

23 August 2019

The Director General
 National Treasury
 Private Bag X115
 Pretoria
 0001

Attention: Deputy Director – General: Public Finance

**REQUEST TO RETAIN AND ACCUMULATE SURPLUS FUNDS REALISED IN
 2018/19 FINANCIAL YEAR BY W&RSETA**

The above subject matter bears reference. In accordance, with National Treasury Instruction No.6 of 2017/2018, The W&RSETA submits its application for the retention of surplus funds from the 2018/19 financial year, as reported in the audited annual financial statements for the year ended 31 March 2019. The motives for the application are outlined here below:

1. SURPLUS CALCULATIONS

The audited 2018/19 Annual Financial Statements, provided the basis on which the surplus was calculated as well as the formula provided in the Treasury Instruction. Table 1 illustrates the uncommitted funds available as follows:

Table 1: Surplus Funds

	R '000
Cash & cash equivalents	2 724 249
Plus receivables	70 060
Less current liabilities	(280 603)
Less commitments	(1 646 997)
Surplus Funds	866 709

For the determination of the R866 709 000 as indicated in the table above, the following documents are attached as part of this application.

- Annexure A: Annual financial statement
- Annexure B: Commitment Register

Board: Yvonne Mbane (Chairperson), Zinhle Tyikwe, Reggie Sibiyi, Lwazi Koyana, Praise God Ndaba, Mogomotsi Masoabi, Themba Mthembu, David Makuwa, Fachmy Abrahams, Sibusiso Busane, Margaret Bango.

The Commitment Register, as per Annexure A comprises of a list of contractual commitments amounting to R1 646 997 000 relating to balances on contracts for work to be delivered on discretionary grants contracts-in- progress at the reporting date. These contracts were entered into with service providers and stakeholders for delivery of education, training and skills development initiatives.

2. PRIOR YEAR'S SURPLUS

Table 2: 2017/18 Surplus Funds

Allocation	Amount approved R'000
Bursaries and graduate placements	392 599
Career guidance and development	11 166
Pivotal and other programmes	74 568
Rural development	39 615
SMME programmes	48 375
Research and skills planning	29 536
Qualifications and Quality Assurance	20 931
Expired contracts	600 305
Total	1 217 094

The prior year's surplus of R1 217 094 000 was utilized to fund projects and contracts as listed in table 2 above.

3. MOTIVATION FOR THE RETENTION OF THE 2018/19 SURPLUS FUNDS

3.1 Background:

DHET and W&RSETA have convened couple of meetings to discuss possibilities of utilising available funds to support DHET Infrastructure Development Programmes. DHET had identified a need for Infrastructure Support, Development and/or Upgrade for Technical and Vocational Education and Training (TVET) Colleges, Community Education Training (CET) Colleges as well as Skills Development Branches (SDB). DHET provided W&RSETA management with a breakdown of Institutions together with their infrastructure requirements. It was agreed that

Board: Yvonne Mbane (Chairperson), Zinhle Tyikwe, Reggie Sibiya, Lwazi Koyana, Praise God Ndaba, Mogomotsi Masoabi, Themba Mthembu, David Makuwa, Fachmy Abrahams, Sibusiso Busane, Margaret Bango.

W&RSETA Management will approach the Board for approval to enter into a partnership with DHET for Infrastructure Support, Development and/or Upgrade.

It is against this background that a submission was made to the W&RSETA Board for deliberations and approval. The approval was granted at a meeting of the Accounting Authority held on 29 July 2019, pending the approval by the National Treasury.

3.2 Discussion:

The following key aspects were discussed as part of a motivation for Board approval:

- 3.2.1 To ensure quality education and fit for purpose skills development is provided, the DHET, that is responsible for tertiary education which includes TVET Colleges, CET Colleges and SDB i.e. INDLELA Trade Test Centre, had identified the need for Infrastructure Support, Development and/or Upgrade.
- 3.2.2 DHET had identified that there was a limitation of funds to fund the Infrastructure Support, Development and/or Upgrade of identified TVET Colleges, CET Colleges and SDBs.
- 3.2.3 To supplement or support the enhancement of the Skills Development Institutions, the DHET had convened a meeting with W&RSETA to discuss the possible financial support to be provided for the Infrastructure Support, Development and/or Upgrade of the identified TVET Colleges, CET Colleges and SDBs.
- 3.2.4 At the meeting it was concluded that the DHET will provide the W&RSETA Management with a breakdown of Institutions together with their infrastructure requirements that would require financial support for Infrastructure Support, Development and/or Upgrade to the value of R 703 000 000.00 (seven hundred and three million rand).
- 3.2.5 At the 2018/2019 Financial Year the W&RSETA had R 866 709 000.00 uncommitted funds which will be included in the Surplus Retention Application to National Treasury.
- 3.2.6 It is envisaged that should the Surplus Retention Application be approved, the W&RSETA will allocate R 703 000 000.00 towards the DHET/W&RSETA Partnership for Infrastructure Support, Development and/or Upgrade.

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3.2.7 Further to the request from DHET and to maximise the provision of the Surplus Funds, the W&RSETA would further supplement the funding for the Small Business Skills Development Centre and a Wholesale and Retail Hub and Skills Centre. Total budget requested R102 000 000. These facilities will ensure that small businesses are supported with a variety of business and skills development services. DHET will also manage the development of these additional infrastructure support projects.

The allocation of the surplus funds of R 866 709 000.00 will be apportioned as follows:

	Value	Beneficiaries
1	R 250 709 000.00	South Cape College: George Campus; (DHET)
2	R 250 000 000.00	Sebokeng (Orange Farm) TVET College; (DHET)
3	R 60 000 000.00	Free State CET College in Rietz (Nketoane); (DHET)
4	R 40 000 000.00	Emfundisi Skills Centre in the Alfred Nzo District Municipality; (DHET)
5	R 50 000 000.00	Pilot CLCs - 54 (fifty-four); (DHET)
6	R 53 000 000.00	INDLELA; (DHET)
7	R 24 000 000.00	Ntabankulu (EC) (CET) - Small Business Skills Development Centre
8	R 24 000 000.00	Rietz (Nketoane);(FS) (CET) - Small Business Skills Development Centre
9	R 24 000 000.00	Sebokeng (Orange Farm) (TVET) - Small Business Skills Development Centre
10	R 30 581 395.65	South Cape College (TVET) - Wholesale and Retail Hub and Skills Centre
11	R 60 418 604.65	W&RSETA 7.5% Project Administration Cost
	R 866 709 000.30	Total

4. FINANCIAL IMPLICATIONS

4.1 On approval of the W&RSETA Surplus Retention Application by National Treasury, R866 709 000, will be allocated to the W&RSETA-DHET partnership to fund Infrastructure Support, Development and/or Upgrade, detailed as follows:

Board: Yvonne Mbane (Chairperson), Zinhle Tyikwe, Reggie Sibiyi, Lwazi Koyana, Praise God Ndaba, Mogomotsi Masoabi, Themba Mthembu, David Makuwa, Fachmy Abrahams, Sibusiso Busane, Margaret Bango.

- 4.1.1 R 703 709 000.00 to be allocated towards the W&RSETA-DHET Partnership;
- 4.1.2 R 102 581 395.65 towards W&RSETA-DHET Partnership; and,
- 4.1.3 R 60 418 604.65 allocated to the W&RSETA for its 7.5% project administration cost as per the Grant Regulations.

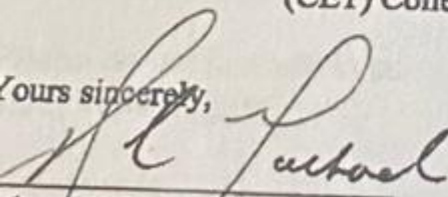
5. LEGAL IMPLICATIONS

- 5.1 On approval of the Surplus Retention Application by National Treasury, a Memorandum of Agreement (MoA) will have to be drafted between the W&RSETA and DHET to:
 - 5.1.1 Commit the funds;
 - 5.1.2 Outline the terms and conditions; and,
 - 5.1.3 Deliverables and reporting structures.

6. RECOMMENDATIONS

- 6.1 In light of the background and discussion provided above, it is recommended that the National Treasury approve:
 - 6.1.1 The request for surplus funds retention of R 866 709 000.00.
 - 6.1.2 The Partnership between the W&RSETA and DHET for the Infrastructure Support, Development and/or Upgrade of Technical and Vocational Education and Training (TVET) Colleges, Community Education Training (CET) Colleges as well as Skills Development Branches (SDB).

Yours sincerely,



Deborah Machard
Acting CEO

Members: Yvonne Mbane (Chairperson), Zinhle Tyikwe, Reggie Sibiyi, Lwazi Koyana, Praise God Ndaba, Mogomotsi Masoabi, Themba Mabuza, David Makuwa, Fachmy Abrahams, Sibusiso Busane, Margaret Bango.