



NCPT

NORTHERN CAPE PROVINCIAL TREASURY

Budget Vote 2022/23

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ADDRESS BY MEC ABRAHAM VOSLOO (MPL) FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE ON THE TABLING OF THE 2022/23 BUDGET VOTE FOR PROVINCIAL TREASURY

28 June 2022

Honourable Speaker and Deputy Speaker

Honourable Premier — Dr Zamani Saul

Colleagues in the Executive Council

Chief Whip of the Majority Party and Leader of the Official Opposition

Honourable Members of the Provincial Legislature

Director-General,

Head of Provincial Treasury

Senior Management and Treasury Officials

The Leadership of Trade Unions

Fellow Northern Cape Citizens

Ladies and Gentlemen

Molweni, Goeie More, Good Morning!!!!

Honourable Speaker, I table this Budget Vote speech a few days after his Excellency, President Cyril Ramaphosa, commemorated the 2022 youth day, themed "Promoting sustainable livelihood and resilience of young people for a better tomorrow". This theme enjoins us to an existential task to put together key and tangible plans towards mitigating the challenges confronting youth in general and young women in particular. Key to our endeavours is geared towards protection of the livelihoods of Northern Cape citizens with every ounce of our being. This is not only ethically right it compels us to work together to develop social spending policies and measures that are both smart and compassionate to the poor and vulnerable in society.

We present this budget vote in the context of a devastating global economic crisis with unprecedented fiscal challenges further compounded by setbacks in the backdrop of

the global health pandemic and the ongoing geo-political tension between Russia and Ukraine. This has a direct and ominous economic impact on developing economies such as ours. The impact thereof is evident in consumer difficulties to afford essentials due to rising costs of living, which have a dire effect largely on the working class, low-income and indigent households. Even though the global impact of high inflation continues to deepen economic distress and possible economic setbacks in the short to medium term, we are tirelessly exploring measures at our disposal to assist with economic recovery interventions.

Honourable Speaker, we are fully cognisant of our mandate that defines our primary role as Provincial Treasury, as the custodian of the fiscal framework and inherent risks to the fiscal outlook and promotion of sustainable efficiencies in budget management in the Provincial Administration. We discharge our legislative responsibilities guided by our collective pursuit of building a Modern, Growing and Successful Province within the limitations of our available resources.

The current fiscal position has resulted in divergent views amongst our stakeholders but we are confident that policymakers and administrators will be innovative in their budget planning and management. This we do while keeping in mind the ultimate goal of a prudent fiscal environment to enhance the resilience of service delivery and prevent avoidable crises.

Honourable Speaker, this Budget Vote is framed within the articulation of the tabled Provincial Budget earlier this year. We aspire to use the strategic levers reflected in our Economic Recovery Plan and the Premier's State of the Province Address towards addressing poverty, unemployment and inequality.

Honourable Speaker, the Northern Cape Provincial Government, under the stewardship of our Premier, Dr Zamani Saul have put in place key and tangible plans to mitigate the devastating impact of COVID-19 on the economy and livelihoods of our people. In the wake of the current fiscal constraints, we have improved our provincial cash flow position.

The debt proportion relative to the provincial equitable share has also improved considerably, while the projected budget deficit in the 2023 financial year has been resolved and the province does not have revenue shortfalls.

Honourable Speaker, these indicators are important because they signify our prudence as Provincial Treasury in the management of public finances in the Province. Allow me once more to assure this august house and the people of the Northern Cape that our finances are in good hands and this allows us to focus on delivering much needed services to our people.

Gender Based Budgeting

Honourable Speaker, the current fiscal environment demands of us to adopt a servant leadership approach by being more human in our daily working lives and in our interactions while maximising the impact of our delivery mechanisms. In fact, much earlier, Aristotle warned that we need to appreciate a new intellectual virtue, phronesis (a word that implies both good judgement and solidity of character and habits) if we are to effect value-based change in our world. I am of the view that real value-based ethical leadership and management is only developed through conscious action and reflection.

Honourable Speaker, I indicated during the Provincial Medium Budget Policy Statement last year that the National Treasury is in the process of implementing Gender Based Budgeting to mainstream our support for women businesses and enterprises across the economic spectrum. This is made possible by the support rendered by the World Bank to the National Treasury towards the implementation of this policy reform and two provinces will be piloted as part of the initial implementation. We expect full implementation during the next budget cycle and departments will have guidance on how to go about planning and budgeting for mainstreaming Gender Based Budgeting principles.

Organisational Structure

Honourable Speaker, the Department will continue to provide targeted support and advice to departments, public entities and municipalities. This will be coupled with our commitment to foster partnerships and collaboration in our oversight endeavours in pursuit of good financial governance and accountability in the province.

Honourable Speaker, I am pleased to announce that the Northern Cape Provincial Treasury's organisational structure has been approved by the Department of Public Service and Administration. This led to the creation of the Municipal Finance Programme to ensure that the department services municipalities from a joint and collaborative planning approach. The structure is premised on the District Development Model, which focuses on a single strategically focused plan. We have thus organised our support to municipalities into district clusters, which aims to improve the coherence and impact of municipal service delivery.

Financial position

Honourable Speaker, one of the tasks given by the Honourable Premier was to ensure that we do not incur an overdraft as a province and continue to honour our commitments. I can assure honourable members that as the Northern Cape Provincial Government we have not paid a cent towards interest due to the healthy liquidity position of the province. The consolidated provincial positive bank balance as at 31 March 2022 was a net positive amount of R 299.5 million.

Governance and accountability

Honorable speaker, Financial Governance is leading the provincial process for improvement of audit outcomes as well as instilling accountability and good governance. To this end, the Programme is spearheading a Technical Committee for Operation Clean Audit where champions have been appointed to assist departments in dealing with key audit matters in view of attaining favorable audit opinions. The Technical Committee is a support structure for the Operation Clean Audit Committee led by the Office of the Premier.

We are confident that our interventions will yield improvement as we are convinced that challenges faced by client departments are not insurmountable.

Central to these efforts, there will be measures put in place to institutionalize risk management across departments and public entities. Our work over the years have shown that if risk management practices and principles is given the necessary attention, much value can be derived with the potential to translate into enhanced service delivery. The office of the Provincial Accountant General has undertaken to use Risk Management as the first line of defense in dealing with internal control deficiencies. We therefore appeal to all departments to strategically position their Chief Risk Officers which will enable them to respond to the increasing demands of good governance and clean administration.

Madam Speaker, to strengthen our endeavours, we have partnered with Accounting Officers and Accounting Authorities, which will be a key success factor in following a collaborative approach. We therefore commit towards re-establishing sound partnerships with Heads of Departments as well as CEO's of public entities given that we have common goals and objectives in relation to clean administration.

Irregular Expenditure

Honourable Speaker, the department is working closely with the Office of the Premier, to expedite the investigation of the provincial legacy irregular expenditure. The top three targeted departments contributing over 90% of the cumulative irregular expenditure, will be central to those investigations. As the investigations are concluded, Provincial Treasury will consider their outcomes for condonement and possible consequence management as determined by law. To ensure the integrity of the condonement process and to mitigate inherent exogenous and endogenous risks, we will work in partnership with the Province's Chief State Law Advisor, with the support of the Executive Authorities.

Honourable Speaker, in an attempt to resolve the stubborn challenges facing our municipalities, the Department will provide "hands on support" to fifteen (15) Municipalities and the fifteen (15) municipalities will receive "intervention" support on different facets derived from the Provincial Support Strategy.

The approach of this support strategy is built on specific determining criteria with an allocation of certain grading scores and values informed by good governance, financial viability and outcomes prevailing in municipalities. This initiative is aimed at aggressively engaging different role players in the accountability ecosystem to determine enhancement strategies to be employed towards assisting municipalities, with the single purpose of improving the state of municipalities' financial health.

Municipal Finance

Honourable Speaker, some of these municipalities are currently implementing the Financial Recovery Plans crafted in previous reporting periods which has spill-over effects into the 2022/23 financial year. The planned work on hands-on and intervention categories is in addition to our normal MFMA responsibilities as expressly stipulated in the MFMA. Implementation of these support plans will be enabled by the new structure, which makes provision for the necessary capacity to support municipalities. Our collaboration with COGHSTA, in line with the memorandum of understanding between the departments is guided by the "state of local government indicators", which are in five (5) facets, financial management being one of them towards improved revenue enhancement strategies.

Infrastructure Pledging and Frontloading

Honourable Speaker, infrastructure remains a critical lever and catalyst to stimulate the economy and provide employment opportunities. In October 2020, the Cabinet Lekgotla mandated Infrastructure South Africa (ISA) to work with relevant departments and stakeholders to implement the High Value Infrastructure Investment Initiatives that focuses on, amongst other areas, the eradication of schools with inappropriate infrastructure.

Subsequent to this, the Honourable President, his Excellency Mr Cyril Ramaphosa, announced in the State of the Nation Address (SONA) in February 2022 that the Government is introducing an innovative social infrastructure delivery mechanism referred to as pledging & front loading to address issues that affect the delivery of school infrastructure.

Honourable Speaker, we discovered that social spending is not just an expense, but rather the wisest of investments in the well-being of our communities. Expansion of access to education and health generates broader productivity gains across the population, allowing all citizens to flourish, therefore, in all of our endeavours and programs, protecting the poor and vulnerable is now, and will continue to be, our core objective. That is well demonstrated by providing technical assistance to departments and implementing agents to help them spend prudently within the parameters of the PFMA and MFMA respectively. Prudent spending is a key necessity to finance core Sustainable Development Goals (SDG) in health, education, and priority social infrastructure maintenance.

Honourable Speaker, I am extremely elated to announce that discussions are in progress between the National Treasury and the Department of Basic Education as infrastructure pledging and front loading piloted in schools in the Northern Cape and Eastern Cape. The Northern Cape was the first Province to implement the process of pledging and front-loading through its governance structures after announcement by the President. We are therefore influencing the implementation guidelines of pledging and front-loading which are currently being compiled by National Treasury and supported by Provincial Treasuries. We forwarded our EXCO memo on pledging and front loading to National Treasury for vetting. We also submitted input on the issue to the Technical Committee of Finance led by National Treasury. It is anticipated that the National guidelines on pledging & front loading will be finalised in October 2022.

Honourable Speaker, the implications on the Division of Revenue Act, necessitates amendments to the 2022 Division of Revenue Amendment Bill during the tabling of Medium-Term Budget Policy Statement (MTBPS). This pronouncement by the Honourable Minister of Finance in his Budget Speech will enable provinces to pledge their infrastructure grants to leverage more financing to fast-track the rollout of social infrastructure.

Training and Development

Honourable Speaker, training and development of financial practitioners at both provincial and local government is at the core of our business as a Provincial Treasury.

We see ourselves as the breeding ground to produce financial practitioners, which ensures continuous supply of financial skills to provincial and local government in the province. We are doing this through various short, medium and long-term measures such as:-

- Being an approved training centre by the South African Institute of Professional Accountants (SAIPA), through SAIPA we provide articles training for three years to graduates and during those three years we deploy trainees at various departments.
- Provide internship on graduates on different areas of finance.
- We are in negotiations with the bursary fund at Premier's Office to ensure that it supplies finance practitioners to the Northern Cape Provincial and Local Government.
- Started engagements with the Sol Plaatjie University to assist in some of our capacity gaps at local government in our support interventions.
- In partnership with the Premier's Office, we are exploring opportunities with the relevant SETA to partner with us to receive unemployed financial graduates and practitioners that we can train and place at the departments.

As part of our work at Provincial and Local government levels we are involved in the training of financial practitioners in different facets of finance such as supply chain management, management and financial accounting and revenue management.

Honourable Speaker, our departmental budget reflects an increase of 1.2% in 2022/23 financial year, 3% in 2023/24 and 2.3% in the 2024/25 financial years respectively. This translates to R301 million in 2022/23, R311 million in 2023/24 and R318 million in 2024/25 in monetary terms. The department is mainly human resource driven and requires adequate capacity hence provision has been made within the current baseline to ensure that critical posts are adequately provided for.

Budget Breakdown per Programme

Honourable Speaker, allow me to highlight the budget allocations to four programmes that will enable the implementation of Provincial Treasury's priorities distributed as follows:

Programme 1: Administration has an allocation of R108 million. This programme provides strategic and administrative leadership to ensure effective and efficient utilisation of departmental resources in line with all prescripts. This includes giving support in the areas of human resources management, administrative and security support, financial and supply chain management services. The Department succeeded in attaining clean audit outcomes for the past consecutive eight years, that we commit to keep as such.

Programme 2: Sustainable Resource Management has an allocation of R26 million. This allocation enables the programme to provide professional advice and support to the Head of Department on the provincial fiscal policy, and management of the annual provincial budget process as well as to manage provincial government's fiscal resources effectively.

Honourable Speaker and Members, with the recent developments fiscal resources were under much pressure, thus it became critical for the Province to enhance fiscal resources from within. Sol Plaatjie University is currently in the process of conducting research on new sources of revenue generation for the provincial government. The aim is to facilitate realistic and well-informed assumptions behind revenue budgets, which will ensure their collectability in meeting Provincial priorities.

Programme 3: Assets and Liabilities has an allocation of **R45 million.** This programme is responsible for providing policy direction, in relation to assets, supply chain management, financial systems, banking and cash flow management.

It further enhances sound financial management and good financial governance by ensuring that there is reduction of irregular expenditure by provincial departments. This can only be achieved by the financially capable Departments and Public Entities in terms of supply chain and asset management.

Programme 4: Financial Governance has an allocation of R18 million for promoting accountability and good governance through substantive reflection of financial activities of the Province as well as compliance with financial norms and standards. The main focus on pertinent financial governance issues and promotion of accountability and transparency in reporting by Provincial Departments and Public Entities. This programme plays a pivotal role in the provincial operation clean audit drive, which aims to improve Audit Outcomes and further strengthen corporate governance.

Honourable Speaker, as part of our support endeavours we committed to provide guidance to Departments in implementing the Irregular Expenditure Framework and other available guidelines. This is with the expressed view that such interventions will result in the reduction of such unwarranted expenditures. In terms of capacity building, it will foster partnerships with relevant stakeholders to ensure the development and implementation of programmes that are addressing gaps identified in individual, institutional and organisational pillars of capacity.

Programme 5: Municipal Finance has an allocation of R63 million as a stand-alone programme aimed at implementing an integrated approach towards municipal support interventions intended to manage the promotion of effective and efficient financial performance of Municipalities and co-ordinate the provisioning of capacity building programmes.

Key amongst the planned intervention will be:

- monitoring compliance with financial management and annual reporting framework as well as to provide support to improve audit outcomes,
- ensure optimal and sustainable budget and revenue management,
- manage the monitoring and enforce compliance with the MFMA, and
- monitor effective and efficient compliance with Supply Chain and Asset Management of Municipalities.

Madam Speaker, key to achieving financial sustainability is functional governance structures to strengthen monitoring and oversight over performance of Municipalities such as, disciplinary boards and municipal public accounts committees (MPACs).

Our focus areas are in line with the Technical Committee on Finance (TCF) game-changers which aim to restore stability at municipal councils and executive management, build the required capacity, and improve their financial sustainability.

Programme 6: Provincial Internal Audit programme has an allocation of R37 million to continue to provide Provincial Internal Audit service as well as Audit Committees oversight to the Provincial Departments and listed Public Entities

The internal audit unit's strategy and operations are driven by the legislated need to conduct audits in line with an annual risk-based internal audit plan. In line with the International Standards for the Professional Practice of Internal Auditing, internal audit reports that are issued to the Accounting Officer and the Audit Committee assist institutions to improve on governance, risk management and internal controls.

Honourable Speaker and Members, as I conclude, I would like to reflect on how the management of public finances can serve as a catalyst to improve service delivery. We need to constantly find ways to stretch the rand in an environment of muted economic growth.

Honourable Speaker, the narrative that the budgets have been cut and therefore certain things cannot be done is no longer holding water. We need to improve on two fundamental areas, first, small savings ultimately add up and governance should be supreme in all departments and public entities. It is a proven fact that where governance and consequent management prevails, service delivery is improved and sustained. The absence of these otherwise erodes public finances and the confidence the community has in the government. We need to continuously ask ourselves whether we are doing enough to instil integrity and ethics in the system. This self-introspection will assist us in building capacity in an ethical state. We all have a role to play as the executive and legislature.

Honourable Speaker, the need to disaggregate budgets and service delivery data will find more expression as part of our drive to deal with inefficiencies in the system which will result in enhanced analytical abilities in Treasury. We need to improve our monitoring and financial systems to identify who gets the money and what happens to the money in relation to public interest.

Honourable Speaker and Members, allow me once again to express my appreciation to the Honourable Premier, Dr Zamani Saul for his continued wise counsel and support, my Colleagues in the Executive Council, the Portfolio Committee on Finance, Economic Development and Tourism and the entire Legislature under your leadership.

Honourable Speaker I would also like to extend my appreciation to the entire team at Provincial Treasury led by the suitably qualified, competent, and newly appointed Head of Department, Dr. Moses Gasela.

Honourable Speaker, allow me conclude this vote presentation with the words of Franklin D. Roosevelt a great friend and supporter of the International Labour Organisation (ILO) who once wisely said that,

“The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little.”

I hereby table the budget vote for Provincial Treasury