



**KWAZULU-NATAL PROVINCIAL LEGISLATURE
REPORT OF THE
FINANCE PORTFOLIO COMMITTEE
2022/2023 MTEF BUDGET HEARINGS**

Introduction

On 15 March 2022, the Finance Portfolio Committee and all Legislature Committees received a comprehensive briefing from Provincial Treasury on the 2022/2023 MTEF Budget for KwaZulu-Natal.

KwaZulu-Natal Treasury also assisted the Finance Portfolio Committee with pre-hearing briefings prior to each hearing. The Committee extends its sincere appreciation to KwaZulu-Natal Treasury for its support during these hearings.

The Finance Portfolio Committee held 2022/2023 MTEF Budget Hearings with all 13 provincial government departments and all provincial entities from 17 March 2022 to 19 April 2022.

The KwaZulu-Natal Legislature (Vote 2) was not part of the 2022/23 Budget Hearings because its functions are governed by the Standing Rules, the resolutions of the Standing Committee on Oversight (STACOV) and the Financial Management of Parliament and Provincial Legislatures Amendment Act (FMPLA).

Prehearing briefings

Prior to each hearing, the Committee received a comprehensive briefing from Provincial Treasury on each Department's and entity's 2022/2023 MTEF budget projections. The pre-hearing briefings are important in preparing the Committee members for the hearings.

Matters considered in the hearings

During the hearings, Departments and entities had to respond to all the issues raised by Provincial Treasury during the pre-hearing briefings, as well as to matters raised by members of the Finance Portfolio Committee based on the information contained in the 2022/2023 Estimates of Provincial Revenue and Expenditure (EPRE).

During the hearings it was noted that many departments in the province have consistently failed to spend their voted budgets in full. Most of the underspending is found under *Compensation of employees*. This is because of the slow pace by these departments to fill critical vacant posts. The non-filling of critical vacant posts has a negative impact on governance and delivery of services due to lack of sufficient capacity. Departments are urged to spend their allocated budgets in full by the end of the financial year. The Department of Health and the Department of Social Development are examples of departments that have had Acting Chief Financial Officers for many years now. This is a concern.

The rationalisation of entities is another issue that the Committee has raised concern over. Many entities have critical posts that remain vacant due to the ongoing rationalisation of entities programme. The Committee urges the rationalisation committee to expedite the process to bring stability, a sense of certainty and continuity in affected entities.

The Committee also noted that all departments were allocated substantial infrastructure development budgets. The Committee applauds this because infrastructure development is one of the best ways to kick-start the province's stagnant economy. Departments are urged to set aside at least 5% of their annual infrastructure development budgets for maintenance of existing infrastructure.

There is a notable trend whereby the EPWP Grant allocations for many departments have been reduced. This is a concern as EPWP Grants contribute to the creation of

employment opportunities in the province. Departments that are recipients of this grant are urged to ensure that they spend these funds in full and account for them correctly so that future allocations by National Treasury can be higher.

Several departments raised concerns about the slow pace of infrastructure development by the Department of Public Works. The Committee urges the Department of Public Works, as the implementing agent of choice in KwaZulu-Natal, to increase its capacity so that it can meet the demand and increase the pace of infrastructure development as required by client departments.

Portfolio Committees' attendance

Portfolio Committees' Chairpersons and members were invited through the Cluster Committee Managers to attend hearings relevant to their portfolio committees. Some Portfolio Committees' members attended the hearings and participated in discussions. The role of the Portfolio Committees in following up during the financial year on the reoccurring and transversal findings is extremely important and is included as a standing item on the Committees' agendas.

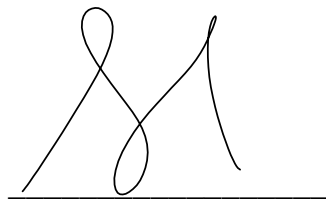
Furthermore, Portfolio Committees are urged to scrutinise responses to resolutions by Departments as well as monitor closely the expenditure and implementation of turnaround plans in instances where Departments are requested to provide these, to ensure balanced expenditure of their allocated budgets at year end and ensure efficient service delivery on the ground.

Lastly, Portfolio Committees are urged to request monthly expenditure projections from departments during their monthly meetings. This will assist in ensuring intervention where departments are showing signs of slow spending that may result in underspending at year end.

Conclusion

On behalf of the Finance Portfolio Committee, I would like to thank Members of the Executive Council, Accounting Officers and officials of the various Departments, the Accounting Authorities of the various Public Entities, Provincial Treasury officials, Members of the Finance Portfolio Committee, Chairpersons and members of the various Portfolio Committees for attending the budget hearings.

The resolutions taken during the 2022/23 MTEF Budget Hearings are hereby submitted for adoption by the Legislature.

A handwritten signature in black ink, consisting of a large, stylized 'N' and 'K' followed by a vertical line, positioned above a horizontal line.

Hon S C NKOSI

CHAIRPERSON: FINANCE PORTFOLIO COMMITTEE

Date: 3 May 2022

VOTE 1: OFFICE OF THE PREMIER

Resolution 1/2022: Office of the Premier: Filing of critical vacant posts

Noting that:

The Department's budget for 2022/23 financial year has been increased by 5.2%, mainly to cater for the filling of 29 critical vacant posts.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the progress of filling the identified 29 critical vacant posts.

Resolution 2/2022: Zulu Royal Household Trust: Commercialisation strategy

Noting that:

In previous financial years, the Zulu Royal Household Trust was looking at developing a commercialisation strategy as part of its process to raise funds and become self-sufficient.

The Committee resolves that:

The Accounting Authority must provide a report by 30 June 2022 giving an update on progress in the development of the entity's commercialisation strategy.

VOTE 3: AGRICULTURE AND RURAL DEVELOPMENT

Resolution 3/2022: Agriculture and Rural Development: Non-filling of funded vacant posts

Noting that:

The department had 107 vacant funded posts as at December 2021.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Indicate how many of the funded vacant posts will the department fill in 2022/23 financial year.
- (b) Provide progress in the filling of the funded vacant posts.

Resolution 4/2022: Agriculture and Rural Development: Ntingwe Tea Estate dispute

Noting that:

1. There seems to be a dispute about amounts owing between the shareholders of Ntingwe Tea Estate, namely the Department of Agriculture and Rural Development and Ithala.
2. This dispute is causing delays to the incorporation of Ntingwe Tea Estate into Agribusiness Development Agency.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Indicate whether the dispute with Ithala has been resolved.
- (b) Provide an update on the progress in the incorporation of Ntingwe Tea Estate into Agribusiness Development Agency.

Resolution 5/2022: Agriculture and Rural Development: Budget for pay progression increments

Noting that:

The department does not seem to have made provision for the 1.5% pay progression costs in 2022/23 financial year.

The Committee resolves that:

The Accounting Officer must provide a report by 30 June 2022 indicating how the department will fund the 1.5% pay progression costs in 2022/23 financial year.

Resolution 6/2022: Agriculture and Rural Development: Reduced allocation for Ilima/Letsema grant and EPWP Integrated Grant for Provinces

Noting that:

1. The allocation for the Ilima/Letsema grant has been reduced from R77.4 million in 2021/22 to R75.4 million in 2022/23.
2. The allocation for the EPWP Integrated Grant for Provinces has been reduced from R4.699 million in 2021/22 to R4.610 million in 2022/23.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving reasons for the reduction of the Ilima/Letsema and EPWP Integrated Grant for Provinces grant allocations in 2022/23.

VOTE 4: ECONOMIC DEVELOPMENT, TOURISM AND ENVIRONMENTAL AFFAIRS (EDTEA)

Resolution 7/2022: EDTEA: KZN Growth Fund

Noting that:

The transfers to KZN Growth Fund in 2020/21 were R48 million, and in 2021/22 this amount increased to R262 million and in 2022/23 the amount is reduced to R69 million.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Explain the vast fluctuation in transfers to the KZN Growth Fund.
- (b) Provide a list of beneficiaries and amounts awarded through the KZN Growth Fund in 2021/22 financial year

Resolution 8/2022: EDTEA: Reduction in transfers to KZN Gaming and Betting Board and Ithala Development Corporation

Noting that:

1. Transfers to the KZN Gaming and Betting Board have been reduced when compared to the 2021/22 financial year from R51 million to R50 million in 2022/23.
2. Transfers to Ithala Development Finance Corporation have been significantly reduced when compared to 2021/22 financial year from R138 million to R119.9 million in 2022/23.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 explaining reasons for the reduction in transfers to KZN Gaming and Betting Board and the Ithala Development Finance Corporation.

Resolution 9/2022: EDTEA: Time frames for the finalisation of the rationalisation of entities

Noting that:

1. The process of rationalisation of entities is ongoing and is yet to be finalised.
2. The delays in finalising the rationalisation of entities creates instability, uncertainty and lack of capacity in some entities.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Provide an update on the progress in the rationalisation of entities.
- (b) Provide timelines by when the rationalisation process will be concluded.

Resolution 10/2022: EDTEA: Black Industrialists Development Programme

Noting that:

The department had embarked on a programme to assist in the development of Black Industrialists.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the number of Black Industrialists that it has helped develop in the last financial year as well as the number that it aims to develop in the 2022/23 financial year.

Resolution 11/2022: IDFC: Property value and rental benchmarking

Noting that:

Ithala Development Finance Corporation has a vast property portfolio that it rents out.

The Committee resolves that:

The Accounting Authority must provide a report to the Committee by 30 June 2022 on the following:

- (a) Indicate the total value of Ithala Development Finance Corporation's property portfolio.
- (b) Indicate the benchmarking process that Ithala Development Finance Corporation uses to ensure that their rentals are market related.

Resolution 12/2022: IDFC: Vacant posts

Noting that:

The entity's budget for compensation of employees will increase by 22% in the next two financial years at a cost of R14 million.

The Committee resolves that:

The Accounting Authority must provide a report to the Committee by 30 June 2022 indicating the precise number of vacancies that the entity will fill in the next two financial years.

Resolution 13/2022: EKZNW: Finalisation of Organogram

Noting that:

1. The entity has been using two different organograms.
2. The entity is in the process of finalising its new organogram

The Committee resolves that:

The Accounting Authority must provide a report to the Committee by 30 June 2022 indicating the progress in the finalisation of its organogram.

Resolution 14/2022: EKZNW: Maintenance budget allocation

Noting that:

The entity has historical challenges of lack of maintenance of its infrastructure.

The Committee resolves that:

The Accounting Authority must provide a report to the Committee by 30 June 2022 indicating the amount that the entity has set aside for maintenance of its infrastructure in 2022/23 financial year.

VOTE 5: EDUCATION

Resolution 15/2022: Education: Pressures under *Compensation of employees*

Noting that:

1. The department has pressures under *Compensation of employees*.
2. The department has developed a turnaround strategy to reduce pressures under *Compensation of employees*

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the implementation of the department's turnaround plan to reduce pressures under *Compensation of employees*.

Resolution 16/2022: Education: Surplus educators

Noting that:

The department has surplus educators in some schools.

The Committee resolves that:

The Accounting Officer must ensure that surplus educators are reallocated to fill vacant posts in other schools in order to reduce wastage of funds in the department.

Resolution 17/2022: Education: Staff debt recovery

Noting that:

The department had embarked on a staff debt recovery drive.

The Committee resolves that:

The Accounting Officer must provide a report by 30 June 2022 giving progress on the recovery of staff debts, amounts recovered to date and amounts outstanding.

VOTE 6: TREASURY

Resolution 18/2022: Treasury: Underspending on *Compensation of employees*

Noting that:

1. The department registered significant underspending under *Compensation of employees* in 2021/22 financial year.
2. The department has a history of underspending under *Compensation of employees*.
3. This may have a negative impact on Treasury's ability to deliver on its programmes.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 indicating how this will be rectified in the 2022/23 financial year.

Resolution 19/2022: Treasury: Infrastructure Unit

Noting that:

Several departments have been reporting challenges related to infrastructure development and the lack of capacity by the Department of Public Works to deliver infrastructure projects timeously.

The Committee resolves that:

The Accounting Officer must ensure that Treasury's Infrastructure Unit is proactive and readily available to intervene and assist with unblocking infrastructure related challenges in the province.

VOTE 7: HEALTH

Resolution 20/2022: Health: Vacant CFO post

Noting that:

The Chief Financial Officer post in the department has remained vacant in the last 10 years.

This is a critical post that needs to be filled urgently.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Has the department obtained approval from the MEC for Finance and Premier to fill the vacant Chief Financial Officer post?
- (b) If yes, has the Chief Financial Officer post been advertised?
- (c) If yes, has shortlisting of candidates been done?
- (d) Is the Chief Financial Officer post going to be filled before the end of the 2022/23 financial year?

Resolution 21/2022: Health: Patient fees collection

Noting that:

The department seems to have regressed in the collection of patient fees.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 indicating how the department will improve the collection of patient fees at its facilities.

VOTE 8: HUMAN SETTLEMENTS

Resolution 22/2022: Human Settlements: Disestablishment of the KZN Housing Fund

Noting that:

The department has taken the decision to disestablish the KZN Housing Fund.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the progress of the disestablishment of the KZN Housing Fund.

Resolution 23/2022: Human Settlements: Taking over developer status

Noting that:

The department has taken a decision to take over developer status from municipalities that are struggling to deliver houses.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the following:

- (a) Which municipalities has the department identified to take over their developer status?
- (b) Provide an update on the progress of the department taking over developer status from struggling municipalities.

VOTE 9: COMMUNITY SAFETY AND LIAISON

Resolution 24/2022: Community Safety and Liaison: Reduction of EPWP Grant allocation

Noting that:

The department's EPWP Grant allocation has been reduced gradually from R10 million in previous years to R3 million in 2022/23 financial year.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 explaining the reasons for the gradual reduction in the EPWP Grant allocation of the department.

VOTE 10: SPORT, ARTS AND CULTURE

Resolution 25/2022: Sport, Arts and Culture: New Organogram

Noting that:

The Department of Sport and Recreation and the Department of Arts and Culture were merged with effect from 1 April 2022 to form one department known as Department of Sport, Arts and Culture.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the finalisation and adoption of the new department's organogram.

Resolution 26/2022: Sport, Arts and Culture: Reduction of Library Services Grant allocation

Noting that:

The Library Services Grant allocation has been reduced by R13 million.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving reasons for the reduction in the Library Services Grant allocation.

Resolution 27/2022: Sport, Arts and Culture: Reduction in infrastructure budget allocation

Noting that:

The department's infrastructure budget allocation has been reduced by R22.9 million.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving reasons for the reduction in the department's infrastructure budget allocation.

VOTE 11: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (COGTA)

Resolution 28/2022: COGTA: Transfer to Agribusiness Development Agency

Noting that:

In 2021/22 the department transferred R13 million to Agribusiness Development Agency for the construction of the KwaXolo greenhouse tunnel, and additional hydroponic tunnels and open field irrigation on a farm in Bulwer.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the progress of the construction of the KwaXolo greenhouse tunnel, additional hydroponic tunnels and the open field irrigation on a farm in Bulwer.

Resolution 29/2022: COGTA: Payment of Izinduna

Noting that:

The matter regarding the payment of Izinduna salaries and backpay is being discussed at the national level.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Provide an update on the status of discussions around the payment of the backpay to Izinduna.
- (b) Indicate whether the increments given to Izinduna form part of the overall wage agreement for government employees.

Resolution 30/2022: COGTA: Reduction of the EPWP Integrated Grant for Provinces allocation

Noting that:

The allocation of the EPWP Integrated Grant for Provinces has been reduced from R1.994 million in 2021/22 to R1.993 million in 2022/23.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving reasons for the reduction of the allocation for the EPWP Integrated Grant for Provinces.

VOTE 12: TRANSPORT

Resolution 31/2022: Transport: Access to quarry

Noting that:

1. The department continues to experience challenges in accessing quarry for gravel road maintenance.
2. The department had undertaken to enter negotiations with the Department of Mineral Resources and Energy and CoGTA to unblock bottlenecks in accessing quarry.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving an update on the progress of negotiations between itself, Department of Mineral Resources and Energy and CoGTA to address the challenges relating to accessing quarry.

VOTE 13: SOCIAL DEVELOPMENT

Resolution 32/2022: Social Development: Reduction of the budget allocation for Goods and services

Noting that:

1. Based on the December 2021 IYM, the Department is projecting to overspend its 2021/22 budget allocation by R10.644 million, with overspending being largely in respect of *Goods and services*.
2. This is as a result of payment of prior year accruals against property payments relating to security services costs.
3. The department's projected overspending is also as a result under-budgeting for *Compensation of employees* and budget pressures which emanate from the department filling vacant posts without accurately assessing the availability of funding and obtaining the required approval from the MEC for Finance and the Premier.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Has the department finalised fully paid all security related accruals that have contributed to the projected over-expenditure of its 2021/22 budget allocation?
- (b) Has the department obtained the required approval from the MEC for Finance and the Premier to fill vacant posts in the 2022/23 financial year?
- (c) Has the department conducted an accurate assessment of the availability of funding in order to budget appropriately and correctly for *Compensation of employees*?

Resolution 33/2022: Social Development: Reduction of budget under *Compensation of employees*

Noting that:

The budget for *Compensation of employees* has been reduced by more than R61.8 million.

The Committee resolves that:

The Accounting Officer must provide a report by 30 June 2022 indicating the number of posts that the department will fill in 2022/23 financial year.

Resolution 34/2022: Social Development: Reduction on the EPWP Incentive grant allocation

Noting that:

The EPWP incentive grant allocation for 2022/23 financial year is reduced by more than R4 million when compared to the last financial year.

The Committee resolves that:

The Accounting Officer must provide a report by 30 June 2022 giving reasons for the significant reduction of the EPWP Incentive grant allocation in 2022/23 financial year.

Resolution 35/2022: Social Development: ECD function shift to Department of Education

Noting that:

1. The ECD function has been shifted from the Department of Social Development to the Department of Education with effect from 1 April 2022.
2. The budget allocation that the ECD function is apportioned has been reduced significantly after the ECD function was shifted to the Department of Education.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 giving reasons for the reduction in the budget allocation for the ECD function.

Resolution 36/2022: Social Development: Vacant CFO post

Noting that:

The Chief Financial Officer post in the department has remained vacant in the last 10 years.

This is a critical post that needs to be filled urgently.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 on the following:

- (a) Has the department obtained approval from the MEC for Finance and Premier to fill the vacant Chief Financial Officer post?
- (b) If yes, has the Chief Financial Officer post been advertised?
- (c) If yes, has shortlisting of candidates been done?
- (d) Is the Chief Financial Officer post going to be filled before the end of the 2022/23 financial year?

VOTE 14: PUBLIC WORKS

Resolution 37/2022: Public Works: Slow pace in delivery of infrastructure projects

Noting that:

Several provincial government departments have raised concerns about the slow pace of delivery of infrastructure by the Department of Public Works.

The Committee resolves that:

The Accounting Officer must provide a report to the Committee by 30 June 2022 indicating the steps that the department will take/has taken to increase its capacity to deliver infrastructure projects as the province's implementing agent of choice.

TRANSVERSAL RESOLUTIONS

Resolution 38/2022: Transversal: Underspending against Conditional grants and specifically and exclusively appropriated funds

Noting that:

- a) Failure to spend the conditional grants and specific and exclusive appropriations may result in the reduction of future allocations to KwaZulu-Natal by National Treasury.
- b) Failure to report conditional grant expenditure correctly may also result in the reduction of future allocations to KwaZulu-Natal by National Treasury.

The Committee resolves that:

1. Accounting Officers must ensure that they spend their conditional grant allocations and specific and exclusive appropriations in full at the end of the financial year and only for purposes which they are appropriated for.
2. Departments must seek assistance from Public Works and Treasury to ensure that they are reporting on grants performance and specifically and exclusively appropriated funds correctly.

Resolution 39/2022: Transversal: Underspending against Compensation of employees

Noting that:

1. Several departments continuously underspend against *Compensation of employees* while they have critical vacant posts within their establishments.
2. The non-filling of critical vacant posts and general underspending against *Compensation of employees* contribute to the deficiencies in the delivery of services due to lack of sufficient capacity in departments and entities.

The Committee resolves that:

- (a) Accounting Officers must avoid underspending against *Compensation of employees* by filling all critical vacant posts within their establishments.

- (b) Accounting Officers must ensure that the required approvals to fill vacant posts are obtained timeously from the MEC for Finance and the Premier.

Resolution 40/2022: Transversal: Infrastructure budget allocation

Noting that:

1. All departments are allocated substantial budgets annually for infrastructure development and maintenance.
2. Infrastructure development contributes immensely in the creation of multiple employment opportunities and contribute to the improvement of the province's economy.

The Committee resolves that:

- (a) Accounting Officers must ensure full expenditure of infrastructure development budgets at year end.
- (b) Accounting Officers must ensure that at least 5% of their infrastructure budget is allocated for maintenance of existing infrastructure annually.

Resolution 41/2022: Transversal: Chronic underspending of allocated budgets by departments

Noting that:

Most departments have continuously failed to spend their allocated budgets in full at least in the last five financial years.

The Committee resolves that:

Accounting Officers must ensure that their departments' allocated budgets are spent in full at year end.