

Sec finance 14/07/2017

Together, Moving Gauteng City Region Forward

**PRESENTATION TO PARLIAMENTARY SELECT  
COMMITTEE ON FINANCE  
ON  
GAUTENG PROVINCIAL GOVERNMENT  
PRELIMINARY 2016/17  
FINANCIAL MANAGEMENT PERFORMANCE**

**HON B D CREECY, MPL  
MEC FOR FINANCE**



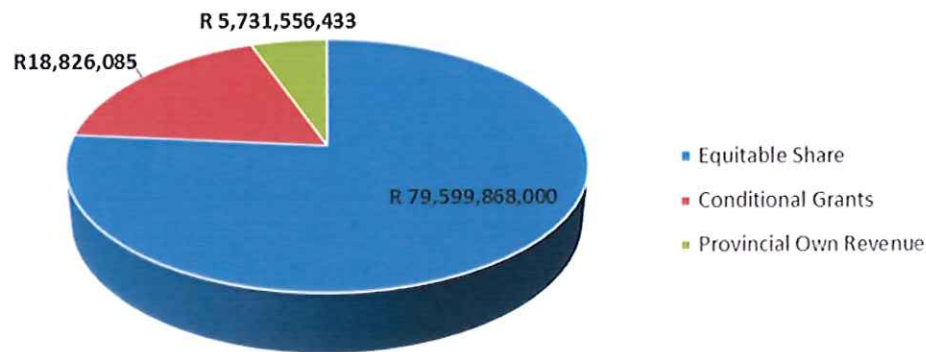
**GAUTENG**  
PROVINCIAL GOVERNMENT  
REPUBLIC OF SOUTH AFRICA

## Outline

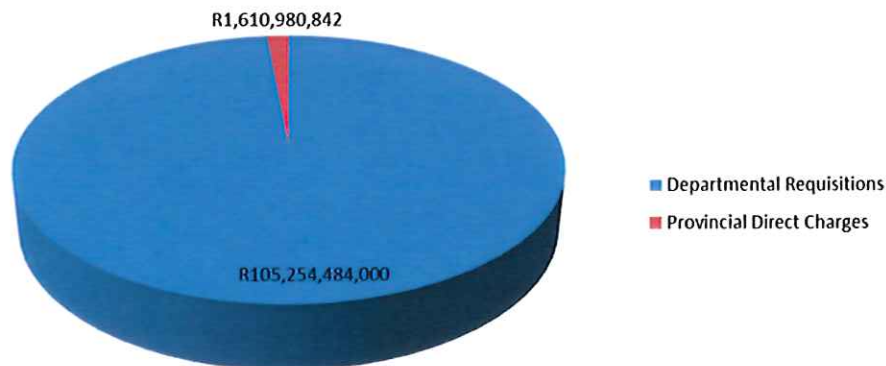
- Fiscal Position
- Provincial Own Revenue Collection
- Aggregate Provincial Departmental Expenditure
- Expenditure by Economic classification
- Expenditure on Social and Economic Infrastructure
- Unauthorised, irregular, wasteful expenditure and accruals
- Conclusion

## Cash Position

### Total Provincial Receipts



### Total Provincial Cash Outflow

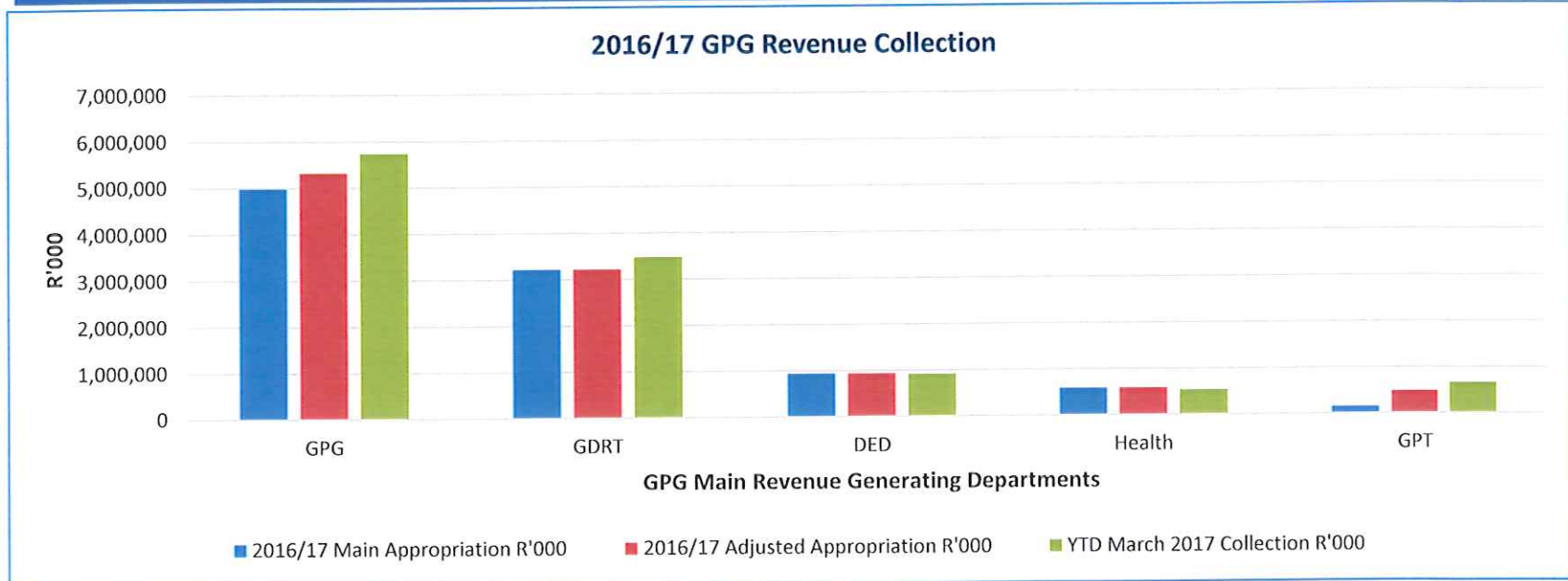


- As at end of Q4, an amount of R104.1bn or 100% of total budgeted provincial receipts was received.
- The portion of equitable share amounted to R79.6bn.
- Conditional grants R18.8bn & own revenue collection R5.7bn.
- Cash requisitions amounted to R105.2bn or 100% of total adjusted budget.
- Direct charges paid against PRF amounted to R1.6bn.

## Debt as at 31 March 2017

- Two Gautrain Loans
  - National Treasury Loan of R4.2bn, the outstanding balance of which was R1.2bn (capital plus capitalised interest). This was subsequently settled on 03 April 2017
  - ABSA Bank (R978.8m), of which there is an outstanding balance of R280m

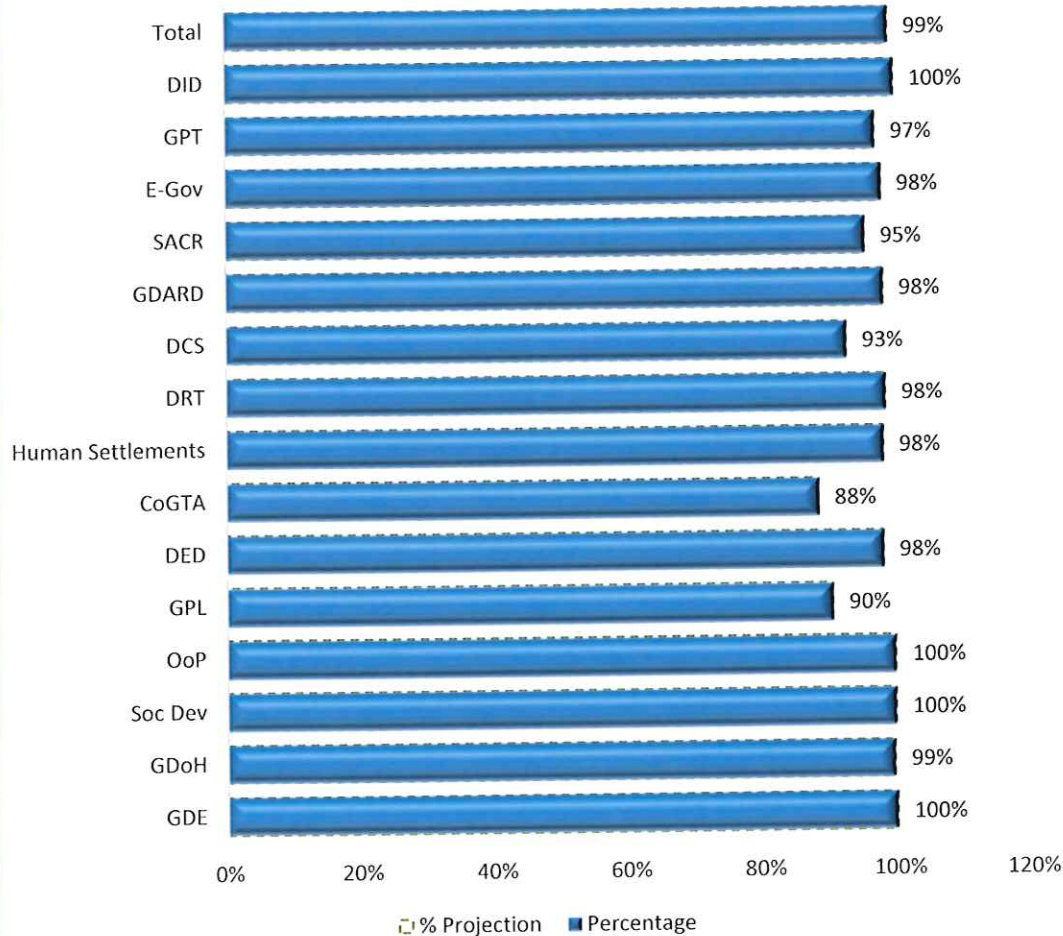
## Revenue collection



- ❑ At year-end GPG had collected R5.7bn, this is an over-collection of R400m or 8% of the adjusted appropriation of R5.3bn.
- ❑ DRT & GPT over-collected by 8% & 37% respectively;
- ❑ DED has collected 98% of their revenue target, whilst GDoH's performance improved to 91% of their revenue target, despite challenges encountered;
- ❑ Most departments have exceeded their revenue targets for the period under review;

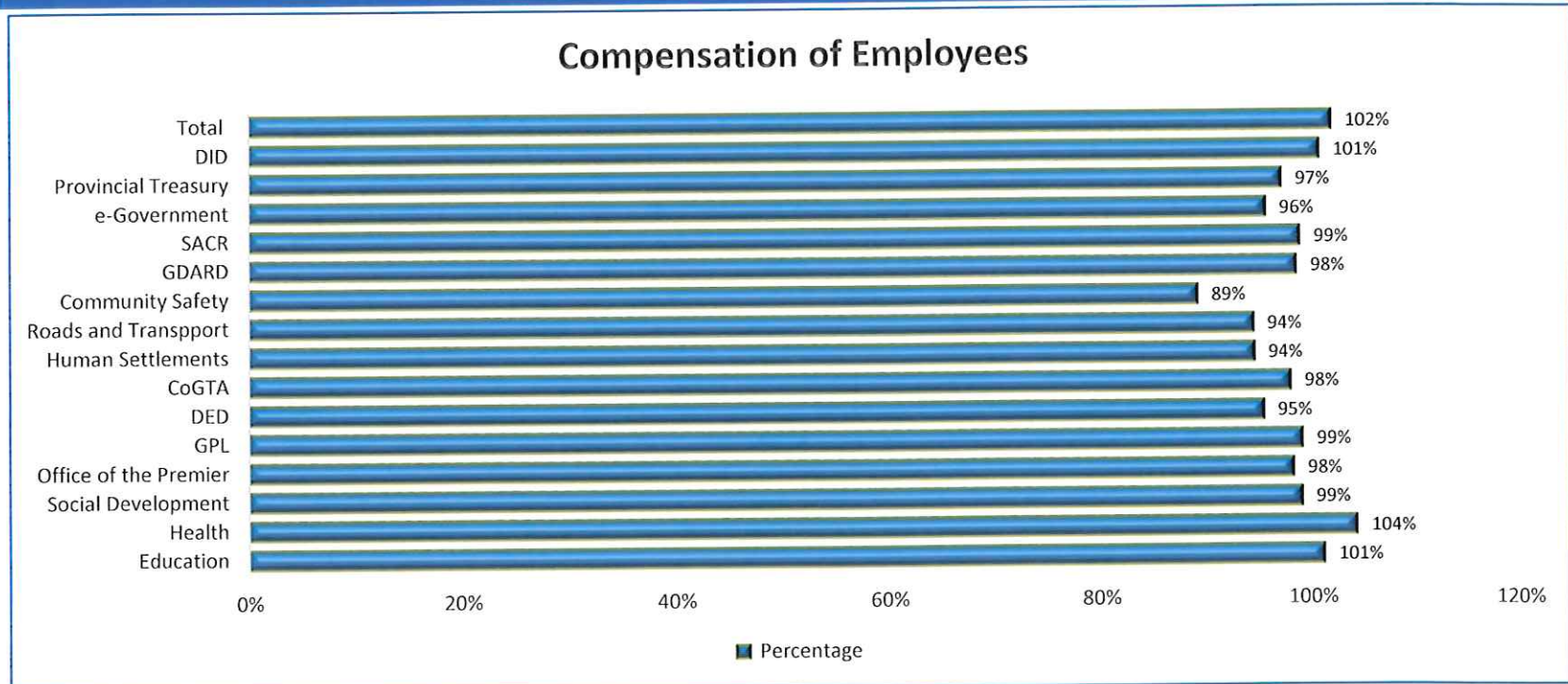
## GPG Expenditure Summary

**GPG Expenditure (2016/17)**



- ❑ GPG expenditure for the 2016/17 FY was R104.4bn or 99% of the adjusted budget of R105.2bn.
- ❑ GPG expenditure at year-end was within the adjusted allocated budget (no over-expenditure).
- ❑ Most Dept. have recorded satisfactory spending of between 95% - 99%.

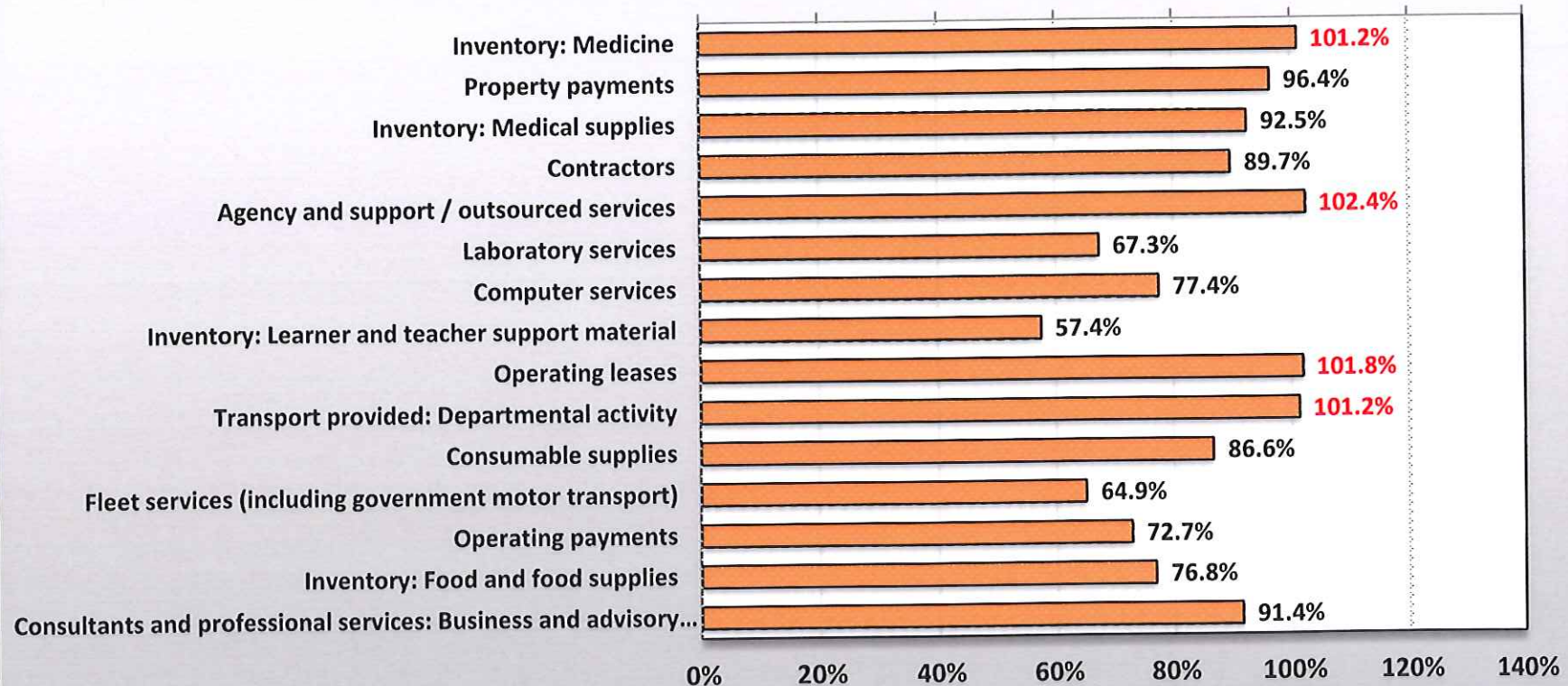
## Compensation of Employees



- ❑ GPG expenditure on CoE at year-end amounts to R57.8bn or 102% of the adjusted budget of R56.8bn.
- ❑ CoE over expenditure of R1bn, accounted for under GDoH (R928m) due to grade progression funding gap & GDE (R292.9).
- ❑ Personnel costs accounted for 55% of overall GPG spending at year-end.
- ❑ Most departments have spent between 94% & 100%.

## Economic Classification - Goods and Services

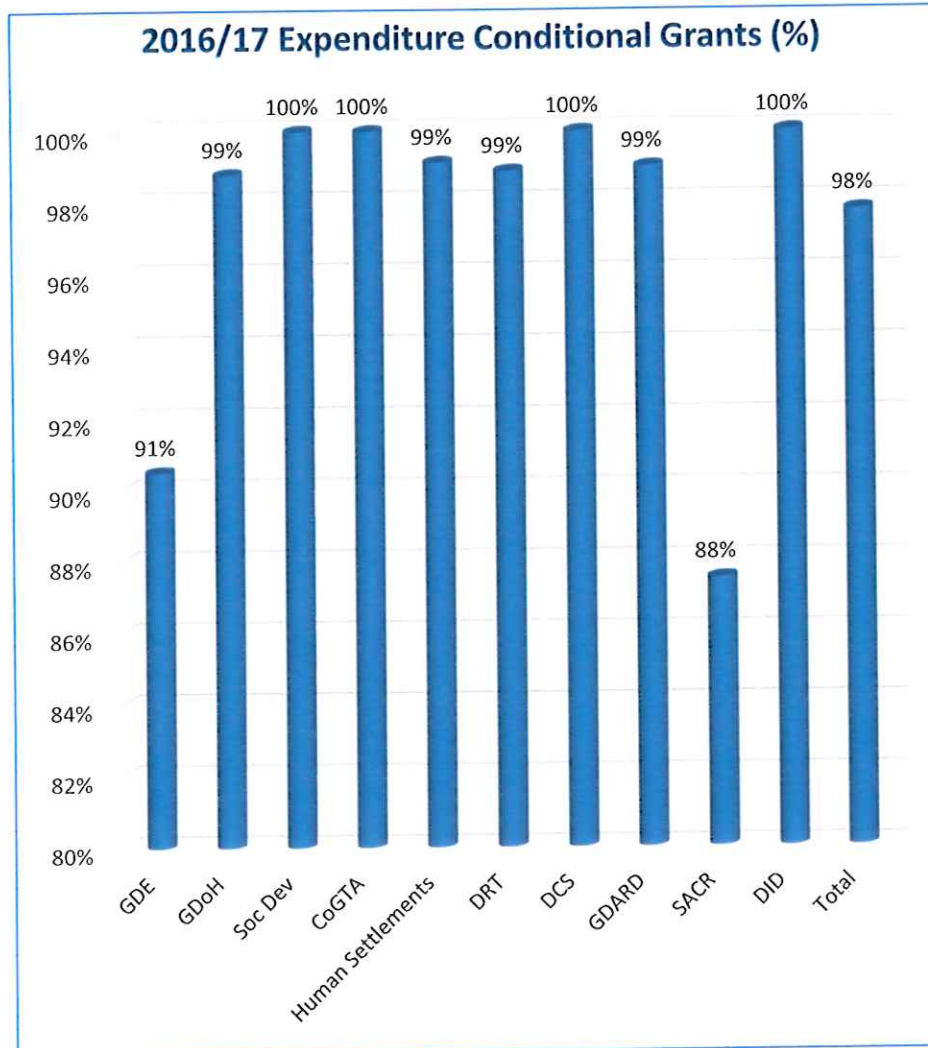
### Top 15 Goods and Services by Budget



- GPG spending on G&S at year-end amounts to R20.1bn or 94% of the adjusted budget of R21.3bn
- Cost drivers are medicine, property payments, medical supplies, contractors & outsourced services



## Expenditure Summary – Conditional Grants



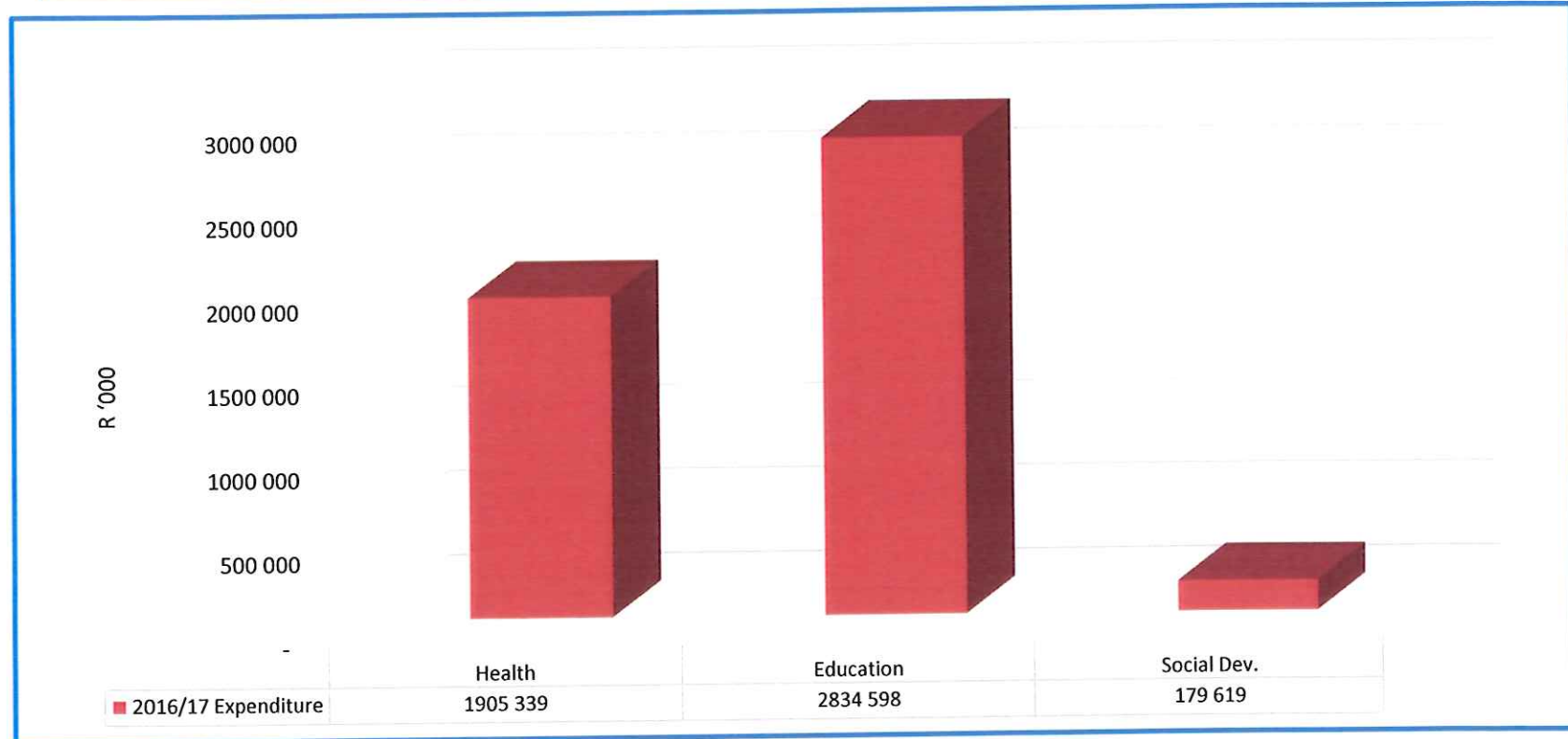
- YTD, expenditure of R18.5bn or 98% of the allocated budget was recorded.
- Overall satisfactory spending performance, particularly on Grants that have large budgets.
- Most grants have spent between 98% & 100%.
- DID, CoGTA, DCS & DSD have spent 100% of the EPWP allocated budget.
- GDSACR & GDE are the slowest spending departments at 88% & 91% respectively.

## 2016/17 - Summary of GPG Infrastructure Expenditure

Departments	2016/17					
	Main Budget	Adjusted Budget	Expenditure	% Expenditure	Under(+)/ Over(-)	% Under/Over Adjusted Budget
Health	1 967 568	2 001 368	1 905 339	95%	96 029	5%
Education	3 012 373	3 012 373	2 834 598	94%	177 775	6%
Social Development	191 125	181 644	179 619	99%	2 025	1%
Human Settlement	5 260 387	5 360 387	5 325 178	99%	35 209	1%
Roads & Transport	2 314 972	1 805 735	1 716 714	95%	89 021	5%
GDARD	51 417	46 597	32 964	71%	13 633	29%
SACR	158 916	179 542	134 003	75%	45 539	25%
DID	265 267	265 267	265 267	100%	-	0%
<b>Total</b>	<b>13 222 025</b>	<b>12 852 913</b>	<b>12 393 682</b>	<b>96%</b>	<b>459 231</b>	<b>4%</b>

- ❑ The 2016/17 revised allocation for infrastructure was R12.9bn
- ❑ This represents a R1.08 bn more than the expenditure of the 2015/16 FY
- ❑ The improvement in expenditure was mainly driven by departments of Human Settlement, Health, Education and Social development
- ❑ Where there is under performance, continuous support will be provided by GPT to ensure improved infrastructure spend in future

## Infrastructure Expenditure: Social Sector

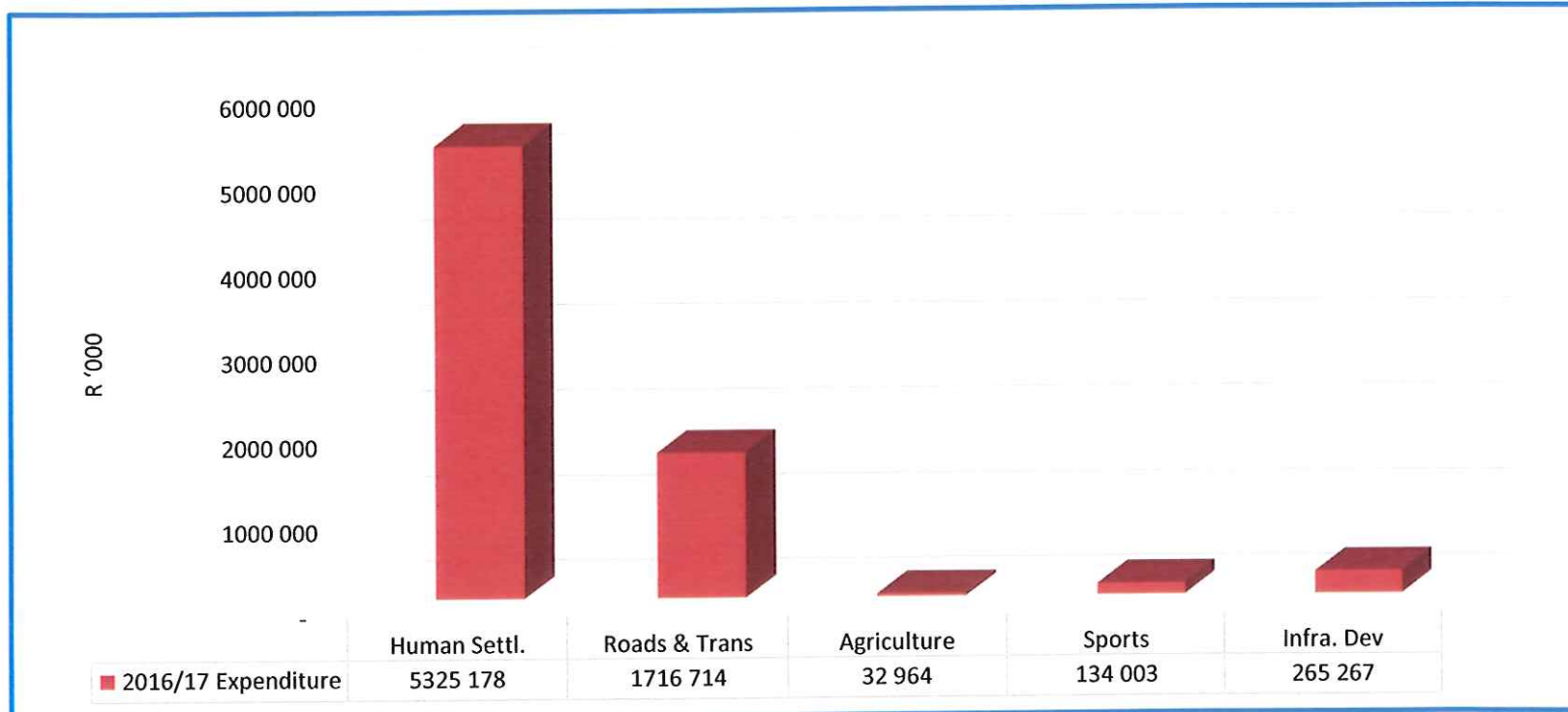


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<b>Total</b>	<b>5 171 066</b>	<b>5 195 385</b>	<b>4 919 556</b>	<b>95%</b>	<b>275 829</b>	<b>5%</b>

## Infrastructure Expenditure: Social Sector

- ❑ R5.2bn was allocated for the delivery of social infrastructure, of which R4.9bn, or 95% was spent
- ❑ Expenditure improvement in 2016/17 financial year could be attributable to the following:
  - Health - Maintenance and repairs was completed on 17 more health facilities than the previous financial year;
  - Social Development- Maintenance and repairs was completed on 14 more social service facilities; and
  - Education- upgrading activities (Grade R classroom, upgrading of classroom for e-learning purpose & ablution facilities) were completed on 224 more schools than the previous financial year

## Infrastructure Expenditure: Economic Sector



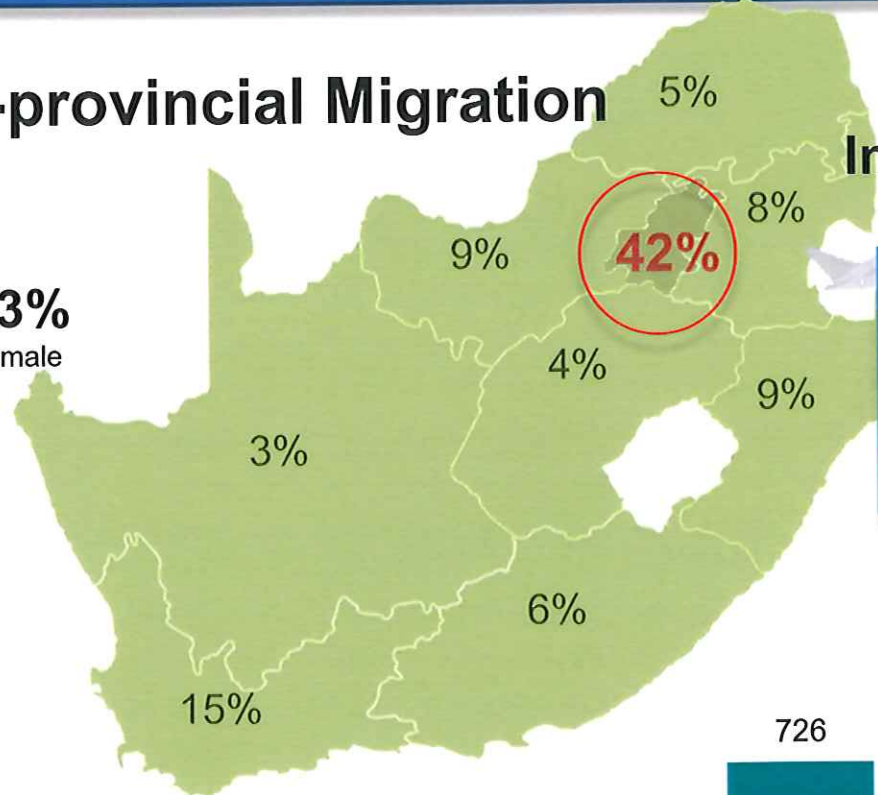
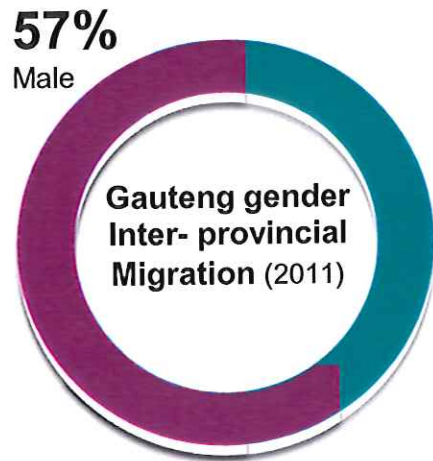
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SACR	158 916	179 542	134 003	75%	45 539	25%
DID	265 267	265 267	265 267	100%	-	0%
<b>Total</b>	<b>8 050 959</b>	<b>7 657 528</b>	<b>7 474 126</b>	<b>98%</b>	<b>183 402</b>	<b>2%</b>

## Infrastructure Expenditure: Economic Sector

- ❑ R7.7bn was allocated for delivery of economic infrastructure, of which R7.5bn or 95% was spent
- ❑ This represents 58% of the overall GPG infrastructure programme

# Urbanisation and migration in Gauteng

## Inter-provincial Migration

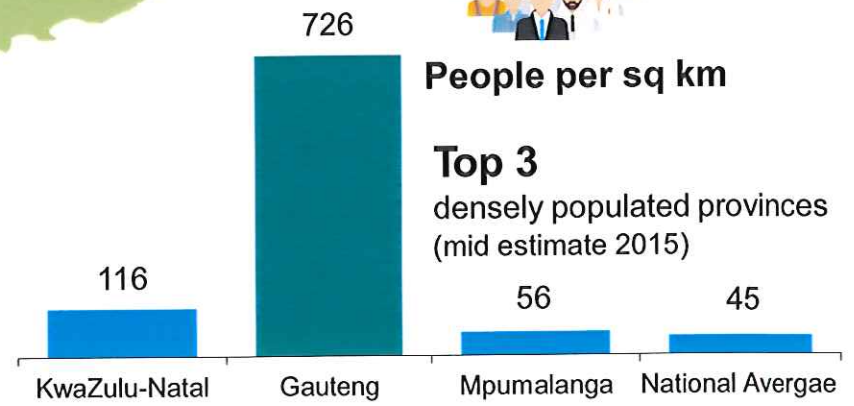


## International migration

South African international migrations  
**2.1 Million** migrants (2011)  
**52%** chose Gauteng



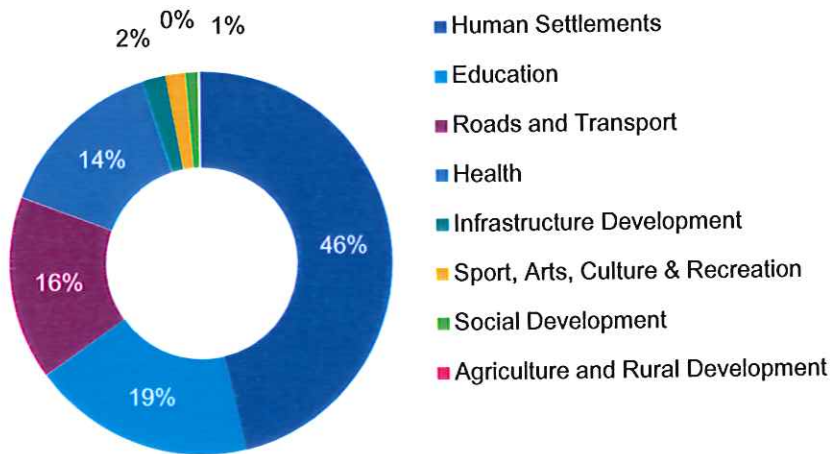
## People per sq km



Sources: Gauteng Provincial Government

# Gauteng infrastructure Expenditure

## Infrastructure spending (2013/14 – 2015/16)



Total infrastructure spending: **R29.5 billion**

Annual growth rate: **20.7%**

**75.9%**

**Sports, Arts, Culture and Recreation:**  
Expansion of community libraries programme and the Provincial Archive Centre



## Economic impact



### Impact on GDP

Total economic activity created from infrastructure expenditure in Gauteng between **2013/14 and 2015/16** was **R26.5 billion**.



### Impact on jobs

Over the 3-year period about **92 000 direct jobs** and about **69 000 indirect and induced jobs** were sustained.



### Impact on tax revenue

Increased government revenue by **R6 billion** over 2013/14 – 2015/16 period.



### Impact on households

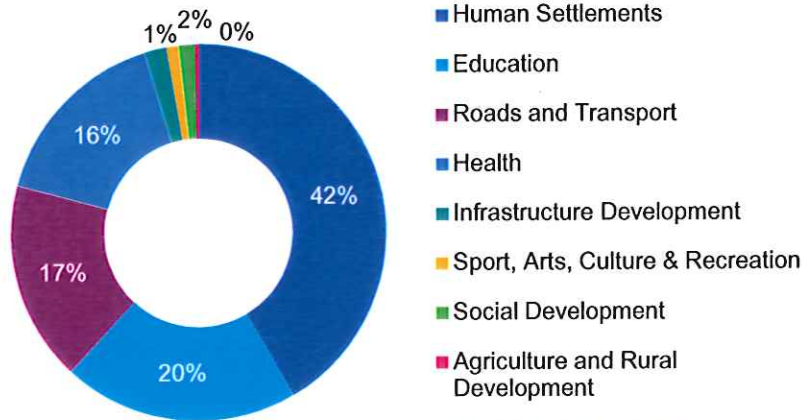
Total income received on average per year by households was **R15 billion**, an estimated **R2.6 billion** of this going to lower income households.



# Gauteng infrastructure expenditure: planned

Infrastructure spending over the MTEF slows down significantly, when compared to the 2013/14 – 2015/16 period

## Infrastructure spending (MTEF)



Total infrastructure spending: **R42.3 billion**  
Annual growth rate: **6.2%**



**12.4%**

**Health:** highest growth rate on infrastructure spending over MTEF due to extensions of Community Health Centres

## Economic Impact

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**Impact on GDP**  
Total economic activity that is expected due to the total infrastructure expenditure in Gauteng between **2016/17** and **2019/20** is estimated to be in the order of **R55 billion**.
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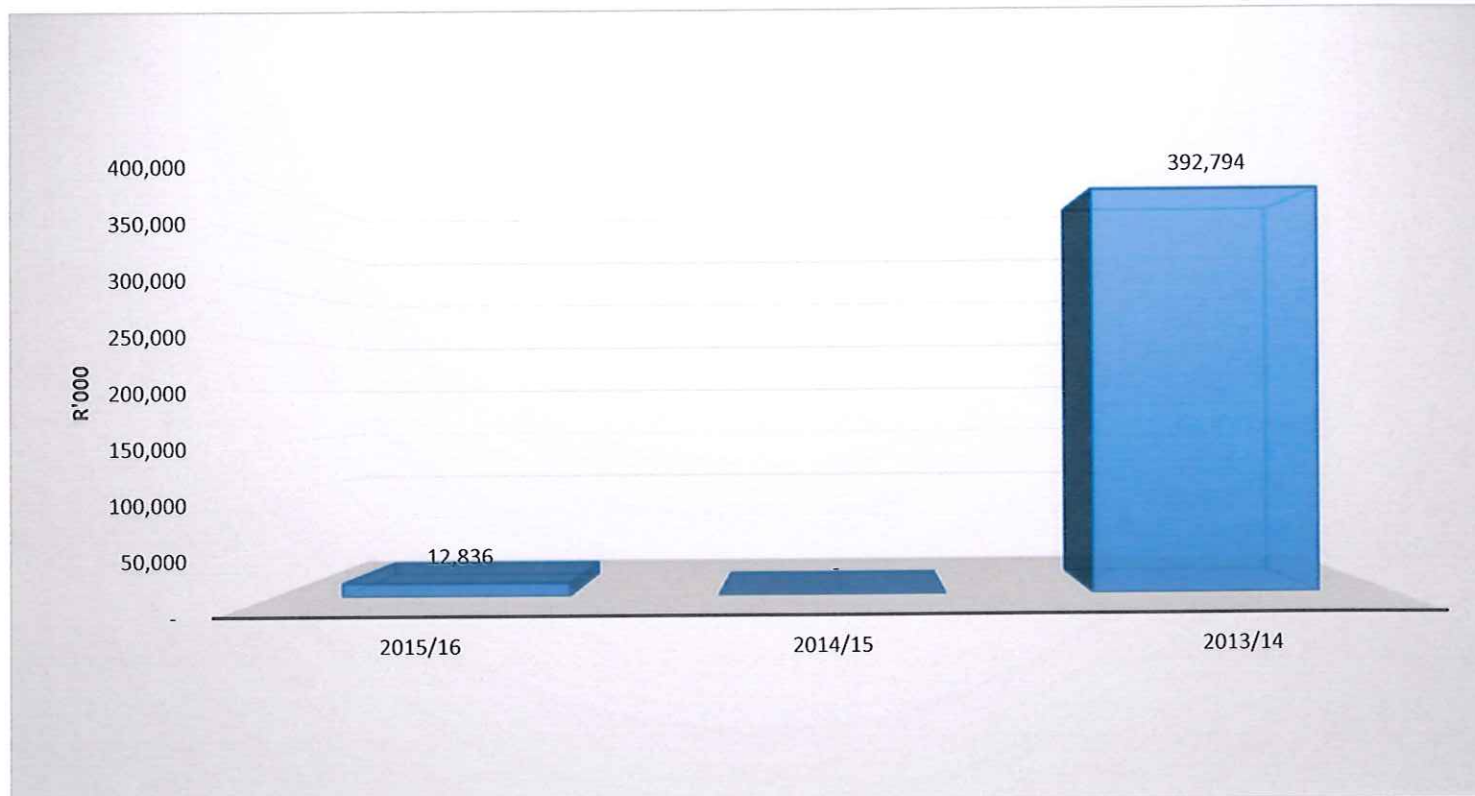
**Impact on jobs**  
Between 2016/17 and 2019/20, expected to create about **190 000 direct jobs** and **140 000 indirect and induced jobs**.
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**Impact on tax revenue**  
Expected to increase government revenue by **R12.4 billion** over the 4-year period.
- 

**Impact on households**  
Total income expected to be received by households is in the order of **R31 billion**, an estimated **R5.4 billion** of this is expected to go to lower income households.

Sources: National Treasury (2016); KPMG analysis from 2014 Social Accounting Matrix for Gauteng

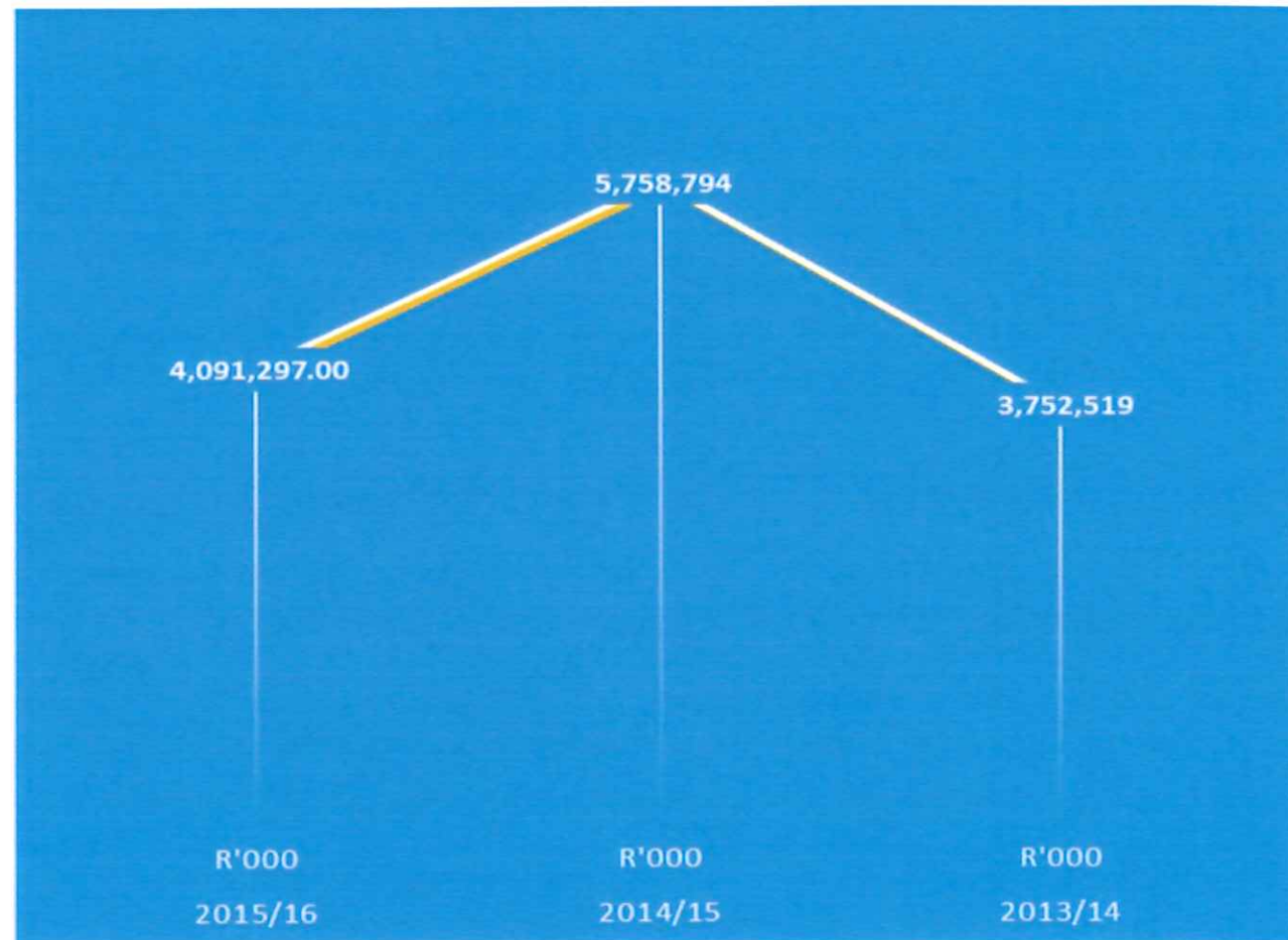
## Unauthorised Expenditure



- NO department incurred UE in 2014/2015 financial year
- One department overspent at the main division within the vote (SACR) in 2015/2016 financial year
- R 1.8 bn unauthorised expenditure incurred in previous FY was condoned/approved with funding by SCOPA

## Irregular Expenditure

- DRT - R2 billion
- GDE - R622 million
- DHS - R438 million
- DoH - R493 million
- DID - R173,9 million

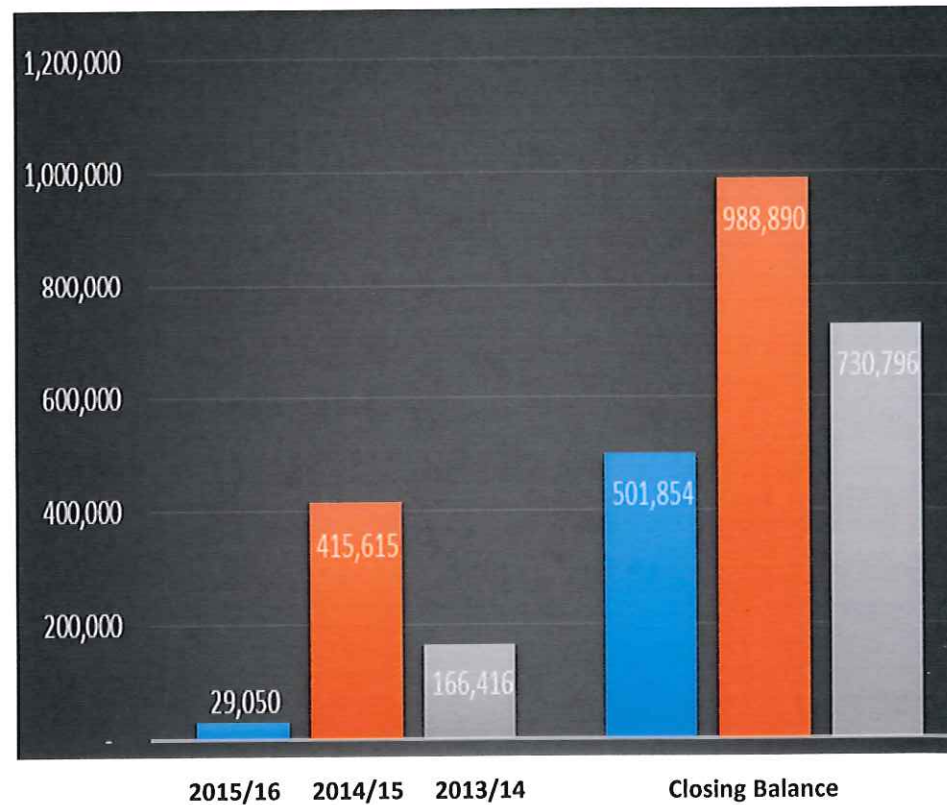


❖ About R 225.5 million of the R 4 billion has already been condoned.

## Fruitless and Wasteful Expenditure

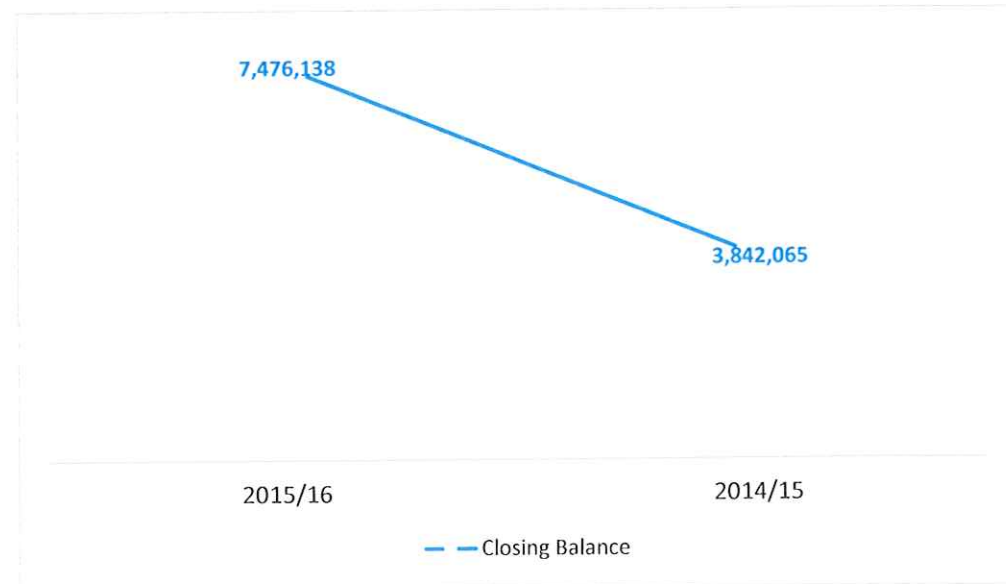
❖ Fruitless and Wasteful Expenditure is as follows:

- ❖ DHS – R14 million
- ❖ DoH – R7 million
- ❖ GPL – R3 million
- ❖ SACR – R1 million



## Accruals and Payables

- ❖ As at the end of the 2015/16 FY, R7.4 billion was due to be paid to suppliers for goods and services already received.
- ❖ Major contributing depts:
  - Health R4.7 billion
  - Education R1.2 billion
  - Human Settlement R677 million
  - Infrastructure Development R452 million



## Conclusion

- ❑ Given the overall satisfactory spending of 99% at year-end, departments are commended for their adherence to their adjusted allocated budgets and not recording any net over expenditure.
- ❑ The overall performance of the conditional grant performance recorded at 98% is satisfactory, however, departments are advised to ensure that business plans are signed off before the financial year commences.

**THANK YOU**