

GAUTENG PROVINCIAL LEGISLATURE

**ANNOUNCEMENTS,
TABLINGS AND
COMMITTEE REPORTS**

Friday, 11 March 2022

ANNOUNCEMENTS

none

TABLINGS

none

COMMITTEE REPORTS

1. **The Chairperson of the Finance Portfolio Committee, Hon. J Mpsi, tabled the Committee's Oversight Report on the Principle of the Gauteng Provincial Adjustment Appropriation Bill [G004-2021] for the 2021/2022 financial year, as attached:**



GAUTENG

LEGISLATURE

Your View ~ Our Vision

Finance Portfolio Committee

Adopted Oversight Report on the Principle of the 1st Provincial Adjustment Appropriation Bill [G004-2021] for the 2021/22 Financial Year

Committee Details		Department Details	
Name of Committee	Finance Portfolio Committee	Name of Department	Treasury
Which Financial Year	2021/22	Dept. Budget Vote Nr.	
Which Quarter		Hon. MEC	Nomantu Nkomo Ralehoko
Committee Approvals			
	Name	Signed	Date
Hon. Chairperson	Joe Mpisi		
Adoption and Tabling			
Date of Final Adoption by Committee		Scheduled date of House Tabling	
11 February 2022		15 March 2022	

TABLE OF CONTENTS	PAGE
1. Introduction	3
2. Process Followed	4
3. Adjustment to the 2020/21 FY Special Adjustment Budget	4
3.2 Provincial Own Receipts	4
3.3 Changes to Conditional Grants	4
3.4 Summary of Changes to Infrastructure Programme	6
3.5 Summary of Revised Departmental allocations	7
3.6 Socio-economic Implication	11
3.7 Financial Implication	11
3.8 Portfolio Committee Recommendations	11
3.9 Acknowledgements	12
3.10 Adoption	12

The Chairperson of the Finance Portfolio Committee Hon. J. Mpisi, tables the Portfolio Committee Report on the Gauteng Provincial Adjustment Appropriation Bill [G004 – 2021] for the 2021/2022 financial year as follows:

1. INTRODUCTION

The Provincial Adjustment Appropriation Bill (PAAB) [G004-2022] (*herein referred to as (the Bill)*) provides for the appropriation of adjusted amounts of money from the Provincial Revenue Fund for the requirements of the Province in respect of the financial year ending 31 March 2022; and to provide for matters incidental thereto. The Bill is endorsed by section 31 (1) of the Public Finance Management Act (PFMA) 1999, which enjoins the MEC for Finance to table an adjustments budget in a provincial legislature.

The Bill is in line with Section 31 (2) (a)-(g) of the PFMA. Which stipulates that an adjustments budget of a province may only provide for:

- (a) the appropriation of funds that have become available to the province;
- (b) unforeseeable and unavoidable expenditure recommended by the provincial Executive Council of the province within a framework determined by the Minister;
- (c) any expenditure in terms of section 25;
- (d) money to be appropriated for expenditure already announced by the MEC for finance during the tabling of the annual budget;
- (e) the shifting of funds between and within votes or to follow the transfer of functions in terms of section 42;
- (f) the utilisation of savings under a main division within a vote for the defrayment of excess expenditure under another main division within the same vote in terms of section 43; and
- (g) the roll-over of unspent funds from the preceding financial year.

It is against this legislative backdrop that the Bill seeks to amend the Provincial Appropriation Act, 2021 (Act No. 4 of 2021) to appropriate funds for various types of spending aimed at attaining the four provincial priorities, that is, winning the battle against the COVID-19 pandemic; re-igniting the Gauteng economy; recalibrating social policy to improve educational and health outcomes; and improving governance across the Gauteng City Region.

In response to the COVID-19 associated challenges of poverty and unemployment in the Province, part of the additional provincial funding is made available to address budget pressures emanating from the 2021 public sector wage agreement and to fund the Presidential Youth Employment Initiative. The latter intervention is part of the continued response by government to address the impact of COVID-19 pandemic on the rising unemployment levels in the country.

Moreover, the adjustments budget also includes the internal reprioritisation of 2021/22 budget baselines by provincial departments to ease emerging budget pressures and upscale priority areas such as social relief and economic recovery. This reprioritisation of the existing budget baselines is primarily enabled through scaling down programmes and projects that are

currently delayed amidst the COVID-19 pandemic and other impeding factors as well as the realisation of savings.

2. PROCESS FOLLOWED

The Speaker of the Gauteng Provincial Legislature (GPL) formally referred the PAAB for 2021/22 financial year (FY) to the Finance Portfolio Committee for consideration and reporting.

The Gauteng Provincial Treasury presented the principle of the Bill to the Committee in the meeting of Tuesday, 01 February, 2022. On 22 February 2022, the Researcher presented the socio-economic impact analysis and the Legal Advisor tabled the legal opinion on the Bill indicating that the Bill is in line with the relevant provisions of the Constitution as well as the Public Finance Management Act.

The Portfolio Committee conducted an analysis to ascertain whether the proposed adjustments were aligned with section 31 of the Public Finance Management Act (Act 1 of 1999) and the priorities outlined in Growing Gauteng Together 2030.

In the same meeting, the Committee deliberated and adopted the oversight report on the 1st PAAB for the 2021/22 FY.

3. ADJUSTMENT TO THE 2021/22 FY BUDGET

3.1 PROVINCIAL REVENUE

The transfers from national increase by R5 billion from R136.4 billion to R141.4 billion. The increase includes R4.2 billion in equitable share allocation and R801.1 million in conditional grants. The equitable share upward adjustment is allocated precisely for the implementation of the Presidential Youth Employment Initiative and the wage agreement of the Public Service Coordinating Bargaining Council for the 2021/22 financial year.

On the other hand, financing from the provincial revenue fund increases by R8.6 million from R6.975 billion to R6.980 billion mainly due to upward adjustment of own revenue attributed to the Departments of Social Development (at R3.9m), Cooperative Governance and Traditional Affairs (at R4.1m) and Sport, Arts, Culture and Recreation (at R639 000). Whilst the R5 million increase in direct charges from the main appropriation of R81.1 million to the adjusted appropriation of R86.1 million is to cater for the gratuity payments made to existing and former Members of the Provincial Legislature. The financing from the province increases by R1.3 billion to cover additional funding and rollovers from the previous financial year.

3.3 CHANGES TO CONDITIONAL GRANTS

The changes to conditional grants are due to roll-overs of unspent funds from the previous financial year, additional funding to grants for specific purposes; and conversion and reprioritization in indirect grants. Conditional grants are increased by R801.1 million from R24.9 billion to R25.8 billion. Most departments receiving conditional grants received an increase, apart from the Department of Infrastructure Development.

Health Conditional Grants

Additional amount of R11.5 million is allocated to the **HIV, AIDS and TB, Community Outreach Grant** for the 2021/22 FY. An amount of R7 million is converted from the Personal Services Component of the National Health Insurance Indirect Grant to the Mental Health Component of this grant to allow the province to procure mental health and oncology services directly and R4.5 million is rolled over for commitments on the procurement of Community Health Workers' uniform.

A rollover amounting to R356.4 million is approved for the **National Tertiary Services Grant** to fund commitments relating to the procurement of machinery and equipment.

The **Statutory Human Resources Training and Development Grant** is increased by R158.3 million comprising of R45.3 million for training simulation processes and R113.3 is rolled over to place medical interns upon completion of their studies.

The **Social Sector EPWP Incentive Grant** increases by R259 000 for the Department of Health, resulting from a rollover for commitments for Project management Training.

Education Conditional Grants

The **National School Nutrition Programme Grant** receives an approved rollover of R10 million to fund commitments and to settle outstanding invoices emanating from the previous financial year.

A total amount of R1.4 million is rolled over for **Learners with Profound Intellectual Disabilities Grant** to settle invoices relating to the procurement of learner and teacher support materials.

Social Development Conditional Grants

The **Early Childhood Development Grant** received an additional amount of R103.4 million is from the Presidential Employment Initiative. Of this amount, R103.4 million is to provided for the shortfall from the phase 1 of the Presidential Employment Initiative aimed at providing unemployment risk support to 70 000 Early Childhood Development (ECD) workers impacted by COVID-19 lockdown by supplementing their income. The remainder of R77.8 million is rolled over for Presidential ECD Employment Stimulus Fund.

While **Social Sector EPWP Incentive Grant** increases by R259 000 for the Department of Health, resulting from a rollover for commitments for Project management Training.

Human Settlements Conditional Grants

To cater for the payment of outstanding invoices and commitments, a roll-over of R60.3 million is approved for **Human Settlements Development Grant**. Likewise, the **Title Deeds Restoration Grant** also receives a rollover amounting to R1.4 million to to ensure that title

deeds are issued upon handover of houses to beneficiaries, and to assist the Department in fast tracking the distribution of title deeds..

Public Transport Conditional Grants

A rollover amounting to R94.5 million is approved for the **Public transport Operations Grant** to settle outstanding claims from bus operators for the prior financial year.

Agriculture and Rural Development Development Conditional Grants

The **Comprehensive Agricultural Support Programme** receives approved rollover to the tune of R1.8 million for the Extension Recovery Programme to cater for commitments regarding procurement of laptops, screens, rugged devices, and protective clothing for agricultural extension officers.

Arts, Culture and Recreation Conditional Grants

A rollover of R1 million is approved for the **Community Library Services Grant** to perform construction work in the Akasia Community Library.

While the budget for the **Mass Participation and Sport Development Grant** increases by R808 000 due to rollover of funds to settle outstanding training invoices and to procure sporting equipment and attire.

3.4 SUMMARY OF CHANGES TO INFRASTRUCTURE PROGRAMME

Table 1: Revised Departmental allocations

R'000	Main Appropriation R'000	Adjustments R'000	Adjusted Appropriation 2021/22
Health	2 161 698	185 925	2 347 623
Education	1 621 755	-	1 621 755
Social Development	149 480	37 883	187 363
Human Settlements	5 131 300	61 704	5 193 004
Roads and Transport	2 043 716	(573 396)	1 470 320
Agriculture and Rural Development	48 473	(11 590)	36 883
Sport, Arts, Culture and Recreation	19 406	16 784	36 190
Infrastructure Development	190 281	(58 433)	131 848
Economic Development	-	114 412	114 412
Total	11 366 109	(226 711)	11 139 398

Source: Explanatory Memorandum 2021/22

The budget of the infrastructure programme decreases by R226.7 million from R11.4 billion to R1.1 billion. **The Portfolio Committee noted that despite the total provincial infrastructure budget being reduced, the budgets of specific provincial departments increase.** That is, Departments of Health, Social Development, Human Settlements, Sport, Arts, Culture and Recreation (SACR) and Economic Development .

The upward adjustment of R185.9 million for the Department of Health consists of R164.6 rollover and R21.5 million for projects that exceeded their budgets. The increased allocations

of R37.9 million, R16.8 million, R114.4 million for the Departments of Social Development, and Sport, Arts, Culture and Recreation, and Economic Development respectively, were necessitated by improved performance of projects at planning and implementation stages which resulted in an additional cash flow requirement. While the R61.7 million increase for the Department of Human Settlements is for the approved rollovers.

Due to projects not reaching the planning and implementation targets at the end of the second quarter of 2021/22 financial year, the allocations for the Departments of Roads and Transport, Agriculture and Rural Development, and Infrastructure Development were revised downwards by R573 million, R11.6 million and R58.4 million correspondingly.

3.5 SUMMARY OF REVISED DEPARTMENTAL ALLOCATIONS

Table 2 below illustrates the summary of the adjusted appropriation per department. The adjusted appropriation has been revised upward by R7 billion from R142 552 806 000 to R149 558 801 000. The details of the revised adjustments are explained according to the type of spending for which the adjustment budget has provided for.

Table 2: Revised Departmental allocations

R'000	Main Appropriation R'000	Additional Allocations R'000	Adjusted Appropriation
Office of the Premier	714 423	152 600	867 023
Legislature	791 064	4 644	795 708
Economic Development	1 561 763	221 148	1 782 911
Health	56 505 266	3 120 244	59 625 510
Education	53 458 053	3 220 220	56 678 273
Social Development	5 882 786	265 771	6 148 557
Cooperative Governance and Traditional Affairs	581 696	10 376	592 072
Human Settlements	5 912 132	73 994	5 986 126
Roads and Transport	8 680 417	(112 920)	8 567 497
Community Safety	962 280	18 673	980 953
Agriculture and Rural Development	1 016 225	28 586	1 044 811
Sport, Arts, Culture and Recreation	1 066 393	(40 540)	1 025 853
e-Government	1 4104 533	134 409	1 538 942
Provincial Treasury	754 845	(79 300)	675 545
Infrastructure Development	3 260 931	(11 911)	3 249 020
Total	142 552 806	7 005 994	149 558 801

Source: Explanatory Memorandum 2021/22

Surrenders (excluding infrastructure)

The Department of Sport, Arts, Culture and Recreation surrenders R40.5 million to the Provincial Revenue Fund, which is unlikely to be spent by the end of the financial year. Of this amount, R19.9m is from vacant posts, R11.5 million due to the scaling down of events like, Gauteng Sports Awards, the Nelson Mandela Remembrance Walk, and the Premier's Social Cohesion Integrated Holiday Programme and the postponement of the Tri-colour Games because of COVID restrictions. Furthermore, the surrender of R5.2 million is ascribed to delays in bidding for and hosting major events, while the surrender of R5.8 million is attributed to delays in the installation of heritage assets at the monuments and ICT infrastructure at the community libraries.

On the other hand, Gauteng Provincial Treasury surrenders R79.3 million from the budget for compensation of employees due to delays in the filling of vacant positions.

Vote 1: Office of the Premier

The budget is adjusted upwards by R152 600 000 from R714 423 000 to R867 023 000.

An amount of R14.9 million from own provincial funding is added to the budget baseline and R137.7 million in rollovers to fund payments for Mental Health Care Users.

Vote 2: Gauteng Provincial Legislature

The total budget increases by R4 644 000 from R791 064 000 to R795 708 000.

To provide for the 1.5% once-off increase for employees in the bargaining unit and for general employees to cushion against the impact of rising inflation rate, R4.6 million is added to the budget for compensation of employees.

Vote 3: Department of Economic Development

The budget increases by R221 148 000 from R1 561 763 000 to R1 782 911 000.

An additional amount of R86 million is added to the budget baseline for the Gauteng Enterprise Propeller's contract financing to support SMMEs. While a rollover amounting to R20.7 million is approved for commitments relating to the previous financial year.

Vote 4: Department of Health

The budget is increased by R R3 120 244 000 from R56 505 266 000 to R59 625 510 000.

To fund the Human Resource Response Plan as part of the Comprehensive Health Response to the COVID-19 pandemic, R555.4 million is added to the department's budget. The equitable share amounting to R96.4 million is rolled over, comprising of R59.5 million for consumable supplies and R36.8 million for laboratory services.

Vote 5: Department of Education

The budget allocation receives an upward adjustment by R3 220 220 000 from R53 458 053 000 to R56 678 273 000.

A total of R461.1 million is rolled over for commitments from the 2020/21 financial year. Of this amount, R2.5 million is for bursaries, R73.3 million is for the National School Nutrition Programme, R60.7 million is for school furniture, R35.1 million is for learner and teacher support materials and R289.5 million is for the Gauteng City Region Academy to fund stipends paid to the youth.

Furthermore, an additional amount of R378 million is allocated to the Department to procure personal protective equipment.

Vote 6: Social Development

The budget is increased by R265 771 000 from R5 882 786 000 to R6 148 557 000.

A roll over amounting to R80.8 million is approved, made up of R61.9 million for school uniforms, R4.1 million for food relief and R14.8 million for transfers to non-profit organisations to fund substance abuse programmes, Child and Youth Care Centres, HIV & AIDS (Social Behavioural Programme, Victim Empowerment and Early Childhood Development Centres).

Vote 7: Cooperative Governance and Traditional Affairs

The budget allocation is revised upwards by R10 376 000 from R581 696 000 to R592 072 000.

To conclude projects started in the previous financial year, R10.4 million is rolled over. Projects relate to the deployment of administrators to Emfuleni Local Municipality, the appointment of probity auditors for the open tender processes, review of the Gauteng Spatial Development Framework, Gauteng City Region Planning House, the Emfuleni Capital Expenditure Framework, and support to municipalities Integrated Development Planning including the Municipal Digitalization of Valuation Roll Project.

Vote 8: Human Settlements

The budget is revised upward by R73 994 000 from R5 912 132 000 to R5 986 126 000.

The Department receives R12.3 million in rolled over funds to settle invoices that could not be paid at the end of the 2020/21 financial year.

Vote 9: Department of Roads and Transport

The budget is decreased by R112 920 000 from R8 680 417 000 to R8 567 497 000.

Vote 10: Department of Community Safety (DCS)

The budget is adjusted upwards by R18 673 000 from R962 280 000 to R980 953 000.

An amount of R10.4 million is rolled over from equitable share to pay outstanding invoices for the procurement of vehicles and mobile police stations and for awareness sessions on community radio stations.

A further R8.3 million is added to the baseline comprising of R3.2 million for the reimbursement for stipends paid to patrollers on behalf of the Gauteng Department of Human Settlements, R3.8 million is for the agreement with SANRAL for the provision of law enforcement agencies to enforce traffic laws, R996 995 is a reimbursement for escort services rendered to the Office

of the Premier and R269 923 is a reimbursement of costs incurred for the transfer of an employee from the Gauteng Provincial Treasury to the Department.

Vote 11: Department of Agriculture and Rural Development

The department receives an upward budget adjustment of R28 586 000 from R1 016 225 000 to R1 044 811 000.

To ensure the supply and delivery of agriculture equipment, computer equipment, rugged devices, protective clothing, agricultural research agenda projects and motor vehicles for veterinary services, a total amount of R16.2 million is rolled over.

Vote 12: Department of Sport, Arts, Culture and Recreation

The allocation is revised downward by R40 540 000 from R 1 066 393 000 to R1 025 853 000.

The amount is surrendered to the Provincial Treasury due to the anticipated under expenditure by the end of the financial year.

Vote 13: e-Government

The main appropriation is revised upward by R134 409 000 from R1 404 533 000 to R1 538 942 000.

To fund commitments from the prior financial year, R55.2 million is rolled over. Of this amount, R29.2 million is for the Gauteng Broadband Network, R10.9 million for the Fully Managed Data Centre, R11.2 million for laptops and R3.8 million for the Record Management Centre Exit Plan.

The department also receives additional budget amounting to R79.2 million for the funding of SAP's Unlimited During Deployment (UDD) Licenses and Enterprise Support.

Vote 14: Gauteng Provincial Treasury

The budget is reduced by R79 300 000 from R754 845 000 to R675 545 000.

An amount of R79.3 million is surrendered from the budget for compensation of employees due to delays in the filling of vacant positions.

Vote 15: Department of Infrastructure Development (DID)

The main budget is reduced by R11 911 000 from R3 260 931 000 to R3 249 020 000.

However, the department receives an approved rollover of R46.5 million for commitments on operating leases.

3.6 SOCIO-ECONOMIC IMPLICATIONS

Social Implications

The adjustment paves way for several social benefits for the province. Moreover, there is a continued response to Covid-19 by way of allocating resources in a manner that seeks to lessen the impact of the pandemic. The adjustment makes provision for the capacitation of the health sector in the province to fulfil requirements for Covid-19 vaccination programme and related responsibilities. It is important to highlight that the sector is burdened and affected by the Covid-19 pandemic, thereby putting the sector under pressure.

The budget also seeks to alleviate financial pressures associated with employing education assistants in public ordinary and public special schools. Under Social Development, the adjustment addresses the placement of social workers, to, among others, address the backlog of unemployed social worker graduates. The importance of services rendered by social workers, particularly during this period cannot be over-emphasised. The pandemic has heightened anxiety, depression, and most forms of abuse i.e. gender based violence, child abuse and substance abuse. Therefore, addressing the backlog of unemployed social workers will have positive spinoffs in other social aspects.

Economic Implications

The adjustment will, among others, make provision for the Presidential Youth Employment Initiative. The budget will thus empower youth through skills transfer and if executed effectively, it will reduce youth unemployment. The challenge of youth unemployment specifically, and unemployment generally, predates the advent of Covid-19, however, the pandemic has exacerbated the rate of unemployment.

In addition, the province commits to contribute towards job creation through, among others, EPWP programmes, Tshepo 1 million, learnership and internship programmes, and the Township Economic Revitalisation Strategy. The latter focuses mainly on supporting and uplifting small township-based businesses. This commitment is also underpinned by funds made available to the Department of Economic Development for Gauteng Enterprise Propeller's contract for financing SMMEs.

3.7 FINANCIAL IMPLICATION

The adjustment to the 2021/22 appropriation increases the provincial expenditure by R7 billion from R142.5 billion to R149.5 billion. The budget allocations for all departments changed either adjusted upward or downward.

3.8 RECOMMENDATIONS

The Portfolio Committee recommends the following:

- 3.8.1 That GPT should ensure that Departments that received additional funds in the form of equitable share, roll overs, provincial own funds and conditional have expenditure plans in place to circumvent the surrender of funds earmarked for service delivery;
- 3.8.2 That GPT should ensure that funds earmarked to re-ignite the economy are utilized prudently to ensure value for money; and
- 3.8.3 That GPT should ensure that funds earmarked to address challenges of poverty and unemployment in the Province exacerbated by Covid-19 pandemic are used for their intended purposes.

3.9 ACKNOWLEDGEMENTS

The Portfolio Committee would like to thank the Honourable MEC N. Nkomo Ralehoko, the Head of Department Ms. N. Mnyani, and officials of the Gauteng Provincial Treasury.

Thanks, and appreciation to all Members of the Finance Portfolio Committee, Mr. P. Malema; Dr. M.R. Phaladi-Digamela; Mr. W. Matsheke; Dr. B. Masuku; Ms. A. Randall; Mr. P. Atkinson; Mr. K.C. Mazwi; and Mr. I. Mukwevho.

The Committee's gratitude is extended to the following support staff: Group Committee Coordinator Mr. T. Bodibe, Senior Committee Coordinators Mr. J. Ntsane and Ms. M. Mojapelo, Researchers Mr. M. Tshehla and Ms. L. Chiloane; Legal Advisor Ms. L. Mudau; Senior Information Officer Mr. W. Nsibande; Media Officer Mr. A. Dikola; Committee Administrators Ms. C. De Beer and Mr. Z. Mabuza, Service Officer Ms. R. Msimanga, Catering Assistant Ms. E. Nthene and Hansard Recorder Ms. R. Singh.

3.10 ADOPTION

After due consideration, the Finance Portfolio Committee unanimously adopted the Report on the 1st *Provincial Adjustment Appropriation Bill [G004-2021]*.

In terms of Rule 117 (2) (c) read with Rule 164 the Finance Portfolio Committee presents to this House and recommends the adoption of the Committee Report on the 1st *Provincial Adjustment Appropriation Bill [G004-2021]* for the 2021/22 financial year.