

ADDENDUM TO CLASSIFICATION CIRCULAR 2 OF 2009/10

STRUCTURING AND CLASSIFYING OF EARMARKED AND SPECIFIC FUNDS ALLOCATED TO THE EXPANDED PUBLIC WORKS PROGRAMMES FOR THE ENVIRONMENT AND CULTURE SECTOR INCENTIVE PROGRAMME

PURPOSE

1. The purpose of this classification circular is to provide guidance to government financial practitioners on the recording of transactions related to the Expanded Public Works Programme's incentive funds, appropriated on the votes of national departments.

EXPANDED PUBLIC WORKS PROGRAMMES INCENTIVE FUND

Background and purpose of the fund

2. The incentive funds on the votes of departments in the Expanded Public Works Programme's (EPWP) Environment and Culture sector have been allocated in order to promote the labour-intensive expansion of EPWP programmes in those departments.

How the performance-based draw downs work

3. Incentive-based funding is a new initiative in government. The intention behind the EPWP incentives is to provide a financial incentive for programmes to perform in a particular way so as to increase their contribution to government's aim of reducing unemployment. These funds can only work as an incentive if departments have to meet certain criteria before they can become eligible to access the funds.
4. This means that although the EPWP incentive funds appear on the vote of a department, those funds may only be accessed if the department complies with certain conditions and achieves certain performance measures. The conditions are: first, those departments submit expansion plans for their EPWP programmes to the Department of Public Works (DPW) and second, that departments sign an Incentive Agreement with DPW. The performance measures used and the method for calculating the corresponding incentive amount that departments are entitled to access each quarter are outlined in the Incentive Agreement.
5. The basis for calculating what amount of the incentive can be accessed by the department each quarter can be summarized as follows:
 - Targets have been set and agreed to for each department in terms of how many full time equivalents (FTEs) their EPWP programmes should create. An FTE is an annualized measure based on the number of days of work created; one FTE is equal to 230 days of work being created. For every FTE that is created and reported on the EPWP's web-based system the department will, after the end of each quarter, be entitled to draw down an amount of money from the incentive funds on their vote. The amounts that can be drawn down will be calculated by DPW, based on the performance the departments have recorded on the web-based system and the method outlined in the incentive agreement.

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- After every quarter the performance of the departments, in terms of the number of FTEs they create, and the amounts DPW calculates them to be eligible to draw down from the incentive will be reviewed by a project management team and circulated to both the departments and the National Treasury in a quarterly Incentive Report. This report will be issued within 30 days of the end of each quarter. Departments must use the information in the Incentive Report to make a request to National Treasury to revise their drawings in order to be able to draw down the amount stipulated in the Incentive Report. The dates by which departments must submit their requests for revised drawings and the dates that the draw downs from the incentive funds must take place are stipulated in the Incentive Agreement.
6. The first draw down from the incentive funds (on 30 April 2010) is calculated differently as it is based on performance in the 2008/09 financial year. This performance information is already known and so the calculations for the amounts each department can draw down have already been made and DPW has advised departments of the amounts they should request for this draw down in their drawings schedule submitted to National Treasury. There will be no need to submit a request to revise these drawings.

Where is the money located?

7. Departments that are eligible for this incentive funding have had amounts allocated to them as specifically and exclusively appropriated funds. These are identified as “Specific and exclusive appropriations” in the 2010 Appropriation Bill.

Recording of performance

8. EPWP work created using incentive funds must be recorded on the EPWP’s web-based reporting system. EPWP performance funded from the incentive does not have to be recorded separately from EPWP performance funded from the department’s baseline.

Reporting on and monitoring of expenditure

9. The EPWP incentive funds, and the amounts allocated, are identified as specific and exclusive appropriations in the allocation letters sent to departments and in the Appropriation Act. Affected departments are required to report on these funds on a monthly basis. In order to facilitate such financial reporting, departments must follow the classification guidance provided below, read in conjunction with Classification Circular 2 of 2009/10, in order to ensure correct allocation of transactions in the SCOA.

RECORDING OF TRANSACTIONS IN SCOA

Recording of transactions

10. In order to monitor expenditure against funds appropriated to the EPWP Incentive fund, the BAS Fund Segment has been expanded to identify these funds as a separate source of funding in a subcategory of the ‘Departmental Appropriation’ main category.
11. The table below presents the applicable fund categories that must be used by the affected departments in order to record transactions related to the EPWP Incentive funds. These items represent posting level items and no further breakdown is allowed. If departments should feel the need to record further detail, such detail should be recorded as part of the Project Segment.
12. Departments must also use the appropriate posting level items in the other segments of the chart, correctly reflecting the purpose of the transaction.

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1	2	3	4	5	6	7	SEGMENT DETAIL NO	P/NP LEVEL	LEVEL
EXPENDITURE:VOTED							1	N	1
DEPARTMENTAL APPROPRIATION							148	N	2
EARMARKED AND SPECIFIC FUNDS							153	N	3
E & S FUNDS:NATIONAL							167	N	4
E&S/F:ENVIRONMENTAL AFFAIRS							199	N	5
SPEC & EXCL APPROPRIATE							589	N	6
EXPND PUB WORKS PROG							992	Y	7
EXPND PUB WORKS PROG INCEN							993	Y	7
E&S/F:TOURISM							790	N	5
SPEC & EXCL APPROPRIATE							845	N	6
EXPANDED PUBLIC WORKS PROGRAMME							847	Y	7
EXPANDED PUBLIC WORKS PROG INC							848	Y	7
WATER AFFAIRS							187	N	5
SPEC & EXCL APPROPRIATE							202	N	6
EPWP INC:WORKING FOR FIRE PROG							798	Y	7
EPWP INC:WORKING FOR WATER PROG							799	Y	7

Reporting

- National Treasury, through the Vulindlela responsibility download, will on a monthly basis draw reports and evaluate and prepare a detailed report on departmental spending against the EPWP incentive funds.

Please contact the SCOA project team via the SCOA call center at **(012) 315 5311**, or by sending a concise mail to scoa@treasury.gov.za if further clarity or discussion is required regarding the changes highlighted above.

For updated versions of the SCOA COR database, definitions and classification circulars visit <https://scoa.treasury.gov.za/>

SCOA Technical Committee

Regards

National Treasury

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