

25-27 NOVEMBER 2015

2015/16 SECOND QUARTER CONDITIONAL  
GRANTS BILATERAL MEETINGS REPORT

PROVINCIAL TREASURY



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## 1. Introduction and Background

Section 18 of Public Finance Management Act (PFMA) Act 29 of 1999 as amended, mandates provincial treasuries to prepare and exercise control over the provincial budget. In so doing, the provincial treasury may in terms of the same section, subsection 2 (i), do anything necessary to fulfill its responsibilities effectively.

It is within this context that the Limpopo Provincial Treasury (LPT) introduced a close monitoring mechanism over the planning and the implementation of conditional grants funded projects by departments in line with the Division of Revenue Act. The LPT is aware of the fact that Provincial departments reports to its National departments to with funding is received from and however there are requirements in terms of the Act that departments must report to the Provincial Treasury, which includes the approval of the business plan, report on grant performance etc. However, these meetings focused particularly on the following:-

- 1.1 Poor performance and low spending on specific grants in terms of the latest report Provincial Treasury have received,
- 1.2 Inputs to the 2016/17 Conditional grants Framework,
- 1.3 2016/17 Conditional grants programmes Business plans,
- 1.4 Disaster funding projects plans,
- 1.5 Procurement plans,
- 1.6 Appointment of departmental Conditional grants coordinator for those that have not yet submitted,
- 1.7 An assessment report EPWP Incentive grant allocation since inception. This amongst others should include number and nature of jobs created, amount spent, sustainability of projects etc.

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	Main Appropriation	Provincial Actual Payments	Actual Payments as a % of main budget
<b>Agriculture</b>	327 467	112 309	34.3%
Comprehensive Agricultural Support Programme Grant	239 007	76 394	32.0%
Disaster (Casp Infrastructure)	22 837	5 446	23.8%
Ilmala/Leisema Projects Grant	50 337	23 351	46.4%
EPWP Incentive allocation	5 285	3 514	66.5%
Land Care Programme Grant	10 001	3 604	36.0%
<b>Sport, Arts and Culture</b>	177 615	79 584	44.8%
Mass Sport and Recreation Programme	63 459	31 291	49.3%
EPWP Incentive allocation	2 000	1 397	69.9%
Community Library Services Grant	112 156	46 896	41.8%
<b>Education</b>	1 913 026	1 109 927	58.0%
HIV and Aids (Life Skills Education) Grant	30 875	9 563	31.0%
National School Nutrition Programme Grant	1 030 799	543 915	52.8%
Infrastructure Grant	735 762	489 600	66.5%
Flood damaged projects	69 366	56 409	81.3%
Maths, Science and Technology	40 979	4 544	11.1%
Social sector EPWP grant	3 095	5 474	176.9%
EPWP Incentive allocation	2 150	422	19.6%
<b>Health</b>	1 730 402	945 613	54.6%
Comprehensive HIV and Aids Grant	1 056 976	518 453	49.1%
Health Professions Training and Development Grant	118 865	71 139	59.9%
EPWP Social Sector	20 650	12 742	61.7%
EPWP Incentive grant	2 000	38	1.9%
Health insurance grant	7 204	2 620	36.4%
Hospital Revitalisation Grant	194 255	156 613	80.6%
National Tertiary Services Grant	330 462	184 008	55.7%
<b>Co-operate Governance, Human Settlements and Traditional Affairs</b>	1 285 877	679 051	52.8%
Disaster : Flood Damage	34 332	3 465	10.1%
Integrated Housing & Human Settlements Development Grant	1 249 545	675 391	54.1%
EPWP Incentive allocation	2 000	195	9.8%
<b>Public Works</b>	1 001 882	456 989	45.6%
Infrastructure Grant	994 762	452 747	45.5%
EPWP Incentive grant	7 120	4 242	59.6%
<b>Economic Development</b>	2482	2 481	100.0%
EPWP Incentive grant	2482	2481	100.0%
<b>Social Development</b>	3 190	2 626	82.3%
EPWP Incentive grant	3 190	2 626	82.3%
<b>Safety, Security and Liaison</b>	2 078	-	0.0%
EPWP Incentive grant	2 078	-	0.0%
<b>Transport</b>	298 298	147 720	49.5%
Public Transport Operations Grant	298 298	147 720	49.5%
<b>Total</b>	6 742 317	3 536 300	52.4%

The table below shows the level of expenditure per each grant as at end of October 2015.

## 2. Department of Health

The Limpopo department of Health manages seven conditional grant allocations as presented in the table above. As at end of October 2015, the department's overall expenditure stood at 54.6 percent or R945.6 million of the total allocations of R1.7 billion.

- **Comprehensive HIV and Aids** grant recorded under spending mainly due to a delay in the procurement of coloured condoms. This also necessitated the amendment of their business plan to ensure that the remaining funds become committed to projects that will be realised at the end of the term.
- **Health Professions Training and Development** projects to breakeven and the programme appears not to have any challenges.
- **EPWP Social Sector** grant underperformed due to a delayed process in the appointment of contract workers as well as the procurement and purchase of protective clothing.

- **National Health Insurance** grant is under performing due to a long delay in the procurement of Data collection tools which have been delivered at present and await collection by district offices. In the interest of not losing this funding Provincial department of Health agreed with National department to sneak some of the activities which were necessarily not in the plan but related to the funding to improve spending on the grant.

- **National Tertiary Services** did not perform well in terms of the norm which relate to the delivery of consumables that due to challenges in SCM was delayed. The department is currently waiting for the delivery and also making follow-up as part of their intervention to remedy the situation.

## 3. Cooperative Governance, Human Settlements and Traditional Affairs

- The departmental presentation was based on the amended Business plan and in terms of expenditure the Human Settlement grant spent 54.1 percent or R679 million of the total allocation.

- The department manages three Conditional grants allocation namely: - Mass Sport Participation and Recreation programme, Library and Archives services and EPWP incentive grant. Of the three programmes, the department have been experiencing challenges within the Library infrastructure over the years and to this end the level of performance to this grant funding continues to be a cause for concern.

#### 4. Department of Sport, Arts and Culture

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- The department must also engage Provincial Treasury during the preparation stages of the 2016/17 business plan, the same shall also apply in circumstances when a meeting is held between the department and their National counterpart. This is to enable LPT and the department being in the same level of reporting to National Treasury and the department.
- The department was requested to submit progress and a breakdown for the R308 million roll-over amount which was approved in this financial year
- Further progress was requested from the department to submit an assessment on the EPWP incentive grant allocation which in terms of percentage spending appears very low.
- The department was requested to submit progress and a breakdown for the submission of 2016/17 NHBRC and the Housing Development Agency. Framework requirement for performing contractors by appointing the Project Management Unit on site, The department introduced an intervention mechanism to deal with non system that seeks to allow their which would take effect from 2016/17 financial year the department intend on a occurs in rural areas. Considering the new process of Database registration that some processes would take up to a period of twelve months, this mostly Low spending is as a result of delays in procurement processes and the fact

- 5. Department of Public Works, Roads and Infrastructure**
- The department did not perform well on Road infrastructure maintenance mainly due to the cold weather that prevented the resurfacing, and challenges within the departmental SCM also plays an important role by delaying the appointment of contractors
  - The department is in the process of transferring 19 projects to RAL
  - The department was advised to revise their implementation plan as well as increasing resources on site to speed up the delivery of services

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- As a result LPT have requested the department to provide the following information that will assist in monitoring performance;
    - progress in terms of the approved roll-over of R21 million from the previous financial year for Phokoane and Ndzhelele libraries
    - submit a report with costing for the vacated positions of Sport coordinators,
    - extend an invitation to LPT as and when meetings are held with their National department on matters relating to Conditional grants
    - provide LPT with new projections as a result of events being postponed to a later period
    - The department is however progressing well in terms of the EPWP incentive grant allocation,
    - Department to submit a formal presentation on EPWP incentive grant including the assessment since its inception
    - It was also requested from the department to ensure that business plans must be finalised in time to avoid late commencement of projects

- 7. Department of Economic Development Environment and Tourism**
- The department indicated to having budget pressures on EPWFP incentive grant, This is as a result that the total funding as allocated is exhausted and R2 million as top up was granted to enable them to finalise the outstanding contracts till the end of the financial year,
  - Management and Contractor challenges were experienced around the R60 million earmarked for the upgrading of Nature reserves,
  - These challenges are now resolved and the finalisation of the projects have been shifted to the month of January 2016,

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- 6. Department of Transport**
- The department is progressing well in terms of spending
  - It was highlighted that the grant funding PTOG is not sufficient and a top up is always made from the ES budget
  - The department raised a concern about certain communities that do not benefit from the Public transport Operations grant
  - The department is in the negotiation process of moving from the manual monitoring process into an electronic system which also requires extra funding
  - LPT however acknowledged the concerns as raised by the department and suggested to be invited when the department meet with the National department of Transport for any Conditional grant related discussion

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- Despite the information presented by the department on EPWFP programme, it is still required from them to include all the details in terms of the template designed by the Provincial treasury.



- An overspending occurred on EPWP Social Sector of which some form of wrong posting when payments were made have been sighted as the major role player into the over expenditure. It was therefore presented that efforts are
- Various activities that are to be carried out in the programme.
- The allocated by R5 million, such plan must include responsible officials for Life skills programme due to its poor performance that led to the reduction from Department to develop a plan to address challenges faced by the HIV/AIDS Conditional grants.
- There was no formal presentation brought into the meeting for the two HIV/AIDS Life skills.
- Conditional grants were represented namely; EPWP Social Sector and Out of the six (6) specific grants allocation to the department only two due to non-attendance by Conditional grants programme Managers.
- The meeting with the department of Education have not been so successful

## 9. Department of Education

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- all information as outlined in the introduction.
- advance partially paid from August 2015. The department was requested to submit advance payments have been effected from July 2015, and that the 2<sup>nd</sup> quarter It was reported that the Annual Action Plan has been revised, the 1<sup>st</sup> quarter implementation.
- The department experienced delays in appointment of funded NPOs which resulted in the postponement of 1<sup>st</sup> quarter advance payment for 2015/16 budget

## 8. Department of Social Development

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- Due to the absence of the programme manager responsible for the grant funding the department was requested to submit further information with regard to the earmarked funding which would show commitment of the funds remaining.

programme, Infrastructure grant and Maths Science and technology

-Education for officials responsible for the programmes National School Nutrition

-Agriculture, Safety, Security and Liaison, and

- The following department failed to attend the meetings as scheduled:-


## 11. Conclusion

- There is a serious challenge of coordination of conditional grant funding in most departments, particularly departments with more than one conditional grants and different managers.
- Low spending due Procurement process within the departments.
- Non-compliance to business plans by departments.
- Non-submission of procurement plans by most departments.
- Under performance in Conditional grant programmes in most departments that led to issuing of letters for intention to withhold transfers.

## 10. Key Observations

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- The department have been clarified on the preparation of the business plan for the following year for EPWP Social sector grant with no indicative budget since its allocation is performance based.
  - The department is requested to provide an assessment on the EPWP incentive programme since its inception, which is aimed at ensuring as to whether these allocations meets the intended purpose of creating jobs for the poor.
  - Submission of challenges as faced by the Conditional grant other than those in the IYM reports since they do not really addresses the true reflection of intervention which can be assisting hence notices to withholding of funds occurred within this financial year as a result of poor performance.
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- Conditional grants bilateral meetings are a success story for Limpopo province as a whole,
- The commitment of responsible programme managers in ensuring that funding is utilised for the purpose as intended, including compliance in terms of the grants framework and the Division of Revenue Act will see communities from the deep rural and poorer areas benefiting from these allocations.

  
 Phukuntsi M  
 DDG: SRM – Provincial Treasury