18/10/2016

ADJUSTED ESTIMATES OF PROVINCIAL REVENUE AND EXPENDITURE: ADDITIONAL FUNDING FROM NATIONAL FOR THE 2016/17 FINANCIAL YEAR

FREE STATE

Description (1)	Main appropriation: 2016/17 (2)	2016/17 Adjustments								Total: 2016/17 Adjustments (4)+(10) (11)	National adjusted appropriation: 2016/17 (2)+(11) (12)
		Adjustments: PES		Adjustments: Conditional grants							
		Other (none) (3)	Total adjustments: Equitable share (4)	Roll-overs (Funds rolled over by national departments not transferred in 2015/16) (5)	Conversions of indirect conditional grants to direct conditional grants (6)	Section 22: Offsets (7)	Reprioritisation (8)	Additions (9)	Total adjustments: Conditional grants (5)+(6)+(7)+(8)+(9) (10)		
EQUITABLE SHARE	R'000 22 994 762	R'000 -	R'000 -	R'000 -	R'000 -				R'000 -	R'000 -	R'000 22 994 762
CONDITIONAL GRANTS:	6 815 869			-	6 529	-	23 442	-	29 971	29 971	6 845 840
Agriculture, Forestry and Fisheries	239 242			-	-	-	-	-	-	-	239 242
Comprehensive Agricultural Support Programme Grant	174 289			-	-	-	-	-	-	-	174 289
Ilima/Letsema Projects Grant	59 447			-	-	-	-	-	-	-	59 447
Land Care Programme Grant: Poverty Relief and Infrastructure Development	5 506			-	-	-	-	-	-	-	5 506
Arts and Culture	157 758			-	-	-	-	-	-	-	157 758
Community Library Services Grant	157 758			-	-	-	-	-	-	-	157 758
Basic Education	1 076 526			-	6 529	-	-	-	6 529	6 529	1 083 055
Education Infrastructure Grant	695 122			-	-	-	-	-	-	-	695 122
HIV and AIDS (Life Skills Education) Grant	12 967			-	-	-	-	-	-	-	12 967
Maths, Science and Technology Grant	33 466			-	-	-	-	-	-	-	33 466
National School Nutrition Programme Grant	334 971			-	6 529	-	-	-	6 529	6 529	341 500
Cooperative Governance and Traditional Affairs	-			-	-	-	-	-	-	-	-
Provincial Disaster Grant	-			-	-	-	-	-	-	-	-
Health	2 611 506			-	-	-	-	-	-	-	2 611 506
Comprehensive HIV, AIDS and TB Grant	1 015 061			-	-	-	-	-	-	-	1 015 061
Health Facility Revitalisation Grant	474 692			-	-	-	-	-	-	-	474 692
Health Professions Training and Development Grant	156 189			-	-	-	-	-	-	-	156 189
National Tertiary Services Grant	958 021			-	-	-	-	-	-	-	958 021
National Health Insurance Grant	7 543			-	-	-	-	-	-	-	7 543
Human Settlements	1 098 411			-	-	-	-	-	-	-	1 098 411
Human Settlements Development Grant	1 098 411			-	-	-	-	-	-	-	1 098 411
Public Works	47 620			-	-	-	-	-	-	-	47 620
Expanded Public Works Programme Integrated Grant for Provinces	25 641			-	-	-	-	-	-	-	25 641
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	21 979			-	-	-	-	-	-	-	21 979
Social Development	42 500			-	-	-	-	-	-	-	42 500
Substance Abuse Treatment Grant	42 500			-	-	-	-	-	-	-	42 500
Sport and Recreation South Africa	43 019			-	-	-	23 442	-	23 442	23 442	66 461
Mass Participation and Sport Development Grant	43 019			-	-	-	23 442	-	23 442	23 442	66 461
Transport	1 499 287			-	-	-	-	-	-	-	1 499 287
Provincial Roads Maintenance Grant	1 258 030			-	-	-	-	-	-	-	1 258 030
Public Transport Operations Grant	241 257			-	-	-	-	-	-	-	241 257
TOTAL: ADJUSTED NATIONAL TRANSFERS	29 810 631	-	-	-	6 529	-	23 442	-	29 971	29 971	29 840 602

FREE STATE

SUMMARY: 2016 ADJUSTED ESTIMATES OF PROVINCIAL REVENUE AND EXPENDITURE (TO BE APPROPRIATED FROM THE NATIONAL REVENUE FUND)	
	29 971
Equitable share:	-
Other (none)	-
Conditional grants:	29 971
Roll-overs (Funds rolled over by national departments not transferred in 2015/16)	0
Conversions of indirect conditional grants to direct conditional grants	6 529
Education Infrastructure Grant	-
National School Nutrition Programme Grant	6 529
National Health Insurance Grant	-
Section 22: Offset	-
Reprioritisations	23 442
Additions	-