

Reference: RCS/C.6 (PTR 15/2/3 (2015/16))

## **TREASURY CIRCULAR NO. 23/2006 (SUPPLEMENTARY NO. 1/2016)**

THE PREMIER

THE MINISTER OF ECONOMIC OPPORTUNITIES

THE MINISTER OF COMMUNITY SAFETY

THE MINISTER OF CULTURAL AFFAIRS AND SPORT

THE MINISTER OF EDUCATION

THE MINISTER OF FINANCE

THE MINISTER OF HEALTH

THE MINISTER OF HUMAN SETTLEMENTS

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

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)

THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS BH FAKIRA)

THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (MR Z HOOSAIN)

THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (MR G MORRIS)

THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)

THE ACCOUNTING OFFICER: VOTE 6: HEALTH (DR B ENGELBRECHT)

THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)

THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)

THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)

THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)

THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)

THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)

THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)

THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (MR G PAULSE)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)

THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)

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: HUMAN SETTLEMENTS (MR F DE WET)

THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS)

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 (MS B SEWLALL-SINGH)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (MR Z HOOSAIN)

THE DEPUTY DIRECTOR GENERAL: FISCAL AND ECONOMIC SERVICES (MR H MALILA)

THE DEPUTY DIRECTOR GENERAL: GOVERNANCE AND ASSET MANAGEMENT (MR A HARDIEN)

THE CHIEF DIRECTOR: PUBLIC POLICY SERVICES (MS M KORSTEN)

THE CHIEF DIRECTOR: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)

THE CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE (MR M SIGABI) (ACTING)

THE CHIEF DIRECTOR: ASSET MANAGEMENT (MR IG SMITH)

THE CHIEF DIRECTOR: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN) (PRO TEM)

THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)

THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)

For information

THE DIRECTOR: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)  
 THE DIRECTOR: FINANCIAL GOVERNANCE (MR B VINK)  
 THE DIRECTOR: FISCAL POLICY (MS M KORSTEN) (PRO TEM)  
 THE DIRECTOR: INFRASTRUCTURE (MR P CHANDAKA)  
 THE DIRECTOR: LOCAL GOVERNMENT ACCOUNTING (MS MG FORTUIN) (ACTING)  
 THE DIRECTOR: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR H MALILA) (PRO TEM)  
 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR Z ZONYANE) (ACTING)  
 THE DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR R MOOLMAN)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT ACCOUNTING (MR A REDDY)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS M KORSTEN) (PRO TEM)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)  
 THE DIRECTOR: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)  
 THE DIRECTOR: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)  
 THE DIRECTOR: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
 THE PROVINCIAL AUDITOR  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 THE DEPUTY DIRECTOR GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

## **GUIDELINE ON VIREMENTS: SUPPLEMENTARY INSTRUCTION ON COMPENSATION OF EMPLOYEES**

### **1. PURPOSE**

Treasury Circular No. 23/2006: *Guidelines on virements*, provides a uniform interpretation and application of section 43 of the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA): *Virement between main divisions within a vote*, as currently applied in this Province.

The purpose of this circular is to provide an additional Treasury instructions regarding the treatment of shifts pertaining to compensation of employees (CoE).

### **2. BACKGROUND**

The recent developments relating to –

- the continued constrained economic and fiscal situation, due to the weakened outlook for the global economy;
- the downward revision to South Africa's growth forecast for 2016 by the International Monetary Fund;
- the severe drought;
- a depreciating rand;
- expected interest rate hikes and market volatility; and
- increased debt service costs

resulted in National Cabinet endorsing stronger measures to restore a sustainable fiscal path, which included baseline reductions to the Provincial Fiscal Framework.

As per the Provincial Cabinet's memorandum and accompanying resolutions on *Changes to the Provincial Fiscal Framework*, discussed and adopted by the Provincial Cabinet on 26 January 2016, Provincial Cabinet approved that specific cuts to personnel budgets be applied to the 2016 MTEF budgets of line departments. This include maintaining the current levels of fiscal reserves, locking of PERSAL, personnel expenditure ceilings, measures to address inefficiencies in the personnel system and manage personnel (headcounts and quantum). As part of creating a sustainable fiscal base, no further shifts away from CoE, without the prior approval of the Provincial Treasury, in 2015/16 and over the MTEF will be allowed, and departments must remain within the approved CoE ceilings.

### 3. DISCUSSION

Section 43(1) of the PFMA empowers the accounting officer of a department to utilise a saving in the amount appropriated under a main division within a vote towards the defrayment of excess expenditure under another main division within that same vote, unless the relevant treasury directs otherwise. National Treasury Regulation 6.3.1(a), however, limits the use of savings pertaining to CoE, subject to treasury approval.

This supplementary Treasury Circular will now limit any increase or decrease of funds allocated to CoE in a financial year, whether the shifts take place within or between programmes. **Any shifts in CoE requires the Provincial Treasury's prior approval.**

### 4. ACTIONS REQUIRED

In terms of this Circular and due to the reasons under Paragraph 2: Background, above, the following will now apply to CoE:

For purposes of section 43(1) of the PFMA **the aggregate amount** of compensation of employees in a vote may not be **increased or decreased** without the prior approval of the Provincial Treasury. In addition no shifts, without the Provincial Treasury's prior approval, to or from CoE is permitted (within or across programmes).

Virement of funds from compensation of employees to transfers and subsidies for the payment of severance/exit packages are excluded from the provision.

### 5. ACTIVE DATE

The amended Virement Rule pertaining to CoE as per this Treasury Circular will be effective from **Tuesday, 26 January 2016.**



**H MALILA**

**DEPUTY DIRECTOR-GENERAL: FISCAL AND ECONOMIC SERVICES**

**DATE:** 28 January 2016