

A Summery Version

PROVINCIAL 2012/2013 FINANCIAL YEAR ADJUSTMENT ESTIMATES BUDGET SPEECH DELIVERED BY LIMPOPO FINANCE MEC DAVID MASONDO TO THE FIFTH DEMOCRATIC LEGISLATURE

Honourable Speaker

Members of this august House,

Economic outlook and Census 2011

We are presenting the 2012/13 budget adjustment within an uncertain global economic environment which threatens our ability to raise revenue to serve our people. This also implies our composition of expenditure needs to change to support inclusive development that encourages economic growth and distribution, and delivery of social services. The challenge will be to balance between personnel, goods and services and capital spending over the 2013/14 MTEF.

Important to our planning moving forward is the information contained in the publication of the Census 2011 released a few weeks ago

According to the Census 2011, the number of people without schooling in Limpopo has declined from 33 percent in 2001 to 17.3 percent in 2011. Matriculants has increased from 14.1 to 22 percent while those with higher education has increased from 6.8 percent to 9.5 percent. Limpopo attendance of pre-school has declined from 3.6 percent in 2001 to 0.5 percent in 2011.

The number of people were living in formal dwellings has improved from 62.2 percent in 1996 to 72 percent in 2001 and even better to 89.9 percent in 2011.

The results of 1996 Census showed that 86 percent of Limpopo households had access to piped water in 2001. Access to electricity improved to 87.3 in 2011. The census 2011 results show that 90.7 percent of Limpopo households have access to flush toilets.

Despite these improvements in the living conditions of our people as shown in the census, many of our people are still without water, electricity, education, health facilities, jobs and productive land and other economic assets necessary for their own livelihoods.

The other major concern is the inability of the economy to absorb our youth into the labour market, our poor performance in maths and science, the dire skills shortages and lack of basic facilities, given the rural nature of the province. In addition we continuously struggle to retain and attract prerequisite skills necessary for development.

The budget adjustment and its rationale

The main reason for tabling of the Adjusted Budget is to review the expenditure of the provincial budget, and make the necessary adjustment.

2012/2013 Budget objectives

One of the objectives of the 2012/2013 provincial budget is to address the bank overdraft arising out of long outstanding unauthorized expenditure predating 2009. This entailed making certain difficult choices without compromising front line service delivery. Through reprioritization, an overall amount of R1.2 billion was identified for the 2012/13 financial year and allocated as follows:

- R748.5 million towards the redemption of unauthorized expenditure with funding,
- R650 million was allocated to the DoE for the shortfall in CoE. This has been the main contributor to the unauthorized expenditure in the recent past.
- R80 million to COGHSTA for the implementation of the revised Traditional Leaders Salaries structure.

Having done so, certain necessary processes had to be put in place to ensure that that no unauthorized is incurred during the current financial year. Limpopo Provincial Treasury (LPT) therefore instituted several targeted interventions to ensure greater efficacy in budget implementation and execution across all departments. These interventions include, but not limited to Austerity Measures, Reduction of CoE, Revenue Enhancement Strategy, Infrastructure Delivery Improvement Plan, Cash Management, Procurement and Transversal Contracts.

Achievements and challenges

Strong fiscal discipline, which includes develop a new culture to planning and utilization of public funds is critical to achieve these budget objectives. LPT has strengthened its monitoring role and function in line with the PFMA. Revenue and Expenditure is monitored more rigorously in relation to cash requests, cash allocation and actual expenditure. Stringent measures have been put in place to enforce compliance and fiscal discipline so that bad practices and unauthorized expenditure do not recur.

Section 100, 1 (b) has acted as impetus to increasing our oversight function over the department. We have since deepened the level of accountability of Accounting Officers in line with Sections 38 to 45 of the PFMA.

Section 18 (2) (g) of the PFMA states that:

'A provincial treasury must intervene by taking appropriate steps, which may include the withholding of funds, to address a serious or persistent material breach of this Act by a provincial department or a provincial public entity'.

LPT has been intervening in the departments, including withholding funds in order to enforce good financial performance in the province.

For the financial years 2008/09, 2009/10 and 2010/11, the Department of Education (DoE) overspent on its CoE budget. This arose due to inadequate funding for OSD and the fact that the department failed to fully budget for the CoE. In dealing with this problem, LPT intervened as follows:

- a) In 2010 and 2011, the LPT intervened, in the DoE and long terms plans were drawn this to address challenge over the MTEF.

- b) LPT recommended to EXCO that CoE must be reduced by 2% per annum over the MTEF to mitigate the increase in CoE and bring it to acceptable national norms and this led to encouraging savings in our provincial administration.

The LPT intervened by issuing transversal policies to reduce high expenditure on non-core goods and services by some departments.

Another contributor to the provincial cash challenges has been the poor management of our cash and the related unauthorised expenditure, given that SCOPA delayed in passing and resolving accumulated unauthorised expenditure.

With the support of the Standing Committee for Povincial Treasury, SCOPA has been able to make substantial progress on resolving the outstanding unauthorised expenditure since 2004/05.

EXCO has approved LPT's Clean Audit Strategy. The Audit Committee, HoD Forum and EXCO are monitoring this strategy. The Internal Audit Committee is functional throughout the province.

These measures and strategies have begun to yield positive results.

Departments have worked very hard to realise savings through austerity measures and reprioritization realised savings of R199 million in the first half of the 2012/13 financial year. These savings can now be used to augment budget pressures in key service delivery areas. In addition to this, the province's health bank balance has yielded interest income of R66.9 million.

Honourable Speaker

We had budgeted 5% wage increase in the main appropriation. The negotiated wage-settlement has been at 7%. Transfers from National Treasury include R538.6 million for Improvement of Conditions of Services (ICS) and an additional R9.2 million ICS for Further Education and Training conditional grant. In addition we received R122.8 million in terms of unspent conditional grants that were not committed in expenditure.

The ICS adjustments, surrenders of unspent funds from departments and provincial entities for the 2011/12 financial year declared savings by departments and interest income provides us with R1.6 billion to be allocated in this Adjustments Estimate Together with conditional grant rollovers the province's final adjusted appropriation will amount to 47. 9 billion.

Allocations to departments

DoE

An amount of R757 million additional funding is allocated as follows:

- R150 million for ICS adjustments; R9.2 million ICS for Further Education and Training
- R380 million for the procurement, warehousing and delivery of Learner Teacher Support Materials for 2013 academic year; and
- R75 million for Grade 10 and 12 catch-up program;

- R130 million for the purchase of stationery for 2013 academic year; and
- R13.7 million conditional grant rollovers.

Health

The Department of Health receives R297 million, additional for compensation of employees as follows:

- R200 million for ICS,
- R62 million for pay progression rectification ,
- R35 million for cash bonus back pays for 2010/11.

In addition R340 million is allocated for the purchase of doctors and staff accommodation and R88 million for repairs of boilers in 48 hospitals in the province.

Conditional grant rollovers amount to R129.7 million and R0.8 million as functional shift funding from the Department of Agriculture increasing the department's main budget allocation by R860.5 million.

Social Development

R24. 1 million is added to Compensation of Employees and R2.4 million for outstanding compensation of employees at Manyeleti Youth Project. The department surrendered austerity savings of R1.8 million bringing its total adjusted budget to R1.2 billion.

LPT

LPT receives an overall increase of R63 million to its budget for the funding of special projects across departments. These special projects are aimed at improving data integrity, building capacity and systems across all provincial departments with particular focus on DoE, Health and Social Development Departments.

COGHSTA

COGHSTA has been allocated R84.6 million as a once off payment for arrears in the revised salary structure adjustments for Traditional Leaders relating to the 2011/12 financial year. Rollovers for conditional grant amount to R165.7 million bringing the department's adjusted appropriation to R2.6 billion after considering a surrender of R32.6 million as austerity savings.

Public Works

Department of Public works has been allocated R5 million for the recruitment of technical skills in project management and to enhance the capacity of the department. In addition to this the department also receives R1.2 million as conditional grant rollover.

Roads and Transport

The Department of Roads and Transport receives R5 million for the development of an appropriate roads delivery model in the RAL and a conditional grant rollover of R140.9 million

LEDET

LEDET receives R2 million to conduct the feasibility study for the Information Technology Communication broadband infrastructure development in the province.

Provincial Legislature

The legislature received an amount of R12.5 million is allocated as a once of payment as supplementary funding for political party activities.

Conclusion

Honourable Speaker

I would like to thank the Executive Committee, Members of the Finance Portfolio Committee Provincial Treasury Team together with the Administrators, which assisted in the preparation of this adjustments estimate.

Honourable Speaker, I hereby table the Adjustments Estimate Appropriation Bill and the Provincial Medium Term Budget Policy Statement.

Thank You.