

3.1.3 DEPARTMENT OF HOUSING, LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

Table 5: Projected and Actual Expenditure on Conditional Grants, April to September 2007

Grant Type	Budget 2007/08	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Integrated housing & human resettlement dev.	1,052,554	386,135	95,329	290,806	24.7%	75.3%	9.1%
Total Conditional Grants - Housing	2,848,679	386,135	95,329	290,806	24.7%	75.3%	3.3%

INTEGRATED HOUSING AND HUMAN SETTLEMENT GRANT

Expenditure in the reporting period stood at R95, 3 million 24, 7 per cent against transfers of R386, 1 million, leaving an amount of R290, 8 million 75, 3 per cent as unspent. The main reasons for under expenditure includes amongst other things:

- Poor project management by emerging contractors,
- The lack of synergy and planning capacity at both Provincial and Municipal level
- Protracted decisions making process within municipalities with respect to land ownership, and availability issues and well as municipal procurement processes frustrate service delivery

3.1.4 DEPARTMENT OF AGRICULTURE

Table 6: Projected and Actual Expenditure on Conditional Grants, April to September 2007

Grant Type	Budget 2007/08	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Comprehensive agricultural support programme	69,838	31,427	34,519	(3,192)	110.2%	-10.2%	49.6%
Land care programme	7,010	3,155	6,591	(3,436)	208.9%	-108.9%	94.0%
Total Conditional Grants - Agriculture	76,848	34,582	41,210	(6,528)	119.2%	-19.2%	53.6%

COMPREHENSIVE AGRICULTURAL SUPPORT PROGRAMME (CASP)

Out of transfers of R31, 4 million, R34, 6 million or 110, 2 per cent has been spent in the reporting period, leading to an over expenditure of R3, 1 million or 10, 2 per cent. The bulk of this money (R31, 4 million) was spent in the month of August alone.

LAND CARE PROGRAMME

Actual expenditure of R6, 5 million or 208, 9 per cent was recorded against transfers of R3, 1 million, leaving to over expenditure of R3, 4 million 108, 9 per cent as at end of September. A month to month

analysis of actual expenditure shows that of the spent amount, R5 million was spent in the month of September alone.

3.1.5 PROVINCIAL INFRASTRUCTURE GRANT (DoE, DoH, DoA & DoRT)

Table 7: Projected and Actual Expenditure on Provincial Infrastructure Grants, April to September 2007

Department	Budget 2007/08	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Department of Health	150,000	37,500	30,651	6,849	81.7%	18.3%	20.4%
Department of Education	50,000	12,500	12,500	0	100.0%	0.0%	0.0%
Department of Transport	838,937	209,734	460,115	(250,381)	219.4%	-119.4%	54.8%
Department of Agriculture	42,866	10,722	4,588	6,134	42.8%	57.2%	10.7%
Department of Sports (Yet to be allocated)	41,520	10,380	10,380	0	100.0%	0.0%	0.0%
Total Conditional Grants - Roads & Transport	1,123,343	280,836	495,354	-214,518	176.4%	-76.4%	44.1%

PROVINCIAL INFRASTRUCTURE GRANT

Against transfers of R280, 8 million, R495, 4 million or 176, 4 per cent was recorded as the actual expenditure, thus giving rise to an over expenditure of R214, 5 million or 76, 4 per cent. This represents a significant spending improvement as compared to the same period in the previous financial year when the grant sustained actual expenditure to the tune of only R3, 6 million.

The over-expenditure is mainly attributable to the Department of Roads and Transport at R250, 3 million or 119, 4 % of actual transfers. The department has been experiencing some cost pressures following the reallocation of Provincial Infrastructure Grant to other departments in the current year. The matter is being looked at and may be addresses during the adjustment estimates.

The Department of Roads and Transport, through the grant has managed to create 5, 703 jobs through spending the Provincial Infrastructure Grant (PIG). In creating these jobs, poverty has been alleviated in communities since R12, 9 million were paid in wages. Learnership Programmes were embarked upon on projects from Klipplaat to Jansenville and Alicedale Project to empower communities and transfer much needed skills. In the first quarter the department also initiated the Wild Coast Meander Road Project, which is designed to exploit the economic, social and tourism potential of the Wild Coast. The department managed to upgrade 19km of gravel road to black surfaced roads and rehabilitated 3km of tarred roads.

3.1.5 DEPARTMENT OF SPORT, ARTS AND CULTURE

Table 8: Projected and Actual Expenditure on Conditional Grants, April to September 2007

Grant Type	Budget 2007/08	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Community Library Services Grant	22,680	5,670	29	5,641	0.5%	99.5%	0.1%
Mass sports and recreational participating program.	28,369	9,610	8,068	1,542	84.0%	16.0%	28.4%
Total Conditional Grants - Sport	51,049	9,610	8,068	1,542	84.0%	16.0%	15.8%

SIYADLALA COMMUNITY MASS PARTICIPATION PROGRAMME

During the period under review, R9, 6 million was transferred and only R1, 5 thousand or 16 per cent of actual could not be spent. The bulk of expenditure to the tune of R6,4 million was incurred in the second quarter.

COMMUNITY LIBRARY SERVICES GRANT

This is a new conditional grant of R28, 4 million that will focus on refurbishment and improvement of the library services in the province. In the reporting period an amount of R29 thousand has been spent against transfers of R5,6 million, thus leaving R5, 6 million unspent.

The main reason for this under expenditure is that, since the Department is administering the grant for the first time this year, it has spent more time finalizing planning and laying the necessary framework for its implementation. This includes issues of recruitment which is currently underway, involvement of Public Works in planning refurbishment of community libraries, acquisitions of indigenous library material, ICT equipment etc.

3.2 COMMENTS ON EXPENDITURE TRENDS ON INFRASTRUCTURE

3.2.1 DEPARTMENT OF AGRICULTURE

Table 9: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
8. Agriculture	112,724	71,774	34,619	37,155	48.23%	52%	30.71%
Total	112,724	71,774	34,619	37,155	48.23%	52%	30.71%

The Department of Agriculture had projected to spend R71, 7 million of its infrastructure budget by the end of September 2007. Actual expenditure in this period was R34, 6 million or 48, 2 per cent of the transfers. This resulted in an under expenditure of R37, 2 million or 52 per cent when compare to projected expenditure. In the month of August the expenditure was R31, 4 million.

A few interactions with the project manager were initiated in order to determine the department's ability to spend its infrastructure budget by the end of the financial year. A report was requested for the Department to indicate the updated project status for each project. A detailed analysis of this report was undertaken and revealed that a large number of projects were in tender stage. The concern of the status of the projects was also raised during the recent MTEF hearings. There have also been subsequent interactions with the project manager as the recently received second quarter infrastructure report indicated that 102 projects are still in the tender stage. When this issue was queried a correspondence was received from the Project Manager dated 17 October 2007.

This correspondence indicated that:

- Most of these projects in tender stages are the fencing projects.
- The Departments action plan will involve screening of an appropriate sample of projects and based on these assessment hold a status review meeting per district.
- It is scheduled to have the reviews and status meetings completed by 15 November so that appropriate action plans can be completed before 16 December 2007.

The status of the Departments expenditure and project status will be closely monitored through consultation with the Departmental Project Manager, to identify and deal with threats of potential under spending.

3.2.2 DEPARTMENT OF EDUCATION

Table 10: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
6. Education	729,633	376,111	135,872	240,239	36%	63.87%	19%
Total	729,633	376,111	135,872	240,239	0	63.87%	19%

The Department had projected to spend R376, 1 million of its infrastructure budget by the end of September 2007. Actual expenditure in this period stood at R135, 9 million or 19 per cent of the budget. This resulted in an under spending of R240, 2 million or 36 per cent when compared to projected expenditure. The slow expenditure was due to the delays in project delivery because of the Education Infrastructure audit. This resulted in slow project expenditure in the first three months of the financial year with only 0.3 per cent being spent. Subsequently the expenditure for July, August and September improved slightly resulting in 18 per cent for these three months combined.

In recent interactions with the Department, the Project Manager, has provided some information on how the Infrastructure budget will be utilized and the reason for the initial delays which are as follows:

- The Education performance review inevitably affected the implementation of new projects.
- Payments are now proceeding on all current commitments and will account for approximately R499, 985 million expenditure of the 2007/08 infrastructure budget.
- The Department had embarked on a rigorous process of project identification which was recently completed, to ensure "correctness" in the implementation of any new projects.
- It has been indicated that Provincial Infrastructure Grant funding(R 50 million) will be utilized in the rapid infrastructure program for the mud structure eradication.
- In consultation with Provincial Treasury, the Department of Education has explored a process to expenditure procurement in order to fast-track the replacement of mud structures.
 - To ensure the spending of the remaining amount of the 2007/08 Education Infrastructure budget, the Department is also currently undertaking other projects to ensure the utilization of the 2007/08 Infrastructure Budget.

There have been further interactions with the Department Representatives, who are now finalizing the detailed project implementation plan for submission to Provincial Treasury, taking the above measures into account.

3.2.3 DEPARTMENT OF HEALTH

Table 11: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
3. Health	876,477	431,359	370,920	60,439	85.99%	14%	42.32%
Total	876,477	431,359	370,920	60,439	85.99%	14%	42.32%

The Department had projected to spend R431, 4 million of its infrastructure budget by the end of September 2007. Actual expenditure in this period was R370, 9 million or 42 per cent of the budget. The Department thus under spent by R60, 4 million. In the month of April, actual spending stood at R1, 6 million, and increased to R28, 9 million in May. In June the figure increased to R37, 9 million and again to R164, 9 million in July. In the month of August and September, expenditure on infrastructure dropped to R97, 3 million and R40, 4 million respectively.

The Department reports that there have been delays in the processing of infrastructure claims, and indicated that it is currently attempting to resolve the problem of delays in processing invoices through the establishment of an Infrastructure Claim Processing Unit. This is expected to substantially reduce the timeframes for the processing of claims and the unit is expected to be established by the end of October 2007.

Even though the Department is currently under spent by 7 per cent, the Infrastructure unit in the Department indicated that it is projecting an over expenditure at the end of the current financial year. Of its total budget of R876, 5 million, the department has R505, 5 million to spend in the remaining period of the financial year. In attempting to assess the ability of the Department to utilize its infrastructure budget by the end of the financial year a report was requested from the Department.

This report indicates that the Department has a total official allocated budget of R876, 5 million. However, an anticipated total expenditure of R1, 2 billion is projected to be spent this financial year. There is a projected over-spending of R288, 1 million for the current financial year. This issue was raised during the recent MTEF hearings, in which it was resolved that a bilateral be scheduled to discuss this matter. A detailed analysis of the projected over expenditure report was completed by Provincial Treasury. The bilateral was proposed to discuss these issues in detail. The bilateral was scheduled for Friday, 26 October 2007 but had to be postponed due to a key stakeholder in Health being sick and therefore unavailable. The meeting is currently being rescheduled.

3.2.4 DEPARTMENT OF PUBLIC WORKS

Table 12: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
5. Public Works	180,013	85,011	68,208	16,803	80.23%	20%	37.89%
Total	180,013	85,011	68,208	16,803	9.30%	16%	37.89%

According to the second quarter Infrastructure report, the Department of Public Works had projected to spend R85 million or 47 per cent of its infrastructure budget by the end of September 2007. Actual expenditure in this period was R68, 2 million or 38 per cent of the budget. This spending pattern has resulted in an under-spending of R16, 8 million or 9 per cent when compared to projected expenditure.

The Department has indicated that most of its major projects are starting in the middle of September 2007 and expenditure will increase significantly thereafter. The Department has submitted a plan which reflects the Departments increase in projections for the remaining period of the financial year and indicates the commencement of the major projects from September 2007 to the end of the financial year. This plan will be closely monitored to identify the projected increase in expenditure as indicated by the Department.

3.2.5 DEPARTMENT OF ROADS AND TRANSPORT

Table 13: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
10. Roads & Transport	1,834,629	892,351	854,885	37,466	95.80%	4%	46.60%
Total	1,834,629	892,351	854,885	37,466	95.80%	4%	46.60%

The Department of Roads and Transport had projected to spend R892, 4 million of its infrastructure budget by the end of September 2007. Actual expenditure in this period was R854, 9 million or 47 per cent of the budget. The Department has also indicated through formal communication to the MEC of Finance that there is an expected projected shortfall of R128 million, while the Roads Project Management System indicates a projected shortfall of R275, 2 million for this financial year.

In recent interactions with the Department, a report on status of projects and projected cash flows was requested. This report indicates that the amounts for cost pressures / shortfall still stands as referred to in previous communications to the MEC for Finance of Provincial Treasury. The Department was requested to submit additional information at a recent MTEF hearing. In addition there have been subsequent interactions with the Project Manager to obtain the required documentation. Subsequently some of the information has been received and there are current interactions with the project manager to submit the outstanding documentation which will facilitate the completion of the analysis and determine the validity of the Departments projected shortfall claim.

3.2.6 DEPARTMENT OF SOCIAL DEVELOPMENT

Table 14: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - June (R'000)	Actual April - June (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
4. Social Development	30,470	16,116	8,684	7,432	53.88%	46%	28.50%
Total	30,470	16,116	8,684	7,432	53.88%	46%	28.50%

The Department had projected to spend R16, 1 million of its infrastructure budget by the end of September 2007. Actual expenditure for this period was R8, 7 million or 29 per cent of the budget. The Department had slow expenditure patterns in the first three months of the financial year, which reflected 9 per cent expenditure rate for these months combined. The expenditure has increased in July and August to 8 and 7 per cent respectively, and dropped to 5 per cent in the month of September.

The current under expenditure is R7, 4 million or 24 per cent when compared against the Departments projections. In recent interaction with the Department on its poor spending level, the Department has indicated that the main reason for the under spending were the delays due to:

- Department of Public Works implementing certain deliverables (appointment of professionals, facilitation of procurement processes and appointment of project managers).
- The Department has also indicated that the envisaged under spending will be diverted to wards the upgrading of existing buildings and provision of additional accommodation to service office.

In a recent meeting facilitate with the HOD and Provincial Treasury on 26 October 2007. The Department was requested to provide a detailed project implementation plan. However, this plan is still awaited from

the Department. Is currently working in close collaboration with their technical team and it is projected that the spending pattern will reach peak performance in the third and fourth quarters.

3.2.7 DEPARTMENT OF SPORTS, ARTS AND CULTURE

Table 15: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
14. Sport	33,397	18,236	18,808	(572)	103.14%	-3%	56.32%
Total	33,397	18,236	18,808	(572)	103.14%	-3%	56.32%

The Department of Sports had projected to spend R18, 2 million of its infrastructure budget by the end of September 2007. Actual expenditure in this period was R18, 8 million or 56 per cent of the budget. There were delays in the spending of the Library conditional grant. The total budget allocated for this grant is R8, 7 million for this financial year.

The project manager indicated that the conditional grant is for the maintenance of libraries and these projects are usually one to two month duration projects. These projects are expected to start at the beginning of November. The Department of Public Works is currently assisting the Department in this process of the library maintenance.

3.2.8 DEPARTMENT OF HOUSING, LOCAL GOVERNMENT AND TRADITIONAL AFFAIRS

Table 16: Projected and Actual Expenditure on Infrastructure, April to September 2007

Vote	2007/08 Budget	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
7. Housing	26,821	10,676	4,798	5,878	44.94%	55%	17.89%
Total	26,821	10,676	4,798	5,878	44.94%	55%	17.89%

The Department had projected to spend R10, 7 million of its infrastructure budget by the end of September 2007. Actual expenditure in this period was R4, 8 million or 18 per cent of the budget. The R5, 9 million under expenditure is related to the Traditional Courts project which consists of nine courts. In September 2007, the expenditure is reflected as nil. However, further interaction with the Departmental representative

indicated that work had been done to the value of approximately R2 million, for September 2007, but the payment was not processed in time due to a query on the invoice.

The Department indicated that the slow expenditure was caused due to the changes required in design which was necessitated by the finalization of the organogram as well as the identification of sites for construction by the traditional communities. The constructions of the courts are 5 month projects and the project plan indicates that the construction will start in November 2007, during which expenditure is expected to increase.

4. INTERVENTIONS

CONDITIONAL GRANTS:

The following proposed steps to be taken to further improve the overall conditional grants spending in the Province:

- Proper strategic planning;
- Better alignment of budget with targets set out in the strategic plan;
- Project design is properly done resulting in achievable cashflows;
- Multi year commitments are planned and budgeted for; and
- Better spending on planning budgets that would be continually monitored.

INFRASTRUCTURE:

The Departments are finalizing project implementation plans to ensure spending by the end of the 2007/08 financial year. Provincial Treasury convened a meeting with The Department of Public works, Education and Health on the 08.10.2007, in order to facilitate the finalization and the tabling of the Public Works service delivery model. Subsequently Bilateral meetings took place between Education and DPW and Health and DPW to finalize the service delivery model.

The Department of Education has identified measures and projects to ensure the full utilization of its Infrastructure Budget. It is currently finalizing its detailed project implementation plan to expedite infrastructure expenditure based on these measures. The Department of Health is currently looking at the internal processes of streamlining claims processed, with an infrastructure processing unit being established by the end of October 2007.

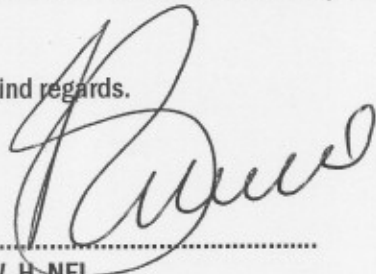
The Eastern Cape Provincial Treasury is currently undertaking a comprehensive Infrastructure Delivery performance in the Eastern Cape Departments in order to improve delivery of infrastructure facilities and

services and the associated financial management. The draft 2008/09 Infrastructure Plans (IPs) have been received from Departments on the 31 July 2007. These plans were analyzed by Provincial Treasury and the requested revisions were formally submitted to the Departments. The comments from National Treasury will also be discussed with the relevant Infrastructure Departments to ensure submission of comprehensive final plans.

5. RECOMMENDATIONS AND WAY FORWARD

It is hereby recommended that the Select Committee on Finance notes the contents of this submission, including the proposed steps to be taken to further improve the overall conditional grants and infrastructure spending in the Province. Notwithstanding this improvement Provincial Treasury will still be vigilant to ensure that the risk of under-expenditure is minimized.

Kind regards.



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MEC FOR FINANCE

