

REPORT OF THE PORTFOLIO COMMITTEE ON PUBLIC WORKS, ROADS AND TRANSPORT; COMMUNITY SAFETY, SECURITY AND LIAISON

THIRD QUARTERLY PERFORMANCE REPORT FOR 2014/15 OF THE DEPARTMENT OF PUBLIC WORKS, ROADS AND TRANSPORT (VOTE 08)

1. INTRODUCTION

The **Portfolio Committee on Public Works, Roads and Transport; Community Safety, Security and Liaison** (the Committee) has a Constitutional mandate, in terms of Section 114(2)(b) of the Constitution of the Republic of South Africa (Act 108 of 1996) read with Rule 218 and Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature (the Rules), to oversee the performance of the Department of Public Works, Roads and Transport (the department) and hold it accountable through various measures.

The consideration and scrutiny of the Third Quarterly Performance Report for 2014/15 of the department is the tool used by the Committee to determine whether the department has proper plans and programmes to realise its strategic objectives and ultimately to deliver basic services to the citizens of Mpumalanga.

The Committee tables this report, in accordance with the provisions of the Rules and Orders of the Mpumalanga Provincial Legislature, as an account of its oversight work done for consideration and adoption in order to monitor the budget allocated to the department for the 2014/15 financial year.

2. METHOD OF WORK

The Honourable Speaker of the Legislature referred the Third Quarterly Performance Report for 2014/15 to the Committee for deliberations and report back to the House, in accordance with Rule 218 and Rule 131 of the Rules and Orders of the Mpumalanga Provincial Legislature.

The Committee was briefed by the Research Section on the overall performance of the department for the period October - December 2014 compared to the strategic objectives as reflected in the Annual Performance Plan (APP) for the 2014/15 financial year. The Committee wanted to determine whether the department executed its mandate in terms of its APP and if there was value for money. The Research Section briefed the Committee on the Third Quarterly Performance Report for the 2014/15 financial year on 11 March 2015. The Committee met with the department on 24 March 2015 to deliberate on the department's Third Quarterly Performance Report for 2014/15. The Committee considered the draft Committee Report on the Budget 2014/15 Vote 08 on 31 March 2015.

3. BRIEF OUTLINE ON STRATEGIC GOALS AND OBJECTIVES

3.1. Outcome Oriented Goals

The department is directly linked to **Outcome 6** which states "an efficient, competitive and responsive economic infrastructure network". **Outcome 6** is linked to eight outputs, namely:

- Output 1 Improving competition and regulation
- Output 2 Ensure reliable generation, distribution and transmission of electricity
- Output 3 Ensure the maintenance and strategic expansion of our road and rail network and the operational efficiency, capacity and competitiveness of our sea ports
- Output 4 Maintenance and supply of availability of our bulk water infrastructure
- Output 5 Communication and information technology
- Output 6 Develop a set of operational indicators for each segment

3.2. Millennium Development Goals (MDGs)

The department has a responsibility towards the realising of the following goals:

- Goal 1 Eradication of extreme poverty and hunger
- Goal 2 Promotion of gender equality and women empowerment

- Goal 3 Combat HIV/Aids, malaria and other diseases
- Goal 4 Develop Global Partnership for development

4. OBSERVATIONS AND COMMENTS

The Head of Department (HOD) and his management team made a presentation to the Committee on the department's Third Quarterly Performance Report for the 2014/15 financial year.

The department was requested to provide the Infrastructure Delivery Management Plan.

5. ANALYSIS OF THE THIRD QUARTERLY PERFORMANCE REPORT FOR 2014/15

5.1. SUMMARY OF THE SECOND QUARTERLY PERFORMANCE REPORT

The Department of Public Works Roads and Transport received a total adjusted appropriation of R4 241 591 000.00 for the 2014/15 financial year. Total actual expenditure as at the end of the third quarter of the 2014/15 financial year amounted to R3 248 605 000.00 or 77% of the department's main appropriation. During the 2014/15 adjustment budget process, the following adjustments were effected:

- R35 750 000 000.00 for infrastructure as immediate disaster relief for the 2014 provincial disaster (as enforceable and unavoidable expenditure).
- R5 000 000.00 virements from the Public Works Programme to augment over-commitment on the capital infrastructure programme.
- R40 000 000.00 allocated for infrastructure (Coal Haulage road network).
- R 28 817 000.00 was taken out from funded vacant posts which were vacant from 1 April 2014 to 31 October 2014.
- R1 021 000.00 roll overs approved for the 2013/14 financial year.

Table 1 below is a summary of actual expenditure per programme and the total adjusted appropriation per programme as well as actual expenditure as a percentage of the adjusted appropriation per programme. The last column represents actual expenditure as a percentage of projected expenditure. **Table 2** below is a summary of expenditures per Economic Report on the Third Quarterly Performance Report for 2014/2015 of the Department of Public Works, Roads and Transport

Classification for the 2014/15 financial year versus the adjusted appropriation for the same period, with actual expenditure as a percentage of adjusted appropriation also included and actual expenditure as a percentage of projected expenditure.

Table 1: 2014/15 Actual Expenditure versus Main Appropriation

Budget Allocation	Adjusted Appropriation	Projected Expenditures	Actual Expenditures	% Actual versus Allocation	% Actual versus Projections
R'000	2014/15	2014/15	2014/15	2014/15	2014/14
Administration	233.955	184.395	174.001	74.4%	94.4%
Public Works	626.699	483.353	453.058	72.3%	93.7%
Infrastructure	2.256.614	1.592.730	1.839.295	81.5%	115.5%
Transport	1.067.724	807.011	735.636	68.9%	91.2%
Infrastructure	56.599	40.685	46.615	82.4%	114.6%
Transport Operations					
Community Based Programme					
TOTAL	4.241.591	3.108.174	3.248.605	76.6%	104.5%

Table 2: Allocation versus Expenditure per Economic Classifications

Budget Allocation	Adjusted Appropriation	Projected Expenditure	Actual Expenditure	% Actual versus Allocation	% Actual versus Projections
R'000	2014/15	2014/15	2014/15	2014/15	2014/14
Compensation of Employees	862.586	669,686	633.487	73.4%	94.6%
Goods and Services	1.488.839	1.105.787	1.073.322	72.1%	97.1%
Transfers and Subsidies	642.247	468.401	460.284	71.7%	98.3%
Payments for Capital Assets	1.247.919	864.300	1.081.512	86.7%	125.1%
TOTAL	4.241.591	3.108.174	3.248.605	76.6%	104.5%

5.1.1. General and factual observations from the department's third quarter performance report and comparative analysis

5.1.1.1. Out of a total of 49 targets planned for the third quarter of the 2014/15 financial year, the department has achieved 35 or 71%; and 29% or 14 targets were not achieved.

5.1.1.2. Out of a cumulative total of 138 planned targets for first three quarters of the 2014/15 financial year, the department has achieved 83 or 60% of the planned targets and 55

or 40% of the planned targets for the first three quarters of the financial year were not achieved.

- 5.1.1.3. Out of 89 targets planned for the 2012/13 financial year, only 45 or 51% of those targets were achieved and 44 or 49% of the planned targets were not achieved.
- 5.1.1.4. Out of a total of 57 targets planned for the 2013/14 financial year, the department achieved 31 or 54%.

The Committee noted the following on the general performance of the department in the Third Quarter:

- a. The department started the 2014/15 financial year with accruals which had a negative impact on the implementation of capital projects. The department implemented measures to minimise the impact but it is still envisaged that the department will have a shortfall by the end of the financial year
- b. The department had to revise its APP for the period under review in order to provide for the multi-year contracts that were not included in the budget allocation received for the 2014/15 financial year.
- c. The department endeavoured to, with the limited funds to its disposal, achieve as many planned targets as possible.
- d. The department is mindful of the fact that infrastructure investment is a catalyst for economic growth and job creation; and that it takes its priorities seriously.

5.1.2. ANALYSIS PER PROGRAMME

PROGRAMME 1: ADMINISTRATION

Programme purpose and budget allocation

The purpose of this programme is to provide the department with administrative, strategic, financial and corporate support services in order to ensure that it delivers on its mandate in an integrated, efficient and sustainable manner.

Programme 1 has achieved 100% or 3 out of the 3 planned targets in the third quarter of the 2014/15 financial year. The total adjusted appropriation for this programme for the 2014/15 financial amounts to R233 955 000.00 and as at the end of the third quarter of the 2014/15 financial year, actual expenditure amounted R174 001 000.00 or 74%. A total of R4 369 000.00 has been taken out of this programme during the 2014/15 budget adjustment process.

The Committee noted the following on Programme 1:

- a. The department was again advised that the signing of performance agreements are compulsory and that steps should be taken without delay against officials who fail to do so.

PROGRAMME 2: PUBLIC WORKS INFRASTRUCTURE

Programme purpose and budget allocation

This programme is responsible to provide a balanced and equitable provincial government building infrastructure by promoting accessibility that is sustainable, integrated and environmentally sensitive which supports economic development and social empowerment.

Programme 2 has achieved 53% or 8 out of 15 targets planned for the third quarter of the 2014/15 financial year. Out of the total adjusted appropriation of R626 699 000.00 for the 2014/15 financial year, actual expenditure as at the end of the third quarter amounted to R453 058 000.00 which is 72% of the total adjusted budget. During the 2014/15 adjustment budget, this programme experienced a downward adjustment of R6 358 000.00.

The Committee noted the following on Programme 2:

- a. The department could not achieve the target to assess 300 state owned buildings; and that the appointment of the service provider had to be delayed due to budgetary constraints.

The department utilised funds from the budget of this planned target to fund the shortfall under Programme 3: Transport Infrastructure; and thereby delaying the appointment of the service provider and only to be effected in the next financial year. The department acknowledged that it was too ambitious with the number of planned targeted condition assessments; and that it considers implementing the target by using officials from the department. The actual assessment of buildings will only commence in the fourth quarter.

PROGRAMME 3: TRANSPORT INFRASTRUCTURE

Programme purpose and budget allocation

The purpose of the programme is to promote accessibility and the safe, affordable movement of people, goods and services through the delivery and maintenance of transport infrastructure that is sustainable, integrated and environmentally sensitive, and which supports and facilitates social empowerment and economic growth.

Programme 3 has achieved 71% or 5 out of its 7 planned targets for the third quarter of the 2014/15 financial year. As at the end of the third quarter of the 2014/15 financial year, actual expenditure for this programme amounted to R1 839 295 000.00 or 82% out of the total adjusted appropriation of R2 256 614 000.00. This programme received an upward adjustment of R59 807 000.00 during the 2014/15 adjustment budget process.

The Committee noted the following on Programme 3:

- a. Similar to the previous quarter, the department did not achieve the target on the number of kilometres of gravel roads upgraded to surfaced roads. Furthermore, some of the allocated budget was used to off-set the budgetary constraints in the department due to insufficient funds received for multi-year road infrastructure projects from Provincial Treasury in the beginning of the financial year.
- b. The department plans to, in order to extend the lifespan of the road infrastructure, construct quality road infrastructure. By doing this the number of lane kilometres may be less but that the lifespan of these roads will be for a longer period.

PROGRAMME 4: TRANSPORT OPERATIONS

Programme purpose and budget allocation

The purpose of this programme is to plan, regulate and facilitate the provision of integrated land transport services through co-ordination and co-operation with national planning authorities, CBOs, NGOs and the private sector in order to enhance the mobility off all communities particularly those currently without or with limited access.

Programme 4 has achieved 93% or 13 out of its 14 planned targets for the third quarter of the 2014/15 financial year; taking in consideration the fact that there is a time lag between the submission of the quarterly report and the validation of the figures by the national Department of Public Works.. Actual expenditure as at the end of the third quarter for this programme amounted to R735 636 000.00 out of R1 067 724.00 adjusted allocation for this programme in the 2014/15 financial year. The actual expenditure accounts for 69% of the total adjusted budget. During the 2014/15 adjustment budget process; this programme's budget was reduced by R3 898 000.00.

The only target that was not achieved in this programme is under the transport infrastructure sub-programme; and relates to the number of public transport infrastructure projects completed due to delays in the appointment of service providers.

The Committee noted the following on Programme 4:

- a. The only target that was not achieved in this programme is under the Sub-Programme: Transport Infrastructure. It relates to the number of public transport projects completed due to delays in the appointment of service providers.

It was noted that the appointments of service providers were consciously delayed in order to compensate for the budgetary constraints within the department. However, the service providers have eventually been appointed; and since the duration of the two projects are planned to be 60 days, it is still envisaged that the projects can be completed by the end of the financial year. As at the end of February 2015 both projects were 70% completed.

PROGRAMME 5: COMMUNITY BASED PROGRAMMES

Programme purpose and budget allocation

This programme manages the implementation of programmes and strategies that lead to the development and empowerment of communities and contactors. This includes the provincial management and co-ordination of the Expanded Public Works Programme.

Programme 5 has achieved 60% or 6 out of 10 planned targets for the third quarter of the 2014/15 financial year. Actual expenditure as at the end of third quarter of the 2014/15 financial year amounted to 82% or R46 615 000.00 out of the total adjusted allocation of R56 599 000.00 for the 2014/15 financial year. During the 2014/15 adjustment budget process this programme received a total additional funding of R2 772 000.00.

The Committee noted the following on Programme 5:

- a. The department did not report on the deliverables of some targets in this programme since the raw data is submitted to the National Department of Public Works for validation before it can be reported. It was reported that the validated figures for the third quarter will be reported in the fourth quarter report for 2014/15.

6. FINDINGS

The following are the findings of the deliberations with the department:

- 6.1. Out of a total of 49 targets planned for the third quarter of the 2014/15 financial year, the department has achieved 35 or 71% and 29% or 14 targets were not achieved.
- 6.2. Out of a cumulative total of 138 planned targets for first three quarters of the 2014/15 financial year, the department has achieved 83 or 60% of the planned targets and 55 or 40% of the planned targets for the first three quarters of the financial year were not achieved.

- 6.3. The department started the 2014/15 financial year with accruals which had a negative impact on the implementation of capital projects. The department implemented measures to minimise the impact but it is still envisaged that the department will have a shortfall by the end of the financial year.
- 6.4. In order to fund the deficit in the budget allocation for multi-year contracts the department had to revise its APP for the period under review.
- 6.5. 3% of the departmental staff on level 6 – 12 did not sign performance agreements as per the Provincial Performance Management and Development Policy Framework.

7. RECOMMENDATIONS

The Committee made the following recommendations:

- 7.1. Although the Committee notes that the department has a budget deficit of R 193 000 000.00, particularly on multi-year projects; the department must ensure that they improve on the achievement of quarterly targets so that service delivery in the province can be visible and experienced by the communities in the province. Furthermore, the department is reminded that government departments are encouraged to do more with the limited resources available to them.
- 7.2. Project managers in the department must execute their responsibility of monitoring the implementation of contracts to ensure adherence of the contract entered into by contractors.
- 7.3. The department must further engage with both National and Provincial Treasury in ensuring that sufficient funding is allocated on multi-year infrastructure projects.

- 7.4. The department must ensure that the 3% of the staff sign their performance agreements as per the Provincial Performance Management and Development Policy Framework; and proof must be provided in this regard.

The Committee moves that the House adopts the report on the Department of Public Works, Roads and Transport Third Quarterly Performance report for the 2014/15 financial year.

8. CONCLUSION

The Chairperson takes this opportunity to thank the Members of the Portfolio Committee for their active participation and constructive contributions during the deliberations on the Department of Public Works, Roads and Transport Third Quarterly Performance Report for the 2014/2015 financial year.

In addition, the Chairperson extends a word of thanks to the MEC, the HOD and senior management for availing themselves to deliberate on matters pertaining to the department.

The Chairperson would also like to thank the support staff for contributing to the production of this report.

Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 30 April 2015 and thereafter on a quarterly basis.



HON RS MATHABE

31.03.2015

DATE

CHAIRPERSON:

**PORTFOLIO COMMITTEE ON PUBLIC WORKS, ROADS AND TRANSPORT
AND COMMUNITY SAFETY, SECURITY AND LIAISON**

