

North West Province

Submission to the Select Committee on Finance
on the Third (3rd) Quarter of 2006/2007 public
hearing on Infrastructure/Development Funds
and Conditional Grant expenditure



12 February 2007

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SELECT COMMITTEE ON FINANCE

THIRD (3RD) QUARTERLY REPORT ON CONDITIONAL GRANTS AND DEVELOPMENT/ INFRASTRUCTURE EXPENDITURE

PRESENTATION BY THE NORTH WEST PROVINCE

1. Introduction

This financial report relates to the third quarter of the 2006/07 financial year, from 1 April to the 31st December 2006, of which the estimated expenditure for this period should be 75%.

2. Provincial Expenditure

- a) There is a substantial improvement in infrastructure/development and conditional grant spending during the first nine months of the 2006/07 financial year compared to the same period during the previous financial year.
- a) The improvement is evident as a result of the supporting interventions by the provincial treasury and the commitment of the provincial departments to improve service delivery.
- b) The late approval of rollovers on the national conditional grants contributed to the spending trends of below 75% and this ultimately may result in possible unspent funds for the 2006/07 financial year.
- c) The delay in the approval of rollovers of these national conditional grants prevented the provincial departments from implementing projects and/or delaying projects and negatively affected the spending.
- d) The schedule below reflects the overall expenditure statistics of the North West province for the first nine months of the 2006/07 financial year. The development/ infrastructure funds include funds from the equitable share and the conditional grants.

Description	Budget 2006/2007 R' 000	Expenditure 2006/2007 R' 000	Percentage spent (%) %	Variance (Over)/ Under Spent R' 000
Equitable Share	13,611,809	9,294,892	68.29%	4,316,917
Conditional Grants	1,920,178	1,381,888	71.97%	538,290
Total Budget	15,531,987	10,676,780	68.74%	4,855,207
Development/ Infrastructure Funds	2,599,734	1,741,409	66.98%	858,325

- e) The total provincial spending amounts to R10 676 780 000.00 (R10, 7 billion) or 68.74% of the total provincial budget for the first nine months of the 2006/07 financial year, compared with the 68.43% expenditure of the same period during 2005/06.

Description	Percentage Expenditure 2005/2006	Percentage Expenditure 2006/07	Percentage increase or (decrease)
Equitable Share	67.63%	68.29%	0.66%
Infrastructure/ Development Funds	62.17%	66.98%	4.81%
Conditional Grants	65.77%	71.97%	6.20%

3. Summary of Infrastructure/ Development Funds

- a) The North West province has a total allocation of R2 599 734 000.00 (R2.6 billion) for development/infrastructure for the 2006/07 financial year.
- b) During the first nine months of the current financial year, an amount of R1 953 747 000.00 was available for development spending.
- c) Of the total development funds available @ R1 953 747 000.00 the NW provincial departments spent an amount of R1 741 409 000.00 which translates to 89% expenditure of funds transferred.
- d) This 89% is exceptionally well keeping in mind that the NW province received R15 907 000.00 on the 20 December 2006 for the Department of Health.
- e) The expenditure of R1 741 409 000.00 against the total infrastructure budgeted amount of R2 599 734 000.00 translates to 67% expenditure which is a mere 8% short of the indicative 75% expenditure for the first nine months and this an improvement against the 62% expenditure for the same period during 2005/06.
- f) The uncertainty that prevailed on the approval of rollovers relating to the national infrastructure conditional grants delayed implementation of many infrastructure projects.
- g) The subsequent late approval received from the national treasury for infrastructure conditional grant rollovers - now result in the NW province appearing to be far below the 75% indicative expenditure mark.
- h) This might result in possible unspent funds during 2006/07, however the provincial treasury would closely monitor infrastructure spending and delivery and opt for the best utilization of funds in the current year to prevent under spending.
- i) Stripping the late approved national treasury rollovers on development funds amounting to R242 679 000.00 (thus making available budget @ R2 357 055 000.00) then the NW province expenditure stands on 74%.
- j) The rollout of the Infrastructure Delivery Improvement Programme (IDIP) within the province and the active involvement of the provincial treasury with the provincial departments definitely reveal positive results in the infrastructure delivery and management.

Infrastructure Allocations within the North West Provincial Departments	Approved Budget 2006/2007	Expenditure as at 31/12/2006	National Transfers 31/12/2006	% Spent of National Transfers	Percentage Spent of Budget
Office of the Premier	7,000	1,798	5,250	34%	26%
Provincial Legislature	4,668	692	4,668	15%	15%
Department of Health	372,100	228,918	255,690	90%	62%
Department of Sport, Arts and Culture	43,604	5,784	32,756	18%	13%
Department of Economic Development	98,937	26,498	84,729	31%	27%
Department of Finance	-	-	-	-	-
Department of Education	442,958	314,844	289,132	109%	71%
Department of Local Government and Housing	753,179	530,201	575,758	92%	70%
Department of Transport, Roads and Community Safety	518,128	397,372	405,308	98%	77%
Department of Public Works	175,809	138,656	139,948	99%	79%
Department of Social Development	38,988	25,232	33,738	75%	65%
Department of Agriculture, Conservation and Environment	144,363	71,414	126,770	56%	49%
Total Infrastructure Expenditure for 2006/07	2,599,734	1,741,409	1,953,747	89%	67%
Stripping the late approval of CG Rollovers from Main Approved Development Fund Budget	2,357,055	1,741,409	1,953,747	89%	74%

4. Summary of Conditional Grant Funds

- ✓a) The North West province received for conditional grants an allocation, in terms of the Division of Revenue Act (DoRA), amounting to R1 920 178 000.00 (R1, 9 billion) for the 2006/07 financial year.
- b) For the first nine months of the current financial year, an amount of R1 416 118 000.00 (R1.4 billion) was made available for spending.
- c) Please note that R38 762 000.00 (R38.7 million) of the Department of Health's conditional grants was only received on 20 December 2006 and could not be spent before the end of the third quarter
- ✓d) Spending on conditional grants during the first nine months of the 2006/07 financial year amounts to R1 381 888 000.00 (R1.3 billion) which equals 72% expenditure of the total conditional grants.
- ✓e) This is an improvement compared to the 66% spent during the same period in the previous financial year. More significant is that the NW province has spent 98% of the funds transferred.
- f) The uncertainty that prevailed on the approval of rollovers relating to the national conditional grants delayed implementation of many conditional grant projects and the subsequent late approval received from the national treasury for conditional grant rollovers - now result in the NW province appearing to be below the 75% indicative expenditure mark.
- g) This might result in possible unspent funds during 2006/07, however the provincial treasury would closely monitor conditional grant spending and delivery and would opt for the best utilization of funds in the current year to prevent under spending.
- ✓h) A request was already submitted to the National Department of Health and the national treasury for approval to use possible unspent conditional grant funds relating to the Hospital Revitalization Grant for the North West clinic-building programme.
- ✓i) Stripping the late approved national treasury rollovers on conditional grants amounting to R267 553 000.00 (thus making available budget @ R1 652 625 000.00) then the NW expenditure stands on 84%.

Conditional Grant Allocations within the North West Provincial Departments	Approved Budget 2006/2007	Expenditure as at 31/12/2006	National Transfers 31/12/2006	% Spent of National Transfers	Percentage Spent of Budget
Office of the Premier	-	-	-	-	-
Provincial Legislature	-	-	-	-	-
Department of Health	539,593	353,638	371,036	95%	62%
Department of Sport, Arts and Culture	11,105	2,526	8,196	31%	23%
Department of Economic Development	-	-	-	-	-
Department of Finance	-	-	-	-	-
Department of Education	232,062	143,457	142,324	101%	62%
Department of Local Government and Housing	703,179	505,201	538,258	94%	72%
Department of Transport, Roads and Community Safety	335,081	317,532	266,447	119%	95%
Department of Public Works	-	-	-	-	-
Department of Social Development	5,270	-	5,270	0%	0%
Department of Agriculture, Conservation and Environment	93,888	59,534	84,587	70%	63%
Total Conditional Expenditure for 2006/07	1,920,178	1,381,888	1,416,118	98%	72%
Stripping the late approval of CG Rollovers from Main Approved Conditional Grant Budget	1,652,625	1,381,888	1,416,118	98%	84%

Infrastructure and Conditional Grants statistics per Provincial Department

5. Office of the Premier

Infrastructure/ Development Funds	Spent by Province 31/12/2006	Projection for year 2006/07	Spent & Projection 2006/07	Year to date - End of December 06	Year to date - End of December 06	Year to date - End of December 06
	Total	Total	Total Available Funds 2006/07	Transfers from National	Spent as % of Transfers from National	Spent as % of total available Funds 2006/07
	R' 000	R' 000	R' 000	R' 000	%	%
Maintenance & Upgrading of Traditional Leaders Properties	1,798	5,202	7,000	5,250	34.25%	25.69%
Total Expenditure of 2006/07 funds	1,798	5,202	7,000	5,250	34.25%	25.69%

Expenditure trend:

- The Office of the Premier has spent R1 798 000.00 of their funds for the first nine months which translates to 34.25% expenditure on the funds received and 25.69% expenditure of total infrastructure/ development funds of R7 million.
- The department indicated that they anticipate full spending of their budget.

Challenge:

- The department had a delay in tendering procedures and the holiday period of contractors over festive period slightly delayed physical progress of projects.

Intervention:

- Tenders for the four new tribal authority complexes were advertised and adjudicated and contractors are on site since 01 December 2006.
- Expenditure is set to increase as from the fourth quarter with close monitoring and interaction with contractors to address improving delivery and expenditures.

Achievements:

- Tribal offices at Maboloka and Batlhako Ba Matutu traditional office are under construction with good progress made towards completion.

6. Provincial Legislature

Infrastructure/ Development Funds	Spent by Province 31/12/2006	Projection for year 2006/07	Spent & Projection 2006/07	Year to date - End of December 06	Year to date - End of December 06	Year to date - End of December 06
	Total	Total	Total Available Funds 2006/07	Transfers from National	Spent as % of Transfers from National	Spent as % of total available Funds 2006/07
	R' 000	R' 000	R' 000	R' 000	%	%
Maintenance & Upgrading of Traditional Leaders Properties	692	3,976	4,668	4,668	14.82%	14.82%
Total Expenditure of 2006/07 funds	692	3,976	4,668	4,668	14.82%	14.82%

Expenditure trend:

- The Provincial Legislature has spent 14.82% for the first nine months, which is far below the indicative 75%.
- Service delivery and expenditure is set to increase during the fourth quarter

Challenge:

- A contractor was appointed and the work delivered by the contractor was sub-standard and payment was withheld until work is effectively done.

Intervention:

- Department of Public Works was approached and a tender was re-issued, closed and adjudicated. A new contractor was appointed and work is in progress.

Achievements:

- None at this stage.

7. Department of Health

Infrastructure/ Development Funds	Spent by Province 31/12/2006	Projection for year 2006/07	Spent & Projection 2006/07	Year to date - End of December 06	Year to date - End of December 06	Year to date - End of December 06
	Total	Total	Total Available Funds 2006/07	Transfers from National	Spent as % of Transfers from National	Spent as % of total available Funds 2006/07
	R' 000	R' 000	R' 000	R' 000	%	%
Provincial Infrastructure Funding [2006/07 not PIG]	46,052	4,948	51,000	38,250	120.40%	90.30%
Health Routine Maintenance	19,107	24,231	43,338	32,504	58.78%	44.09%
Hospital Revitalisation	144,706	78,882	223,588	143,163	101.08%	64.72%
Clinic Building	19,053	13,970	33,023	25,523	74.65%	57.70%
Infrastructure Grant (AB7)	-	1,549	1,549	1,549	0.00%	0.00%
Klerksdorp/Tshepong Hospital Repairs	-	19,602	19,602	14,702	0.00%	0.00%
Total Expenditure of 2006/07 funds	228,918	143,182	372,100	255,690	89.53%	61.52%

Expenditure trend:

- The Department of Health spent R228 918 000.00 of their funds that translates to 89.53% expenditure on funds received and 61.52% expenditure on total infrastructure funds. Please note that an amount of R15 907 000.00 was only received on 20 December 2006.

Conditional Grants	Spent by Province 31/12/2006	Projection for year 2006/07	Spent & Projection 2006/07	Year to date - End of December 06	Year to date - End of December 06	Year to date - End of December 06
	Total	Total	Total Available Funds 2006/07	Transfers from National	Spent as % of Transfers from National	Spent as % of total available Funds 2006/07
	R' 000	R' 000	R' 000	R' 000	%	%
Hospital Revitalisation	144,706	78,882	223,588	143,163	101.08%	64.72%
Health Professionals Training and Development	50,543	12,021	62,564	46,925	107.71%	80.79%
Comprehensive HIV and AIDS	107,836	34,480	142,316	106,740	101.03%	75.77%
National Tertiary Services	42,290	27,090	69,380	52,038	81.27%	60.95%
Forensic Pathology Service Grant	8,263	31,843	40,106	22,080	37.42%	20.60%
Integrated Nutrition Programme	-	90	90	90	0.00%	0.00%
Infrastructure Conditional Grant	-	1,549	1,549	1,549	0.00%	0.00%
Total Expenditure of 2006/07 funds	353,638	185,955	539,593	372,585	94.91%	65.54%

Expenditure trend:

- The Department of Health spent R353 638 000.00 that equals 94.91% expenditure on funds received and 65.54% expenditure on total conditional grant funds.
- Please note that an amount of R38 762 000.00 was only received on 20 December 2006.
- An amount of R30million was paid into the outstanding National Health Laboratory Services (NHLS) account of the HIV & AIDS programme for laboratory tests.

Challenges:

- Relative low spending on infrastructure and conditional grants especially the Forensic Pathology Services conditional grant and the capacity constraints and problems with the contractor at the Moses Kotane Hospital and Vryburg Hospital.

Intervention:

- The clinic building and other health infrastructure/maintenance projects anticipate shortfall of funds and the national treasury was approached for approval to use the unspent funds of the Hospital Revitalization Grant to fund these projects.
- National Tertiary Services
 - Performance and expenditure will improve as from January 2007 as funds were committed to procure the required medical equipment.
- Forensic Pathology Services
 - Expenditure for seventeen (17) employees currently paid by SAPS still has to be claimed from the department. The transfer of staff is in progress and various discussions occurred with the Human Resource Manager at SAPS.
 - Activities are now set to improve with spending, as the personnel issues have been resolved.
 - A commitment exists of R3.5 million towards purchase of vehicles and equipment.
- Moses Kotane Hospital
 - The performance of the contractor for the construction of the hospital is lagging behind and was hindered by insufficient cash flow and the absence of a well-trained construction manager on site.
 - An intervention meeting to rescue the situation of the hospital contractor was held between Department of Public Works, the Guarantor, the contractor and the consultants.
 - Because of the meeting, the contractor obtained the services of a reputable contract/construction manager with infrastructure and financial capacity and further increased his capacity by employing more sub-contractors on site. Enhanced progress was noted to date.
- Vryburg Hospital
 - Vryburg Hospital was slightly behind schedule due to the inclement weather conditions and late submission of technical documentation by structural engineers. Meetings were held and agreements concluded that the contractor work overtime in order to make up for lost time. This is evident and most of the sub-contractors are on site, which improved delivery.
- Brits Hospital
 - The project is in planning phase with the design completed already and construction to commence in January 2007 and an earthworks contractor will be appointed soon.

Achievements:

- Seven (7) clinics, Churchill, Coldridge, Swartdam, Tseoge, Austrey, Mothotlung and Setlagole have reached practical completion and first delivery final accounts are expected in the last quarter.
- Twelve (12) clinics are at completion stage with internal finishes being done before hand over to the department in 4th quarter.
- Boitekong Community Health Centre (CHC) completed; Madikwe CHC is on planning; Five (5) CHC – Bapong, Tsweleng 2, Boikie Tlhapi, JB Marks and Lethabile is on tender; Three (3) CHC's - Pella, Mogwase and Mabeskraal at completion stage.
- The health routine maintenance projects started slowly and are currently improving with eleven (11) projects under construction and four (4) projects on planning stage.
- The health infrastructure grant funds are used for alterations and extensions to the two Nursing Colleges (Excelsius and MACON) and the construction of Itsoseng CHC and these projects are progressing well beyond expectations.
- The rollout of the Infrastructure Delivery Improvement Programme (IDIP) has commenced in the Department and we trust that it would yield results that are more positive in future.
- The department has welcomed this initiative and has a very positive approach to the IDIP programme.

8. Department of Sport, Arts and Culture

Infrastructure/ Development Funds	Spent by Province 31/12/2006	Projection for year 2006/07	Spent & Projection 2006/07	Year to date - End of December 06	Year to date - End of December 06	Year to date - End of December 06
	Total	Total	Total Available Funds 2006/07	Transfers from National	Spent as % of Transfers from National	Spent as % of total available Funds 2006/07
	R' 000	R' 000	R' 000	R' 000	%	%
Libraries	-	10,211	10,211	7,711	0.00%	0.00%
Archive building	1,285	14,715	16,000	12,000	10.71%	8.03%
Cultural Centres	-	4,000	4,000	3,000	0.00%	0.00%
Maintenance of sport facilities	-	4,000	4,000	3,000	0.00%	0.00%
Maintenance of museums / Arts	-	1,000	1,000	750	0.00%	0.00%
Maintenance of Libraries	199	3,801	4,000	3,000	6.63%	4.98%
Greenifying projects	1,300	93	1,393	1,045	124.43%	93.32%
Basic sport facilities	3,000	-	3,000	2,250	133.33%	100.00%
Total Expenditure of 2006/07 funds	5,784	37,820	43,604	32,756	17.66%	13.26%

Expenditure trend:

- ✓ The Department of Sport, Arts and Culture spent R5 784 000.00, which equals 17.66% of their funds received and a mere 13.26% expenditure of their total development funds.

Conditional Grants	Spent by Province 31/12/2006	Projection for year 2006/07	Spent & Projection 2006/07	Year to date - End of December 06	Year to date - End of December 06	Year to date - End of December 06
	Total	Total	Total Available Funds 2006/07	Transfers from National	Spent as % of Transfers from National	Spent as % of total available Funds 2006/07
	R' 000	R' 000	R' 000	R' 000	%	%
Mass Sport And Recreation	2,526	8,579	11,105	8,196	30.82%	22.75%
Total Expenditure of 2006/07 funds	2,526	8,579	11,105	8,196	30.82%	22.75%

Expenditure trend:

- ✓ The Department spent R2 526 000.00, which equals 30.82% of their funds received and a mere 22.75% expenditure of their total conditional grant funds. The department indicated that their expenditure and planning would improve during this year.
- ✓ Claims are outstanding from municipalities on libraries and consultants for the archives building and would be paid during the fourth quarter.

Challenges:

- ✓ The low spending by the department is a concern and should this spending trend continue the department would under-spend during the financial year.
- ✓ The constraints the department experience are with their lack of capacity in forward planning and the delayed implementation of projects by the local municipalities.
- There was further a hold on the availability and the allocation of land but it was resolved.

Intervention:

- Department of Public Works are finalizing the architectural drawings for capital projects in Kagisano, Rustenburg and Potchefstroom Local municipalities.
- ✓ Bidders were non-responsive and the tenders for the three districts and one public library were re-advertised as close tenders.
- ✓ The business plans for sporting facility projects were received, service level agreements are finalized; work commenced during third quarter.
- Tenders for the maintenance and renovations of museums would be advertised soon.
- The appointment of an infrastructure/ project manager within the departments gave momentum to achieve their infrastructure delivery targets.