

PROVINCIAL SUMMARY

INTRODUCTION

The 2019/20 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 utilisation 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 following section briefly define the above-mentioned categories:

Roll-overs

Rollovers refers to unspent funds from the preceding financial year that may be rolled over to complete projects already started. However, Treasury Regulations place 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:

This refers to additional funds that may be allocated to provinces through Provincial Equitable Share. Secondly, national departments may allocate additional funds to provinces as conditional grants to specifically cater for national priorities. Lastly, upward adjustment of provincial own revenue for the current financial year forms part of funds available to the province.

Unforeseeable and unavoidable expenditure

These are expenses that could not be anticipated when the main budget was tabled. As such, the following cannot be regarded as unforeseeable and unavoidable expenditures (as per Treasury Regulations):

- Spending that was known when finalising the Estimates of Provincial Revenue and Expenditure, but could not be accommodated within the allocations then;
 - Spending increases due to tariff adjustments and price increases; and
 - Spending to extend existing services or create new services.
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Virements

Refer to utilisation of savings or unspent funds from a main programme to defray excess expenditure under another main programme within the same vote.

Shifts

Refer to utilisation of savings or under spending towards the defrayment of increased expenditure within a main programme of a vote. The shifting happens between the different segments of the main programme. Shifting also allow for reallocation of funds incorrectly allocated during the 2019/20 main budget process.

Declared unspent funds

These are funds not spent and the departments explicitly indicate that the funds will not be required in the current financial year. Any imposed expenditure reductions should also be included in this section.

Other adjustments include:

- **Shifts between votes:** According to Section 33 of the PFMA, as functions are transferred between departments so are the associated funds. 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.
- **Appropriation of expenditure earmarked in the 2018 Budget speech for future allocation:** An amount to be allocated for the MTEF period for a specific purpose that is announced by the MEC for Finance when the main budget is tabled, but the details of the annual allocations are decided later.
- **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:** This 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.
- **Gifts, donations and sponsorship received (cash):** They are included in the adjustment budget. The name of the organization / individual and nature of gift, donation or sponsorship must be indicated.
- **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 as a result 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; i.e. the sum of the main appropriation plus any adjustments.

SUMMARY OF THE 2019/20 ADJUSTMENTS

The 2019/20 adjustment provides for appropriation of **R456.457 million**. Included in this amount is (i) the sum of **R382.305 million** which relates to approved conditional grant rollovers, (ii) **R36.996 million** for roll overs of equitable share, (iii) **R29.136 million** which relates to amendments to conditional grants, (iv) **R6.500 million** provincial own revenue and (v) **R1.520 million** that relates to sponsorships.

Summary of adjustments for 2019/20

Details	Amount R'000
Conditional grants	411 441
Rollovers - Approved by National Treasury	382 305
Additional amendments from National Treasury	29 136
Equitable Share	36 996
Rollovers recommended	36 996
Sponsorships	1 520
SACR: Bloem Water	500
SACR: Mining Qualification Authority	20
SACR: National Heritage Funds	1 000
Adjustment to Provincial Own Revenue	6 500
Total before reprioritisation	456 457
Reprioritization	0
Premier: Goods and Services	8 508
Premier: CDWs (Earmarked)	2 000
Premier: Bursaries (Earmarked)	18 000
Premier: Sanitary towel project	1 572
Legislature: Political party funding, COE, Modernization of Legislature	8 532
DESTEA: FDC for SEZ bulk infrastructure (Earmarked)	30 000
Treasury: Goods and Services	2 000
Education: Learner Transport (Earmarked)	10 000
Social Development: Children shelters	1 500
PWI: Goods and Services	2 500
PRT: SAPO (Earmarked)	7 000
SACR: Promotion of Arts and Culture	350
SACR: Sports Awards	230
SACR: Mangaung United	285
SACR: Cheetahs	1 000
Unallocated Own Revenue	-6 500
Declared unspent	-86 977
Fund Shift	0
Municipal Support Programme (Section 139 intervention)	
Provincial Treasury	-9 642
COGTA	9 642
Grand total for the 2019/20 Adjustment Budget	456 457

The details of these adjustments per source of funding are briefly reflected below.

ROLL-OVERS

A total amount of **R419.301 million** is rolled over from the previous financial year (2018/19) to the current financial year. The rollovers relate to both, National Conditional Grants (**R382.305 million**) and Equitable Share (**R36.996 million**). The details of the approved roll-overs are presented below:

Conditional Grants – R382.305 million

- Department of Health
 - Health Facility Revitalisation Grant **R 75.355 million**

- Department of Education
 - Education Infrastructure Grant **R 119.288 million**
 - HIV and AIDS (Life Skills Education) Grant **R 0.263 million**
 - Maths, Science and Technology Grant **R 4.398 million**
 - Learners with Profound Intellectual Disabilities Grant **R 4.593 million**
 - National School Nutrition Programme Grant **R 7.421 million**

- Department of Social Development
 - Substance Abuse Treatment Grant **R 34.318 million**
 - Early Childhood Development Grant **R 0.567 million**

- Police, Roads and Transport
 - Provincial Roads Maintenance Grant **R 49.980 million**

- Department of Agriculture and Rural Development
 - Comprehensive Agricultural Support Programme Grant **R 25.878 million**
 - Ilima / Letsema Projects Grant **R 8.003 million**

- Department of Sport, Arts, Culture and Recreation
 - Community Library Services Grant **R 12.165 million**

- Human Settlements
 - Title Deeds Restoration Grant **R 40.017 million**
 - EPWP Integrated Grant for Provinces **R 0.059 million**

Equitable Share (including earmarked allocations) - R36.996 million

- Department of Economic, Small Business Development, Tourism and Environmental Affairs **R 20.242 million**
 - Provincial Treasury **R 4.681 million**
 - Department of Social Development **R 0.570 million**
 - Department of Co-Operative Governance and Traditional Affairs **R 5.508 million**
 - Department of Sport, Arts, Culture and Recreation **R 5.995 million**
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ADDITIONAL FUNDING

Equitable Share

No additional funding was received for 2019/20.

Conditional Grants amendments

- Department of Health
 - National Health Insurance Grant **R 21.530 million**
 - Human Resources Capacitation Grant **R 14.222 million**
 - Human Papillomavirus Vaccine Grant **(R 3.134 million)**
- Department of Agriculture and Rural Development
 - Ilima/Letsema Projects Grant **(R3.482 million)**

PROVINCIAL OWN REVENUE

The 2019/20 estimated own revenue budget is adjusted with **R22.945 million**.

RETAINED REVENUE

Provincial Legislature

Provincial Legislature did not retain revenue.

OTHER REVENUE (including Donations)

Department of Health received **R1.594 million** from HWSETA to address the critical and scarce skills within the Department.

Department of Sport, Arts, Culture and Recreation received **R0.213 million** from CATHSSETA to address Sports Administration Internship Programme. The following sponsorships were received:

- **R0.500million** for OR Tambo Marathon from Bloem Water.
- **R0.020 million** from Mining Qualification Authority for catering of learners at the Career Guidance Exhibition of 14 May 2016 at Mokgothu Primary School in Nyakallong/ Allanridge.
- **R1.000 million** from National Heritage Funds for Wesleyan church in Bloemfontein and Women Prison Cell in Kroonstad.

REPRIORITISATION

An amount of **R58.977 million** was reprioritised within the province to address provincial pressures.

TOP-SLICING

An amount of **R30 million** was top-sliced from departments and allocated to Free State Development Corporation (FDC) towards bulk infrastructure in the Maluti Special Economic Zone (SEZ).

FUNCTION TRANSFER

No function transfer occurred.

2. EXPENDITURE SUMMARY BY FUNCTION

Table 2.1: Expenditure summary by function

R'thousand	Main Appropriation	Special Appropriation	Adjusted Appropriation					Total adjustment appropriation	Adjusted appropriation
			Roll-overs	Unforeseeable / Unavoidable	Virements and shifts	Declared unspent funds	Other adjustments		
General Public Services	3 965 669		10 189			(21 642)	52 754	41 301	4 006 970
Public Order and Safety	492 879		49 980			(2 000)	7 000	54 980	547 859
Education	14 760 380		135 963			(1 572)	10 000	144 391	14 904 771
Health	11 142 372		75 355				32 618	107 973	11 250 345
Social Protection	1 375 324		35 455				1 500	36 955	1 412 279
Housing & Community Affairs	1 409 642		40 076			(18 831)		21 245	1 430 887
Recreational & Cultural Affairs	921 038		12 165			(35 930)	3 385	(20 380)	900 658
Environmental Protection	802 760		20 242			(10 500)	30 000	39 742	842 502
Other Economic Services	2 403 954		39 876			(6 144)	(3 482)	30 250	2 434 204
Total Expenditure	37 274 018		419 301			(96 619)	133 775	456 457	37 730 475
Amount to be voted								456 457	

3. PROVINCIAL EXPENDITURE SUMMARY

Table 2: Provincial expenditure per vote

R'thousand	Main Appropriation	Special Appropriation	Adjusted Appropriation					Total adjustment appropriation	Adjusted appropriation
			Roll-overs	Unforeseeable / Unavoidable	Virements and shifts	Declared unspent funds	Other adjustments		
1. Department of the Premier	625 682						30 080	30 080	655 762
2. Free State Legislature	266 242						8 532	8 532	274 774
3. Economic, Small Business Development, Tourism and Environmental Affairs	630 925		20 242			(10 500)	30 000	39 742	670 667
4. Free State Treasury	367 624		4 681			(14 642)	2 000	(7 961)	359 663
5. Health	11 142 372		75 355				32 618	107 973	11 250 345
6. Education	14 733 214		135 963			(1 572)	10 000	144 391	14 877 605
7. Social Development	1 375 324		35 455				1 500	36 955	1 412 279
8. Co-operative Governance and Traditional Affairs	456 135		5 508			(2 000)	9 642	13 150	469 285
9. Public Works and Infrastructure	1 803 273					(5 000)	2 500	(2 500)	1 800 773
10. Police, Roads and Transport	2 888 688		49 980			(2 000)	7 000	54 980	2 943 668
11. Agriculture and Rural Development	821 354		39 876			(6 144)	(3 482)	30 250	851 604
12. Sport, Arts, Culture, and Recreation	753 543		12 165			(35 930)	3 385	(20 380)	733 163
13. Human Settlements	1 409 642		40 076			(18 831)		21 245	1 430 887
Total: Provincial departments	37 274 018		419 301			(96 619)	133 775	456 457	37 730 475
Amount to be voted								456 457	

