
The Province of the Eastern Cape

Department Of Health

Select Committee on Finance


Public Hearings on Conditional Grants and CAPEX

3rd Quarter Provincial Budget Report

7th February 2008

Presented by MEC for Health Eastern Cape – Mrs. Nomsa Jajula

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Executive summary

Trend Analysis


- Conditional Grants - % growth over 3 years amounts to 46.1%

Conditional Grants	05/06	06/07	07/08
Final Appropriation	837,240	956,554	1,253,721
% increase/(decrease)		14.3%	31.8%

Capital Budget - % growth over 3 years amounts to 78%

Capital Expenditure	05/06	06/07	07/08
Final Appropriation	454,507	579,287	838,528
% increase/(decrease)		27.5%	60.5%

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Executive summary


Trend Analysis

Conditional Grants	05/06	06/07	07/08 (3 Quarters)
Final Appropriation	837,240	956,554	1,253,721
Spend	807,505	938,524	861,599
Under-spend	29,735	18,030	78,692
% of Under-spend	3.55%	1.88%	6%

Capital Expenditure	05/06	06/07	07/08 (3 Quarters)
Final Appropriation	454,507	579,287	838,528
Spend	357,843	562,207	629,109
Under-spend	96,664	17,080	0
% of Under-spend	21.27%	2.95%	0.0%

Note: For 07/08 under-spending was calculated using 75% of final appropriation


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Executive summary

- Conditional Grants - % growth over 3 years amounted to 46.1%
05/06 – 06/07: 14.3% 06/07-07/08: 31.8%
% under-spend reduced over 3 years by
05/06: 3.55% 06/07: 1.88% 07/08: 6%
- Capital Budget - % growth over 3 years 78%
05/06-06/07: 27.5% 06/07-07/08: 60.5%
% under-spend reduced over 3 years by
05/06: 21.27% 06/07: 2.95% 07/08 0.0%
- Achievements – Construction of 10 Clinics completed
-Construction of 3 Community Health Centre's underway
-Construction of 7 Hospitals underway
-14 Mortuaries are in process of being built
- R 521 Million out of the total CAPEX budget is funded from Conditional Grants.
- The 07/08 budget was cut as a whole, of which the Health Professionals Training and Development (HPTD) Grant was cut by R 59 Million, this amount will be refunded in 08/09.
- Effect of the cuts on the HPTD grant - over expenditure of 30%

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- Challenges - Infrastructure funding insufficient for Projects such as Cecilia Makiwane and trauma units for 2010.
- Funding for maintenance, both buildings and machinery inadequate
- Expenditure Conditional Grants – Total expenditure to Dec 07 is R 861,599 Million which is 69% of the Conditional Grant adjusted budget. The main reason for the under-spending being a month delay in a large payment to COEGA for forensic pathology. The Department projects to under-spend by R 12,255 Million due to certain delays in procuring equipment from overseas for Oncology. A Roll over has been requested.
- Expenditure Capital – Total expenditure to Dec 07 is R 629,109 Million which is 75% of the adjusted budget. The Department projects to over-spend on CAPEX by 7.6% due to commitments that were entered into prior to the budget cuts which need to be honored.

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- XDR/MDR TB – An additional amount of R 119,328 Million had been received in the adjusted budget in November 07.
- This amount has been committed for:
- Agency services, nursing services, drugs, and minor equipment to the value of R 63 Million.
- Capital including the SANTA hospitals, prefabricated structures for MDR/XDR centre's, medical equipment and extractor fans to the value of R 52 Million.


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DETAILED ANALYSIS

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TRENDS AND ALLOCATIONS - ANNUAL

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Conditional Grant Health	R06			R07			R08		
	Final Appropriate	Actual expenditure	(over)/under	Final Appropriate	Actual expenditure	(over)/under	Budget	Adjusted budget	% Expenditure
Themed									
Comprehensive HIV and Aids	188,008	182,381	(5,627)	220,021	217,864	(2,157)	235,204	235,204	100.00%
Forensic Pathology Services	8,588	885	(7,703)	11,847	56,768	44,921	85,125	115,784	134.83%
Health Professional Training and Development	157,588	159,867	2,279	133,582	134,712	1,130	133,944	158,784	118.55%
Hospital Rehabilitation	147,732	127,812	(19,920)	133,855	13,707	(120,148)	240,735	240,735	100.00%
National Tertiary Services	384,071	384,870	799	374,293	382,372	8,079	435,913	435,913	100.00%
Provincial Infrastructure Grant							80,386	80,386	100.00%
TOTAL	637,987	627,915	(10,072)	569,756	569,756	0.00%	1,265,248	1,265,248	100.00%
Projected spend for R08									1,265,248
Trend - % increase/(decrease)				14.3%	0.2%	-38.4%	31.8%	31.1%	30.3%
(over)/under R08									(12,298)
Trend - % increase/(decrease)									(0.9%)

Note: The reduction in the HIV Grant is not reflected as such in the R08 figures from Treasury.

The 105% spending on the Health Professional Training and Development Grant is due to payments made before the budget cuts. Treasury is aware of the error and a refund will be made in the next financial year.

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TRENDS IN 07/08 – QUARTERLY													
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Conditional Grant Health 2007/08	07/08 Budget	1st Quarter		2nd Quarter		3rd Quarter		Total Spend to 3rd Quarter		4th Quarter		07/08 Expenditure & Projections	
	Adjusted budget	Exp	%	Exp	%	Exp	%	Exp	%	Projection	%	Total	(Over)/under Spend
RHesant													
Comprehensive HR and Aids	233,264	54,193	23%	42,198	18%	66,763	42%	163,147	69%	41,971	18%	235,218	(1,814)
Forensic Pathology Services	119,754	7,688	6%	41,830	35%	12,877	10%	60,397	51%	58,717	49%	119,754	0
Health Professions Training and Development	75,150	3,128	4%	48,192	64%	26,763	36%	78,073	104%	45,021	60%	124,094	(48,944)
Hospital Rehabilitation	240,790	21,141	9%	71,028	29%	62,831	26%	154,800	64%	45,029	19%	199,829	49,021
National Tertiary Services	428,915	72,147	17%	69,962	16%	76,889	18%	245,318	57%	148,446	35%	392,767	38,148
Provincial Infrastructure grant	190,088	0%	0%	75,180	39%	55,112	29%	130,272	69%	38,798	21%	170,052	(20,052)
TOTAL	1,255,721	157,881	13%	368,489	29%	234,458	19%	581,588	46%	378,967	30%	1,241,488	12,233

Note: The reduction in the IPTD grant is not reflected as such in the 07/08 figures from Treasury

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TRENDS IN ALLOCATIONS - ANNUAL									
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Capital Expenditure	05/06			06/07			07/08		
Programs (Amounts in R'000)	Final Appr Budget	Actual expenditure	(Over)/Under Spend	Final Appr Budget	Actual expenditure	(Over)/Under Spend	Adjusted Budget	Exp to Dec 07	%
Total	454,507	357,843	96,664	579,287	562,287	17,000	638,528	628,199	75%
Trend % increase(decrease)				27.5%	57.1%	-82.3%	44.6%		
Projected expenditure 07/08							982,316		
Trend % increase(decrease)							60.5%		
projected (over)/under spending 07/08							(53,768)		
Trend % increase(decrease)							-47.5%		


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CAPITAL FUNDING ANALYSIS							
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Department of Health: Capital and source of funding 07/08							
Programs (Amounts in R'000)	Appropriation Budget	Adjustments	Virements	Adjusted Budget	Spend Dec 07/08	% Spent	
Capital assets							
Buildings & Fix Structures	632,247	(51,329)	73,177	654,095	552,395	84%	
Machinery and equipment	274,617	(43,421)	(46,763)	184,433	70,734	42%	
Total Payments for capital assets	906,864	(94,750)	26,414	838,528	623,129	75%	
Sources of funding							
Capital funded from Conditional grants	450,941	36,569	33,290	520,800	290,950	56%	
Capital funded from Equitable shares	456,023	(131,319)	(6,785)	317,919	338,159	106%	
Total Sources of funding	906,864	(94,750)	26,414	838,528	629,109	75%	

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SPEND PER PROGRAMME - QUARTERLY									
The Province of the Eastern Cape									
Capital Expenditure 07/08	1st Quarter		2nd Quarter		3rd Quarter		Spend to 3rd Quarter		4th Quarter
Programs (Amounts in R'000)	Adjusted Budget	Exp	%	Exp	%	Exp	%	Exp	%
Payments for capital assets									
Buildings & Fix Structures	654,095	51,757	8%	389,354	41%	234,254	36%	622,365	84%
Machinery and equipment	184,433	7,787	4%	38,188	21%	32,718	18%	76,263	41%
Total	838,528	59,544	7%	427,542	51%	266,972	32%	698,628	83%


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COMPREHENSIVE HIV & AIDS GRANT

The 83% spending to Dec 07 is due to more than originally estimated ARV sites being provided in 07/08. Other than the above the grant Expenditure is in line with the approved Business Plan.


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FORENSIC PATHOLOGY SERVICES GRANT

- As at end December 2007, the grant has **under-spent** by 24%:
 - Roll-overs of R51,853 million from 06/07 reflected in Provincial Adjustment Estimates late November 2007
 - Coega Development Corporation contractual obligations - R36 million paid January 08. The effect being expenditure - 81% of the Grant at Dec 07.
- Achievements** thus far are:
 - All personnel appointed
 - Vehicles leased from Fleet Africa - with another 22 expected January 2008
 - 14 mortuaries presently under construction:


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Construction in Progress

Place	Contractual Value	Start Date
Alfred North	4,260,432	Sept
Al Fara	4,835,179	Sept
Worcester	3,550,000	Sept
Uitenhage	4,805,176	Sept
ML Fletcher	3,600,000	Sept
Queenstown	4,002,949	Sept
Port Elizabeth	3,600,000	Sept
Cornhill	3,400,000	Sept
Uitenhage	3,400,000	Sept
Durban	4,300,000	Sept
Bhisho	3,300,000	Sept
Butterworth	5,500,000	Nov
Grahamstown	5,445,700	Nov
Umtata	13,000,000	Nov
Total	68,971,816	

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HEALTH PROFESSIONALS TRAINING & DEVELOPMENT

Grant over-spent by 30%:

- Forced Budget Surrenders of R58,794m by Provincial Treasury**
 - The implications for service delivery:
 - Planned activities for the 4th quarter are compromised and cannot be executed
 - Where orders for services have been processed and the services already delivered, the payments cannot be paid since the funds have been removed
 - Strategic objectives will not be met within the required time-frames.

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Surrender Impacts:

- **TRANSFER PROJECTS:**
contractual obligations = **R24,495,000:**
- **CAPITAL PROJECTS:**
(including Teletrauma of R6,052,117) = **R8,933,577**
- **COE: R9,567,110**

Funding is for the appointment of health professionals that have been recruited centrally by the province during August, September and October and have commenced on the 1 January 2008, and for the retention of critical health professionals.

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REVITALISATION GRANT

List of Hospitals being revitalised:

HOSPITAL
Frontier
Madzikane Ka Zulu Memorial Hospital
Madwaleni Hospital
St Elizabeth's Hospital
St Lucy's
St Patrick's

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Reasons for under expenditure

- St Patrick's Gateway Clinic - delayed by the Mbizana Municipality to allocate land for this clinic to be built, the land was only allocated in Nov 2007; the project advertised and bids closed in December, currently awaiting award thereof.
- Changes in priorities and scope of work at St Elizabeth's led to the OPD that was scheduled to be built in this financial year to be rescheduled for the next financial year.
- Roll- Over requested : 47Million

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Monitoring

- All the posts for the Program have been filled, therefore full monitoring of all components is in effect; Monitoring as follows:
- On all the projects there is a Project Manager that is resident on site to ensure that the deliverables of the grant are carried out in accordance with the PIP of that particular financial year.
- A Monthly Monitoring Meeting for O.D. Q.A. and HT is held once a month, where the project **Managers report on each of the sites.**

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Monitoring (Cont)

- A monitoring tool was developed by Department of Public Works, Provincial Treasury and ECDoH. Once a month all the Principal Agents report in one Forum.
- 2 Site meetings every month that are attended by Site Project Managers, one is a technical meeting and the other a progress meeting.

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NATIONAL TERTIARY SERVICES GRANT

Grant under-spent by 18% from benchmark of 75%.

- **8% (R36mil) Delayed Turnkey Capital Expenditure for Oncology Services -Linear Accelerators.**
- Turnkey procurement of Infrastructure and Equipment will be finalised in February 08 with delivery of the equipment and infrastructure commencing in the new financial year.
- Rollover requested of full amount to 08/09 financial year.

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NATIONAL TERTIARY SERVICES GRANT

Remainder 10% of the under-spend due to expenditure to be adjusted from Equitable Share.

- There is a systems problem with MEDSAS that requires periodic manual intervention.

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NATIONAL TERTIARY SERVICES GRANT

• Achievements:

- Launch of a Drug down-referral programme in East London to strengthen access to drugs
- Launch of a Clinicians' Forum to strengthen involvement of Clinicians in Tertiary Services Planning, and to improve quality of care
- Port Elizabeth Hospital Complex has received Theatre and Radiotherapy equipment.
- East London Hospital Complex has received the Cobalt Source necessary for the treatment of cancer patients

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Achievements (Cont):

- Tertiary cases managed exceeded the set targets for OPD headcounts, Inpatient days and Inpatient separations

Tertiary Cases Managed	Q1	Q2	Q3
Total Outpatients			
• 1 st visit	20606	22039	17521
• Follow up	49201	51216	42598
Total Inpatient Days	84137	86668	72277
Total Inpatient Separations	9506	9681	8051

- An identified need is to secure funding in order to extend Oncology Services to Nelson Mandela Academic Hospital

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PROVINCIAL INFRASTRUCTURE GRANT

Achievements: Hospital Building Programme

- Face lifting of 33 hospitals completed in the last financial year. Out of 3 additional projects carried out this financial year 2 namely; Butterworth and Grey Hospital had been completed. Replacement of roof at Cofimvaba Hospital underway.
- Construction of 7 district hospitals underway and progressing well.
- Planning of other hospitals underway


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Achievements: Hospital Building Programme (Cont)

- Planning for the upgrading of Mthatha General and Bedford Orthopedic underway and on schedule
- Construction of accommodation units underway at Victoria, Zithulele and Glen Grey Hospitals.
- Additional accommodation at Madzikane kaZulu Hospital at Adjudication phase; actual construction work to start at the beginning of the next financial year.
- Planning for the upgrading of Frere Hospital underway.


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Achievements: Clinic Building Programme

- Construction of 10 new clinics completed
- 15 clinics upgraded, 40 is being upgraded and progressing well
- Construction of 3 Community Health Centres underway as per schedule
- 60 clinics provided with essential equipment

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Achievements: Maintenance

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1. Servicing of medical equipment carried out in 40 hospitals.
2. Generator sets serviced in 76 hospitals
3. Auditing of Primary Health Facilities (Clinics) underway, due for completion mid February 2008

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Challenges

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1. Inadequate funding for capital projects
2. Inadequate funding for maintenance of health estate including medical equipment, boilers, kitchen, laundry equipment as well as servicing of generator sets in all health institutions.

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Capacity

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- The appointment of Intersite has brought more project management support services to the unit.
- Filling of critical posts is underway to ensure smooth delivery of infrastructure to the needy communities
- SLA's have been concluded with other service delivery partners like PWD, Coega etc to speed up service delivery.

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CONCLUSION

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The department remains confident that allocated funding will be spent by the end of the financial year except for the instances highlighted within the body of this presentation

- Close monitoring of expenditure continues to be a priority:

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CONCLUSION

A formal Monitoring & Evaluation (M & E) system is functional and being improved upon where deemed necessary

- M & E practitioners have been recruited to populate the M & E structures at Head Office. A roll out plan for the Districts and Complexes is currently being carried out
- Monthly reporting on service delivery and programme implementation as well as site visits are done.
- Budget & expenditure review meetings take place fortnightly

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