

# EXPENDITURE - 2014/15

## *STANDING COMMITTEE ON APPROPRIATIONS*

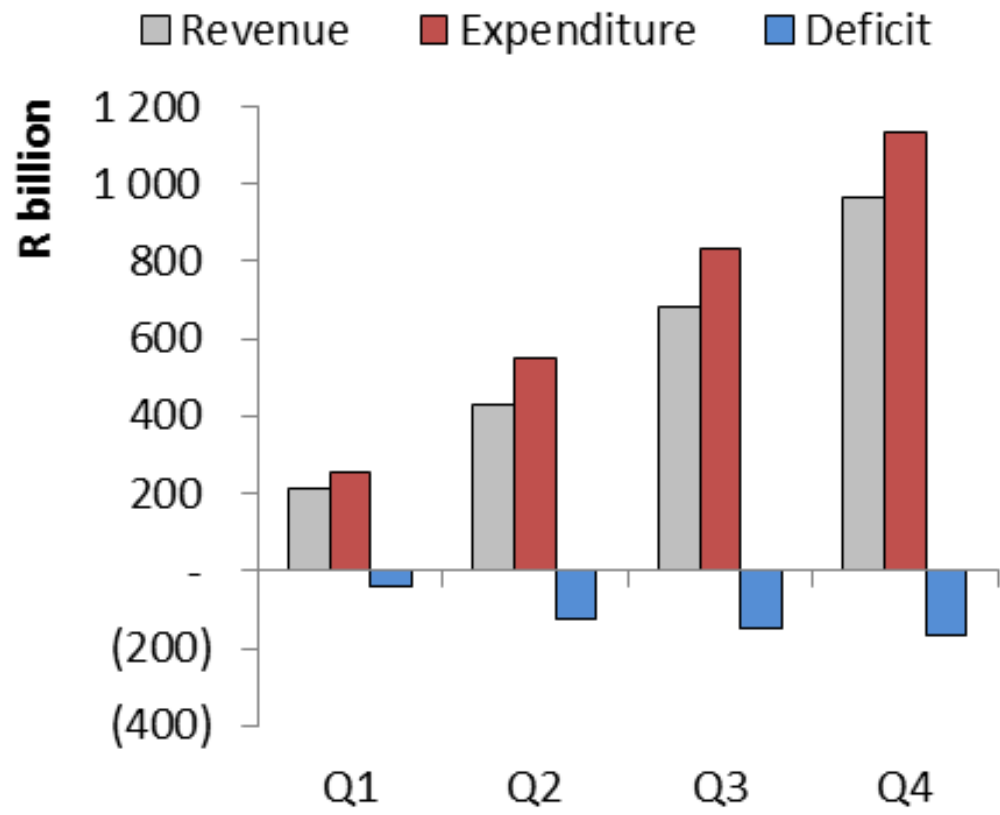
Presenter: Dondo Mogajane | Deputy Director-General, Public Finance, National Treasury | 28 June 2015



**national treasury**

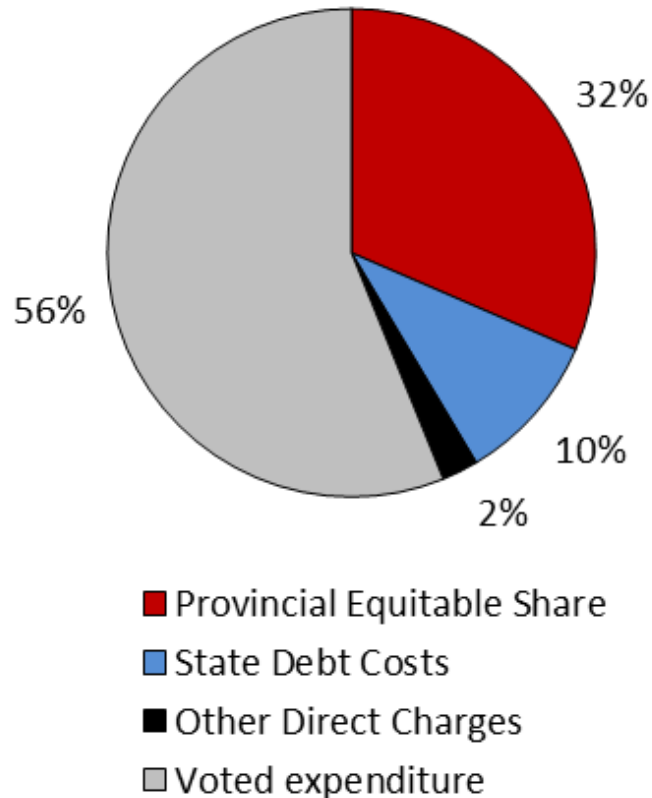
Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Cumulative revenue and expenditure 2014/15



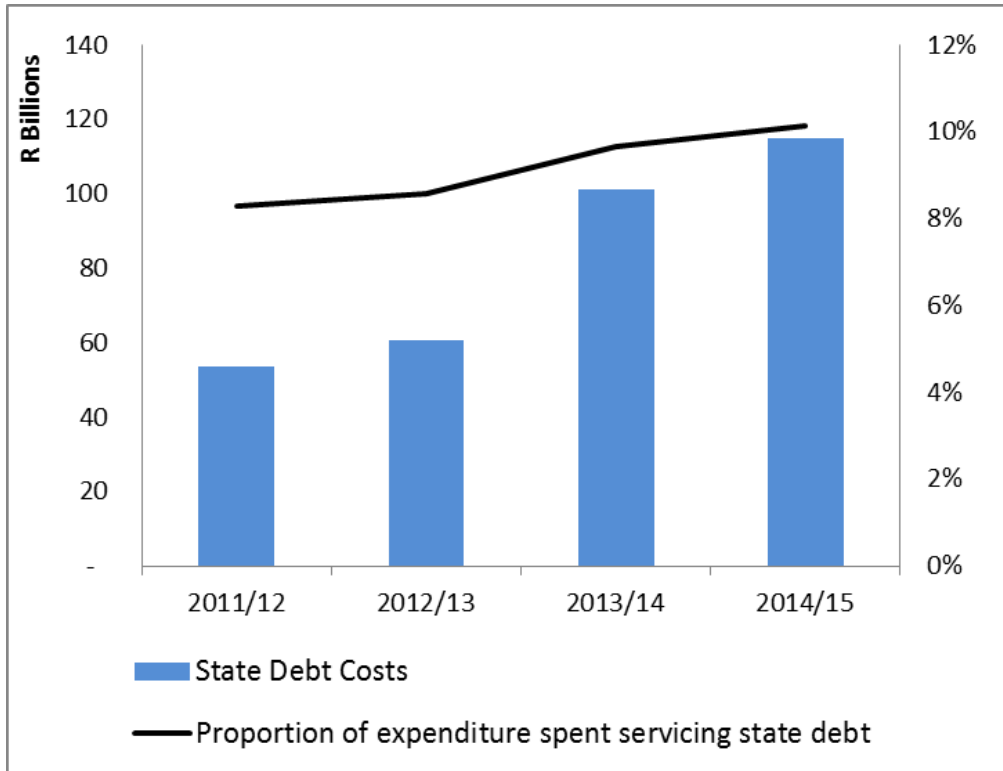
- ▶ Main budget revenue to the end of 2014/15 is estimated to have been R963.8 billion
- ▶ Total expenditure to the end of 2014/15 was R1.132 trillion
- ▶ Implying a budget deficit of R167.8 billion for 2014/15

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



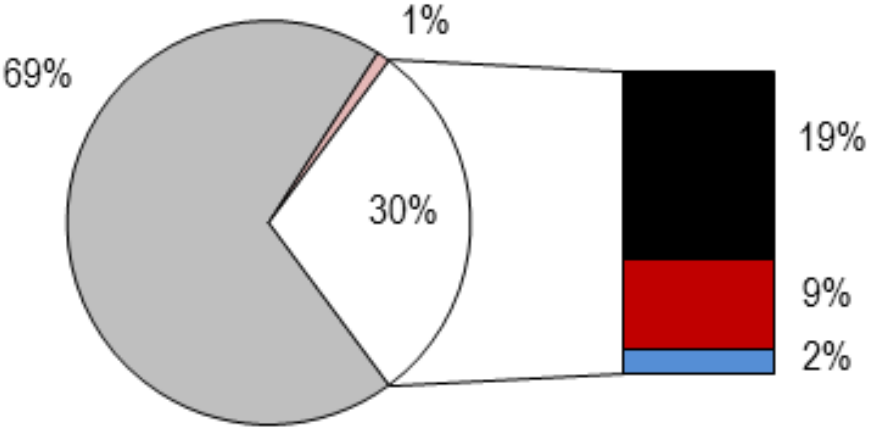
- ▶ 44 per cent of total expenditure in 2014/15 was for Direct Charges against the National Revenue Fund
- ▶ This is equivalent to R504.5 billion
- ▶ It includes R362.5 billion transferred to Provinces under the equitable share agreement
- ▶ And R114.8 billion to pay State Debt costs

# Direct Charges against the National Revenue Fund: State Debt Costs



- ▶ State Debt Costs represented R114.8 billion at end 2014/15
- ▶ An increase of R13.6 billion – or 14 per cent – compared with 2013/14
- ▶ Representing 10.1 per cent of total expenditure in 2014/15 – an increase in the proportion of expenditure spent servicing debt from previous years

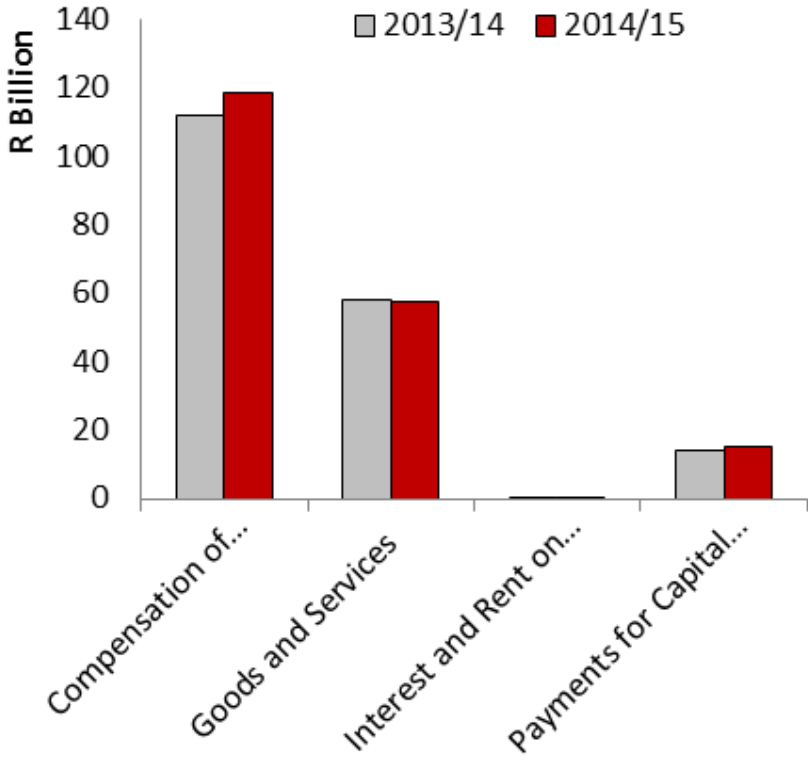
# Voted Expenditure 2014/15



- Compensation Of Employees
- Goods and Services
- Interest and Rent on Land
- Transfers and Subsidies
- Payments for Capital Assets
- Payments for Financial Assets

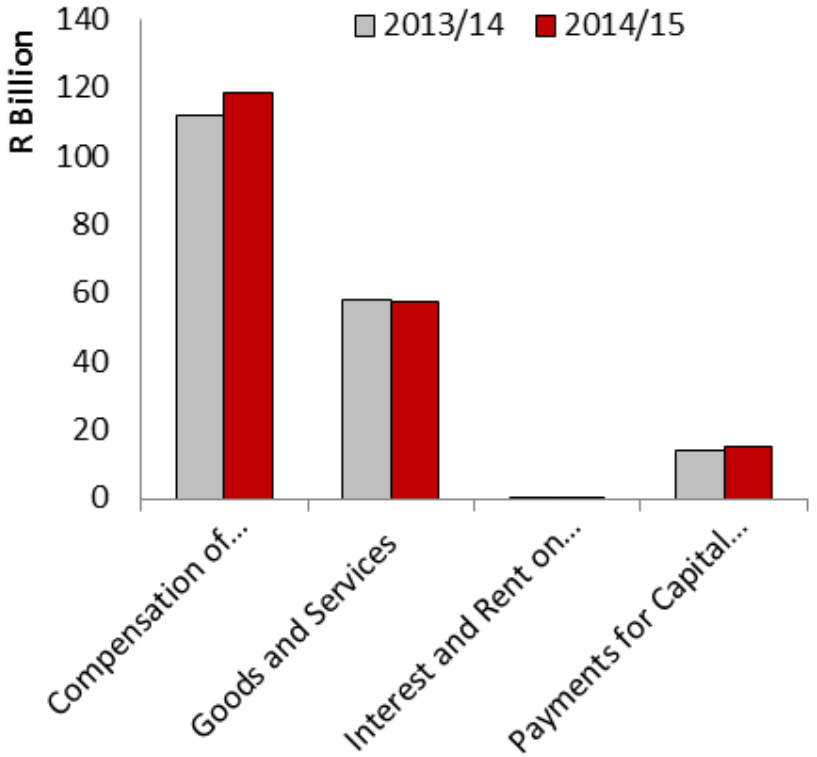
- ▶ Total voted expenditure was R625.9 billion
- ▶ 69 per cent, or R428.8 billion, of this was transferred by departments to households, other spheres of government or other organisations and agencies
- ▶ 30 per cent, or R192.0 billion, was directly spent by departments on operations, the majority for compensation of employees

# Voted Expenditure 2014/15: Operations



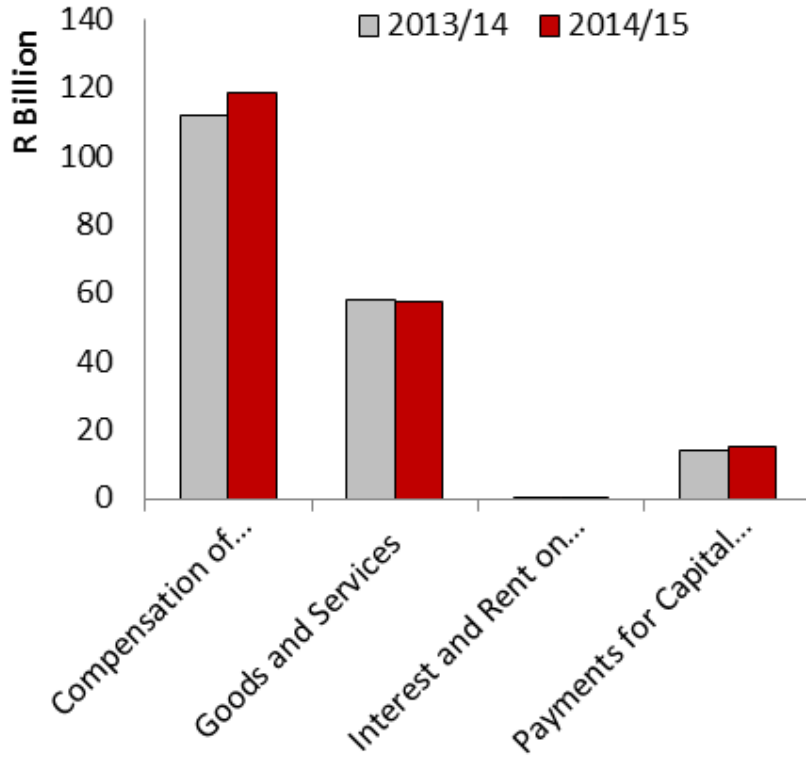
- ▶ Operational expenditure increased compared to the same period in the previous financial year by R8.7 billion – nominal growth of 4.7 per cent
- ▶ R119.9 billion was spent on Compensation of Employees representing 62 per cent of operational expenditure
- ▶ Nominal growth of 7 per cent from the previous year
- ▶ Mainly for Police, Defence and Correctional Services

# Voted Expenditure 2014/15: Operations



- ▶ R40.2 billion spent on Goods and services
- ▶ Mainly for equipment for police, defence, correctional and justice services
- ▶ Expenditure on Goods and Services declined by R351 million or nominal 0.6 per cent, compared with 2013/14

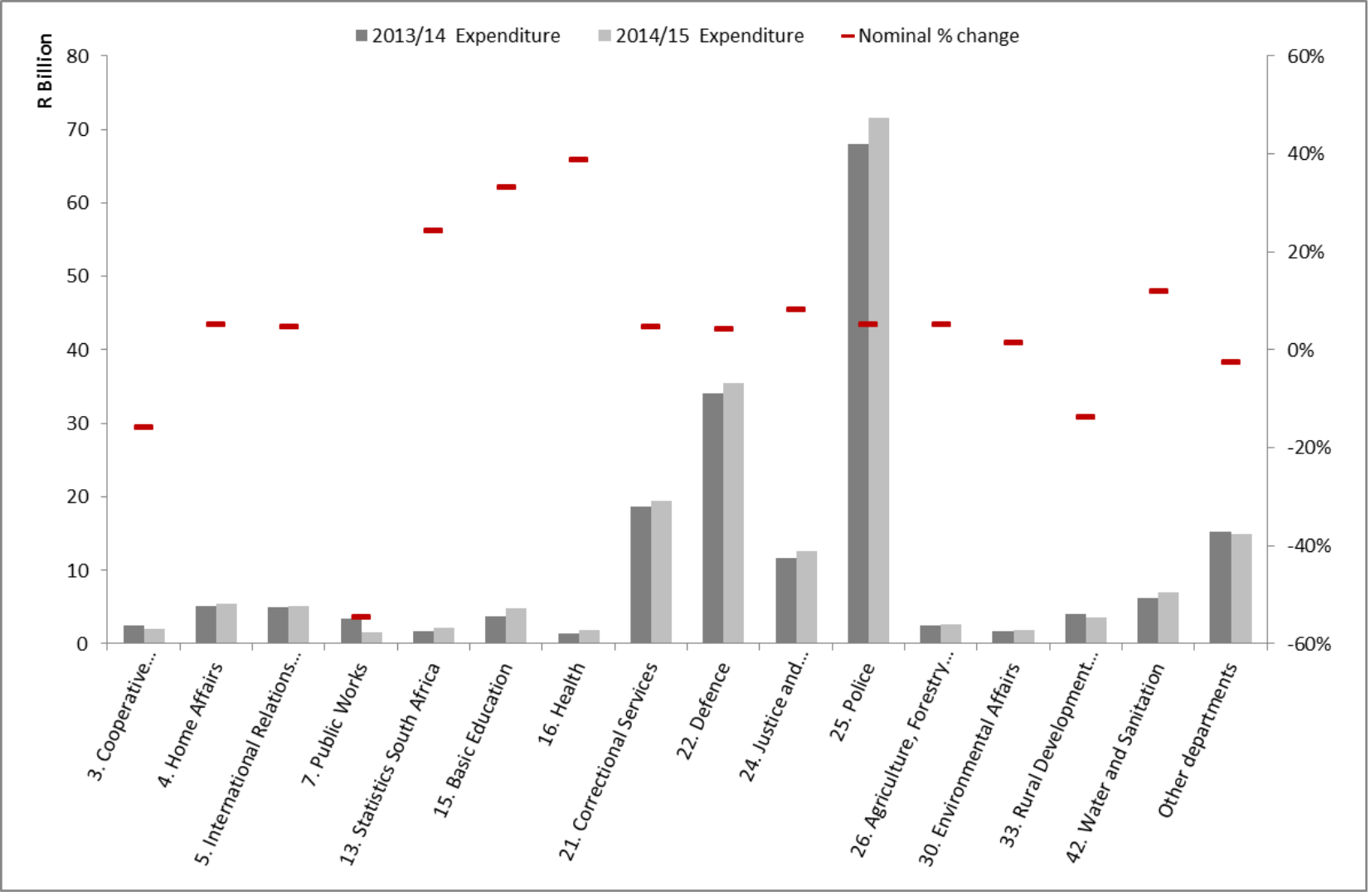
# Voted Expenditure 2014/15: Operations



- ▶ R15.5 billion was spent on Capital Assets, representing an increase of 9.7 per cent
- ▶ The largest portions of the Capital spend are under the departments of Water and Sanitation and Police – mainly for Regional Bulk Infrastructure and the building and upgrading of Police stations respectively
- ▶ The increase is mainly driven by improved spending on the School Infrastructure Backlogs Grant under the department of Basic Education

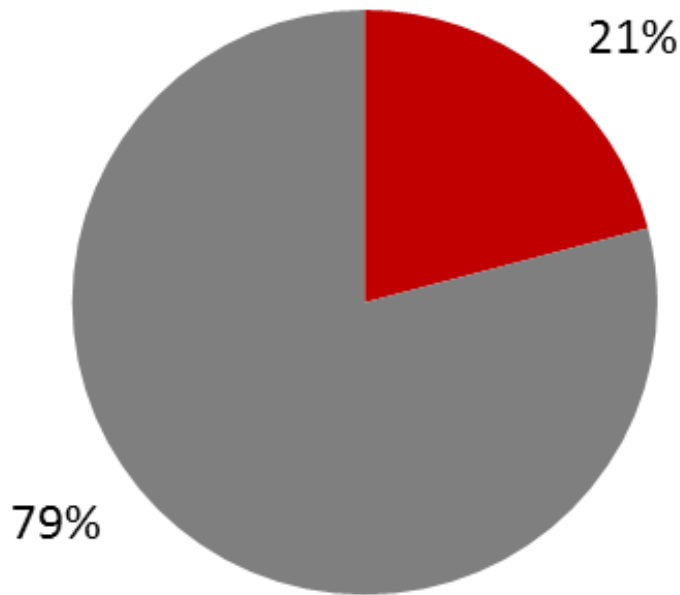


# Voted Expenditure 2014/15: Operations



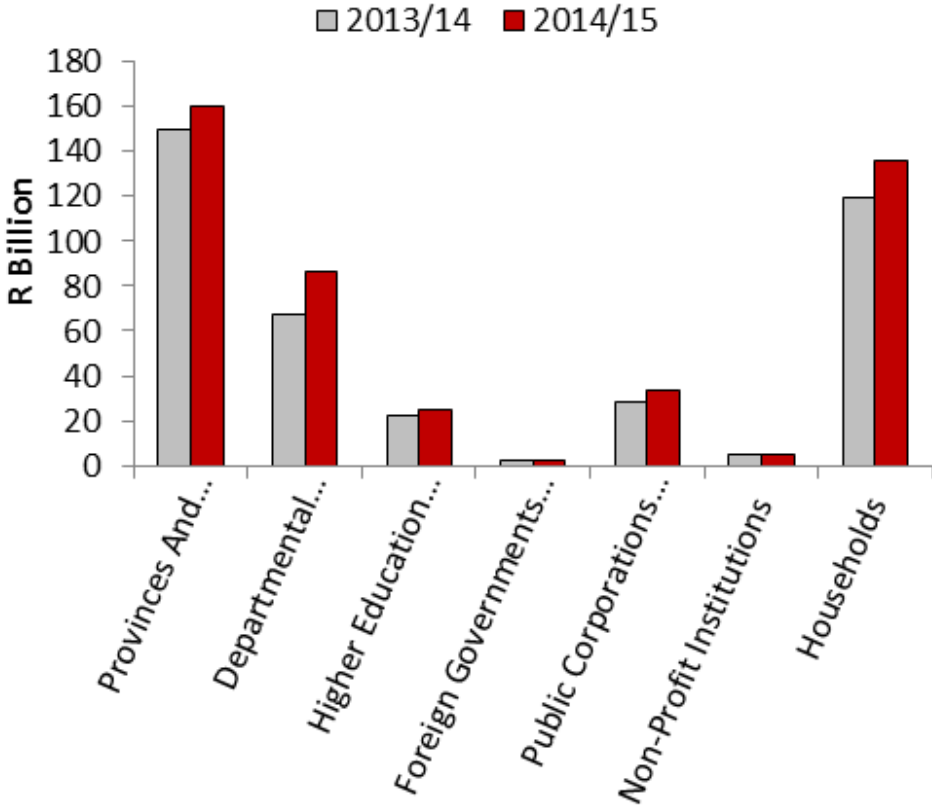
# Voted Expenditure 2014/15: Administration

- Administration expenditure
- Other operational expenditure



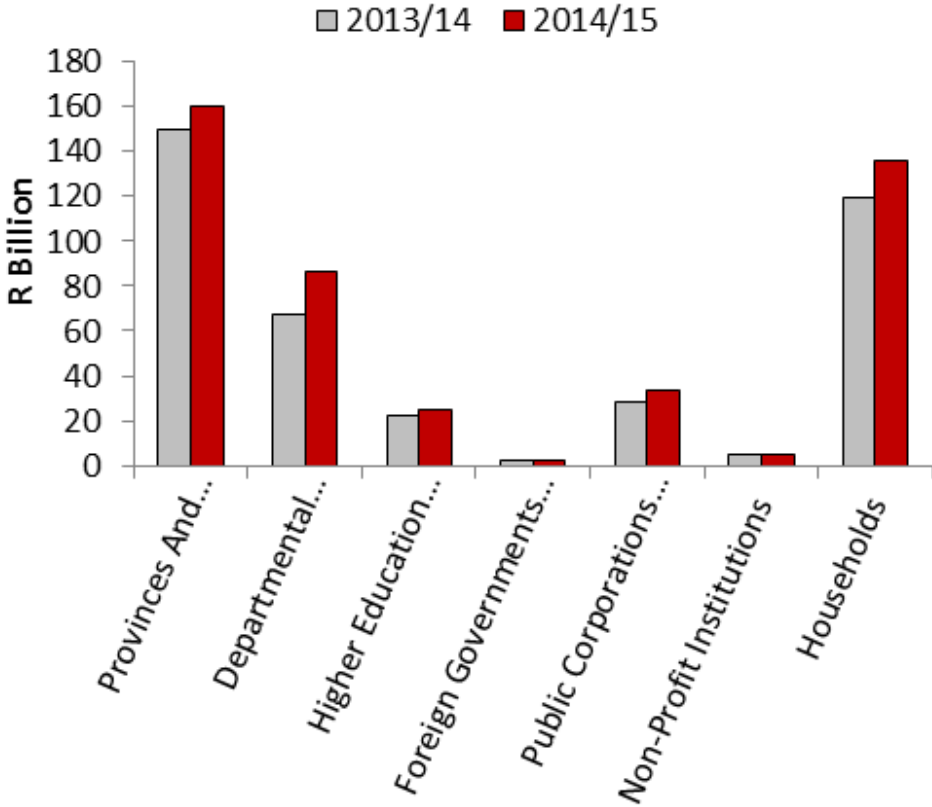
- ▶ R40.0 billion was spent on Administration, representing 21 per cent of operational expenditure
- ▶ Primarily to support Police, Correctional services and Defence
- ▶ A nominal decrease of R3.1 billion from the previous financial year
- ▶ The departments of Women, Human Settlements, Economic Development and Public Enterprises spent 68, 68, 65 and 62 per cent of their operational expenditure on Administration respectively

# Voted Expenditure 2014/15: Transfers



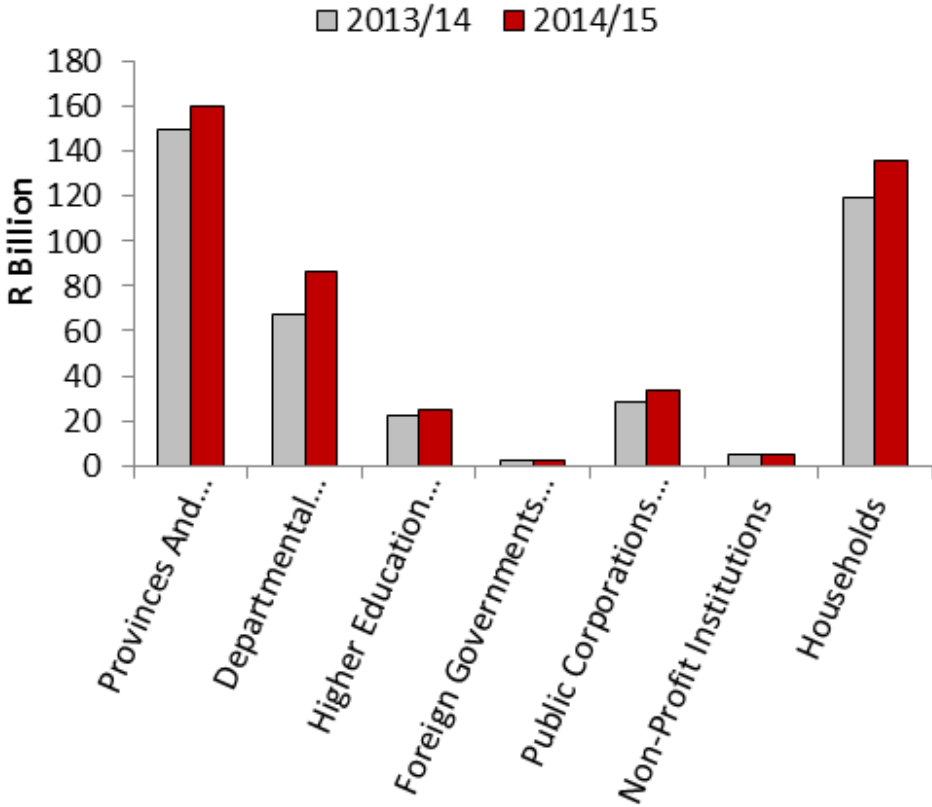
- ▶ A total of R428.8 billion was transferred by departments, representing nominal growth of 8.6 per cent
- ▶ R131.8 billion was transferred to Households representing growth of 10 per cent, primarily for social grant payments
- ▶ Driven by increases in beneficiary numbers and slightly above inflation increases to social grants

# Voted Expenditure 2014/15: Transfers



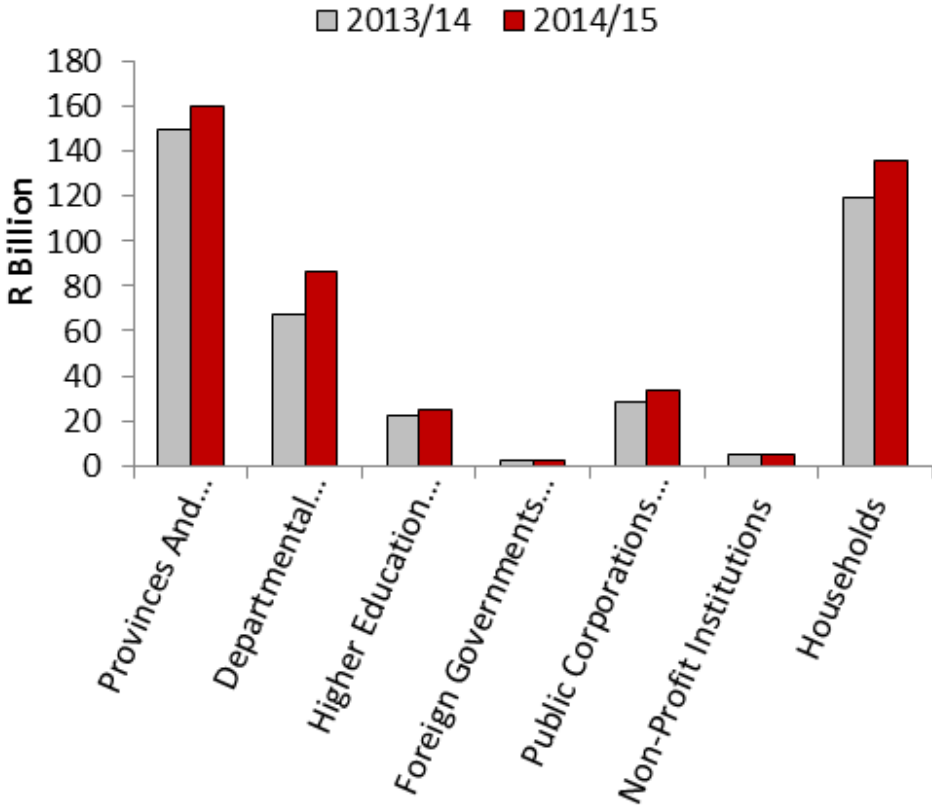
- ▶ R160.3 billion was transferred to Provinces and Municipalities, representing an increase of 7 per cent
- ▶ Increases driven by the larger areas of expenditure including:
  - ▶ The Local Government Equitable Share Transfer under the department of Cooperative Governance and Traditional Affairs
  - ▶ Health grants including those for HIV and AIDS, and National Tertiary Services
  - ▶ The Human Settlements Development grant

# Voted Expenditure 2014/15: Transfers



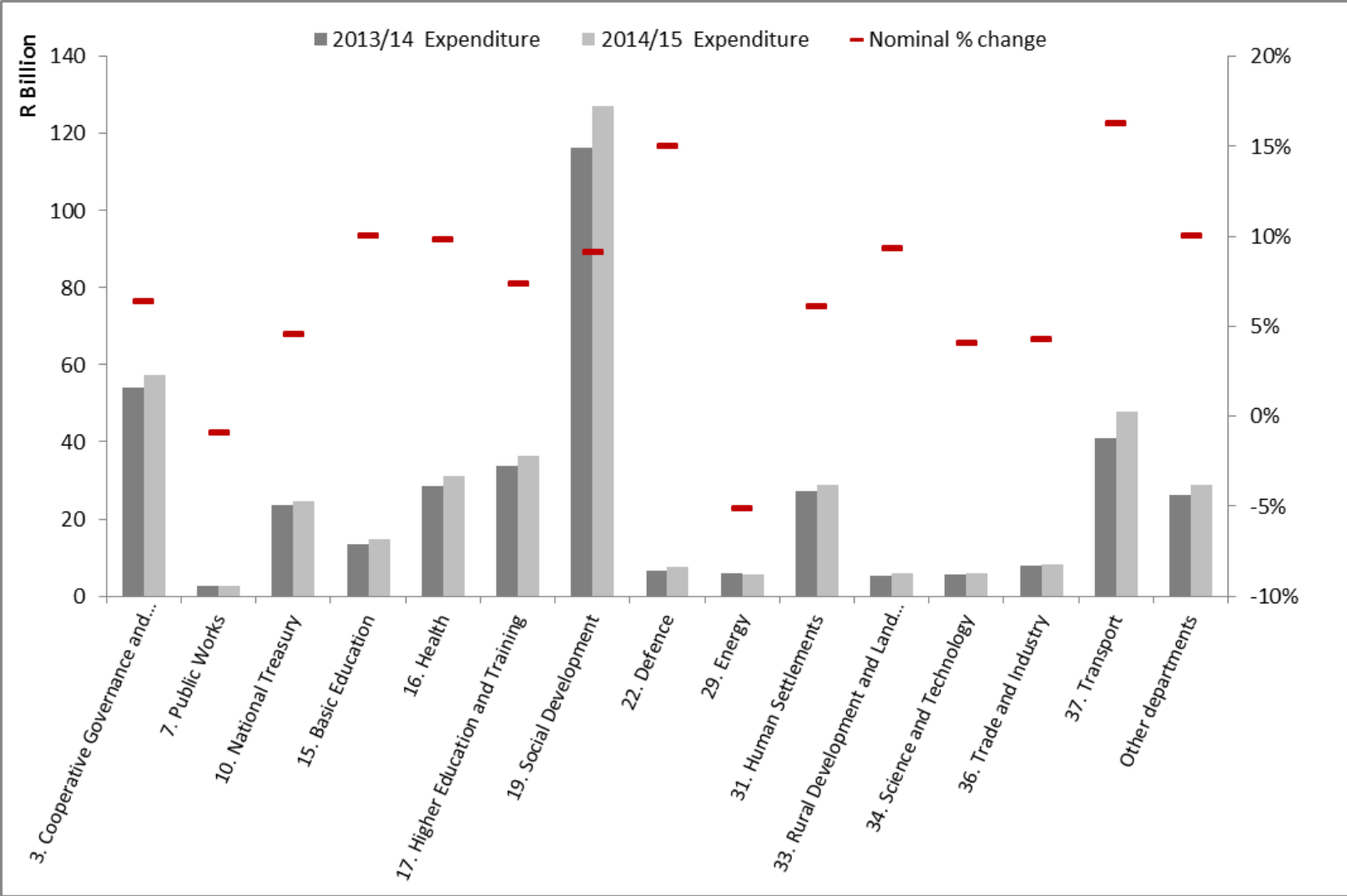
- ▶ R72.9 billion was transferred to Departmental Agencies and Accounts, representing an increase of 8 per cent
- ▶ Agencies receiving the largest sums were:
  - ▶ South African National Roads Agency (R11.9 billion)
  - ▶ South Africa Revenue Service (R8.6 billion)
  - ▶ South African Social Security Agency (R6.5 billion) for the administration of social assistance
  - ▶ National Student Financial Aid Scheme (R6.1 billion) for student loans and bursaries

# Voted Expenditure 2014/15: Transfers

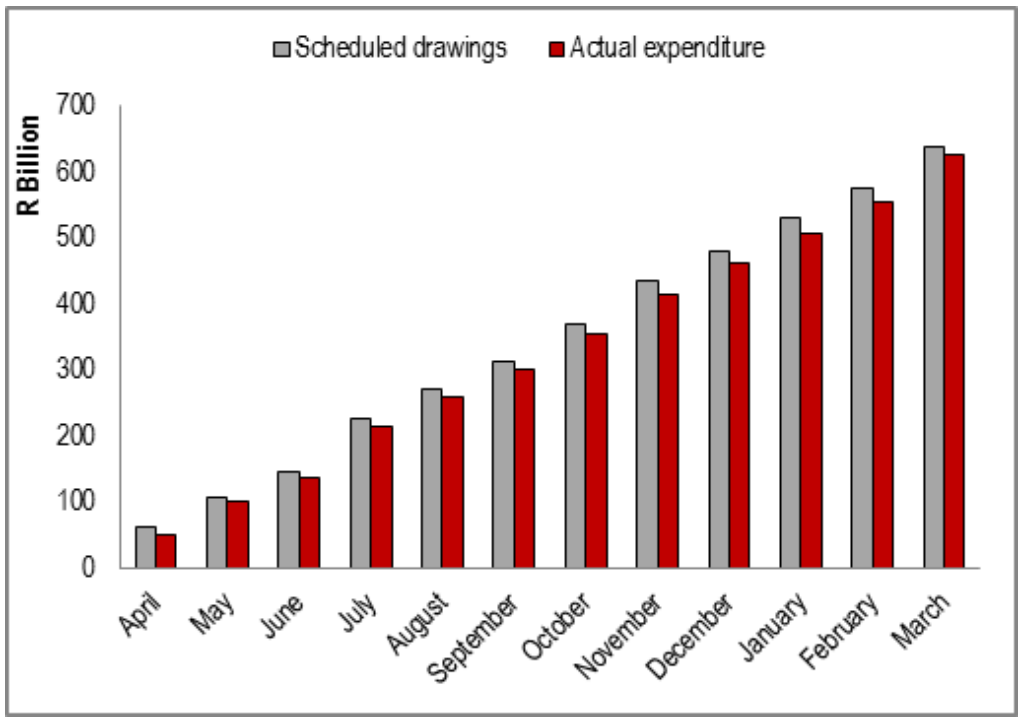


- ▶ R24.5 billion was transferred to Higher Education Institutions, representing an increase of 8 per cent
- ▶ The majority being for the block grants to Universities
- ▶ R32.1 billion was transferred to Public Corporations and Private Enterprises, representing an increase of 15 per cent
- ▶ This increase is primarily under the Passenger Rail Agency of South Africa for the rolling stock fleet renewal programme

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



# Expenditure against Available Budget



- ▶ Total expenditure is well within the total budgeted amount
- ▶ The department of Transport however has spent over and above its scheduled drawings by R376.6 million
- ▶ This is mainly due to costs related to managing e-Natis and additional transfers to the Road Traffic Management Corporation

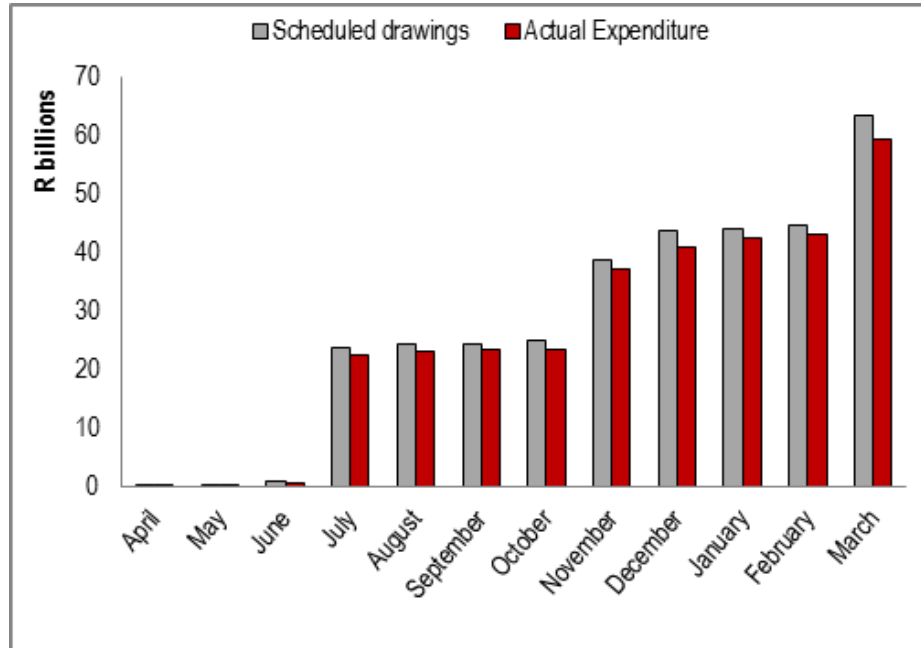


# Expenditure against Available Budget : Largest Lags

R million	2014/15 Available budget	2014/15 expenditure	Lag	% Lag
<b>Department</b>				
3. Cooperative Governance and Traditional Affairs	63 453.9	59 474.7	3 979.2	6.3%
16. Health	33 900.6	33 154.7	745.9	2.2%
19. Social Development	128 593.6	127 767.2	826.4	0.6%
29. Energy	7 437.8	6 218.3	1 219.5	16.4%
38. Water Affairs	13 647.4	11 519.0	2 128.4	15.6%
<b>Total</b>	<b>636 618.1</b>	<b>625 799.2</b>	<b>10 818.9</b>	<b>1.7%</b>

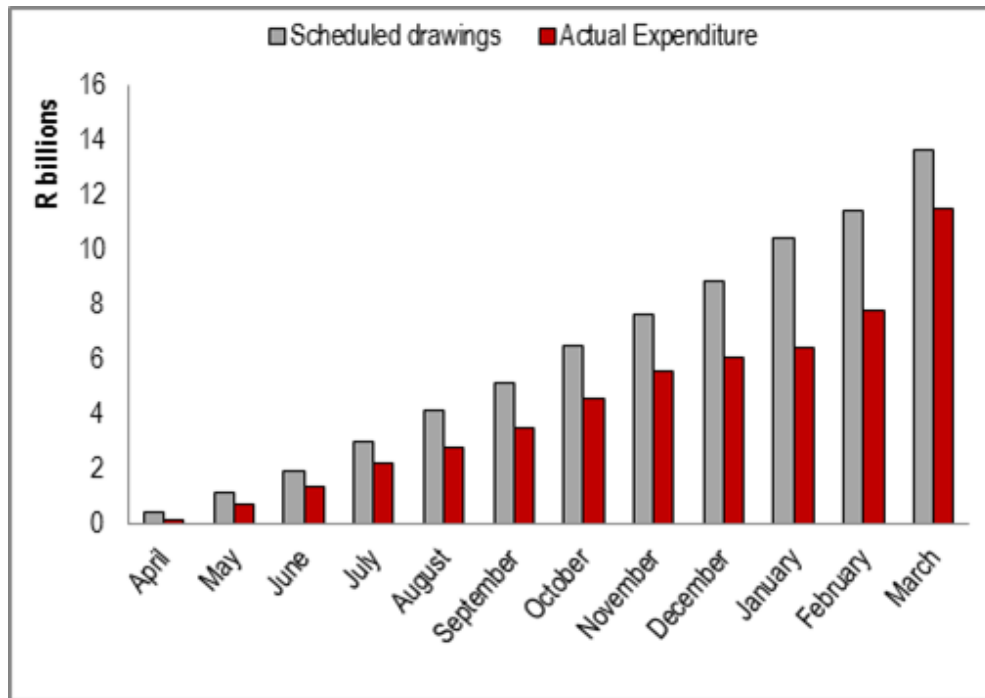
- ▶ The above shows the departments in which spending lags scheduled drawings by over R700 million– representing 82% of the total lag

# Expenditure against Available Budget: Cooperative Governance and Traditional Affairs



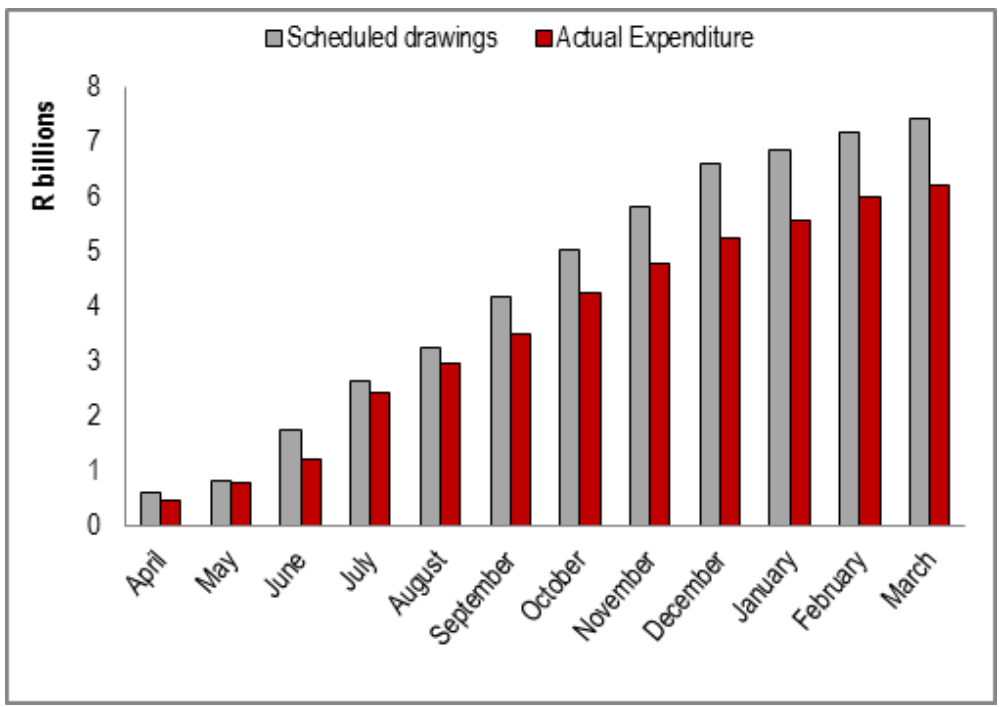
- ▶ Expenditure lags the available budget by R4 billion. This is mainly due to the withholding of equitable share grants from some municipalities which did not perform according to DORA requirements.
- ▶ Also there have been lower than expected payments for the Disaster Reliefs Grant.

# Expenditure against Available Budget : Water and Sanitation



- ▶ Expenditure lags the available budget by R2.1 billion.
- ▶ This is mainly due to under spending on the Regional Bulk Infrastructure Grant (R637.4 million) and the Sanitation programme (R484.5 million).
- ▶ This is attributed to slow appointment of contractors and delays due to late deliveries and bad weather.

# Expenditure against Available Budget: Energy



- ▶ Expenditure lags the available budget by R1.2 billion.
- ▶ This is mainly attributed to the termination of the contract with Eskom for the Solar water heater project.

# Expenditure against Available Budget

---

- ▶ **Health:** Expenditure lags the available budget by R745.9 million. This is mainly attributed to slow spending in the National Health Insurance and Health Facility revitalization components of the National Health Grant.
- ▶ **Social Development:** Expenditure lags the available budget by R826.4 million. This is mainly attributed to lower than projected spending on social grants; particularly the foster care grant which saw a higher than projected number of beneficiaries falling off the system in January due to age disqualification.

# Concluding remarks

---

- ▶ **2014/15** national expenditure indicates:
  - ▶ A budget deficit of R167.8 billion
  - ▶ R114.8 billion spent on State Debt costs
  - ▶ A total increase in voted expenditure of R43.3 billion or 7.4 per cent when compared with 2013/14
  - ▶ Operational expenditure increased by R9.5 billion, or 7.4 per cent
    - ▶ Of this, expenditure on Compensation of Employees increased by R7.7 billion or 7 per cent
    - ▶ Expenditure on Goods and Services decreased by R351 million or 0.6 per cent
  - ▶ Funds transferred increased by R34.1 billion, or 8.6 per cent
- ▶ Total expenditure is within the total budgeted amount for the 2014/15