

# 2015/16 Preliminary Expenditure Outcomes and 2016/17 Q1 Spending

***STANDING COMMITTEE ON APPROPRIATIONS***

Presenter: Dondo Mogajane | DDG: Public Finance, National Treasury | 23 August 2016



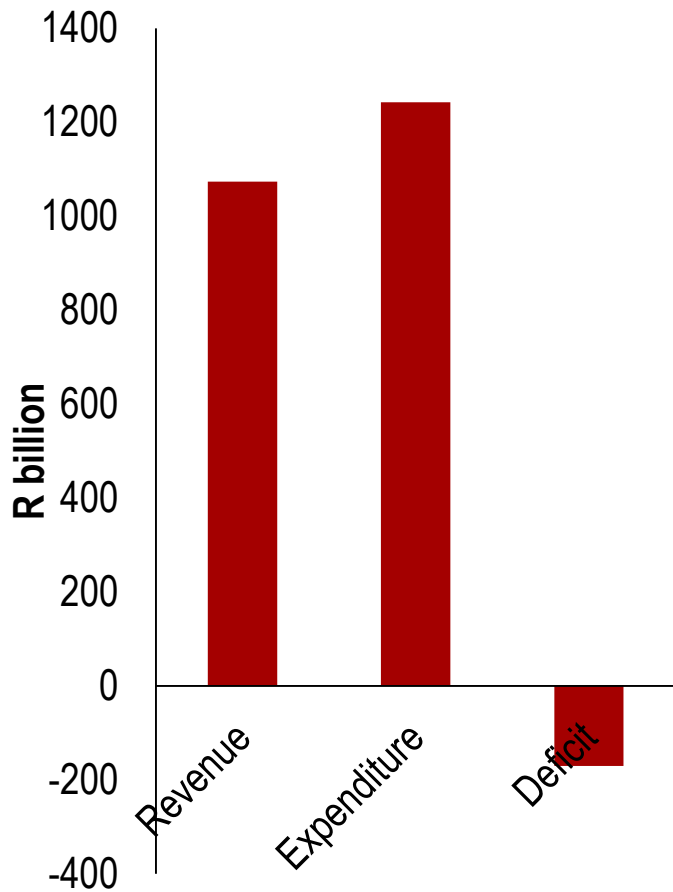
**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA



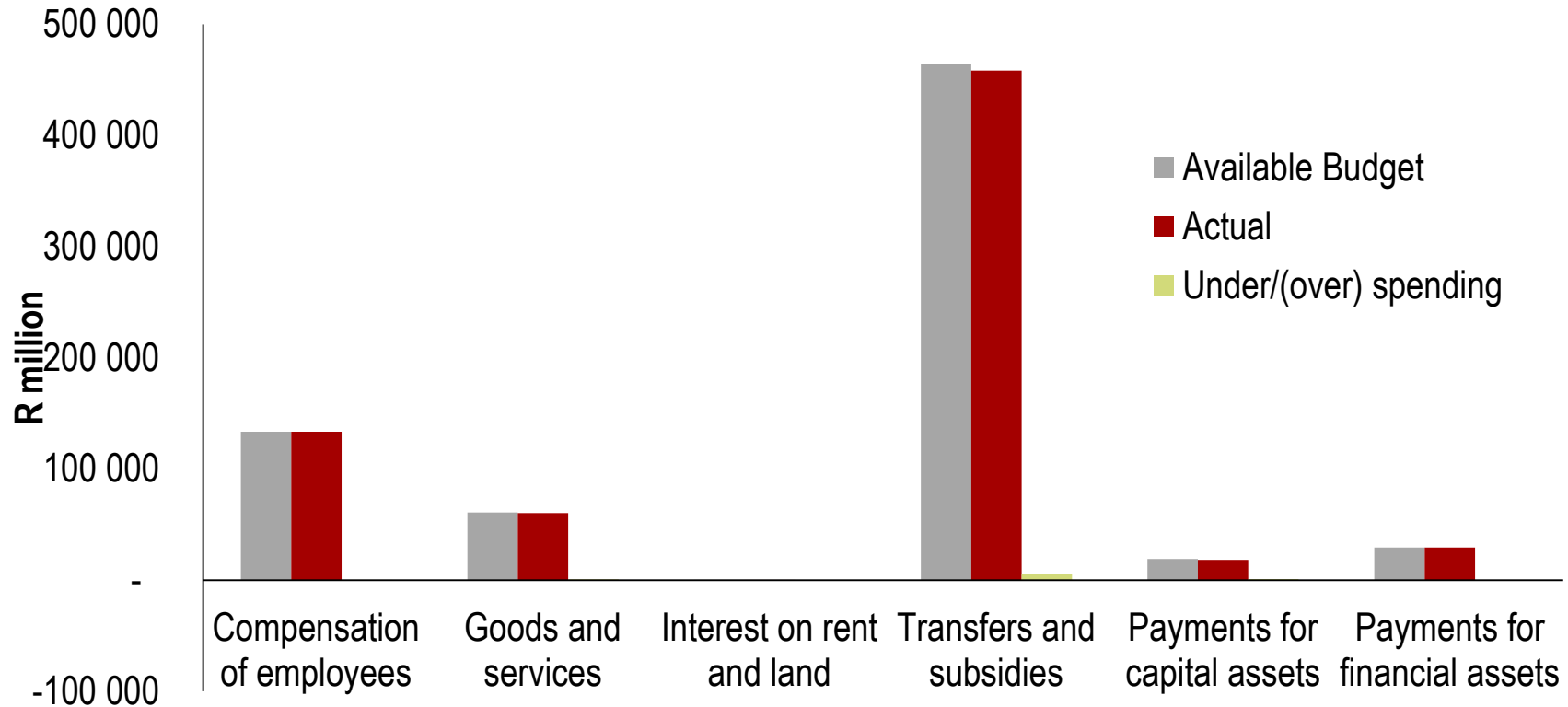
# **2015/16 Preliminary Spending Outcomes**

# Preliminary Revenue and Expenditure Outcomes National Government



- Preliminary spending outcomes indicates:
  - Main budget deficit at 4.2 per cent of GDP
  - Tax revenue collection was R1.070 trillion (Budget estimate was R1.0697 trillion).
  - Underspending of R3.6 billion led to a non-interest spending of R1.115 trillion
  - Lower tax revenue and the underspending led to a borrowing requirement of R1.69 billion

# Voted expenditure outcome per economic classification



- Departments spent R699 billion against the final available budget of R706 billion, underspending of 1 per cent

- Significant underspending on payments for capital assets – underspending of 4.7 per cent of the final available budget)

# Voted expenditure outcome per economic classification

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- Departments that underspent against final available budget:
  - **COGTA** – due to withholding of LGES in municipalities that have not surrendered unspent conditional grants that have not been approved for rollover
  - **Social Development** – savings on disability, old age and child support grants
  - **Human Settlements** – underspending in Social Housing Regulatory Authority
  - **Basic education** – mainly from underspending on the School Infrastructure Backlogs grant (ASIDI) and the EPWP Kha Ri Gude incentive grant
- Three departments that overspent their final available budgets:
  - **DIRCO** – R133 million due to foreign exchange rate fluctuations on foreign denominated expenditure
  - **Parliament** – R50 million mainly on compensation of employees
  - **Correctional Services** – R121 000 on goods and services

# **Preliminary spending outcomes for selected departments**

# Basic Education

R thousand

Vote 14 Basic Education	ENE budget	AENE	Final available budget	Actual expenditure	Expenditure under/(over) available budget	% Expenditure under/(over) available budget
Administration	357,697	360,297	386,645	386,477	168	0.0%
Curriculum Policy, Support and Monitoring	1,877,765	1,844,922	1,837,965	1,797,740	40,225	2.2%
Teachers, Education Human Resources and Ins	1,171,484	1,163,353	1,164,017	1,163,547	470	0.0%
Planning, Information and Assessment	12,129,738	11,974,032	11,959,764	11,511,904	447,860	3.7%
Educational Enrichment Services	5,974,456	5,943,822	5,938,035	5,936,457	1,578	0.0%
<b>Total</b>	<b>21,511,140</b>	<b>21,286,426</b>	<b>21,286,426</b>	<b>20,796,125</b>	<b>490,301</b>	<b>2.3%</b>

## Spent 97.7%, an underspending of R490.361 million, mainly from:

- Programme 4: *Planning, Information and Assessment*
  - R423.4 million on the School Infrastructure Backlogs grant (ASIDI) due to poor performance and difficulty in replacing underperformers by some implementing agents and service providers, and delays in finalising the merging and rationalisation of schools in the Eastern Cape Province
  - R51.9 million from the Annual National Assessments since not all schools completed these assessments in 2015/16
- Programme 2: *Curriculum Policy, Support and Monitoring*
  - R36 million from the EPWP Kha Ri Gude incentive grant due to delays in finalising the calculation of full time equivalents (which is used to determine the amount due to the department) for the EPWP Unit at DPW.

# Health and Social Development

R thousand

Vote	ENE budget	AENE	Final available budget	Actual expenditure	Expenditure under/(over) available budget	% Expenditure under/(over) available budget
16 Health	36 468 018	-214 093	36 253 925	36 038 825	215 100	0.6%
17 Social Development	138 168 640	-275 000	137 893 640	136 405 673	1 487 967	1.1%

## Social Development

- Savings mainly on social grants due to underspending on disability (R733m), old age (R645m) and child support (R369m) grants:
  - Underspending on disability and old age grants was as a result of fewer than anticipated beneficiaries,
  - Underspending on the child support grant was as a result of SASSA's improved efficiency in processing the grant applications - the turnaround time has decreased which resulted in a smaller amount spent on back pay.



# Health and Social Development

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## Health

- R75 million underspending on condoms due to delays in the procurement – department signed-off the design of the packaging at a late stage owing to intellectual property right issues with the new “max” brand, delaying the manufacturing process.
- R41 million underspending on HPV vaccination campaign due to non-submission of claims by provinces to be reimbursed by the department
- R15.4 million underspending on the development of a hospital reimbursement mechanism (DRG) project - it is unclear what progress has been made despite numerous requests for progress reports on this project.
- R18.9 million underspending on the Demographic Health Survey - work was started later than anticipated as the department was looking for alternative donor funding to cover shortfall from a donor who withdrew funding commitments

# Urban and Development Infrastructure

Vote	ENE budget	AENE	Final available budget	Actual expenditure	Expenditure under/(over) available budget	% Expenditure under/(over) available budget
Cooperative Governance and Traditional Affairs	69 314 159	1 501 318	70 815 477	68 057 208	2 758 269	3.9%
26 Energy	7 482 094	-214 475	7 267 619	7 142 117	125 502	1.7%
Telecommunications and Postal Services	1 413 328	-8 075	1 405 253	1 300 097	105 156	7.5%
32						
35 Transport	53 357 297	257 780	53 615 077	53 320 787	294 290	0.5%
36 Water and Sanitation	16 446 530	-700 000	15 746 530	15 556 974	189 556	1.2%
38 Human Settlements	30 943 381	-400 000	30 543 381	30 042 243	501 138	1.6%

## COGTA

- Underspending due to offsetting R2.4 billion off the Local Government Equitable share from municipalities who did not surrender unspent conditional grants in 2014/15

## Energy

- Underspending of R125 million on solar water heater project due to procurement delays in the new delivery model

## DTPS

- Underspending on SA Connect and funds were shifted to SA Post Office for the national address system and Sentech for dual illumination

## Transport

- R254 million withheld from KZN on the PRMG due to non-compliance with conditions set in term of DORA

## Human Settlements

- After R500 million was reduced in the Restructuring Capital Grant in the AENE, only 25 per cent was transferred to SHRA to rebuild the project pipeline

# Economic Services

R thousand

Vote	ENE budget	AENE	Final available budget	Actual expenditure	Expenditure under/(over) available budget	% Expenditure under/(over) available budget
31 Small Business Devel	1 103 188	24 332	1 127 520	1 098 891	28 629	2.5%

## SBD

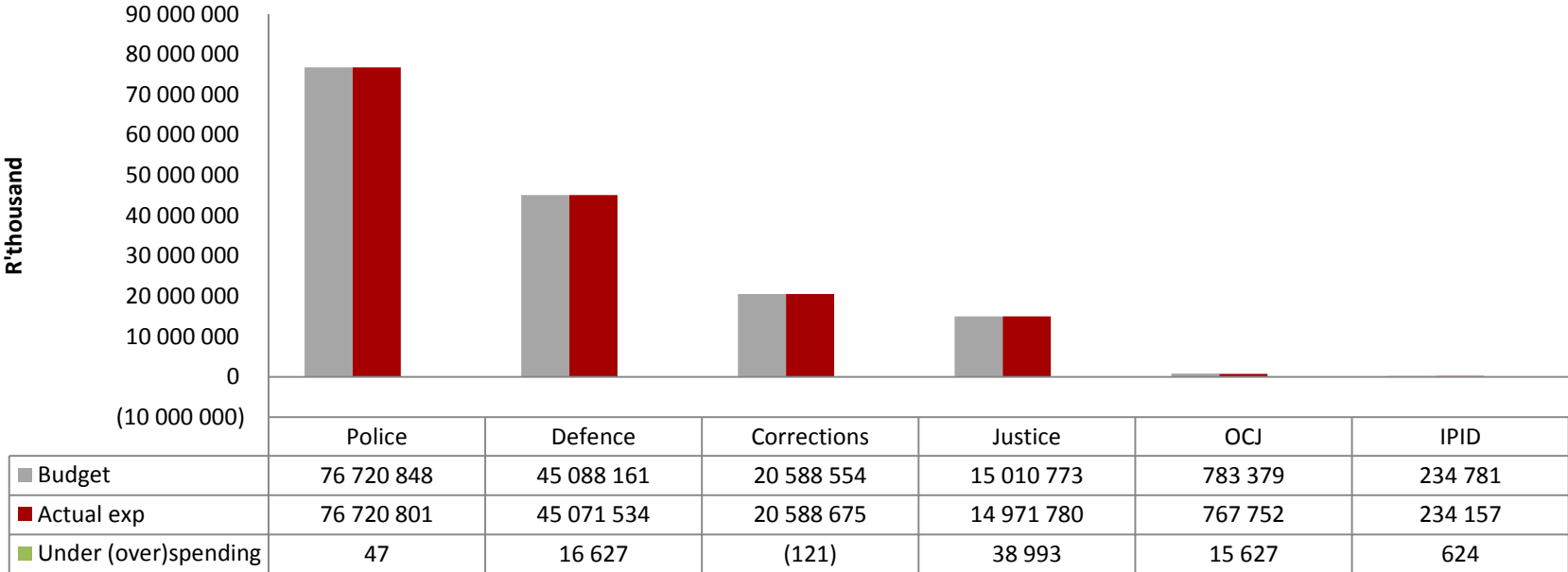
- Underspensing of 2.5 per cent mainly due to the slow filling of posts and the associated spending on goods and services
  - Vote was only established in Budget 2015
  - More funding was provided in 2016 MTEF to increase capacity.

# General Public Services

R thousand						
Vote	ENE budget	AENE	Final available budget	Actual expenditure	Expenditure under/(over) available budget	% Expenditure under/(over) available budget
1 The Presidency International Relations and 6 Cooperation	510 330	-34 401	475 929	466 737	9 192	1.9%
7 National Treasury	5 698 634	812 220	6 510 854	6 644 743	-133 889	-2.1%
11 Public Works	26 957 304	2 047 757	29 005 061	28 690 816	314 245	1.1%
12 Statistics South Africa	6 411 087	-98 865	6 312 222	6 281 147	31 075	0.5%
	2 245 208	78 048	2 323 256	2 274 250	49 006	2.1%

- Except for DIRCO, most departments underspent against the final available budget:
  - Presidency due to less travelling spending and the maintenance of e-Cabinet system
  - National Treasury underspent on the Jobs Fund and transfers to municipalities
  - Public Works underspent due to vacant positions and EPWP linked to the IDT
  - Statistics SA underspent due to delays in the construction of the new building

# JCPS Spending



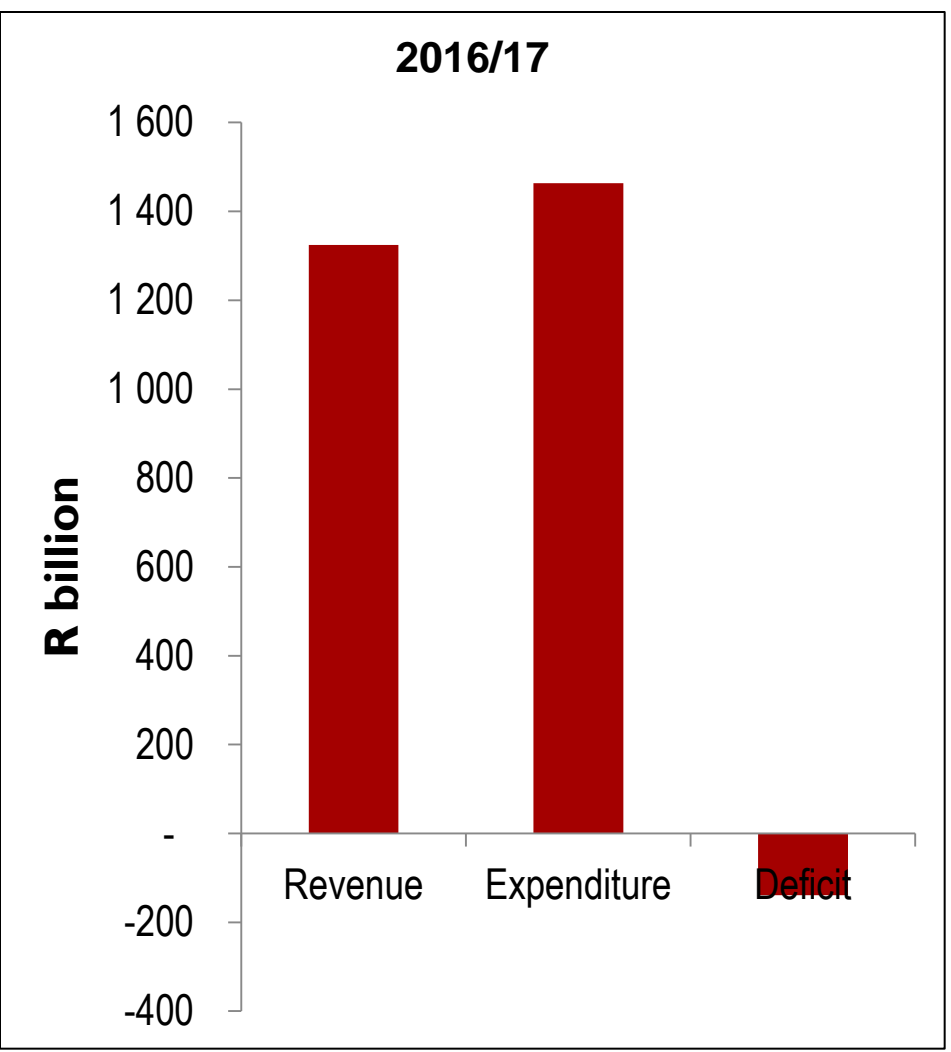
Overspending in DCS is attributable to nutritional services under goods and services

Underspending in departments due to:

- **IPID** - mainly due to vacant posts
- **Justice** - late submission of invoices for office accommodation and computer services by DPW and SITA respectively
- **Defence** - delays in finalising the procurement process for the mobility packages utilised during border safeguarding operations
- **OCJ** - outstanding G fleet invoices

# 2016/17 Quarter 1 Spending

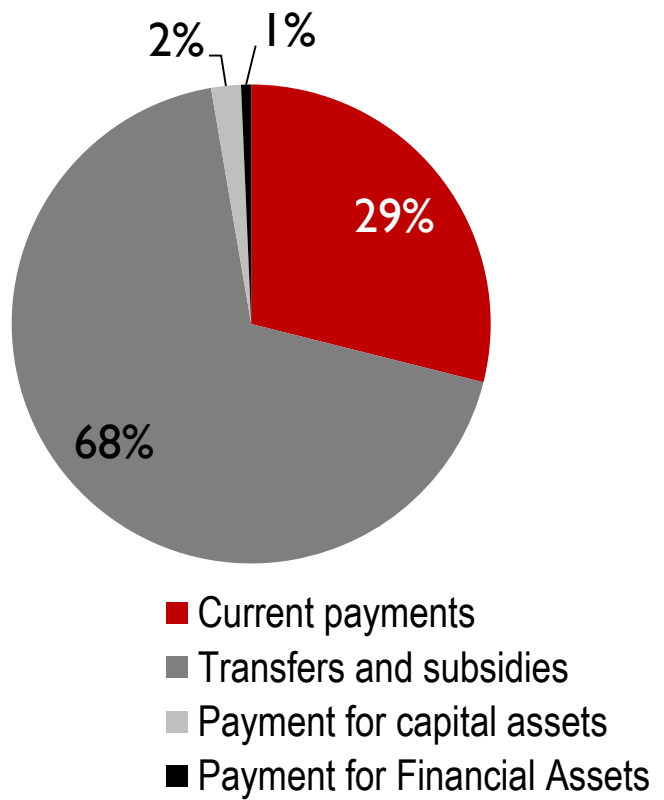
# Revenue and Expenditure Estimates



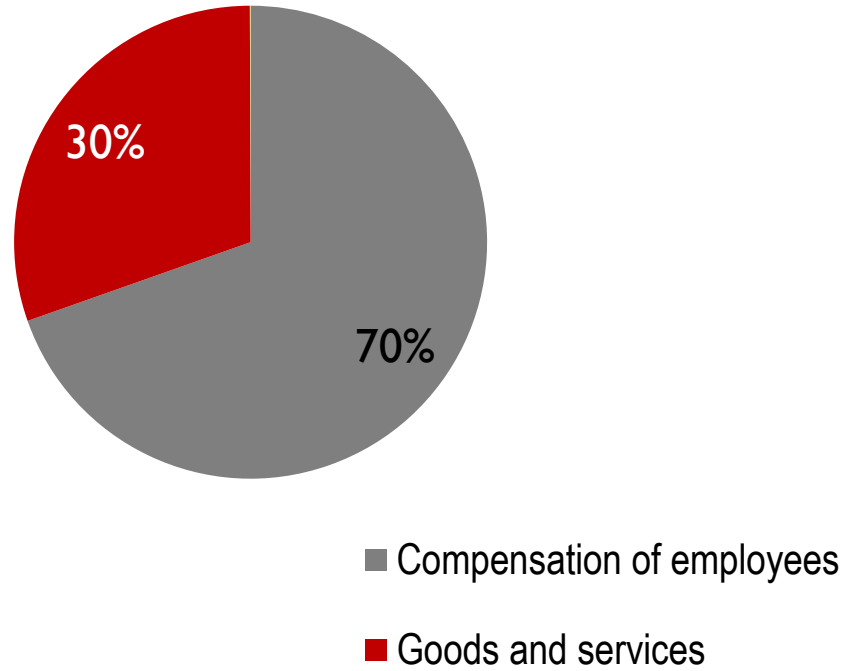
- Based on the 2016 Budget:
  - Main budget revenue is estimated at R1.324 trillion
  - Total expenditure for 2016/17 is projected at R1.463 trillion
  - Deficit is estimated at R139 billion

# Voted Expenditure – 2016/17

Available Budget

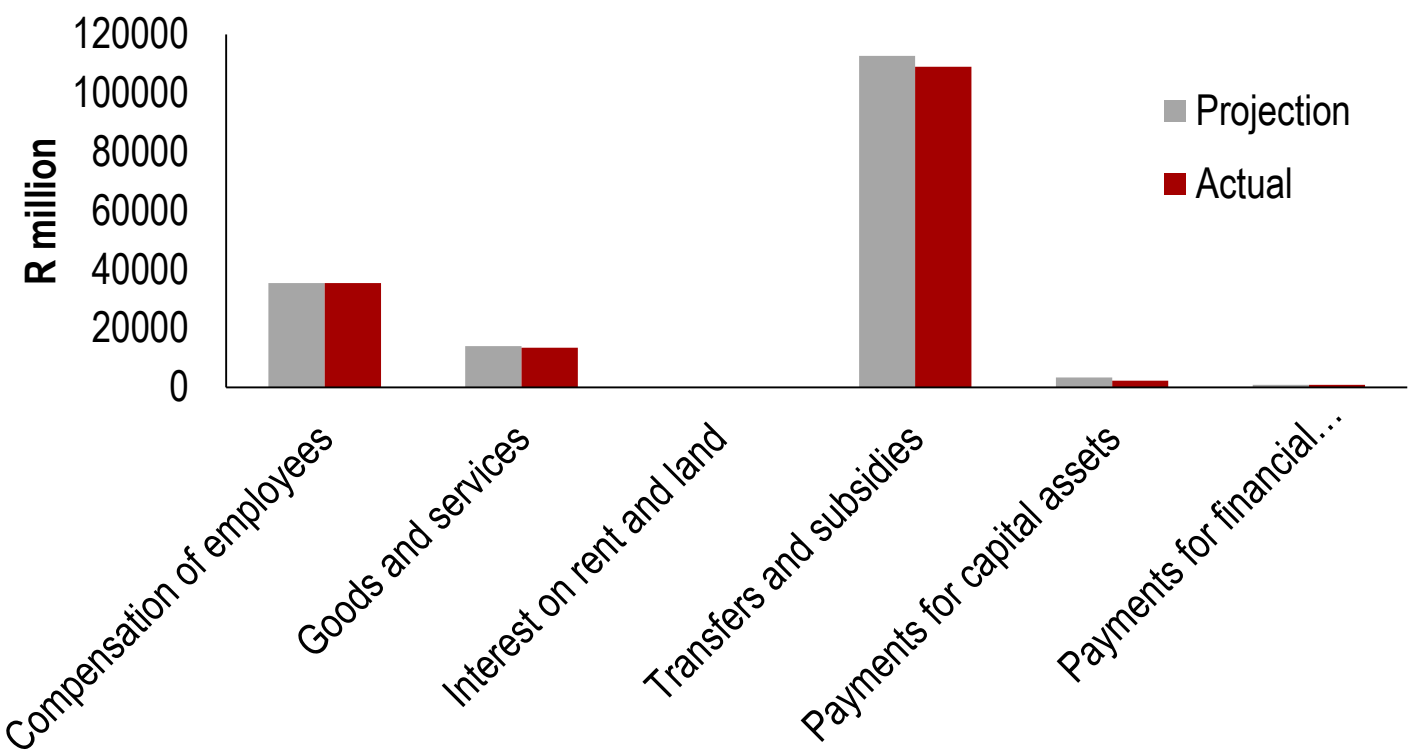


Current payments





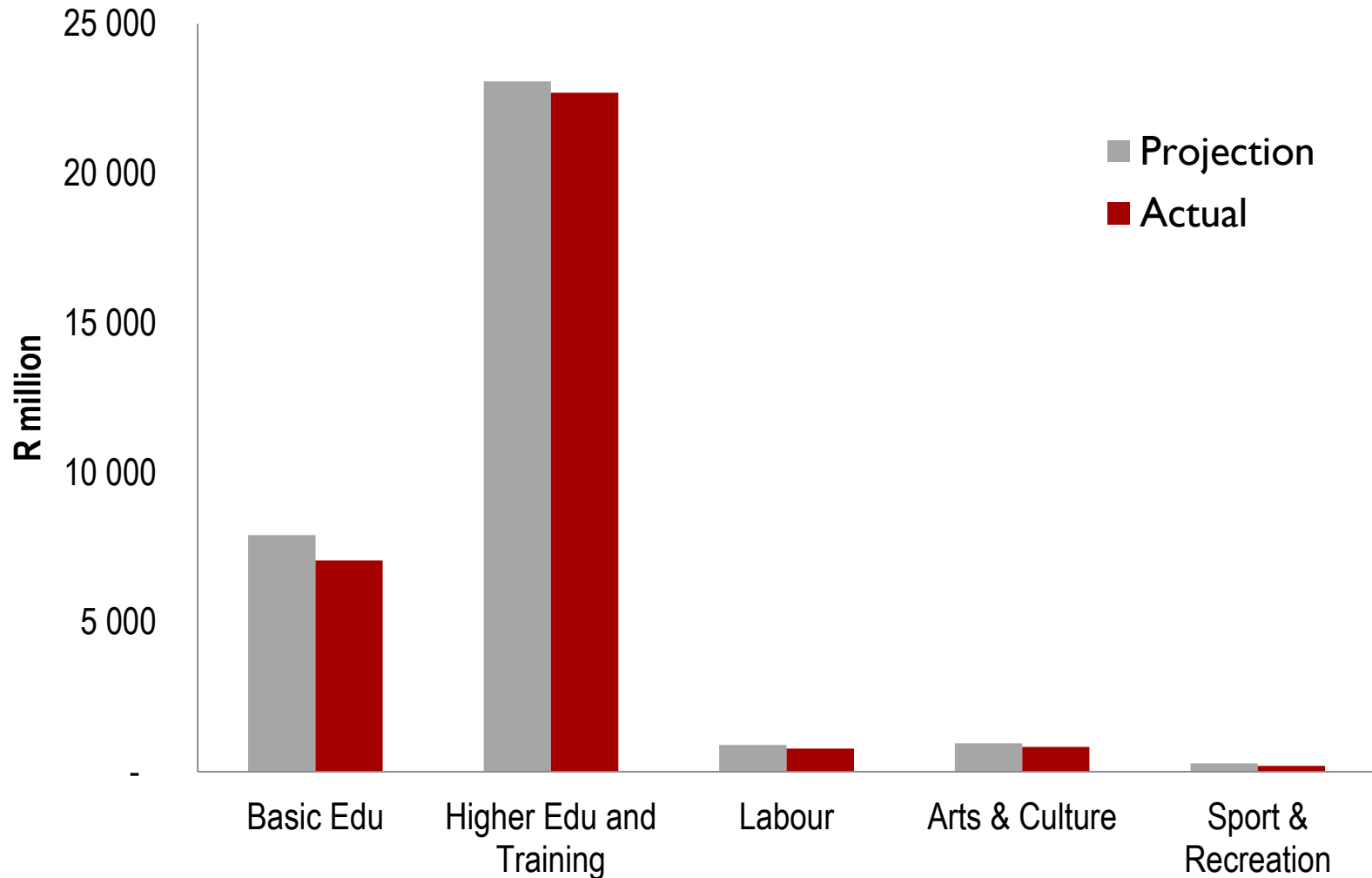
# Voted Expenditure – Q1 Spending



- 22.4 per cent of available budget spent so far; 3.1 per cent less than projected
- Departments that significantly spent less than projected are COGTA (40.3%), Sports and Recreation (29.3 %), DTPS (23.4%), RDLR (21.7%) and SBD (21.1%)
- Departments that spent significantly higher than projected: The Presidency (6.3%) and DWS (5.4%)

# **Q1 Spending per functional group**

# Education and related departments



# Education and related departments

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## Basic Education

- 31.8 per cent spent; variance is mainly under programmes 2 and 4:
  - Programme 2 - expenditure on workbooks will only take place in Quarter 2, while it was initially projected to happen in Quarter 1. The delay is not expected to result in the late delivery of workbooks for the 2017 school year.
  - Programme 4 – low spending due to implementation delays in the School Infrastructure Backlogs grant, where R176 million was spent against the projected amount of R929 million for the quarter; slow spending also due to poor performance by some implementing agents, difficulty in replacing underperformers, and delays in finalising the merging and rationalisation of schools in the Eastern Cape Province.
  - Underspending of this grant has been a problem since its inception in 2011/12

# Education and related departments

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## Higher Education and Training

- 46.2 per cent of available budget spent; variance mainly due to delayed payment of infrastructure and efficiency grant for university infrastructure. These funds are released based on submissions by higher education institutions that the department needs to analyse against the necessary criteria before disbursements are made. At times this process takes longer than anticipated.

## Labour

- 26.9 per cent of the available budget spent; variances mainly under programmes 1 and 4
    - Programme 1- slow spending on computer services due to delays in placing and receiving orders from SITA; delays in receiving invoices from DPW for office accommodation as well as poor spending on compensation of employees due to funded vacant posts.
    - Programme 4- slow spending due to late foreign payments as a result of delays by DIRCO in providing payment invoices
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# Education and related departments

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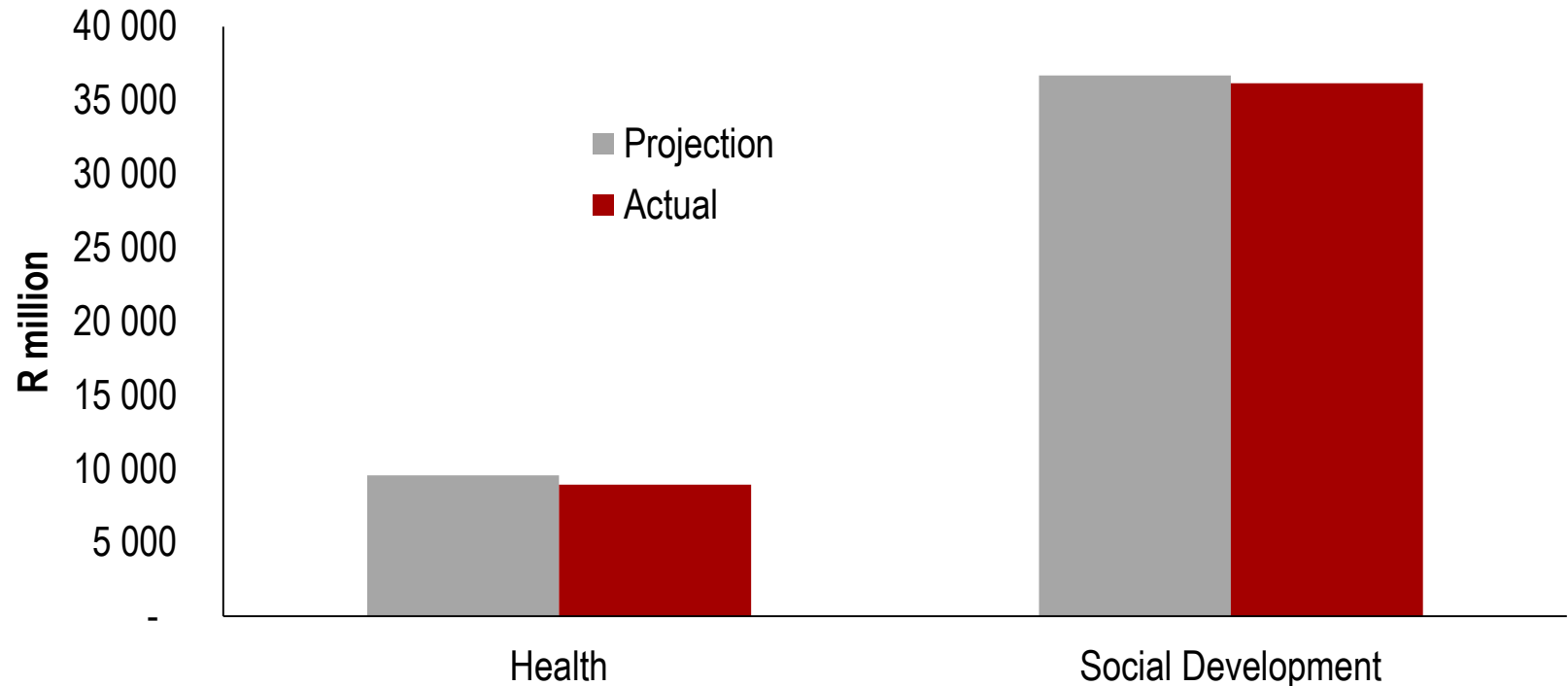
## Arts and Culture

- 20.2 per cent of available budget spent so far;
- R65.3 million was not spent in programme 3 due to delays in the selection process of an appropriate institution to host the Venture Capital Fund, which is meant to support emerging cultural industries
- Spending on Capital Works projects remains poor due to delays by DPW in implementing projects and submitting invoices for the legacy projects and capital works projects at heritage institutions
- concerned that the trend of shifting funds from capital projects to augment other programmes is likely to continue if DPW does not fast track implementation and invoicing of these projects

## Sport and Recreation

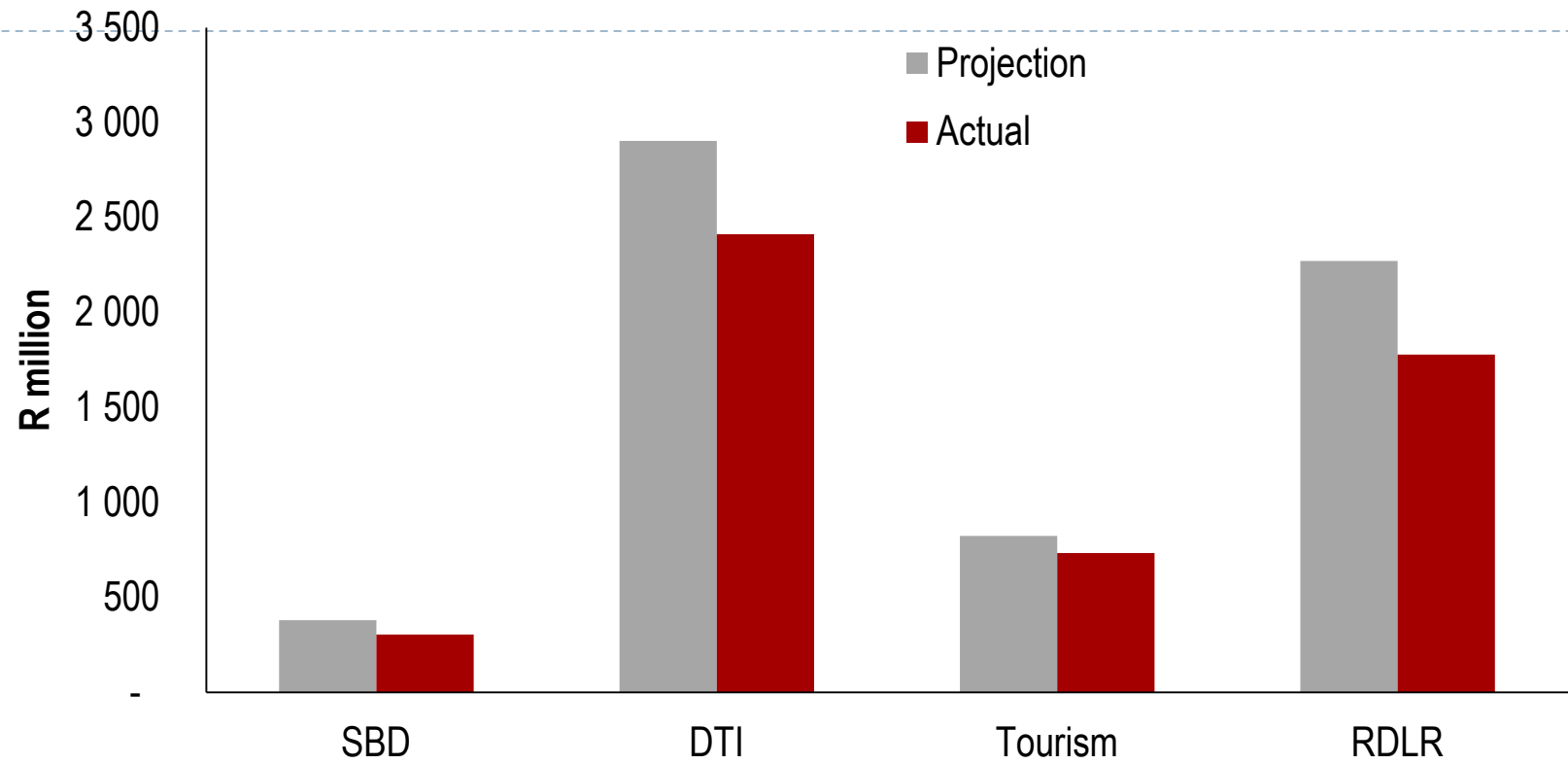
- R192 million or 18.7 per cent of available budget spent thus far; slow spending is mainly in Programme 2 where the department has withheld conditional grant transfers to Limpopo and North West as they have not submitted the required documentation as per the grant framework
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# Health and Social Development



- Health spent 23.2 per cent of available budget; spending is 6.5 per cent less than projected expenditure under various programmes.
- Health should consider ways to improve general Infrastructure planning and coordination. Currently, a large number of smaller projects are included in the master project list for the National Health Insurance Indirect Grant. This negatively impacts the Department's ability to deliver on the larger projects. Consideration should therefore be given to whether maintenance projects should be shifted back to provinces

# Economic Services



## Small Business Development

- Spent 23 per cent of available budget and recorded 19.9 per cent variance against projected expenditure, mainly due to slow spending on incentive schemes due to the following reasons:
  - National Informal Business Upliftment Scheme – department is still building capacity to fully implement the strategy;
  - Black Business Supplier Development Programme and Cooperatives Incentives scheme received and processed fewer claims than anticipated



# Economic Services

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## Trade and Industry

- Spent 16.9 per cent less than projected mainly under Programme 6 because
  - Earmarked funds not disbursed to companies because of outstanding compliance documentation;
  - Funds earmarked for the Automotive Production and Development programme not disbursed as due diligence was not completed;
  - Claims not received from companies for the Enterprise Investment Programme

## Tourism

- Spent 36.5 per cent of available budget; 10.9 per cent less than projected expenditure mainly due to:
  - Delays in finalising MOA with a service provider for the National Tourism Career Expo;
  - Slow spending on EPWP training projects;
  - Slow spending on infrastructure projects that are nearing completion

## Rural Development and Land Reform

- Spent 17.6 per cent of available budget
  - Spending is 21.7 per cent less than projected
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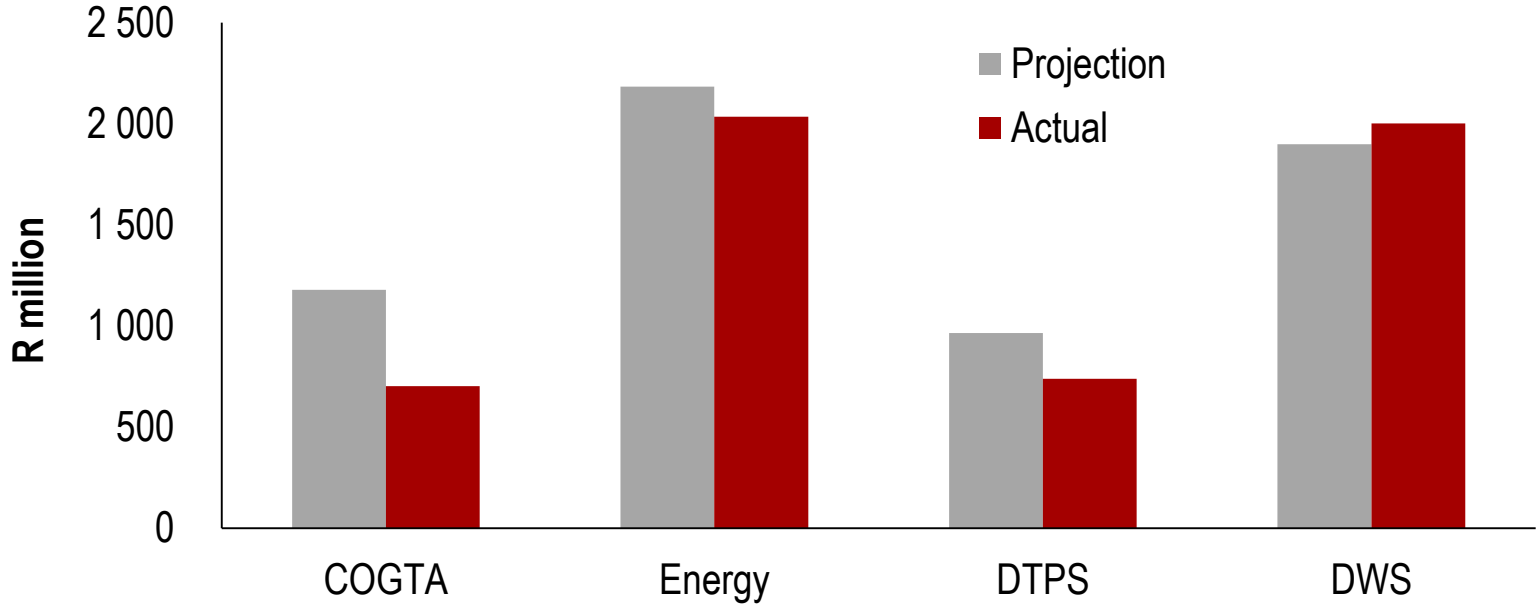
# Economic Services

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## Rural Development and Land Reform

- Spent 17.6 per cent of available budget
- Spending is 21.7 per cent less than projected mainly under Programmes 1, 2 and 4.
  - Slow spending on Restitution as the department focusses on research of claims in the first half of the financial year and acquires land in the second half

# Urban Development and Infrastructure



# Urban Development and Infrastructure

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## COGTA

- Lower than projected spending due to no new disasters declared in the first quarter and slower than expected uptake in the community works programme.

## Energy

- Higher than expected spending on compensation of employees in the first quarter.

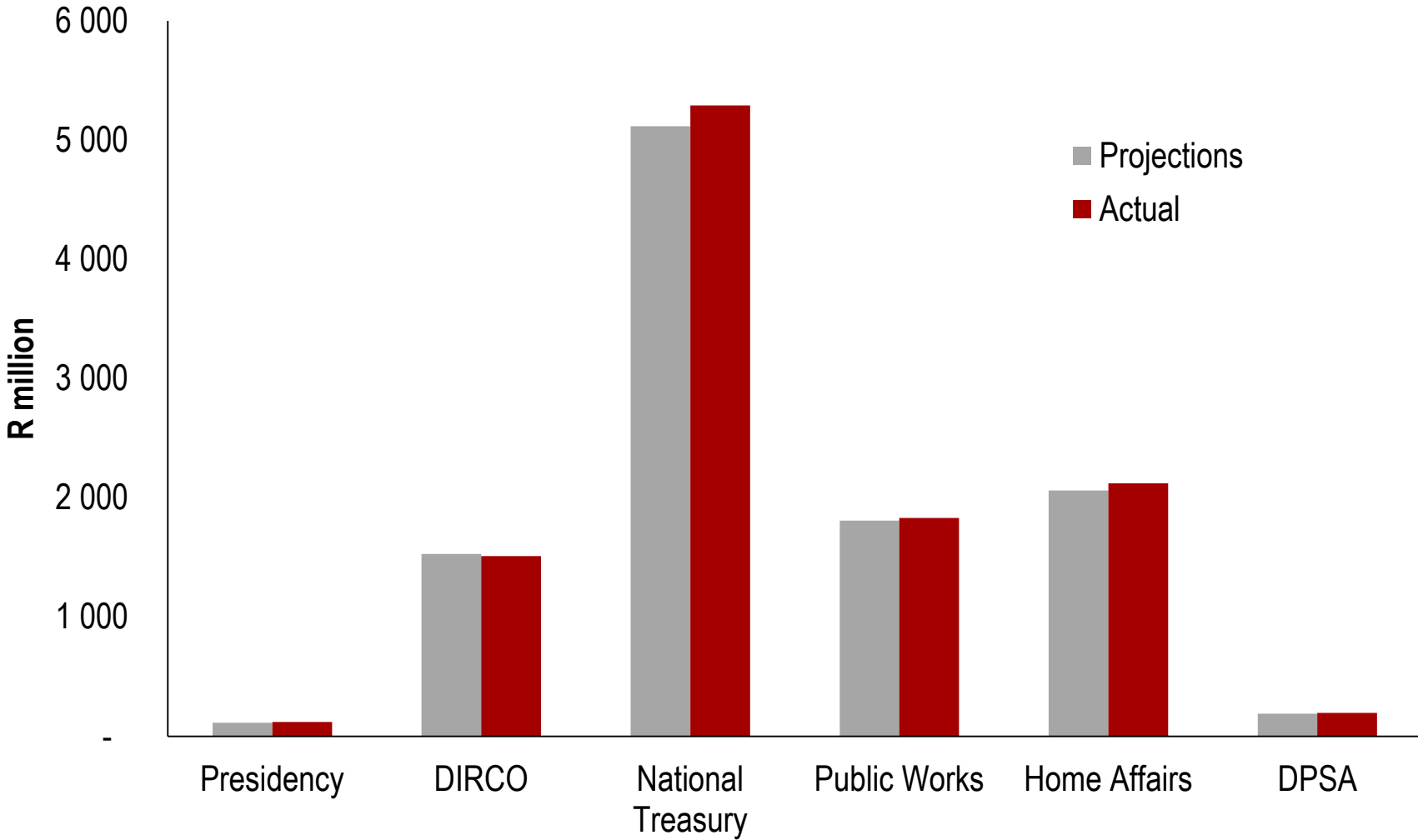
## DTPS

- 74 per cent spending in ICT Enterprise Development and oversight due to once-off recapitalisation of the SA Post Office.
- Lower than expected spending in ICT Infrastructure Support due to funds not transferred to USAASA as the department received insufficient information on the utilisation of previous transfers and the ongoing litigation related to the STB technology.

## DWS

- Higher than projected expenditure due to the payments of invoices for the previous year on the indirect portion of the RBIG and WSIG and transfers to the Water Trading Entity.
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# Administrative Services



# Administrative Services

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## Presidency

- Spent R7.2 million or 6.3 per cent more than projected due to clearing of accruals from the 2015/16

## Home Affairs

- Spent 3 per cent more than projected expenditure due to payments of operating leases and property payments that was higher than the originally budgeted

## Public Works

- Spent 2.1 per cent more than projected due to expenditure incurred by the Property Management Trading Entity (PMTE) in Programme 4 that still reflects in the department's financial management systems
  - Slow spending on the agency and outsourced/outsourced services of R13.8 million in Programme 3: Expanded Public Works Programme is a concern.
  - Slow spending on transfers and subsidies to provinces and municipalities is a result of funds withheld due to non-compliance in terms of reporting
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# Administrative Services

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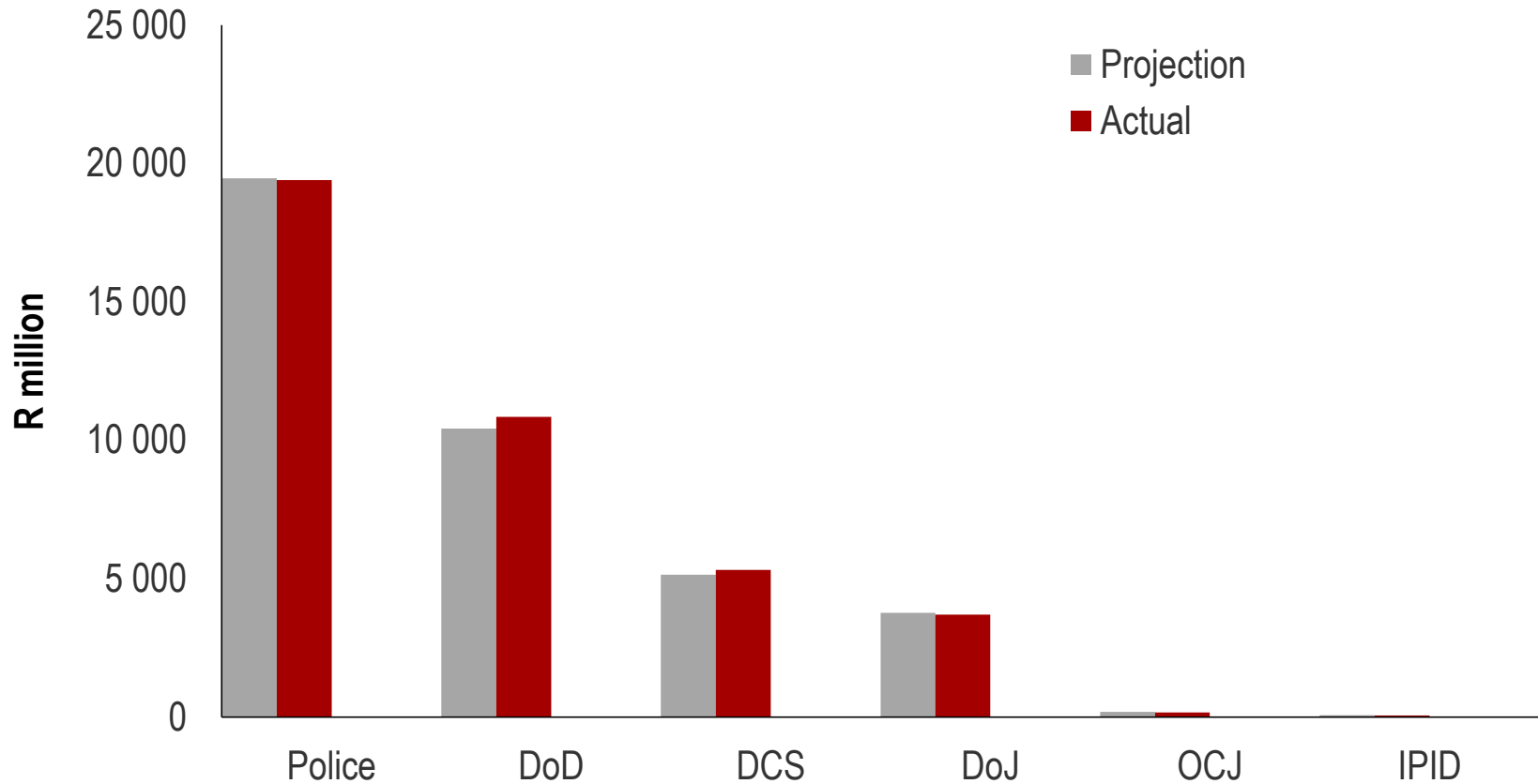
## National Treasury

- Spent 18.6 per cent of the available budget; 3.4 per cent more than projected expenditure, mainly under Programmes 5, 7 and 8

## DPSA

- Spent 25.5 per cent of available budget
- 3.6 per cent more than project expenditure mainly under Programmes 1 and 5
  - Procured 3 vehicles that were not budgeted for;
  - Unplanned spending on public participation programmes;
  - High spending on travel and subsistence due to unplanned expenditure on Open Government Partnership related activities as well as Izimbizos by the Minister and Deputy Ministers

# JCPS



- Higher than expected spending mainly due to 2015/16 accruals on municipal services, accommodation charges (DCS) and payments for housing benefits (Defence)
- Lower than expected spending mainly on goods and services and compensation of employees (IPID and OCJ)



**THANK YOU**