

# ADJUSTMENTS BUDGET SPEECH 2019/20



HONOURABLE

**MR RAVIGASEN RANGANATHAN PILLAY, MPL**

MEC for Finance



## ADJUSTMENTS BUDGET SPEECH

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# PROVINCE OF KWAZULU-NATAL

## Budget Address by

**Honourable Mr Ravigasen Ranganathan Pillay, MPL  
MEC for Finance**

**On Tabling the Adjustments Estimate – 2019/20**

**26 November 2019**

Honourable Speaker  
Honourable Members  
Heads of Departments  
Chief Financial Officers  
Head of Provincial Treasury and Officials Present  
Business, Academic, Religious and Community Leaders  
Members of the Media  
Ladies and Gentlemen  
Comrades and Friends

## **A. ECONOMIC OUTLOOK AND THE FISCAL IMPLICATIONS**

### **Introduction**

We present this first adjustments budget of the 6<sup>th</sup> administration at a time when our country is experiencing a variety of emotions. On the one side, there is renewed confidence in the country as reflected in new investments receiving a fresh momentum. At the latest investment conference, we received investment pledges totalling R363 billion, about R63 billion more than those received at the 2018 conference.

On the other hand, the Honourable Finance Minister, Tito Mboweni delivered his Medium Term Budget Policy Statement (MTBPS) last month and this painted a difficult picture. There is no doubt that we are in tough economic times. Minister Mboweni indicated in his speech that trade tensions and the uncertainty around Brexit will likely cause growth in advanced economies to slow, with the International Monetary Fund expecting these tensions to lower global growth by 0.8%. He went on to say that economic growth for South Africa has been fairly flat thus far this year and that our economy's growth has been revised downward to 0.5%, compared to the 1.5% that was previously expected.

There is an expected shortfall in the national revenue collection with the shortfall estimated at R53 billion and the fiscal framework has weakened significantly since the main budget was tabled, mainly due to weaker economic growth and lower revenue. This has an impact on our consolidated budget deficit. All these factors impact on the allocation of resources to the three spheres of government. Minister Mboweni alluded to difficult decisions needing to be made and that these will be announced in the 2020 Budget, while indicating that spending reductions are on the cards.

Government has proposed measures to grow our economy, and we are committed to narrowing our deficit and to improve how we spend our money. If we stand together now, we can be #StrongerTogether.

### ***Economic performance – the KwaZulu-Natal context***

It is key that we focus on ways to improve our economic performance across all sectors to reduce unemployment, poverty and inequality. This province has established a number of ways to contribute to this drive.

Measures undertaken by the provincial government include a focused drive spearheaded by the Honourable Premier, Mr Sihle Zikalala to attract investment to KwaZulu-Natal. The drive is already bearing fruit, as we recently launched a new smartphone manufacturing plant, namely the Mara Phone factory, at Dube TradePort. This launch was held last month and the facility has a manufacturing capacity of 1.2 million handsets per annum.

This venture will generate hundreds of direct jobs and thousands of indirect jobs. Of this, 60% of the workforce are women, while 90% are youth.

We are also getting closer to the establishment of the Aerotropolis in King Shaka International Airport. The Durban Aerotropolis Masterplan was recently unveiled, while the Aerotropolis Institute of Africa has also been launched.

These investment-driven developments are not confined to eThekweni, as there have also been positive developments in other parts of the province. A case in point is the R6.5 billion investment for the expansion of the Richards Bay Minerals (RBM) mining operations in Richards Bay. Recently, Rio Tinto, the holding company of RBM concluded an agreement with four host communities, thus paving way for the multi-billion Rand expansion.

On the South Coast, paper and packaging producer Sappi is injecting over R7.7 billion to expand capacity at its Sappi Saiccor mill in Umkomaas, a worthy investment which has also created a number of jobs.

Other initiatives spearheaded by the government include, among others, the establishment of the KZN Youth Empowerment Fund, Operation Vula and our drive to ensure full expenditure of departments' infrastructure budgets (especially by our large infrastructure departments).

The new District Development Model was launched by President Ramaphosa in KwaZulu-Natal last month. This approach focuses on coherency in planning and delivery between the three spheres of government, so as to avoid the pitfalls of the silo approach to delivery. This should ensure better planning and service delivery by all three spheres of government, thus resulting in an environment that is investor-friendly, leading to economic growth, job creation and a reduction in poverty and inequality.

Operation Khawuleza also has its role to play to make our province investor friendlier. This project, under the leadership of my colleague, MEC for Co-operative Governance and Traditional Affairs (COGTA), Mr. Siphon Hlomuka, is an unprecedented ground-breaking intervention aimed at capacitating municipalities to respond to service delivery challenges that have sparked service delivery protests in communities. This includes the handing over of equipment such as graders, waste trucks, rollers and the like to municipalities so that they can deliver the required services to our communities. The usage of this equipment will be monitored by COGTA on a monthly basis.

Our formula for economic recovery is multi-pronged. It is dependent on all of the following:

- a) A serious belt-tightening exercise that reins in deficit and debt.
- b) Visibly re-energising efforts at building an ethical and capable state.
- c) Accelerating the attracting of new investment, both foreign and domestic as set out above.
- d) Cementing a strong social compact between government, business, labour and civil society that unites our society and enhances confidence.

## **B. PROPOSED ADJUSTMENTS TO THE 2019/20 BUDGET**

Section 31 of the Public Finance Management Act (PFMA), determines that provinces must table an Adjustments Budget annually. This must be tabled within 30 days of the national Adjustments Budget being tabled. I, therefore, table the Adjustments Budget in the Legislature today with the national Adjustments Appropriation having been tabled on 30 October 2019.

Section 31 of the PFMA and Treasury Regulations 6.3 to 6.6 determine what may be included in an Adjustments Budget, with these supported by circulars from National Treasury.

In instances where Legislature approval is specifically required for an adjustment to a Vote's budget, this has been highlighted in grey shading in the Adjustments Estimate book being tabled today and Honourable Members are encouraged to study these.

### Financing of the 2019/20 Adjustments Budget

Provincial Treasury holds bilateral meetings with departments and public entities at various points throughout the year to assess in-year spending patterns, as well as to discuss any spending pressures that have arisen since the Main Budget was tabled. All departments and all public entities were thoroughly consulted in preparing this Adjustments Budget, and the outcome of these consultations was presented to the Ministers' Committee on the Budget (MinComBud) and to the Provincial Executive Council who approved the roll-overs, allocations of additional funding and the suspension of funds, the details of which I will go through shortly.

I am pleased to announce that the province continues to remain cash positive as has been the case since May 2010. We continue to closely monitor the bank balances, in-year spending pressures projected by departments, as well as the adherence to the cost-cutting measures. All these factors resulted in the province ending the previous year with a positive Net Financial Position and this is, therefore, the source of the bulk of the allocations being made in this Adjustments Budget.

I will take you through the allocation of additional funds, approved roll-overs (both the equitable share and the conditional grants), the movement of funds between departments, as well as the suspension of funds from two departments' budget this year for re-allocation to them in future years.

**Table 1** is attached as an annexure to this address and provides the adjustments being made today in tabular form. This table takes into account the funding available to the province, how it became available and how it is being allocated. The table does not take into account, though, the additional funding allocated to KwaZulu-Natal in the National Adjustments Budget but these are discussed later in this address.

**Lines 1 – 8** of Table 1 explain that the 2018/19 Adjusted Budget was under-spent by R1.6 billion and that the Provincial Own Revenue budget was over-collected by R312.7 million. This, together with the remaining budgeted surplus of R281.5 million in 2018/19 and a few technical adjustments, saw the province ending the 2018/19 financial year with an audited surplus of **R2.2 billion**, as shown in **Line 9** and these are the funds used to finance the 2019/20 Adjustments Budget.

### Conditional Grant Roll-overs

A portion of this surplus relates to unspent conditional grant funding. Unspent conditional grant funding has to be returned to the national fiscus, unless approved for roll-over, according to Section 22 of the Division of Revenue Act. As such, **Line 10** indicates that **R186.5 million** has been approved by National Treasury, based on audited numbers, to be rolled over for spending in 2019/20. This is not "new" money for the province as the funds are already in the Provincial Revenue Fund. The roll-over approval means that these funds can be used to settle some commitments from the prior year. The approved roll-overs are as follows:

- Comprehensive Agricultural Support Programme (CASP) grant – R68.3 million
- Ilima/Letsema Projects grant – R26.4 million
- Land Care grant – R2.7 million
- HIV and AIDS (Life-Skills Education) grant – R3.1 million
- Learners with Profound Intellectual Disabilities (LPID) grant – R5.3 million
- Maths, Science and Technology (MST) grant – R336 000
- National School Nutrition Programme (NSNP) grant – R16.9 million
- Human Papillomavirus (HPV) Vaccine grant – R5.3 million
- Human Settlements Development grant (HSDG) – R50.5 million
- Provincial Disaster Relief grant (under COGTA) – R675 000
- EPWP Integrated Grant for Provinces (under Transport) – R2.5 million
- Provincial Disaster Relief grant (under Social Development) – R4.6 million.

**Line 11** indicates that a total of **R19.5 million** has to be returned to the National Revenue Fund in terms of various unspent and uncommitted conditional grants. This amount is significantly lower than the R53.8 million returned in the previous year, but it remains a concern that these funds are lost to the province. These grants are:

- Land Care grant – R487 000
- HIV and AIDS (Life-Skills Education) grant – R1.5 million
- HPV grant – R6.3 million
- Provincial Disaster Relief grant (under COGTA) – R9.9 million
- Provincial Disaster Relief grant (under Social Development) – R396 000
- EPWP Integrated Grant for Provinces (under Arts & Culture) – R808 000
- Community Library Services grant – R31 000.

After dealing with the conditional grant roll-over approvals and non-approvals, the funds remaining amount to **R1.9 billion**, and this is shown in **Line 12**.

### Provincial Roll-overs

The provincial equitable share roll-overs that are approved and are thus contained in the Adjustments Appropriation Bill being tabled today, amount to **R174.4 million** and are shown in **Line 13** of the Annexure. As I said earlier, each department was consulted with during the August 2019 bilaterals held with National Treasury and Provincial Treasury, and these consultations informed which roll-overs were approved. The approved roll-overs are as follows:

- **Vote 1: Office of the Premier** receives a roll-over of **R1 million**, to pay commitments relating to the Moses Mabhida **roof repairs**, which is the building in which the department's head office is housed.

- **Vote 2: Provincial Legislature** retains its surplus Voted (operational) funds every year, without having to submit a request to Provincial Treasury for the roll-over of committed funds like provincial departments do. This is in line with both the PFMA and the Financial Management for Parliament and Provincial Legislatures Act (FMPPLA). As such, the audited under-expenditure in respect of the **operational budget** is appropriated back to the Legislature. As such, **R16.7 million** is rolled-over for the Legislature. It should be noted that the Legislature under-spent their 2018/19 budget allocation by R19.3 million, but R2.5 million related to their statutory allocation and this usually has to be surrendered to the Provincial Revenue Fund.
- **Vote 3: Agriculture and Rural Development** receives a roll-over of **R67.6 million** mainly for commitments relating to **veterinary supplies, agricultural inputs** such as seeds, fertilizer, fencing and irrigation material, among others.
- **Vote 4: Economic Development, Tourism and Environmental Affairs (EDTEA)** receives a roll-over of **R7 million** for commitments relating to the **Maritime Centre of Excellence** under the Moses Kotane Institute.
- **Vote 6: Provincial Treasury** receives a roll-over of **R4 million** relating to the **Internal Audit** unit's Assurance Services work, where 30 per cent of the work that was meant to be undertaken in 2018/19 was carried over into 2019/20.
- **Vote 10: Sport and Recreation** receives a roll-over of **R3.6 million** relating to administrative commitments from 2018/19 such as **office accommodation leases** in Pietermaritzburg.
- **Vote 11: Co-operative Governance and Traditional Affairs** receives a roll-over of **R69.3 million**. This is mainly with respect to **purchasing equipment** for municipalities, such as waste trucks, water tankers, vacuum sewerage tankers, etc., as well as for a transfer to the Municipal Infrastructure Support Agent (MISA) to assist the AbaQulusi Local Municipality with support in respect of Section 139 of the Constitution for an **intervention required for water and electricity**.
- **Vote 15: Arts and Culture** receives a roll-over of **R5.1 million** for the **Archive Repository** project which had not commenced in 2018/19. During the bilateral discussions, it was agreed to look at this project holistically, especially in view of the ongoing delays which has seen funds being suspended from the department in one year and allocated back for the same project in future years. The R5.1 million relating to this repository was thus approved, but it will be kept in the Provincial Revenue Fund until such time that the project commences.



### Provincial Commitments

There are a number of provincial commitments and/ or pressures that have arisen since the 2019/20 MTEF budget was tabled in the Legislature, which require funding and the amount allocated in this regard is R1 billion as shown in **Line 14** of the Annexure. The areas receiving additional funding are as follows:

- **KZN Youth Empowerment Fund** receives a further injection of **R50 million**. This Fund was previously already capitalized with R50 million allocated *via* the Office of the Premier, as well as R20 million from EDTEA. The Premier committed in the State of the Province Address (SOPA) in June 2019, to add a further R50 million to this Fund. The funding allocated to date was transferred to the KZN Growth Fund Trust (KZNGFT) to undertake this function. The further tranche of R50 million will be allocated to the Office of the Premier in 2020/21, partly due to the fact that the KZNGFT still has sufficient funding from the 2018/19 transfer, as well as the fact that the Auditor-General considered the previous transfer made late in 2018/19, as an advance, which complicated the accounting process at year-end. It is hoped that by allocating the funding at the beginning of a financial year, this issue will be avoided.
- **Presidential Launch of the District Development Model** receives **R2.9 million** under the Office of the Premier. This launch took place in the province on 17 and 18 October 2019. This model will fast track service delivery, hold civil servants accountable and help fight corruption.
- **Job Evaluation Implementation** costs under the Provincial Legislature is allocated R24 million over three years, that is **R8 million** per annum from 2019/20 to 2021/22. In this regard, it was agreed that the provincial fiscus would fund half of the annual cost of the upgrading of posts relating to the Legislature's recently completed Job Evaluation exercise and that the Legislature must fund the balance from within its existing baseline. While the table shows an amount of R24 million, this will be allocated in three equal amounts of R8 million in 2019/20, 2020/21 and 2021/22.
- **Own Revenue Over-collection** under the Provincial Legislature receives an amount of **R812 000**. The Legislature retains any own revenue over-collection from the prior year in terms of Section 22 of the PFMA, as well as FMPPLA.
- **Exit Packages of MPLs** who exited the Legislature after the 2019 General Elections are allocated **R29.5 million** with the Provincial Legislature receiving R27.5 million in 2019/20 in this regard, and Provincial Treasury receiving R2 million.
- **Unspent Statutory Allocation** amounting to **R2.5 million** is allocated back to the Provincial Legislature. Although FMPPLA only requires the operational under-spending to be allocated back, the Legislature made a special request to also keep the R2.5 million Statutory under-spending too. The reason for this is that the Legislature

could not have foreseen the current composition of 8 political parties following the General Elections, as opposed to the 6 political parties in the 5<sup>th</sup> Administration and this has put pressure on the Secretarial Allowances paid to the political parties.

- **Leaking Roof of the Legislature Building** receives **R17 million** allocated to the Provincial Legislature. The Legislature main chamber building is very old and needs constant maintenance and repairs. The repairs to its leaking roof and façade have been planned for several years but have now become critical, and the Department of Public Works is concerned that the leaks may cause damage to the newly installed audio-visual equipment in the main chamber.
- KZN Sharks Board's (KZNSB) **Shark Repellent Technology** receives **R3.3 million** to be transferred via EDTEA. In 2017/18, the KZNSB wrote to Provincial Treasury requesting to retain R3.3 million in 2018/19 to continue with this project. There were some reservations at the time in terms of the state of readiness to continue with this project as the entity was still finalizing the final terms of conditions of the contract with the Institute of Maritime Technology who was the appointed service provider and potential partner for further development. It was thus agreed with the entity that the funds would be kept in the Provincial Revenue Fund until the entity was ready to spend these funds. As such, this amount is allocated back now.
- **School Security** under Education is allocated **R41.2 million**. These additional funds are for the provision of school safety volunteers in view of the recent violence and criminal activities taking place in schools.
- **Housing Projects** under Human Settlements receive **R41 million**. These funds were received into their revenue in 2018/19 from the sale of units at Ridgeview gardens, as well as unspent funds from housing projects in the Impendle and Umzimkhulu municipalities. The funds will be used mainly to enhance service delivery and to promote housing programmes.
- **Water, Sanitation and Electricity Backlog Study** under COGTA receives **R100.6 million**. The programme is to not only focus on existing backlogs, but to rather assess the state of existing infrastructure. The primary focus areas are water, sanitation and electricity. It is the intention of this study to reveal the state of existing infrastructure, and to then formulate the costs of restoring this infrastructure in cases where it is in poor condition. The scope of work includes raw water abstraction works, water treatment works, waste water treatment works, sewer collection networks, high lift pump stations, potable water storage reservoirs, capacity of the human resources responsible for operating these works, among others. In terms of electricity, the study will delve into primary in-take sub-stations, distribution sub-stations, distribution transformers, electricity services outside of municipal areas of supply, among others.

- **Learner Transport** under Transport receives **R130 million** in 2019/20 with a further allocation of R136.6 million made for allocation in 2020/21 to give certainty of funding. These funds are to address the pressures experienced in transporting 58 908 learners to school. The baseline of this function is under-funded as funds have had to be added to address these pressures in the past few Adjustments Estimate processes.
- **Infrastructure Projects** under Social Development receive **R30 million**. The projects for which funds are allocated address the department's determination to resolve serious challenges pertaining to health and safety issues, dilapidated buildings facing closure, as well as Child and Youth Care Centres that are not meeting the prescribed norms and standards. Examples of infrastructure projects requiring additional funding are Ndumo Inkululeko Youth Care Centre, Inkanyezi Early Childhood Development (ECD), Ray Nkonyeni Youth Academy, Wentworth Youth Development Centre, Umlazi Place of Safety, among others.
- **Gender Based Violence programmes** under Social Development receive **R14.4 million**. These funds are allocated due to the importance of fighting Gender Based Violence. These funds will be used to appoint 80 Social Workers for a period of five months (November to March) and to provide these with the required tools of trade. These Social Workers will be appointed through non-profit organisations and their focus will be specifically on Gender Based Violence programmes.
- **Mentoring and Coaching of Non-Profit Organisations** under Social Development receives **R7.4 million**. These funds were transferred to the National Development Agency (NDA) in 2016/17 who did not spend the full amount and therefore returned R7.4 million to the department. The funds are allocated to be used for their original purpose, namely mentoring, coaching, incubation, monitoring and evaluation of the performance of non-profit organisations.
- **Property Rates** under Public Works receives **R380.6 million**. As with Learner Transport, this budget requires a baseline correction, but the continuous budget cuts experienced by this province have not made it possible to right-size the property rates budget at this stage. In the interim, the department requests funds annually *via* the Adjustments Estimate process, to help them with these spending pressures. The pressures in property rates arise from increases in market value of properties, with the most significant of such increases being from when the eThekweni Metro implemented the general valuation roll in 2017/18. Another factor is the new general valuation rolls that came into effect on 1 July 2019 for the 2019/20 financial year.

After funding the provincial commitments and roll-overs, the funding available is **R763.6 million** as shown in **Line 15**.

### Contingency Reserve

**Line 18** shows us that the Contingency Reserve in 2019/20 is R400 million. These funds are available for allocation.

**Line 19** reminds us that KZN has budgeted for a Contingency Reserve over the 2019/20 MTEF of R400 million per annum when the 2019/20 *Estimates of Provincial Revenue and Expenditure* was prepared, with the exception of the 2020/21 year where we were only able to budget for a Contingency Reserve of R302.245 million as a result of the budget cuts that were effected on the provincial budget at the time. An undertaking was made at the time to allocate funds from this Net Financial Position to increase the 2020/21 Contingency Reserve to R400 million in line with the Provincial Executive Council resolution that KZN's Contingency Reserve should be kept at no less than R400 million. As such, R97.8 million is utilized to increase the 2020/21 Contingency Reserve to R400 million.

**Line 20** shows that R1.1 billion remains available after the roll-overs and provincial commitments have been allocated. While this is a substantial amount, it must be viewed in the context of the impending 2020/21 MTEF budget cuts. It was thus decided to keep this amount in our reserves to protect the province, as far as possible, against the 2020/21 MTEF budget cuts. While the exact quantum of the budget cuts is not known, it is prudent for the province to start planning for this eventuality. Indications are that the budget cuts over the 2020/21 MTEF will be significant and unprecedented.

### Suspension of Funds

Where departments are aware that certain projects are not progressing at the pace initially anticipated, they are able to request that the funds associated with these projects be suspended from their budget in a financial year, for allocation back to them in the next or future financial years. Three departments made submissions in this regard:

- **Office of the Premier** requested that a portion of the funds allocated for the **roof repairs** of the Moses Mabhida building be suspended to 2020/21. In this regard, R5.9 million was allocated to the department in 2019/20 and this, together with the roll-over of R1 million discussed earlier, means that an amount of R6.9 million is allocated in 2019/20 for this project. The roof repair is anticipated to be completed in 2020/21 and, as such, the Office of the Premier requested that **R6.9 million** be suspended from their budget in 2019/20 for allocation back to them in 2020/21.
- **Arts and Culture** requested that R150 million be suspended from their budget in 2019/20 relating to various projects and to change the purpose of some specifically and exclusively allocated funds. All these are discussed here:
  - An amount of R135.3 million was allocated to the department in 2019/20 for the **Archive Repository**, and a further amount of R25.9 million in 2020/21. The department requested that R133.3 million be suspended from their budget in 2019/20, as well as the approved roll-over of R5.1 million and that this total amount of **R138.4 million** be kept in the Provincial Revenue Fund until such time

that the project has commenced in earnest. This project is being implemented by the Department of Public Works and it is anticipated that some consultant's fees will be payable this year, but other amounts will only be payable in future years.

- An amount of R9 million was allocated to the renovations of the **Winston Churchill Theatre** project in 2019/20. The department wishes to change the purpose of some of these funds, with R1.5 million to be allocated for the purchase of an Art Centre in Ladysmith and to repair the wall that collapsed at Heather Hall. An amount of R1.4 million will be used to start the Winston Churchill Theatre project in 2019/20 and the balance of **R6 million** is requested to be held in the Provincial Revenue Fund until the project has shown good progress.
- An amount of R9 million was allocated to the department for the **Osizweni Art Centre**. The department anticipates using R5.4 million in the current year and requests that the balance of **R3.6 million** be held in the Provincial Revenue Fund until the project requirements determine that the funds be allocated back to the department.
- An amount of R5 million was allocated to the department for the **Music Academy in Ladysmith**. The department anticipates using R3 million in the current year and has requested that **R2 million** be suspended and held in the Provincial Revenue Fund until the project requirements determine that the funds be allocated back to the department.
- COGTA requested that **R4 million** be suspended from their budget to the budget of Office of the Premier relating to **infrastructure work** undertaken with regard to His Majesty, the King's palaces.

### C. EQUITABLE SHARE AND CONDITIONAL GRANT ALLOCATIONS

The 2019/20 Adjustments Budget sees **no additions** being made to KwaZulu-Natal's **Provincial Equitable Share**.

There are some changes made to the **Conditional Grant** allocation by National Treasury, though. The conditional grants affected are only under Vote 3: Agriculture and Rural Development, as well as Vote 7: Health, and these are as follows:

- **Vote 3: Agriculture and Rural Development** sees **R3.5 million** of the **Ilima/Letsema Projects grant** shift from being a direct conditional grant to a newly created indirect conditional grant held under the national department. This is to fund the National Food and Nutrition Survey aimed at setting the baseline for poverty, vulnerability and food insecurity in the country to enable the country to do food forecasting. The survey will be done by the Human Science Research Council (HSRC) and this change will allow funds, which have already been ring-fenced, to be transferred to the HSRC by the national department rather than *via* the nine provincial departments.

- **Vote 7: Health** sees a part of the NHI Indirect grant held by the National Department of Health (NDOH) converted to be a **direct NHI grant** held by provinces, and the department receives **R55.4 million** in this regard. The portion of the grant being shifted relates to the Health Professionals Contracting subcomponent which is currently being administered at a national level, while the contracting is done at a provincial level, with the requirement that provinces submit claims for the funds. As such, funds for this subcomponent are transferred to provinces as they are already implementing the function.
- **Vote 7: Health's HR Capacitation grant** sees an increase of **R69.4 million** to assist provinces to meet their salary obligations for the posts they have already filled under this grant. Funds were reprioritised from the indirect NHI grant held under NDOH, as well as from the HPV Vaccine grant held by provinces. In this regard, the department's HPV Vaccine grant is cut by R15.2 million. The cut against the HPV Vaccine grant is made possible by the fact that there was a change in target group from Grade 4 to Grade 5 girls and most of the Grade 5 cohort was vaccinated in 2018.

There is also an allocation made in terms of Government Gazette No. 42 593. National Treasury issued this Government Gazette on 26 July 2019 which gives effect to allocating a portion of an unallocated Schedule 7 grant to KwaZulu-Natal and the Western Cape. In KwaZulu-Natal, **Vote 8: Human Settlements** is the recipient of **R151.2 million** relating to the **Provincial Emergency Housing grant** and this relates to the storms between December 2018 and January 2019 that affected eight districts in the province with damage to 2 800 houses. In addition, these funds are for severe storms and heavy rain that were experienced in April 2019 that caused damage to houses (mostly mud structures) in rural areas in 19 municipalities where a total of 1 277 households were affected.

### D. TECHNICAL ADJUSTMENTS/INTERNAL REPRIORITISATION

Other than these adjustments, the Adjustments Budget also contains virements and shifts undertaken by departments in re-organising their budgets in-year.

As a reminder, a **virement is the utilisation of savings or under-spending under one main division or economic classification of a Vote toward the defrayment of excess expenditure under another main division or economic classification of the same Vote**, i.e. the original purpose of the funds has changed.

**A shift, on the other hand, is the re-allocation of funds incorrectly allocated during the 2019/20 Estimates of Provincial Revenue and Expenditure budget process, or where funds are shifted due to the re-classification of expenditure.** This also includes functions shifted within a Vote to follow the internal transfer of functions i.e. the original purpose of the funds remains the same.

Section 43 of the PFMA determines that **Legislature approval** is required for any decrease in funds **specifically and exclusively** allocated for a particular purpose, any **decreases in**

**Capital**, as well as any **decrease in Transfers and subsidies** to a specific institution. As I indicated earlier, any such proposed decreases are highlighted in grey shading in the 2019/20 Adjustments Estimate which I am tabling today.

In terms of Treasury Regulation 21.1.1, any **gifts, donations or sponsorships of amounts up to R100 000** may be approved by the relevant Accounting Officer. Where the amount **exceeds R100 000**, Legislature approval must be sought. In instances where such gifts, donations and sponsorships exceed R100 000, these are shown separately in the 2019/20 Adjustments Estimate, and are shown as a separate item in the Adjustments Appropriation Bill.

## E. CONCLUSION

Madam Speaker, as I conclude, I want to remind Members what I said when I tabled the revived 2019/20 budget in this House in July, that for South Africa to work, KwaZulu-Natal has to work.

It is a heavy responsibility, but one that all of us must own. For the country to grow and prosper, KwaZulu-Natal must grow and prosper. Honourable Members of this House, we can make KwaZulu-Natal better.

Regardless of our ideological leanings, I think we all agree with Karl Marx, that: *“If we have chosen the position in life in which we can most of all work for mankind, no burdens can bow us down, because they are sacrifices for the benefit of all; then we shall experience no petty, limited, selfish joy, but our happiness will belong to millions, our deeds will live on quietly but perpetually at work, and over our ashes will be shed the hot tears of noble people.”*

Our main task is to find solutions to the challenges that are stalling our progress, rather than getting bogged down by ideology. We must be preoccupied with finding what works, so as to serve our people better.

I would like to thank the Honourable Premier, Mr. Sihle Zikalala and the Honourable Members of the Provincial Executive Council, and in particular the Members of the Ministers’ Committee on the Budget, for their support in putting together this Adjustments Budget.

To the Chairperson and members of the Finance Portfolio Committee, as well as STACOV, we look forward to engaging with you on the Adjustments Budget and give our commitment to assist you in your oversight role as far as possible.

I wish to thank all the officials in my Treasury under the leadership of the HOD, Mr Simiso Magagula for ensuring that the budget documentation is of its usual high quality.

It is now my honour to formally table the Adjustments Appropriation Bill, 2019 for the Province of KwaZulu-Natal for consideration in this House to be read with the *Adjustments Estimate of Provincial Revenue and Expenditure*. I trust that the debate and vote on this Bill will be constructive and fruitful.

I thank you.

## ADJUSTMENTS BUDGET SPEECH

### ANNEXURE A: Table 1: Net Financial Position - 2019/20

R thousand	2019/20
1. 2018/19 Adjusted Budget - Audited	123 706 755
2. 2018/19 Actual Expenditure - Audited	122 094 593
3. 2018/19 Year-end under-expenditure - Audited	1 612 162
4. 2018/19 Own Revenue Budget - Audited	3 236 438
5. 2018/19 Own Revenue collection - Audited	3 549 133
6. 2018/19 Year-end over-collection - Audited	312 695
7. 2018/19 Budgeted surplus	281 469
8. Less: 2018/19 Revenue collection already allocated in 2018/19 Adjustments & Technical Adjustment	(50 375)
<b>9. 2018/19 Surplus - Audited</b>	<b>2 155 951</b>
10. Less: Unspent conditional grants approved for roll-over	186 505
CASP grant	68 304
Ilima/ Letsema Projects grant	26 424
Land Care grant	2 697
HIV and AIDS (Life-Skills Education) grant	3 082
Learners with Profound Intellectual Disabilities grant	5 338
Maths, Science and Technology grant	336
NSNP grant	16 890
HPV grant	5 260
Human Settlements Development grant	50 450
Provincial Disaster Relief grant (COGTA)	675
EPWP Integrated Grant for Provinces (Transport)	2 469
Provincial Disaster Relief grant (Social Development)	4 580
11. Less: Unspent conditional grant funding to be returned to National Treasury	19 475
<b>12. 2018/19 funding available after taking into account cond. grant roll-overs and surrenders</b>	<b>1 949 971</b>
13. Less: Provincial Roll-overs	174 404
Vote 1: Moses Mabhida roof repair	1 000
Vote 2: In terms of FMPPLA, under-expenditure of operational budget is allocated back to Legislature	16 743
Vote 3: Agricultural inputs, veterinary supplies, etc.	67 631
Vote 4: MCOE	7 000
Vote 6: Internal Audit - Assurance services	4 000
Vote 10: Lease for offices	3 566
Vote 11: Trf to MISA for AbaQulusi, capital assets for municipalities (yellow plant)	69 334
Vote 15: Archive Repository	5 130
<b>14. Funding available after conditional grant and equitable share roll-overs</b>	<b>1 775 567</b>
15. Less: Provincial Commitments	1 011 947
V1: KZN Youth Empowerment Fund	50 000
V1: Presidential Launch of District Development Model	2 900
V2: Implementation of JE results	24 000
V2: Revenue returned to S22 of PFMA	812
V2 & V6: MPLs exit packages	29 475
V2: Unspent Statutory allocation to be used for Secretarial Allowances for Political Parties	2 528
V2: Roof repairs to Legislature main building	17 011
V4: KZNSB Shark Repellent Technology	3 293
V5: School Security	41 191
V8: Housing Projects	40 997
V11: Water, Sanitation and Electricity Backlog Study	100 562
V12: Learner Transport	266 630
V13: Infrastructure Projects	30 129
V13: Gender Based Violence	14 443
V13: Mentoring, Coaching etc. of NPOs	7 352
V14: Property Rates	380 624
<b>15. Funding available after providing for provincial commitments and roll-overs</b>	<b>763 620</b>
16. Funds paid into PRF in 19/20 (funds part of provincial commitments)	3 293
<b>17. Funding available after taking into account funds held in PRF</b>	<b>766 913</b>
18. Add: 2019/20 Contingency Reserve	400 000
19. Provide funds to increase 2020/21 Contingency Reserve to R400m	97 755
<b>20. Net financial position</b>	<b>1 069 158</b>