

REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM ON THE MPUMALANGA SECOND ADJUSTMENT APPROPRIATION BILL [B1-2019]

1. INTRODUCTION

The Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism (the Committee) has a mandate in terms of Section 114(1) of the Constitution of the Republic of South Africa, 1996 (the constitution) read with Rule 189 of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules), to consider, pass, amend or reject any Bill before the Legislature.

The **Mpumalanga Second Adjustments Appropriation Bill [B1-2019]** (the Bill) was tabled for consideration and adoption in the House on 05 March 2019 by the MEC for Finance, Economic Development and Tourism; where-after it was referred to the Committee for consideration and report back to the House.

2. OBJECTIVES OF THE BILL

To effect adjustments to the appropriation of money from the Provincial Revenue Fund for the requirements of the Province in respect of the 2018/19 financial year ending 31 March 2019; and to provide for matters incidental thereto.

3. METHOD OF WORK

The Bill was referred to the Committee immediately after tabling in the House on 05 March 2019. Subsequently, the Committee interacted on the Bill as follows:

- a) The Committee received a briefing from the Provincial Treasury on the Mpumalanga Second Adjustment Appropriation Bill.
- b) Subsequent to the briefing by the Provincial Treasury, the Committee conducted a public hearing on the Bill in the Govan Mbeki Foyer.
- c) On Friday, 15 March 2019, the Committee met with the Accounting Officers and Chief Financial Officers of the affected provincial departments and Mpumalanga Provincial Legislature to consider the Bill. All the departments and the Provincial Legislature were expected to respond to the questions as raised by the Committee:

- d) The Committee then met on 19 March 2019 to consider its draft Committee report.

4. OVERVIEW ON THE BILL

- a) The Mpumalanga Second Adjustment Appropriation Bill, 2019 provides for the appropriation of funds for the Mpumalanga Provincial Government arising from amounts transferred to the Province of Mpumalanga by the National Department of Human Settlements.
- b) The Bill also provides for the reduction of funds on Education Infrastructure Grant baseline of Provincial Department of Education due to slow spending.
- c) The Provincial Treasury will also have an opportunity to do virements where necessary.

4.1. Department of Human Settlements

- a) In compliance with section 21 of the Division of Revenue Act, 2018, as amended, the National Department of Human Settlements has converted an indirect Provincial Emergency Housing Grant to a direct grant to Mpumalanga Department of Human Settlements for the disaster that occurred early in 2018 amounting to **R120 000 000.00**.
- b) The Bill therefore provides for a second adjustment to the Province's budget, for the second time in order to receive and appropriate the additional funding from the National Department of Human Settlements.
- c) The budget baseline of Department of Human Settlements will be increased by **R120 000 000.00** in order to direct funding towards provincial emergency housing.

4.2. Department of Education

- a) In compliance with section 20(1) of the Division of Revenue Act, 2018 as amended, the National Department of Education re-allocated **R104 819 000.00** from Mpumalanga Province for the Education Infrastructure Grant, following continued underspending by the department.
- b) A rollover of **R66 872 000.00** for the Education Infrastructure Grant for the Department of Education from the 2016/17 financial year to the 2017/18 financial year was approved but could not be appropriated to the department due to low spending.
- c) The budget baseline of the Department of Education will be decreased by **R171 691 000.00** due to slow spending on Education Infrastructure Grant.

4.3. Provincial Revenue Fund

An amount of **R10 000 000.00** is available from the Provincial Revenue Fund as a contingency reserve and this amount will be allocated to the Department of Health for purpose of augment their goods and services.

4.4. Shifting of Funds between and within Votes

- a) The Provincial Legislature received **R3 000 000.00** in order to defray expenditure incurred for Public Participation.
- b) The Department of Economic Development and Tourism received **R16 000 000.00** in order to defray expenditure incurred for Goods and Services.
- c) The Department of Education received **R30 000 000.00** for MRTT Hydra Arch.
- d) The Department of Public Works, Roads and Transport received **R59 000 000.00** for sealing and patching of roads; **R50 000 000.00** for Welverdien, Daggakraal, Matibidi, Louisville Roads and **R30 000 000.00** for site handover and establishment of Gert Sibande Boarding School.
- e) Department of Health received **R30 000 000.00** and **R10 000 000.00** from the Provincial Revenue Fund in order to defray expenditure on non-negotiable goods and services.
- f) The Department of Community Safety, Security and Liaison received **R10 000 000.00** of which **R5 000 000.00** is to defray expenditure incurred for Security Services and **R5 000 000.00** to defray expenditure incurred for Mkhondo Driving Licence Testing Centre.
- g) The Department of Culture, Sports and Recreation received **R10 000 000.00** for Community Libraries.

5. DELIBERATIONS WITH THE AFFECTED DEPARTMENTS

VOTE 2: MPUMALANGA PROVINCIAL LEGISLATURE

BUDGET 2018/19

The Mpumalanga Provincial Legislature's mission is to hold the Executive and other state organs accountable through intensified oversight, enhanced public involvement and effective law making supported by professional administrative service.

The budget for the **Mpumalanga Provincial Legislature** increased from **R 369 824 000.00** to **R372 824 000.00** to strengthen public participation.

The Committee interacted as follows:

1. The Legislature reported that it does have plans to spend the additional **R3 000 000.00** allocated for the Voter Education Programme.
2. The Legislature reported the cost drivers for the Voter Education Programme are:
 - i. Estimated Costs per district: **R1 933 940.00**
 - ii. Promotional Material: **R735 760.00**
 - iii. Stakeholder Engagement and Mobilisation: **R330 300.00**

Findings

1. The Legislature has developed a plan to spend the additional **R3 000 000.00**.

Recommendations

1. The Mpumalanga Provincial Legislature must ensure that the additional budget is spent to strengthen public participation.

**VOTE 6: ECONOMIC DEVELOPMENT AND TOURISM
BUDGET 2018/19**

The Department of Economic Development and Tourism's mission is to drive economic growth that creates decent employment and promote sustainable development through partnerships.

The budget of the Department of Economic Development and Tourism was decreased from **R1 187 452 000.00** to **R1 160 452 000.00** to

The Committee interacted as follows:

1. Despite the reduction of the budget, an amount of **R16 000 000.00** was appropriated to the department in order to defray expenditure incurred for Goods and Services.
2. The department had a special allocation of **R320 480 000.00** for the Mpumalanga International Fresh produce Market.

3. **R271 488 000.00** was transferred to the Mpumalanga Economic Growth Agency (MEGA) and the last payment was made in February 2019.
4. **R49 000 000.00** was declared unspent and surrendered during the first adjustment.

Finding

1. The department received a special allocation of **R320 480 000.00** for the Mpumalanga International Fresh Produce Market, of which **R271 488 000.00** was transferred to MEGA.

Recommendation

1. The department must work closely with MEGA to ensure that there is progress on the construction of the Fresh Produce Market. Furthermore, the department must provide progress reports to the Committee on a quarterly basis in this regard.

VOTE 7: EDUCATION

BUDGET 2018/19

The Department of Education's mission is to work with its stakeholders to promote effective teaching and learning through good governance, capable management and proficient leadership.

The budget of the Department of Education was decreased from **R21 073 289 000.00** to **R20 921 598 433 000.00**. The department will receive **R30 000 000.00** for Mpumalanga Regional Training Trust Hydra Arch.

The Committee interacted as follows:

1. The department has developed infrastructure plans which will ensure that the adjusted budget is spent before the end of the financial year.
2. Noting that the Education Infrastructure Grant has been reduced by **R171 691 000.00** due to slow spending, the Committee requested the department to indicate the factors that contributed to the slow spending. The department reported that the following factors contributed to the slow spending:

- i. Delayed appointment of service providers (both contractors and professional service providers) for the education infrastructure portfolio by the implementing Agent. This mostly affected the implementation of projects that are funded through EIG. Basic services, replacement schools and maintenance.
 - ii. Social Facilitation challenges affecting actual projects progress including commencement of construction works soon after site handover. The implementation Agent addressed the challenge through appointing social facilitators for projects at construction stage.
 - iii. Delay in submission of invoices for the work done by the appointed service providers as evidenced by the influx of invoices being submitted by the IA to the department within the last month of end of financial year system closure.
3. The department reported that the failure to spend the infrastructure budget is largely due to delayed service delivery. Furthermore, the department reported that the rolling over of committed projects into the next financial year (2019/20) results in exerting a budget pressure onto the 2019/20 financial year resulting in less new projects being implemented in that year.
 4. To mitigate against the impact, the department wrote a letter to the Minister for Basic Education appealing to have the stopped **R104 819 000.00** to be made available in future.
 5. To respond to how the department plans to implement infrastructure projects, the department reported that infrastructure plans for the 2019/20, which prioritise ongoing projects from the 2018/19 financial year have been communicated to the Department of Public Works, Roads and Transport as the implementing agent.
 6. The Committee raised a concern on the failure to spend by the department and reported that this was raised as a concern by members of the public during the public hearing.
 7. On accruals, the department reported that it does not anticipate to have accruals on Equitable Share and that on the EIG, the department might incur accruals. Furthermore, the department reported that accruals have been decreasing in the department for the past financial years.

Findings

1. The department has submitted a request to the Department of Basic Education to consider availing the **R104 000 000.00** that could not be spent due to slow implementation of projects in the future.
2. The department submitted infrastructure plans for the 2019/20 financial year to the Department of Public Works, Roads and Transport.

Recommendations

1. The department must make a follow-up with the Department of Basic Education on the request (as mentioned in Finding 1 above). Furthermore, the department must ensure that proper plans are developed to spend the budget as and when it is made available for the department.
2. The department must ensure that the scheduled monthly meetings with the implementing agent (DPWRT) do take place as scheduled in order to monitor the implementation of infrastructure projects.

VOTE 8: PUBLIC WORKS, ROADS AND TRANSPORT

BUDGET 2018/19

The Department of Public Works, Roads and Transport's mission is to provide an integrated, reliable and cost-effective transport system that meets the development needs of the province; and to deliver infrastructure that promotes socio economic development and job creation.

The budget for the Department of Public Works, Roads and Transport increased from **R5 196 763 000.00** to **R5 303 752 000.00** for sealing and patching of roads.

The Committee interacted as follows:

1. The department reported that the additional **R59 000 000.00** will be utilised in nine (9) projects in the three districts as follows:
 - i. In Ehlanzeni District (Bohlabela): four (4) projects covering 89kms amounting to **R22 000 000.00**.
 - ii. In Gert Sibande District: three (3) projects are being implemented at various streets in Msukaligwa amounting to **R21 100 000.00**.
 - iii. In Nkangala District: two (2) projects in various streets in Emalahleni are being patched amounting to **R15 300 000.00**.
2. The department reported that an amount of **R101 000 000.00** is still owed to municipalities for arear rates and taxes.
3. The department reported that the Department of Human Settlements is currently busy with bulk infrastructure on the site where the Parliamentary Village will be constructed.
4. On special allocation, the department reported the following information:

PROJECT	BUDGET R' 000	EXPENDITURE R' 000	PROGRESS
i. Maintenance of Health Facilities	50 000	38 976	28 Health Facilities maintained, repaired and renovated
ii. Mkhondo Boarding School	30 000	0	Site Establishment Completed Material on Site
Total	80 000	38 976	

Finding

1. The department has property rates and taxes debts from previous financial years amounting to **R101 000 000.00**.

Recommendation

1. The department must make re-arrangements with the municipalities and make payment arrangements to settle property rates and taxes debts from previous financial years amounting to **R101 000 000.00**.

VOTE 9: COMMUNITY SAFETY, SECURITY AND LIAISON
BUDGET 2018/19

The Constitution of South Africa gives a mandate to the Department of Community Safety, Security and Liaison of overseeing the performance of the South African Police Service; and to implement programmes of safety and security in communities. The department is further mandated with the responsibility of implementing traffic control and road-safety programmes.

The budget of the Department of Community Safety, Security and Liaison was adjusted from **R1 256 293 000.00** to **R1 254 293 000.00**.

The Committee interacted as follows:

1. Despite the reduction of the budget, an amount of **R10 000 000.00** was appropriated to the department of which **R5 000 000.00** is to defray expenditure incurred for Security and **R5 000 000.00** to defray expenditure incurred for Mkhondo Driving License Testing Centre.
2. The department reported preliminary accruals of **R78 200 000.00** on security services and reported that this is due to the upgrade on security services for facilities of the Department of Health.

Finding

1. The department is anticipating an over expenditure of **R78 200 000.00** on Security Management.

Recommendation

1. The department must ensure strict implementation of the austerity measures to ensure that savings are realised to cover the anticipated over expenditure on Security Management.

VOTE 10: HEALTH

BUDGET 2018/19

The Department of Health's mission is to improve the quality of health and well-being of all people of Mpumalanga by providing needs based, people centred, equitable health care delivery system through an integrated network of health care services provided by a cadre of dedicated and well skilled health workers.

The budget of the Department of Health was decreased from **R13 189 591 000.00** to **R13 119 591 000.00** to

The Committee interacted as follows:

- The department of Health will receive **R30 000 000.00** to defray expenditure on Goods and Services, **R10 000 000.00** from the Revenue Fund for medical non-negotiables and **R20 000 000.00** for infrastructure maintenance of Amajuba and Elsie Ballot hospitals.
- On accruals, the department reported that an amount of **R280 000 000.00** for accruals as at 28 February 2019.

- The department has started to accrue invoices due to insufficient budget. Accruals are projected to **R1 004 000 000.00** as at 31 march 2019.
- The department reported that it is not in a position to accumulate savings that will assist in payment of the accruals. Furthermore, the department reported that these accruals will be carried over to the next financial year and will have a negative impact on the achievement of the following year's targets.
- The department reported other budgetary pressures like the increase of the salary of the Community Health Workers from R2600.00 to R3500.00 that the department had to absorb without an increase on the budget baseline and the conditional grant that makes provision for Compensation of Employees only without the accompanying Goods and Services being catered for.
- The Committee took a decision to convene a meeting with the department and the Provincial Treasury in explore measures on how the department can be assisted.
- The department reported that its budget has been depleted and the department is unable to pay the following key accounts:
 - i. General Medicines
 - ii. ARVs
 - iii. Water and Electricity (Rob Ferreira, Mapulaneng and Themba Hospitals)
 - iv. NHLS
 - v. Blood and Blood products
 - vi. Contractors: Dialysis
 - vii. Medical Waste
- The department reported that most invoices for January to March 2019 will be accrued.

Findings

1. An amount of **R1 040 000 000.00** is estimated as accruals and payables in the 2018/19 financial year.
2. The department anticipates budget pressures in the 2019 MTEF.

Recommendations

1. The Provincial Treasury and the department must approach the Budget and Finance Committee and find ways on how the issue of accruals can be adressed.
2. The department must provide a report on which programmes will be negatively affected by the anticipated deficit during the 2019/20 financial year.

VOTE 11: CULTURE, SPORT AND RECREATION

BUDGET 2018/19

The Department of Culture, Sport and Recreation's mission is to promote social cohesion and nation building through culture, sport and information service to the people of Mpumalanga.

The budget of the Department of Culture Sports and Recreation was decreased from **R481 738 000.00** to **R478 738 000.00**.

The Committee interacted as follows:

1. The department will receive **R10 000 000.00** for community libraries.
2. The department plans to spend the additional budget under Programme 3 on Goods and Services (rental of copier machines, internet services, security services and hygiene services). Furthermore, the department reported that all the 115 libraries will benefit from the **R10 000 000.00** additional budget.

Finding

1. The department will receive **R10 000 000.00** for community libraries.

Recommendation

1. The department must ensure that the additional budget is used for the benefit of the 115 libraries in the province.

VOTE 13: HUMAN SETTLEMENTS

BUDGET 2018/19

The Department of Human Settlements' mission is to plan, coordinate and facilitate the creation of integrated sustainable Human Settlements.

The allocation to the Department of Human Settlements was increased from **R1 828 629 000.00** to **R1 949 584 000.00** for disaster that occurred early in 2018.

The Committee interacted as follows:

1. The department reported that the conditional assessment of the damaged houses indicated that there were 2 130 houses that were affected by the storm and the associated cost to repair all the damaged units was estimated to be **R120 392 526.00**.
2. The department reported that as of 28 February 2018, a total number of 1 050 damaged houses have been fixed and the associated cost for these repairs amounted to **R59 892 450.00**.
3. The department has started the implementation of Phase 2 of the project which is to repair the remaining 1 080 units and the project is anticipated to be completed on 31 May 2019.
4. The department reported that for the 2018/19 financial year, an amount of **R235 000 000.00** was received as a special location for municipal support relating to provision of bulk water, sewer reticulation and sewer spillages. An amount of **R189 547 969.00** has been spent.
5. The Committee enquired on whether the department had the capacity to implement the pronouncement of the Honourable President that 1 500 housing units will be constructed in KaNyamazane Location. Clarity was provided that the 1 500 houses were for the entire Mbombela Municipality.
6. Clarity was provided that all houses that were affected by the storm will be repaired.
7. The department clarified the Committee that it waits local municipalities to make a submission and report areas that are affected by a disaster. Furthermore, the department reported that it is still awaiting a submission from Chief Albert Luthuli and eMakhazeni Local Municipalities.

Finding

1. The department received **R120 955 000.00** as a direct grant for the disaster that occurred early in 2018.

Recommendation

1. The department must ensure that the appropriated funds are used for the disaster that occurred in KaNyamazane Location.

6. PUBLIC INVOLVEMENT

The Public Participation and Petitions Unit of the Legislature mobilised communities from the three districts (Mbombela, eMakhazeni, Nkomazi and Govan Mbeki Local Municipalities) to attend the public hearing.

The Committee explained to members of the public that the Legislature seeks input and opinion on the legislation at hand from specific stakeholders and communities in the Province. It was emphasised that the inputs by stakeholders and communities are very important to the Legislature.

The public was provided with a thorough overview on the Bill.

During the public hearing, the Committee interacted with Members of the public in the local languages spoken.

The stakeholders, who were present at the public hearing unanimously supported the Bill. The following points were raised by members of the Public:

- Members of the community raised a concern on the reduction of the budget of the Department of Education due to slow spending;
- Community members raised a concern that there are a number of schools with infrastructure challenges that can benefit from the Education Infrastructure Grant;
- Stakeholders requested the Department of Education to construct schools for children with special needs;
- Members of the public requested that psychologists and social workers be appointed in public schools;
- A concern was raised on the reduction of the budget for the Department of Culture Sports and Recreation. A concern was raised that the non-participation of learners in sports will increase the number of children that are taking the “Nyaope” drug;
- Community members from Govan Mbeki Local Municipality raised a concern that the local municipality was affected by a natural disaster in 2015. However, no assistance has been received from the Provincial Government to date;
- Community members from KaNyamazane Location raised a concern that only RDP houses that were affected by the disaster in 2018 were attended to;
- A concern was raised that the roof for Timphembeleni Primary School in KaNyamazane has been collapsing;
- Community member requested that fund be made available for the repair and or construction of access roads.

Oral submissions that were made by the public were considered accordingly. Other submissions that do not talk to the content of the Bill will be referred to the Select Committee on Public Participation and Petitions, provincial departments, local municipalities and other relevant structures where necessary.

7. ADJUSTED ALLOCATION TO VOTES FOR THE 2018/19 FINANCIAL YEAR

VOTE	DEPARTMENT	BUDGET AMOUNT R '000
1	Office of the Premier	318 792
2	Provincial Legislature	372 824
3	Provincial Treasury	331 670
4	Co-operative Governance and Traditional Affairs	524 163
5	Agriculture, Rural Development, Land and Environmental Affairs	1 209 254
6	Economic Development and Tourism	1 160 452
7	Education	20 921 598
8	Public Works, Roads and Transport	5 303 752
9	Community Safety, Security and Liaison	1 254 293
10	Health	13 119 591
11	Culture, Sport and Recreation	478 738
12	Social Development	1 538 468
13	Human Settlements	1 949 584
	TOTAL	R47 959 016

The Committee moves that the House adopts the report with the recommendations contained in it; and approves the respective adjusted budget allocation per Vote as reflected in the table above; as well as the Mpumalanga Second Adjustment Appropriation Bill (B1-2019) and the provincial budget for a total amount of **R47 959 016 000.00**

The Committee recommends further that all progress reports on recommendations requested by the Committee from departments must be submitted before 01 May 2019, unless otherwise indicated under each Vote.

8. CONCLUSION

The Chairperson extends his appreciation to Members of the Committee, the acting Head Official for Provincial Treasury, Accounting Officers and Chief Financial Officers of departments and officials from the Provincial Treasury for their active participation, input and contributions during the deliberations on the **Mpumalanga Second Adjustments Appropriation Bill [B1-2019]**. The Chairperson also appreciates the Legislature support staff for contributing to the production of this report.

HON FV MLOMBO (MPL)

**CHAIRPERSON: PORTFOLIO COMMITTEE
ON PREMIER'S OFFICE; FINANCE;
ECONOMIC DEVELOPMENT AND TOURISM**

19.03.2019.

DATE