

1st Quarter Expenditure 2012/13

Standing Committee on Appropriations

Presenter: Andrew Donaldson | Deputy Director General: Public Finance | 17 October 2012

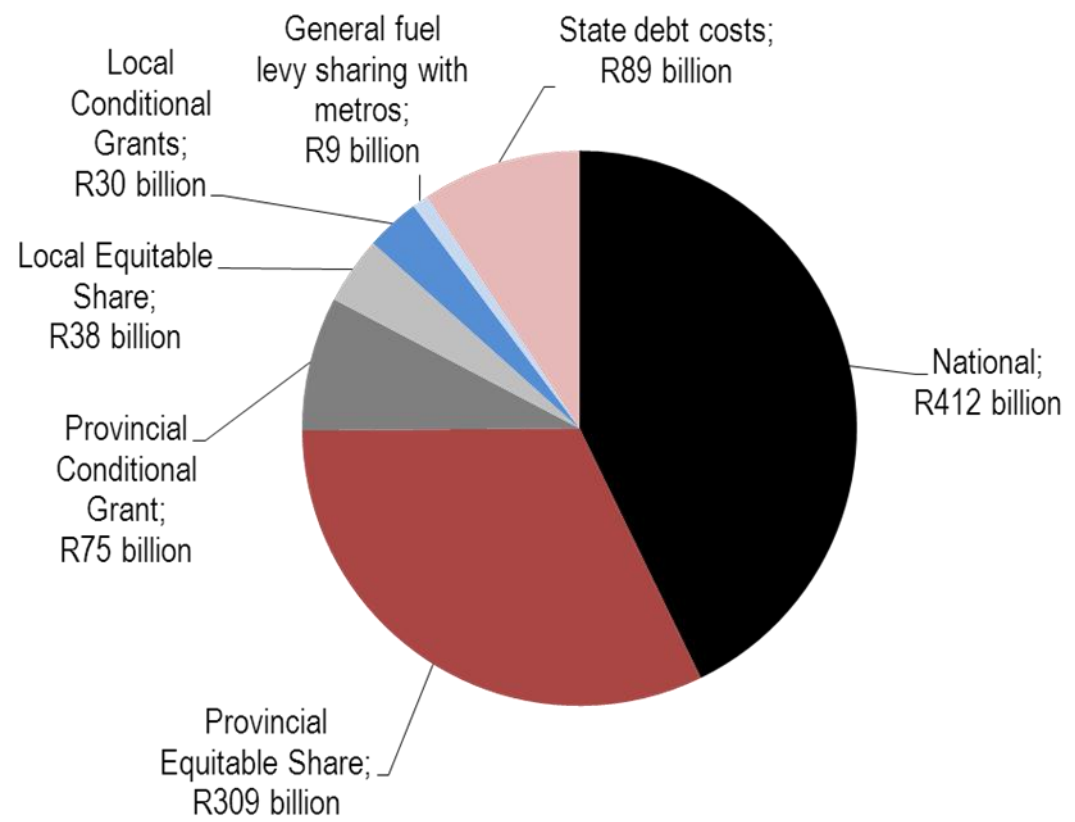


national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

National Budget 2012/13

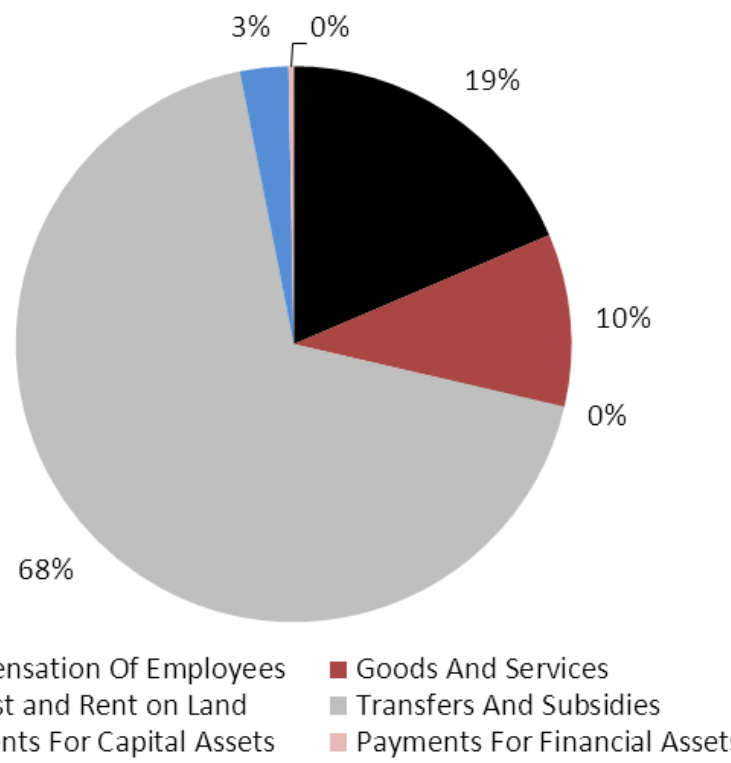
▶ The National Budget for 2012/13 is R963.6 billion



National Budget 2012/13

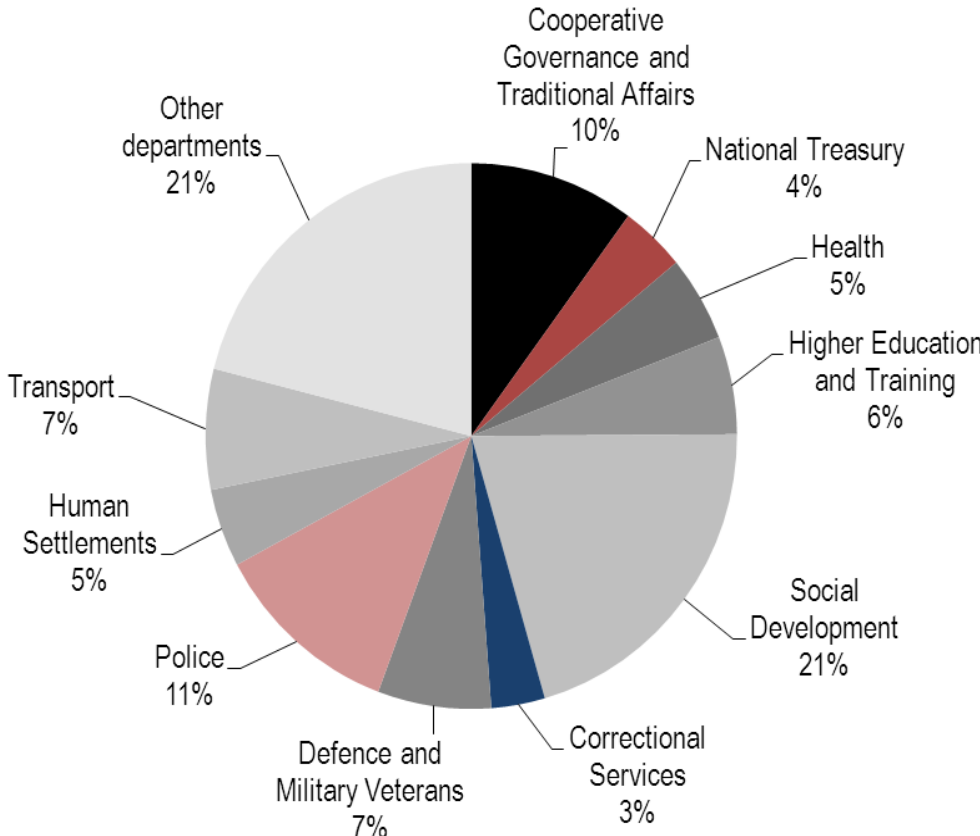
- ▶ The Provincial Equitable Share, the State debt cost and the General Fuel Levy, together with the Skills Levy payments and the wages for the president, parliament and magistrates are Direct Charges against the National Revenue Fund
- ▶ Excluding these payments the national budget amounts to R543.6 billion

National Budget 2012/13 excluding Direct Charges



- ▶ The largest transfer is for social grants
- ▶ Followed by the local government equitable share and projects in transport, human settlements, universities, health and education
- ▶ The largest portion of compensation of employees spending is for salaries for Police functions
- ▶ The three largest components of Payments to Capital Assets are for water services projects, police buildings, vehicles and equipment, and schools infrastructure

National Budget 2012/13 excluding Direct Charges



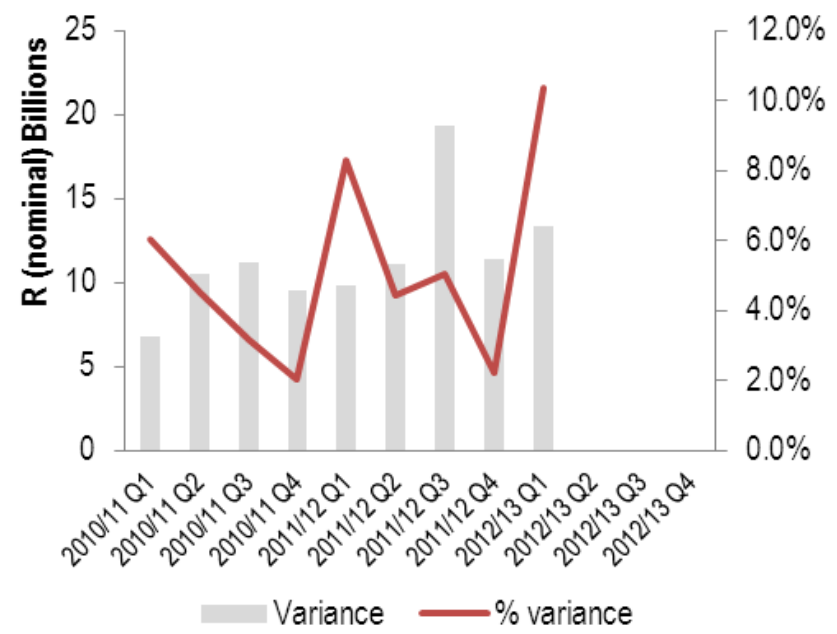
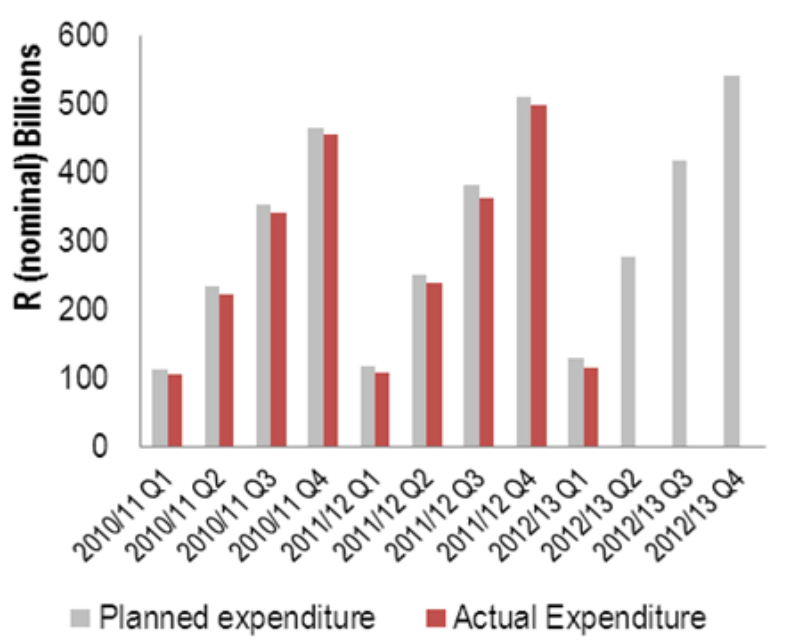
- ▶ Departments with the ten largest budgets are illustrated separately
- ▶ The Department of Social Development (Vote 19) has the largest budget – the majority being for social grants
- ▶ Followed by the departments of Police (Vote 25) and Cooperative Governance and Traditional Affairs (Vote 3) –mainly for wages for police services and the local government equitable share respectively

Expenditure Q1 2012/13 exclusive of Direct Charges

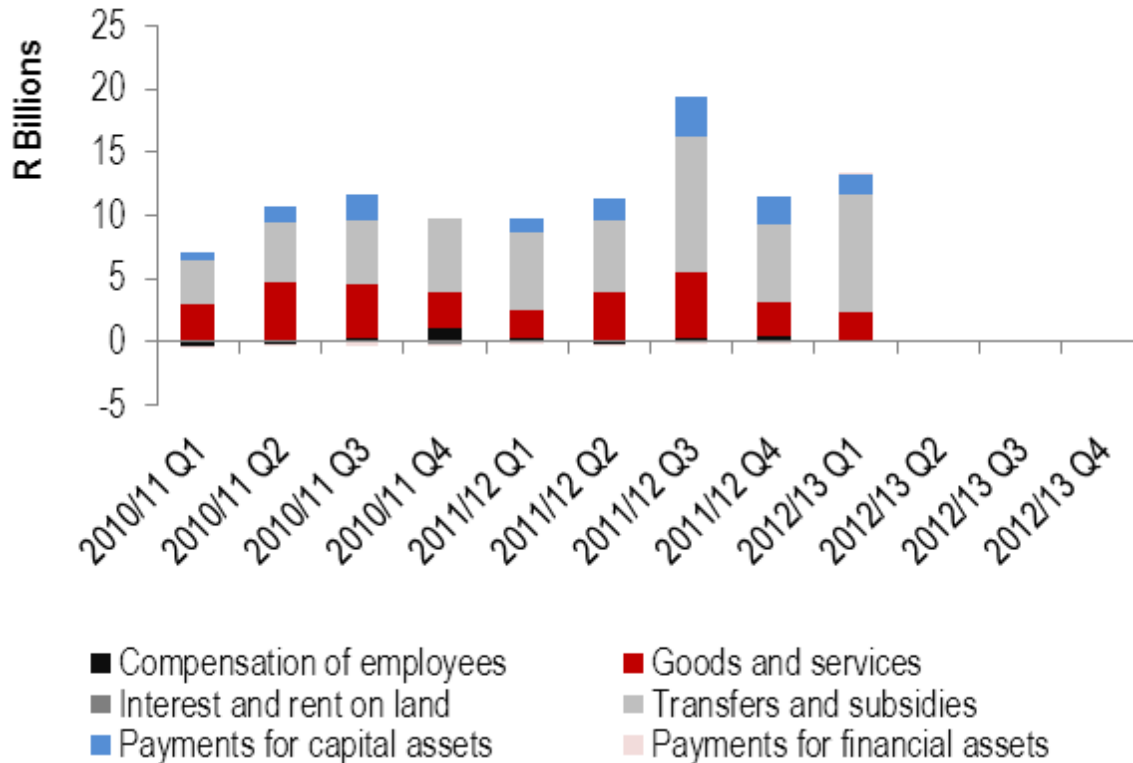
- ▶ National government spent R115.8 billion by the end of the first quarter of 2012/13 – 21.3 per cent of the total available budget for the whole year
- ▶ Planned expenditure over this period was R129.2 billion – equivalent to 23.8 per cent of the total available budget
- ▶ Hence overall government expenditure exclusive of direct charges lagged planned expenditure by R13.4 billion at the end of the quarter

Expenditure exclusive of Direct Charges previous quarters

▶ This is slightly above the average quarterly lag behind planned expenditure since the beginning of 2010/11

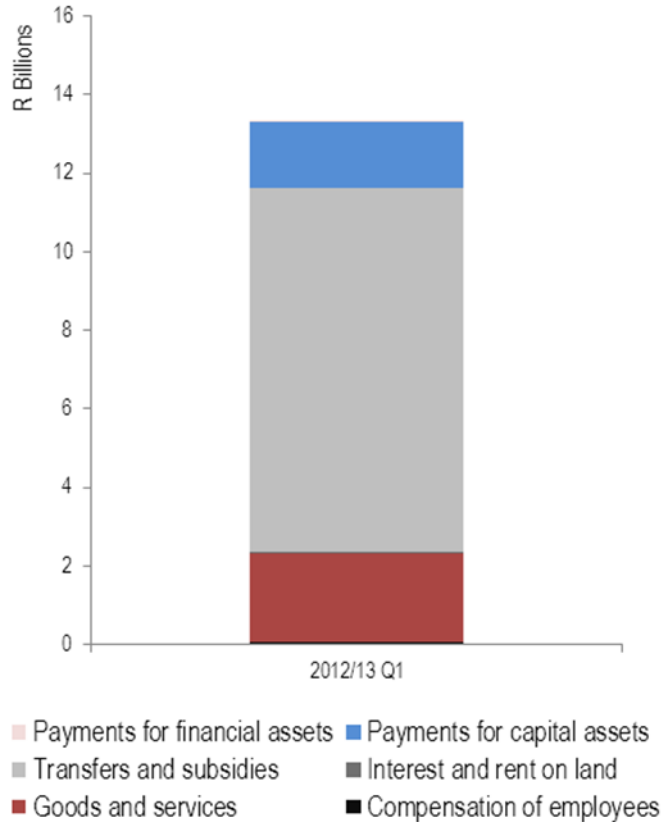


Lag behind planned expenditure by economic classification (exclusive of Direct Charges)



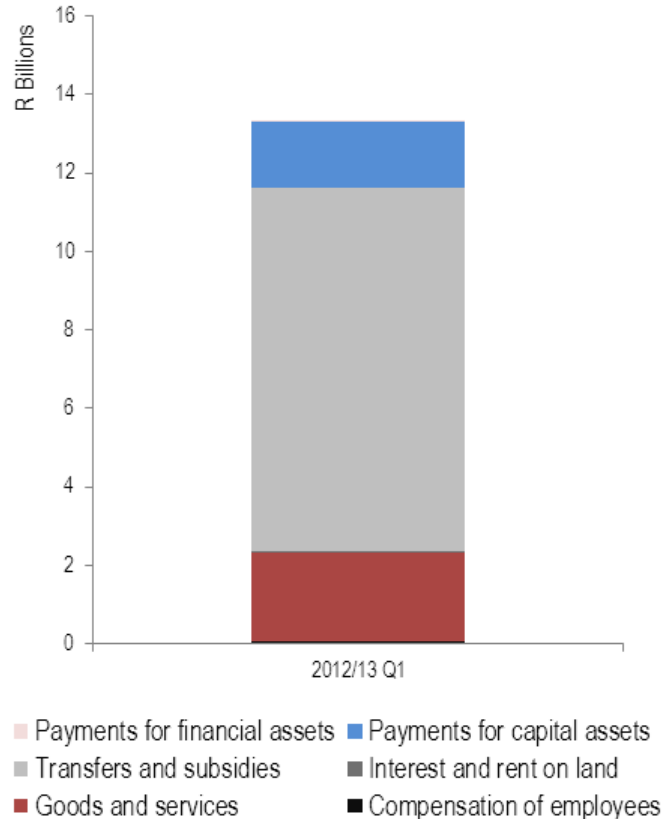
- ▶ The lower-than-expected spending across government in the first quarter is primarily under Transfers and Subsidies
- ▶ There is also slower than expected spending under Goods and Services and Payments to Capital Assets
- ▶ This has been the composition of the lag behind expected spending over the majority of the past nine quarters

Lag behind planned expenditure by economic classification (exclusive of Direct Charges)



- ▶ Under transfers and subsidies the lag is primarily in the department of Social Development – in the main resulting from an accounting technicality and so not implying a problem in financial planning or spending
- ▶ Also delays to transfers in the departments of Human Settlements; Rural Development and Land Reform; and Health
- ▶ Including the: Human Settlements Development Grant; Restructuring capital grant; Restitution grants; Land Reform grants; Comprehensive HIV and AIDs grant, Health Infrastructure grant

Lag behind planned expenditure by economic classification (exclusive of Direct Charges)



- ▶ The lag in Goods and Services expenditure is spread across departments – the largest individual lag resulting from delays in the receipt of invoices for municipal services under the department of Defence and Military Veterans
- ▶ The lag under Payments for Capital Assets is primarily due to delays in payment of the school infrastructure backlogs grant and delays in the implementation of water services projects
- ▶ Expenditure on Compensation of Employees is broadly as expected although the Department of Police spent R451.4 million more than planned due to improvements in conditions of service and pay progressions

Largest ten lags behind planned expenditure and expenditure ahead of plans: Q1 2012/13

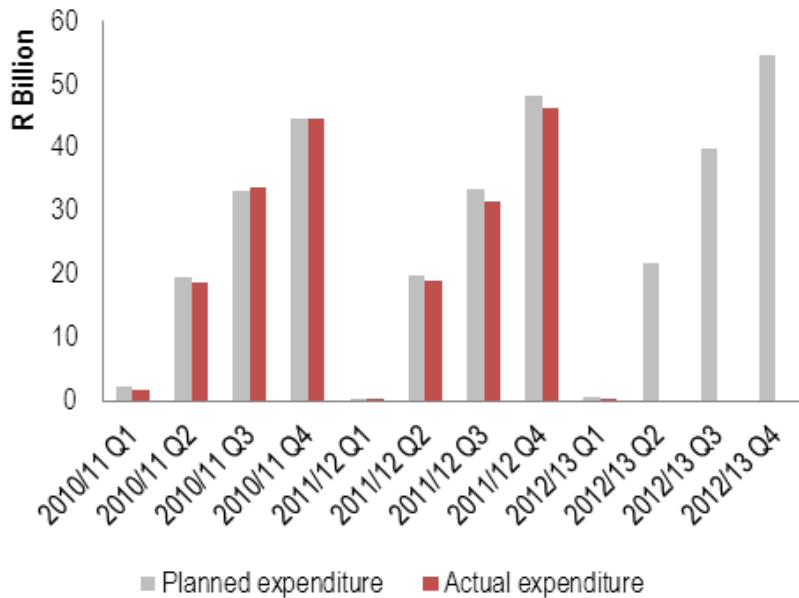
Vote	2010/11	2011/12	2012/13			
	Rand value deviation end year	Rand value deviation end year	Available budget	Actual expenditure	% of budget expended end Q1	Rand value deviation end Q1
	R millions	R millions	R millions	R millions		R millions
3 Cooperative Governance and	R 115	R 1 984	R 54 716	R 181	0%	R 318
10 National Treasury	R 2 949	R 2 477	R 21 551	R 4 518	21%	R 302
13 Statistics South Africa	R 289	R 56	R 1 722	R 415	24%	-R 20
15 Basic Education	R 657	R 1 197	R 16 344	R 4 141	25%	R 542
16 Health	R 743	R 254	R 27 557	R 6 635	24%	R 638
19 Social Development	R 873	R 1 145	R 112 217	R 27 896	25%	R 6 553
21 Correctional Services	R 729	R 333	R 17 732	R 3 696	21%	R 412
29 Energy	R 158	R 27	R 6 806	R 856	13%	-R 48
30 Environmental Affairs	R 98	R 93	R 4 512	R 1 209	27%	-R 307
31 Human Settlements	R 200	R 229	R 25 263	R 3 639	14%	R 1 000
33 Rural Development and Land	R 157	R 139	R 8 878	R 1 588	18%	R 656
34 Science and Technology	R 76	R 4	R 4 956	R 1 281	26%	R 426
38 Water Affairs	R 263	R 784	R 8 813	R 1 293	15%	R 786
Government Total	R 9 832	R 11 346	R 542 296	R 115 526	21%	R 13 337

- Cells highlighted in red were amongst the ten highest variances at each year end
- Cells highlighted in yellow are amongst the lowest ten percentages of total budget expended at end of Q1 2012/13
- Funds written in red text indicate spending above that which was planned for end Q1 2012/13

Summary of expenditure ahead of plans

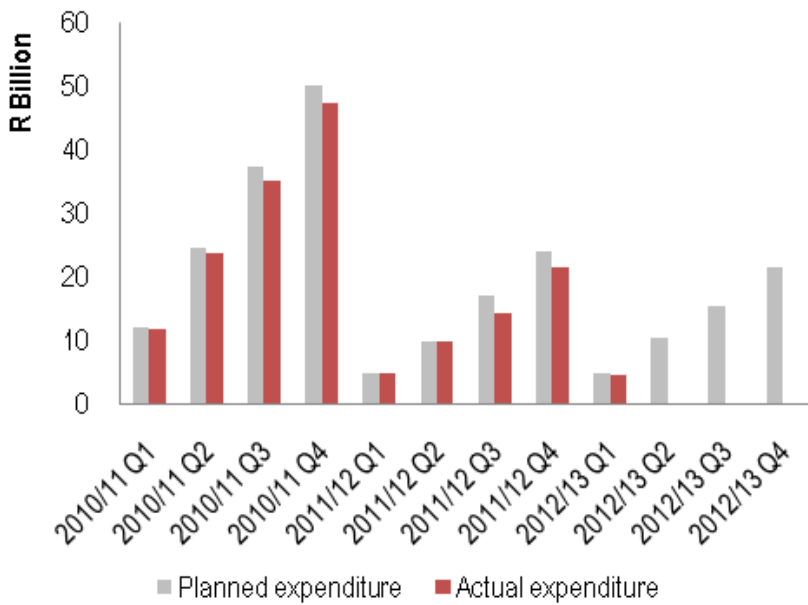
- ▶ Statistics South Africa – Goods and Services: Survey Operations; Release of Census data brought forward
- ▶ Energy – Transfers and Subsidies: transfers to the South African Nuclear Energy Corporation (NECSA), the National Nuclear Regulator (NNR) and the South African National Energy Development Institute (SANEDI) paid early
- ▶ Environmental Affairs – Transfers and Subsidies: Natural Resource Management Programme; to catch up on the backlog from last year. Payments to Capital Assets: VAT payment on new polar vessel (SA Agulhas II)

Cooperative Governance and Traditional Affairs



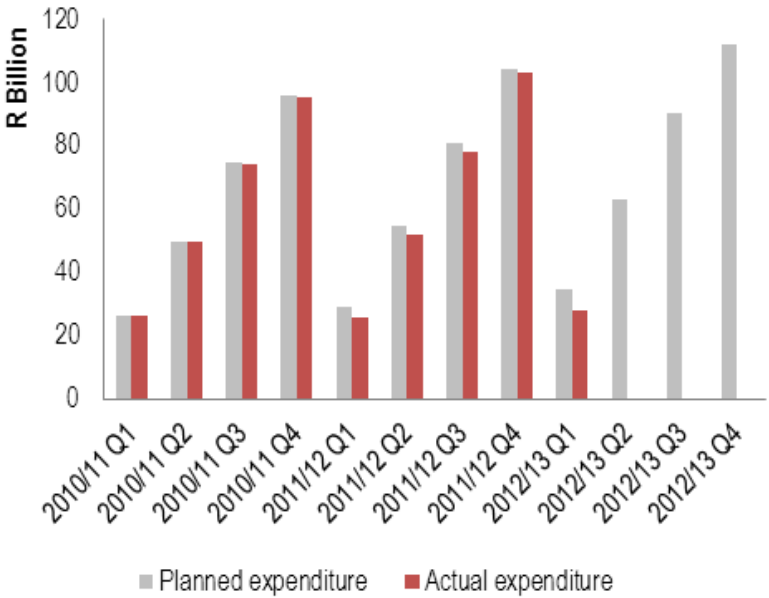
- ▶ R180.6 million – 0.3 per cent – of the total available budget spent by end Q1
- ▶ Planned expenditure was R498.8 million – 0.9 percent – as the local equitable share is scheduled for transfer later in the year
- ▶ Expenditure lags by R318.2 million mainly under Goods and Services due to delays in the verification process for Community Work Programme payouts to Lead Agents

National Treasury



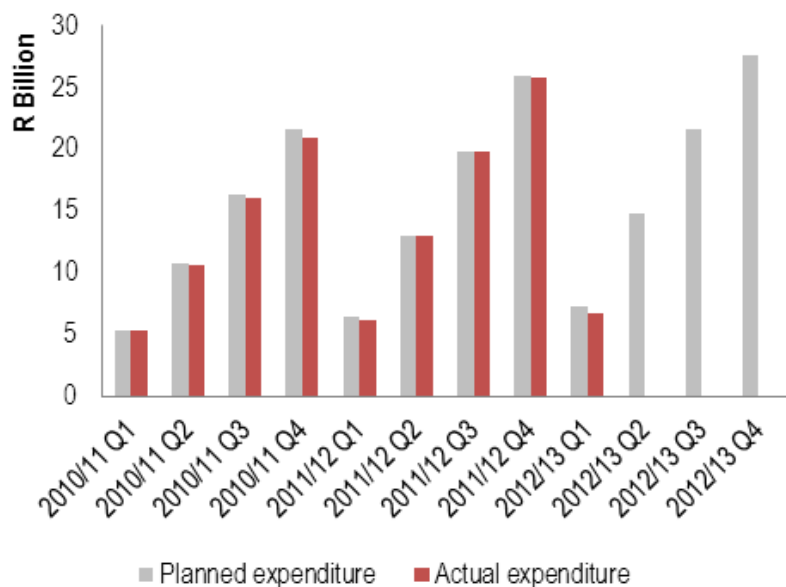
- ▶ R4.5 billion – 21.0 per cent of the total available budget spent by end Q1
- ▶ Planned expenditure was R4.8 billion – 22.4 per cent
- ▶ Expenditure lags by R302.5 million primarily due to lower than expected payments for post-retirement medical benefits, and injury-on-duty benefits within the *Civil and Military Pensions, Contributions to Funds and Other Benefits* programme

Social Development



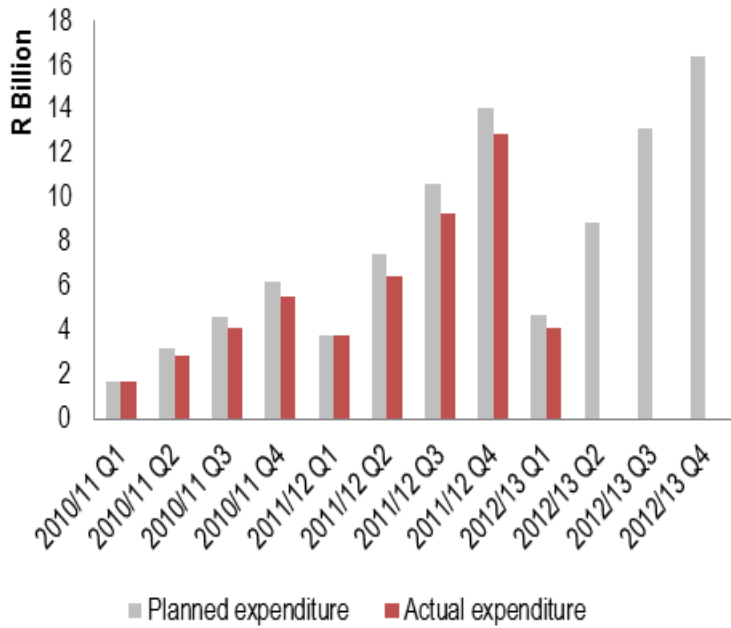
- ▶ R27.9 billion – 24.9 per cent – of the total available budget is recorded as spent by end Q1
- ▶ Planned expenditure was R34.4 billion – 30.7 per cent
- ▶ The recorded lag of R6.6 billion is primarily due to an accounting technicality – R5.3 billion of this was indeed transferred to the South African Social Security Agency but it will not be classified as such until the following quarter.
- ▶ The remaining lag is due to unpredictable fluctuations in the uptake of social grants

Health



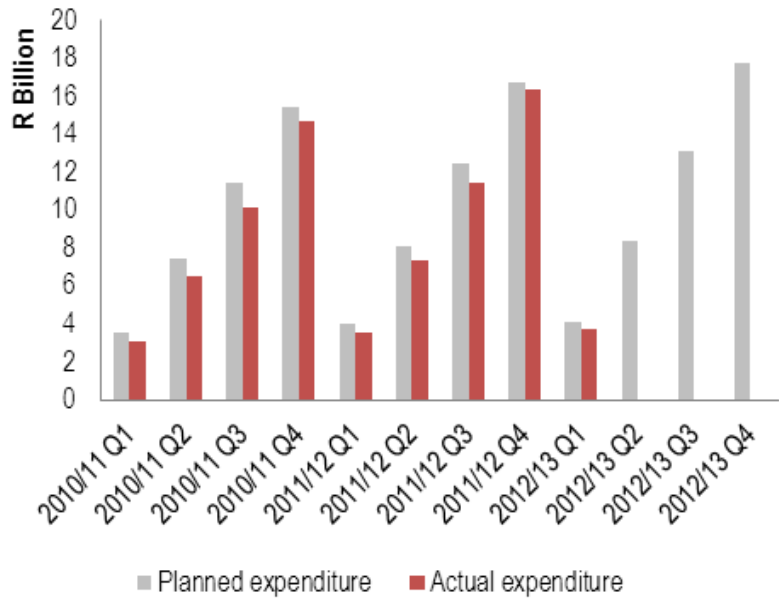
- ▶ R6.6 billion – 24.1 per cent – of the total available budget spent by end Q1
- ▶ Planned expenditure was R7.3 billion – 26.4 per cent
- ▶ The recorded lag of R638.4 million is primarily under transfers and subsidies due to delays in the payment of the Comprehensive HIV and AIDs grant and the Health Infrastructure grant

Basic Education



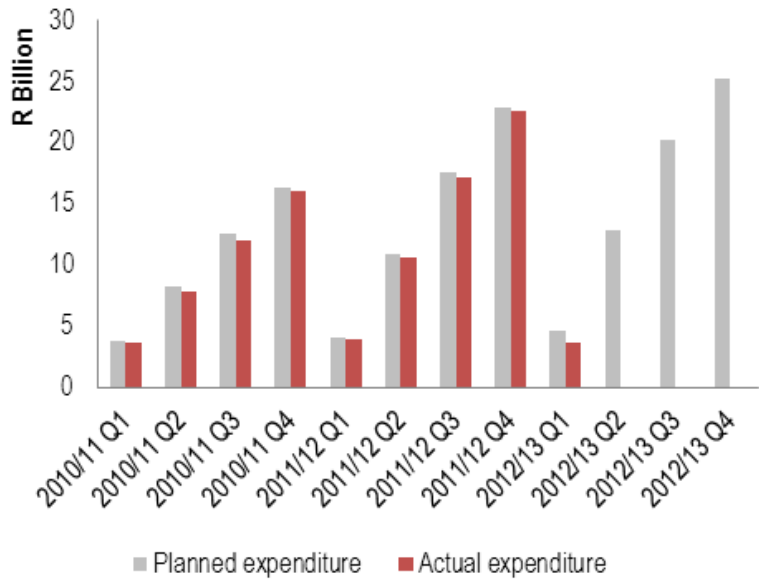
- ▶ R4.1 billion – 25.3 per cent– of the total available budget spent by end Q1
- ▶ Planned expenditure was R4.7 billion – 28.5 per cent
- ▶ The recorded lag of R520.7 million is primarily under payments to Capital Assets due to persisting delays to the schools infrastructure backlog grant

Correctional Services



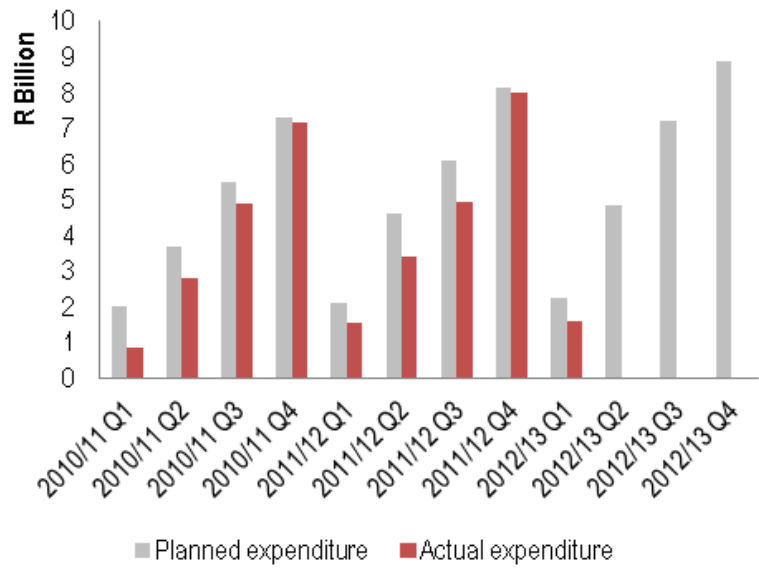
- ▶ R3.7 billion –20.8 per cent– of the total available budget spent by end Q1
- ▶ Planned expenditure was R4.1 billion – 23.2 per cent
- ▶ The recorded lag of R412 million is due to a variety of reasons including funded vacancies, outstanding invoices and delays to the processing of journals for store items

Human Settlements



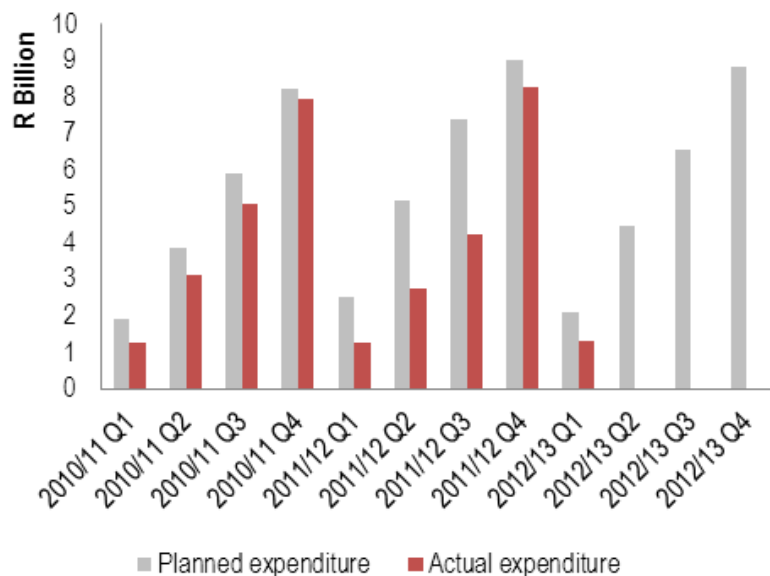
- ▶ R3.6 billion –14.3 per cent– of the total available budget spent by end Q1
- ▶ Planned expenditure was to R4.6 billion – 18.2 per cent
- ▶ The recorded lag of R1 billion is mainly due to delays to the Human Settlements Development Grant and the Restructuring capital grant as recipients did not meet conditions for the release of the funds as planned

Rural Development and Land Reform



- ▶ R 1.6 billion –17.9 per cent– of the total available budget spent by end Q1
- ▶ Planned expenditure was to R 2.2 billion – 25.3 per cent
- ▶ The recorded lag of R 656.1 million is primarily due to delays to the Restitution and Land Reform grants because of longer than anticipated legal and planning processes

Water Affairs



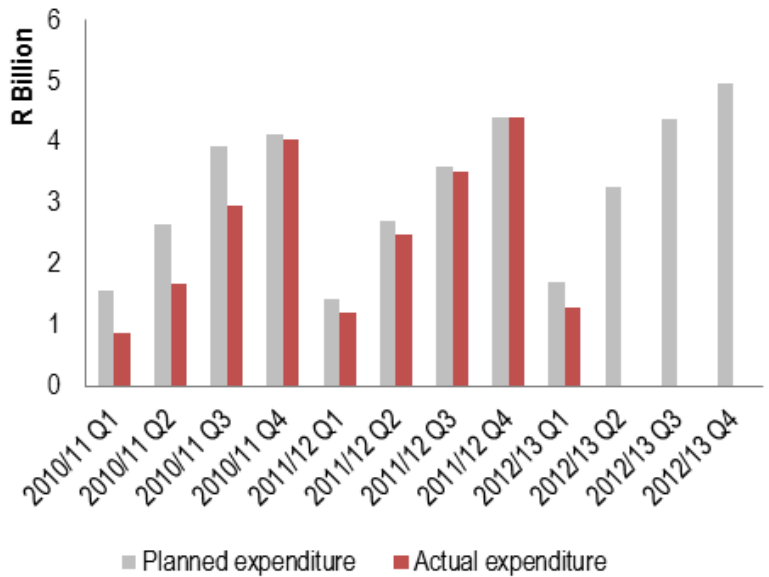
- ▶ R1.3 billion –14.7 per cent– of the total available budget spent by end Q1
- ▶ Planned expenditure was to R2.1 billion – 23.6 per cent
- ▶ The recorded lag of R786.1 million is primarily under Payments to Capital Assets due to delays in Water Services Projects such as Nandoni pipeline, Inyaka and Middle Letaba related to the lengthy processes for appointment and approval of service providers

Science and Technology

▶ R1.3 billion – 25.8 – of the total available budget spent by end Q1

▶ Planned expenditure was to R1.7 billion – 34.4 per cent

▶ The recorded lag of R425.6 million is due to delays to various transfers including those for Research and Development Infrastructure, Human Resources Development, Emerging Research Areas and Indigenous Knowledge systems



Summary of largest lags behind planned expenditure

- ▶ Social Development – Transfers and Subsidies: Social grants; Accounting technicality and fluctuations in the uptake of the grants
- ▶ Human Settlements – Transfers and Subsidies: Human Settlements Development Grant and the Restructuring capital grant; recipients did not meet conditions for the release of the funds as planned
- ▶ Water Affairs – Payments to Capital Assets: Water Services Projects such as Nandoni pipeline, Inyaka and Middle Letaba; lengthy process for appointment and approval of service providers
- ▶ Rural Development and Land Reform – Transfers and Subsidies: Restitution and Land Reform grants; lengthy legal and planning processes
- ▶ Health – Transfers and Subsidies: Health Infrastructure Grant and Comprehensive HIV and AIDS grant
- ▶ Basic Education – Payments to Capital Assets: School Infrastructure Backlogs Grant

Concluding remarks

- ▶ 1st Quarter national expenditure indicates:
 - ▶ Compensation of employees will exceed budget allocations (spending for the first quarter excluded the improvement in conditions of service backdated to May 2012)
 - ▶ Police at risk of overspending on personnel
 - ▶ Social grants appears to be broadly in line with target (after accounting adjustment)
 - ▶ Underspending is possible on infrastructure projects, housing, land restitution and rural development, schools infrastructure
 - ▶ Adjustments appropriation will need to provide for the DEA Agulhas VAT charge