

EXPENDITURE – Q1 2015/16

STANDING COMMITTEE ON APPROPRIATIONS

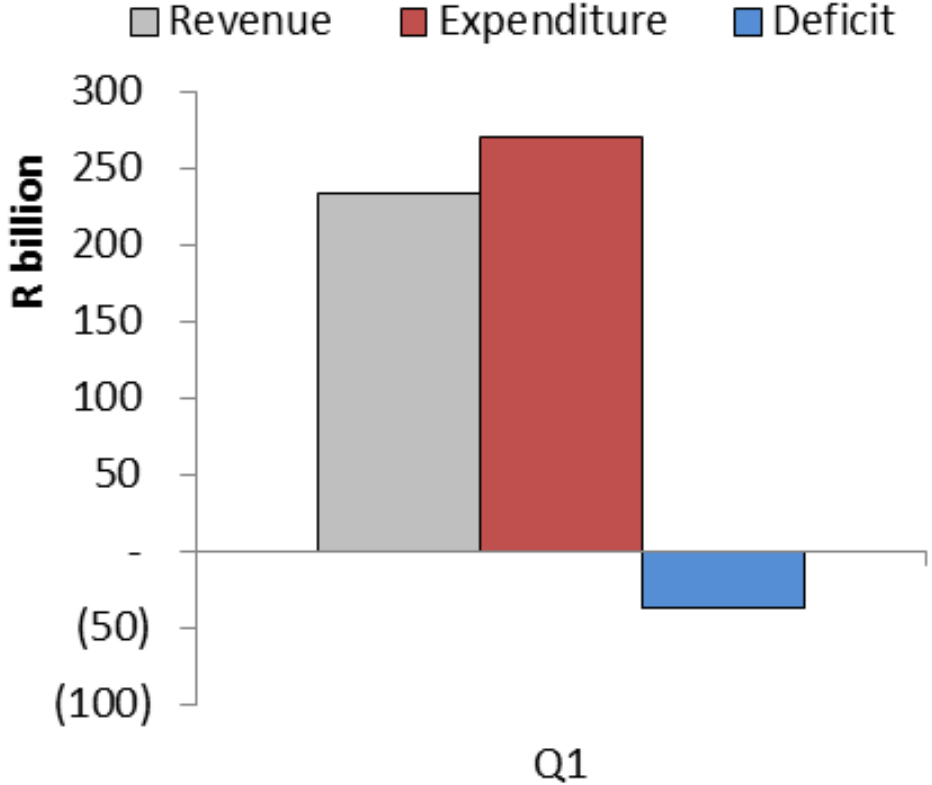
Presenter: Dondo Mogajane | Deputy Director-General, Public Finance, National Treasury | 19 August 2015



national treasury

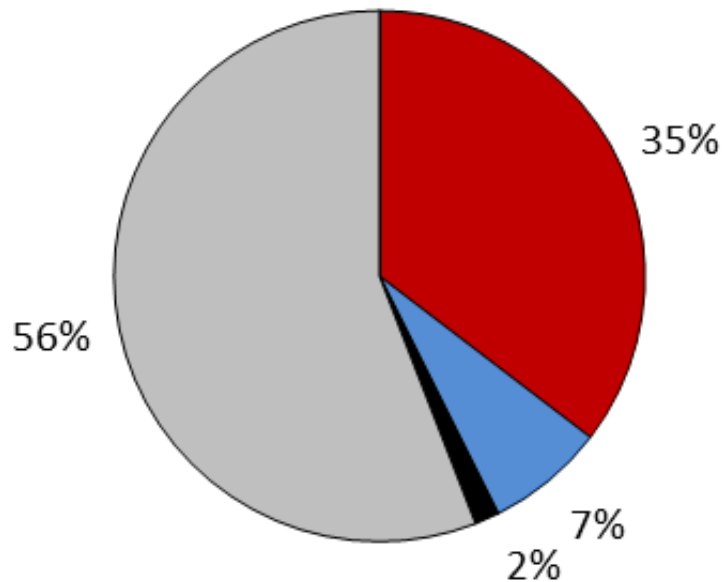
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Cumulative revenue and expenditure 2015/16



- ▶ Main budget revenue to the end of Q1 2015/16 is estimated to have been R233.6 billion
- ▶ Total expenditure to the end of Q1 2015/16 was R270.4 billion
- ▶ Implying a budget deficit of R36.8 billion for Q1 2015/16

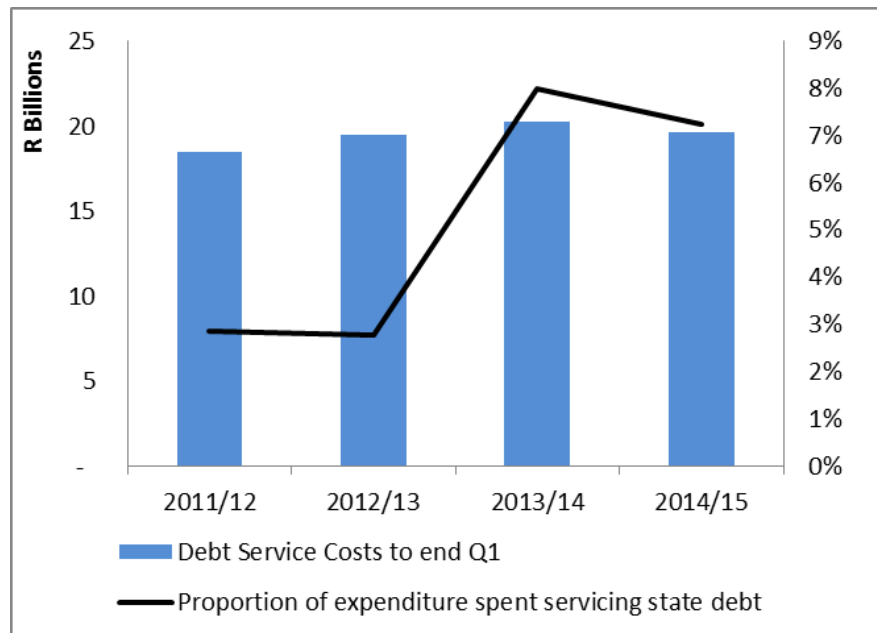
Expenditure 2015/16: Direct Charges against the National Revenue Fund



- Provincial Equitable Share
- Debt Service Costs
- Other Direct Charges
- Voted expenditure

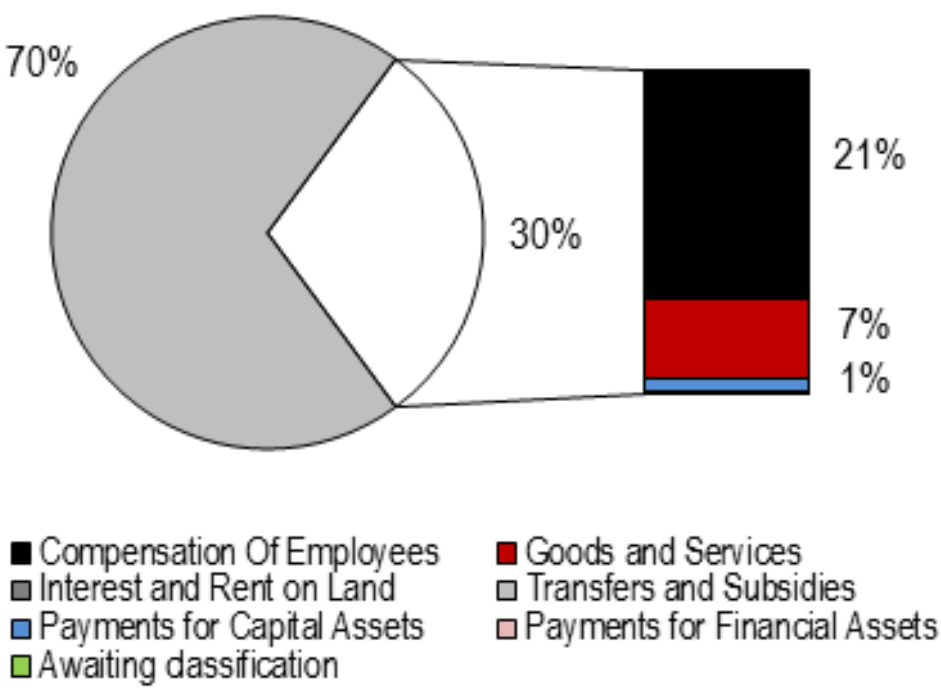
- ▶ 44 per cent of total expenditure in Q1 2015/16 was for Direct Charges against the National Revenue Fund
- ▶ This is equivalent to R119.3 billion
- ▶ It includes R95.7 billion transferred to Provinces under the equitable share agreement
- ▶ And R19.6 billion to pay State Debt costs

Direct Charges against the National Revenue Fund: State Debt Costs



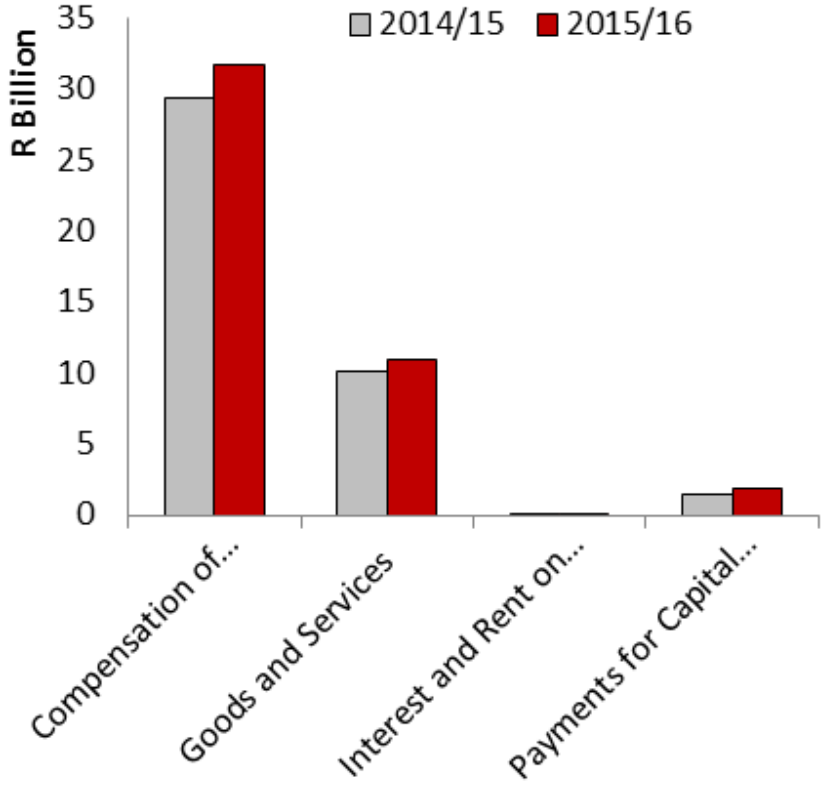
- ▶ R19.6 billion has been spent on Debt Service Costs during Q1 2015/16
- ▶ A decrease of R619 million – or 3 per cent – compared with Q1 of 2014/15
- ▶ Representing 7.2 per cent of total expenditure in 2015/16 – a decrease in the proportion of expenditure spent servicing debt from Q1 in the previous financial year

Voted Expenditure 2015/16



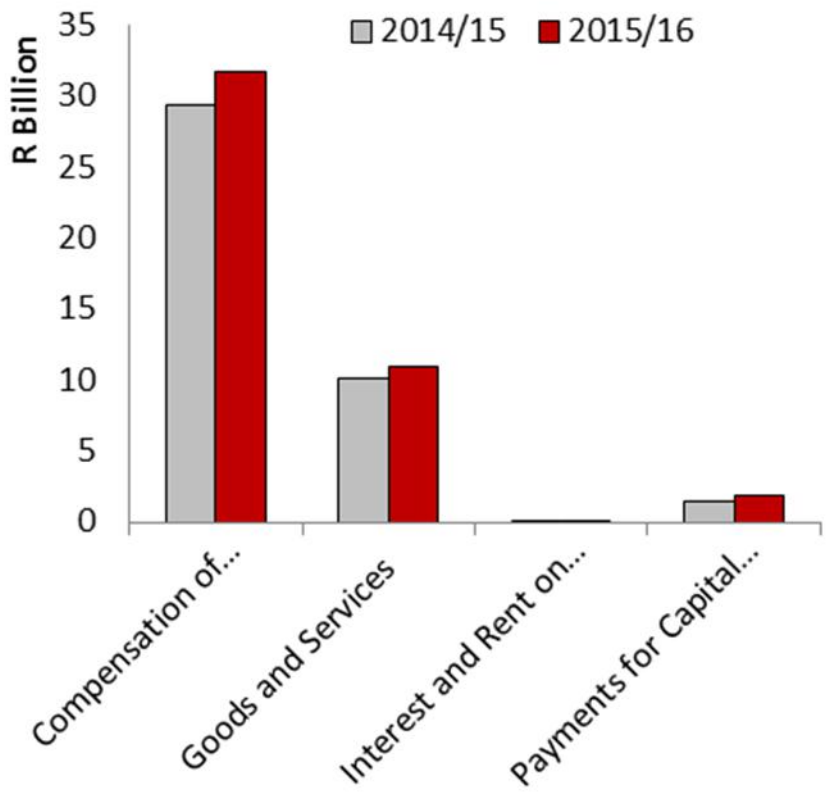
- ▶ Total voted expenditure was R151.1 billion
- ▶ 70 per cent, or R106.1 billion, of this was transferred by departments to households, other spheres of government or other organisations and agencies
- ▶ 30 per cent, or R192.0 billion, was directly spent by departments on operations, the majority for compensation of employees

Voted Expenditure 2015/16: Operations



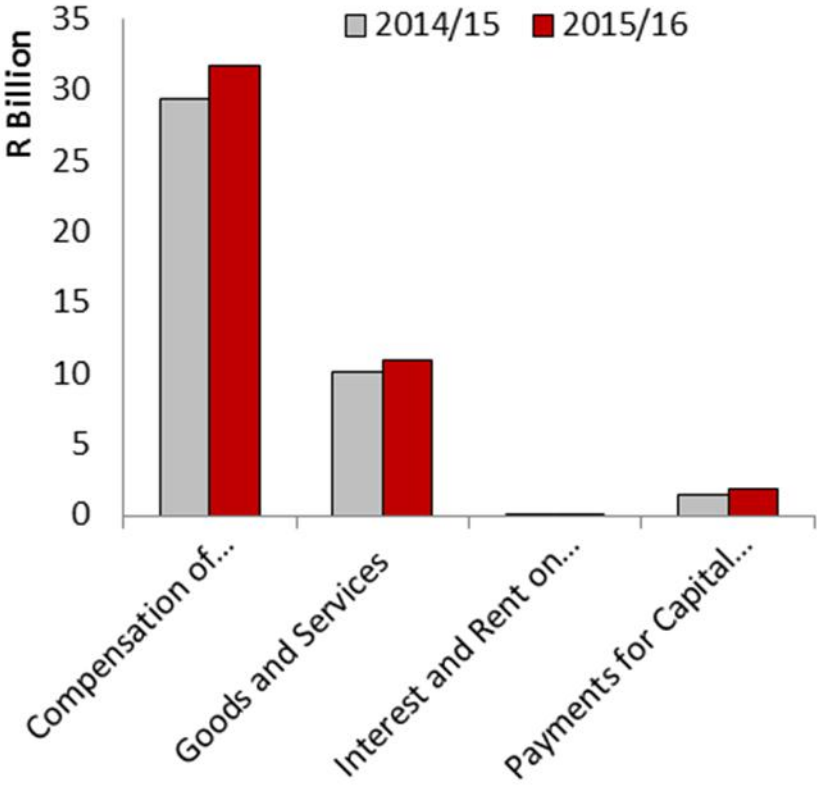
- ▶ Operational expenditure increased compared to the same period in the previous financial year by R3.4 billion – nominal growth of 8.2 per cent
- ▶ R31.7 billion was spent on Compensation of Employees representing 70.5 per cent of operational expenditure
- ▶ Nominal growth of R2.2 billion or of 7.6 per cent from the previous year
- ▶ Mainly for Police, Defence and Correctional Services

Voted Expenditure 2015/16: Operations



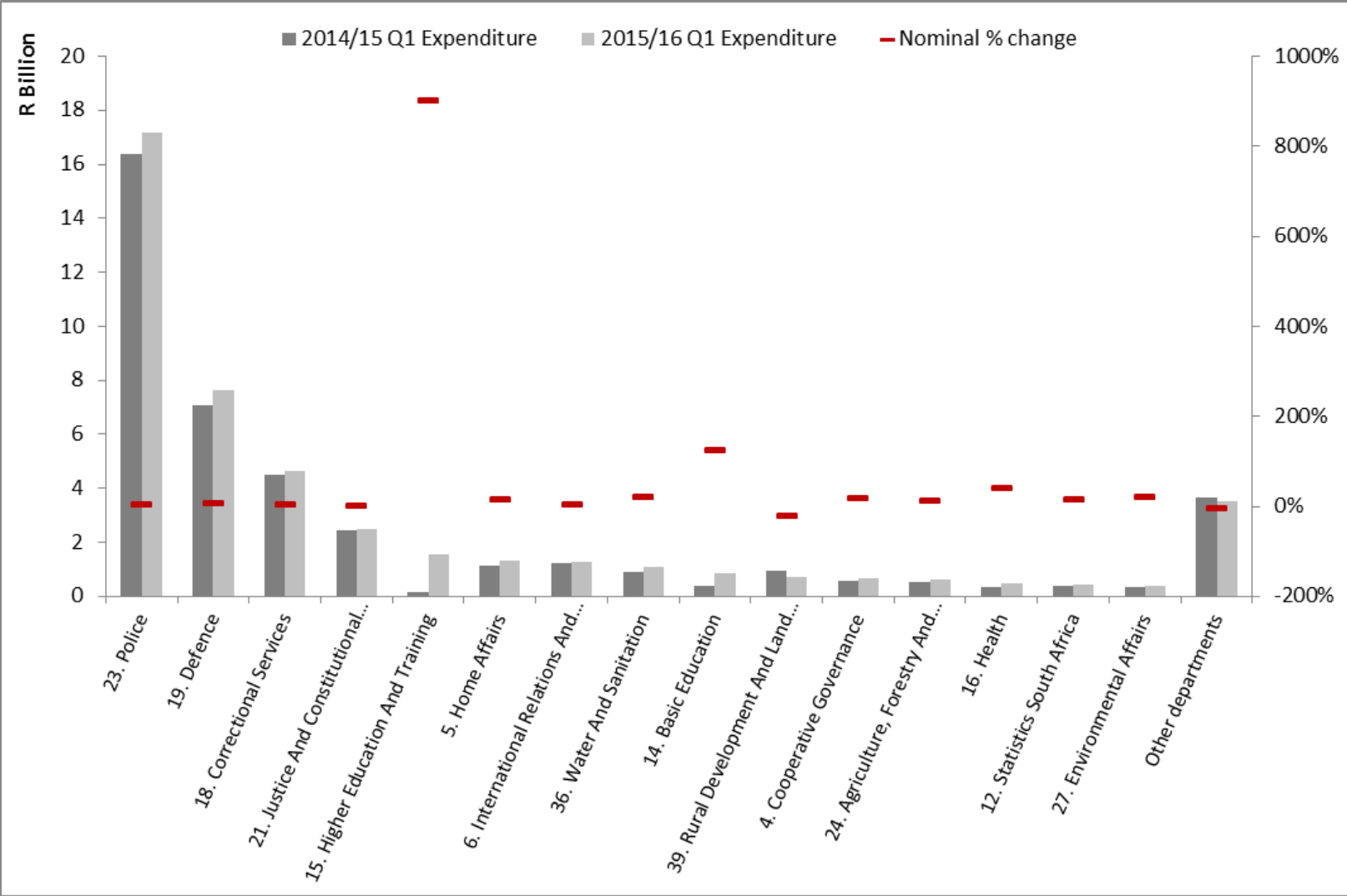
- ▶ R10.9 billion spent on Goods and services
- ▶ Mainly for police, defence, correctional and justice services, for items including fleet services, computer services, operating leases and property payments
- ▶ Expenditure on Goods and Services has increased by R757 million, or 7.4 per cent, compared with Q1 2014/15

Voted Expenditure 2015/16: Operations



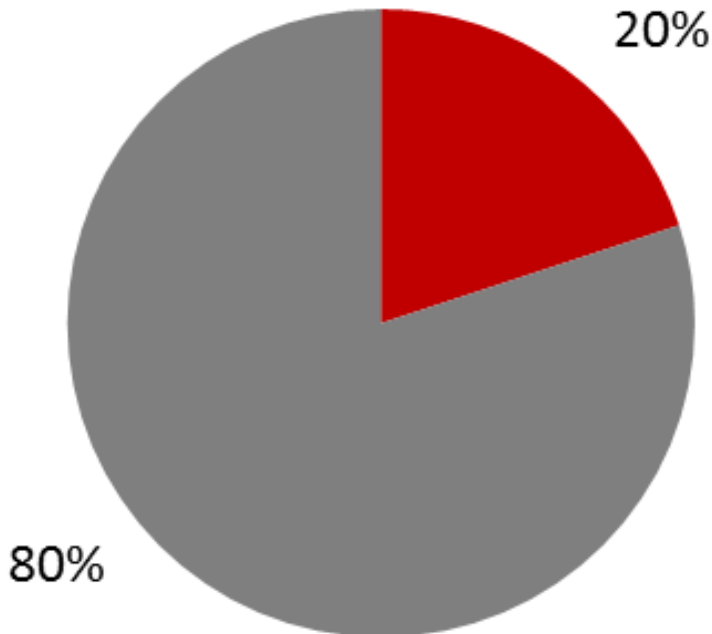
- ▶ R1.8 billion was spent on Capital Assets, representing an increase of 23.8 per cent
- ▶ The largest portions of the Capital spend are under the departments of Water and Sanitation and Basic Education – mainly for Regional Bulk Infrastructure and the School Infrastructure Backlogs Grant respectively
- ▶ Spending on these items also drives the reported increase in capital spending

Voted Expenditure 2015/16: Operations



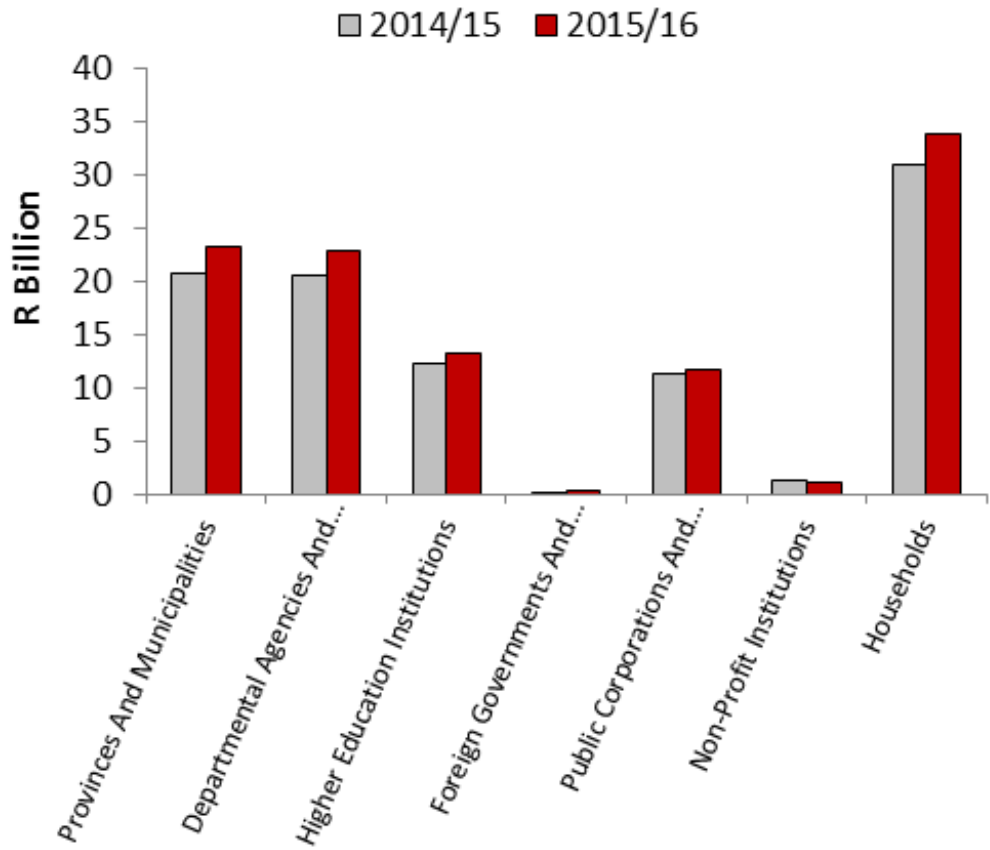
Voted Expenditure 2015/16: Administration

- Administration expenditure
- Other operational expenditure



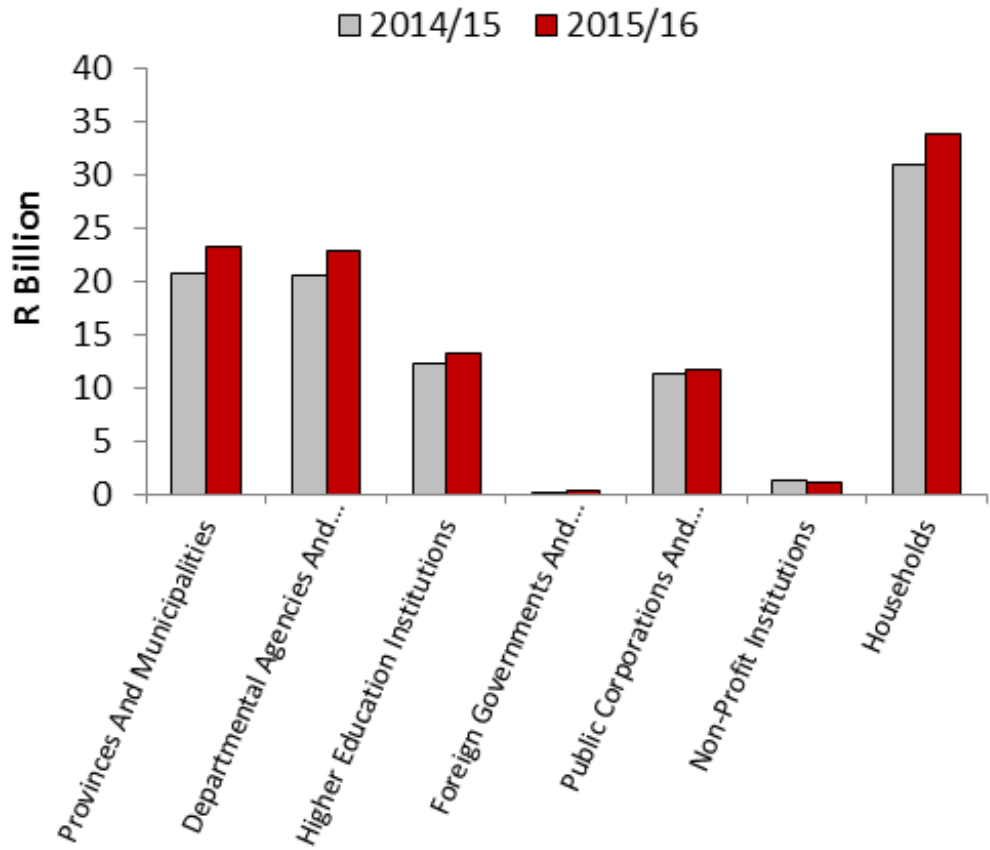
- ▶ R9.0 billion was spent on Administration, representing 20 per cent of operational expenditure
- ▶ Primarily to support Police, Correctional services and Defence
- ▶ A nominal increase of R7.7 billion from the previous financial year
- ▶ The departments of Women, Communications, Telecommunications and Postal Services, Human Settlements and Public Enterprises spent 77, 76, 68, 67 and 63 per cent of their operational expenditure on Administration respectively

Voted Expenditure 2015/16: Transfers



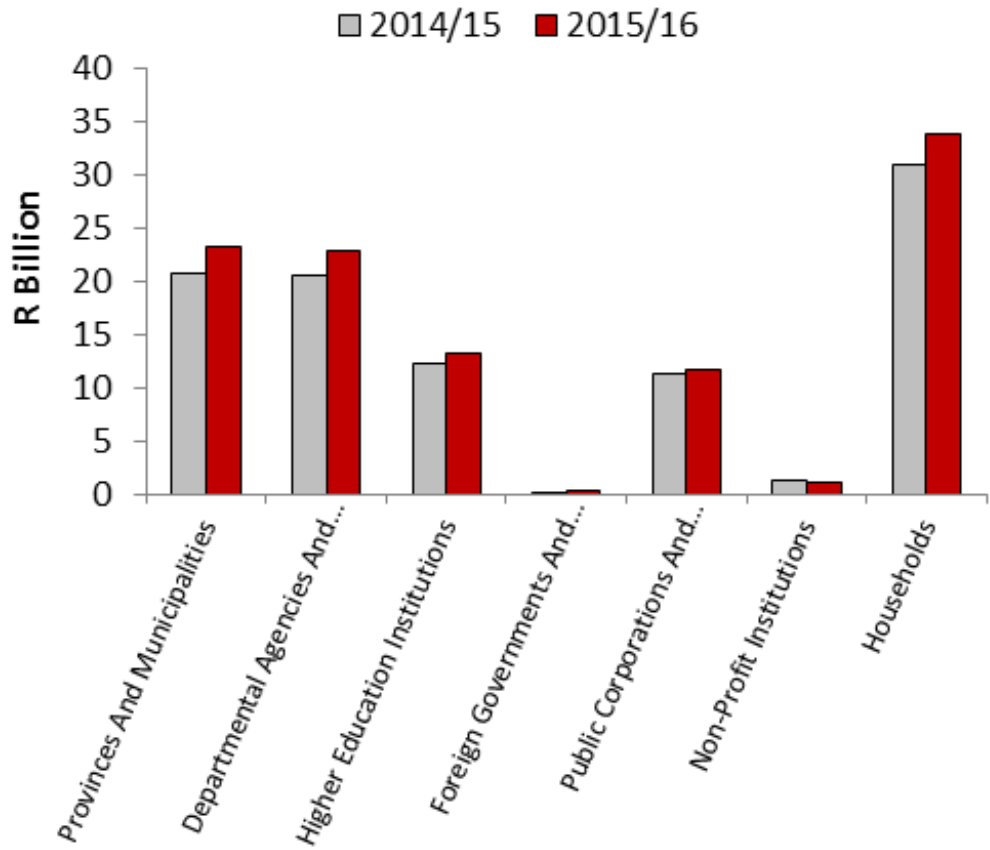
- ▶ A total of R106.1 billion was transferred by departments, representing nominal growth of 8.9 per cent
- ▶ R33.8 billion was transferred to Households representing growth of 9.1 per cent, primarily for social grant payments
- ▶ Driven by increases in beneficiary numbers and slightly above inflation increases to social grants

Voted Expenditure 2015/16: Transfers



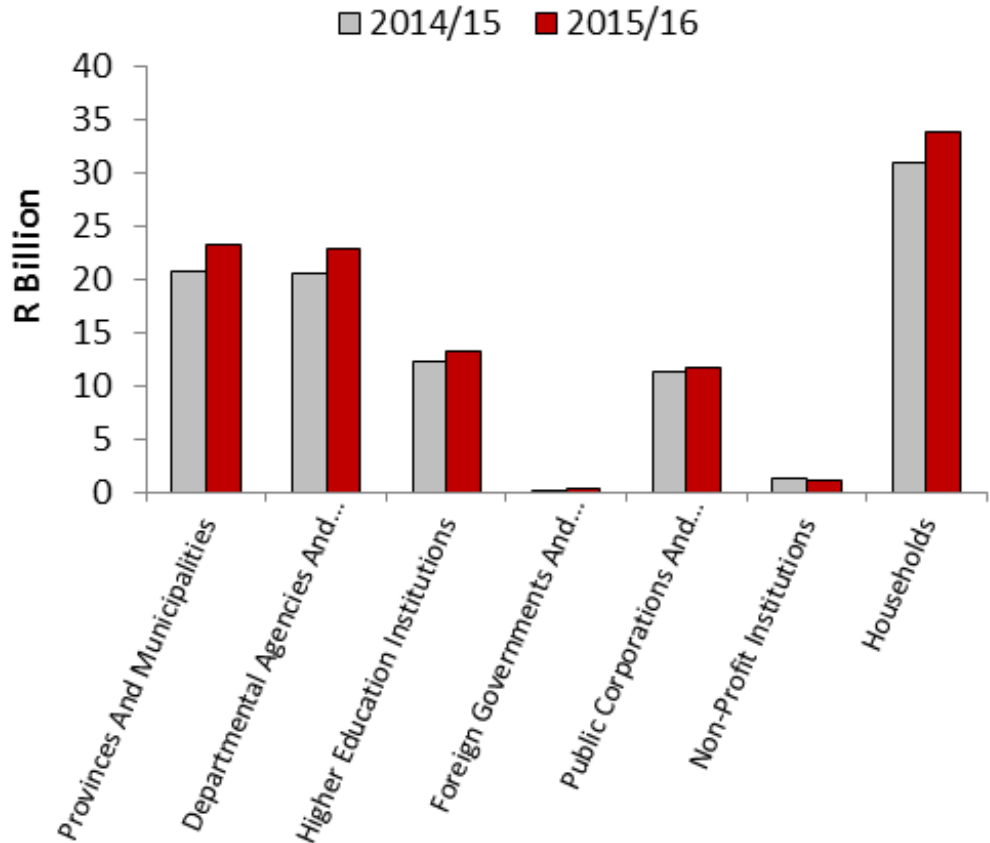
- ▶ R23.2 billion was transferred to Provinces and Municipalities, representing an increase of 11.6 per cent
- ▶ Increases driven by the larger areas of expenditure including:
 - ▶ The Local Government Equitable Share Transfer under the department of Cooperative Governance and Traditional Affairs
 - ▶ The Human Settlements Development grant
 - ▶ The Education Infrastructure Grant

Voted Expenditure 2015/16: Transfers



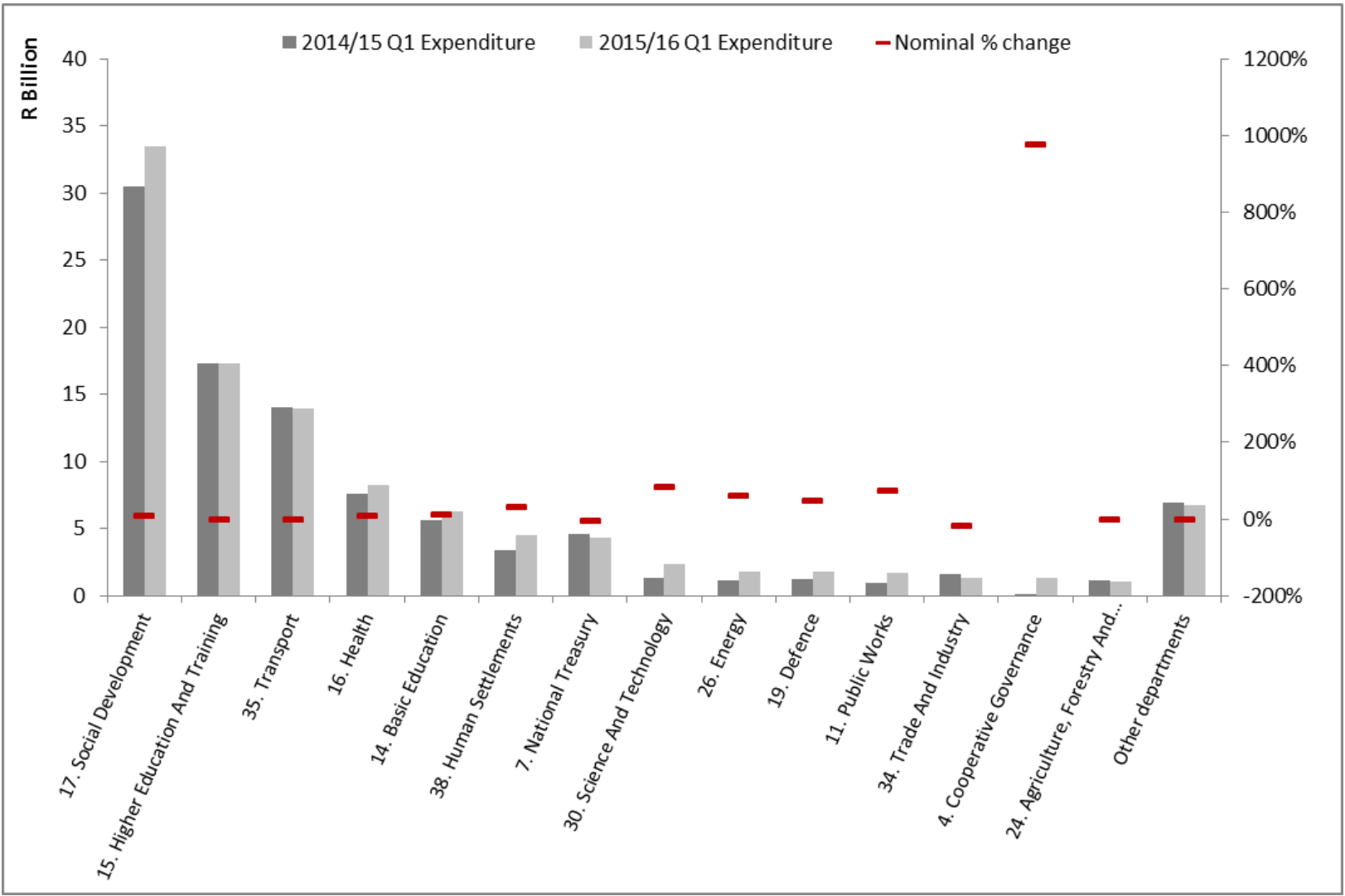
- ▶ R22.8 billion was transferred to Departmental Agencies and Accounts, representing an increase of 10.4 per cent
- ▶ Agencies receiving the largest sums were:
 - ▶ National Student Financial Aid Scheme (R3.6 billion) for student loans and bursaries
 - ▶ South African National Roads Agency (R3.1 billion)
 - ▶ South Africa Revenue Service (R2.4 billion)
 - ▶ South African Social Security Agency (R1.6 billion) for the administration of social assistance

Voted Expenditure 2015/16: Transfers

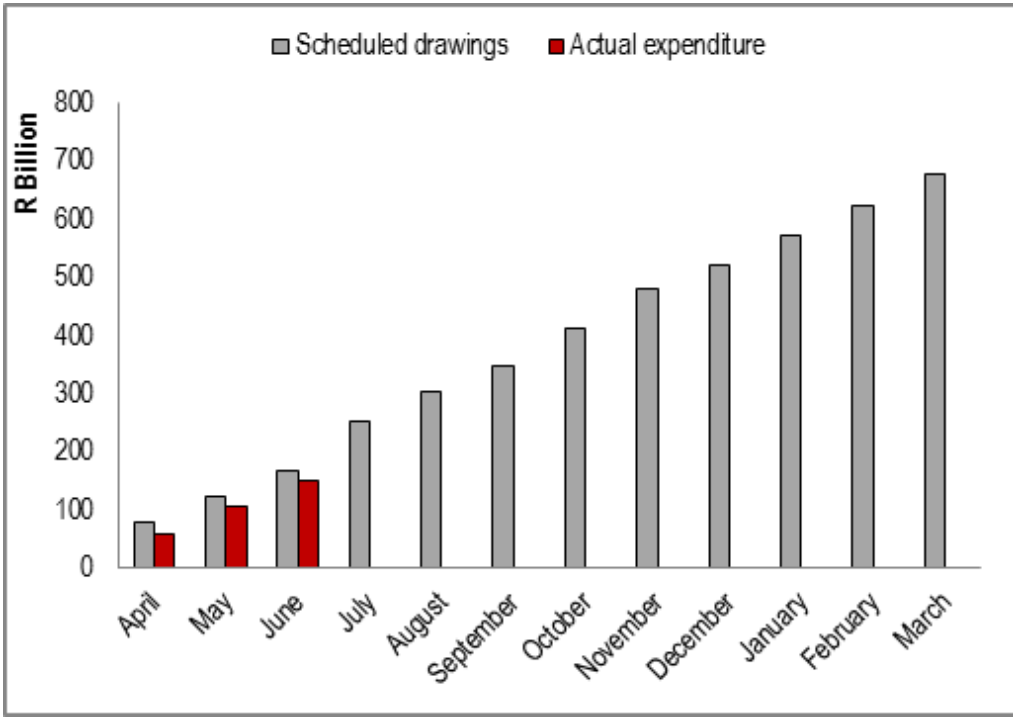


- ▶ R13.2 billion was transferred to Higher Education Institutions, representing an increase of 7.6 per cent
 - ▶ The majority being for the block grants to Universities
- ▶ R11.7 billion was transferred to Public Corporations and Private Enterprises, representing an increase of 4.5 per cent
 - ▶ This increase is primarily under the Passenger Rail Agency of South Africa for the rolling stock fleet renewal programme and other capital programmes

Voted Expenditure 2015/16: Transfers and Payments For Financial Assets



Expenditure against Available Budget



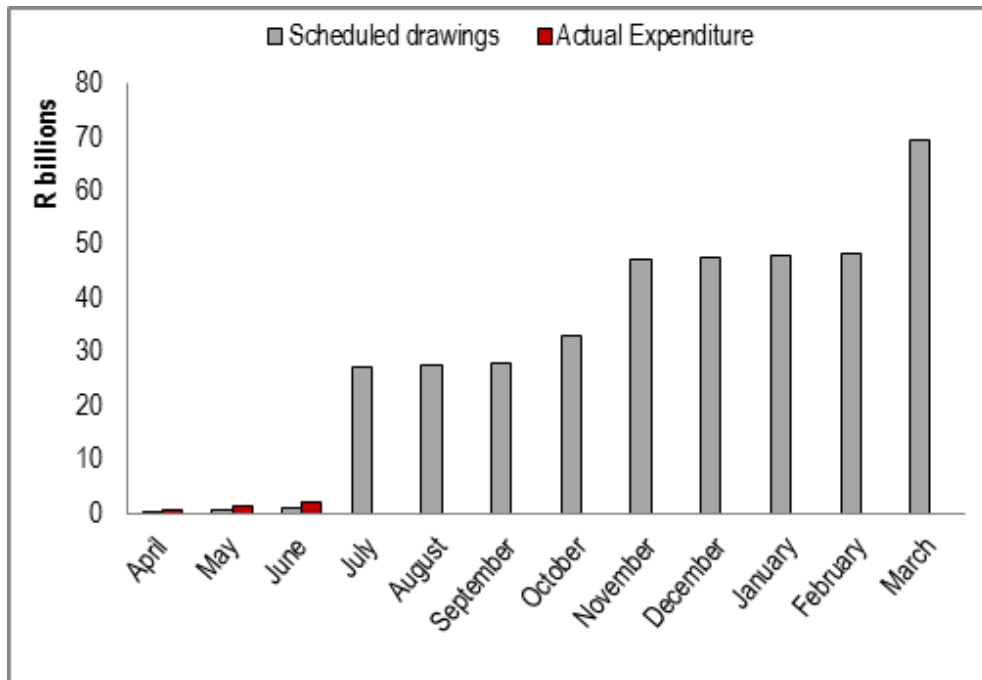
- ▶ Total expenditure is well within total scheduled levels
- ▶ Scheduled drawings from the National Revenue fund total R157.5 billion
- ▶ Expenditure was R151.1 billion implying an overall lag of R6.3 billion

Expenditure against Available Budget : spending ahead of schedule

R million	April to June drawings	April to June expenditure	Ahead of scheduled drawings	% spend ahead of scheduled drawings
Department				
2. Parliament	380.5	381.2	-0.7	-0.2%
4. Cooperative Governance	825.5	1 980.4	-1 155.0	-139.9%
5. Home Affairs	1 500.5	1 623.9	-123.3	-8.2%
6. International Relations And Cooperation	1 366.7	1 547.3	-180.6	-13.2%
11. Public Works	1 891.8	1 920.0	-28.2	-1.5%

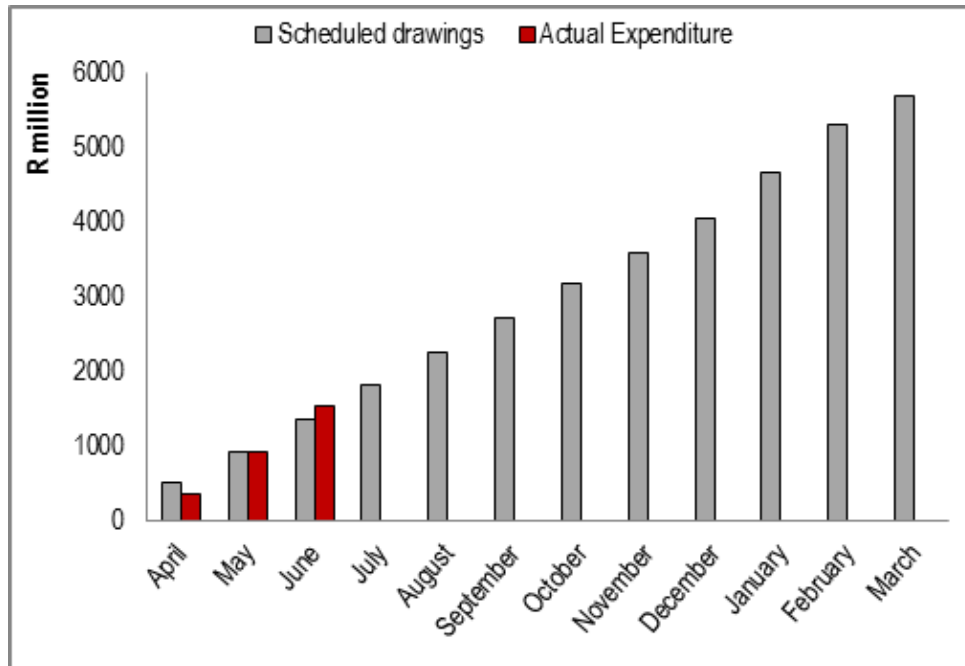
- ▶ The above shows the departments in which spending is ahead of scheduled drawings
- ▶ The amounts for Parliament and Public Works are very minor and not of interest

Expenditure against Scheduled drawings: Cooperative Governance



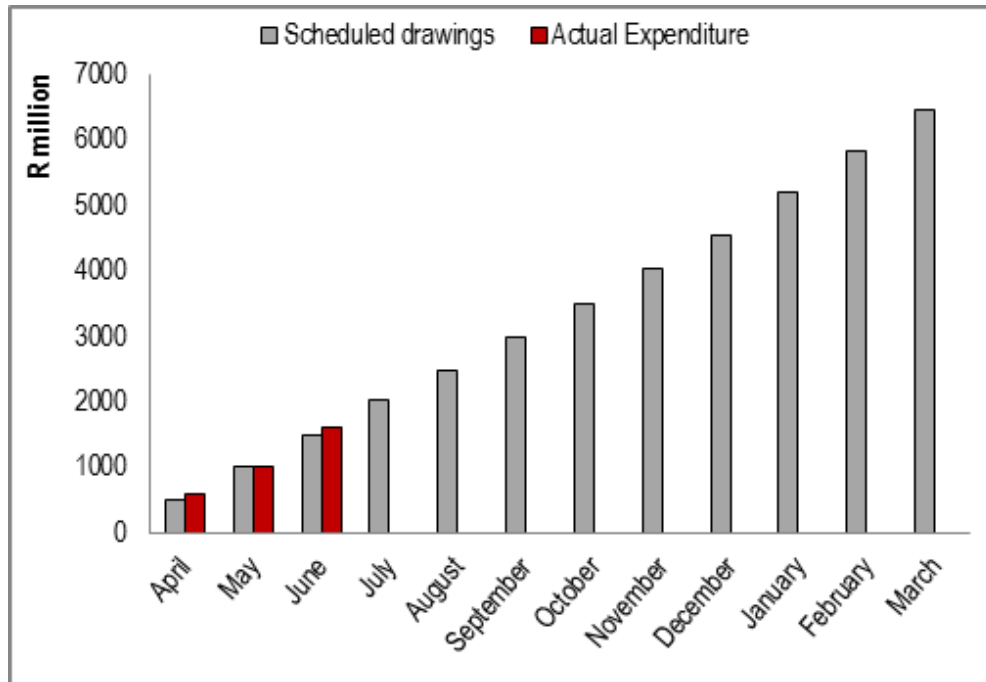
- ▶ The department has spent R2 billion, whilst originally scheduling drawings of R825.5 million
- ▶ Ahead of scheduled spending by R1.2 billion
- ▶ Mainly due to approved advances to municipalities for the local government equitable share, to provide for outstanding municipal service accounts
- ▶ Not expected to represent an issue for the department

Expenditure against Scheduled drawings: International Relations and Cooperation



- ▶ The department spent R1.5 billion, whilst originally scheduling drawings of R1.4 billion
- ▶ Ahead of scheduled spending by R180.6 million
- ▶ Mainly due to the depreciation of the Rand against major foreign currencies
- ▶ Will be resolved if the Rand strengthens but is beyond the control of the department

Expenditure against Scheduled drawings: Home Affairs



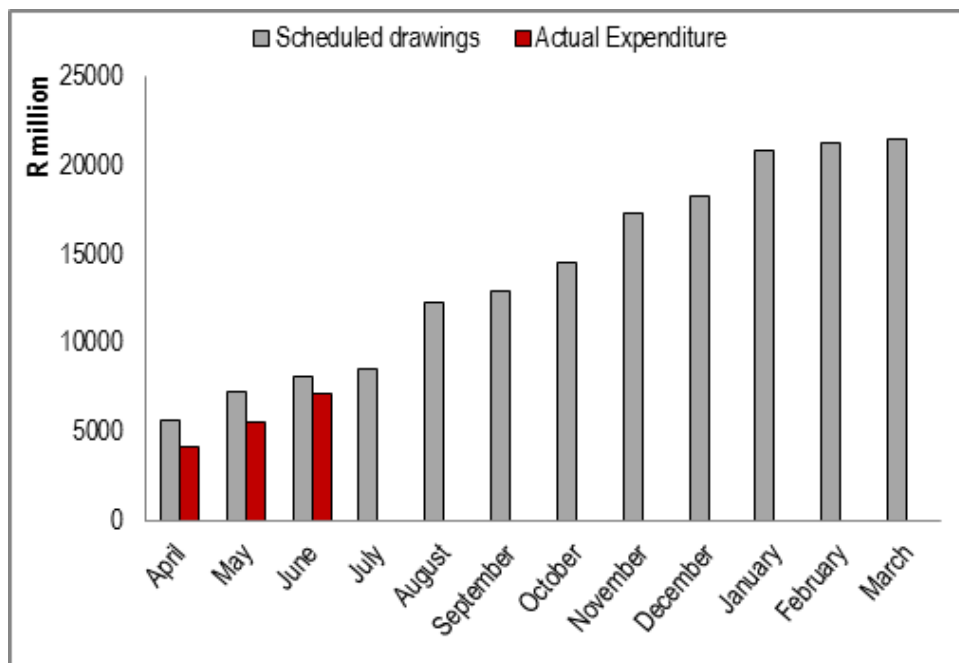
- ▶ The department has spent R1.6 billion, whilst originally scheduling drawings of R1.5 billion
- ▶ Ahead of scheduled spending by R123.3 million
- ▶ Mainly due to a transfer payment to the Electoral Commission for the preparation of the local government elections in 2016
- ▶ Will be absorbed in existing baselines and is not expected to represent an issue for the department

Expenditure against Available Budget : spending lagging behind schedule

R million	April to June drawings	April to June expenditure	Lag	% Lag
Department				
14. Basic Education	8 103.1	7 096.2	1 006.8	12.4%
17. Social Development	34 500.0	33 625.3	874.7	2.5%
23. Police	18 300.4	17 380.2	920.2	5.0%
39. Rural Development And Land Reform	2 452.0	1 483.3	968.8	39.5%

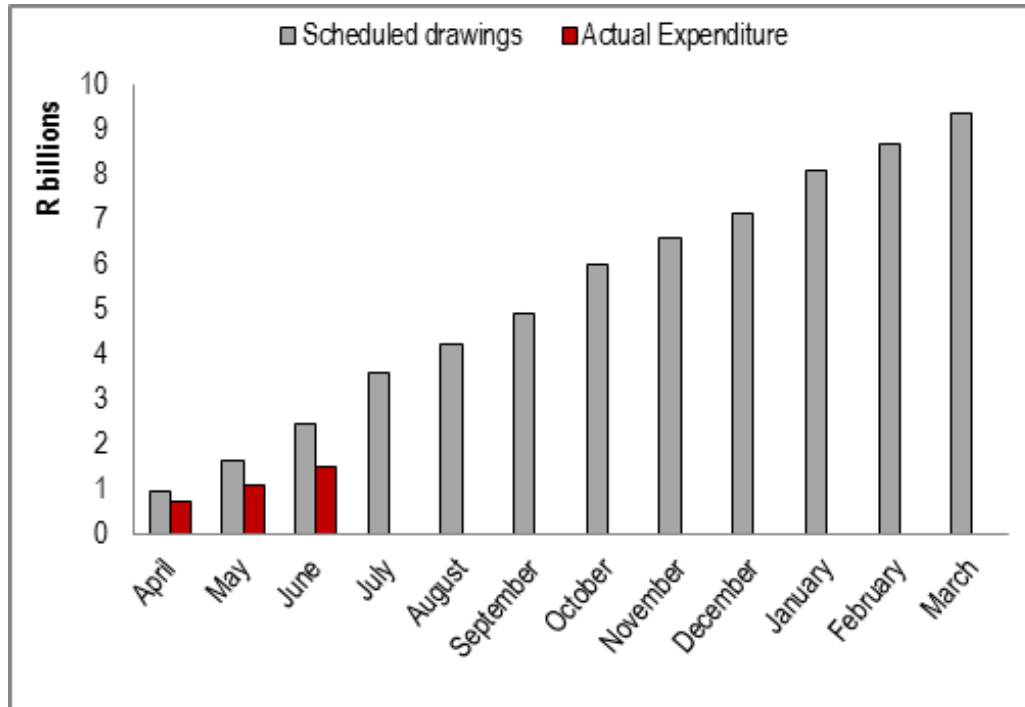
- ▶ The above shows the departments in which spending is lagging behind scheduled drawings by more than R800 million

Expenditure against Available Budget : Basic Education



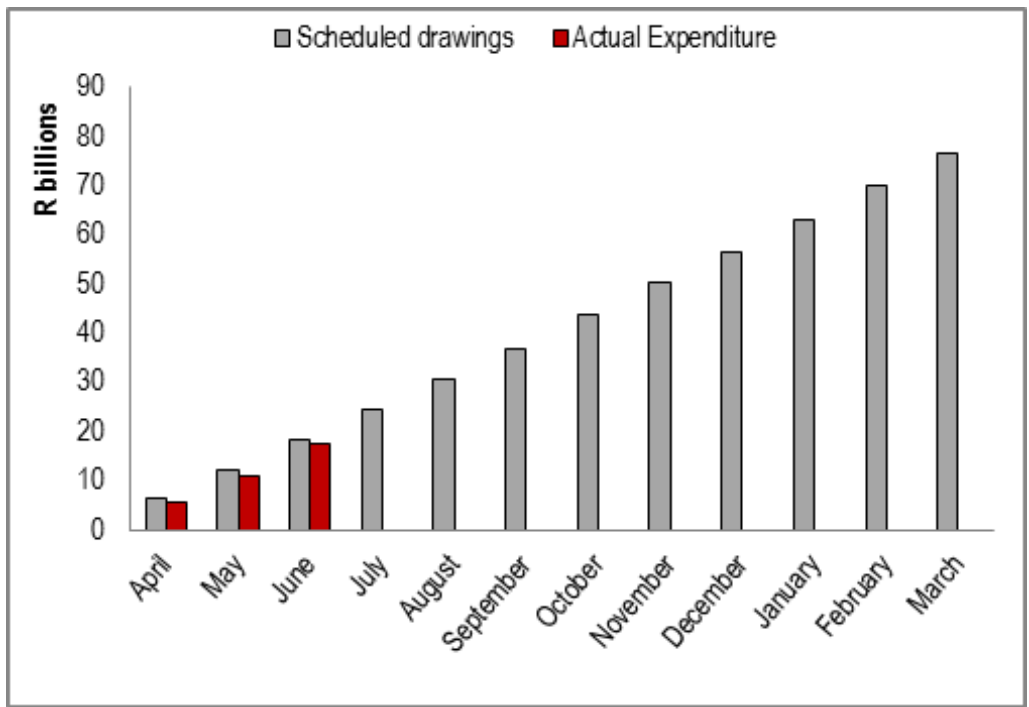
- ▶ The department has spent R7.1 billion, whilst originally scheduling drawings of R8.1 billion
- ▶ Leaving a lag of R1.0 billion
- ▶ Mainly due to delays in delivery of workbooks, the Kha Ri Gude project and School Infrastructure Backlogs grant
- ▶ Expenditure on the workbooks is expected to increase by end July when all the deliveries for workbook 1 have been completed
- ▶ The Kha Ri Gude project lag is expected to be resolved by end of September when classes have resumed
- ▶ Expenditure relating to the School Infrastructure Backlogs grant is expected to start improving by Q2

Expenditure against Available Budget: Rural Development and Land Reform



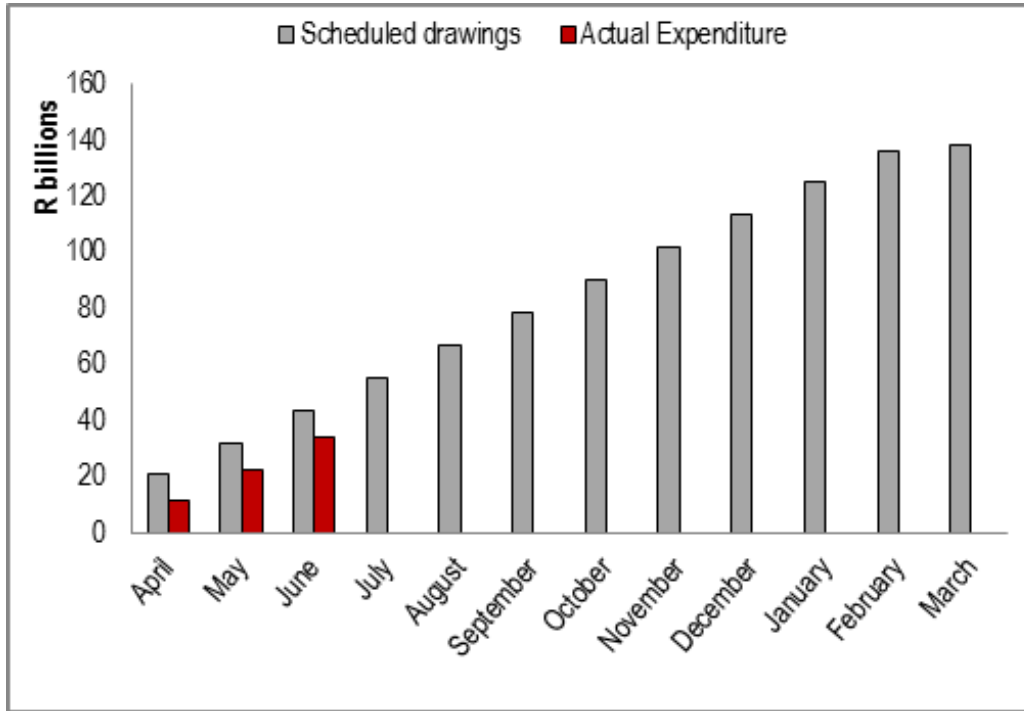
- ▶ The department has spent R1.5 billion, whilst originally scheduling drawings of R2.5 billion
- ▶ Leaving a lag of R861.6 million
- ▶ Mainly due to delays in implementation of rural development projects.
- ▶ The lag is expected to be resolved during the course of the year and does not represent an issue for the department

Expenditure against Available Budget: Police



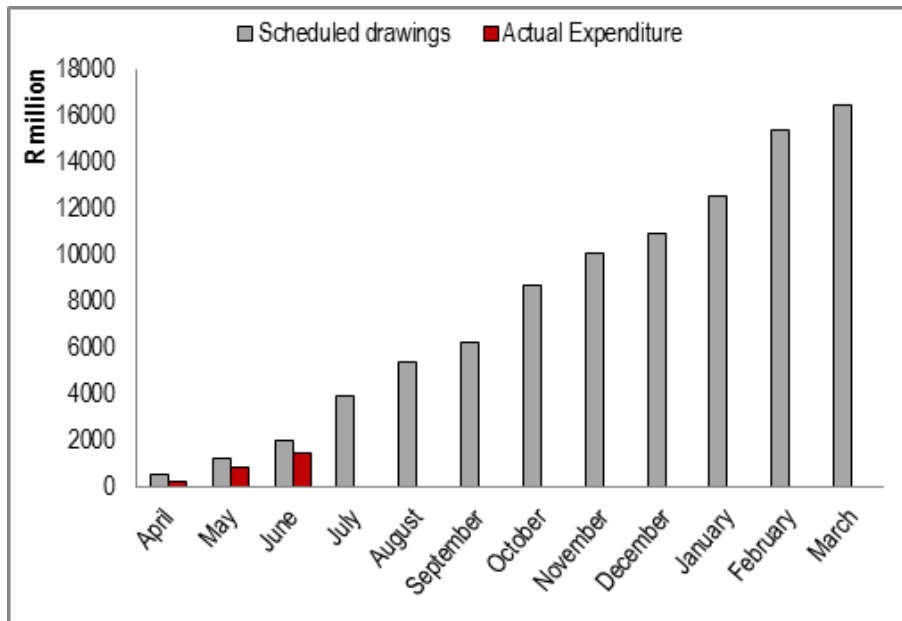
- ▶ The department has spent R17.4 billion of its budget against scheduled drawings of R18.3 billion.
- ▶ Leaving a lag of R920.2 million
- ▶ Mainly due to slower than anticipated spending on fuel, and machinery and equipment

Expenditure against Available Budget: Social Development



- ▶ The department spent R33.6 billion, whilst originally scheduling drawings of R34.5 billion
- ▶ Leaving a lag of R838 million
- ▶ Mainly due to slower than anticipated spending on temporary disability grants since there were fewer claims than projected

Expenditure against Available Budget – recurring issues from 2014/15: Water and Sanitation



- ▶ The department spent R1.4 billion, whilst originally scheduling drawings of R2 billion
- ▶ Leaving a lag of R538.3 million
- ▶ Mainly due to slow spending on the Regional Bulk Infrastructure Grant and Municipal Water Infrastructure Grants
- ▶ Delays in the finalisation of implementation plans for projects; delays in the appointment of contractors; delays caused by late delivery of ordered materials; delays due to poor weather conditions
- ▶ The department has a capacity challenge and has started the process of hiring project managers to alleviate some of the challenges on these grants

Concluding remarks

- ▶ **2015/16** national expenditure indicates:
 - ▶ A budget deficit for Q1 of R36.8 billion
 - ▶ R19.6 billion spent on Debt Service Costs
 - ▶ A total increase in voted expenditure of R12.5 billion or 9.0 per cent when compared with Q1 2014/15
 - ▶ Q1 Operational expenditure increased by R3.4 billion, or 8.2 per cent
 - ▶ Of this, expenditure on Compensation of Employees increased by R2.2 billion or 7.6 per cent
 - ▶ Expenditure on Goods and Services increased by R757 million or 7.4 per cent
 - ▶ Funds transferred increased by R8.6 billion, or 8.9 per cent
- ▶ Total expenditure is within the total scheduled amount for Q1 2015/16