



KWAZULU-NATAL PROVINCE

TREASURY
REPUBLIC OF SOUTH AFRICA

PROVINCE OF KWAZULU-NATAL
ADDRESS BY MEC FOR FINANCE – MS NOMUSA DUBE-NCUBE
THIRD ADJUSTMENTS APPROPRIATION BILL, 2021

25 MARCH 2021



MS. NOMUSA DUBE-NCUBE

MEC: FINANCE

Introduction

Madam Speaker, I rise to table the Third Adjustments Appropriation Bill 2021, with a determination to maintain the legacy of our departed King – ISILO SamaBandla Onke. I have no doubt that this determination is shared by Members of this House.

Honourable Members, we all witnessed His Majesty spending most of his time supporting the programmes of our government, making appearances in many functions in support of various Members of the Executive.

He increased the appeal and uptake of the programmes of service delivery. In these occasions of public engagements, including the Official Opening of the Legislature, ISILO persistently acted as:

- An Advocate for socio-economic development, including provision of infrastructure – roads, water, electricity, etc.;
- A Promoter for creation of sustainable livelihoods with people being an integral part of the fight to eradicate poverty, talking strongly against dependence and indolence;
- A Campaigner against corruption, especially by those entrusted with state resources at all levels of government;
- A Tireless Campaigner for respect for women's rights and their emancipation – fighting against domestic violence and abuse of women.

And importantly, His Majesty acted as a Champion for the building of schools and provision of quality education to our children.

Indeed, we are determined to ensure that education is the foundation upon which the future of our province is built.

Madam Speaker, we recall that on March 23 last year, the President of the Republic of South Africa His Excellency Cyril Ramaphosa announced the first national lockdown in this country.

Since that announcement, the global economy has shifted significantly to be driven by communication of knowledge and information at high speed without the hindrance of conventional political and physical geographic borders.

Clearly, the greatness of nations will (now and in future) be determined by how their superiority in knowledge and technology allowed them access to the natural resources without brute force, violence and bloodshed that characterized our past.

Competitiveness and capacity to control and operate highly sophisticated systems of management and production, as well as discovery of new techniques through research and development of new products, is what will determine world leaders.

Madam Speaker, in view of what I have just highlighted, I believe all of us in this House are called upon to assist our children to acquire the best education possible to ensure that they are not left behind in this technological advancement.

We commend the MEC for Education Kwazi Mshengu, officials at all levels, teachers, parents, learners and teacher unions for starting the 2021 academic year with determination.

It is reassuring to see overall improvement in matric results in almost all the regions, confirming that the improvement in the results is a consequence of good leadership in this sector.

The level of commitment and dedication I observed during school functionality monitoring visits has convinced me that, with adequate support from Members of this House, in the near future, our Province will be respected for the high quality of education and the products it will produce.

Amendments to KwaZulu-Natal's 2020/21 budget

Madam Speaker, it is therefore not surprising that the focus of the amendments to KwaZulu-Natal's 2020/21 budget relate to education.

The Covid-19 pandemic has impacted on many aspects of our lives over the past year and we have had to rearrange many aspects of our lives to respond to the pandemic.

Similarly, as a provincial government, we have also had to be very responsive in this dynamic situation.

As a first instance, we had to table a Special Adjustments Budget in the Legislature in July 2020 to provide a budget towards the provincial Covid-19 response and Members will recall that this required a significant reconfiguration of the provincial budget.

This was followed by a Second Adjustments Budget being tabled in November 2020 which allowed for the usual re-arranging of departmental budgets, but also gave effect to significant fiscal consolidation budget cuts made by National Treasury, especially in as far as the 0 per cent salary increases for public servants were concerned.

We understood from the beginning that this was not going to be a normal year and we therefore had to be more alert and more responsive than ever before when it came to assessing the provincial budget performance and responding with speed and agility when budget pressures presented themselves.

It was due to this constant vigilance around the budget performance of the province that we began noticing concerning budget pressures shown by the Department of Education. As is usual, we spent some time assessing and

understanding these budget pressures so as to devise an appropriate response.

For a number of months, the Department of Education projected spending pressures and projected over-spending in the monthly In-year Monitoring reports submitted to National Treasury.

These spending pressures were presented to the Provincial Executive Council during the year and it was resolved that the department should prepare a turnaround plan to show how they will deal with this projected over-spending and to ensure that they remain within budget.

It soon became clear that the department was finding it difficult to remain within budget. There are a few reasons I wish to highlight.

Firstly, the high and unexpected budget cut against the Education Infrastructure grant in the Special Adjustments Budget in July 2020

Secondly, the higher than anticipated budget cuts in terms of the cost-of-living *Compensation of employees* adjustment which was effected against the department in the Second Adjustments Budget in November 2020.

Both these budget cuts emanated from cuts made by National Treasury.

As a reminder, the Education Infrastructure grant was cut by R497.218 million and this cut was unexpected both in terms of quantum, and the fact that this grant was being cut at all as provinces had been told that the conditional grant framework was being amended to allow provinces to use parts of this grant for their Covid-19 response. As such, the department had banked on this grant in terms of their Covid-19 response.

The department was thus relying on this grant to repair schools vandalized during the initial stages of the lockdown where 467 schools were vandalized, but also to provide the necessary infrastructure related to water provision in schools in the form of water tanks and hand washing stations to ensure reliable water supply in schools.

Furthermore, the department had to provide chemical toilets in schools where existing sanitation facilities were inadequate and this included the desludging of toilets, mainly in rural areas. As part of observing social distancing requirements, the department provided mobile classrooms to overcrowded schools which had previously been affected by storm damage.

In addition, the department's budget was also impacted by the cost-of-living budget cuts made by National Treasury. In terms of the cost-of-living budget cut made in the Second Adjustments Budget, the department was cut by R3.085 billion, while the calculations undertaken by both Provincial Treasury and the Department of Education suggest that this cut was approximately

R400 million to R500 million higher than the actual budget provision made by the department for this cost-of-living adjustment.

These two factors caused immense spending pressures for the Department of Education. It also made it impossible for the department to reprioritise from within their budget to cover these spending pressures with the department projecting to be over-spent by around R970 million in the February 2021 budget performance reports.

The Provincial Executive Council reacted immediately and suggested a number of areas that should be looked at to support the Department of Education and to prevent the projected over-spending from becoming reality.

The areas to be looked into included liaising with National Treasury on the Education Infrastructure grant and wage budget cut, looking at voluntary surrenders of funds from other departments who are showing projected under-spending in 2020/21, as well as asking the department to provide realistic spending projections per economic category.

Unfortunately, the engagements with National Treasury did not result in additional funds being allocated to the province and we soon realized that the province would need to find its own solution to assisting the Department of Education with these unforeseen spending pressures.

Provincial Treasury started engaging with the various departments to analyse any projected under-spending with a view to move possible savings to be realized by some Votes to offset the spending pressures in the Department of Education. This was done in two stages with the initial stage resulting in R230 million volunteered to be surrendered by the Department of Transport (R100 million) and the Department of Social Development (R130 million).

The second stage saw R190 million being surrendered by a number of other departments, and the detail is provided shortly.

This means that in aggregate, R420 million is surrendered by various departments towards the Department of Education's budget pressures, while there was also internal reprioritization of R370 million done by the Department of Education. This means that a total of R790 million is allocated towards the department's spending pressures.

In terms of the reprioritisation done within the Department of Education, the department was requested to carefully look at their projections per economic classification. The department identified in this process that R370 million of the R1.424 billion received in the Second Adjustments Budget in November 2020 from the Presidential Employment Initiative Fund, will not be spent as some schools did not submit the required documentation.

It was proposed to the department that a case be made that, while these funds were not transferred to schools, that they be used to offset the budget pressures from hiring temporary educators to replace the teachers who could not work during the pandemic due to the fact that they have severe comorbidities which would put them at greater risk. This means that these funds will still be used for creating employment opportunities, but now for temporary educators.

The reprioritization and surrenders are discussed here, and the detailed of what areas were showing savings are detailed in the Explanatory Memorandum that has also been tabled today:

- The Department of Transport indicated that they expect to under-spend by R400 million and agreed to volunteer to surrender R100 million from this projected under-spending to be used to assist the Department of Education with their spending pressures. The Department of Transport requested the balance of R300 million to be suspended from their Vote in 2020/21 and be re-allocated in 2021/22 in view of the budget cuts in that year. The funds will be used for the much needed road infrastructure projects.
- The Department of Social Development agreed to surrender R130 million towards the Department of Education's spending pressures.
- The Office of the Premier indicated that they are able to surrender R6 million towards the pressures in the Department of Education.
- The Department of Agriculture and Rural Development indicated that they can surrender R5 million towards the spending pressures in Education.
- The Department of Economic Development, Tourism and Environmental Affairs surrender R25 million toward the pressures in Education.
- Provincial Treasury surrendered R13 million towards the budget pressures in the Department of Education.
- Health is projecting to under-spend by R1.683 billion mainly in respect of *Compensation of employees* due to a decrease in Covid-19 cases which led to fewer than anticipated temporary staff being hired. It is felt prudent to leave as much of these funds untouched as possible to assist with responding to the third wave of the Covid-19 pandemic. However, Health was also allocated R1.637 billion in the 2021/22 budget for the response to the third wave, meaning there is R3.320 billion available in aggregate for the third wave response. As such, it was decided that R100 million from the 2020/21 under-spending can be surrendered to the pressures in Education.
- The Department of Community Safety and Liaison agreed to surrender R10 million towards the spending pressures in Education.

- The Department of Sport and Recreation agreed to surrender R2 million towards the spending pressures in the Department of Education.
- The Department of Public Works indicated that R23 million can be surrendered towards the spending pressures in Education.
- The Department of Arts and Culture agreed to surrender R6 million towards the Department of Education's spending pressures.

Madam Speaker, at this stage, we wish to commend Members of the Executive Council for their commitment to ensure that the Department of Education is supported to provide quality education to our children.

As Provincial Treasury, we remain committed to working with all government departments to accelerate massive investments in infrastructure, building of more class rooms and ablution facilities.

We undertake to invest more information technology and technical equipment infrastructure such as laboratories and libraries to further equip learners to function in the digital economy as masters of cutting edge technology.

Importantly, we remain committed to work with all spheres of government to deal with the provision of water to our learners and educators. We believe that the education department, and educators in particular, should not be overburdened with this matter.

It is for this reason that we assigned a team from Provincial Treasury under the leadership of the Acting Head of Department to work with the Department of Education to resolve this matter. The Infrastructure Crack Team has also been brought in to unblock all blockages.

Conclusion

Honourable Members, this Third Adjustments Appropriation thus deals with the internal reprioritization within Vote 5: Education to *Compensation of employees* of R370 million and this largely offsets the budget pressures in this category.

The Third Adjustments Appropriation also deals with the surrender of funds in the amount of R420 million from a number of Votes towards the infrastructure pressures in Vote 5: Education.

The Third Adjustments Appropriation also deals with the suspension of R300 million from Vote 12: Transport in 2020/21 for re-allocation to the department in 2021/22 for road infrastructure projects.

The attached Third Adjustments Appropriation Bill, 2021 highlights the effects of these changes on the various Votes mentioned above in grey shading in the Schedule to the Bill.

While these re-allocations have been made rather late in the financial year they were done in consultation with all affected Votes and there is thus a state of readiness in the province to effect these changes this late in the financial year.

I therefore table in this House the Third Adjustments Appropriation Bill, 2021 with its Explanatory Memorandum and the associated schedule.

Thank You.