



ADJUSTMENTS BUDGET SPEECH 2024/25

26 November 2024



KWAZULU-NATAL PROVINCE
TREASURY
REPUBLIC OF SOUTH AFRICA



PROVINCE OF KWAZULU-NATAL

Budget Address by Mr Francois Rodgers (MPL) MEC for Finance

On tabling the 2024/25 Adjustments Estimate in the KwaZulu-Natal Provincial Legislature

26 November 2024

Honourable Speaker, Ms Nontembeko Boyce

Honourable Deputy Speaker, Ms Mmabatho Tembe

Honourable Premier, Mr Thamsanqa Ntuli

Members of the KwaZulu-Natal Provincial Executive Council

Honourable Members of the Provincial Legislature

Members of the diplomatic corps

Chairperson of the KZN Provincial House of Traditional and Khoi-San Leaders,

Inkosi Shinga

All traditional leaders

Director General, Dr Nonhlanhla Mkhize

Head of Department, Ms Carol Coetzee

All Heads of Departments and Senior Management

CEOs of Public Entities

People of KwaZulu-Natal

Members of the media

Business leaders

Distinguished guests

1. INTRODUCTION

Madam Speaker, it is my honour to stand before this August House to present the 2024/25 Adjustments Budget. The documentation I am tabling today is the 2024/25 Adjustments Estimate of Provincial Revenue and Expenditure, the Adjustments Appropriation Bill, 2024 (in English, isiZulu and Afrikaans), an explanatory memorandum highlighting specific virements which require approval of this House, as well as the Socio-Economic Review and Outlook.

The 2024/2025 Adjustments Budget for the province of KwaZulu-Natal (KZN) comes after cabinet adopted the hard but necessary decision to implement further cost-containment measures as part of its efforts to stabilise the provincial fiscus.

Madam Speaker, the Government of Provincial Unity (GPU) is committed to building a capable, ethical, and developmental state. Against this backdrop, we wish to affirm at the onset that we will not compromise priority spending areas that have the potential to alleviate poverty, unemployment, inequality as well as improve service delivery for the citizens of KwaZulu-Natal.

Sluggish economic growth has placed our country and province in a precarious position. Wastage of public funds, bailouts of underperforming state-owned entities and widespread corruption within the civil service over the years has adversely contributed to an existing poor economic situation.

Spending pressures have resulted in the country taking on additional debt, with the burden of debt now being felt on the fiscus. 22 cents of every rand raised in revenue will go towards servicing debt.



Indeed, times are tough. The task before us is enormous and allows no room for complacency. We now need, at the helm, extra-ordinary leaders who care for our most vulnerable citizens.

We must earnestly commit to eliminate luxuries, as we strive towards ensuring the greatest impact in the attainment of a balanced budget.

We emphasise that spending on subsistence and travel, international travel, vehicle rentals, functions and catering, must be substantially reduced, so as to create relief in areas of greater need, such as social services, healthcare, safety and security and education.

As deep as our problems may be, however, they are not insurmountable. There is hope on the horizon.

The GPU, through its collective effort, strives to ensure that the province has a balanced budget before the end of its term in office.

This administration has been largely welcomed by the business community, civil society, and communities at large. There is enthusiasm and eagerness from stakeholders outside of government to assist in resolving our challenges. We have ample opportunities to champion public-private partnerships which will ultimately grow our economy and position a trajectory of sustained economic and social growth.

Madam Speaker, it is common cause, however, that the business community will not be moved to partner with government if there appears to be poor management of public assets.

We will therefore have to put our words into action and deliver on our promise to tackle issues such as corruption, maladministration, and mismanagement.

As the MEC for Finance, I will rely on the legislated powers designated to my office to deal with poor financial performance, poor financial decision making and directly address those who, through their actions, contravene legislation to the detriment bring of the province.

All government departments must use public funds efficiently in line with their respective mandates, failing which consequence management will be implemented. Section 18 2(g) of the PFMA states:

“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.”

Madam Speaker, we had to consider a number of factors while formulating this Adjustments Budget. Most departments and entities are experiencing great difficulty following years of budget cuts. We have also had to assess critical service delivery areas and the immediate interventions we are able to make at this juncture. Clearly, the available resources do not allow us to meet all the needs and expectations of provincial departments.

2. ECONOMIC OUTLOOK

The Minister of Finance, Minister Godongwana indicated in his Medium-Term Budget Policy Statement speech a few weeks ago that there is a positive impetus in our country currently, brought about by the formation of a government of national unity after the 2024 General Elections, no load-shedding since March 2024, greater business and consumer confidence, as well as lowered inflation. The three priorities of the government of national unity are:



- To drive inclusive growth and job creation;
- To reduce poverty and tackle the high cost of living; and
- To build a capable, ethical and developmental state.

We are affected by various global risks which impact our economic prospects. The persistent geopolitical tensions, the conflict in the Middle East, as well as between Ukraine and Russia remain a concern. They impact on international stability and also lead to greater difficulty for developing countries to reach their economic growth targets.

Thus, despite expectations for resilient growth, the global economy remains vulnerable to various risks, including the potential for a deeper-than-anticipated contraction in China's property market. However, the global economic environment is generally stable, with a slow trend of worldwide disinflation.

Central banks continue to exercise caution regarding adjustments to their monetary policies. Consequently, global economic growth is projected to remain at 3.2% in 2024 and 2025, slightly below the 3.3% recorded in 2023.

The economic outlook for South Africa and KZN is anticipated to improve, supported by a stable electricity supply, increased investor and consumer confidence, and the resolution of operational issues at commercial ports. In this context, the national economic growth is expected to increase marginally to 1.1% this year, with further growth to 1.6% in 2025 and 1.8% in 2026.

Similar to the national trend, economic performance in KwaZulu-Natal (KZN) has significantly slowed over the past two years, following a robust growth rate of 4.9% in 2021. The real regional gross domestic product has declined from

1.1% in 2023 to an estimated 0.9% this year, with an anticipated expansion to 2% in 2025. At these growth rates, the provincial economy remains considerably below its potential, especially compared to an annual average growth rate of 4.2% observed between 2001 and 2006, prior to the global financial crisis.

High unemployment continues to present a major challenge for both the country and KZN. The official unemployment rate in KZN remains elevated at 31.2%, implying that approximately 1.287 million people are without employment in the province. It is our collective responsibility to make every effort to grow the economy and to facilitate investments that will create jobs in our province.

Our aim has to be to continue to focus on faster inclusive economic growth and job creation. As part of this, Minister Godongwana indicated the need to implement structural reforms to strengthening the economy through being more productive, and thereby competitive in the international platform as well.

We therefore have affected adjustments to our budget with this context in mind.

3. LEGAL BASIS OF THE 2024/25 ADJUSTMENTS BUDGET

The National Minister tabled the National Adjustments Estimate, as well as the MTBPS, in Parliament on 30 October 2024. In terms of Treasury Regulation 6.6.3, a province must table a Provincial Adjustments Estimate in the Provincial Legislature within 30 days of the national Adjustments Budget being tabled. Tabling the 2024/25 Adjustments Estimate of Provincial Revenue and Expenditure in this House today falls within this 30-day requirement.

The main budget for KwaZulu-Natal was re-tabled in this House on 25 July 2024, after the 2024 General Elections were held. The main budget was debated and passed in this House on 13 August 2024.



In order for any changes to the main budget to be formalised, it requires that the province tables an Adjustments Budget, also referred to as the Adjustments Estimate of Provincial Revenue and Expenditure, in this House.

Section 31 of the Public Finance Management Act (PFMA) provides the legal basis for tabling a provincial Adjustments Budget, with Section 43 and Treasury Regulation 6.3 to 6.6 providing further guidance on the types of amendments that can be made and whether these amendments can be approved by the Accounting Officer of a department, Provincial Treasury or the Provincial Legislature.

The Adjustments Estimate I am tabling today considers allocations being made from provincial cash resources. The Adjustments Estimate also deals with the virement and shifting of funds within Votes and allows departments to make changes to their budgets to take into account any changes in their operations which impact on their budgets.

As indicated, Section 43 of the PFMA determines that Legislature approval is required for certain virements, while some can be approved by the respective Accounting Officer or by Provincial Treasury. In cases where Legislature approval is required for specific virements, we have highlighted these in grey shading in the 2024/25 Adjustments Estimate book which I am tabling today. These virements are also explained in an explanatory memorandum which is also distributed today. I encourage all Honourable Members to study these documents in order to enhance your knowledge and therefore your ability to provide effective oversight of sector departments.

I therefore table the 2024/25 Adjustments Estimate of Provincial Revenue and Expenditure, an explanatory memorandum which highlights all budget movements that require Legislature approval, as well as the Adjusted Appropriation Bill, 2024 in English, isiZulu and Afrikaans.

Madam Speaker, the documents I am presenting today also include the KZN Socio-Economic Review Outlook (SERO), which provides a comprehensive analysis of the social and economic conditions in KZN. This report contains valuable insights that will assist policymakers in both the public and private sectors to understand the current socio-economic trends that are crucial for decision-making and future planning. Reviewing these socio-economic indicators is essential for tracking progress in improving the living standards of the people of KZN while also identifying future priority areas for resource allocation.

When we prepare for the 2025/26 Medium Term Expenditure Framework (MTEF) budget over the next few months, the SERO is critical in highlighting the services that may need prioritisation amidst already stretched financial resources. Additionally, SERO explores the Provincial Equitable Share, which is a critical mechanism for national general-purpose transfers to the provinces.

4. ADJUSTMENTS TO THE 2024/25 BUDGET

Preparing a budget in a time of plenty, is always easier than preparing a budget at a time where fiscal resources are scarce. As had been the case in recent budget processes, the demands for additional funds far exceeded the amount available for allocation. The Ministers' Committee on the Budget (MinComBud) and the Provincial Executive Council deliberated at great length in determining the allocation of our very limited resources. These discussions provided invaluable guidance and leadership to the presentation here today.

National Treasury was also engaged throughout this process, especially with regards to our funding request for the 2024 wage agreement, and I will provide further detail in this regard shortly.



As a result of the continued impact of fiscal consolidation budget cuts made in previous budget processes, which remain in our baseline, as well as the costs of the 2024 wage agreement, significant budget pressures are evident in the monthly In-year Monitoring (IYM) reports submitted to Provincial Treasury by departments. We have held discussions at both a political and technical level in this regard, and some of the allocations made today will help to reduce the budget pressures evident in these IYMs. Where they do not offset them completely, departments have been reminded of the responsibility they have in terms of Section 39(2) of the PFMA which places the onus of remaining within budget on each Accounting Officer. Departments have been requested to produce detailed turnaround plans to reduce the fiscal risk, while Provincial Treasury's cash management unit is keeping its finger on the pulse to ensure that the province does not go into an overdraft.

I am pleased to say that the province remains cash positive as has been the case since May 2010, despite these budget pressures. The provincial cash balances are being managed very tightly by Provincial Treasury who reviews and manages the bank balances daily and provides the allocated cash resources to the departments within approved budget allocations. Cash blocking has to remain as a crucial control to eliminate any payments being processed without the requisite cash being available in the bank account of a department and should not be interpreted as Treasury controlling who receives payment. Given the current severe fiscal constraints faced by the province, this has become critical in avoiding a bank overdraft position.

4.1 Amendments by National Treasury to the Budget

For the first time in many years, National Treasury is making no amendments to the provincial budget in this Adjustments Budget, with the exception of the roll-over of unspent conditional grant funding.

As Minister Godongwana indicated in his Medium-Term Budget Policy Statement speech last month, tax collection for the current year is expected to be R22.3 billion lower than what had been estimated when the main budget for the year was set. He also indicated that, as a result of these lower revenue projections, it is not possible to accommodate all the demands on the fiscus. This means that difficult trade-off decisions have to be made when setting or amending the budgets in all spheres of government. To some extent whilst we are relieved that there are no in-year budget cuts this time around, the need for additional resources persists.

4.1.1 Amendment to the Provincial Equitable Share

National Treasury indicated when the 2024/25 main budget was being set, that departments should budget for a 4.4 per cent cost of living adjustment. Many departments found this difficult to achieve as a result of the fiscal consolidation budget cuts made against their budgets over the last few MTEF periods.

The 2024 wage agreement was implemented at a 4.7 per cent increase, which is 0.3 per cent higher than the percentage National Treasury had indicated the province should budget for.

The 2024 wage agreement is therefore exerting a significant pressure on the provincial budget, as not all departments could budget for the 4.4 per cent prescribed increase, but also because the increase that was implemented was higher at 4.7 per cent.

The budget pressure resulting from the 2024 wage agreement was thus calculated at R4.5 billion for our province.



Provincial Treasury raised the difficulty in absorbing this cost from within the provincial budget at various forums with National Treasury. Despite this, National Treasury has allocated no additional funding to the province for this purpose, influenced by the fact that the country is facing an under-collection in respect of its tax revenue. The departmental turnaround plans referred to earlier are therefore instrumental in the province managing the budget pressure brought about by the 2024 wage agreement and fiscal consolidation.

4.1.2 Amendment to the Conditional Grant Allocation – Roll-overs

Unspent conditional grant funding relating to the previous financial year must be returned to the national fiscus, unless approved for roll-over, according to Section 22 of the Division of Revenue Act. The province recorded an audited under-spending of R263.7 million at the end of 2023/24 against a budget of R25.6 billion, having spent 99 per cent of the conditional grant budget by year-end.

Departments must request approval for the roll-over of these funds from National Treasury and must prove that the funds were committed at year-end. In these engagements, the province was able to prove that the full amount of the unspent funds was committed and approval was thus given by National Treasury for these funds to be rolled over.

In this regard, the only conditional grant applied and approved for roll-over is the **Human Settlements Development grant** under Vote 8: Human Settlements. This grant was under-spent by R263.7 million and the full amount was approved for roll over. As KZN we have done exceptionally well in spending conditional grants thus ensuring that we do not return funds to the national fiscus.

4.2 Amendments to the Budget from Provincial Cash Resources

Allocations have been made from provincial cash resources in this Adjustments Estimate process. These provincial cash resources became available for allocation in this Adjustments Budget from three sources.

The first source is from the under-spending from the prior year, as well as the revenue over-collection from that year. As a result, the province has R726.404 million in the provincial bank account, both from the revenue over-collection and from departments that had under-spent their budget in the prior year. Part of this related to the conditional grant under-spending where National Treasury approved roll-overs of R263.7 million, as indicated earlier. After taking this into account, R462.7 million remained available for allocation in this Adjustments Budget.

The second source is the Contingency Reserve budgeted at R263.4 million when the main budget was set.

Thirdly, some departments have collected unbudgeted revenue in the current year which they have requested to be allocated back to them in-year. The total available in this regard is R30.2 million.

These three sources resulted in R729.3 million in provincial cash resources being available for allocation in this Adjustments Budget.

There were several competing needs and the allocations made fall in line with the available resource envelope. The following departments receive additional funds in this Adjustments Budget, or unspent funds relating to the prior year are rolled over for spending in the current year:



- **Vote1: Office of the Premier** receives R85 million, as follows:
 - R10 million for transfer to the Zulu Royal House Trust with respect to legal fees for His Majesty, the King, as well as to provide for the new beneficiaries, in line with the current royal household's needs.
 - R75 million for the continued implementation of the KZN Youth Empowerment Fund so that this programme reaches more youth businesses with the aim to positively contribute to reducing youth unemployment as well as economic growth in the province. There is a further amount in excess of R24 million currently held by the KZN Growth Fund Agency, thus making around R100 million available in the current year towards this Fund.
- **Vote 2: Provincial Legislature** receives R70.6 million for the following:
 - R1 million relates to the revenue over-collection from the prior year which is allocated back to the Legislature in line with the Financial Management for Parliament and Provincial Legislatures Act (FMPPLA) and the PFMA.
 - R28.5 million is for MPLs' exit packages following the 2024 General Elections. This is a direct charge on the Provincial Revenue Fund and must therefore be funded.
 - R4.1 million relates to MPLs' salary increases which were implemented at 2.5 per cent. This is a direct charge on the Provincial Revenue Fund and must therefore be funded.
 - R20 million is for the Sage Enterprise Resource Planning (ERP) system. In 2023/24, the Legislature requested a total of R30 million for the implementation of the Sage ERP system and were allocated R8 million in 2023/24 in line with project timelines. In 2024/25, the Legislature indicated that they require around R20 million to continue with the implementation of this system.

- R9 million is for tools of trade for MPLs and staff to provide for the replacement of redundant computers.
- R2 million is for the replacement of worn-out chairs for the Main Chamber and committee rooms of the Legislature.
- R6 million is for IT infrastructure, specifically for the SAP maintenance costs relating to the period from April to August 2024, cyber security interventions, as well as the shortfall in Microsoft licence fees.
- **Vote 4: Economic Development, Tourism and Environmental Affairs (EDTEA)** requested a roll-over from the prior year of R13.2 million and this relates to various transfers that were committed at year-end. These relate to the transfer in respect of the purchase of land at the Mkuze Game Reserve for the benefit of the neighbouring community (R3 million), the transfer to the iLembe Enterprise Development relating to the ongoing KwaShushu Hotsprings project (R3.5 million), the Greenest Municipality Competition (R3.6 million), as well as the Waste Economy Support Programme (R3.1 million).
- **Vote 5: Education** receives R95 million towards the shortfall in the national school nutrition programme. The current allocation under the National School Nutrition Programme grant is not sufficient to cater for all the learners currently being fed under this school nutrition scheme and the amount allocated in this Adjustments Budget addresses that shortfall.
- **Vote 8: Human Settlements** receives R5.3 million. This has been held in the Provincial Revenue Fund for a number of years and relates to the KZN Housing Fund. In total, R6 million is held in the Provincial Revenue Fund and R5.3 million is allocated to Vote 8: Human Settlements towards the costs of disestablishing the KZN Housing Fund. A resolution was taken by the Human Settlements sector that the Housing Fund in all provinces should be dis-established by 31 March 2025.



- **Vote 8: Human Settlements** receives R20.6 million. This amount was returned to the department from various sources including funds recalled from several municipalities in respect of unspent balances on completed projects (R17.7 million), proceeds from the sale of units at Ridgeview Gardens (R708 000), as well as refunds from the Finance Linked Individual Subsidy Programme (FLISP) in respect of beneficiaries not qualifying for home loans (R1.7 million), as well as other smaller sources (R426 000). The department will use these funds towards offsetting their budget pressures, noting that the department's equitable share makes up a small portion of their total budget and the 2024/25 fiscal consolidation budget cuts were therefore difficult to absorb.
- **Vote 9: Community Safety and Liaison** receives R24 million. This relates mainly to the roll-over of unspent funds from 2023/24 for the Provincial Crime Fighting Initiative and the protection provided to various *Amakhosi*. The total amount requested is R24 million and, of this, R18.7 million relates to committed funds for the Provincial Crime Fighting Initiative and the protection provided to various *Amakhosi* where the funds were committed by year-end, while R5.3 million relates to activities that were listed on the business plan but were not committed by year-end in the prior year but where commitments were made that these activities would take place.
- **Vote 10: Sport, Arts and Culture** received R355 000 into their revenue collection in 2023/24 from various sponsors towards the KZN Sport Awards. These funds are allocated to the department for this purpose.
- **Vote 11: Co-operative Governance and Traditional Affairs (COGTA)** receives a total of R69.3 million, as follows:
 - R35.1 million was requested as a roll-over of funds from the prior year and this relates to the specifically and exclusively allocated funds received from National Treasury to fund the backpay for the payment of *Izinduna*. The bulk of the *Izinduna* backpay funds were spent in 2023/24, but the amount requested for roll-over remained unspent

due to delays with the finalisation of the legal/ departmental processes of tracing beneficiaries and in the administration of deceased estates to enable 205 *Izinduna* to receive their backpay.

- R30 million is for failed Eskom transformers in line with a Cabinet resolution taken in this regard. These funds were transferred to Eskom to replace failed transformers as a result of overload and illegal connections in the eThekweni, Ugu, uMgungundlovu, iLembe and uMkhanyakude areas. These areas were prioritised by a joint task team comprising of officials from COGTA, Office of the Premier, the Department of Mineral Resources and Energy and Eskom. This was attributed to the ever-increasing number of failing Eskom transformers that left affected communities without electricity for long periods of time. The province was experiencing a growing number of concerning public protests as a result of extended power outages. These funds are for Eskom to replace 89 transformers in eThekweni, 92 transformers in Ugu, 13 transformers in uMgungundlovu, 23 transformers in iLembe and 31 transformers in uMkhanyakude.
- R4.2 million was returned to the department from the uMuziwabantu Municipality with respect to the Harding Trading Stores project and these funds are allocated back to the department to implement further projects. These funds were transferred in 2022/23 for the construction of the Harding Trading Stores. The project started, and the engineers completed the design, but after that there was no substantial progress, hence the department recalled the funds from the municipality.
- **Vote 14: Public Works** receives R345.8 million towards budget pressures in the payment of property rates. This allocation takes into account that the baseline for these payments requires correcting, as well as the fact that there was an escalation in municipal property rates as a result of the implementation of the new General Valuation Rolls by some municipalities.



5. CONCLUSION

The provincial executive council have had various deliberations in respect of the existing fiscal constraints and strategies that must be deployed to rein in the spending. Already, we have been supported in issuing more stringent cost cutting instruction notes to departments and we will, together with the Auditor-General, monitor compliance thereto and request consequence management action to be taken where there is financial mismanagement.

This Adjustments Budget was prepared against the backdrop of a challenging fiscal environment and high public expectation. Unfortunately, we have been unable to accede to all requests for funding, but I believe that there will be a positive impact on priority service delivery programmes as a result of this Adjustments Budget. Going forward, we must monitor expenditure and ensure that funds are used efficiently in line with our goal to build a capable, ethical, and developmental state.

Our current financial woes demand the highest level of ethical conduct and compliance with legislation aimed at maximising impact of public expenditure. There are no quick solutions and I anticipate that the turnaround required will take most of the 7th administration's term. We must therefore manage public expectations but ensure that we deliver on our promises.

I would like to thank the Honourable Premier, Thamsanqa Ntuli and the Honourable Members of the Provincial Executive Council, and in particular the Members of the Ministers' Committee on the Budget, for their support in putting together this difficult Adjustments Budget.

I wish to thank the Treasury officials under the leadership of the HOD, Ms Carol Coetzee, for ensuring that the budget documentation is of its usual high quality.

To the Chairperson, Mr Mthandeni Dlungwane, and members of the Finance Portfolio Committee, as well as STACOV, we look forward to engaging on the Adjustments Budget and commit to assist you in your oversight role.

I wish to extend my gratitude to the Honourable Minister of Finance and National Treasury officials for their guidance and support.

It is my honour to formally table the Adjustments Appropriation Bill, 2024 for the Province of KwaZulu-Natal for consideration in this House to be read with the Adjustments Estimate of Provincial Revenue and Expenditure and its associated explanatory memorandum. I trust that the debate and vote on this Bill will be constructive and fruitful.

I thank you.



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