ANNEXURE A

EXPLANATION OF BUDGET, ESTIMATES OF EXPENDITURE AND LEVIES PROPOSALS

Financial Services Tribunal

1. INTRODUCTION

1.1 In terms of section 239(1) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017) (FSR Act), the Financial Services Tribunal (the Tribunal) must for each financial year prepare and adopt:

(a) a budget in accordance with section 248 that includes an estimate of its expenditure.

(b) a proposal for the fees that will be charged and levies that will be imposed by the financial sector body; and

(c) projected estimates of its expenditure for next 2 financial years.

1.2 In terms of section 240 of the FSR Act, Part 1 of Chapter 7 of the FSR Act applies (with the necessary changes) to the adoption of the budget, estimates of expenditure as well as the fees and levies proposals as provided for in section 239.

1.3 As such, in adopting the budget and determining levies, the Tribunal must publish the following documents for public comment:

(a) The budget, including estimates of expenditure;

(b) the levies proposal for the relevant financial year;

(c) an explanation of the budget, estimates of expenditure and levies proposals, and of the variation of the budget, estimates of expenditure and levies proposals against the budget, estimates of expenditure and levies proposals adopted for the previous financial year (section 240(2)(b) of the FSR Act).

1.4 The Tribunal hereby provides the explanation referred to in paragraph 1.3(c) above.

2. BACKGROUND

2.1 The FSR Act introduced important changes to the regulation and supervision of the South African financial sector. One of the changes introduced by the FSR Act was the establishment of an independent Financial Services Tribunal ("the Tribunal") in terms of section 219 thereof. The Tribunal replaced the FSB Appeal Board and came into effect on 1st April 2018. The mandate of the Tribunal is to reconsider the decisions of decision-makers as defined in terms of section 218 of the FSR Act and performs the other functions as conferred on it by the Act and other specific financial sector laws.

2.2 Subsequently, the Financial Sector and Deposit Insurance Levies Act, 2022 (Act No. 11 of 2022) (Levies Act) was assented to by the President on 6 December 2022 and commenced on 1 April 2023. The Levies Act provides for the imposition of financial sector levies on supervised entities for the funding of the Tribunal and other financial sector bodies. Schedule 3 to the Levies Act (Schedule 2) provides for the calculation of the financial sector levy in respect of the Tribunal.

2.3 After the completion of the process prescribed in section 239 of the FSR Act, - the Minister of Finance (Minister)–

(i) must amend the Schedules to give effect to the increase of the levies by the arithmetic mean of the Consumer Price Index as published by Statistics South Africa in the preceding calendar year as contemplated in section 10(4)(b) of the Levies Act; or

(ii) may amend the Schedules to the Levies Act as contemplated in section 10(2)(a) of that Act to give effect to a proposal for levies made by the financial sector body in terms of section 239(7)(b) of the FSR Act).

3. FUNDING MODEL

3.1 The Tribunal is funded by levies charged to the financial sector (supervised entities). The levies are the main source of funding for the Tribunal. Since its inception, the Tribunal was funded the Prudential Authority and the FSCA. In addition, the Tribunal received administrative support (financial, supply chain, and human resources) including infrastructure/system support from the FSCA to date. The Tribunal is expected to start operating independently of the FSCA as from the 2024/25 financial year.

3.2 To enable the Tribunal to be fully operational and independent from the FSCA, the budget for the 2024/25 makes provision for the capex expenditure which covers the start -up cost relating to new ICT systems that will be acquired to operationalize the Tribunal. For the financial year 2024/25 the Tribunal is budgeting for gross revenue of R41.940 million (Budget 2023/24: R36.354 million), operating expenditure of R36.6410 million (Budget 2023/24: R29.042 million) and R5 million (Budget 2023/24: R7 million) transfer from the special levy to capex, resulting in a breakeven position.

3.3 The gross revenue budget of R36.641 million comprises mainly of levies. The levy income is charged to the supervised entities based on the levy formula contained in Schedule 3. Included in the levy budget is the special levy of R3.657 million (Budget 2023/24: R2.536 million) to cover establishment costs and other expenses that are not part of the ordinary course of the regulation and supervision of financial institutions (i.e. capex expenditure).

3.4 The operations expenditure budget of R40.180 million (Budget 2023/24: R29.042 million) comprises of staff expenditure of R10.617 million (Budget 2023/24: R7.946 million) and general expenditure of R26.024 million (Budget 2023/24: R21.095 million).

3.5 To cover the budgeted operational expenditure (which include the capex expenditure) the Tribunal is proposing to increase the levy formula by an inflation adjustment of 6%.

3.6 The proposed increase of 6% will ensure that the Tribunal is adequately funded and capacitated to procure the necessary ICT infrastructure and systems required before the 2024/25 financial year.

3.7 For detailed information on the budget and explanatory notes refer to **Annexure B**: The Tribunal Budget Template 2024/25.

4. LEVIES PROPOSAL

4.1 The financial sector levy payable by a supervised entity to the Tribunal as contemplated in Part A of the Levies Act, read with Schedule 3 of that Act, in respect of the 2024/2025 levy year is calculated in accordance with Table C in Schedule 3.

4.2 The levy proposal for the 2024/2025 financial year as per **Annexure C** illustrates the proposed increase in the levy formular. The proposed percentage increase is 6%.

4.3 Section 10(4)(b) of the Levies Act provides that the levies in the Schedules to that Act must be increased by the arithmetic mean of the Consumer Price Index (CPI) as published by Statistics South Africa in the preceding calendar year. Statistics South Africa published a CPI of 6.9%in December 2022.

4.4 The levy variables for 2024/2025 must therefore automatically increase by 6.9%. However, the Tribunal propose to apply 6% increase in line with its projected expenditure. The Minister may, in terms of section 10(4)(b) of the Levies Act, by notice in the *Gazette*, determine that there must be no increase or an increase less than the reported CPI increase.

4.5 Section 10(4)(a) of the Levies Act provides that a Schedule may be amended by the Minister by notice in the *Gazette* to give effect to an increase referred to in paragraph 4.4, and does not require submission to Parliament for approval, but a copy of the notice must be tabled in Parliament for information purpose. An amended Schedule takes effect on the date of publication of the notice in the *Gazette*.

ANNEXURE B

FINANCIAL SERVICES TRIBUNAL BUDGET FOR 2024/25 AND ESTIMATES OF EXPENDITURE FOR 2025/26 AND 2026/27

The Financial Services Tribunal, in terms of section 239(1)(a) and (c) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), hereby proposes its budget for 2024/25 and estimates of expenditure for 2025/26 and 2026/27.

1 INTRODUCTION

The Financial Sector Regulation Act 9 of 2017 ("the FSR Act") established an independent Financial Services Tribunal ("the Tribunal") in terms of section 219 thereof. The Tribunal replaced the FSB Appeal Board and came into effect on 1st April 2018. The mandate of the Tribunal is to reconsider the decisions of decision-makers as defined in terms of section 218 of the FSR Act and performs the other functions as conferred on it by the Act and other specific financial sector laws.

Crucially, in executing its mandate, the Tribunal must be:

- independent;
- impartial and exercise it powers without fear, favor or prejudice;
- a Tribunal of record; and
- must perform its function in accordance with the FSRA and other specific financial sector laws.

The Tribunal is not a public entity but is required to comply with certain regulation of the PFMA in terms of Chapter 16 section 248 4(b) of the Act.

The consolidated budget for the 2024/25 financial year as presented is drawn from the business objectives within the Tribunal. The Tribunal is budgeting for gross revenue of R41.940 million and expenditure of R36.641 million and a R5 million transfer from special levy to capex resulting in no surplus or deficit for the year ending 31 March 2025.

2 FSCA BUDGET 2024/25

2.1 Principal Budget Assumptions

2.1.1 General budget assumptions applied– Economic Indicators

MTEF budgeting guidelines	Where practical budgeting is aligned to MTEF guidelines in reducing costs overall.
CPI	Annual CPI inflation 6%.

2.1.2 Staff Expenses

Cost to Employer (CTE)	Actual as at July 2023, with budgeted increase of 6% from 1 January 2024.
UIF	1% of CTE for employees earning up to R212,544 per annum. The maximum contribution per month is R177.12.
SETA levy	1.101% of CTE

2.1.3 General Expenses

Bank Charges	Amount budgeted in terms of fee structure of banks.
Computer software licenses	Based on OEM Software packages in use.
Computer support and maintenance	Estimated cost of envisaged support and maintenance fees.
Depreciation	Based on Capex budget and the current assets on the register.
Legal fees	Budget according to current legal cases in progress, historical information and probabilities.
Professional fees	As required by business units.
Rent	Based on existing lease agreement plus rates, taxes, water and electricity.
Short term insurance	As per latest quote obtained from insurance brokers.
Telephone	Telephone costs based on actual costs and new data cards.
Cleaning and Consumables	Budget based on existing contracts, calculated per head count and CPI increase.

2.2 Abridged Budget Income Statement for the 2024/25 financial year

The table below depicts the Abridged Budget Income Statement for the year ending 31 March 2025; the detailed Budget Income Statement is contained in Annexure A.

Table 1: Abridged Budgeted Income Statement for the 2024/25 financial year.

	Notes	2024/25 Budget	Variance Budget vs Budget	2023/24 Budget	2025/26 Budget	2026/27 Budget
		R'000	%	R'000	R'000	R'000
Gross revenue	2.3.1	41,940	15%	36,354	41,121	41,566
Levies	2.3.1.1-2.3.1.2	41,940	15%	36,354	41,121	41,566
Operating expenditure	2.3.2	36,641	26%	29,042	38,839	41,169
Staff Expenses	2.3.2.1	10,617	34%	7,946	11,254	11,929
General expenses	2.3.2.2	26,024	23%	21,095	27,585	29,241
Operating (deficit)/surplus		**5,299**	-28%	**7,312**	**2,282**	**397**
Transfers		(5,299)	-28%	(7,312)	(2,282)	-
Transfer to Capex		(5,299)	-28%	(7,312)	(2,282)	-
(Deficit) / surplus for the year		**-**	0%	**-**	**-**	**397**

The transfer to capex of R5 million (Budget 2023/24: R7 million) refers to the special levy income to roll out the ICT capital expenditure. An inflation linked increase was applied for the determination of the 2025/26 and 2026/27 outer year budgets.

2.3 Operational Budget

2.3.1 Gross revenue budget

Table 2: Gross Revenue Budget

GROSS REVENUE	Notes	2024/25 Budget	Variance Budget vs Budget	2023/24 Budget
		R'000	%	R'000
Levies	2.3.1.1	38,283	13%	33,818
Special Levy	2.3.1.2	3,657	44%	2,536
		41,940	15%	**36,354**

2.3.1.1 ***Tribunal Levies R41.940 million (Budget 2023/24: R36.354 million)***

The Tribunal raises sufficient levies to cover its operational requirements and does not, budget for a surplus/deficit unless necessary. The levy budget is based on the rates as determined in line with the Levies ACT. The levies will be generated and collected by the FSCA and PA on behalf of the Tribunal.

2.3.1.2 ***Special Levy R3.657 million (Budget 2023/24: R2.536 million)***

The Levies ACT allows the Tribunal to raise a special levy to cover start up capex expenditure. The levy is calculated at 7.5% of the invoiced amount.

2.3.2 Operational expenditure budget

2.3.2.1 Staff expenditure budget

Table 3: Staff Expenditure Budget

STAFF EXPENDITURE	Notes	2024/25 Budget	Variance Budget vs Budget	2023/24 Budget
	FSCA	FSCA	FSCA	FSCA
		R'000	%	R'000
Salaries	2.3.2.1.1	10,120	30%	7,766
Seminars and conferences		30	100%	-
Leave provision		183	36%	135
Long service awards		30	100%	-
Study amortisation		81	100%	-
Employee benefit - Disability		111	31%	84
SETA levy		95	31%	73
		10,467	32%	7,923
Other staff expenses	2.3.2.1.1(a)	149	529%	24
Total		**10,617**	34%	**7,946**

2.3.2.1.1 ***Salaries R10.120 million (Budget 2023/24: R7.766 million)***

Salaries represent 95% (Budget 2023/24: 98%) of the staff expenditure budget and 28% (Budget 2023/24: 27%) of the total expenditure budget.

Salaries are budgeted to increase by an average of 6% effective from 1 January 2024 aligned mainly to the forecasted SA consumer price index.

a) Other staff expenses R0.149 million (Budget 2023/24: R0.024 million)

Other staff expenses comprise, inter alia, internships, employee funeral policy, UIF and workmen's compensation.

2.3.3 General expenditure budget

Table 4: General Expenditure Budget

GENERAL EXPENDITURE	Notes	2024/25 Budget	Variance Budget vs Budget	2023/24 Budget
		R'000	%	R'000
Advertising and recruitment	2.3.2.2 (a)	44	5%	42
Computer support and maintenance	2.3.2.2 (b)	3,390	96%	1,732
Canteen and tea service	2.3.2.2 (c)	156	22%	128
Cleaning and consumables		190	5%	181
Printing and stationery	2.3.2.2 (d)	353	5%	336
Professional fees	2.3.2.2 (e)	429	0%	429
Telephone		49	2%	48
Local travel		11	-65%	30
External audit fees		450	-39%	735
Internal audit fees		450	-5%	473
Depreciation	2.3.2.2 (f)	3,672	89%	1,945
Short term insurance		551	5%	525
Governance Committee Fees		971	-51%	1,988
Computer licenses and services	2.3.2.2 (g)	1,470	100%	-
Tribunal members fees		9,300	10%	8,457
Office rental	2.3.2.2 (h)	3,369	8%	3,118
		24,854	23%	20,166
Other general expenses		1,170	26%	930
Total		**26,024**	23%	**21,095**

(a) Advertising and recruitment million R0.044 million (Budget 2023/24: R0.042 million)

The budget is for advertising and recruitment fees for positions to be filled in the 2024/25 financial year. The costs include response handling and psychometric assessment tests.

(b) Computer support and maintenance R3.390 million (Budget 2023/24: R1.732 million)

Computer support and maintenance budget is for computer applications and user support costs for new systems.

(c) Canteen and tea services R0.156 million (Budget 2023/24: R0.128 million)

The budget relates to staff refreshments and cleaning services based on contract rates.

(d) Printing and stationery R0.353 million (Budget 2023/24: R0.336 million)

The budget includes rental for photocopying machines and printing.

(e) Professional fees R0.429 million (Budget 2023/24: R0.429 million)

The budget for professional fees for ICT related services.

(f) Depreciation R3.672 million (Budget 2023/24: R1.945 million)

The depreciation budget includes R2.572 million for the existing assets and R1.1 million for acquisitions as detailed per capital expenditure budget.

(g) Computer licenses and services R1.470 million (Budget 2023/24: R0)

The budgeted amount relates to the procurement of ICT licenses (i,e. Microsoft licenses etc.) for new software packages.

(h) Office rental R3.369 million (Budget 2023/24: R3.118 million)

The increase in rental is mainly because of annual escalations of municipality rates and as per the lease agreement.

2.4 Capital Expenditure Budget

Table 5: Capital Expenditure Budget

Asset Category	BUDGET 2024/25 Total R'000	BUDGET 2023/24 Total R'000
Computer software	2,700	900
Computer equipment	6,300	5,310
Office equipment	450	453
Office furniture & fittings	-	3
	9,450	**6,666**

Capex budget will be covered by the transfer to capex allocation.

ANNEXURE C

LEVIES PROPOSAL IN TERMS OF SECTION 239(1)(b) OF THE FINANCIAL SECTOR REGULATION ACT

The Financial Services Tribunal, in terms of section 239(1)(b) of the Financial Sector Regulation Act, 2017 (Act No. 9 of 2017), hereby proposes levies as reflected below in the form of proposed amendments to Schedule 3 of the Financial Sector and Deposit Insurance Levies Act, 2022 (Act No. 11 of 2022).

SCHEDULE 3

FINANCIAL SECTOR LEVY CALCULATION FOR SUPERVISED ENTITIES IN RESPECT OF TRIBUNAL

(Section 4(1)(a))

Application

1. Table C must be applied to calculate the levy payable by a supervised entity that is liable to pay an amount in terms of Schedule 1 or 2.

TABLE C

Type of supervised entity	Number of payments per levy year	Variable Amount (Rands)	Proposed Variable Amount (Rands)	% change	Description of Variable	Formula
All supervised entities that are liable to pay levies calculated in accordance with Schedule 1 or 2	One	2.5% x (Y1 + Z2)	2.65% x (Y1 + Z2)	6%	Y1 = amount of levy payable by the supervised entity in terms of Schedule 1 Z2 = amount of levy payable by the supervised entity in terms of Schedule 2	Levy = Variable amount