**4. Report of the Portfolio Committee on Sport and Recreation on Budget Vote 40: Department of Sport and Recreation South Africa for the Financial Year 2018/19, Dated 16 May 2018.**

**1 INTRODUCTION**

The Portfolio Committee on Sport and Recreation (the Portfolio Committee) having considered the Annual Performance Plans and Budget allocations of the Department of Sport and Recreation (the Department) or (SRSA) and its entities, Boxing South Africa (BSA) and South African Institute for Drug Free Sport (SAIDS), reports as follows: -

* 1. **Background**

The Constitution of South Africa (Act No. 108 of 1996) recognises that the Legislative Authority has an important role to play in overseeing both the financial and non-financial performance of government departments and public entities. Section 27 of the Public Finance Management Act (No. 1 of 1999) makes provision for Ministers to table the annual budget for a particular financial year in the National Assembly before the start of that financial year. Whereas section 10(1)(c) of the Money Bills Amendment Procedures and Related Matters Act (No. 9 of 2009) makes provision for Ministers to table Strategic Plans and Annual Performance Plans for (APPs) their respective Departments, public entities or institutions, which must be referred to the relevant Portfolio Committees for consideration and adoption.

At the beginning of each year following the State of the Nation Address (SONA) by the President, the Minister of Finance tables before Parliament a detailed outline of the State's Budget. Thereafter, various government Departments present their budget votes before Parliament stipulating how they intend reconciling their resources with service delivery imperatives as outlined in the State of the Nation Address. One of the main statutory functions of Parliament is to discuss, pass and oversee the State's Budget. The Department of Sport and Recreation Budget (Vote No. 40) was referred to the Portfolio Committee for consideration and reporting.

* 1. **Purpose of the Budget Vote**

The purpose of Vote 40 for the Department is to transform the delivery of sport and recreation by ensuring equitable access, development and excellence at all levels of participation, thereby improving social cohesion, nation building and quality of life for all South Africans. The purpose of Vote 40 is also to contribute not only to the sustainable economic development, but entrench social integration and cohesion.

In compliance with the referral by the National Assembly, the Portfolio Committee held briefings on 17 April 2018 with the Department of Sport and Recreation, Boxing South Africa and South African Institute for Drug Free Sport to consider their annual performance plans and the Department budget vote.

**1.3 Objectives of the Report**

The objectives of the report are as follows: -

* + 1. To describe and analyse the budget of the Department of Sport and Recreation over the 2018/19 financial year;
		2. To report on its deliberations and consideration, which is essentially the unpacking and examining of the Department’s annual performance plan and its associated budget vote (Budget Vote 40) in relation to the strategic plan and;
		3. To make recommendations concerning the endorsement, adjustment or rejection of budget vote 40 and any other recommendation regarding the implementation of the Department strategic plan.
	1. **The Portfolio Committee Process**

In March 2018, the Minister of Sport and Recreation tabled to Parliament the annual performance plan of the Department for 2018/19 including for the entities, Boxing South Africa and South African Institute for Drug Free Sport, for corresponding financial years for consideration and report. Upon referral of these instruments by the National Assembly, the Portfolio Committee scheduled a briefing session with the Department of Sport and Recreation, Boxing South Africa and South African Institute for Drug Free Sport to present their Annual Performance Plans and budget for the following financial year on 17 April 2018.

The engagements considered the past performance of the Department of Sport and Recreation and its entities. Minister T Xasa attended the briefing session. The Director General Mr A Moemi and accounting authorities and Chief Executive Officers from entities led the delegation. The Committee’s consideration of Vote 40 involved a robust engagement with the Minister and the Director General providing the context within which the Department and its entities annual performance plan(s) had been developed and presented. The budget was deliberated against the Departments strategic plan and government priorities as captured in the National Development Plan (NDP), the Medium Term Strategic Framework (MTSF), New Growth Path and the State of the Nation Address (SONA) within the prevailing economic climate. Also considered were the BSA and SAIDS annual performance plans and budgets.

**2 OVERVIEW OF ANNUAL PERFORMANCE PLANS**

**2.1 Sport and Recreation South Africa (SRSA)**

The Department is established in terms of the Public Service Act (1994). The legal mandate of the Department is derived from the National Sport and Recreation Act (1998), which requires it to oversee the development and management of sport and recreation in South Africa. The act provides the framework for relationships between the Department and its external clients. This includes the Department’s partnership with the South African Sports Confederation and Olympic Committee. The partnership is key to improving South Africa’s international ranking in selected sports. The Act also ensures that sport and physical activity contribute to social cohesion by legislating on sports participation and sports infrastructure.

To meet the requirement of citizens access to sport and recreation activities the department is rolling out the following major programmes; Youth Camps, School Sport Championships, Indigenous games and Big Walks, etc. The funding for these is through conditional grants. The expenditure on the transformation of the sport sector is done by implementation of development projects which is also part of the sport development grants mentioned above. Currently the department is identifying and supporting talented athletes to achieve international success. This is done in partnership with recognized sporting institutions. The department is offering enabling mechanisms to support sport and recreation, rolling out multi-purpose sport facilities and outdoor gyms and supporting sport and recreation bodies.

Minor technical adjustments have been made to the Strategic Plan 2015-2020. These do not change the intent of the plan but rather improve the indicators and targets. In some instances, the adjustment is purely to adhere more strictly to the SMART principle of indicator development. The comments of the Auditor General (AG) on the 2018/19 APP were also considered warranting adjustments. As no policy shifts have been made it is not necessary to re-table the 2015-2020 Strategic Plan. It remains valid for the period.

**2.2 Boxing South Africa**

The SRSA supported expenditure trends and estimates by sub-programme and economic classification in terms of Transfers and Subsidies. Hence, the average budget appropriated to BSA over the three-year period has increased with 13.4% from 2014/15 to 2017/18 while the average expenditure constitutes 6.8% of the total expenditure of the sub-programme. The average projected growth over the Medium Term Expenditure Framework (MTEF) period 2017/18 – 2020/21 is expected to be 5.6%. The BSA average projected expenditure will constitute 7.7% of total expenditure for the sub-programme.

BSA’s expected medium-term expenditure estimates for 2018/19 financial year is R12.268 million, which equates to a growth rate of 5.6%. SRSA grants constitute 81.7% of the BSA budget, followed by sanctioning fees of 14.%. Licencing fees are at 3.1%, interest earned accounts for 0.31% of the budget, while penalties and forfeiture money is 0.17% of the budget.

BSA Estimates of National Expenditure (ENE) for 2018 consists of three programmes:

* Programme One: Governance and Administration
* Programme Two: Boxing Development
* Programme Three:  Boxing Promotion

Administration constituted 75.7% of the average total expenditure over the 2014/15 - 2017/18 MTEF and it has increased on average with 5.7%. The estimated average increase for the MTEF period, 2017/18 - 2020/21, is projected at 6.1%, whilst the programme is expected to constitute 78.2% of the total estimated expenditure for the same period.

Boxing Promotion is projected to grow at an average percentage increase of 4.1% over the MTEF period, 2017/18 - 2020/21, whilst it is projected to constitute an average of 10.9% as a percentage of total expenditure for the same period.

Boxing Development constituted 15.3% of the average total expenditure over the MTEF period of 2014/15 - 2017/18 and it decreased on average with 19.8% over the same period. The estimated average increase for the MTEF period 2017/18 - 2020/21 is projected at 4.1%, whilst the programme is expected to constitute 10.9% of the total estimated expenditure for the same period.

Compensation of Employees constituted 36.5% of the average total expenditure over the MTEF period of 2014/15 - 2017/18 and it has marginally increased on average by 7% over the same period. The estimated average increase for the MTEF period 2017/18 - 2020/21 is projected at 2.2%, whilst it is anticipated that compensation shall constitute 50.2% of the total estimated average expenditure for the same period.

Goods and Services constitute 63.1% of the average total expenditure over the MTEF period of 2014/15 - 2017/18 and has increased on average by only 1.5% over the same period. The estimated average increase for the MTEF period 2017/18 - 2020/21 is projected at 9.9%, whilst the programme is anticipated to constitute 49.6% of the total estimated expenditure for the same period.

Depreciation and investment in capital expenditure has not been appropriately prioritised over the 2014/15 - 2017/18 MTEF period, however it constituted 0.4% of the average total expenditure during the same period. Depreciation is anticipated to constitute 0.2% of the average total cost of expenditure for the MTEF period 2017/18 - 2020/21.

**2.3 South African Institute for Drug-Free Sport**

SAIDS is faced with financial constraints but will continue to maintain the integrity of sports in South Africa in spite of these challenges. It is good news for the organisation that the Bloemfontein laboratory will be accredited again as this will help reduce SAID’s financial limitations. However, an envisaged decrease in funding from the National Lotteries Commission will hamper some of SAIDS operations. SAIDS is striving to achieve a clean audit, not only because that is the directive from the SRSA, but also because it is one of the objectives of the board of directors. The entity will at all times strive to educate athletes and double its awareness campaigns to keep South African athletes clean from doping, with emphasis on healthy living and playing fair.

The Strategic Plan of the South African Institute for Drug-Free Sport is derived from the mandate emanating out of the Drug-Free Sport Act (Act No 14, 1997 and amended in 2005). The core strategic objectives are reflected in the Act, namely, governance and finance, drug testing, anti-doping education, results management and international collaboration. Governance and finance objectives are shaped by compliance to the Public Finance Management Act (PFMA) and King IV regulations. Drug testing, anti-doping education and results management are shaped by compliance to the World Anti-Doping Code and the National Anti-Doping Rules. The United Nations Educational, Scientific and Cultural Organisation (UNESCO) Convention against Doping in Sport shape International Collaboration, to which the South African government is a signatory.

Looking at the performance environment of the 2018/19 APP, there were no substantive changes to the performance delivery environment as envisaged in the Strategic Plan. However, due to austerity measures and implementation of aspects of the South African Institute for Drug-Free Sport Risk Mitigation Plan, selected performance indicator values were reduced.

The management team of the South African Institute for Drug-Free Sport is confident the entity has sufficient resources and human capital to implement the 2018/19 APP against the documented indicators.

**3 EXPENDITURE ANALYSIS BASED ON ESTIMATES OF NATIONAL EXPENDITURE**

The Department of Sport and Recreation’s total budget and MTEF estimates for 2018/19 is R1, 09 billion.  By economic classification, currents payments for the 2018/19 financial year is R278 million - compensation for employees amounts to R111 million while goods and services is R167 million. The bulk of transfers still went to transfers and subsidies with most of that money spent as conditional grants to the provinces. Allocations to the provinces form the bulk of payments at R587.4 million, whilst the departmental accounts and agency stands at R36.7 million. Money given to Non-Profit Organisations (NPOs) is R179 million – this is given equitably not equally. The capital and equipment budget is R8 million.

In retrospect, by the end of December 2017, the SRSA had spent R671.1 million or 62.9 per cent of the total budget for the financial year. The Department had projected spending R854.5 million or 80.1 per cent of the total budget at this point. The slower than projected spending is mainly under transfers and subsidies in programmes two and four. The NDP recognises Sport and Recreation as an effective means of nation building and social cohesion. This is given expression through outcome 14 (Nation building and social cohesion) of government’s 2014-2019 MTSF, with which the work of the SRSA is closely aligned. As such, over the medium term, the Department intends to focus on promoting participation in Sport and Recreation; developing talented athletes by providing them with opportunities to excel; and supporting high performing athletes to achieve success in international sporting arena.

As shown in the table below, the Department received a total allocation of R1.09 billion in 2018/19 compared to an allocation of allocation of R1.07 billion in 2017/18. In nominal terms, the Department’s total allocation increases by R24 million or 2.21% from 2017/18 to 2018/19. In real terms (taking inflation into account), the Department’s total budget declines by R23.2 million or 2.3 per cent from 2017/18 to 2018/19.

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| --- | --- | --- | --- | --- | --- |
| **Programme** | **Budget** | **Nominal Increase/ Decrease in 2017/18** | **Real Increase/ Decrease in 2017/18** | **Nominal Percent change in 2017/18** | **Real Percent change in 2017/18** |
| **million** | **2017/18** | **2018/19** |
| 1: Administration |  R 136.9 | R142.3 | R 5.4 | -R 0.85 | 3.8 % | -0.6 % |
| 2: Active Nation |  R 689.1 | R696.8 | R 7.7 | -R 23 | 1.1 % | -3.3 % |
| 3: Winning Nation |  R 76.9 | R79.8 | R 2.9 | -R2.63 | 3.6 % | -0.8 % |
| 4: Sport Support |  R 150.7 | R158.1 | R 7.4 |  R0.47 | 4.7% | 0.3% |
| 5: Sport Infrastructure Support |  R 13.1 | R13.8 | R 0.7 |  R0.08 | 5% | 0.6% |
|  **Total** | **R 1 066.7** |  **R 1 090.8** |  **R 24.1** | **- R 23.9** | **2.21%** | **-2.19 %** |

**3.1 Promotion of Participation**

The Department recognises that for citizens to lead healthy lifestyles, they need to get into the habit of being active from a young age. Campaigns and events promoting mass participation in Sport and Recreation are funded by transfers to provinces through the mass participation and sport development grant, which is allocated R1.9 billion over the MTEF period, and allocations amounting to R100 million for goods and services in the Active Nation programme. 216 221 people are expected to participate in these events over the medium term, despite reductions of R99 million to the grant over the same period, as approved by Cabinet. Provinces are expected to absorb these reductions through implementing cost containment measures and providing less equipment to schools and hubs. However, the number of schools and hubs to which equipment is provided is not expected to be reduced.

The Department plans to spend R3 million in each year over the MTEF period on the camps in the Community Sport Sub-programme in the Active Nation Programme, while each province allocates an additional R3 million each year from the mass participation and sport development. A further R135.6 million over the MTEF period is allocated in the sub programme for the department’s partnership with Love-life to provide youth empowerment programmes at sport and recreation events such as national youth camps and the national school sport championships. The school sport sub-programme is allocated R31.9 million in 2018/19, while R199.7 million is transferred to provinces through the mass participation and sport development grant in the provincial sport support and coordination sub programme in the Active Nation Programme. Of the projected 42 000 learners who are set to participate in school sport competitions at the district level in 2018/19, 5000 are expected to progress at the provincial training camps.

The Department is responsible for hosting the national indigenous games festival and is expected to spend R 74.3 million on the development and hosting of the games over the MTEF period.

**3.2 Supporting the delivery of sport infrastructure**

 The Department anticipates spending R 31.7 million over the MTEF period in the Sport Infrastructure support programme to strengthen its oversight and support of municipalities to improve the planning and delivery of infrastructure for sport and recreation. The Department expects to work with the Department of Cooperative Governance and the South African Local Government Association (SALGA) to ensure that funds earmarked, in the municipal infrastructure for the provision of sport and recreation facilities, are used to provide facilities in the areas of greatest need. Ten community gyms across South Africa are expected to be provided in each year over the MTEF period. R11 million is allocated over the medium term for the provision of these facilities. The Department facilitates the delivery of specialised multipurpose sport courts and other infrastructure projects to improve access to sport and recreation activities through a partnership with the Sport Trust. For this purpose, the trust is expected to receive a transfer of R71. 8 million over the MTEF period.

**3.3 Fostering transformation in sport and recreation**

Funding will be provided across two tiers: guaranteed funding, which is mainly for administration and conditional funding, which constitutes the bulk of the budget and addresses issues of governance, transformation and performance. Sport federations are required to develop their own transformation targets against which they are audited. R327.1 million is allocated over the MTEF period for transfers to 60 national federations. The Department selects one federation each year from the 16 priority codes to receive additional support to implement key priorities. Softball will be supported in 2018/19.

 **3.4 Nurturing talent and supporting excellence**

The Department awards ministerial bursaries to learners in Grades 8 to 12 who are identified as talented young athletes. In 2018/19, a minimum of 60 qualifying athletes, including leaners already in programme are expected to be supported through the payment of school fees, the provision of school uniforms and sport clothing. R21.4 million over MTEF period is allocated for this in the scientific support sub-programme in the winning nation programme. In addition, the Department each year through specialized training also supports 40 emerging athletes identified by national federations as having the potential to compete at the high performance level. The support for these athletes is provided from an allocation of R142 million over MTEF period in the scientific support sub-programme in the Winning Nation Programme. The Department plans to transfer R32.9 million over the medium term to the South African Sports Confederation and Olympic Committee through the Scientific Support Sub-programme for this. Specialist training and sport scientific support is also expected to be provided to a projected 3 600 talented athletes in 2018/19 by 35 provincial and district sport academies, funded through the mass participation and sport development grant.

**4 POLICY PRIORITIES FOR 2017/18**

There haven’t been any changes on the priorities of the Department during the 2017/18 financial year, except the attention for municipalities under the ambit of Cooperative Governance and Traditional Affairs (Cogta), to connect vast areas not only to services such as water, sanitation and electricity, but also to the much needed sport facilities in rural and disadvantaged areas.

The service delivery agreement provided a medium term commitment from 2009 – 2014 in order to improve governance systems and unlock development potential, especially in the stipulated areas below under expected outputs.

These outputs to be articulated stemmed from the expected outcome of the agreements, which planned to achieve a responsive, accountable, effective and efficient Department of Sport and Recreation. The delivery agreement still contains the following outputs:

• Talent identification through school sport;

• Community development (mass participation);

• Improve performance of athletes through scientific support programmes;

• Utilise high performance as a repository conduit towards excellence;

• Develop sport academies and entrench physical education;

• Empower sport and recreation federations;

• Unite the country; remain internationally and globally competitive;

• Implement a differentiated approach towards sport and recreation facilities at municipal

 level through beefing up sports infrastructure; and

• Assist sport councils financially as well as, through proper planning and support.

It is important to note that, the typical challenge and bottleneck particularly on low to medium capacity municipalities is the absence of long-term planning, and it is a major problem in local government in terms of assisting sport development. Subsequently, municipalities are unable to spend and National Treasury then withholds funds - for instance, an amount of R287 million Municipal Infrastructure Grant (MIG) funds was withheld because of poor spending by municipalities. Another critical challenge in municipalities is the aging infrastructure and vandalized facilities, which require maintenance but municipalities allocate very little funds for that purpose and thus have decaying infrastructure.

It is in this context that long term planning becomes important, hence the President refers to the NDP in the State of the Nation Address, which has been developed by the National Planning Commission. The NDP seeks to address serious fundamental challenges including the triple challenges of the current era, which include unemployment, poverty and inequality. These require a sustainable solution in order to realise the objective of a better life for all. Against this backdrop, government has developed the NDP to tackle current and ongoing challenges as well as medium to long term development path. The priorities for the department over the medium term include:

• Access to sport facilities;

• Reducing sport and recreation infrastructure backlogs;

• Support provinces and local government to achieve clean audits; and

• Assist federations to unearth talent.

**5 COMMITTEE OBSERVATIONS**

**5.1 Department of Sport and Recreation**

1. Some provinces and municipalities are still unable to spend allocated funds from Municipal Infrastructure Grant (MIG).
2. Community sport and club development is an urgent requirement.
3. Non-delivery by local government with regard to building facilities with the Municipal Infrastructure Grant that is allocated for the purpose of building sport and recreation facilities.
4. The Committee is concerned about the number of people actively participating in organised sport and active recreation events and the delay in reporting by provinces.
5. There is a need to resolve the matter of the South African Football Association and the Premier Soccer League.

**5.2 Entities**

1. The South African Institute for Drug-Free Sport should uphold their independence and avoid being perceived to be biased towards certain federations.
2. SAIDS conducts outreach events and workshops to schools as part of their anti-doping campaigns.
3. SAIDS has co-operative partnerships around research and education programmes with African counterparts in Sport.
4. SAIDS has sufficient resources and human capital to implement the 2018 Annual Performance Plan against the documented indicators.
5. During the past financial year, Boxing South Africa moved to its own office premises as part of its programme to strengthen internal capacity.
6. Boxing South Africa is currently focused on increasing its pool of licensees.
7. This year Boxing South Africa, in partnership with the Eastern Cape Department of Sport, Arts and Culture, hosted the South African Boxing Awards in Port Elizabeth and preparations for the inaugural Southern African Development Community (SADC) Professional Boxing Convention are at an advanced stage.
8. The SABC issued a bid in August 2017 for promoters to roll out boxing on a monthly basis but later pulled out of the arrangement.

**6 RECCOMMENDATIONS**

The Committee recommends that the Minister for Sport and Recreation emphasise the need to:

1. Ensure that provinces have the capacity to spend allocated funds so as to avoid funds returning to National Treasury.
2. Emphasise the need for provincial departments to budget for sport and recreation from their equitable share budget allocated by provincial treasuries.
3. Develop a framework of how provinces use the Division of Revenue Act (DORA) funds in line with the priorities of the National Sport and Recreation Plan as approved by the National Treasury.
4. Strengthen monitoring systems of the use of DORA funds by the provinces;
5. Enforce the compliance of federations towards transformation and consider rewarding federations that have achieved and are exceeding the set targets for transformation.
6. Ensure that the SRSA has clear performance indicators in line with the mandate of the sub-programmes within each programme.
7. Ensure that both entities, the South African Institute for Drug-Free Sport and Boxing South Africa, adequately implement the recommendations of Auditor General South Africa in order to address the challenges related to governance.
8. The Committee must continue its interaction with South African Local Government Association (SALGA) and the National Council of Provinces (NCOP) to assist in ensuring that the Municipal Infrastructure Grant (MIG) is fully utilised.

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**Ms B N Dlulane, MP Date**

**Chairperson: Portfolio Committee on Sport and Recreation**