



LIMPOPO

PROVINCIAL GOVERNMENT

REPUBLIC OF SOUTH AFRICA

POST SPECIAL EXCO AND BUDGET LEKGOTLA BRIEFING

Attention: To All Media Houses

Date: 19 November 2018

OUTCOMES OF THE SPECIAL EXECUTIVE COUNCIL MEETING HELD ON THE 14th NOVEMBER 2018

Limpopo Provincial Government Executive Council held a Special EXCO meeting on the 14 November 2018 at Zebula Golf Estate, Bela-Bela Municipality, Waterberg District.

The Executive Council met after the EXCO Budget Lekgotla at the same venue. The EXCO deliberated on the following items that impact on service delivery to Limpopo communities:

2018/19 Proposed Provincial Adjustment Allocations

A report on the proposed provincial adjustment allocations for the Limpopo Provincial Administration for the 2018/19 financial year was presented to the Executive Council meeting.

Vote 1: Office of the Premier –No additional funding

The department requested additional funding amounting to **R6.318 million**, however due to unavailability of funds it is recommended that the department reprioritises and fund the pressures from within its allocated budget.

Vote 2: Provincial Legislature –R56.382 million

An amount of **R56.382 million** has been recommended to be re-allocated to the Legislature in line with surrendered funds into the PRF as per Section 22 of the PFMA.

Vote 3: Education –R226.734 million

The department requested additional funding amounting to **R208.4 million**, however it is

recommended that additional funding of **R191.0 million** be allocated to cater for the shortfall on Claims against the State as follows:-

Outstanding legal fees and claims from Department of Justice and Constitutional Development at **R11.0 million**; and Heymath claim of **R180.0 million**; Conditional grants rollover amount of **R35.734 million** has been approved for the following grants:-

R1.848 million for HIV and Aids (Life Skills Education) Grant;

R25.720 million is for National School Nutrition Programme;

R6.178 million for Maths, Science and Technology; and

R1.988 million for Learner with Profound Intellectual Disabilities Grant.

Vote 4: Agriculture and Rural Development –R49.916 million

It is recommended that savings identified from compensation of employees be re-allocated to fund transfers and subsidies for leave gratuity only;

Conditional grant roll over amounting to **R4.716 million** for Comprehensive Agricultural Support Programme Grant is approved.

The department further received **R45.200 million** as additional funding specifically appropriated for drought relief on the following grants:-

Comprehensive Agricultural Support Programme Grant –**R10.000 million**; and

Land Care Programme Grant –**R35.200 million**.

Vote 5: Provincial Treasury - No additional funding

The department has been requested to fund additional BAUD fees to assist the department of Sport, Arts and Culture to the value of **R17 million** and for forensic audit fees through reprioritisation within their allocated budget.

Vote 6: LEDET –Reallocation within the vote

The department requested an amount of **R59.217 million** to fund pressures, however based on the assessment with its entities, LGB declared savings of **R3.4 million** and LTA declared savings of **R6.9 million** on compensation of employees;

LEDA made a request for additional funding amounting to **R485.9 million** of which only **R13.9 million** for the Provincial One stop Centre and **R19.0 million** for business training is recommended to be funded from funds which were initially allocated to the SEZ;

The overall saving from LEDA amounts to **R22.809 million** and is recommended to be retained by the department together with **the R3.4 million** from LTA and **R6.9 million** from LGB;

Total amount to be retained amounts to **R33.3 million** to fund pressure on compensation of employees and CAPEX only; and it has been noted that an unspent amount of **R22.0 million** that was allocated for revenue enhancement projects should be relocated to CAPEX.

Vote 7: Health –R190.354 million

The department requested an amount of **R1.502 billion** as follows:-

Compensation of employees –**R381.899**;

Goods and Services –**R1.115 billion**; and

Revenue enhancement –**R4.9 million**;

Due to unavailability of funds it is recommended that additional amount of R100.0 million be allocated to the department; and the department has been approved a rollover amount of R90.354 million for the following conditional grants:-

Comprehensive HIV and AIDS –**R1.847 million**; and

Health Facility Revitalization Grant –**R88.507 million**.

Vote 8: Transport –Reallocation within the vote

The department made a request for additional **R39.329 million** as a result of prior year's accruals however on detailed analysis by the Provincial Treasury it was noted that even after payment of these accruals the department spent 44.8% as at 30 September 2018 and may materially underspend its allocated budget at year end; and it is on that basis that the Provincial Treasury recommends that the department allocate an amount of **R14.0 million** to GAAL to fund programs towards compliance with SACAA.

Vote 9: Public Works –R37.118 million

The department has identified savings from compensation of employees and the Provincial Treasury further noted possible material under spending on CAPEX and therefore recommends that the department reallocate these funds towards procurement of office building at an amount of **R40.5 million**;

The department has been approved Conditional Grant rollover of **R37.118 million** to fund the following:-

R35.891 million is for paying previous year's orders for household maintenance in terms of Provincial Roads Maintenance Grant framework; and **R1.227 million** for retention of access roads upgrade.

Roads Agency Limpopo –**R400.0 million**

Through the engagements between the Provincial Treasury, Public Works and Office of the Premier, it is recommended that the entity be allocated additional **R400.0 million** to fund pressures experienced in delivery of Roads Infrastructure in the Province.

Vote 10: Community Safety –R2.0 million

The department requested additional funding amounting to **R2.646 million** top-fund pressures, however it is recommended that an amount of **R2.0 million** be allocated to fund pressures on compensation of employees and goods and services (IT services and hosting of the Provincial Crime Summit).

Vote 11: CoGHSTA –R70.0 million

The department requested an amount of **R105.350 million**, however it is recommended that an amount of **R70.0 million** be allocated to cover Mookgophong-Modimolle relief intervention.

Vote 12: Social Development–R53.239 million

The department requested an amount of **R442.377 million** as follows:-

Compensation of employees –**R80.730 million**;

Goods and Services –**R165.335 million**;

Transfers and subsidies –**R97.044 million**; and

CAPEX –**R98.268 million**;

Due to unavailability of funds it is recommended that additional amount of R50.0 million be allocated to the department; and the department is approved a conditional grant roll over amount of R3.239 million for Early Childhood Development Grant.

Vote 13: Sport, Arts and Culture –R15.450 million

The department requested an amount of **R105.350 million**, however it is recommended that an amount of **R7.0 million** be allocated to fund re-burial/ exhumation of Elias Moretsele and COSAFA Cup;

The department has been approved an equitable share rollover of **R3.770 million** and conditional grant rollover amounting to **R4.680 million** for the following grants:-

R0.879 million for Mass Sport and Recreation programme; and **R3.801 million** for Community Library Grant.

The Executive Council approved the provincial rollovers on equitable share of **R60.152 million**;

The Executive Council approved the additional allocation of **R400 million** to Roads Agency

Limpopo (RAL);

The Executive Council approved the additional funding amounting to **R420.0 million** be sourced from the provincial reserves to fund unforeseen and unavoidable pressures in provincial departments; and the Executive Council approved the 2018/19 proposed increase in provincial adjustment allocations from R65.373 billion to **R66.475 billion**.

Proposed Preliminary Allocations for the 2019/20 MTEF

A report on the proposed provincial adjustment allocations for the 2018/19 financial year was presented to the Executive Council meeting.

Due to unexpected technical recession characterised with slow economic growth and less tax revenue collection, the provincial budget has been reduced as follows:-

R308.506 million in 2019/20;

R591.636 million in 2020/21, and

R982.070 million in 2021/22;

Additional **R6.635 million** and **R7.072 million** will be made available in 2020/21 and 2021/22 respectively in the Department of Social Development for Food Relief function shift;

Social Work Employment Grant will be converted from being a Grant to Equitable Share baseline as follows: **R54.715 million**, **R58.381 million** and **R61.592 million** in 2019/20, 2020/21 and 2021/22 respectively.

Additional budget of **R5.0 million** will be allocated from 2019/20 and over the MTEF to the Provincial Treasury for Infrastructure Development.

A once-off allocation will be made to the Department of Education of **R8.778 million** for the Sanitary Dignity Project;

An additional Budget of **R115.366 million** will be made available in 2021/22 for Department of Health Cuban Doctor Programme; and

An amount of **R9.642 million** in 2019/20, **R9.889 million** in 2020/21 and **R10.333 million** in 2021/22 for Provincial Treasury –Municipal Interventions.

The Executive Council approved the allocation of **R1.317 billion** in 2019/20, **R1.390 billion** in 2020/21 and **R1.465 billion** in 2021/22 from the provincial own revenue; and the Executive Council approved the proposed provincial preliminary allocations of **R60,833,434 billion** to Provincial Departments in the 2019/20 financial year, and the concomitant reduction of the RAL allocation by **R400 million**, in order to augment the possible shortfall in the main appropriation for 2019/20.

Intervention in Modimolle-Mookgophong Local Municipality

On 25 July 2018 the Provincial Executive Council, after considering the financial status of the municipality, and a request by the municipality for financial assistance, resolved as per Executive Council Decision No. 46 of 2018/19 to release of funding to the amount of **R70 million** for immediate relief to the Municipality on condition that the Municipal Council adopts a resolution on the institution of forensic investigation on the alleged corruption and mismanagement in the Municipality. The municipality remains severely cash constrained, thus inhibiting its capacity to fulfil its constitutional obligations. The municipality is unable to pay creditors within the 30 days as stipulated in Section 65 of the MFMA. The municipality is owing major creditors to an amount approximately **R448 million** as at October 2018, out of which **R354m** is over by 120 days.

Since the intervention there has been notable though slow progress to turn around the state of affairs at Modimolle-Mookgophong municipality, however the progress is hampered by the continuous disruptions.

The Executive Committee does not meet regularly as it should due to the meetings not forming a quorum occasioned by last-minute apologies by members while the municipality convenes more special meetings than ordinary council meetings which implies that Council Committees are dysfunctional. Whenever they are convened, Council meetings are never smooth when deliberating items, thus deepening tensions amongst the members.

It is on this basis that the Executive Council approved a request to place Modimolle-Mookgophong under **Section 139(1)(c)** of the Constitution of the Republic of South Africa. Section 139 (1)(c) stipulate that ***dissolving the municipal Council and appointing an administrator until a newly elected Municipal Council has been declared elected, if exceptional circumstances warrant such a step.***

Intervention in Fetakgomo Tubatse Local Municipality

Fetakgomo Tubatse Local Municipality was identified among the seven (7) distressed Municipalities during 2017 and has been identified for targeted support and oversight, and it is one of the Priority Provincial Growth Point Municipalities with high potential for economic development. The Municipality is however under severe financial pressure, and has also been faced with community uprisings due to delays in service delivery. Noting that the information provided in Section 71 reports is not credible and does not truly reflect the state of affairs in the municipality, the municipality was requested to provide cash-flow information from July 2018 to date, as well as projections for the remaining months of the year to determine its liquidity.

An analysis of the cash flow conducted by the Provincial Treasury, CoGHSTA and the Municipality on 22 October 2018 revealed severe financial pressure as serious, and further that it is paying the salaries at expense of other creditors. The analysis also revealed the following risks and challenges:-

The municipality is technically bankrupt, and is at a risk of litigations due to inability to meet financial obligations; contractors for own funded projects are not paid and this may lead to community protests due to slow implementation of projects; conditional grants are not used for the intended purpose due to the financial pressures; non implementation of the financial recovery plan adopted to mitigate the VBS exposure due to resistance from council and staff; incomplete Operation Mabone project which would result in community unrest. There is a court case on this project between the municipality, service provider and Special Investigation Unit (SIU). The contingent liability of the municipality is R195 million as per 31 June 2018 AFS, and should the municipality lose the case they will be liable for payment.

Office lease agreement is expiring in June 2020. Should the municipality's financial health not improve, this will add to the financial burden. The municipality has not paid monthly rental of **R1,8 million** since July 2018. In addition to the financial pressures, there is inadequate accountability in the Budget and the Provincial Treasury resulting from the resignation of the Chief Financial Officer. The municipality has not yet promulgated the property rates by-laws to give effect to the implementation of the Property Rates Policy.

It is on the basis of the financial pressures faced by the Municipality that a recommendation is hereby made for the provincial government to intervene and place the municipality under section 139(1)(b) of the Constitution. **Section 139(1)(b)** maintains that when a municipality cannot or does not fulfil an executive obligation in terms of the Constitution or legislation, the relevant provincial executive may intervene by taking any appropriate steps to ensure fulfilment of that obligation by assuming responsibility for the relevant obligation in the municipality; and the focus of the intervention will be to stabilise the financial situation in line with the provisions of Section 137 of the Municipal Finance Management Act No 56 of 2003. The Executive Council resolved to place Fetakgomo Tubatse Local Municipality under Section 139(1)(b) of the Constitution of the Republic of South Africa.

Municipalities are at the coalface of service delivery and its importance for them to deliver services in an effective and efficient manner. The Provincial Government cannot fold arms while service delivery and financial status deteriorates in our municipalities. As Government, we remain focused in ensuring that our communities continue to have uninterrupted access to basic services.

Extension of Term of Contract of Accounting Officer for LDARD

Ms. Ramatsimele Jacqueline Maisela was appointed as Head and Accounting Officer of the Department of Agriculture and Rural Development for a period of five (5) years from the 01

January 2014 to 31 December 2018. The Premier has, in consultation with the MEC for Agriculture and Rural Development endorsed the extension of the employment contract of the HoD by a period of five (5) years.

The Executive Council concurred on the extension of employment contract of the Accounting Officer for the Limpopo Department of Agriculture and Rural Development as per Section 12(2)(c) of the Public Service Act of 1994, as amended, by a period of five (5) years effect from 01 January 2019 until 31 December 2023.

Issued by Office of the Premier

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