



North West Provincial Treasury

*20/21 Special Adjustment Budget Bill
Presentation to Portfolio Committee
Premier, Finance, Cooperative Governance, Human
Settlement and Traditional Affairs*



WE BELONG



WE CARE



WE SERVE

*Together we move
North West Province forward.*

23 July 2020



- Purpose of the presentation
- Introduction and background
- Preliminary Provincial Expenditure as at 30 June 2020
- Impact of COVID-19 on National and Provincial Finances
- Adjustment to the 20/21 Provincial Fiscal Framework
- Proposed Adjustments to the 2020/21 Budget
- Concluding remarks
- Recommendations



- To appraise the Portfolio Committee about the implications of COVID-19 pandemic to the 2020/21 budget;
- To brief the Portfolio Committee on the Special Provincial Adjustment Budget prepared to respond to the COVID-19 pandemic;
- To solicit the support of the Portfolio Committee on the Special Provincial Adjustment Budget and its tabling in its tabling in the Provincial Legislature today on the 23rd July 2020;



INTRODUCTION AND BACKGROUND

- The MEC for Finance tabled the Provincial 2020 MTEF budget in the Provincial Legislature on the 5th March 2020;
- This budget was prepared in line with the key priorities of the 6th Administration;
- The objective of the 2020 MTEF budget as presented to the Portfolio Committee on the 5th March 2020, was to revive the competitiveness of the provincial economy through investment in economic infrastructure;
- These included amongst others provision for investment in the following critical area:
 - Roads infrastructure, especially rural roads;
 - Provision of water;
 - Development of economic hub – Special Economic Zone



INTRODUCTION AND BACKGROUND

- The Hon State President declared COVID-19 as a National Disaster on the 15th March 2020 and subsequently announced the COVID-19 response package of R500 billion, of which R30 billion was to be reprioritised from the current budgets of provinces;
- In line with equitable share formula, North West was expected to reprioritise R2.1 billion for COVID interventions;
- The Executive Council convened a Special Meeting on the 3rd May 2020 to consider amongst others the Provincial Response plan and its funding needs;
- During that meeting, EXCO resolved on the following:
 - Appreciated the socio-economic measures announced by the President including the extraordinary budget and noted the expected R2.1 billion contribution from North West to the identified R30 billion to be contributed by provinces;
 - Agreed to protect the Department of Health from the budget cut;
 - Agreed to the reduction of targeted expenditure items such as 'Accommodation, Catering, Venues and Facilities, S&T, rental and hiring, consumables, entertainment etc.'



INTRODUCTION AND BACKGROUND

- The Provincial Treasury led by the MEC for Finance engaged the provincial departments from the 12th to the 21st May 2020;
- The Special Adjustment Appropriation Bill to be tabled today is a product of engagements and agreements with departments given the apex priorities and the need to save lives;
- The Minister of Finance tabled the special adjustment budget on the 24th June 2020 which funded COVID-19 intervention plans;



TIMELINE OF THE DIVISION OF REVENUE-RELATED RESPONSE TO COVID-19

- Response enabled through **2019 Division of Revenue Act** *(for March 2020):*
 - Release of funds from Provincial and Municipal Disaster Relief Grants in March and May 2020
 - Reallocations approved in terms of s20(6) of R4 billion in uncommitted grant funds for disaster alleviation in 2019/20 municipal financial year – **Received R18.5 million for Health**
- **2020 Division of Revenue Act** was enacted on 23 June 2020
 - Gazetted frameworks include additional conditions to allow for COVID-19 spending from existing grant baselines (Gazette published on 3 July)
 - Enables the reprioritised use of about R7.4 billion in grant funds for provinces and R9 billion in grant funds for local government
- The **Special Adjustment Budget tabled on 24 June 2020** includes a Division of Revenue Amendment Bill that includes:
 - Additions to new COVID-19 component of the HIV, TB, Malaria and Community Outreach Grant
 - Additions of R11 billion to the local government equitable share
 - Downward adjustments to some conditional grants (to fund other COVID-response activities)



REVENUE COLLECTION AS AT 30TH JUNE 2020

Revenue	Previous Financial Year Analysis				Current Financial Year Analysis			
	EPRE Original Budget 2019/2020 R' 000	Actual Collection as at 30/06/2019 R' 000	Percentage Collection as at 30/06/2019 %	IYM Projected (Over)/Under Collection '2019/2020 R'000	EPRE Original Budget 2020/2021 R' 000	Actual Collection as at 30/06/2020 R' 000	Percentage Collected as at 30/06/2020 %	Actual (Over)/Under Collection '2020/2021 R'000
1. Office Of The Premier	388	498	128.35%	(398)	409	159	38.92%	-
2. Provincial Legislature	1 563	309	0%	-	1 649	740	44.88%	-
3. Health	85 058	16 030	18.85%	-	89 736	15 686	17.48%	-
4. Arts, Culture, Sports and Recreation	3 875	2 602	67.15%	(2 513)	4 059	97	2.39%	(3)
5. Community Safety And Transport Management	775 811	186 820	24.08%	(33)	818 481	62 919	7.69%	(67)
6. Economic Development Environment Conservation And T	169 700	29 501	17.38%	6	173 060	10 377	6.00%	(1)
7. Provincial Treasury	142 180	59 062	41.54%	(570)	150 000	74 933	49.96%	(125)
8. Education	21 551	7 173	33.28%	-	22 735	4 188	18.42%	-
9. Cooperative Governance And Traditional Affairs	327	148	45.26%	-	345	81	23.48%	-
11. Public Works And Roads	34 000	4 390	12.91%	-	35 700	996	2.79%	-
12. Social Development	1 877	776	41.34%	-	1 980	357	18.03%	-
13. Agriculture And Rural Development	12 672	5 136	40.53%	(738)	13 286	1 834	13.80%	-
14. Human Settlements	749	23	3.07%	-	790	-	0.00%	-
Total	1 249 751	312 468	25.00%	(4 246)	1 312 230	172 367	13.14%	(196)

- Collection is derived mainly from interest generated by the Provincial Treasury due to underspending by provincial departments;
- Revenue-generating capacity by Provincial Departments is impacted adversely by the pronouncement on COVID-19 lockdown.



EXPENDITURE AS AT 30TH JUNE 2020

Provincial Department	Previous Financial Year Analysis				Current Financial Year Analysis				Current Financial Year Analysis	
	EPRE Original Budget 2019/2020 R' 000	Actual Expenditure as at 30/06/2019 R' 000	Percentage of budget spent 30/06/2019 %	IYM Projected (Over)/Under Expenditure '2019/2020 R'000	EPRE Original Budget 2020/2021 R' 000	Actual Expenditure as at 30/06/2020 R' 000	Percentage of budget spent 30/06/2020 %	Actual (Over)/Under Expenditure '2020/2021 R'000	S40 Projections 30/06/2020 R' 000	Proj Less Exp 30/06/2020 R' 000
1 Office Of The Premier	671 371	116 126	17.30%	(281)	691 205	94 264	13.64%	-	184 159	89 895
2 Provincial Legislature	486 864	101 842	20.92%	-	504 294	89 346	17.72%	40 000	142 532	53 186
3 Health	12 273 741	2 927 010	23.85%	-	13 197 187	3 319 205	25.15%	(790 993)	3 419 411	100 206
4 Arts, Culture, Sports and Recreation	789 812	166 259	21.05%	-	789 188	167 339	21.20%	28 550	172 723	5 384
5 Community Safety And Transport Management	2 265 151	614 903	27.15%	-	2 368 808	409 558	17.29%	-	618 264	208 706
6 Economic Development Environment Conservation And Tourism	986 369	225 289	22.84%	-	1 015 811	204 048	20.09%	-	237 971	33 923
7 Provincial Treasury	528 722	105 280	19.91%	-	557 499	88 044	15.79%	-	126 321	38 277
8 Education	17 109 951	3 951 489	23.09%	-	18 379 620	3 874 365	21.08%	-	4 373 047	498 682
9 Cooperative Governance And Traditional Affairs	539 734	119 161	22.08%	-	648 046	138 768	21.41%	-	164 157	25 389
11 Public Works And Roads	3 247 573	509 546	15.69%	-	3 456 839	323 127	9.35%	(27)	860 725	537 598
12 Social Development	1 747 033	375 168	21.47%	-	1 878 410	326 103	17.36%	-	397 426	71 323
13 Agriculture And Rural Development	1 165 711	202 064	17.33%	-	1 222 601	170 181	13.92%	-	220 822	50 641
14 Human Settlements	2 216 515	366 815	16.55%	-	1 803 986	76 992	4.27%	-	536 847	459 855
Total	44 028 547	9 780 952	22.22%	(281)	46 513 494	9 281 341	19.95%	(722 470)	11 454 405	2 173 065

- The overall provincial expenditure is below the expected threshold by 5.05 per cent.
- The lowest expenditure is recorded by Human Settlements, slow progress on the implementation or finalization of Reconfiguration process continues to have an impact on spending;
- Expenditure is below the expected threshold of 25 per cent across all provincial departments with exception of Health. Actual expenditure is less than what departments projected to spend at the beginning of the financial year by R2.173 billion.



EXPENDITURE AS AT 30TH JUNE 2020 – ECONOMIC CLASSIFICATION

Economic Classification	Previous Financial Year Analysis				Current Financial Year Analysis				Current Financial Year Analysis	
	EPRE Original Budget 2019/2020 R' 000	Actual Expenditure as at 30/06/2019 R' 000	Percentage of budget spent 30/06/2019 %	IYM Projected (Over)/Under Expenditure '2019/2020 R'000	EPRE Original Budget 2020/2021 R' 000	Actual Expenditure as at 30/06/2020 R' 000	Percentage of budget spent 30/06/2020 %	Actual (Over)/Under Expenditure '2020/2021 R'000	S40 Projections 30/06/2020 R' 000	Proj Less Exp 30/06/2020 R' 000
Economic Classification										
Compensation of employees	26 367 614	6 449 966	24.46%	21	28 428 024	6 591 690	23.19%	7 607	7 097 527	505 837
Goods and Services	9 392 642	1 793 064	19.09%	(188)	9 906 473	1 523 448	15.38%	(777 413)	2 307 839	784 391
Interest on Rent on Land	2 670	1 247	46.70%	-	2 329	5 462	234.52%	(104)	566	-4 896
Total: Current Payments	35 762 926	8 244 277	23.05%	(167)	38 336 826	8 120 600	21.18%	(769 910)	-	-
Total Transfer Payments	5 856 274	1 324 968	22.62%	(114)	5 580 703	1 011 019	18.12%	4 774	1 543 897	532 878
Provinces and municipalities	433 643	13 240	3.05%	-	548 364	44 989	8.20%	-	130 097	85 108
Departmental agencies and accounts	475 834	126 943	26.68%	-	493 889	191 953	38.87%	3 301	137 127	-54 826
Public corporations and private enterprises	822 116	257 188	31.28%	-	759 327	183 574	24.18%	-	189 831	6 257
Non-profit institutions	1 808 111	546 609	30.23%	22	1 954 333	495 730	25.37%	1 700	534 026	38 296
Households	2 316 570	380 988	16.45%	(136)	1 824 790	94 774	5.19%	(227)	552 816	458 042
Payments for Capital Assets						-			-	-
Buildings and other fixed structures	1 952 257	194 384	9.96%	-	2 147 885	136 876	6.37%	42 224	400 345	263 469
Machinery and Equipment	450 482	17 323	3.85%	-	439 610	12 821	2.92%	467	102 519	89 698
Other Capital Assets	6 608	-	0.00%	-	8 470	-	0.00%	-	1 712	1 712
Heritage assets	4 300	-	0.00%	-	4 536	-	0.00%	-	1 128	1 128
Specialised military assets	-	-	-	-	-	-	-	-	-	-
Biological assets	1 006	-	0.00%	-	2 561	-	0.00%	-	259	259
Land and sub-soil assets	-	-	-	-	-	-	-	-	-	-
Software and other intangible assets	1 302	-	0.00%	-	1 373	-	0.00%	-	325	325
Total Payments for Capital Assets	2 409 347	211 707	8.79%	-	2 595 965	149 697	5.77%	42 691	504 576	354 879
Financial Assets Adjusted	-	-		-	-	25		(25)	-	-25
Total Expenditure	44 028 547	9 780 952	22.22%	(281)	46 513 494	9 281 341	19.95%	(722 470)	11 454 405	2 173 063

- The pandemic has led to a massive decline in expenditure of Goods and Services and the Payments of Capital Assets as a result of postponing implementation plans to a later stage of the financial year.
- Department of Health constitute 72.16 per cent of the overall expenditure, primarily on Covid-19 programmes and activities;
- Most departments have already transferred funds to their Public Entitles during the 1st quarter/



EXPENDITURE AS AT 30TH JUNE 2020 – ECONOMIC CLASSIFICATION

Discretionary Items	Current Financial Year Analysis			Current Financial Year Analysis	
	EPRE Original Budget 2020/2021 R' 000	Actual Expenditure as at 30/06/2020 R' 000	Percentage of budget spent 30/06/2020 %	S40 Projections 30/06/2020 R' 000	Proj Less Exp 30/06/2020 R' 000
Administrative fees	98 281	2 775	2.82%	24 480	21 705
Advertising	58 544	3 557	6.08%	13 284	9 727
Minor Assets	142 554	4 859	3.41%	35 936	31 077
Catering: Departmental activities	91 911	3 582	3.90%	18 440	14 858
Entertainment	4 130	-	0.00%	1 004	1 004
Fleet services (including government motor transport)	353 377	78 934	22.34%	94 526	15 592
Inventory: Fuel, oil and gas	64 109	3 388	5.29%	15 630	12 242
Consumable: Stationery, printing and office supplies	161 341	5 126	3.18%	36 591	31 465
Transport provided: Departmental activity	507 615	10 812	2.13%	126 994	116 182
Travel and subsistence	545 182	39 785	7.30%	125 044	85 259
Training and development	128 931	889	0.69%	27 561	26 672
Venues and facilities	68 196	4 108	6.02%	15 892	11 784
Rental and hiring	14 850	344	2.32%	4 624	4 280
Total	2 239 021	158 158	7.06%	540 006	381 848

- a) From the total R9,9 billion of goods and services, the budget of items targeted for reduction amount to R2.2 billion
- b) Collectively, departments have registered only R158.158 million or 7 per cent on items earmarked for reduction. Total amount of R381,848 million was under spent compared to projected spending at the beginning of the financial year.

CONDITIONAL GRANTS EXPENDITURE AS AT 30TH JUNE 2020

Departments	2019/20			2020/21		
	Budget as per Division of Revenue Act 2019/2020	Actual Expenditure as at 30/06/2019	Percentage spent of Budget as at 30/06/2019	Budget as per Division of Revenue Act 2019/2020	Actual Expenditure as at 30/06/2020	Percentage spent of Budget as at 30/06/2020
	R' 000	R' 000	%	R' 000	R' 000	%
Health	2 478 748	607 904	24.52%	2 779 238	579 462	20.85%
Culture, Arts and Traditional Affairs	190 081	21 916	11.53%	182 742	19 226	10.52%
Community Safety and Transport Management	118 683	35 433	29.85%	127 026	7 252	5.71%
Economic Development, Environment, Conservation and Tourism	-	-	0.00%	2 000	-	0.00%
Education and Sport Development	1 464 676	191 818	13.10%	1 690 322	162 053	9.59%
Cooperative Governance and Traditional Affairs	2 277	4 724	207.48%	2 114	4	0.19%
Public Works and Roads	999 269	149 689	14.98%	1 074 891	14 929	1.39%
Social Development	64 590	6 143	9.51%	85 099	1 041	1.22%
Rural, Environment and Agricultural Development	247 636	16 047	6.48%	253 830	2 649	1.04%
Human Settlements	1 985 335	325 536	16.40%	1 546 191	66 024	4.27%
Total Conditional Grant Expenditure	7 551 295	1 359 211	18.00%	7 743 453	852 639	11.01%

- a) Conditional Grant recorded at 11.01 per cent, a regression from the previous year low spending of 18 per cent;
- b) Implementation plans of grants were placed on hold given the decision to redirect funds to the Covid-19 pandemic;
- c) Subsequent adjustment to the Conditional Grants allocation will be communicated in due course.

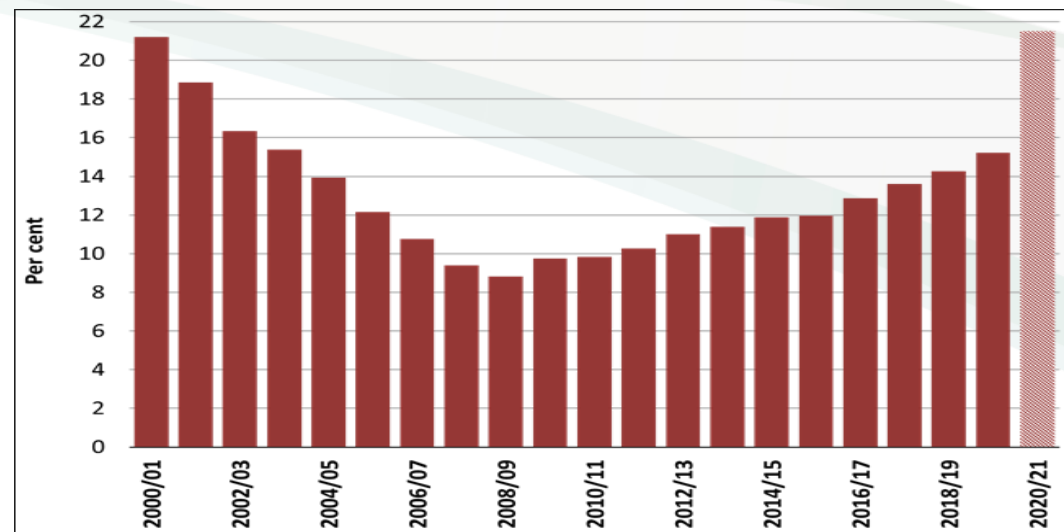
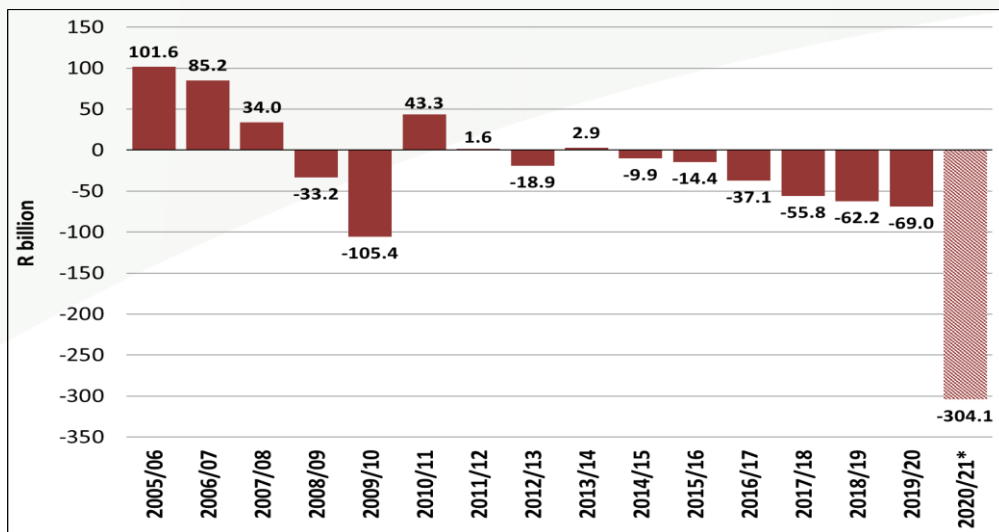
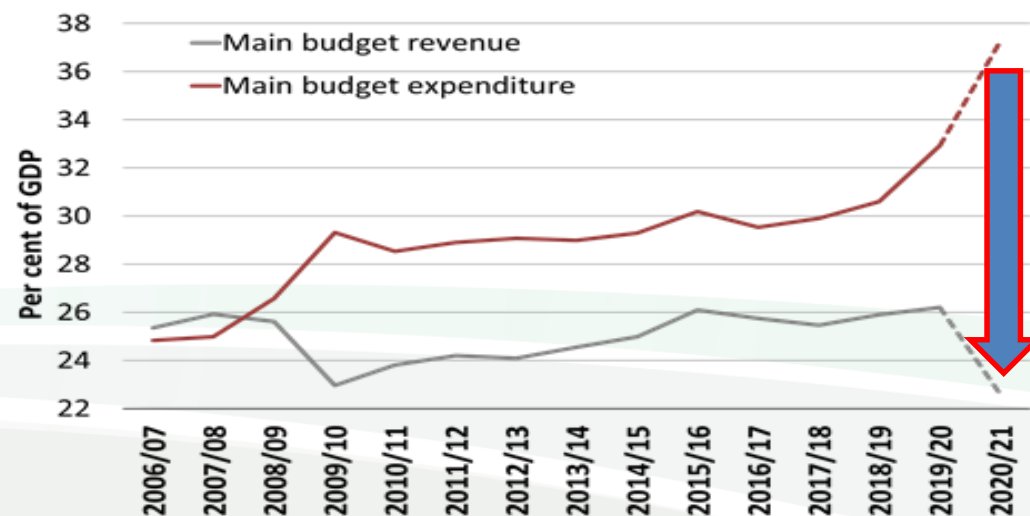
INFRASTRUCTURE EXPENDITURE AS AT 30TH JUNE 2020

Total Infrastructure Allocations (Includes conditional grants) within the North West Provincial Departments	2019-20				2020-21			
	Main Appropriation 2019/20	Actual Expenditure as at 30 June 2019	Actual % spent as at 30 June 2019	Available budget 2019-20	Main Appropriation 2019/20	Actual Expenditure as at 30 June 2020	Actual % spent as at 30 June 2020	Available budget 2020-21
Premier	1 500	-	0.00%	1 500	-	-	-	-
Provincial Legislature	81 606	15 441	18.92%	66 165	52 436	1 131	2.16%	51 305
Health	627 928	87 729	13.97%	540 199	597 158	81 506	13.65%	515 652
Arts Culture, Sports & Recreation	62 764	2 246	3.58%	60 518	56 488	261	0.46%	56 227
Community Safety & Transport Management	49 188	492	1.00%	48 696	35 372	-	0.00%	35 372
Economic Development Environment & Tourism	92 526	7 126	7.70%	85 400	97 615	730	0.75%	96 885
Education	904 712	55 815	6.17%	848 897	1 092 045	89 165	8.16%	1 002 880
Corporative Governace & Traditional Affairs	92 217	13 240	14.36%	78 977	206 979	46 575	22.50%	160 404
Public Works & Roads	1 516 901	214 171	14.12%	1 302 730	1 671 091	33 180	1.99%	1 637 911
Social Development	46 675	1 183	2.54%	45 492	42 255	1 339	3.17%	40 916
Agriculture & Rural Development	44 930	619	1.38%	44 311	47 043	-	0.00%	47 043
Human Settlements	1 934 947	330 046	17.06%	1 604 901	1 493 031	65 946	4.42%	1 427 085
Total Infrastructure Spending for 2019/20- 2020/21	5 455 894	728 107	13.35%	4 727 787	5 391 513	319 832	5.93%	5 071 681



COVID-19 IMPACT ON NATIONAL FINANCES

- GDP expected to shrink by 7.2% in 2020
- National revenue is expected to be R304bn less than budgeted for
- Expenditure as a % of GDP increases while revenue drops (“the Hippo’s mouth”), resulting in a 14.6% main budget deficit
- Debt service costs increase to R21.50 of every R100 of revenue collected





ADJUSTMENT TO THE 20/21 PROVINCIAL FISCAL FRAMEWORK

Provincial Fiscal Framework	2020/21 Main Budget	Special Adjustment	New 2020/21 Allocation
Equitable Share	37 547 835	-	37 547 835
Conditional Grants	7 743 453	(459 383)	7 284 070
Own Revenue	1 312 230	(111 352)	1 200 878
Financing		1 650	1 650
Adjusted Provincial Framework	46 603 518	(569 085)	46 034 433



ADJUSTMENT TO 20/21 PROVINCIAL FISCAL FRAMEWORK – EQUITABLE SHARE

- The **Provincial Equitable** share remains unchanged at R37.547 billion;
- Departmental equitable share allocations are amended to make funds available for the COVID-19 Provincial response plan;
- The equitable share of all departments except Health, have been reduced to contribute to the Provincial COVID-19 fund;
- Reduction of departmental equitable share allocation targeted specific items that are mainly affected by the restrictions and limitations of COVID-19 as per EXCO resolution;
- Reductions are also implemented on CoE and Infrastructure projects while ensuring sustainability of key government programmes and projects;



ADJUSTMENT TO 20/21 PROVINCIAL FISCAL FRAMEWORK – CONDITIONAL GRANTS

- **Conditional Grant allocations** reduced by R459,383 million on aggregate from R7.743 billion to R7,284 billion;
- Changes to the conditional grants allocations includes reductions, repurposing and additional funds specifically for COVID-19 within Health;
- An amount of R661 million have been reduced from the Conditional grants as follows:
 - *R36.019 million has been suspended from the Comprehensive Agricultural Support Programme Grant, R14.811 million has been suspended from the Ilima/Letsema Projects Grant.*
 - *R197.260 million has been suspended from the Education Infrastructure Grant, R4.057 million has been suspended from the HIV and AIDS Life Skills Education Grant, R5.892 million has been suspended from the Maths, Science and Technology Grant.*



ADJUSTMENT TO 20/21 PROVINCIAL FISCAL FRAMEWORK – CONDITIONAL GRANTS

- **Conditional Grants Reductions:**

- *R158.311 million has been suspended from the Human Settlements Development Grant, R34.760 million has been suspended from the Title Deeds Restoration Grant.*
- *R34.800 million has been suspended from the Community Library Services Grant,*
- *R14.698 million has been suspended from the Mass Participation and Sport Development Grant,*
- *R160.415 million has been suspended from the Provincial Roads Maintenance Grant.*

- **Conditional Grants *Additions*:**

- *Provincial Disaster Relief Grant:- R18.540 million for Health and R8 million for Agriculture and Rural Development;*
- *for Health R175.1 million for the COVID-19 Component within the HIV, TB, Malaria and Community Outreach Grant*



ADJUSTMENT TO 20/21 PROVINCIAL FISCAL FRAMEWORK – CONDITIONAL GRANTS

Provincial Conditional Grants

	2020/21 Main Budget	Special Adjustment	New 2020/21 Allocation
Health	2 779 238	193 640	2 972 878
HIV, TB, Malaria and Community Outreach	1 628 527	175 100	1 803 627
Community Outreach Services Component	236 724		236 724
HIV and AIDS Component	1 322 296		1 322 296
Malaria Elimination Component			-
TB Component	21 745		21 745
Covid-19 component	32 985	175 100	208 085
Human Papillomavirus	14 777		14 777
Health Facility Revitalisation Grant	597 158	-	597 158
National Tertiary Services Grant	326 867	-	326 867
National Health Insurance Grant	21 192	-	21 192
Statutory Human Resources, Training and Development	192 723	-	192 723
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	12 771		12 771
Provincial Disaster Relief Grant		18 540	18 540
Arts, Culture, Sports and Recreation	182 742	(49 498)	133 244
Community Library Services Grant	138 733	(34 800)	103 933
Mass Participation and Sport Development Grant	42 009	(14 698)	27 311
Expanded Public Works Programme Incentive Grant for Provinces	2 000		2 000
Community Safety and Transport Management	127 026	-	127 026
Public Transport Operations Grant	124 415		124 415
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	2 611		2 611
Economic Development, Environment, Conservation And Tourism	2 000	-	2 000
Expanded Public Works Programme Integrated Grant for Provinces (Tourism)	2 000		2 000

	2020/21 Main Budget	Special Adjustment	New 2020/21 Allocation
Education	1 690 322	(207 209)	1 483 113
Education Infrastructure Grant	1 090 010	(197 260)	892 750
HIV and AIDS (Life Skills Education) Grant	16 791	(4 057)	12 734
Learner with Profound Intellectual Disabilities	18 414		18 414
Maths, Science and Technology Grant	39 453	(5 892)	33 561
National School Nutrition Programme Grant	516 114		516 114
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	7 505		7 505
Expanded Public Works Programme Incentive Grant for Provinces	2 035		2 035
Cooperative Governance & Traditional Affairs	2 114	-	2 114
Expanded Public Works Programme Incentive Grant for Provinces	2 114		2 114
Public Works and Roads	1 074 891	(160 415)	914 476
Provincial Roads Maintenance Grant	1 059 163	(160 415)	898 748
Expanded Public Works Programme Integrated Grant for Provinces	15 728		15 728
Social Development	85 098	-	85 098
Early Childhood Development Grant	76 740		76 740
Expanded Public Works Programme Incentive Grant for Provinces	2 000		2 000
Social Sector Expanded Public Works Programme Incentive Grant for Provinces	6 358		6 358
Agriculture & Rural Development	253 830	(42 830)	211 000
Comprehensive Agricultural Support Programme Grant	174 271	(36 019)	138 252
Ilima/Letsema Projects Grant	67 324	(14 811)	52 513
Land Care Programme Grant: Poverty Relief and Infrastructure Development	8 508		8 508
Expanded Public Works Programme Integrated Grant for Provinces	3 727		3 727
Provincial Disaster Relief Grant		8 000	8 000
Human Settlements	1 546 191	(193 071)	1 353 120
Human Settlements Development Grant	1 493 031	(158 311)	1 334 720
Title Deeds Restoration Grant	53 160	(34 760)	18 400
Subtotal	7 741 452	(459 383)	7 282 069



ADJUSTMENT TO 20/21 PROVINCIAL FISCAL FRAMEWORK – PROVINCIAL OWN REVENUE

Department - Own Revenue	2020/21 Main Budget	Special Adjustment	New 2020/21 Allocation
Office of the Premier	409	-	409
Provincial Legislature	1 649	-	1 649
Health	89 736	(8 974)	80 762
Arts ,Culture, Sports & Recreation	4 059	(3 534)	525
Community Safety and Transport Management	818 481	(47 856)	770 625
Economic Development, Environment, Conservation & Tourism	173 060	(50 988)	122 072
Provincial Treasury	150 000	-	150 000
Education	22 735	-	22 735
Cooperative Governance & Traditional Affairs	345	-	345
Public Works and Roads	35 700	-	35 700
Social Development	1 980	-	1 980
Agriculture & Rural Development	13 286	-	13 286
Human Settlements	790	-	790
Unallocated			
Total	1 312 230	(111 352)	1 200 878

- Own revenue targets for four departments are affected by the COVID-19 Restrictions;
- The reduced revenue target has a direct impact on the Provincial Fiscal Framework and specifically the expenditure budgets of the respective departments;



PROPOSED ADJUSTMENTS TO THE 2020/21 BUDGET

- In line with EXCO resolution, the Provincial Treasury engaged departments and identified possible areas for budget reduction for COVID-19 fund;

Department	2020/21 Main Budget	Adjustments to Allocations						Changes to the 20/21 Main Appr	Adjusted 2020/21 Allocations
		Initial ES Reduction Consideration	Equitable Share Reductions	Equitable Share Additions	Conditional Grants	Financing	Own Revenue		
Office of the Premier	691 205	(105 000)	(100 000)		-		-	(100 000)	591 205
Provincial Legislature	504 294	(64 400)	(45 000)		-		-	(45 000)	459 294
Health	13 197 187		-	1 100 827	193 640		(8 974)	1 285 493	14 482 680
Arts ,Culture, Sports & Recreation	789 188	(76 978)	(76 978)	10 000	(49 498)	1 650	(3 534)	(118 360)	670 828
Community Safety and Transport Management	2 368 808	(229 551)	(165 000)		-		(47 856)	(212 856)	2 155 952
Economic Development, Environment, Conservation & Tourism	1 015 811	(78 962)	(78 962)	50 000	-		(50 988)	(79 950)	935 861
Provincial Treasury	557 499	(100 512)	(95 512)		-		-	(95 512)	461 987
Education	18 379 620	(309 576)	(309 576)	200 000	(207 209)		-	(316 785)	18 062 835
Cooperative Governance & Traditional Affairs *	648 046	(149 211)	(100 000)		-		-	(100 000)	548 046
Public Works and Roads	3 456 839	(280 868)	(262 868)		(160 415)		-	(423 283)	3 033 556
Social Development	1 878 410	(98 507)	(98 507)	40 000	-		-	(58 507)	1 819 903
Agriculture & Rural Development	1 222 601	(105 770)	(98 000)	30 000	(42 830)		-	(110 830)	1 111 771
Human Settlements	1 803 986	(58 040)	(50 000)		(193 071)		-	(243 071)	1 560 915
Unallocated	90 024			49 576	-		-	49 576	139 600
Total	46 603 518	(1 657 375)	(1 480 403)	1 480 403	(459 383)	1 650	(111 352)	(569 085)	46 034 433



PROPOSED ADJUSTMENT ALLOCATIONS FOR 2020/21

Department of Health

- Health receives additional **R1.1 billion** from the Equitable share and R193.640 million for conditional grants
- Health reprioritised R399 million from the internal baseline allocation towards COVID-19;
- In total, an amount of **R1.693 billion** is dedicated for COVID-19 within the **Department of Health**;
- The allocation is intended to amongst others address the following:
 - **Human Resources capacity** to response to the pandemic: this include health professionals inclusive of the capacity in the form of cleaners, porters, mortuary attendants, laundry aids, data capturers, etc.
 - **Increased bed capacity**: more field hospitals than initially planned in view of the increasing cases and treatment to respond to the surge and to contain the spread;
 - **COVID-19 interventions**: Prevention is a fundamental component and encompasses the issues of personal protective equipment (PPE), health education, screening and management of contacts by quarantining confirmed persons through isolation.



PROPOSED ADJUSTMENT ALLOCATIONS FOR 2020/21

Department of Arts, Culture, Sports and Recreation

- The departmental recreational facilities have been used as accommodation facilities for homeless;
- The department is allocated an amount of **R10 million** to assist with the cost of running facilities used as quarantine sites.
- An amount of **R1.650 million** from National Heritage Center is allocated for three heritage sites namely; Moses Kotane National Memorial Heritage site, Onkgopotse Tiro Grave and Dinokana Village and Dr. Ruth Mompati;

Department of Economic Development, Environment, Conservation and Tourism

- An additional **R50 million** is allocated to DEDECT for COVID-19 intervention with special reference to the provision of quarantine sites;
- The allocation is intended to assist with the running of the facilities and the department must ensure that reasonable rates are paid for these government facilities to benefit more patients.

Department of Education

- The department is allocated an amount of **R200 million** to assist with COVID-19 intervention especially at school level;
- The grant framework of Education Infrastructure grant has been amended to allow the department to reprioritise and use funds for COVID interventions;

- **Department of Agriculture and Rural Development**

- Food security is threatened by the prevalence and the spread of the coronavirus;
- The department is allocated an additional **R30 million** to improve food security in the province;
- The allocation is intended to ensure that critical programmes aimed at ensuring food security are explored and supported;
- An amount of **R8 million** from Provincial Disaster Relief grant is allocated for draught relief measures,



PROPOSED ADJUSTMENT ALLOCATIONS FOR 2020/21

Department of Social Development

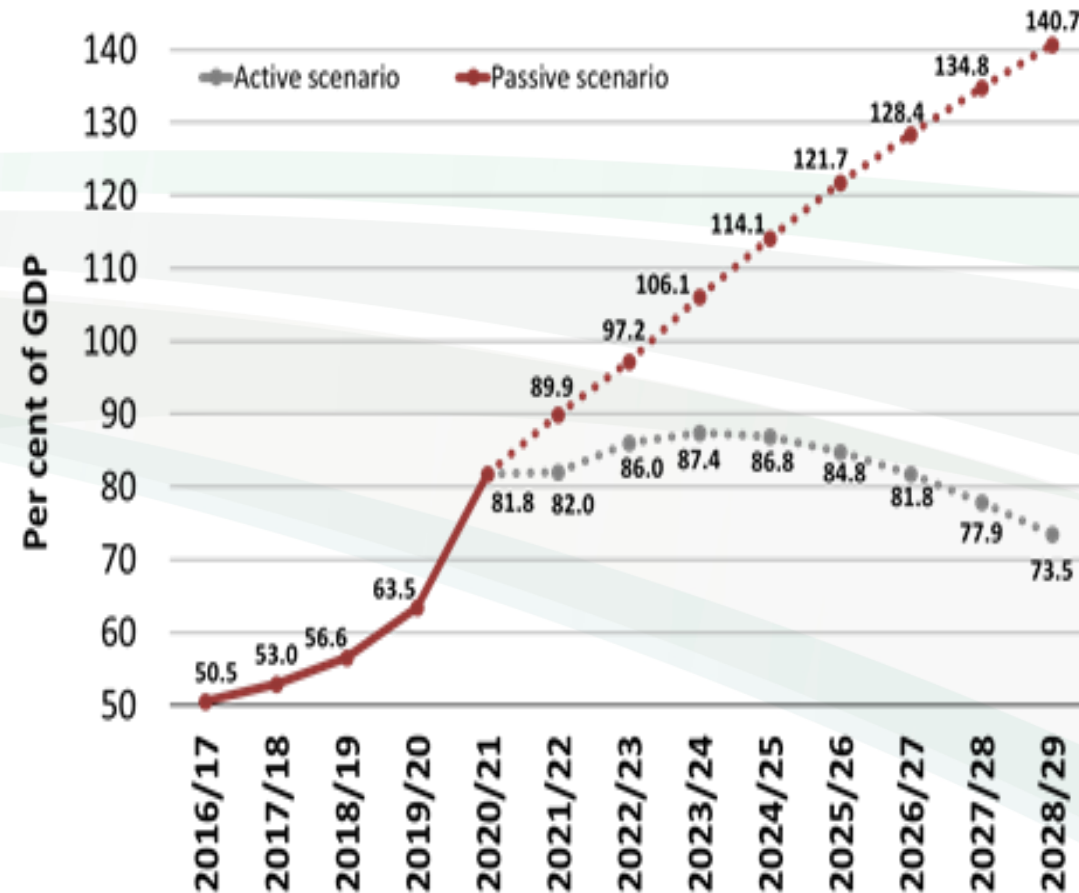
- The department receives an additional **R40 million** for the Social Relief of Distress Programme to respond to the challenges of disasters, extreme poverty and destitution;
- These programme includes food parcels and cooked meals, blankets, sanitary dignity packs and any other appropriate interventions as a short-term measure to respond to the emergency needs of individuals and households;
- The department will also provide social relief to the homeless during this time of Disaster;
- The grant framework for **Early Childhood Development grant** is amended to allow the department to reprioritised funding for COVID-19 intervention plans specifically for ECD sites;
- These will include preparation for reopening, procurement of mask and sanitizers.



IMPLICATIONS FOR FUTURE BUDGETS

- The Division of Revenue Amendment Bill only makes changes to 2020/21 allocations
- If spending plans remain unchanged (passive scenario) we will see a sovereign debt crisis
- Cabinet has chosen the active scenario to stabilizing debt below 90% of GDP. This will require a major change in planned spending
- Changes to MTEF allocations will be announced in the MTBPS in October
- National Treasury intends to re-assess spending areas in a “zero-based” budgeting approach
- NT and PTs intend to use spending reviews to assess key service delivery programmes in the next budget process

Debt outlook scenarios





CONCLUDING REMARKS

- The need to respond to the devastating impact of COVID-19 can not be over emphasised;
- The Province is currently experiencing the pick in terms of number of cases reported daily, which requires strategic and prompt response from government to save lives;
- The identified funds demonstrates the Provincial Government's resolve to curb the spread of coronavirus and flatten the curve;
- In addition to reprioritising for the Provincial COVID-19 Response plan, departments have further reprioritised for internal COVID-19 intervention and preventative measures;
- The impact of COVID-19 to the Provincial Budget is in excess of R3 billion considering reprioritisation of internal departmental intervention and the repurposing of conditional grants;
- It is critical to ensure value for money as the COVID-19 funds are utilised and departments will be requested to report bi-weekly on COVID-19 spending.



The Executive Council is requested to:

1. Note and agree that the Special Adjustment budget is tabled in terms of Section 31 of the PFMA and must be tabled within 30 days after the tabling of the National Special Adjustment by the Minister of Finance;
2. Note the extensive engagement with Provincial departments to identify funds for the Provincial Response to COVID-19;
3. Note the impact of COVID-19 on the Provincial and National Finances;
4. Note the suspension of conditional grants allocation amounting to **R661 million** to support National COVID-19 interventions;
5. Note the new allocation within Health: HIV, TB, Malaria and Community Outreach grant of R175.1 million specifically for COVID-19 component;
6. Note the Provincial Disaster Relief grant allocation of R18.540 million to Health for COVID-19 intervention and R8 million for Agriculture and Rural Development specifically to assist with the provision of fodder;



RECOMMENDATIONS

The Executive Council is requested to:

7. Support and endorse the proposed budget reductions for departments and the Provincial Legislature in support of Provincial COVID-19 response package;
8. Consider and support departmental reprioritization for internal COVID-19 intervention plans;
9. Note and agree that departments must review their Annual Performance Plans to be in line with the revised allocations for the 2020/21 financial year;
10. Note and support an amount of **R1.693 billion** directed toward COVID-19 funding within the Department of Health and additional funds allocated to specific departments for COVID-19 interventions;
11. Note the adjustment to the Provincial Fiscal Framework from **R46.603 billion** to **R46.034 billion**, representing a reduction of 1.2 per cent;



The Executive Council is requested to:

7. Note that the Special Adjustment budget must be tabled in terms of Section 31 of the PFMA to avail funds for COVID-19 response;
8. Support the tabling of the Special Adjustment Budget by the MEC for Finance in the Provincial Legislature on the 23rd July 2020;



THANK YOU!
RE A LEBOGA!
BAIE DANKIE!



WE BELONG



WE CARE



WE SERVE