

EXPENDITURE QUARTER 3 - 2014/15

STANDING COMMITTEE ON APPROPRIATIONS

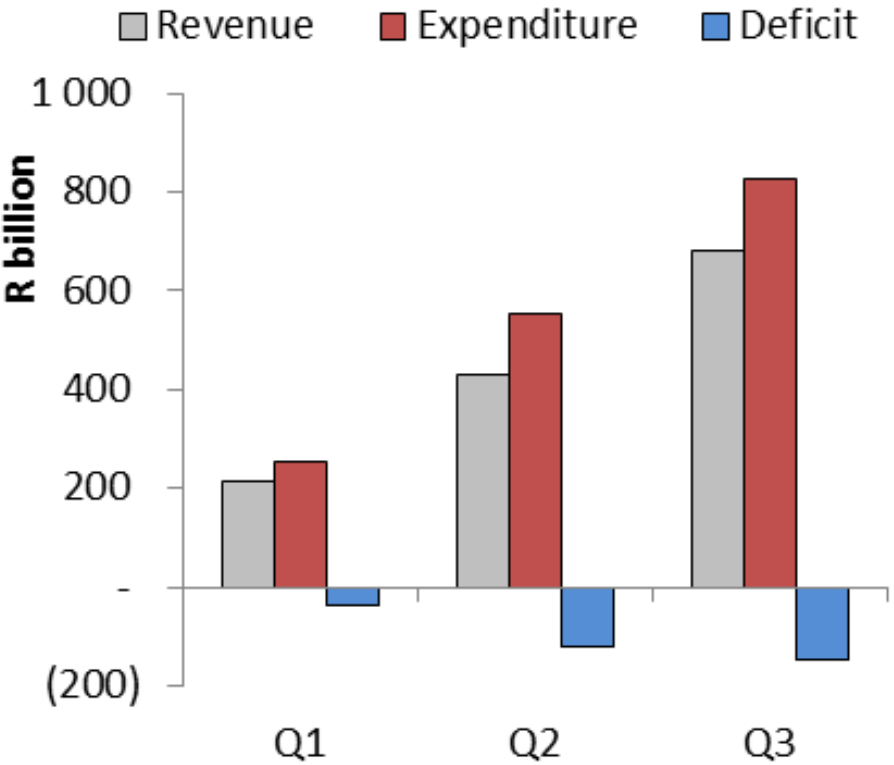
Presenter: Velile Mbethe | Acting Deputy Director-General, Public Finance, National Treasury | 17 March 2015



national treasury

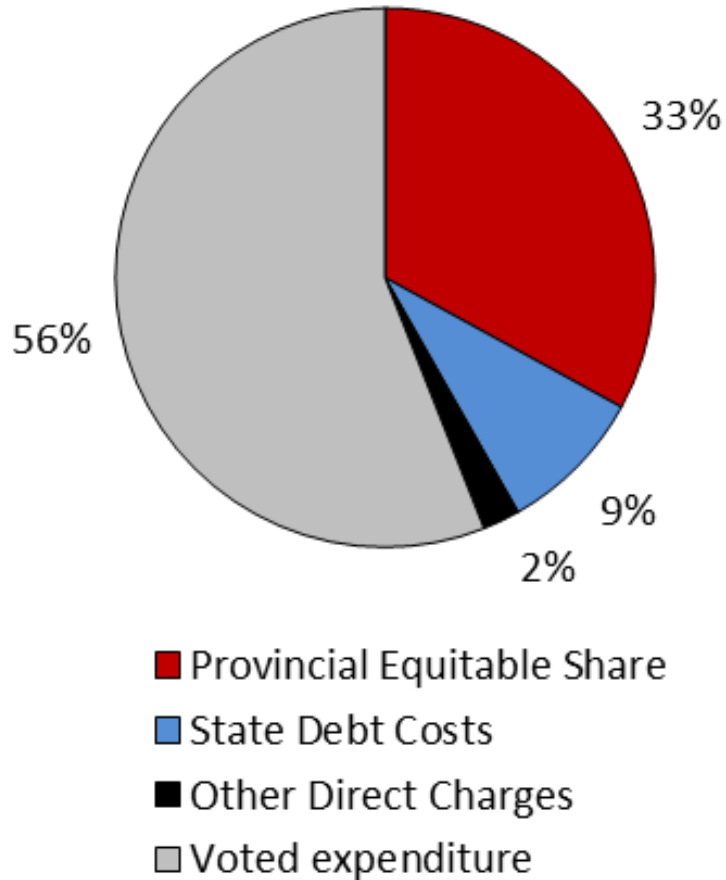
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Cumulative revenue and expenditure Q3 2014/15



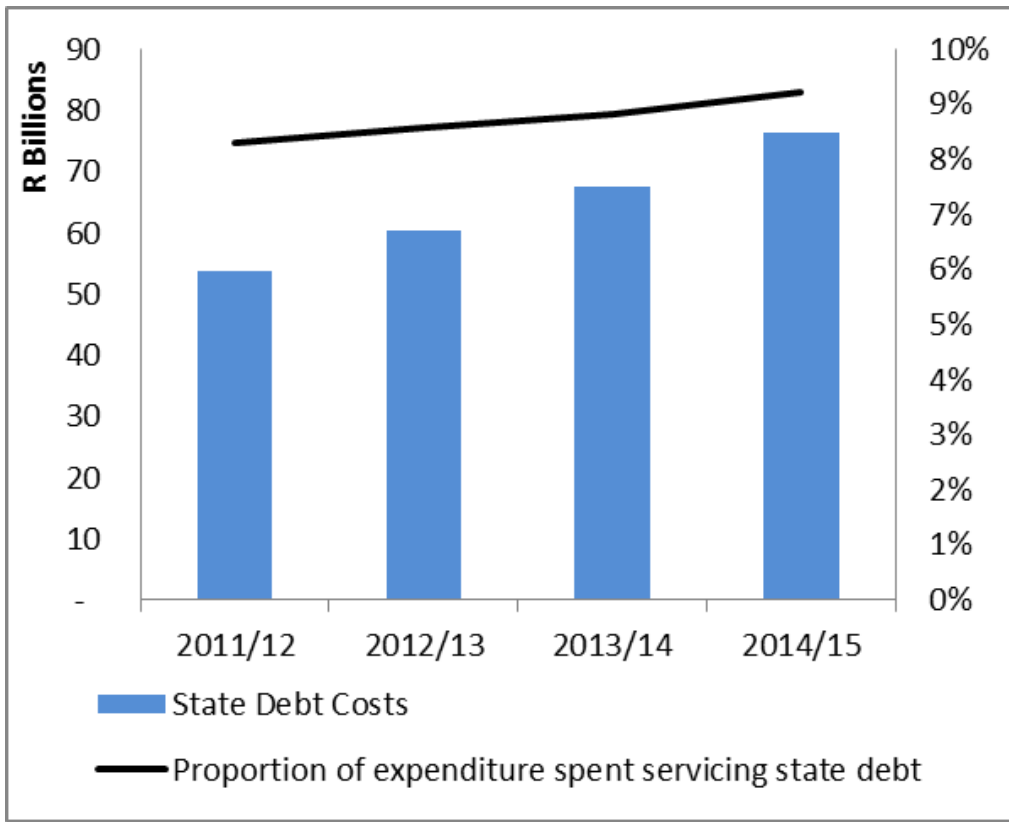
- ▶ Main budget revenue to the end of Q3 is estimated to have been R680.4 billion
- ▶ Total expenditure to the end of Q3 was R829.3 billion
- ▶ Implying a budget deficit of R149 billion for the first three quarters

Expenditure Q3 2014/15: Direct Charges against the National Revenue Fund



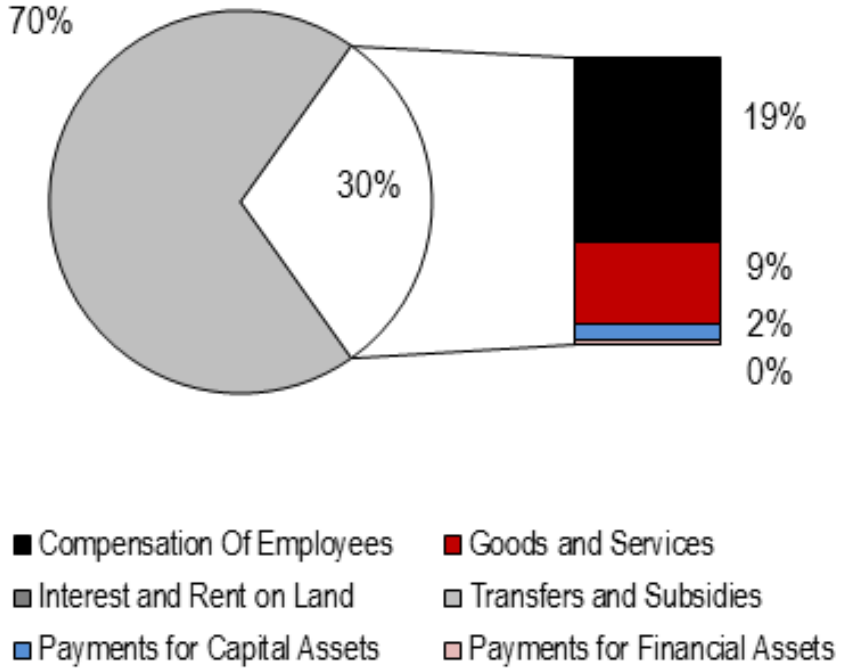
- ▶ 44 per cent of total expenditure to end Q3 was for Direct Charges against the National Revenue Fund
- ▶ This is equivalent to R367.2 billion
- ▶ It includes R271.9 billion transferred to Provinces under the equitable share agreement
- ▶ And R76.5 billion to pay State Debt costs

Direct Charges against the National Revenue Fund: State Debt Costs



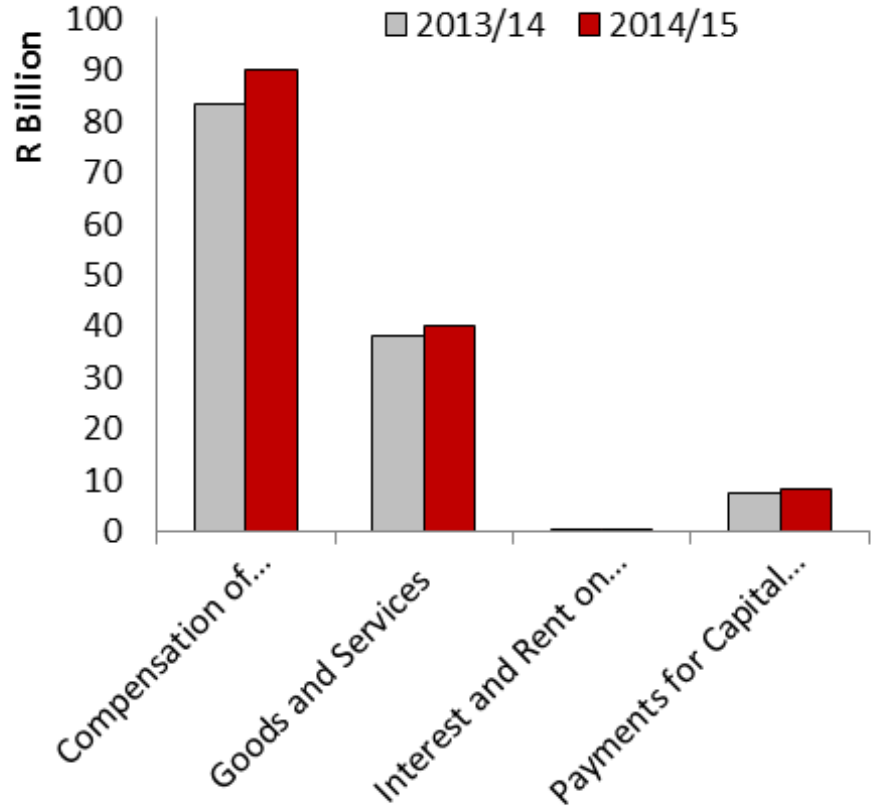
- ▶ State Debt Costs represented R76.5 billion at end Q3
- ▶ An increase of R8.9 billion – or 13.2 per cent – from the equivalent period in 2013/14
- ▶ Representing 9.2 per cent of total expenditure to end Q3 – again increasing from previous years

Voted Expenditure Q3 2014/15



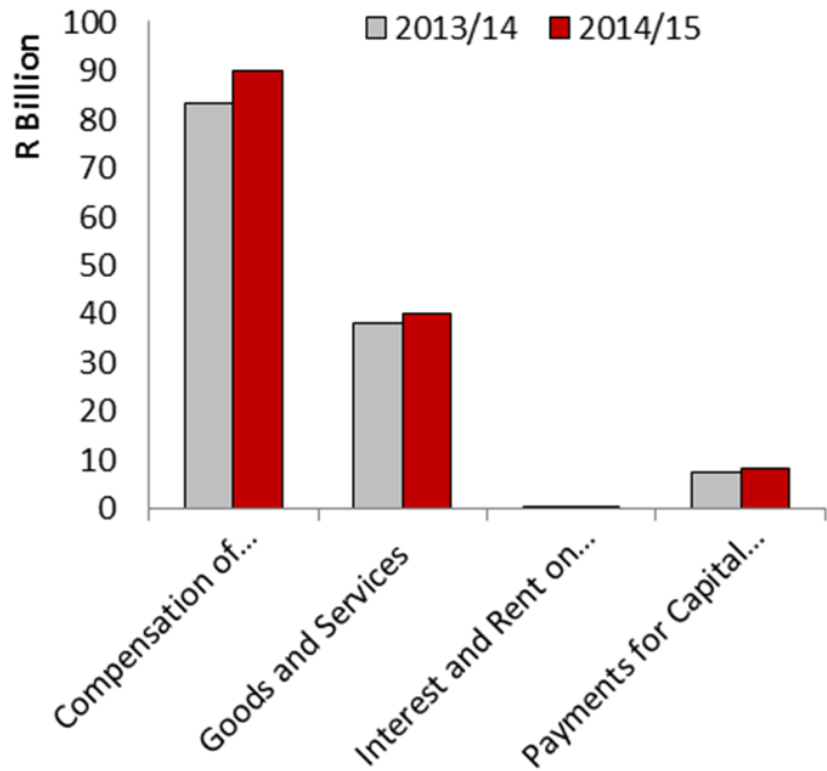
- ▶ Total voted expenditure was R462.0 billion
- ▶ 70 per cent, or R321.7 billion, of this was transferred by departments to households, other spheres of government or other organisations and agencies
- ▶ 30 per cent, or R138.2 billion, was directly spent by departments on operations, mostly on compensation of employees

Voted Expenditure Q3 2014/15: Operations



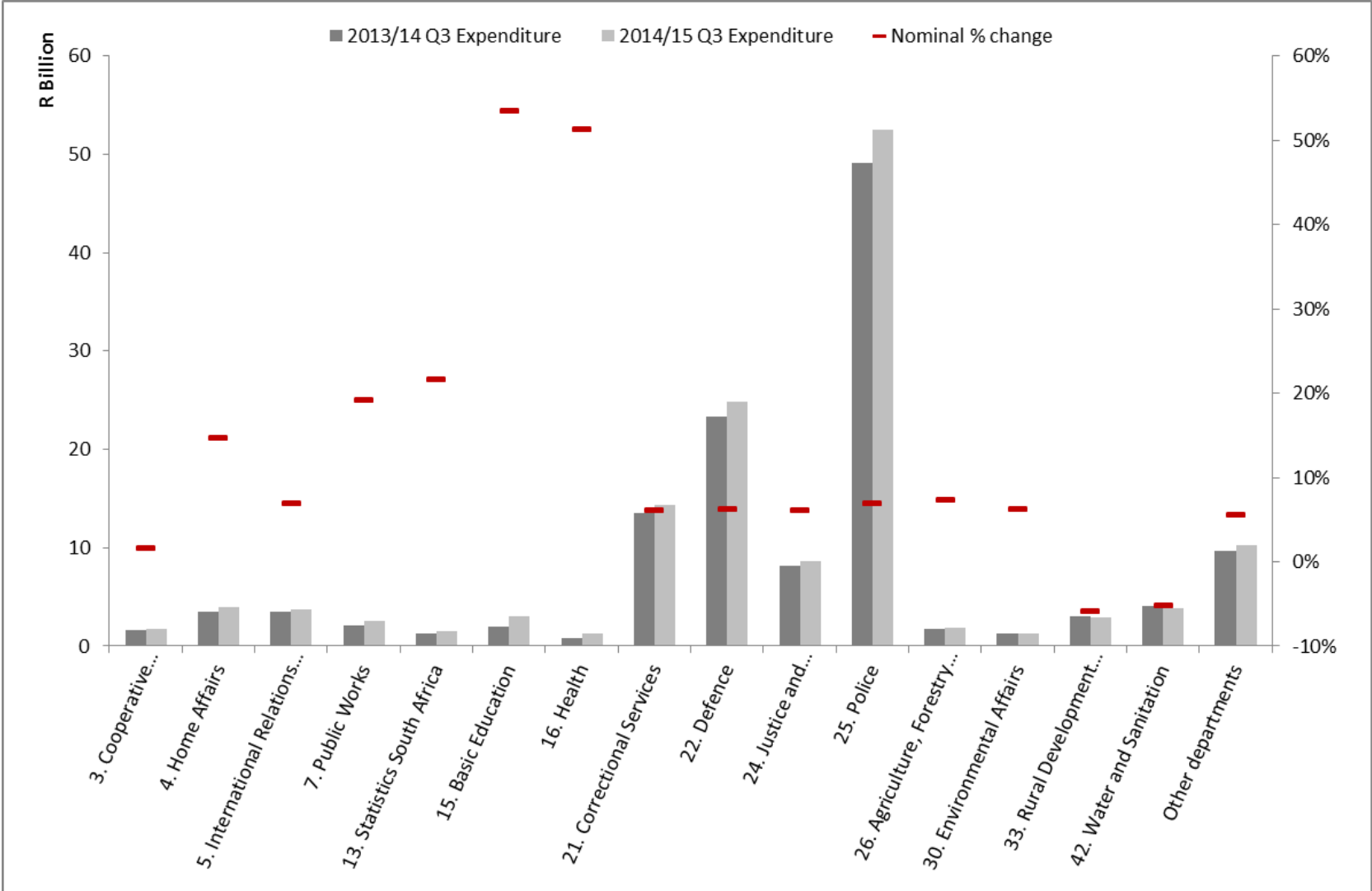
- ▶ Operational expenditure increased compared to the same period in the previous financial year by R9.5 billion – nominal growth of 7.4 per cent
- ▶ R89.8 billion was spent on Compensation of Employees, and R40.2 billion spent on Goods and services
- ▶ Growth of 8 per cent and 5 per cent respectively
- ▶ Mainly for wages and equipment for police, defence, correctional and justice services

Voted Expenditure Q3 2014/15: Operations



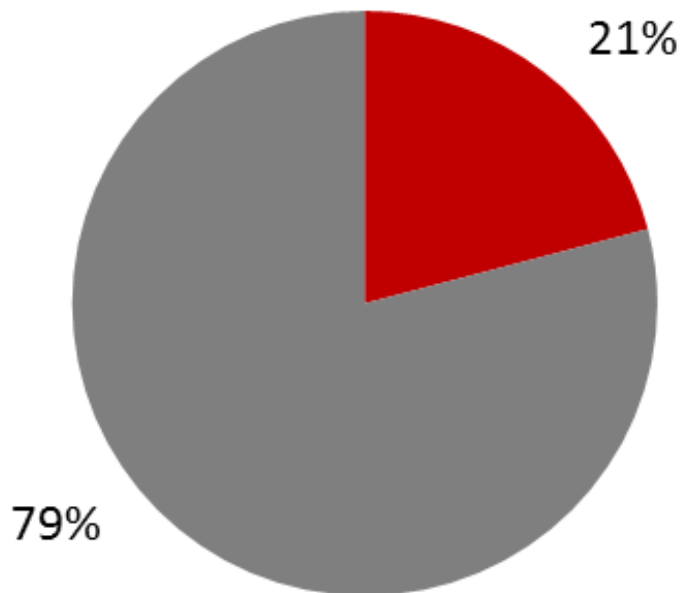
- ▶ R8.2 billion spent on Capital Assets, representing an increase of 13.4 per cent
- ▶ The largest portions of the Capital spend are under the departments of Water and Sanitation and Police – mainly for the Regional Bulk and the building and upgrading of Police stations respectively
- ▶ The increase is mainly due to improved spending on the School Infrastructure Backlogs Grant under the department of Basic Education

Voted Expenditure Q3 2014/15: Operations



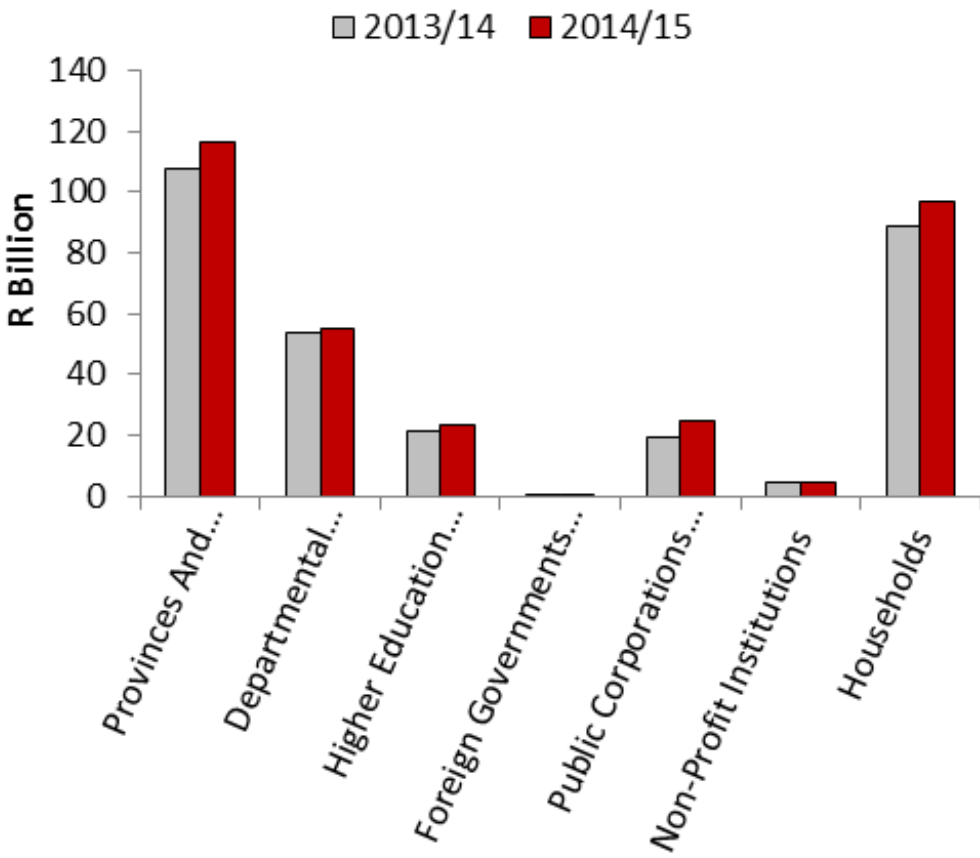
Voted Expenditure Q3 2014/15: Administration

- Administration expenditure
- Other operational expenditure



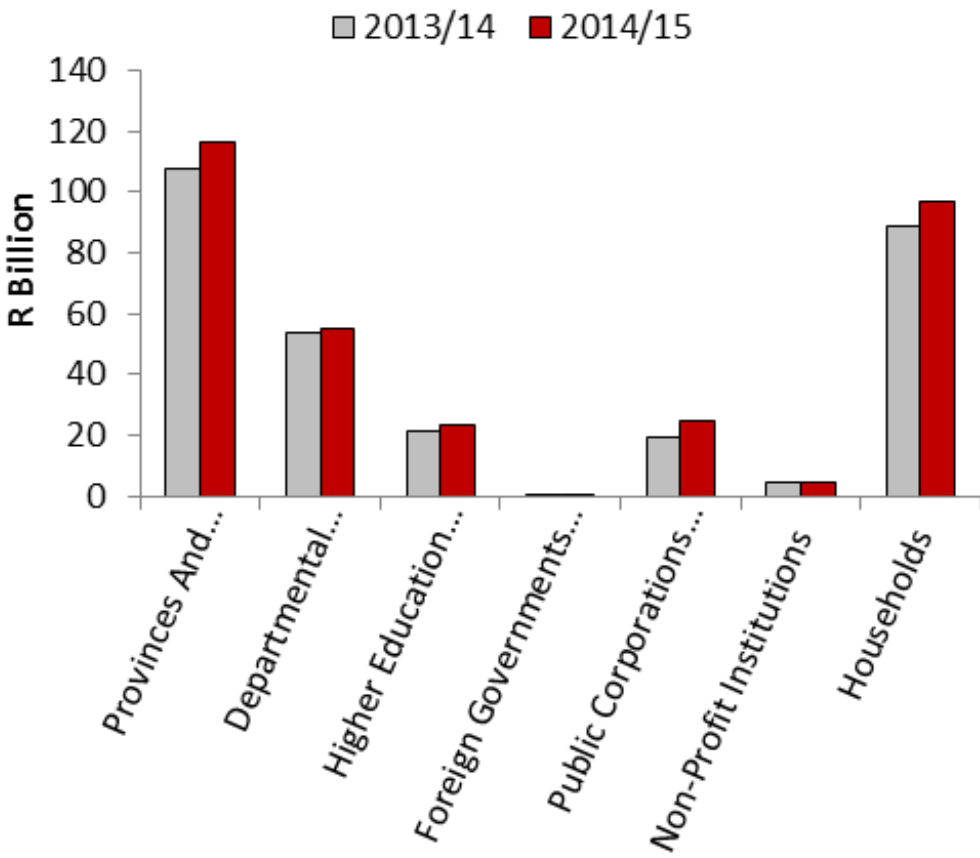
- ▶ R28.9 billion was spent on Administration, representing 26 per cent of operational expenditure
- ▶ Primarily to support Police, Correctional services and Defence
- ▶ A nominal decrease of R1.5 billion from the previous financial year
- ▶ The departments of Women, Human Settlements and Economic Development spent 75, 67 and 64 per cent of their operational expenditure to this point on Administration respectively

Voted Expenditure Q3 2014/15: Transfers



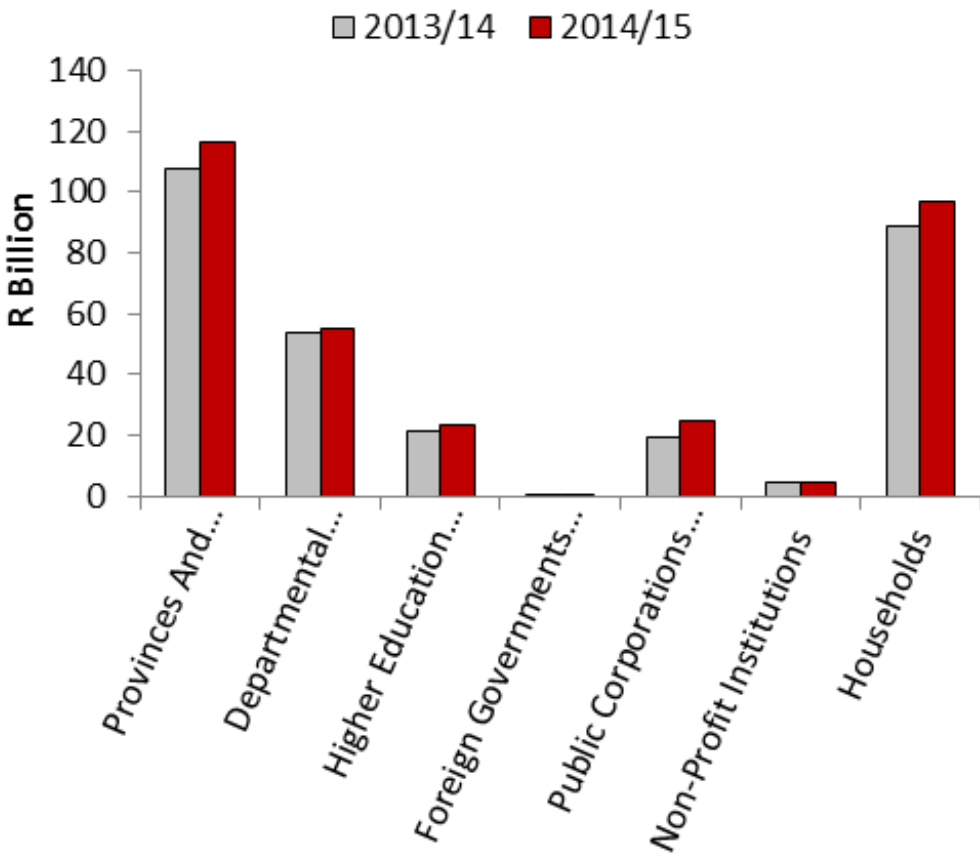
- ▶ A total of R323.8 billion was transferred by departments, representing growth of 8.4 per cent
- ▶ R96.8 billion was transferred to Households representing growth of 9 per cent, primarily for social grant payments
- ▶ Driven by increases in beneficiary numbers and slightly above inflation increases to social grants

Voted Expenditure Q3 2014/15: Transfers



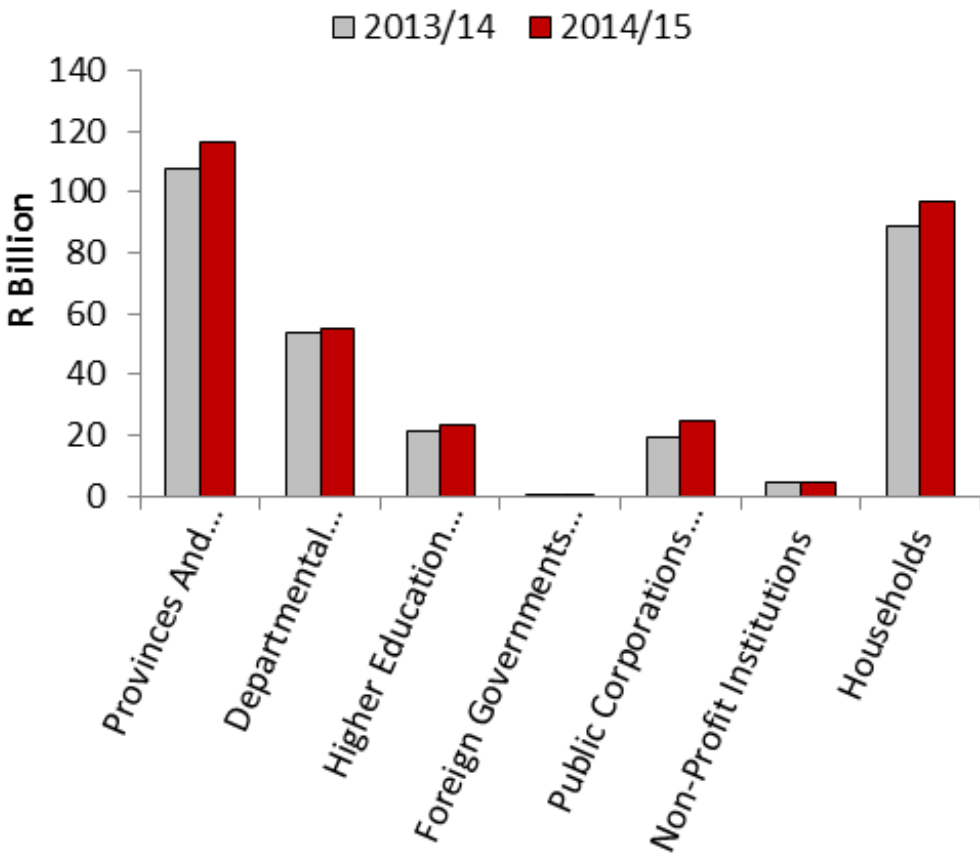
- ▶ R116.6 billion was transferred to Provinces and Municipalities, representing an increase of 8 per cent
- ▶ Large areas of expenditure include:
 - ▶ The Local Government Equitable Share Transfer under the department of Cooperative Governance and Traditional Affairs
 - ▶ Health grants including those for HIV and AIDS, and National Tertiary Services
 - ▶ The Human Settlements Development grant

Voted Expenditure Q3 2014/15: Transfers



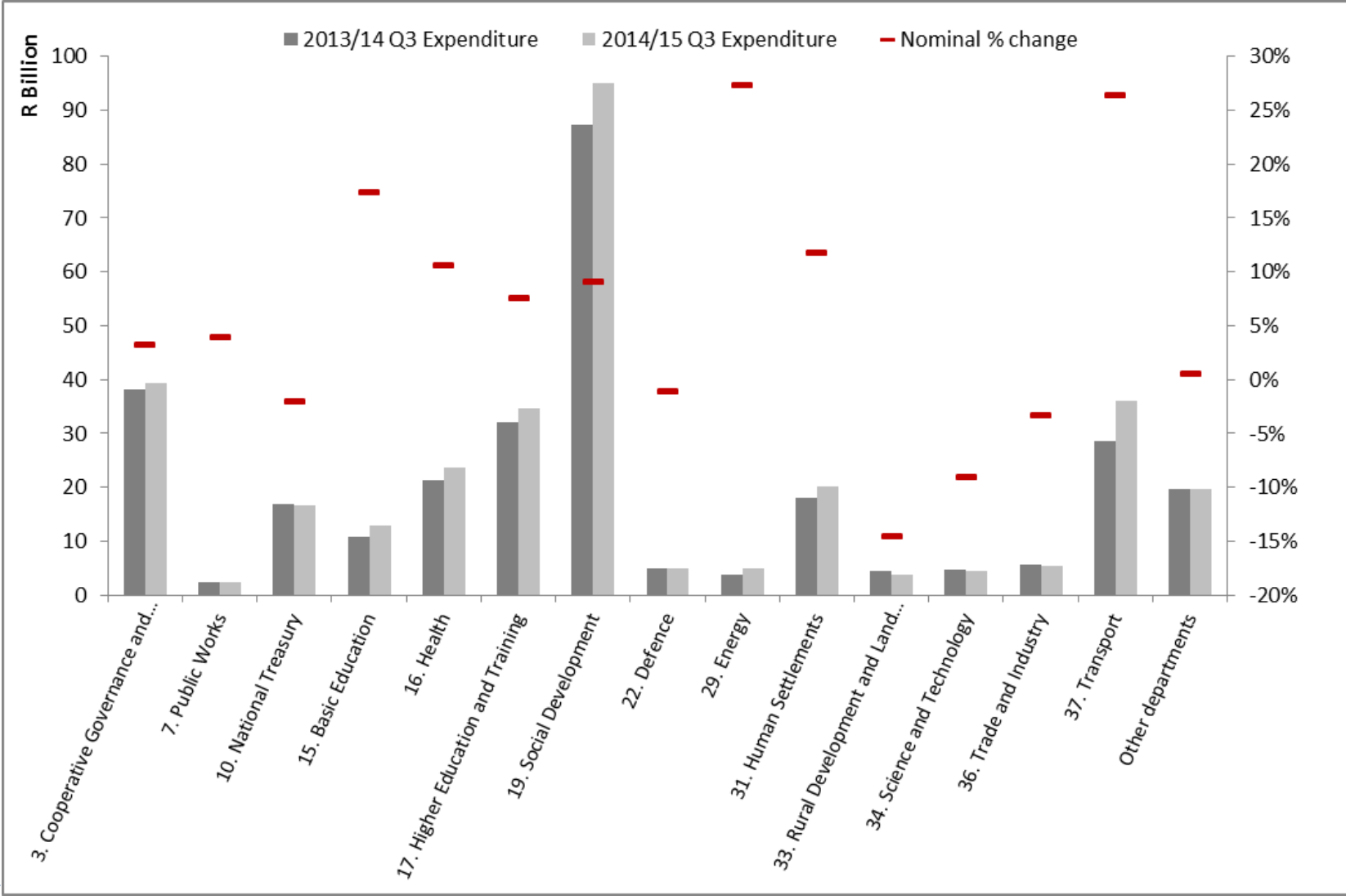
- ▶ R55.1 billion was transferred to Departmental Agencies and Accounts, representing an increase of 3 per cent
- ▶ Agencies receiving the largest sums were:
 - ▶ South African National Roads Agency (R8.9 billion)
 - ▶ South Africa Revenue Service (R6.4 billion)
 - ▶ National Student Financial Aid Scheme (R6.1 billion) for student loans and bursaries
 - ▶ South African Social Security Agency (R4.9 billion) for the administration of social assistance

Voted Expenditure Q3 2014/15: Transfers

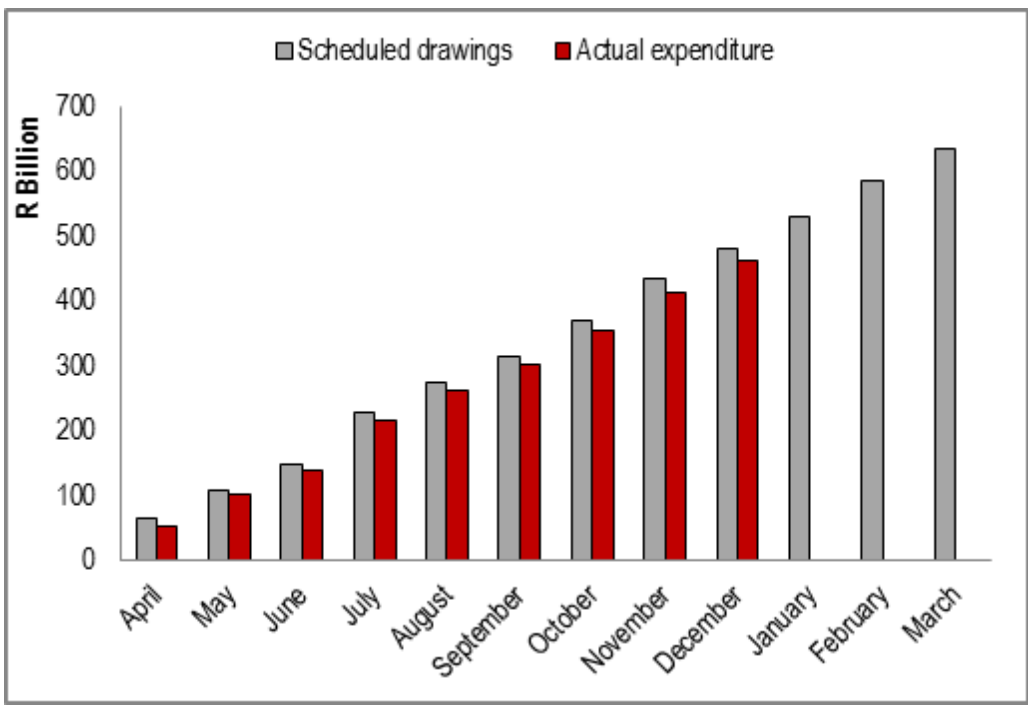


- ▶ R23.1 billion was transferred to Higher Education Institutions, representing an increase of 8 per cent
 - ▶ The majority being for the block grants to Universities
- ▶ R24.7 billion was transferred to Public Corporations and Private Enterprises, representing an increase of 29 per cent
 - ▶ This increase is primarily under the Passenger Rail Agency of South Africa (R12.7 billion) for the rolling stock fleet renewal programme

Voted Expenditure Q3 2014/15: Transfers and Payments For Financial Assets



Expenditure against Scheduled Drawings



- ▶ Scheduled drawings represent the funds that the exchequer makes available to departments on a monthly basis
- ▶ Total expenditure is well within the total scheduled amount
- ▶ The department of Home Affairs however has spent over and above its scheduled drawings by R439.1 million

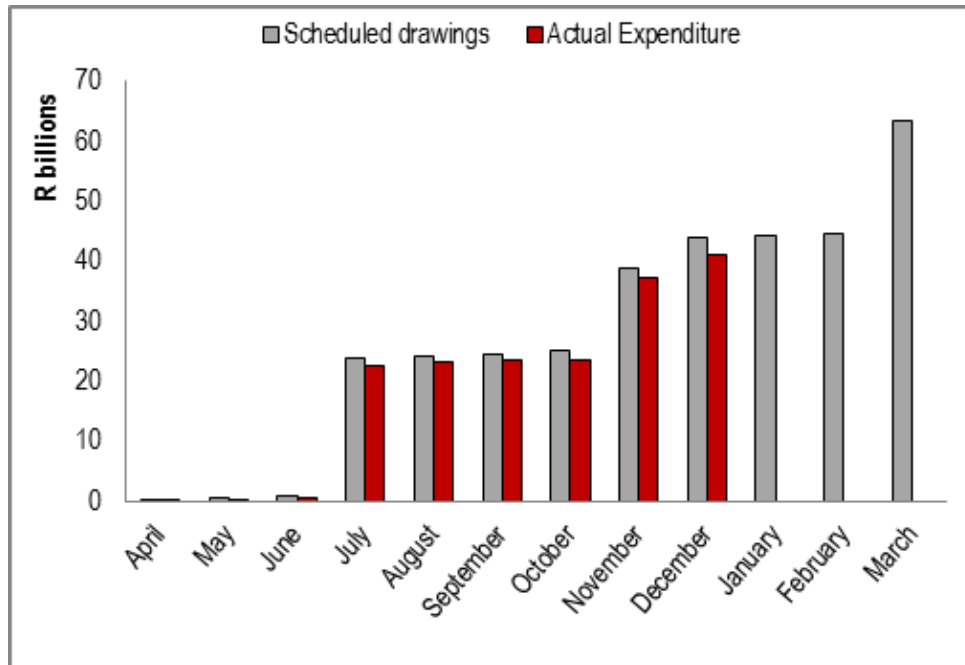
This was to cover litigation invoices and a once-off membership fee paid to the International Organisation on Migration. It is expected to be resolved by year end

Expenditure against Scheduled Drawings: Largest Lags

R million	April to December drawings	April to December expenditure	Lag	% Lag
Department				
3. Cooperative Governance and Traditional Affairs	43 806.8	41 016.6	2 790.2	6.4%
10. National Treasury	18 715.3	17 639.4	1 075.9	5.7%
17. Higher Education and Training	35 935.5	35 086.4	849.1	2.4%
24. Justice and Constitutional Development	11 522.1	10 310.8	1 211.3	10.5%
29. Energy	6 591.8	5 240.5	1 351.3	20.5%
36. Trade and Industry	7 740.4	6 581.7	1 158.7	15.0%
38. Water and Sanitation	8 879.0	6 100.0	2 779.0	31.3%
Sub Total	480 164.6	462 021.5	18 143.1	-3.8%

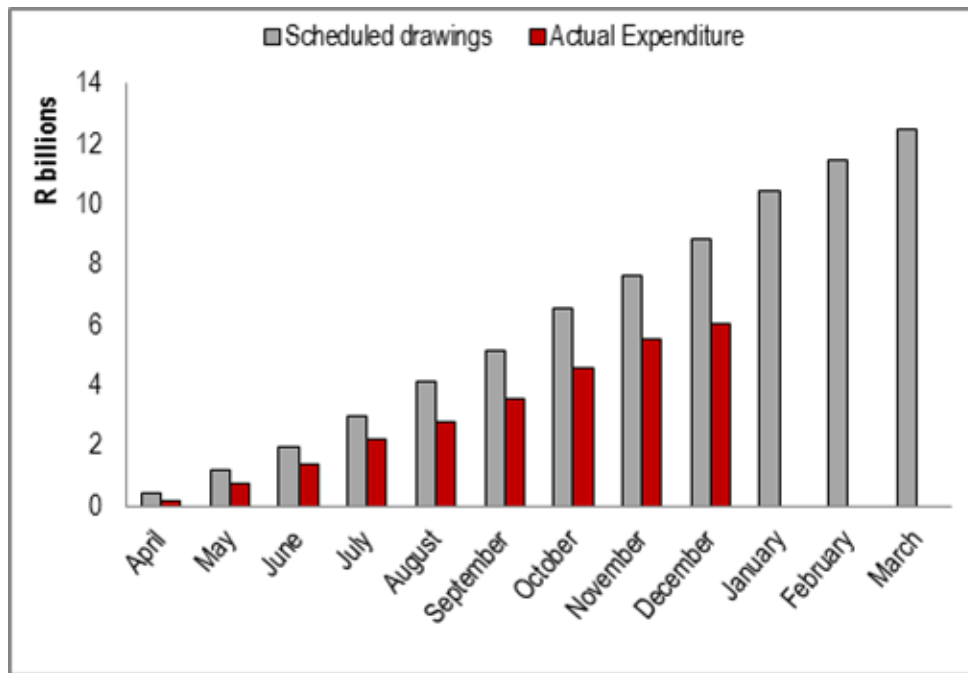
- ▶ The above shows the departments in which spending lags scheduled drawings by the greatest amount – representing 98% of the total lag

Expenditure against Scheduled Drawings: Cooperative Governance and Traditional Affairs



- ▶ Expenditure lags scheduled drawings by R2.8 billion. This is primarily because equitable share payments have been withheld in some municipalities to offset MIG payments and Municipal Infrastructure Grant (MIG) transfers due to slow performance.
- ▶ Also there have been lower than expected payments for the Disaster Reliefs Grant.

Expenditure against Scheduled Drawings: Water and Sanitation



- ▶ Expenditure lags scheduled drawings by R2.8 billion.
- ▶ Mainly due to the moratorium on the filling of vacant posts
- ▶ Together with claims and invoices having not yet been received for work done by contractors on various projects under Regional Bulk Infrastructure, Accelerated Community Infrastructure projects and Municipal Water Infrastructure grants.

Expenditure against Scheduled Drawings

- ▶ **Energy:** Expenditure lags scheduled drawings by R1.4 billion. This is because the EEDSM payment to Eskom for the implementation of the Solar Water Heater Programme has not yet been paid due to challenges experienced by the implementation agent.
- ▶ **Justice and Constitutional Development:** Expenditure lags scheduled drawings by R1.2 billion. This is mainly due to claims and invoices not yet being received for accommodation charges and for the Criminal Justice System modernisation programme, together with non-filling of vacant posts and slower than expected implementation of infrastructure projects by the DPW

Expenditure against Scheduled Drawings

- ▶ **Trade and Industry:** Expenditure lags scheduled drawings by R1.2 billion. This is mainly because an extension was granted for the submission of claims related to the MCEP Console. Further, payments related to the SEZ Investment incentives are only now being finalised.
 - ▶ **National Treasury:** Expenditure lags scheduled drawings by R1.1 billion. This is mainly because the Jobs Fund paid grant advances to only 5 out of a potential 22 projects (leading to NT taking over administration from the Development Bank of Southern Africa, and declaring R561.1 million during AENE)
 - ▶ Further, the transfer payment to the Post Bank of South Africa is being withheld as the entity has not yet spent funds that were transferred in the 2013/14 financial year due to the revision of the project implementation plan.
 - ▶ **Higher Education and Training:** Expenditure lags scheduled drawings by R0.8 billion. This is mainly because of the infrastructure grants to universities that have not yet been disbursed as the department awaits the submission and assessment of infrastructure reports from universities.
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Concluding remarks

- ▶ **2014/15** Q3 national expenditure indicates:
 - ▶ A budget deficit of R149 billion for the first three quarters
 - ▶ R76.5 billion spent on State Debt costs
 - ▶ A total increase in voted expenditure of R34.5 billion or 8.1 per cent when compared with Q3 2013/14
 - ▶ Operational expenditure increased by R9.5 billion, or 7.4 per cent
 - ▶ Funds transferred increased by R25.9 billion, or 8.8 per cent
- ▶ Total expenditure is within the total scheduled available amount for the first three quarters