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Department of Finance Office of the HOD

Litiko LeteTimali	UmNgango weZeeinali	Departement van Finansies	Kgoro ya Matlotlo
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Enquiries : Mr NM Madike
Ref No : DOF 12/3/5/2/

PROVINCIAL TREASURY CIRCULAR NO. 32 OF 2013

TO:-

THE ACCOUNTING OFFICER: VOTE 1: OFFICE OF THE PREMIER (DR NONHLANHLA MKHIZE)
THE ACCOUNTING OFFICER: VOTE 3: FINANCE (MS NZ NKAMBA)
THE ACCOUNTING OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR D MAHLOBO)
THE ACCOUNTING OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MS NL SITHOLE)
THE ACCOUNTING OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (DR DV DLAMINI)
THE ACCOUNTING OFFICER: VOTE 7: EDUCATION (MS MOC MHLABANE)
THE ACCOUNTING OFFICER: VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR KM MOHLASEDI)
THE ACCOUNTING OFFICER (ACTING): VOTE 9: COMMUNITY SAFETY, SECURITY & LIAISON (MR W MTHOMBOTHI)
THE ACCOUNTING OFFICER (ACTING): VOTE 10: HEALTH (DR JV DLAMINI)
THE ACCOUNTING OFFICER: VOTE 11: CULTURE SPORT AND RECREATION (MS SP MJWARA)
THE ACCOUNTING OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS NL MLANGENI)
THE ACCOUNTING OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR SM MTSWENI)

THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 1: OFFICE OF THE PREMIER (MR MR KJ DLAMINI)
THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 3: FINANCE (MS L MLAMBO)
THE CHIEF FINANCIAL OFFICER: VOTE 4: COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS (MR MD SHIPALANA)
THE CHIEF FINANCIAL OFFICER: VOTE 5: AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION (MR CT. DLAMINI)
THE CHIEF FINANCIAL OFFICER: VOTE 6: ECONOMIC DEVELOPMENT, ENVIRONMENT AND TOURISM (MS JP HLATSHWAYO)
THE CHIEF FINANCIAL OFFICER: VOTE 7: EDUCATION (MR CB MNISI)
THE CHIEF FINANCIAL OFFICER (ACTING): VOTE 8: PUBLIC WORKS, ROADS & TRANSPORT (MR S SHONGWE)
THE CHIEF FINANCIAL OFFICER: VOTE 9: COMMUNITY SAFETY, SECURITY & LIAISON (MR BH NGOMA)
THE CHIEF FINANCIAL OFFICER: VOTE 10: HEALTH (MR V MAKHUBEDU)
THE CHIEF FINANCIAL OFFICER: VOTE 11: CULTURE SPORT AND RECREATION (MR T NKOJOANA)
THE CHIEF FINANCIAL OFFICER: VOTE 12: SOCIAL DEVELOPMENT (MS P MORGAN)
THE CHIEF FINANCIAL OFFICER: VOTE 13: HUMAN SETTLEMENTS (MR SB MATSEBULA)

TRANSFER OF FUNDS FOR VOTES FOR SECURITY SERVICES DURING ADJUSTMENTS FOR 2013/14 FINANCIAL YEAR

The Province is facing challenges in respect of payments towards security services that is centralised in the Department of Community Safety, Security and Liaison. A decision has been taken that departments have to adjust their budgets to fund the security costs that are rendered to them. Departments have committed to this arrangement as the Department of Community Safety, Security and Liaison is an implementing agent. This process must be finalised during the budget adjustment period.

The Compensation of employees' budget is revisited and underspending is calculated on the basis of spending level at end of six months.

The spending on Compensation of employees is at 49% therefore 1% amounts to R200.458 million. The underspending per vote that contributed to the 1% is calculated and the values are indicated on the table below:

COMPENSATION OF EMPLOYEES												
R Thousands	Main Budget 2013/14	Actual to the end of Sep 2013	Outcome as % Budget	Projections to end of Mar 2014	(Over) / under-spending	%(Over) / under-spending	Main Budget 2012/13	Actual to the end of Sep 2012	Outcome as % Budget	Projections to end of Mar 2013	(Over) / under-spending	%(Over) / under-spending
Social Services	17 440 123	8 876 303	49,2%	8 839 839	24 781	0,1%	16 046 198	7 828 706	48,8%	8 498 068	(280 584)	-1,7%
EDUCATION	11 939 540	5 683 040	49,3%	6 000 800	26 500	0,2%	10 660 130	5 470 214	49,8%	5 709 049	(199 133)	-1,8%
HEALTH	5 043 020	2 473 598	49,0%	2 569 427	-	0,0%	4 625 857	2 168 474	46,5%	2 575 773	(78 390)	-1,7%
SOCIAL DEVELOPMENT	457 563	219 665	48,0%	239 617	(1 715)	-0,4%	400 203	190 018	47,5%	213 246	(3 061)	-0,8%
Non-Social Services	2 774 835	1 330 678	48,0%	1 394 732	48 625	1,0%	2 685 957	1 224 150	47,3%	1 329 746	32 062	1,2%
OFFICE OF THE PREMIER	116 319	54 423	46,8%	59 615	2 281	2,0%	114 364	49 698	43,5%	63 905	781	0,7%
LEGISLATURE	112 440	50 174	44,6%	57 100	5 166	4,6%	109 358	41 979	38,4%	58 561	10 818	9,4%
FINANCE	144 383	68 939	47,7%	71 928	3 516	2,4%	131 808	61 798	46,9%	69 274	736	0,6%
CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS	274 376	135 225	49,3%	158 154	(15 043)	-5,4%	250 874	118 763	47,3%	132 111	-	0,0%
AGRICULTURE, RURAL DEVELOPMENT AND LAND ADMINISTRATION	452 892	230 670	50,9%	231 276	(9 004)	-2,0%	417 911	204 657	49,0%	213 140	114	0,0%
ECONOMIC DEVELOPMENT	169 201	82 866	49,0%	85 574	761	0,4%	161 926	78 415	48,4%	87 036	(3 526)	-2,2%
ENVIRONMENT AND TOURISM	863 158	406 027	47,0%	398 735	58 396	6,8%	816 137	395 189	48,4%	402 227	18 721	2,3%
COMMUNITY SAFETY, SECURITY AND LIAISON	349 007	172 387	49,4%	172 513	4 101	1,2%	333 693	161 233	48,4%	167 333	4 437	1,3%
CULTURE SPORT AND RECREATION	142 540	60 369	42,4%	82 171	-	0,0%	111 690	50 863	45,5%	60 827	-	0,0%
HUMAN SETTLEMENT	149 719	69 598	46,5%	77 676	7 445	5,0%	138 886	61 555	44,3%	77 331	-	0,0%
TOTAL	20 214 158	9 906 981	49,0%	10 233 771	73 406	0,4%	18 632 147	9 052 856	48,6%	9 827 813	(248 522)	-1,3%

The attached table reflects amounts that departments have to forfeit to the Provincial Revenue Fund which will be directed towards payment of security services.

The area shaded in blue should be used to surrender funds on your departmental chapters.

BUDGET REQUIRED OVER REMAINING 6 MONTHS TO FUND SECURITY SERVICES COSTS				
Name of Department	DCSSL report	COE 1% cut /equivalent	Budget cut	
OTP	443	233	443	Checked affordability and greater value will be used to fund shortfall
FINANCE	764	3 321	764	Lesser value is used as the Department must fund section 18(2)(g) PFMA intervention in Health, DARDLA and DCSSL
COGTA	9 573	1 921	1 921	Lesser value has been used, dept already funding Kings from re-prioritisation
DARDLA	24 136	0	24 136	Dept overspent on COE hence no value on column, Department must however fund its security services costs
DEDET	8 621	1 692	8 621	Higher value is used, as Department is currently underspending on special allocations
EDUCATION	35 755	83 577	35 755	COE 0.7% too high so we recommend that the budget cut is equivalent to DCSSL amount which is a lesser value
DPWR&T	58 000	25 895	25 895	COE is better option as DCSSL required amount is quite high
DCSSL	4 285	2 094	-	Dept will fund with October budget hence higher value is opted for. These funds are available
HEALTH	138 898	50 430	50 430	COE has a lesser value as opposed to the DCSSL required amount, PRF to cushion the difference
DCSR	6 317	10 833	6 317	COE has a higher value so we propose the DCSSL required amount
SOCIAL DEVELOPMENT	15 522	9 151	4 651	Department has funded R4.5 million from own funding for disasters that may still occur and Govan Mbeki that is still being assessed. The Province has already received a disaster alert around Nkomazi area
HUMAN SETTLEMENTS	1 571	5 240	4 600	We are using the amount that the department is surrendering from COE
PROVINCIAL LEGISLATURE	-	6 072	-	
	303 885	200 459	163 533	

A task team was set up as per PMC resolution to negotiate the reduction of rates charged by the service providers. PMC has directed that security services of sensitive areas should not be compromised namely residences of Political Principals, National Key point as well as Health department.

The Task Team consists of Mr JS Mgidi from the Office of the Premier, the HODs for Finance and Public Works, Roads and Transport and Mr SEB Matsebula from the Department of Human Settlements.

The first meeting with the service providers was held on Friday, 25 October 2013 and the task team was strengthened by the presence of Hon MEC for Finance who chaired and negotiated with service providers on behalf of government.

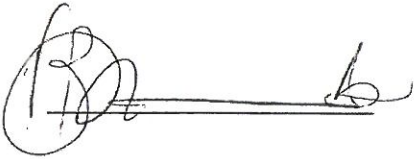
The meeting did not yield the required results. The service providers were only willing to sacrifice 10% of the outstanding amount which is approximately R30 million. This does not assist in the process as it means that government must still raise approximately R273 million. The service providers are saying anything in excess of 10 % will force them to lay off the

guards. There is unwillingness to negotiate in good faith. There are service providers who are willing to negotiate however the majority is unwilling.

There is a follow up meeting on Tuesday 29 October 2013 which will not necessarily yield any better result as the service providers are watching over their profits whilst on the other hand adjustments must be concluded and tabled on 5 November 2013.

You are thus requested to submit your proposals for adjustments budget conforming to the above requirements to this office on or before 14H00 today, 28th October 2013.

Your cooperation is always appreciated.



MS NZ NKAMBA

HEAD OF DEPARTMENT

DATE 28/10/2013