



LIMPOPO

PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

PROVINCIAL TREASURY

*Speech to the  
Limpopo Provincial Legislature*

# **ADJUSTED ESTIMATES OF PROVINCIAL EXPENDITURE**

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**DATE: 20 November 2008**

*The heartland of southern Africa - development is about people*

## INTRODUCTION

**Honourable Speaker,  
Distinguished Members,  
Members of the media present here, and  
The Limpopo citizens**

It is an honour and privilege to table in this house the Adjustment Estimates for the year ending on the 31<sup>st</sup> of March 2009.

## BACKGROUND

Honourable members would recall that in the Provincial Budget Speech presented to this house in February of this year, we lay specific emphasis on ensuring that this budget is premised on strides aimed at addressing the social inadequacies that continue to frustrate progress in the development of our communities.

To quote from that speech, *“This budget, therefore, deliberately places greater emphasis on the social sector. Our emphasis on quality education, health and social development must be understood in the context of our continued resolve to challenge underdevelopment and eradicate poverty.”*

The National Minister of Finance, the honourable Trevor Manuel has always echoed this and most recently also made this commitment during his Medium Term Budget Policy Statement for this financial year. He stressed that government has, in its distribution of resources, undertaken to *“...improve the quality of education and skills development to broaden opportunities for our people and to raise our level of productivity.”*

## ECONOMIC REVIEW

Honourable Members, allow me to use this opportunity to briefly update this house about the current economic scenario, albeit in a rather laymanlike manner.

This year has provided periods which have affected the economy adversely. At the beginning of the year, the South African economy slowed down due to challenges posed by the electricity crisis.

As Honourable Members would know, Limpopo's economy is supported by primary products, with mining being the prominent player. The electricity crisis affected mining immensely.

Currently, the world is undergoing an economic relapse that has affected trade between countries and also affected those countries internally.

Honourable Members, South Africa and Limpopo have not been immune to this relapse. The adverse consequences include a negative effect on the economic growth rate, a slowdown in infrastructure development, reduced spending on production, and reduction in the economy's employment capacity.

## **PROGRESS ON THE PROVINCIAL GOVERNMENT'S FINANCIAL MANAGEMENT**

Honourable Members, having passed the half-way mark of the current financial year, I would like to give a progress report on the provincial government's financial management issues expressed during the main budget speech in February this year.

I am pleased to report that there has been satisfactory progress in the way the provincial government has been conducting its responsibility on financial management and maintaining good governance.

- In the 2006/07 financial year all provincial government departments received qualified audit opinions based mainly on poor asset management. A Provincial Assets Management forum was set up and through the development of a transversal assets management implementation plan has been able to, *inter alia*, ensure that five provincial departments receive unqualified audit on the issue of assets management for the 2007/08 financial year.
- The provincial government has also successfully mitigated the risk of a bank overdraft for the financial year ending 31 March 2008.

## **REVENUE AND EXPENDITURE REVIEW**

Provincial Revenue collection, up to the last day of September 2008, stood at R244.9 m or 46% of the total provincial budget of R530.1m.

Honourable Speaker, on the last day of the second quarter (September) the overall expenditure for the province stood at R14.6bn or 49.4%. This is an obvious improvement from the 46.2% achieved during the corresponding period in the 2006/07 financial year.

However, it is important to note with concern that 39.4% of the budget has been spent on goods and services whereas 52.7% of the overall expenditure has been on the compensation of employees. It is a trend that we will have to gradually reverse so that the budget achieves its primary target of ensuring that maximum service delivery reaches our people.

## **TOTAL ADJUSTMENT ESTIMATES**

Honourable Speaker, adjustments are made up of additional funding that is made available from the national and provincial *fiscus*. This is done to cater for unforeseen and unavoidable expenditure, rollover amounts from the previous year, the shifting of funds between programmes in the same vote (virements) and funds suspended from the previous year.

Allow me, therefore, to present the proposed Adjustment for 2008/09 budget for consideration by this house. The details are contained in the budget statements of each vote which Honourable members are tabled evenly herewith.

An additional R610 million has been made available to the province through the equitable share. This adjustment budget, therefore, makes provision for the shortfall in salary adjustments leading from the anticipated increase of salaries of the public service. from 7.1% to 10.5%. The Province has been allocated an amount of R400 million by National Treasury to cover the deficit for the 3.4 percent salary adjustment.

Conditional grant rollovers have been approved nationally. In respect of provincial funding available for rollovers the province, honourable members would remember, has an unauthorised expenditure bill of R352 million for the financial year up to and including 2005/06. As this amount has to be financed by the provincial *fiscus*, we will not be able to do so fully in this financial year. Therefore, the need to finance the whole of the unauthorised expenditure remains a challenge.

Honourable speaker, we want to propose that departments that overspend on the budgets which, in turn, leads to unauthorised expenditure will have to start the new financial year with such a deficit. In short, this means that the 2008/09 closing balance of departments which over-spent, become the opening balance of their 2009/10 budget.

The main appropriation budget, at the beginning of the current financial year, was R29.6bn. An additional amount of R929,5 million which is made up of **R610 million towards the national equitable share, R199 million conditional grants adjustments**

**and R120,3 million roll-overs from the provincial equitable share brings the total provincial adjustment budget to R30.5bn.**

Therefore, Honourable Speaker, I am tabling a bill of R929,5 million distributed across the different votes in the following manner:

### **Vote 1 (Office of the Premier)**

The original budget appropriation for the Office of the Premier was R515,6m for the 2008/09 financial year. During the year, the department receives an additional allocation which adjusts the budget to R522,3m. The main adjustment that led to this overall increase is as follows:

- Improvement of Conditions of Services R6.7m

### **Vote 2 (Provincial Legislature)**

The original budget appropriation for the Legislature was R115.8m for the 2008/09 financial year. During the year, the legislature receives an additional allocation which adjusts the budget to R123.9m. The main adjustments that led to this overall increase are as follows:

- Improvement of Conditions of Services R1.6m
- Equitable share/Rollover R6.5m

### **Vote 3 (Education)**

The original budget appropriation for the department of Education was R14.2bn for the 2008/09 financial year. During the year, the department of Education receives an additional allocation which adjusts the budget to R14.5bn. The main adjustments that led to this overall increase are as follows:

- Improvement of Conditions of Services R253,1m
- New allocation/Equitable share for Learner Teacher Support Materials R11.8m
- Allowances for inflation increases and to increase the number of feeding days in terms of the National School Nutrition Programme R54.9m
- Add: Infrastructure grant to Provinces R3m

#### **Vote 4 (Agriculture)**

The original budget appropriation for the department of Agriculture was R1 bn for the 2008/09 financial year. During the year, the department of Agriculture receives an additional allocation which adjusts the budget to R1.1bn. The main adjustments that led to this overall increase are as follows:

• Improvement of Conditions of Services	R10.2m
• Conditional grants/rollover	R50,2m
○ Land Care	R2m
○ Comprehensive Agricultural Support Programme	R3.2m
○ Disaster Management	R45m
Unforeseen and unavoidable	R16.5m
○ Disaster Management	R5m
○ Inflation adjustment on the CASP	R11.5m
Less: Infrastructure grant to Provinces	R6m
Transfer of staff to Health	R13.5m

#### **Vote 5 (Treasury)**

The original budget appropriation for Provincial Treasury was R305.2m for the 2008/09 financial year. During the year, Provincial receives an additional allocation which adjusts the budget to R353.4m. The main adjustments that led to this overall increase are as follows:

Improvement of Conditions of Services	R1.2m
Equitable share/rollover	R47m

This amount is set to cover the payment of audit fees and State Information Technology Agency (SITA) costs.

#### **Vote 6 (Economic Development)**

The original budget appropriation for the department of Economic Development was R654m for the 2008/09 financial year. During the year, the department of Economic development receives an additional allocation which adjusts the budget to R696.9m. The main adjustments that led to this overall increase are as follows:

• Improvement of Conditions of Services	R4.1m
• Equitable share/rollover	R14.7m
• Equitable share shortfall	R24m

## Vote 7 (Health)

The original budget appropriation for the department of Health was R7.6bn for the 2008/09 financial year. During the year, the department of Health receives an additional allocation which adjusts the budget to R7.9bn. The main adjustments that led to this overall increase are as follows:

• Improvement of Conditions of Services	R103.6m
• Equitable share/rollover	R19.0m
• Equitable share/new allocations	R198.4m
○ Occupation Specific Dispensation (Nurses)	R130.5m
○ Medical Goods and Services	R61.7m
○ New Vaccines	R6.5m
• Conditional grants/rollover	R22.1m
○ National Tertiary Services	R0.6m
○ Health Professionals	R3.1m
○ Forensic Pathology	R14.9m
○ Hospital revitalization	R3.5m
• Conditional grants/new allocations	R1.4m
Add: Transfer of staff from Agriculture	R13.5m

## Vote 8 (Roads and Transport)

The original budget appropriation for the department of Roads and Transport was R2.4bn for the 2008/09 financial year. During the year, the department of Roads and Transport receives an additional allocation which adjusts the budget to R2.4bn. The main adjustments that led to this overall increase are as follows:

• Improvement of Conditions of Services	R9.1m
• National Rollover for the construction of Weighbridges	R4.4m

## Vote 9 (Public Works)

The original budget appropriation for Public Works was R649.7m for the 2008/09 financial year. During the year, the department receives an additional allocation totalling R657.3m. The main adjustments that led to this overall increase are as follows:

- Improvement of Conditions of Services R4.6m
- Infrastructure grant to Provinces R3m

### **Vote 10 (Safety, Security and Liaison)**

The original budget appropriation for department of Safety, Security and Liaison was R43.1m for the 2008/09 financial year. During the year, the department of safety, Security, and Liaison receives an additional allocation which adjusts the budget to R43.2m. The main adjustments that led to this overall increase are as follows:

- Improvement of conditions of Services R0.154m

### **Vote 11 (Local Government and Housing)**

The original budget appropriation for the department of Local Government and Housing was R1.2bn for the 2008/09 financial year. During the year, the department of Local Government and Housing receives an additional allocation which adjusts the budget to R1.2 bn. The main adjustments that led to this overall increase are as follows:

- Improvement of conditions of Services R4.4m
- Conditional grants/rollover R18.5m
- Conditional grants/new allocations R23m

### **Vote 12 (Social Development)**

- No adjustment has been done for Social Development as there is sufficient funds available in the baseline.

### **Vote 13 (Sport, Arts and Culture)**

The original budget appropriation for department of Sport, Arts and Culture was R186.9m for the 2008/09 financial year. During the year, the department of Sport, Arts and Culture receives an additional allocation which adjusts the budget to R205.1m. The main adjustments that led to this overall increase are as follows:

- Improvement of Conditions of Services R1.3m



- Equitable share/rollover R9m
- Conditional grants/rollover R7.9m
  - Mass Sports and Recreation Programme R2.4m
  - Library Services R5.4m

Honourable Speaker, I have explained to this House the proposed adjustments to cater for the expenditure pressures experienced across provincial departments in this financial year. I now table the Adjustments Estimate Bill, 2008/09 for appropriation - the details of which are contained in the Adjustments Estimate Budget Statement which I am also tabling today in terms of Section 31 of the Public Finance Management Act, Act 1 of 1999 (as amended by Act 29 of 1999) read with the Standing Rules of this House.

I wish to conclude at this point, Honourable Speaker by thanking my Executive Council (EXCO) colleagues, distinguished members of this house, members of the Standing Committee on Public Accounts (SCOPA) members of the Finance Portfolio Committee, the Medium Term Expenditure Committee and the senior management of all provincial departments for the support and co-operation that they have given over the year, and for their ongoing contribution and co-operation towards the improved management of provincial finances.

**Ndo livhuwa nga maanda**

**Baie Dankie**

**I Thank You!**