



MPUMALANGA TREASURY ²⁰ BUDGET VOTE 23

Ms NE Hlophe, MPL
MEC for Finance, Economic Development
and Tourism

13 JUNE 2023



Mpumalanga Treasury



MPTreasury

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provincial treasury
MPUMALANGA PROVINCE
REPUBLIC OF SOUTH AFRICA



**BUDGET VOTE SPEECH FOR THE 2023/24 FINANCIAL YEAR BY THE MEC FOR
FINANCE, ECONOMIC DEVELOPMENT AND TOURISM, MS NE HLOPHE, MPL TO THE
MPUMALANGA PROVINCIAL LEGISLATURE**

13 June 2023

- Honourable Speaker and Deputy Speaker
- Honourable Premier Refilwe Mtsweni-Tsipane
- Colleagues in the Executive Council
- Chief Whip of the Majority Party
- Leader of the Official Opposition
- Chairperson of the Portfolio Committee on Premier’s Office, Finance, Economic Development and Tourism
- Honourable Members of the Provincial Legislature
- Chairperson and Members of the House of the Traditional and Khoi San Leadership
- Members of Mayoral Committees for Finance
- Esteemed guests
- Ladies and gentlemen

It is an honour to table the Budget Vote of the Provincial Treasury for the 2023/24 financial year today.

We table this policy and budget statement with humility, for what is entrusted to us is the highest level of responsibility that any democratic government can accept from its citizens.

Earlier this year, we tabled the provincial budget to this August House, which forms the basis of Budget Votes presented by all Executive Authorities.

We laid out the pathway for addressing common societal challenges through a distributive budget that advances the interest of the people of Mpumalanga.

Despite the constraints caused by global and domestic economic dynamics, we boldly committed to ensuring that the provincial budget responds to the needs of a hungry child, an unemployed youth, and a woman suffering from gender-based violence.

Today, we expand on some of these commitments and highlight the role of the Provincial Treasury in implementing the priority programmes of our government.

Honourable Speaker

The Budget Vote of the Provincial Treasury is premised on the government’s five-year programme of action.

It is inspired by the commitment to build resilient state institutions founded on the Constitutional values of transparency and accountability in the use of public resources.

Our programme for this year is also derived from the policy priorities as highlighted by the Honourable Premier in the State of the Province Address on 24 February 2023; these include, amongst others:

- Economic growth through infrastructure development, upgrading and maintenance.
- Collaboration with municipalities through the District Development Model (DDM).
- Partnerships with the private sector, and
- Good governance and financial stability.

We will give effect to these priorities through equitable allocation of available resources, fiscal policy support and guidance to all departments, public entities, and municipalities on financial management and accountability mechanisms.

BUDGET MANAGEMENT

The Provincial Treasury is responsible for preparing the provincial budget and exercising control on its implementation.

As stated in our 2023 Provincial Budget speech, the total budget appropriated to all departments this year is **R58.7 billion**.

Since the beginning of the current financial year, **R9.4 billion** (as at the end of May 2023) has been transferred to departments in line with the expenditure and cash flow projections.

We will continue to monitor spending, especially in view of the recently concluded wage agreement that was not factored into the provincial budget as tabled in March 2023.

The total financial implications of the two-year salary agreement for the current financial year are estimated at **R2.068 billion** and **R2.092 billion** in the 2024/25 financial year, which must be covered through reprioritisation and cost-saving means.

We will work closely with departments to deal with the impact of wage increases on the provincial budget.

PROVINCIAL REVENUE MANAGEMENT

Honourable Speaker,

Effective collection of charges, rates and taxes at the provincial level is critical to expanding service delivery programmes beyond the coverage of nationally allocated resources.

The Provincial Departments and entities collected **R2.4 billion** at the end of March 2023, exceeding the 2022/23 annual target of **R1.9 billion**. I want to thank and congratulate all institutions that made this revenue collection possible.

We call upon all revenue-collecting institutions to optimise existing revenue sources and explore other avenues to increase the collection rate.

The Provincial Treasury will continue to monitor revenue collection and provide the necessary support to departments and entities to grow the provincial revenue base.

INFRASTRUCTURE DELIVERY AND SUPPORT

Honourable Speaker,

One of the critical injunctions in the National Development Plan is to scale up infrastructure investment for economic and social benefit.

However, the rising cost of living makes it more expensive for governments to focus on infrastructure as funds are redirected to critical social spending.

Despite these challenges, we have increased the consolidated infrastructure spending from **R4.854 billion** of the 2022/23 adjusted budget to **R6.077 billion** in the current financial year.

We will continue to improve the internal capacity to ensure effective support to infrastructure delivery departments to realise cost-effective infrastructure delivery in the Province.

We want to appeal to all departments to ensure infrastructure projects are delivered within the approved timeframe, scope, and budget.

ASSET MANAGEMENT

Honourable Speaker

The Government manages an extensive portfolio of assets across the provincial administration and municipalities. Therefore, these assets must be kept in good condition to guarantee sustainable service delivery.

Accordingly, we have developed an asset management guide that outlines the required processes for effective management of all assets under the control of institutions.

To further support practitioners, we will revive the Asset Management and Inventory Management forum.

The forums will support the implementation of the revised National Treasury Asset Management Framework and focus on new requirements for asset management practices.

PROCUREMENT POLICY

Honourable Speaker,

Departments, entities, and municipalities are among the major procurers of goods and services in the Province and, therefore, important players in broadening participation in the provincial economy.

The new Preferential Procurement Regulations (2022) that came into effect in January 2023 provide an opportunity for the administration to advance the developmental and transformational agenda of the Province.

The Provincial Treasury has accordingly revised the departmental procurement policy to comply with these amended regulations.

The revised policy will enable us to fully respond to the call by the Honourable Premier to set aside at least **thirty per cent (30%)** spend on provincial procurement of goods and services for youth, women, and People with Disabilities.

Training has also been provided to all provincial departments to ensure the effective implementation of the regulations.

We will work closely with the Office of the Premier to monitor the implementation of this policy directive throughout the administration.

To further strengthen internal controls and governance processes on procurement, we will also support departments to subject high-value bids such as security management, scholar transport and pharmaceutical services to probity audits before they are awarded.

During the recent Executive Council Outreach and Premier's Imbizo, a call was made to empower the communities with information on government opportunities.

To this end, the Provincial Treasury will conduct Supply Chain Management campaigns, starting in Bushbuckridge Local Municipality, to unpack these procurement regulations and empower communities with information on tendering, systems and accessing funding for their businesses.

INFORMATION TECHNOLOGY AND FINANCIAL SYSTEMS

Honourable Speaker,

The Provincial Government is committed to the modernisation of public service through the deployment of new technology, capacity development and skilling officials to respond to everyday demands in the business process environment.

Information technology services

During the year under review, the Provincial Treasury provided network infrastructure, systems, and end-user support to all departments, except Health, Education and Social Development, which have always had full IT business units.

IT Governance support was also provided to identified institutions on the implementation of the IT Governance Framework.

We will assess the IT environment to ensure resource optimisation across the provincial administration and protect our systems from cyber threats.

Interlinked financial systems

The integrated Information and Communication Technology strategy contemplates a government using transactional electronic services (e-services) to improve efficiency in government-to-employee and government-to-business processes.

We have successfully introduced e-leave management, suppliers' invoice portal and many other digital systems to improve administrative efficiencies.

To further accelerate the digitalisation programme, we have established an advisory committee that comprises systems experts from all departments to assist and provide expert advice on the business automation project.

The committee is expected to implement and champion the new e-sourcing system, which will enable suppliers to submit bids or quotations electronically. The system will also be optimised to digitally rotate suppliers for goods and services, thereby expanding opportunities for many businesses on the suppliers database.

Other systems that we will pursue this financial year include online recruitment, patient record management, traffic management, as well as learners' application and registration, amongst others.

R179 million is provided in this budget to implement all operating systems, including transversal systems such as BAS and PERSAL, used by all provincial departments.

Overcoming load-shedding challenges

Honourable Speaker,

Inadequate electricity supply affects our information and communication technology infrastructure and service delivery.

During the year under review, the power supply interruption to the server and network rooms severely disrupted network-based systems, resulting in some departments not closing their books on time and invoices not being paid as scheduled.

We are working closely with the Department of Public Works, Roads, and Transport to provide alternative solutions and uninterrupted system operation amid load-shedding.

MUNICIPAL FINANCE SUPPORT

Honourable Speaker,

The sheer scale of persistent challenges at the local government requires sustained technical support on compliance matters, promotion of effective controls, and capacity boost to implement financial management reforms fully.

During the previous year,

- financial support was provided to Emalahleni, Thaba Chweu, Msukaligwa, Lekwa and Govan Mbeki Municipalities to procure water meters and electricity security structures to improve revenue management controls.
- Resident financial experts were deployed to these five municipalities, as well as Victor Khanye and Nkomazi, to enhance capacity and strengthen financial management, accountability, and reporting. We are glad that, through this placement, Dr Pixley ka Isaka Seme and Mkhondo municipalities were able to improve their recent audit outcomes, and
- The Provincial CFO forum was convened to strengthen collaboration and enhance support to municipalities on audit action plans, developing credible budgets, revenue enhancement, financial reforms and financial governance.

We will continue supporting all municipalities to improve standard operating procedures in Supply Chain Management, Asset Management, Contract Management, and revenue management and ensure that budgets meet the legislative requirements.

Mandatory Financial recovery plans

A lot has been done to support municipalities that are currently under mandatory intervention in terms of section 139 of the Municipal Finance Management Act.

The implementation of Financial Recovery Plans in Emalahleni, Thaba Chweu, Msukaligwa, Lekwa and Govan Mbeki municipalities is progressing well, but it is not without challenges.

We will undertake a full review of the Recovery Plans to assess the full impact of implementation.

We are continuing to support these municipalities, especially in ensuring that they reduce the unfunded parts of the budgets by implementing revenue improvement strategies and reducing non-priority spending.

Honourable Speaker

The high debt owed to Eskom is a huge risk to service delivery and the long-term financial sustainability of our municipalities nationwide.

We welcome the incentivised relief to municipalities whose debt is unaffordable.

The Provincial Treasury has already started to engage municipalities to support them to benefit from this Municipal Debt relief.

It is important to highlight that this Debt Relief is conditional, and the following strict requirements must be met:

- Municipalities must have approved funded budgets,
- All users of municipal services must be billed,
- Municipalities must have cost-reflective tariffs,
- Indigent registers must be updated annually, and free basic services must be provided only to qualifying users,
- Municipalities should improve control over electricity by ensuring conventional meters are converted to prepaid vending, and lastly.
- Councils should embark on payment campaigns to encourage consumers to pay for services.

We urge all Municipalities to review and implement credible credit control measures to curb the increase of Eskom's debt.

We also appeal to municipalities to ring-fence all electricity revenue to ensure that the service is sustainable.

FINANCIAL GOVERNANCE

Honourable Speaker,

Governance and Assurance structures are critical to building resilient, sustainable, legislative compliance and accountable public services.

Given their position in the accountability ecosystem, it is important that they remain impartial and exercise their financial governance oversight in the best interest of society. We can report that the Provincial Treasury assessed all audit committees and found them to be operational and effective in executing their mandate.

We will continue to support these structures to enable them to fulfil their oversight mandate and provide effective guidance to institutions on internal controls, risk management, governance, and financial reporting.

We want to call on all Accounting Officers and managers to support the work of assurance and governance structures so that the people of Mpumalanga can be assured that the total value of the provincial and departmental budget is achieved.

As part of our support programme to departments, public entities, and municipalities in improving their audit outcomes, we will review all audit action plans to ensure that they address all issues raised by the Auditor General.

Risk management

Honourable Speaker,

Public institutions, like the private sector, are prone to different risks that could have undesirable impact on service delivery. All institutions must therefore embed risk management in their daily operation.

We will continue to provide guidance and support to departments and public entities to manage risks effectively. Furthermore, we will collaborate with the Institute of Risk Management South Africa to professionalise Risk Practitioners in the Province.

PARTNERSHIP FOR CAPACITY DEVELOPMENT

Capacity development, professionalisation of financial administration and the expansion of similar opportunities to young unemployed graduates are critical pathways towards the achievement of a capable, ethical, and developmental state.

It is for this reason that we committed to building appropriate capacity within the department and throughout the administration to provide sound and credible management of public resources in the Province.

To this end, we partnered with the South African Institute of Professional Accountants (SAIPA), resulting in about forty (40) officials being accredited as Professional Accountants since the start of the programme three years ago.

As part of the rollout plan of this programme, targeting unemployed youth in the Province, twenty-eight (29) Trainee Accountants have been enrolled in a three-year learnership programme which will culminate in them being certified as Professional Accountants.

All Trainee Accountants have been placed in various participating Departments, Public Entities and Municipalities to gain valuable work experience under the supervision of qualified professional accountants.

Honourable Speaker

Making local government sustainably functional requires investment in systems development and the capacity of municipal officials.

To this end, the Provincial Treasury has partnered with the Local Government SETA to rollout skills intervention in local economic development, water and water waste treatments and municipal finance management. The intervention will benefit at least 120 officials.

We intend to engage with other SETAs to expand opportunities for graduates and young people to acquire professional qualifications in the information technology, financial administration, and accounting fields.

We will continue to explore more partnership opportunities and work with both public and private sector institutions to improve the resilience of the financial administration through capacity development programmes.

BUDGET ALLOCATION

Honourable Speaker

The total budget to implement all these priorities that I mentioned is **R590 million 712 thousand**, and it is allocated to programmes as follows:

Programme 1: Administration receives **R135.9 million**.

Programme 2: Sustainable Resource Management is allocated **R77.2 million**.

Programme 3: Assets and Liabilities Management gets **R345.9 million**, and

Programme 4: Financial Governance's share is **R31.5 million**.

These resources, together with the support we hope to receive from the public and private sector partners, will propel us to achieve our programme of building a resilient financial administration.

As I close, let me borrow the words of the great statesman of the democratic government, Nelson Mandela, and I quote.

“Millions of South Africans are joining hands to sustain their democratic achievement, and they will protect it like the apple of their eye. They are filled with hope about the bright future that beckons. They shall not be distracted by the noise of a falling tree amidst the dignified silence of a new future starting to blossom;

because they know that - The foundation has been laid, and the building has begun!"

Let me convey my appreciation to the **Honourable Premier** Refilwe Mtsweni-Tsipane for her leadership and guidance in preparing the annual performance plan, my colleagues in the **Executive Council** for their support, and the Honourable Chairperson and Members of the **Portfolio Committee on Premier's Office, Finance, Economic Development and Tourism** for constructive engagement on policy priorities.

I would also like to thank the **Head Official, Ms Gugu Mashiteng**, and the entire management and staff of the Provincial Treasury for their dedication and for supporting my office.

Thank you.