



# 2024/25 BUDGET VOTE 8

**ADDRESS BY MEC VENUS BLENNIES (MPL) FOR FINANCE, ECONOMIC DEVELOPMENT AND TOURISM TO THE NORTHERN CAPE PROVINCIAL LEGISLATURE ON THE TABLING OF THE 2024/25 BUDGET VOTE FOR PROVINCIAL TREASURY**

**12 SEPTEMBER 2024**

**Honourable Speaker and Deputy Speaker**

**Honourable Premier — Dr Zamani Saul**

**Colleagues in the Executive Council**

**Chief Whip of the Majority Party and Leader of the Official Opposition**

**Chairperson of the Portfolio Committee of Finance Economic Development and Tourism**

**Honourable Members of the Provincial Legislature**

**Director-General,**

**Head of Provincial Treasury**

**Senior Management and Treasury Officials**

**The Leadership of Trade Unions**

**Fellow Northern Cape Citizens**

**Ladies and Gentlemen**

**Honourable Members**, esteemed colleagues, and fellow citizens it is a great honour and privilege to stand before you today as the Executive Authority responsible for the Finance, Economic Development and Tourism portfolio. This portfolio comes with significant responsibility towards our fiscal and economic health and comes at a time where our collective efforts are crucial in navigating the challenges we face as a Province, ensuring sustainable growth, and delivering the services our communities need.

**Honour Speaker and Members**, as I present this budget vote speech, I would like to take a moment to express my gratitude to my predecessor's for their dedication and

tireless efforts in laying the foundation and shaping the department's strategic priorities. Their commitment has been instrumental in guiding the direction of our work, and I am honoured to continue building on the progress they have achieved.

**Honourable Speaker**, at the advent of the 7<sup>th</sup> Administration, this budget is a crucial instrument in our journey towards a modern, growing and successful Province and it rests upon the national priority of building a capable, ethical and developmental state. This budget is a representation of our commitment to creating jobs that will invigorate our economy and provide meaningful employment. By investing in diverse industries, we aim to build a thriving economy where everyone can succeed, by improving infrastructure, and exploring innovative ways to deliver services to our people.

**Honourable Speaker**, our primary role as Provincial Treasury, is to ensure public financial management through the promotion of sound budgetary practices and the enforcement of transparent and effective management in respect of revenue, expenditure, and assets and liabilities in the Provincial Administration. The legislative responsibilities entrusted upon the Northern Cape Provincial Treasury by the Public Finance Management Act (PFMA) and the Municipal Finance Management Act (MFMA), empowers the Department to pursue the vision of the 7<sup>th</sup> Administration in a responsible and transparent manner, in light of the available resources allocated. This compels the Department to exercise leadership in the management of public resources for efficient, effective and economic service delivery.

**Honourable Speaker**, I am cognisant of the current fiscal constraints that we are faced with as a Province stemming from the implementation of fiscal consolidation coupled with major reductions on the provincial equitable share by National Treasury. However, I firmly believe that within these challenges lie opportunities for innovation,

intentionality, and meaningful change. This budget is intended to empower us to seize these opportunities and to address our challenges deliberately, with a clear focus on delivering tangible results.

**Honourable Members**, the province lost an amount of **R1.6 billion** over the next three years of which **R525 million** was related to the 2024/25 financial year. In light of this, the Provincial Treasury has been working unending to implement a budgetary plan in anticipation of the impact of these reductions. We need to reiterate that a **R500 million** reduction in a single year is massive relative to the size of our provincial equitable share. We emphasise this, **Honourable Speaker and Members**, not to vent our frustrations, but to simply present the facts. We fully recognise the magnitude of the challenges that lie ahead, and we require everyone's unwavering support as we navigate through them.

**Honourable Members**, although the 7<sup>th</sup> Administration started on the back foot stemming from the **R1.6 billion** reductions, the Provincial Treasury supports efforts by national to stabilise the spiralling debt of the country by implementing fiscal measures to lessen the impact of the cuts on service delivery. The fiscal strategy, supported by the Executive Council, is centred around putting significant limitations on non-core expenditure items like travelling, venues and catering which is consistent with the cost containment measures issued by the National Treasury in the previous financial year. Therefore, it is imperative that the Province, like all other provinces, ensure the implementation of these measures aimed at building adequate reserves for fiscal buffers against future shocks, such as disasters, unforeseen circumstances and directing additional resources to our apex priorities.

**Honourable Members**, it is crucial that we foster fiscal discipline across departments to safeguard the financial stability of our province. We cannot continue making commitments without the necessary budget allocations or allowing debt to accumulate, as this compromises our province's fiscal health. We will take decisive action against any department that fails to adhere to these principles. The fiscal measures adopted by the Executive Council are mainly centred around:

- Reduced unauthorized expenditure, aiming to achieve a zero debt balance for the province within the next two years—an ambitious yet attainable goal.
- Rebuild fiscal buffers.
- Restore and maintain provincial fiscal sustainability.
- Ensure full implementation of the provincial revenue enhancement strategy.
- Reaffirm the principles of the budget processes.

**Honourable Speaker**, the province has adopted a "zero tolerance" approach toward departments that continue to flout the budget. We intend to address unauthorised expenditure in the coming two to three years to clear the overdrawn accounts of various departments and implement consequence management for any departments that will overspend. **Honourable Members**, the Appropriation Bill, once adopted by the Legislature has the same legal force like any other piece of legislation. As such, departments that violate the law by overspending their budgets, must be held accountable and bear the necessary consequences.

**Honourable Members**, as part of our commitment to building a capable, ethical, and developmental state, we are determined to fight corruption and ensure good governance. I extend my unwavering support to Standing Committee On Public Accounts (SCOPA) as a key partner in this effort. As the MEC for Finance in the

Northern Cape, this is the standard and legacy I intend to leave behind, and I require both SCOPA and the Portfolio Committee on Finance to hold me accountable to this commitment.

**Honourable Speaker**, while Provincial Treasury must lead as the custodian of the Public Finance Management Act, the perception that Provincial Treasury must hold the system must be corrected given the legislative fiduciary responsibilities and functions assigned to Heads of Departments. The accountability framework assigns individual and collective responsibility to all officials and where transgressions occur, the Provincial Treasury must act decisively to enforce its authority as legislated.

**Honour Speaker**, as we commence this fiscal year, I would like to reassure this house and all our stakeholders that my tenure is committed to upholding the highest standards of transparency and accountability. As Provincial Treasury, we have an obligation to ensure that every rand allocated in this budget is used prudently to have the biggest impact in our communities.

**Honourable Speaker**, government was the biggest buyer of goods and services in the province contributing **R6.16 billion** toward the provincial public procurement during the 2023/2024 financial year. Demonstrating the extent of investment and dedication to the target groups and local spent, is imperative for ensuring transparency and accountability in resource allocation. This further fosters economic growth within the community, and secures continued support and trust from stakeholders by clearly showing that commitments are being honoured and that the local economy is being meaningfully impacted.

**Honourable Speaker**, Provincial Treasury, would like to draw attention to the need for vested efforts to attract our designated groups and also businesses to improve

economic activity which will directly contribute to a reduced unemployment rate within the province. In growing our provincial economy, it is important to reflect on the procurement spent during the 2023/24 financial year, noting that the total spend for the Province was **R2.14 billion**. **Honourable Speaker**, empowering designated groups remains a priority of government and Provincial Treasury contributes towards implementation by monitoring the total spend during the 2023/24 financial year:

- Women-owned businesses: R619 million (59 %) of the total spend,
- Youth businesses: R222 million (39 %),
- People with disabilities: R9 million, (23 %) of the total spend.

**Honourable Speaker and Members**, it is to be noted that in July 2024, the President approved the Public Procurement Act, Act No. 28 of 2024. The act is aimed at regulating public procurement; to prescribe a framework within which preferential procurement must be implemented; and to provide for matters connected therewith. The Public Procurement Act further aims to promote transparency, fairness, and efficiency in public procurement, promoting competition and integrity. It incorporates preferential procurement policies, supports inclusivity, SMMEs, and local content.

**Honourable Members**, the National Treasury is consulting on the development of regulations that provide detailed guidance on implementing the Act. The Provincial Treasury, in line with its PFMA mandate, is enhancing Supply Chain Management (SCM) capacity in the Northern Cape through stakeholder engagements and community outreach initiatives, including procurement training and CSD services.

**Honourable Speaker**, as prescribed by Section 18 of the PFMA, the Provincial Treasury has a critical responsibility to build and enhance the capacity of Supply Chain

Management within the Province. To fulfil this function, Provincial SCM and Asset Management have embarked on a comprehensive stakeholder engagement drive, both independently and in collaboration with the Department of Economic Development and Tourism. These engagements are a key initiative aimed at extending essential services, such as Central Supplier Database (CSD) services and procurement training, directly to communities across the province.

**Honourable Members**, the purpose of these engagements is to ensure service providers are well-informed about the latest developments in public procurement, including the electronic Request for Quotation (eRFQ) system, and to highlight business opportunities within the Northern Cape Government through Procurement Plans. This initiative is aligned with the broader objective of the Provincial Treasury to improve provincial procurement spending targets, particularly among designated groups such as women, youth, disabled individuals, and rural suppliers. During these sessions, suppliers are guided on high-spending departments and high-value goods and services they should focus on, to maximize their participation in government procurement.

**Honourable Speaker and Members**, the Northern Cape Province's spending reveals a strategic emphasis on maintaining and securing infrastructure (with nearly 40% of the budget allocated to maintenance and security). We have fostered collaborations with the South African Revenue Services and the Construction Industry Development Board (CIDB) to provide a one-stop service that assists suppliers to maintain up-to-date procurement compliance documentation and stay abreast of developments within these entities. This holistic approach is designed to remove barriers to entry and support suppliers in their efforts to engage more effectively in public procurement.



**Honourable Speaker**, Provincial Treasury has engaged with 874 suppliers, including 405 women in business, across all districts and major towns, ensuring comprehensive outreach during the 2023/2024 and the 2024/2025 financial year to date. A significant challenge remains as many construction suppliers are still in the lower grades of the CIDB grading (grades 1-3), which limits their ability to compete for major construction projects. Addressing this challenge is essential to fulfilling the Provincial Treasury's capacity-building function and ensuring that suppliers across the Northern Cape can fully participate in and benefit from economic opportunities. Addressing the CIDB challenge, particularly the issue of many construction suppliers being stuck in the lower grades, requires a multifaceted approach focused on capacity building, mentorship, and targeted support in collaboration with key stakeholders.

**Honourable Speaker**, in this rapidly evolving economic climate, good governance is essential to ensure that the scarce resources are used in an effective, efficient and transparent manner. The Financial Governance programme is charged with the responsibility of promoting a culture of accountability and good financial management practices within the provincial administration.

**Madam Speaker**, the programme leads good governance initiatives by ensuring improvement in audit outcomes. Audit outcomes is an accountability indicator used by provincial government to track and assess performance and adherence to government laws, regulation and principles. During the Sixth Administration, we made significant strides in this regard and our continuous efforts have resulted in a steady enhancement of financial governance, leading to an improvement in accurate, reliable, and timely financial reporting.

**Madam Speaker**, we are proud to announce that for the audit cycle concluded on 31 July 2024, six (6) out twelve (12) departments, received clean audit opinions from the Office of the Auditor General. This is commendable for the province and in the current financial year we will be working closely with the departments with qualified audit opinions to move them from the undesirable audit outcomes.

**Honourable Members**, to attain the desired audit outcomes requires a total culture shift. It cannot be business as usual in the 7<sup>th</sup> Administration when dealing with issues of financial governance. Leaders must lead, be held accountable and responsible for their actions. They must demonstrate a commitment to ethical financial practices, encouraging open communication and creating a safe environment that reinforces the culture where accountability is valued and upheld.

**Madam Speaker**, the Department will assess the financial management maturity capability of our provincial departments to track the impact of the efforts made in enhancing internal controls in the province. Our monitoring efforts will be guided by the outcome with specific focus on deficiencies in business processes of departments to ensure that financial activities are conducted with integrity and transparency. By implementing robust monitoring mechanisms, we will advise departments early on deficiencies and compliance with regulatory standards.

**Madam Speaker and Honourable Members**, Provincial Treasury will also advocate for a pro-active approach to risk management, strengthened internal controls and investing in capacity-building initiatives to ensure that financial management teams are equipped with the skills and knowledge they need to perform effectively. The goal will be to create a financial governance environment that not only deters irregularities but also promotes best practices in financial management. This will lead to continued

improvements in audit outcomes, more efficient use of public resources and greater confidence in our financial management systems.

The strengthening of governance structures, particularly the appointment of Risk Management Practitioners and that of Chairpersons of Risk Management Committees remains at the centre of our priorities. To this end, Provincial Treasury shall continue to assist the few departments that are struggling in this area to ensure that they also become compliant. We note some resource constraints that impedes public entities from establishing fully fledged risk management structures, we hope that the rationalization processes will have a positive spin off in this regard in the year under review. Provincial Treasury will collaborate with Department of Economic Development and Tourism (DEDAT) to develop a joint action plan to support the newly established entity.

**Honourable Speaker**, the Office of the Provincial Accountant General in its pursuit to promote good governance, is planning to host a Provincial Governance Conference targeting Accounting Officers and those charged with governance responsibilities. The main goal of this conference is to highlight both the successes and shortcomings in governance, while gathering insights from distinguished speakers and participants on strategies to improve and strengthen service delivery

**Madam Speaker**, improving financial governance is not a once-off task, but a continuous journey requiring collaborative effort from all the public servants. By working together, we will be able to implement best practices, streamline processes, and establish a cohesive approach to financial governance. This collaborative effort will be instrumental in achieving consistent and high-quality financial reporting in our institutions.

**Honourable Speaker**, section 38 of the PFMA entrusts the responsibility to have an effective and efficient system of internal audit to the Accounting Officers of Departments. The shared services model adopted by the Province has proven to be cost-effective and efficient. To support the broader objectives of the 7<sup>th</sup> Administration, the internal audit function will intensify its efforts to support departments in achieving clean audit outcomes by implementing risk-based audit plans. The Internal Audit function will further collaborate with relevant stakeholders and units within the Provincial Treasury to reduce unwanted expenditures and ensure compliance with laws and regulations. These efforts include a detailed review of the implementation of the audit action plans by Departments.

**Honourable Members**, to achieve the greatest impact from the combined assurance model, the Audit Committee will actively track and evaluate progress through regular oversight meetings. This continuous monitoring will ensure that all key risks are addressed efficiently, and that the assurance providers collaborate effectively to enhance the overall governance and control environment. The Audit Committee will therefore serve as a critical platform for reviewing outcomes and ensuring alignment with strategic objectives.

**Honourable Members**, Provincial Treasury's ability to render relevant support to its clients hinges greatly on the availability of a strong, competent, and skilful workforce. The implementation of the new organisational structure has already positively impacted on our ability to assist local government officials in achieving improved outcomes. In the 2022/23 financial year, the number of disclaimer municipalities was reduced from 4 (four) to 2 (two). The enhanced support and timely assistance by Provincial Treasury, assisted municipalities to improve their financial management, aimed at reducing reliance on consultants in the long term.

**Honourable Speaker,** one of the key strategies is to designate Operation Clean Audit Champions who will provide focused interventions and support to the identified municipalities as part of our commitment to support municipalities to improve audit outcomes and ensure timeous submission of AFS by all municipalities in line with the legislated timeframes.

**Honourable Speaker,** we have zero tolerance for Annual Financial Statements that are not submitted on time to the Auditor-General. In our quest of promoting accountability in local government, the Provincial Treasury hosted a successful session with TROIKAs on the 24<sup>th</sup> July 2024 which was aimed at encouraging municipalities to comply with legislation by submitting Annual Financial Statements timeously.

**Madam Speaker,** the Provincial Treasury will be forming the Municipal Mayoral Committee for finance officials in municipalities which will be chaired by myself as the MEC for Finance. This forum will empower my political counterparts with the requisite knowledge, foster collaboration amongst municipalities and relevant oversight departments, address challenges, share best practices and ensure that support intervention plans are agreed upon and implemented accordingly.

**Honourable Speaker,** the debt owed to Eskom has spiralled over the years due to a combination of challenges, which include, amongst others, consumer culture of not paying for services, inefficiencies in municipalities, and Eskom's inability to assist municipal revenue collection in their areas of supply. Efforts by the government to rescue the municipal debt through various support initiatives and robust engagements with relevant stakeholders have not yielded the desired outcomes.

**Honourable Speaker and Members**, the reality is that our municipalities are financially gridlocked and require radical change towards their insolvent trajectory. This is evident due to huge outstanding amounts owed by our municipalities to Eskom and other creditors. To date, municipalities in the Province owe Eskom a hollering **R5.1 billion**.

**Honourable Speaker and Members**, we continue to support those municipalities that are in the debt relief programme to comply with the conditions which will lead to debt write-off. Our teams continue to work tirelessly to assist municipalities with adherence to ensure that they remain compliant.

**Madam Speaker and Honourable Members**, The Financial Recovery Plans (FRPs) were developed in line with the format prescribed in section 139 (1) of the Constitution of the Republic of South Africa, read together with section 137 of the MFMA respectively. These FRPs are aimed at improving the financial constraints faced by municipalities, however, implementation and progress has been a challenge thus far. In order to address the current status on implementation of Financial Recovery Plans across the province, Provincial Treasury started an initiative to reassess the current modes of intervention in identified municipalities from discretionary to mandatory provincial interventions, for the desired outcomes.

**Honourable Speaker**, as Provincial Treasury, we derive our strength and our focus from the words of Andrew Carnegie, a Scottish-born American industrialist, who once said “Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organisational objectives. It is the fuel that allows common people to attain uncommon results”. Working together as a team will

allow our success as provincial government to be mirrored by the success of our local government. It is our commitment to assist our municipalities to succeed.

**Madam Speaker**, as we strive to build a more efficient and effective local government, we recognize the critical role that Supply Chain Management plays in delivering essential services to our communities. To this end, we going to put more focus on the following key initiatives to improve the effectiveness of contract management:

- Contract Management Training: We will be rolling out comprehensive training to municipalities to enhance their contract management skills, ensuring that they are equipped to negotiate and manage contracts effectively.
- Compliance Visits: We will conduct regular compliance visits to municipalities to ensure that they are adhering to SCM regulations and best practices.

**Honourable Speaker**, these initiatives will be crucial in promoting transparency, accountability, and value for money in the procurement processes of our municipalities. Furthermore, we will continue to provide technical support and guidance to municipalities to ensure that they are able to fulfil their SCM responsibilities effectively. We believe that by strengthening the SCM capacity of our municipalities, we can improve service delivery, promote economic growth, and enhance the lives of our citizens.

**Honourable Speaker**, Unauthorised, Irregular, Fruitless and Wasteful Expenditure continues to be a huge challenge in local government. To this end, Provincial Treasury has been providing support to municipalities which were listed as the top ten contributors of these unwanted expenditures. With the new cluster approach, the number of municipalities supported will increase to fifteen, comprising of five

municipalities per cluster and will be focused on the implementation of reduction strategies.

In addition to this, **Honourable Speaker**, Nama-Khoi Local Municipality has been selected to fast track the processing of Unauthorised, Irregular, Fruitless and Wasteful Expenditure and consequence management. The municipality was selected based on their current efforts in dealing with their unwanted expenditure. The Provincial Treasury will continue to work together with all relevant stakeholders to achieve the 2024 Medium-term Strategic Framework (MTSF) goal of eliminating fruitless and wasteful and reducing irregular expenditure in the public sector.

## **BUDGET BREAKDOWN PER PROGRAMME**

**Honourable Speaker**, the total budget allocated for 2024/25 financial year amounts to **R395 million** which reflects an increase of 11% from the 2023/24 financial year. Provincial Treasury is primarily responsible to render support, provide oversight and monitor department's, public entities and municipalities. Allow me to highlight the allocation of the budget to six programmes that will enable the implementation of the Provincial Treasury's priorities:

**Programme 1: Administration** has been allocated an amount of **R176 million**. Program 1 provides administrative, strategic, and leadership support to the Department's oversight programmes. The filling of vacant funded posts and the related operational costs are catered for under this programme. Additionally, this programme renders administrative support to the Executive Authority to execute her and provide strategic direction.



**Programme 2: Sustainable Fiscal Resource Management** has an allocation of **R53 million**. Through the oversight and management of the provincial budget, this program is in charge of putting the budget process into action. Finding departmental inefficiencies is a key priority area for the current fiscal year in order to eliminate unnecessary spending and increase the necessary reserves. This means rearranging priorities in order to focus on areas that will have a significant impact and collaborating with sector departments to identify inefficient areas and create a plan of action to remedy them.

**Programme 3: Supply Chain Management, Assets and Liabilities** has an allocation of **R41 million**. The program provides policy direction, facilitates the effective and efficient management of physical assets, ensure sound supply chain management policies and procedures, maintain and manage financial systems as well as banking and cash flow management.

**Programme 4: Financial Governance** been allocated an amount of **R27 million**. **Honourable Speaker and Members**, focus on the implementation of support, compliance monitoring, and risk management, to ensure compliance with accounting standards and financial governance which will improve audit outcomes.

**Programme 5: Municipal Finance** has been allocated with an amount of **R57 million**. **Honourable Speaker**, one of the key strategies is to designate Operation Clean Audit Champions who will provide focused interventions and support to the identified municipalities as part of our commitment to support municipalities to improve audit outcomes and ensure timeous submission of AFS by all municipalities in line with the legislated timeframes i.e. 31 August.

**Programme 6: Provincial Internal Audit** has an allocation of **R39 million**. The Programme will conduct audits to enhance governance, risk management, and internal controls, with an increased focus on an improved control environment. The unit will continue to provide learnership programs towards the internal audit qualifications. The Provincial Audit Committees will continue with their oversight and strengthen combined assurance to ensure a good assurance and advisory environment.

**Honourable Speaker and Members**, in closing, allow me to extend my appreciation to the Honourable Premier, Dr. Zamani Saul for entrusting me with this responsibility which I deem a great privilege, my Colleagues in the Executive Council, the Portfolio Committee on Finance, Economic Development and Tourism and the entire Legislature under your leadership.

**Honourable Speaker**, in addition, I would like to thank the Head of Department, Dr. Moses Gasela and management for their unwavering and continuous support in ensuring that we execute our mandate with diligence and excellence.

I hereby table the budget vote for Provincial Treasury.

**THANK YOU**