

REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM ON THE MPUMALANGA SECOND ADJUSTMENTS APPROPRIATION BILL [B 1B - 2018]

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)(a) of the Constitution of the Republic of South Africa, 1996 read with Rules 186, 189 and 194 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 Adjustment Appropriation Bill [B 1-2018]** (the Bill) was tabled for consideration and adoption in the House on 06 March 2018 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 second adjustments to the appropriation of money from the Provincial Revenue Fund for the requirements of the Province in respect of the 2017/18 financial year ending 31 March 2018; and to provide for matters indicated thereto.

3. METHOD OF WORK

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

- a) The Committee received a briefing from the Provincial Treasury and the Legislature Legal Services.
- b) The Committee met with the Accounting Officers and Chief Financial Officers of the affected departments and the Mpumalanga Provincial Legislature to consider the Bill.
- c) The Committee determined that public input should be solicited on the Bill and a public hearing was conducted on the 09 March 2018 in the precinct of the Legislature.
- d) The Committee met on the 16 March 2018 to consider its draft Report on the Bill.

4. OVERVIEW ON THE BILL

- a) Section 31(2)(a) and (e) of the PFMA provides that the MEC for Finance in a Province may table an adjustments budget in the Provincial Legislature if such adjustments budget provides for the appropriation of funds that have become available in the province; or the shifting of funds between and within votes respectively.

- b) The Mpumalanga Second Adjustments Appropriation Bill, 2018, provides for the appropriation of funds for the Mpumalanga Provincial Government arising from amounts transferred by the National Department of Human Settlements.
- c) The transfer was done by the then Minister of Finance, Mr MKN Gigaba, through Government Gazette no. 41407 dated 26 January 2018, issued in terms of the Division of Revenue Act, 2017 (Act No. 03 of 20107).

5. PRESENTATION BY PROVINCIAL TREASURY ON THE BILL

Provincial Treasury briefed the Committee on the Bill and the following was noted:

Table 1: Second adjustment proposals (funds that departments will surrender and registration fees)

DEPARTMENT	AMOUNT R'000	EXPLANATION
Economic Development and Tourism	(4 585)	The department surrendered savings from Goods and Services
Education	(90 000)	The department surrendered R 90 000 000.00 due to slow spending at the Thaba Chweu Boarding school
Human Settlements	100 000	The department received R100 000 000.00 that has been reallocated from other provinces in order to defray possible overspending as a result of service delivery that has been fast tracked.
Provincial Legislature	1 500	The Legislature will receive R1 500 000.00 from own revenue collection for the purpose of defraying expenditure incurred from the Common Wealth Parliament (CPA). These funds were generated by the Legislature from registration fees
Office of the Premier	4 585	The Office of the Premier will receive R4 585 000.00 for purposes of litigations and other services
Health	115 000	The department will receive R115 000 000.00 in order to defray expenditure on Bethal, Middelburg, Mapulaneng and Mmamethlake hospital
Social Development	(25 000)	The department surrendered R25 000 000.00 due to slow progress on various projects
Total	101 500	

Table 2: Second Adjustment Proposals (virements)

DEPARTMENT	AMOUNT R'000	EXPLANATION
Provincial Treasury	4 802	The Provincial Treasury seeks to shift R4 802 000.00 from Goods and Services to Compensation of Employees in order to implement an arbitration award relating to the upgrading of posts and to correct a line item on compensation of Employees
COGTA	5 600	The department seeks to shift R5 600 000.00 from Compensation of Education to defray expenditure on Payments of Capital Assets
DARDLEA	16 695	The department seeks to shift R16 695 000.00 from Compensation of Employees to defray expenditure on AgriHubs (Mkhuhlu and Mkhondo) and offices that were affected by the storm damage.
TOTAL	27 097	

6. INPUTS BY THE LEGISLATURE LEGAL SERVICES

The following were noted from the inputs by the Legislature Services:

- a) The Committee noted that material misstatements were noted on the Mpumalanga Second Adjustments Appropriation Bill [B1-2018] as presented in the House;
- b) These misstatements (mainly of a technical nature) were mainly in respect of three votes, namely: Provincial Treasury, Department of Co-operative Governance and Traditional Affairs and Department of Agriculture, Rural Development and Environmental Affairs.
- c) Section 120(3) of the Constitution, Section 4 of the Mpumalanga Finance Matters Act 1 of 2006 and Rules 195 and 196 provides for the amending of Money Bills after introduction in the Mpumalanga Provincial Legislature.
- d) Legal services briefed the Committee on the proposed amendments that must be effected on the Bill and therefore presented B1B-2018, which contained proposed amendments.
- e) The legal services advised that the Committee can process the proposed amendments in accordance to Rule 195 of the Rules and Orders of the Mpumalanga Provincial Legislature, as outlined below;
- f) In terms of Rule 195(1), the Committee responsible for financial matters may propose amendments to the Bill referred to it in terms of Rule 189(1);
- g) Rule 195(2) provides that the amendments must be referred to the Speaker within two (2) working days of them being proposed.
- h) The Speaker, must within two (2) working days of receipt of the said amendments, refer them to the Budget Committee contemplated in Section 4 of the Mpumalanga Finance Matters Act, 2006, for consideration and report back to the House. This is in terms of Rule 195(3).

7. DELIBERATIONS WITH THE AFFECTED DEPARTMENTS

VOTE 1: OFFICE OF THE PREMIER

The Office of the Premier's mission is to provide strategic direction and support evidence-based decision-making through research, monitoring and evaluation, integrated planning, coordination of Government programmes and institutional development.

The Office of the Premier received **R4 585 000.00** out of the **R119 585 000.00** savings for purposes of litigations and other services.

The Committee interacted as follows:

1. The Office of the Premier deems the second adjusted budget sufficient and does not envisage having a deficit for the 2017/18 financial year.
2. Provincial Treasury reported that the amount appropriated to the Office of the Premier was for purposes of litigations for electricity accounts for municipalities and other services.

Finding

1. The Office of the Premier received **R 4 585 000.00** for purposes of litigations for electricity accounts for municipalities and other services.

Recommendation

1. The Office of the Premier must strengthen its support to municipalities and reduce the amount of litigation for electricity accounts in municipalities. Furthermore, the Office of the Premier must indicate the other services besides the litigations.

VOTE 2: MPUMALANGA PROVINCIAL LEGISLATURE

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 Provincial Legislature received **R1 500 000.00** from own revenue collection for the purpose of defraying expenditure incurred for the Common Wealth Parliament Association registration fees.

The Committee interacted as follows:

1. The Legislature deems the second adjusted budget to be insufficient. The envisaged deficit is **R8 000 000.00**.
2. The Legislature reported to have budget pressures relating to committee rooms and system upgrade **(R2 000 000.00)** and office partitioning **(R6 000 000.00)**.
3. The Provincial Treasury reported that the IYM report of the Legislature does not reflect a possible over spending, but that the legislature will break-even at the end of the financial year. In response, the Legislature reported that the costs for the office partitioning project have just been finalised and does not form part of the current year's Annual Performance Plan.

Finding

1. The Legislature deems the adjusted budget to be underfunded by **R8 000 000.00** relating to committee rooms, system upgrade and office partitioning.

Recommendations

1. The Mpumalanga Provincial Legislature must in the 2018/19 financial year, budget for the office partitioning project and ensure that it is completed before the end of the financial year.

VOTE 7: EDUCATION

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 department surrendered **R90 000 000.00** due to slow spending at the Thaba Chweu Boarding School.

The Committee interacted as follows:

1. The department reported that the second adjustment process assisted the department to utilise the Compensation of Employees savings to defray possible over expenditure on Goods and Services and Transfers and Subsidies.
2. The department deems the second adjusted budget as sufficient.
3. The Committee enquired why the department failed to spend the **R90 000 000.00** on the Thaba Chweu Boarding School. The department reported there were challenges that were encountered relating to securing land for the construction of the boarding school. During the third quarter of the financial year, a site was identified and investigations were carried out in the 4th quarter. The project was already lagging behind in terms of planning, design and construction, hence the allocated budget could not be utilised.
4. In order to assist other provincial departments who were under serious pressure on their capital payments classification, the department surrendered the **R90 000 000.00** to the provincial revenue fund with an agreement from Provincial Treasury that the funds would be returned back in the 2018/19 financial year.
5. The Committee enquired whether the department has the capacity to spend the **R370 000 000.00** that will be appropriated in the 2018/19 financial year. The department assured the Committee that it has capacity to spend the budget that will be appropriated in the new financial year as the appointed contractor has the ability and skills to complete a school within a period of six months.
6. The department reported that in the 2018/19 financial year, professional works will be completed for the construction of the Gert Sibande Boarding School, as construction of schools are normally budgeted over a period of two years.

Finding

1. The department surrendered **R90 000 000.00** due to slow spending at the Thaba Chweu Boarding School.

Recommendations

1. The department must improve its spending and ensure that the Thaba Chweu Boarding school is completed before the end of the 2018/19 financial year.

VOTE 10: HEALTH

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 department will receive **R115 000 000.00** in order to defray expenditure on Bethal, Middelburg, Mapulaneng and Mmamethlake hospitals.

The Committee interacted as follows:

1. The department considers the second adjusted budget for 2017/18 as insufficient. The budget of the department is underfunded by **R399 400 000.00**.
2. The core programmes will be affected negatively due to the deficit are:
 - District Health Services
 - Provincial Hospital Services
 - Central Hospital Services
3. At the beginning of the year, an amount of **R658 400 000.00** was reprioritised from consumption (Current Payments) into infrastructure investment (Payment for Capital Assets).
4. The continuing accruals have an impact on the ability of the department to deliver on the 2017/18 financial year APP and to fund non-negotiables which include ARVs, Medical Gas, Laboratory Services and Waste Management.
5. The department anticipate to overspend on the following programmes:
 - Administration – due to payment of Medico Legal cases
 - District Health Services – due to budget pressures on Laboratory, ARVs, Blood and blood products, Medical Gas, Waste Management and Water and Electricity
 - Provincial Hospital Services – due to Medical implants, Laboratory, ARVs, Blood and blood products, Medical Gas, Waste Management and Water and Electricity
 - Central Hospital Services – due to Referral of patients, Renal dialysis, Laboratory, ARVs, Blood and blood products, Medical Gas, Waste Management and Water and Electricity.

Findings

1. The department anticipate overspending on four programmes.
2. The department will receive **R115 000 000.00** in order to defray expenditure on Bethal, Middelburg, Mapulaneng and Mmamethlake hospitals.

Recommendations

1. The department must report how it plans to deal with the anticipated over expenditure in the four programmes.
2. The department must provide a progress report on the upgrades of the hospitals listed in finding 2 above.

VOTE 12: SOCIAL DEVELOPMENT

The Department of Social Development's mission is to provide equitable, integrated and quality sustainable social development services in partnership with all stakeholders to eradicate poverty and protect vulnerable groups in all communities of Mpumalanga.

The department surrendered **R25 000 000.00** to the Provincial Revenue Fund due to slow progress on various projects.

The Committee interacted as follows:

1. The department considers the adjusted budget for 2017/18 financial year as sufficient.
2. Failure to spend the funds allocated for social infrastructure projects is largely due to the following:
 - Community protests at construction sites
 - Sites challenges / disputes
 - Poor contractor performance.
3. The Committee requested the department to ensure that local councillors are always involved when projects are constructed to avoid community protects which relates to delays in projects.

Finding

1. The department surrendered **R25 000 000.00** to the Provincial Revenue Fund due to slow progress on various projects.

Recommendation

1. The department must develop and implement a turn-around strategy to address the challenges in social infrastructure projects.

VOTE 13: HUMAN SETTLEMENTS

BUDGET 2017/18

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

The department received an additional funding of **R100 000 000.00** from the National Department of Human Settlements for human settlements development.

The Committee interacted as follows:

1. The department deems the adjusted budget for the 2017/18 financial year as sufficient and does not envisage a deficit during the financial year.
2. The Committee enquired whether the department has the capacity to spend the additional R100 000 000.00 allocated to the department before the end of the current financial year. The department reported that a decision was taken at a MINMEC meeting to transfer **R100 000 000.00** to the department. The department immediately started to spend. The work has already been done and that the allocation will defray the over expenditure.

Finding

1. The department received an additional funding of **R100 000 000.00** from the National Department of Human Settlements for human settlements development. Spending on the allocation commenced before the appropriation was gazetted.

Recommendations

1. The department must in future, refrain from spending before a budget is appropriated, as this might lead to irregular expenditure.

8. PUBLIC INVOLVEMENT

The Public Participation and Petitions Unit of the Legislature mobilised communities in all three districts of the Province to attend the public hearing. The following areas were mobilised to attend the public hearing:

- Matsulu and Kabhokweni – City of Mbombela [Ehlanzeni District]
- Carolina and Mpuluzi, Chief Albert Luthuli Local Municipality [Gert Sibande District]
- Middelburg, Steve Tshwete Local Municipality [Nkangala District Municipality]

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. B1B-2018 was presented during the public hearing and explained in the local languages spoken in the province.

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

- a) Members of the community expressed their disappointment that the Department of Education surrendered **R90 000 000.00** to the Provincial Revenue Fund, taking into consideration the state of infrastructure in some schools.
- b) Community members appreciated the additional budget allocated to the Department of Health as there are a lot of challenges in the hospitals.
- c) An appreciation of the additional budget allocated to the Department of Human Settlements was also made. Community Members enquired whether the additional budget will be used to fix the houses that are dilapidating.
- d) Members of the public requested that an additional budget be allocated to the Department of Health to assist in dealing with HIV/AIDS.
- e) Members of the public requested the Committee to ensure that departments strengthen monitoring of projects or the responsibility be delegated to ward councillors for the benefit of the people of the province.
- f) Some of the issues raised by members of the public were not related to the Bill. These issues will be processed to department through the petition process.

9. CROSS-CUTTING FINDING

- a) The Bill presented in the House had material misstatements. The Committee made proposed amendments to the Bill.

10. CROSS-CUTTING RECOMMENDATION

- a) The Committee recommends that the proposed amendments on the Bill be referred to the Budget Committee contemplated in Section 4 of the Mpumalanga Finance Matters Act, 2006, read with rule 195(3) of the Rules and Orders of the Mpumalanga Provincial Legislature for consideration and report back to the House.

The Committee recommends further that all progress reports on recommendations requested by the Committee from departments and public entities must be submitted before 30 April 2018, unless otherwise indicated under each Vote.

11. CONCLUSION

The Chairperson extends his appreciation to Members of the Committee, the Head Official for Provincial Treasury, Accounting Officers and Chief Financial Officers of departments for their active participation, input and contributions during the deliberations on the **Mpumalanga Second Adjustments Appropriation Bill [B 1B-2018]**. 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**

16-03-2018

DATE