

COMMITTEE REPORT OF THE PORTFOLIO COMMITTEE ON PREMIER'S OFFICE; FINANCE; ECONOMIC DEVELOPMENT AND TOURISM

2017/18 BUDGET AND ANNUAL PERFORMANCE PLAN OF THE MPUMALANGA ECONOMIC REGULATOR (MER)

1. INTRODUCTION

The Speaker of the Legislature referred the Annual Performance Plan (APP) of the Mpumalanga Economic Regulator – hereinafter referred to as MER - to the **Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism** – hereinafter referred to as the Committee.

The Committee exercised its responsibility diligently to establish the entity's priorities and plans to achieve the set priorities within the budget allocated in the second part of the 2017/18 financial year. The entity is a schedule 3C Public Entity which has been formed from the merger between the Mpumalanga Liquor Authority (MLA) and the Mpumalanga Gambling Board (MGB).

2. METHOD OF WORK

The Speaker referred the 2017/18 Annual Performance Plan of the entity to the Committee for deliberations and report back to Legislature, in terms of Rule 190 (4). The Committee met on 06 February 2018 for a cross-functional brief and to deliberate on the Research Analysis of the performance of the entity. The draft Committee Report was considered and adopted at the Portfolio Committee meeting on 06 March 2018.

3. COMPLIANCE WITH TREASURY FRAMEWORK

3.1 Strategic Plan

The Strategic and Annual Performance Plan of the entity has complied with the Treasury guideline for strategic plan and annual performance plan.

3.2 Alignment of the APP and the Strategic Plan

The entity's APP and the Strategic Plan are well aligned to each other. The APP follows the direction set by the three (3) year strategic plan as submitted by the public entity.

4. ANALYSIS OF GOVERNMENT PRIORITIES

4.1 Government Priorities

Government priorities	Department's outcome	Entity's strategic goals
1. Radical economic transformation, rapid economic growth and job creation. 2. Contributing to a better Africa and a better world	Outcome 4 - Decent employment through inclusive economic growth	Strategic Goal 1 - Effective regulation

The entity is directly contributing to *Outcome 4* which deals with creating decent employment through inclusive economic growth. The entity aims to contribute towards economic growth through the expansion of the gambling and liquor industry and ensuring effective regulation. The key outputs that the entity seeks to achieve in the 2017/18 financial year are as follows:

- The fourth Casino Licence
- Compliance with corporate governance practices
- Strengthened public awareness of the gambling and liquor industry, including responsible gambling, liquor trade, supply and consumption; and
- Combatting all forms of prohibited gambling and illegal liquor trade in the province within MER's control.

5. BUDGET ALLOCATION

5.1 Budget allocation per programme

The Mpumalanga Economic Regulator (MER) has allocated a budget of R50 241 780.00 for the second part of the 2017/18 financial year. Since this is a new entity and is a combination of two public entities, there are no previous year's figures to reflect. In terms of the budget on Compensation of Employees, the budget that has been allocated for the second part of the 2017/18 financial year stands at R27 440 027.00. The Goods and Services budget is at R22 227 735.00 including the budget for the Board remuneration which is R574 018.00 for the second part of the 2017/18 financial year.

5.2 Per programme budget:

Programme	Year 2017/18	% Share
Executive Office	2 248 827	4%
Licensing	4 603 731	9%
Compliance	9 614 091	19%
Gambling Audit	3 281 433	7%
Corporate Services	23 574 001	47%
Communications	3 461 663	7%
Legal Services	1 589 275	3%
Transformation and Sustainability	1 095 416	2%
Board	773 343	2%
Total	50 241 780	

5.3 Expenditure on Economic Classification:

Expenditure on Economic Classification	Year 2017/18	% Share
Compensation of employees	27 440 027	55%
Board remuneration	574 018	1%
Goods and services	22 227 735	44%
Total	50 241 780	

5.4 Revenue Estimates:

Revenue Estimates	Estimate 2017/18	Estimate 2018/19
Gambling Levies	51 900 000	110 000 000
License and application fees	7 022 900	13 381 898
Total	58 922 900	123 381 898

The table above indicates that the entity has estimated that it will collect revenue of R58 922 900.00 from the last two quarters of the 2017/18 financial year. This is a realistic estimate since there are improved odds in the collection of revenue due to the merger of the two entities. Gambling levies inevitably assume the highest estimate due to the large number of gambling organisations already in existence compared to the license and application fees.

The gambling fees are estimated to bring in R51 900 000.00 while on the other hand the license and applications fees are projected to bring in an amount of R7 022 900.00 by the end of the 2017/18 financial year. The estimates projected for the 2018/19 financial year are significantly higher due to the fact that it is a figure reflecting the whole financial year instead of two quarters and in addition, the entity projects to collect more in assumption that the fourth casino license would be in effect.

6. PROGRAMME ANALYSIS

PROGRAMME 1: EXECUTIVE OFFICE

The entity has reported on page 55 of the APP that the purpose of the programme is to provide strategic leadership, centralised administration and executive support to the organisation and to ensure that the entity's mandate is executed, achieved and reported accordingly.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R2 248 827.00. The budget for Compensation of Employees has been budgeted an amount of R2 022 673.00, while Goods and Services has been allocated an amount of R226 154.00 for the two remaining quarters. CoE takes up 90% of the programme's budget while Goods and Services assume 10%. The entity has reported that the allocated budget will be sufficient to achieve the strategic objectives for the programme for the last two quarters of the 2017/18 financial year.

Programme 1	2017/18	% Share
Employee Compensation	2 022 673	90%
Goods and Services	226 154	10%
Total	2 248 827	

PROGRAMME 2: LICENSING

The entity has reported on page 58 of its APP that the purpose of the programme is to investigate the suitability of applicants for licenses and holders of license, as per the requirements of the gambling and liquor legislation.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R4 603 731.00. The budget for Compensation of Employees has been budgeted an amount of R4 237 132.00, while Goods and Services has been allocated an amount of R366 599.00 for the two remaining quarters. CoE takes up 92% of the programme's budget while Goods and Services assume 8%. It is reported that the allocated budget will be sufficient to achieve the strategic objectives as set out.

Programme 2	2017/18	% Share
Employee Compensation	4 237 132	92%
Goods and Services	366 599	8%
Total	4 603 731	

PROGRAMME 3 – COMPLIANCE

The entity has reported on page 62 of its APP that the purpose of the programme is to ensure regulatory compliance of all gambling and liquor operations and gambling equipment; and to combat all forms of prohibited gambling, illegal liquor trade and supply within its control.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R9 614 091.0. The budget for Compensation of Employees has been budgeted an amount of R8 715 683.00, while Goods and Services has been allocated an amount of R898 408.00 for the two remaining quarters. CoE takes up 91% of the programme's budget while Goods and Services assume 9%. The entity has reported that the allocated budget will be sufficient to achieve the strategic objectives for the programme for the last two quarters of the 2017/18 financial year.

Programme 3	2017/18	% Share
Employee Compensation	8 715 683	91%
Goods and services	898 408	9%
Total	9 614 091	

PROGRAMME 4: AUDIT

The entity has reported on page 66 of its APP that the programme is responsible for providing assurance that levies are accurately calculated and paid timeously.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R3 281 433.00. The budget for Compensation of Employees has been budgeted an amount of R3 048 385.00, while Goods and Services has been allocated an amount of R233 048.00 for the two remaining quarters. CoE takes up 97% of the programme's budget while Goods and Services assume 3%. The entity has reported that the allocated budget will be sufficient to achieve the strategic objectives for the programme for the last two quarters of the 2017/18 financial year.

Programme 4	2017/18	% Share
Employee Compensation	3 048 385	97%
Goods and services	233 048	3%
Total	3 281 433	

PROGRAMME 5: LEGAL SERVICES

The entity has reported on page 69 of the APP that the programme has the purpose to ensure effective and efficient gambling and liquor legislation; and to ensure that the Board and MER comply with corporate governance practices.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R1 589 275.00. The budget for Compensation of Employees has been budgeted an amount of R1 549 196.00, while Goods and Services has been allocated an amount of R40 079.00 for the two remaining quarters. CoE takes up 97% of the programme's budget while Goods and Services assume 3%.

The Board has been allocated a budget of R773 343.00 of which R574 018.00 is for the remuneration of Board members. That is 74% of the total allocation to the Board. The entity has reported that the allocated budget will be sufficient to achieve the strategic objectives for the programme for the last two quarters of the 2017/18 financial year.

Programme 5	2017/18	% Share
Employee Compensation	1 549 196	97%
Goods and Services	40 079	3%
Total	1 589 275	
Board	2017/18	% Share
Employee Compensation	574 018	74%
Goods and Services	199 325	26%
Total	773 3	

PROGRAMME 6: CORPORATE SERVICES

The entity has reported on page 75 of its APP that the purpose of the programme is to promote the efficiency and effectiveness of operations, and supports reliable reporting and compliance with laws and regulations, through Human Resource and Financial Management.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R23 574 001.00. The budget for Compensation of Employees has been budgeted an amount of R3 473 772.00, while Goods and Services has been allocated an amount of R19 309 184.00 for the two remaining quarters.

CoE takes up 15% of the programme's budget while Goods and Services assume 82%. The entity has reported that the allocated budget will be sufficient to achieve the strategic objectives for the programme for the last two quarters of the 2017/18 financial year.

Corporate Services	2017/18	% Share
Employee Compensation	3 473 772	15%
Goods and Services	19 309 184	82%
Capital expenses	791 045	3%
Total	23 574 001	

Human Resource information

The entity's organogram indicates 74 filled posts and 12 vacant posts. The vacancy rate is 14%, with 86% of the posts filled.

PROGRAMME 7: COMMUNICATIONS

The entity has stated on page 83 of its APP that the purpose of the programme is to ensure public awareness of the gambling and liquor industry through conducting responsible gambling, liquor trade and consumption campaigns; and to ensure effective and efficient information and communications technologies.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R3 461 663.00. The budget for Compensation of Employees has been budgeted an amount of R3 347 246.00, while Goods and Services has been allocated an amount of R114 417.00 for the two remaining quarters. CoE takes up 97% of the programme's budget while Goods and Services assume 3%. The entity has reported that the allocated budget will be sufficient to achieve the strategic objectives for the programme for the last two quarters of the 2017/18 financial year.

Programme 7	2017/18	% Share
Employee compensation	3 347 246	97%
Goods and services	114 417	3%
Total	3 461 663	

PROGRAMME 8: TRANSFORMATION AND SUSTAINABILITY

The entity has reported on page 91 of its APP that the purpose of the programme is to ensure transformation and sustainability of the gambling and liquor industries; and to ensure valid and reliable empirical research to inform policy advisory and operational decision making.

For the last two quarters of the 2017/18 financial year, the programme has been allocated a budget of R1 095 416.00. The budget for Compensation of Employees has been budgeted an amount of R1 012 545.00, while Goods and Services has been allocated an amount of R82 871.00 for the two remaining quarters. CoE takes up 92% of the programme's budget while Goods and Services assume 8%.

The entity has reported that the allocated budget will be sufficient to achieve the strategic objectives for the programme for the last two quarters of the 2017/18 financial year.

Programme 8	2017/18	% Share
Employee compensation	1 012 545	92%
Goods and services	82 871	8%
Total	1 095 416	

7. FINDINGS

After the deliberations on the research analysis, the Committee made the following findings:

7.1. The entity has committed to issue out both liquor and gambling licenses in the current financial year of 2017/18 as planned.

8. RECOMMENDATIONS

The Committee made the following recommendations:

8.1. The entity must submit a report that outlines the nature of its liquor and gambling licenses and clarify whether they are renewable or not and if so, after how long and at which rates.

9. CONCLUSION

The Committee has satisfied the requirements of the Mpumalanga Provincial Legislature Rules and Orders of conducting oversight over the 2017/8 Annual Performance Plan of the Mpumalanga Economic Regulator (MER).

The Chairperson further wishes to thank the Hon. Members of the Committee for their sterling participation and input during the deliberations on the 2017/18 Budget and Annual Performance Plan Report of the Mpumalanga Economic Regulator and also thanked the Legislature staff for their support and contribution towards the production of this report.

Unless otherwise stated a report detailing progress in the implementation of all recommendations in this report should be forwarded to the Committee by 06 April 2018 and thereafter on a quarterly basis.

10. ADOPTION

The Portfolio Committee on Premier's Office; Finance; Economic Development and Tourism recommends that the House adopt this report on the APP and Budget of the Mpumalanga Economic Regulator (MER). The Committee further recommends the House to approve the budget of R50 241 780.00 for the second part of the 2017/18 financial year for the Mpumalanga Economic Regulator.



HON FV MLOMBO (MPL),

CHAIRPERSON:

PORTFOLIO COMMITTEE ON

PREMIER'S OFFICE; FINANCE;

ECONOMIC DEVELOPMENT AND TOURISM

06.03.2018

DATE