

**LIMPOPO PROVINCIAL TREASURY
PRESENTATION TO THE
SELECT COMMITTEE ON FINANCE**

2nd May 2006

**CONDITIONAL GRANTS SPENDING
AS AT 31 MARCH 2006**

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Conditional Grants spending as at 31 March 2006

Department	DoRA	Transferred from National	Provincial actual payments	Variance	Spent as a % of budget
	R'000	R'000	R'000	R'000	R'000
Education					
HIV and AIDS (Life skills Education)	20,371	20,371	17,864	2,507	88%
National School Nutrition Programme	204,469	186,152	191,072	-4,920	93%
	224,840	206,523	208,936	-2,413	93%
Health					
Comprehensive HIV and AIDS	125,899	125,899	94,110	31,789	75%
Hospital Management and Quality Improvement	17,457	17,457	16,019	1,438	92%
Hospital Revitalization	202,918	202,918	162,909	40,009	80%
Integrated Nutrition Programme	22,344	22,344	27,003	-4,659	121%
Health Professions Training and Development	72,411	72,411	71,650	761	99%
National Tertiary Services	71,182	71,182	45,687	25,495	64%
Forensic Pathology Services Grant	6,858	6,858	0	0	0%
	519,069	519,069	417,378	101,691	80%
Housing					
Housing subsidy	397,650	397,650	372,940	24,710	94%
Human Settlement and Redevelopment	1,418	1,418	5,000	-3,582	353%
	399,068	399,068	377,940	21,128	95%
Social Development					
HIV and AIDS (Community Based Care)	9,138	9,138	7,548	1,590	83%
Social Assistance Admin Grant	500,000	500,000	362,439	137,561	72%
Social Assistance Transfers Grant	6,814,594	6,861,460	6,820,086	41,374	100%
Integrated Social Dev Grant	61,146	61,146	27,430	33,716	45%
	7,384,878	7,431,744	7,317,503	114,241	99%
Provincial Infrastructure Grant					
Health	92,526	46,264	83,551	-37,267	90%
Agriculture	39,654	31,394	29,771	1,623	75%
Roads	264,359	132,180	264,359	-132,179	100%
Education	264,359	132,180	235,376	-103,196	89%
	660,898	342,018	613,057	-271,039	93%
Totals	9,188,753	8,898,422	8,934,814	-36,392	97%

DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

DESCRIPTION	PROGRAMME	BUDGET	EXPENDITURE	BALANCE	% SPENT
CONDITIONAL GRANTS					
<i>Housing grants</i>					
Human resettlement Development	Pr 2: Housing	21,261,000.00	5,000,937.75	16,260,062.25	24%
Housing Subsidies Programme	Pr 2: Housing	456,915,000.00	372,939,015.22	83,975,984.78	82%
<i>Premier Infrastructure grant</i>					
Electrification Emergency Infrastructure	Pr 3: Local Government	100,000,000.00	39,264,461.13	60,735,538.87	39%
Water Emergency Infrastructure	Pr 3: Local Government	100,000,000.00	50,318,529.33	49,681,470.67	50%
TOTAL CONDITIONAL GRANTS		678,176,000.00	467,522,933.43	160,971,595.90	69%

Reasons for under spending on C Grants..Ctd.

Local Government and Housing

Human Settlement & Redevelopment

- Municipalities' delay in appointing service providers and deviation from the original scope of work. Change of specification has since been agreed upon.
- Some of the land claims processes took long to be resolved resulting in the delays experienced. Currently projects have resumed.

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Reasons for under spending on C Grants...ctd.

Local Government and Housing

HOUSING SUBSIDIES PROGRAMME

- Building of Houses was affected by heavy rain falls during January to March 2006.
- There were shortfalls on the approved bricks in the province. The suppliers could only deliver 1500 bricks per week against 3000 required to build the targeted 12 000 houses per annum.
- Non- compliance of Developers when submitting claims without relevant attachments/documents.
- Usage of unspecified material by some of the contractors delays the smooth flow of payment.
- Late identification of development areas by Municipalities.
- Late submission of beneficiary application forms by Municipalities.
- Late submission of geo-tech reports by engineers delays the commencement of the projects.

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OTHER CONDITIONAL GRANTS

- Electrification and Water Supply
Emergency Infrastructure: -
 - Funds were allocated under emergency conditions during the adjustment budget of 2005/06
 - 45% of the amount is already spent in a short period

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Reasons for under spending on C Grants...ctd.

Health

HOSPITAL MANAGEMENT AND QUALITY IMPROVEMENT GRANT

- Not all staff budgeted for were recruited to perform the function required.
- Capacity building programmes started late due to late implementation of business plans and operational costs of staff not appointed resulted in an under expenditure

HIV & AIDS

- No staff were recruited to perform the specialized functions for ARV rollout due to the delay in finalizing the staff establishment.
- Slow rollout of the ARV programme due to staff shortage.
- Delay in procuring the building for HIV & AIDS centre

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Reasons for under spending on C Grants...ctd.

Health

INTERGRATED NUTRITION PROGRAMME

- The province never participated in the national tender for food supplements and as a result the programme started late because it became difficult to get a supplier.

HEALTH PROFESSIONS TRAINING AND DEVELOPMENT

- Operational costs related to equipment ordered but not yet received
- Late awarding of tenders as a result of difficulties encountered on specification and long delivery period of most specialized equipment imported.

FORENSIC PATHOLOGY SERVICES

- Money was only received in December 2005 and business plans could not be in place for implementation.

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Reasons for under spending on C Grants..ctd.

Health

NATIONAL TERTIARY SERVICES

- Specialists appointed on Equitable Share funding
- Operational costs related to specialist services
- Late awarding of tenders as a result of difficulties encountered on specification and long delivery period of most specialized equipment imported

HOSPITAL REVITALIZATION GRANT

- Late placement of contractors and capacity of others resulted in slow expenditure.

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Conditional Grants Actual expenditure of the financial year 2005 / 06

Budgeted over the MTEF Limpopo Soc Dev-Vote 12 Conditional Grants	in R '000		Total available	Expenditure	% of budget spent	Under (over)
	DORA	2005/06 Roll over				
Social assistance - Admin	500,000		500,000	462,438	92.5%	37,562
Social assistance - Grants trf	6,814,594		6,814,594	6,819,967	100.1%	-5,373
TOTAL	7,314,594	-	7,314,594	7,282,405	99.6%	32,189
Social Welfare Services						
Intergrated Soc Dev	61,146		61,146	24,210	39.6%	36,936
Food security		42,947	42,947	42,947	100.0%	-
HIV & AIDS	9,138		9,138	7,548	82.6%	1,590
TOTAL	70,284	42,947	113,231	74,705	66.0%	38,526

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Conditional Grants

- The HIV&AIDS grant was utilised at 82.6 %.
- There was no staff employed under this programme on the conditional grant resulting in an under expenditure of R 1.23 m
- Non expenditure on Capital and Goods and Services related to the non employment amounted to R 188 000
- R 170 000 of the R 6.67 m for transfer to NGO's was due to late receipt of their business plans, they will be allocated funds in the current year.
- The conditional grant is now part of the Equitable Share and is added to the funds already budgeted for this priority in the 2006/07 financial year

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Conditional Grants

Integrated Social Development Services

- The amount received as a roll over of R 42.947 m has been fully utilised in respect of Food Security.
- The current grant has only been utilised by 40% or R 24.1 million for development projects run by NGO's and CBO's and for capacity building of 30 community development practitioners.
- The funds for food security R 36.9 m will be fully utilised and food distribution will commence in May 2006 to 32 000 families.
- The delay in implementation is due to the late awarding of the tender because the business plan was approved late.
- The department will advertise a tender in August for the current financial year.

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Conditional Grants

Expenditure - SASSA Grants

- Administration
- The Grant will not be fully utilised and R 37 m is unspent
- This is due to:
 - Late advertisement of Posts for SASSA.
 - Non splitting of the SASSA function from the Department resulting in savings.
 - Late acquisition of leased property

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Conditional Grants

Expenditure - SASSA Grants

- The actual amount was R 5.37 m over the budgeted amount.
- This is mainly due to the CSG that has been under funded since its inception
- No funds were received in the adjustment estimates despite continuous reporting in the IYM and Achievability exercise
- National will be requested to fund this
- The department is continually engaging the National office on the projections and expected over expenditure and Provincial Treasury is informed by means of the IYM process and Achievability Exercises
- As from 1 April 2006 SASSA takes over this function and the department does not have any budget but will assist on an Agency basis to ensure service delivery is not compromised while the transfer of the function takes place.

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Reasons for under spending on C Grants..Ctd.

Education

HIV & AIDS

- The under spending is as a result of HIV and AIDS related activities that take place only during weekends and school holidays to avoid disruption on learning and teaching at schools.
- The training of teachers on National Curriculum Statement also caused a problem because the same teachers are targeted and National Curriculum Statement is given a priority

National School Nutrition Programme

- Feeding was scheduled to end on the 17th March 2006 hence many invoices were submitted late for processing in 2005/06. This programme benefited 1,140,521 school kids.

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Monitoring capacity on Conditional Grants

- Departments submit monthly reports on conditional grant spending (IYM)
- Achievability exercises are conducted to look at the spending trends (corrective measures are discussed to deal with underspending).
- The unit is not yet fully staffed – owing to the evaluation of the newly created posts;
- It is envisaged that the unit will have sectoral analysts looking at all departments with and without conditional grants;

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Infrastructure

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Allocation trends – Provincial Infrastructure Grant

Table 1 - Provincial Infrastructure Grant
Departmental Allocation Trends (Budgets)

R'000s	2004/05	2005/06	% increase from prior year	2006/07	% increase from prior year	2007/08	% increase from prior year	2008/09	% increase from prior year
Department									
Education	237,331	264,359	11%	291,786	10%	301,174	3%	356,488	18%
Roads & Transport	237,331	264,359	11%	291,786	10%	379,218	30%	396,488	4%
Health & Social Development	63,066	92,526	15%	106,125	15%	117,632	11%	135,359	15%
Agriculture	35,600	39,654	11%	43,767	10%	52,705	21%	62,386	18%
Total	593,328	660,898	11%	729,464	10%	830,980	14%	891,221	7%

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Expenditure on the PIG...

Table 2 - Provincial Infrastructure Grant
March YTD

R'000s	2009/06 Budget	TfS from National Treasury	Amount Spent	Unspent Balance	% Spent	Amount not Transferred
Department						
Education	264,359	132,180	235,376	28,983	89.0%	132,179
Roads & Transport	264,359	132,180	264,359	-	100.0%	132,179
Health & Social Development	92,526	46,263	83,551	8,975	90.3%	46,263
Agriculture	39,654	31,394	29,771	9,623	75.1%	8,280
Total	660,898	342,017	613,057	47,841	92.8%	316,661

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Expenditure on the PIG...ctd

- The province ended the year at 92.8% of the grant;
- This represents an under-spending of R47, 841 million against a budget of R660, 898 million;
- Due to low expenditure trends in the province, e.g. at December total spending stood at 43.2%, the third and fourth installments of the grant were not transferred to the province;
- Reasons for under-expenditure are dealt with in another section of the presentation.

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Expenditure on the Total Infrastructure Allocation

Table 3 - March YTD Capital Exp (Inc. infrastructure grants)

R000s	Total Budget	Exp. To March 06	Unspent Amount	% Spent
Department				
Education	473,855.00	357,467.00	105,388	77.5%
Roads & Transport	831,817.00	791,704.00	40,113	95.2%
Health & Social Development	424,960.00	275,498.00	149,462	64.8%
Agriculture	236,815.00	201,246.00	35,569	85.0%
Total	1,967,447.00	1,635,915.00	331,532	83.1%

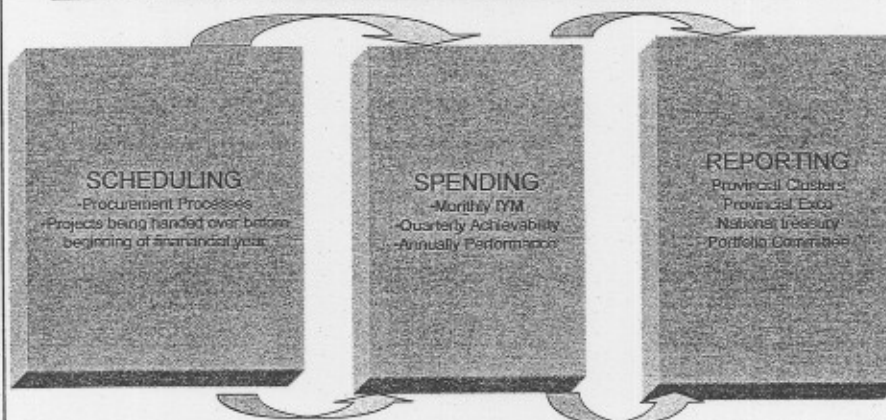
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547 SCHOOLS PROVIDED WITH CLASSROOMS (LEARNERS UNDER TREES AND IN SHACKS)												
Degree of Completion	DISTRICTS								Total			
	Capricorn	Waterberg	Vhembe	Sekhukhune	Mopani	Bohlelwa						
	Classrooms/Value	Classrooms/Value	Classrooms/Value	Classrooms/Value	Classrooms/Value	Classrooms/Value	Classrooms/Value	Classrooms/Value	Classrooms/Value			
Tendering Stage			140	20,825		54	5,020	64	5,020	268	36,665	
40% to 60% completion	184	27,370	160	23,800	228	33,915	120	17,850	60	8,925	104	15,470
Complete	108	16,065	60	8,025	128	19,040	106	15,065	184	27,370	212	31,535
Total	292	43,435	220	32,725	496	73,780	228	33,915	308	45,815	390	66,535

- 464 classrooms are required to remove learners under trees
- 690 classroom are required to remove learners learning in shacks
- 1154 classroom are required to remove learners under trees and in shacks
- 800 classrooms at the cost of R119 million have been completed
- 856 classrooms at the cost of R127 million are between 40% and 60% complete
- 268 classrooms at the cost of R40 million are at the tendering stage
- 335 mobile classrooms at the cost of R34 million have been provided to 87 schools

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Monitoring capacity on infrastructure



Have Established infrastructure Unit in Treasury
 Unit works closely with National Treasury and implements IDIP in province
 Unit is, however, in process of being capacitated.

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Reasons for under-spending on Capital

- Education
- The business plan was reprioritised during the year due to changes in priorities, i.e. after the President's announcement that government had to provide classrooms for children learning under trees as a matter of priority, this area of need was prioritised in the plan including storm-damaged schools. This review in the business plan resulted in delays in project tendering and starting times.
- Roads & Transport
- Most of the big contracts were awarded in September, spending picked up late in the year as a result.
- Some districts that were earmarked for development were affected by heavy rains which delayed project work.

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Reasons for under-spending on capital...ctd

- Health & Social Development
- The late Appointments of Main & Sub Contractors.
- Project delays by the Implementing Agent, i.e. project implementation taking more time than it should (and payment is tied to project completion).
- Late delivery of hospital equipment (for hospital projects).
- 33 clinic projects at (at a cost of R3 million each) started late due to the late appointment of contractors.
- 15 of the main contractors only took site from the 15th of July 2005, which hampered spending.

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Reasons for under-spending on capital...ctd

- Agriculture
- This is due to the review of the small-holder irrigation schemes that were targeted to benefit from the grant (during the review process, these projects were put on hold). This is one of the main infrastructure programmes of the department.
- With regard to fencing projects, supplier capacity for the poles to be used for fencing was overstretched, with the major suppliers being affected, leading to further delays in project starting times.
- The department also has a shortage of technical staff – this has a negative impact on the project as the projects' designs and other technical aspects of the projects hinge on this. This shortage is more acute at district level.

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Mechanisms to deal with these

- Education
- The department identified projects for fast-tracking and this resulted in improved expenditure.
- Roads & Transport
- Fast-moving multi-year projects were identified and funds shifted to them;
- Funds were shifted from districts affected by rain.

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Mechanisms...ctd

- Health & social Development
- The department adopted a proactive approach in project management, e.g. the project documentation stages were started before the scheduled dates in order to pre-empt delays in tendering, etc.
- Agriculture
- The departments initiated a new procurement approach, i.e. buying in bulk.
- The department developed a project database to facilitate the monitoring of progress on projects.

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Mechanisms...ctd

- Other
- The province is participating in the implementation of the Infrastructure Delivery Improvement Programme (IDIP);
- This intervention is expected to have an impact on infrastructure delivery in the medium to long-term as it seeks to address systemic shortcomings in departments' infrastructure delivery mechanisms, e.g. planning processes, procurement planning, capacity issues, etc;
- It is expected that once departments are fully aligned with IDIP principles (e.g. proactive multi-year planning), under-expenditure will be eliminated.

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Impact of these measures

- These measures have resulted in the following:
- A significant improvement in infrastructure expenditure;
- Expenditure on infrastructure improved from 43.2% in December (Jan 50.3%, Feb 59.2%) to 83.1% by the end of March.
- A total amount of R470, 026 million was spent in the month of March alone versus a monthly average spending of R105, 935 million (YTD February)

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THANK YOU

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