

Province of KwaZulu-Natal

Address by MEC for Finance – Ms Neliswa Peggy Nkonyeni

30 March 2023

Second Adjustments Appropriation Bill, 2023

Honourable Speaker, Ms Nontembeko Boyce
Honourable Deputy Speaker, Mr Themba Mthembu
Honourable Premier, Ms Nomusa Dube-Ncube
Leader of Government Business, MEC for EDTEA, Mr S Duma
Members of the Provincial Executive Council
Honourable Members of the Provincial Legislature
Director General, Dr Nonhlanhla Mkhize
Heads of Departments
People of KwaZulu-Natal
Distinguished guests

1. INTRODUCTION

It is my honour today, to table the Second Adjustments Appropriation Bill, 2023 in this House. I table this Bill in three languages, namely in English, isiZulu and Afrikaans. Together with the Bill, I table an Explanatory Memorandum which explains the various amendments being made to the 2022/23 budget. We also provide copies of two Government Gazettes issued by National Treasury.

This Second Adjustments Appropriation Bill is being tabled in line with Section 31 (a) and (e) of the PFMA which provides for a province to table an adjustments budget in the event that funds have become available to the province, as well as the shifting of funds within and between Votes.

Honourable Members will recall that we tabled an Adjustments Budget for 2022/23 in this House on 24 November 2022. There are amendments that have been made since then that require formalisation by this House. These amendments relate to the 2022/23 financial year and it is therefore imperative that this Bill be tabled, debated and voted

on before the end of the financial year, that is, before 31 March 2023. We would like to express our gratitude that the Provincial Legislature made time in its very busy schedule to accommodate this very important tabling.

2. ADJUSTMENTS TO THE 2022/23 BUDGET

The Second Adjustments Budget provides for amendments as a result of National Treasury allocating funds to the province. There is also a minor reduction being made to the funds received from the African Union (AU) with respect to a donation provided to respond to the April 2022 flood disaster. The province also undertook a provincial reprioritisation exercise so as to move funding from Votes that were not going to fully spend their budgets, towards Votes that are showing budget pressure. There are also a few virements made by departments that require Legislature approval, in terms of Section 43 of the PFMA. I will explain all of these budget adjustments as follows:

2.1 Allocations by National Treasury

The Province of KwaZulu-Natal is required, in terms of Government Notices, to table an adjusted Adjustments Appropriation Bill for 2022/23, referred to as the Second Adjustments Appropriation Bill, 2023. Two Government Gazettes (No. 47 789 and No. 48 095) were published by National Treasury (signed by the Minister of Finance), in terms of the Division of Revenue Act (DORA), 2022 (Act No. 5 of 2022), and provide information on adjustments to existing allocations to provinces in the 2022/23 financial year. These Gazettes affect the allocations of Vote 7: Health and Vote 8: Human Settlements. I provide further detail here:

- Government Gazette No. 47 789 was issued in terms of Section 18 of DORA, 2022. This Gazette sees the stopping of funds from the **National Health Insurance (NHI) grant** in the Eastern Cape (R7.475 million), Free State (R381 000), Limpopo (R3.037 million), Northern Cape (R4.019 million), North West (R9.399 million) and Western Cape (R8.641 million). In compliance with Section 19, these funds are re-allocated to **KwaZulu-Natal (R19.366 million)**, Gauteng (R139 000) and Mpumalanga (R13.447 million). This brings the total for the NHI grant for **Vote 7: Health** in KwaZulu-Natal to R104.092 million.

- Government Gazette No. 48 095 was issued in terms of Sections 18, 19 and 25 of the DORA, 2022. In compliance with Section 25, the national Department of Human Settlements allocated R16.368 million to KwaZulu-Natal from the unallocated **Provincial Emergency Housing Grant** (Schedule 7, Part A). This brings the total for this grant under **Vote 8: Human Settlements** in this province to R342.132 million.

2.2 Amendment to AU donor funding

When the 2022/23 Adjustments Budget was tabled last year in November, donor funds received from the AU were allocated to **Vote 1: Office of the Premier** (R2.670 million) according to an estimated Rand/Dollar exchange rate at the time. However, when the donor funds were received in the provincial bank account in January 2023, the exchange rate had changed slightly resulting in R2.496 million being received, which is R174 000 less than what was allocated. As such, the donor funding allocation to Vote 1: Office of the Premier is revised to R2.496 million.

2.3 Provincial reprioritisation

As indicated, it was decided to undertake a provincial reprioritisation exercise so as to reduce the risk of the province going into overdraft. A few departments have been showing budget pressures in the monthly In-year Monitoring (IYM) reports and these pressures needed to be addressed. As such, each Vote that was showing budget pressure was engaged with to ask whether they could undertake internal reprioritisation to offset some of the budget pressure. After undertaking this exercise, they were to indicate what budget pressures remain. On the other hand, Votes that were not showing budget pressure, were asked whether they are in a position to surrender funds which could be used to fund the remaining budget pressures in the other Votes.

The following Votes are surrendering an aggregate amount of R378.887 million in the 2022/23 Second Adjustments Estimate:

- **Vote 4: Economic Development, Tourism and Environmental Affairs** surrendered R95 million towards the provincial reprioritisation exercise. The funds are available for surrender due

to enforced savings against various items such as venues and facilities, delays in the implementation of various projects, delays in filling posts, as well as delays in the procurement of equipment.

- **Vote 6: Provincial Treasury** is able to surrender R47 million towards the provincial reprioritisation exercise. The funds are available for surrender due to delays in filling vacant posts, savings realised from S&T, delayed SITA procurement processes, as well as training and communication costs.
- **Vote 10: Sport, Arts and Culture** is able to surrender R36.887 million towards the provincial reprioritisation exercise. The funds are available for surrender due to delays in the implementation of sport infrastructure projects by various municipalities.
- **Vote 12: Transport** is able to surrender R200 million towards the provincial reprioritisation exercise. The funds are available for surrender due to current slow spending on various road rehabilitation projects related to the April 2022 floods for which the department had undertaken internal reprioritisation.

The departments showing budget pressures receive the R378.887 million, as follows:

- **Vote 5: Education** indicated budget pressures of R635.154 million in the February 2023 IYM while noting that they can undertake internal reprioritisation of R25.224 million and can reasonably defer R214.592 million of their expenditure to 2023/24. This means that R395.338 million remains as projected over-spending and the province is in a position to allocate R240.925 million towards this budget pressure.
- **Vote 13: Social Development** indicated budget pressures of R76.679 million in their submission, and the department indicated that it will defer some payments to 2023/24, though this will place significant pressure on the budget in that year as the 2021/22 MTEF budget cuts were significantly higher in 2023/24 when compared to 2022/23. The areas that the department is likely to defer expenditure to 2023/24 are various infrastructure projects (R7.712

million), as well as *Machinery and equipment* (R10 million). The budget pressure remaining after providing for certain payments and deferring some expenditure to 2023/24 is R61.073 million and the province is in a position to allocate R37.065 million towards this budget pressure.

- **Vote 14: Public Works** indicated that the budget pressures with respect to property rates amount to R290.544 million, with this pressure being mainly due to higher than anticipated tariff increases in the market values of properties by certain municipalities in their implementation of the new General Evaluation Roll as at 1 July 2021, as well as an under-funded baseline. The province is in a position to allocate R100.897 million towards this pressure and the balance of the budget pressure will be deferred to 2023/24. The department has also undertaken further reprioritisation of around R25 million towards this pressure, and this will reduce the amount to be deferred to next year and this is anticipated to be considered for additional funding in the 2023/24 Adjustments Estimate.

2.4 Virements requiring Legislature approval

In addition to the amendments already mentioned, certain departments are required to amend their budgets and, as some of these require Legislature approval, they are highlighted in the Explanatory Memorandum to the Second Adjustments Estimate. Legislature approval is required for various virements in terms of Section 43(4) of the PFMA. Provincial Treasury has analysed these virements and are in support of them, while noting that the approval of these virements rests with this House.

3. CONCLUSION

In conclusion, the Second Adjustments Appropriation Bill, 2023 highlights the effects of all changes made in grey shading in the Schedule to the Bill.

This Bill, once adopted, allows for these changes to be made to the budgets of the affected Votes.

While we acknowledge that the provincial reprioritisation exercise does not fully cover the budget pressures shown by the various Votes, we do believe that we were able to reduce the fiscal risk significantly. We are confident that, with these budget adjustments, and the anticipated provincial own revenue over-collection, that we should be able to end the year without going into a significant deficit.

We look forward to briefing the Finance Portfolio Committee and other Committees on these proposed amendments and, once again, would like to express our gratitude that we were able to table this important Bill before the end of the financial year.

Thank You.