

MEC ROCKMAN STATEMENT ON SECOND ADJUSTMENT APPROPRIATION BILL

27 March 2013

Hon Acting Speaker,

The 2012/13 second (2nd) Adjustment Budget is mainly guided by section 18(1) of the 2012 Division of Revenue Act due to the re-allocation of Conditional Grants from other provinces to Free State Province.

The bill therefore makes provision for additional funding to Department of Public Works regarding Devolution of Property Rates Fund Grant and Department of Education for Infrastructure Grant in order to address service delivery challenges in the current financial year.

Furthermore, the bill provides for the reallocation of a portion of Mass Sport and Recreation Participation Grant from the Department of Sport, Arts, Culture and Recreation to other provinces.

In addition to the above, the 2012/13 2nd Adjustment Appropriation bill also caters for the defrayment of over expenditure in excess of 8 per cent between programmes within a vote as per the requirements of section 43 (2) of the Public Finance Management Act as well the correction of technical errors.

DEVOLUTION OF PROPERTY RATES FUND GRANT

The Department of Public Works receives an additional amount of **R36.615 million** relating to Devolution of Property Rates Fund Grant from other provinces; this amount will be utilized towards municipal property rates payments in various municipalities in the province.

EDUCATION INFRASTRUCTURE GRANT

An additional amount of **R60.000 million** is allocated to the Department of Education towards Infrastructure Grant to address pressures in schools' infrastructure.

MASS SPORT AND RECREATION PARTICIPATION GRANT

An amount of **R255 000** from the Free State Department of Sport, Arts, Culture and Recreation for Mass Sport and Recreation Participation Grant has been re-allocated by National Department of Sport and Recreation to other provinces in terms of 18 (1) of the 2012 Division of Revenue Act. This implies that Mass Sport and Recreation Participation Grant will be reduced with the same amount in the current financial year.

DEFRAYMENT OF OVER-EXPENDITURE BETWEEN MAIN PROGRAMMES

Department of the Premier

The Department of the Premier projected to overspend by an amount of **R14.953 million** in Programme 1, although, savings are to be realized in Programmes 2 and 3. The virements of **R14.953 million** from latter Programmes to Programme 1 will exceed 8 percent as prescribed by section 43(2) of the Public Finance Management Act, 1999 (Act No. 1 of 1999) ("PFMA") and can therefore not be given effect to unless it is included in an Appropriation Bill.

Department of Social Development

The Department of Social Development projected to overspend by an amount of **R16.391 million in Programme 1 & 3**, although a saving in transfers & subsidies and payments for capital assets are to be realized in Programme 2. The virements of **R16.391 million** from Programme 2 will cater for the shortfall in Programmes 1 & 3. The virement will exceed 8 percent as prescribed by section 43(2) of the PFMA and can therefore not be given effect to unless it is included in an Appropriation Bill.

RECTIFICATION OF TECHNICAL ERRORS

Department of Education

In the process leading to the 2012/13 Adjustments Budget in November, approval was granted for the Department of Education to shift a total of

R291.900 million away from compensation of employees to goods and services in order to deal with urgent priorities at the time, including;

- Shortfall on bursaries – R65 million;
- Laptops for provincial government bursary holders – R28 million
- Shortfall for CAPS – R198.9 million

However, it was discovered later that the Department of Education shifted **R196.984 million** more than what was in principle approved. This contradicts section 38(1)(c)(ii) and 43(1) of the PFMA as the shifting and/or virement away from compensation of employees did not emanate from a saving and subsequently amounts to irregular expenditure. The bill therefore reverses the virement from compensation of employees to goods and services amounting to **R196.984 million**.

FINANCIAL IMPLICATION

The total amount to be appropriated in terms of the 2nd Adjustment Appropriation Bill for the 2012/13 financial year amounts to **R96.360 million** of which **R36.615 million** relates to the Department of Public Works, **R60.000 million** to the Department of Education, and the reduction of **R0.255 million** for the Departments of Sport, Arts, Culture and Recreation.

Hon Acting Speaker, allow me to express my appreciation to the hon Premier and Executive Council, the Acting Speaker, the Committee on Public Accounts, Finance, Office of the Premier and Legislature and all political parties represented in the House for creating the opportunity for Provincial Treasury to bring this bill on short notice to the House and for allowing us to dispose of the bill before the end of the current financial year.

I thank you.