

# First Quarter Expenditure Report: 2014/15 Financial Year

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**Standing Committee on Appropriations**



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Outline of Presentation

1. Preliminary expenditure outcome for 2013/14
2. Summary presentation on first quarter 2014/15 expenditure outcome
3. Detailed presentations on first quarter 2014/15 departmental expenditure outcomes

# 1

## Preliminary expenditure outcome for 2013/14



# Preliminary expenditure outcome for 2013/14

- Adjusted budget of R1 053.4 billion published at the time of the 2014 MTBPS
- Preliminary expenditure outcome for national government amounts to R1 047.1 billion
- Implying underspending of R6.4 billion when compared to the adjusted budget
- Overspending of R753 million mainly in 2 departments:
  - International Relations and Cooperation – R117 million – due to the negative impact of the depreciation of the currency
  - Transport – R632 million – due to recording of maintenance and operating cost of Electronic National Administration Traffic Information System (eNaTIS)



# Preliminary expenditure outcome 2013/14

- Highest levels of underspending were recorded in:
  - Cooperative Governance and Traditional Affairs – R2.1 billion – Withholding Municipal Equitable Share to refund unspent conditional grants
  - Social Development – R1.4 billion – Re-registration process in SASSA to clean up the system and combat fraud and corruption
  - Health – R702.6 million, delays in the implementation of the health facility revitalization capital programme and the National Health Insurance pilot project
  - Basic Education – R607.9 million – delays in the implementation of the school infrastructure backlogs grant
  - Human Settlements – R552.5 million – mainly because of withholding of funds from Social Housing Regulatory Agency (SHRA) following investigations in fraudulent transactions

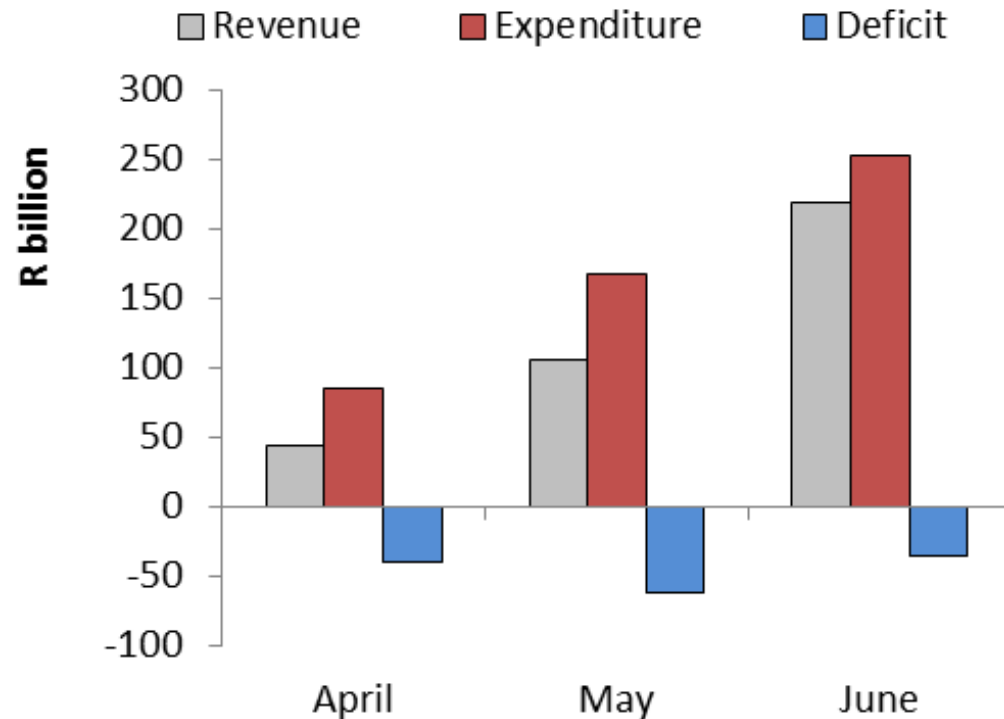


# 2

## Summary presentation on first quarter 2014/15 expenditure outcome

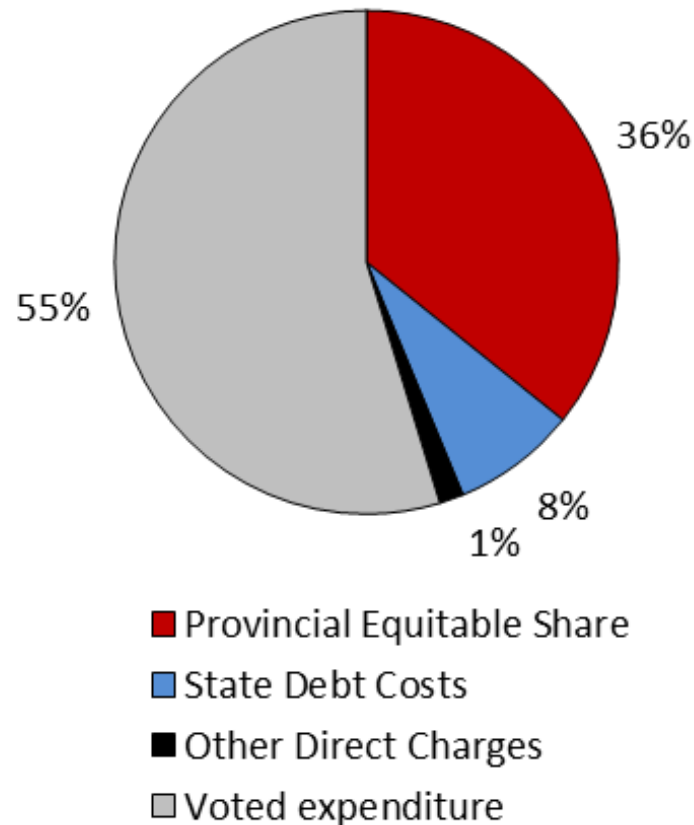


# Cumulative Revenue and Expenditure Q1 2014/15



- Main budget revenue for Q1 is estimated to have been R218.6 billion
- Total expenditure to the end of Q1 was R253.3 billion
- Implying a budget deficit of R34.7 billion for the first three months, in line with expectations

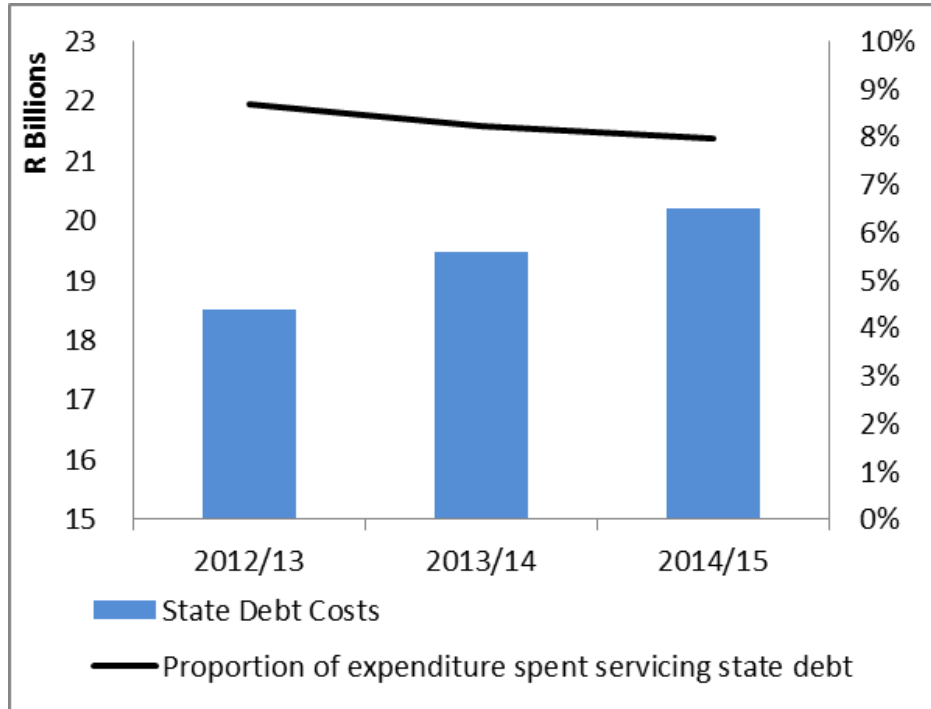
# Expenditure Q1 2014/15: Direct Charges against the National Revenue Fund



- 45 per cent of total expenditure was for Direct Charges against the National Revenue Fund
- This is equivalent to R114.7 billion
- It includes R90.6 billion transferred to Provinces as equitable share in terms of Division on Revenue Act
- And R20.2 billion or 8 per cent of total expenditure to pay State Debt costs

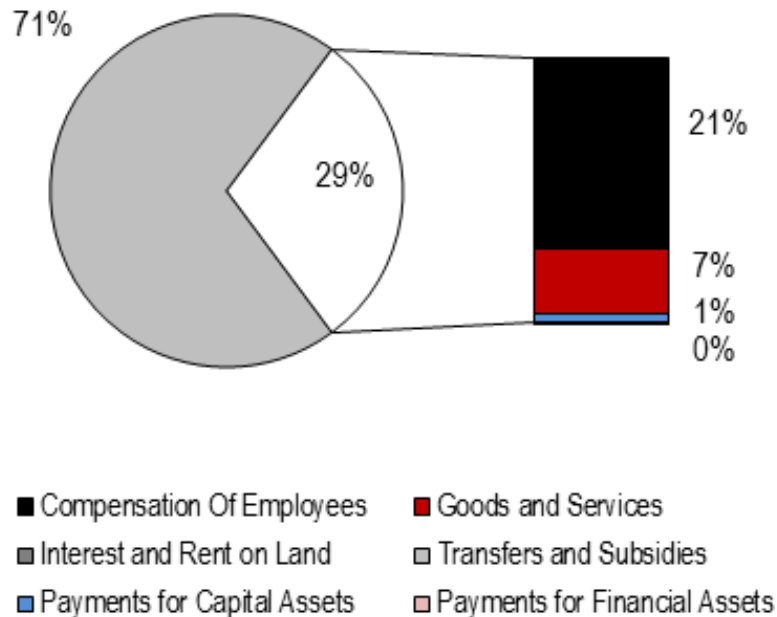


# Direct Charges against the National Revenue Fund: State Debt Costs



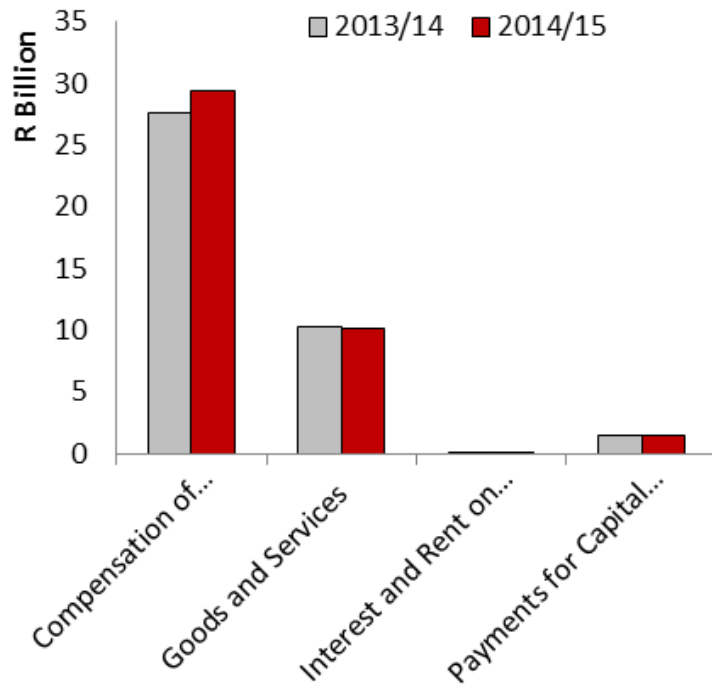
- State Debt Costs amounted to R20.2 billion
- Representing 8 per cent of total expenditure for the quarter
- An increase of R723 million or 3.7 per cent from the 2013/14 financial year

# Voted Expenditure Q1: 2014/15



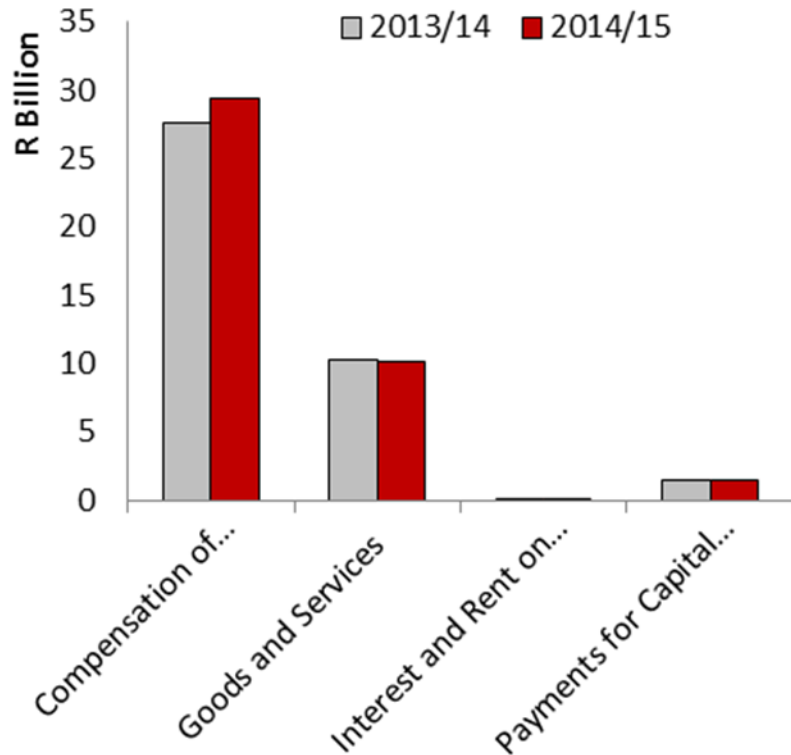
- Preliminary voted expenditure amounted to R138.6 billion
- 71 per cent, or R97.5 billion, of this was transferred by departments to households, other spheres of government or other organisations and agencies
- 29 per cent, or R41.1 billion, was directly spent by departments on operations, mostly on compensation of employees

# Voted Expenditure Q1 2014/15: Operations



- Operational expenditure increased by R1.7 billion or 4.4 per cent compared to the previous financial year
- R29.5 billion was spent on Compensation of Employees, and R10.2 billion spent on Goods and services
- Growth of 6.4 per cent in Compensation of Employees and a decrease of 1.1 per cent in Goods and Services
- Decline in Goods and Services a result of the cost containment measures

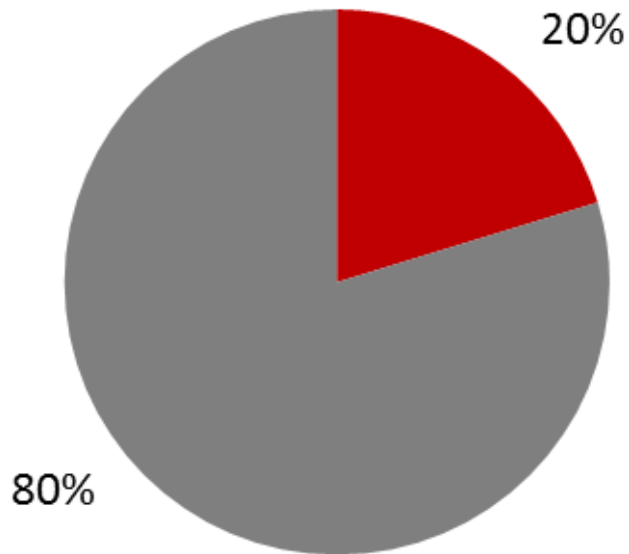
# Voted Expenditure Q1 2014/15: Operations



- R1.5 billion spent on Capital Assets, representing an increase of 4 per cent
- The largest portions of the Capital spend are under the departments of Police, Justice and Water Affairs, for the criminal justice sector revamp programme together with the building and upgrading of Police stations, and Regional Bulk Infrastructure projects respectively.

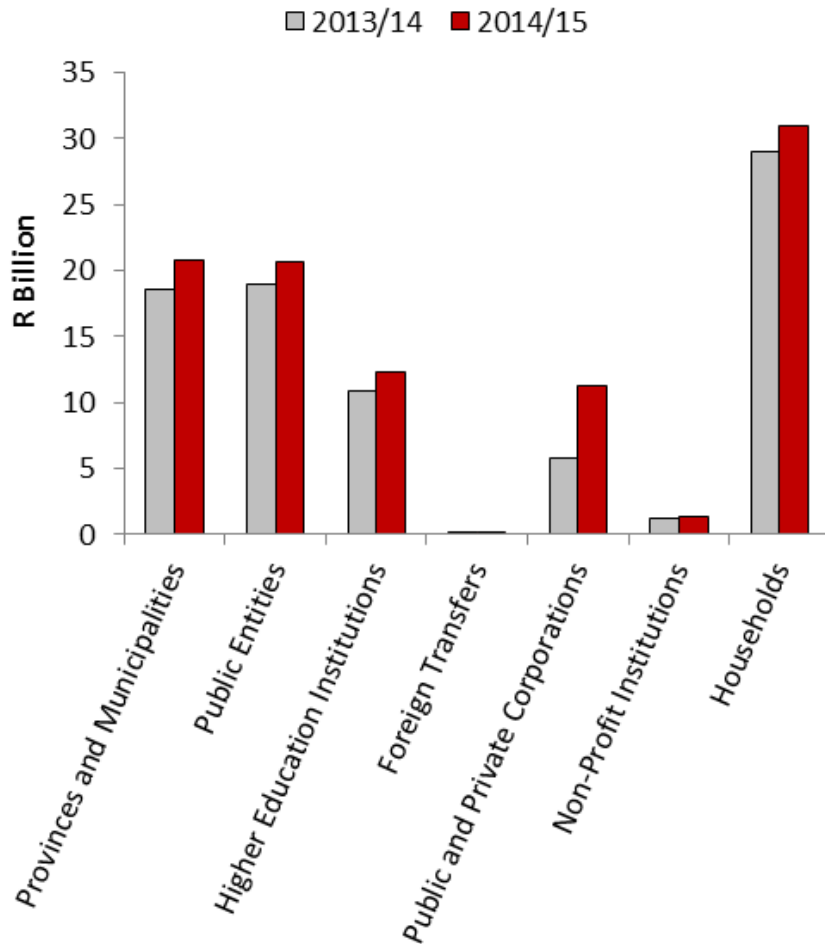
# Voted Expenditure Q1 2014/15: Administration

- Administration expenditure
- Other operational expenditure



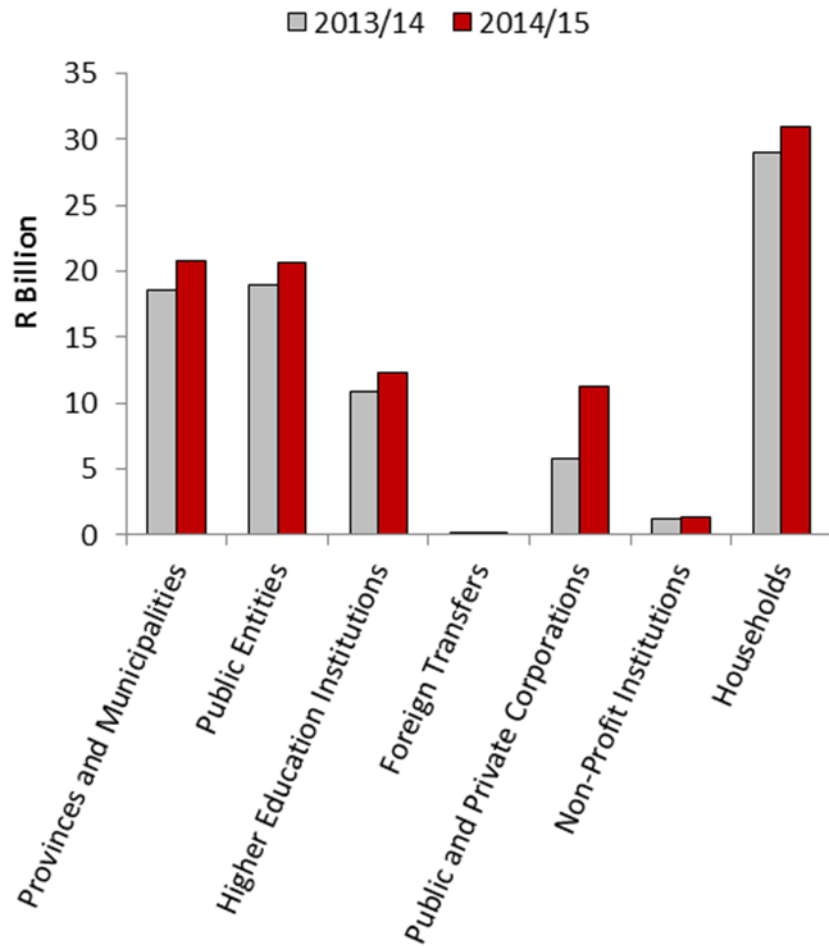
- R8.3 billion was spent on Administration, representing 20 per cent of operational expenditure
- Primarily to support Police, Correctional services and Defence
- The seven largest proportions of budget spent on Administration are in the Presidency, the departments of Women Children and People with Disabilities, Public Enterprises and Economic Development, and Sport and Recreation South Africa, Communications and Tourism

# Voted Expenditure Q1 2014/15: Transfers



- R20.8 billion was transferred to Provinces and Municipalities, representing an increase of 12 per cent
- Large areas of expenditure include:
  - 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 Q1 2014/15: Transfers



- R12.3 billion was transferred to Higher Education Institutions, representing an increase of 12 per cent
- The majority being for the block grants to Universities
- R11.2 billion was transferred to Public Corporations and Private Enterprises
- Significant recipients include the Passenger Rail Agency of South Africa for the prepayment of rolling stock

# Concluding remarks

- 2013/14 preliminary national expenditure outcome:
  - Underspending of R6.4 billion when compared to the adjusted budget
  - Driven mainly by underspending in the capital programme, underspending on local government grants and the clean-up of the social security database
- First quarter 2014/15 expenditure outcome
  - Spending on most items in line with projections
  - Decrease of 1.1 per cent in spending on Goods and Services
  - This decline in Goods and Services as a result of the cost containment measures



# THANK YOU

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# 3

## Detailed presentations on first quarter 2014/15 departmental expenditure outcomes



# Urban Development and Infrastructure

## 2013/14 Outcomes

### ■ Communications

- The growth in the Communications budget over the last year was due to funds for SENTECH for the broadcasting digital migration infrastructure roll-out and good and services spending on Telkom for the schools connectivity project.

### ■ Energy

- The energy budget has contracted due to the finalisation of the on budget contribution towards the Transnet Multipurpose Pipeline in 2012/13. Nearly 90% of this budget is spent on the Integrated National Electrification Programme and the Solar Water Geyser Programme. Under spending was mainly in the off grid electrification programme due to delays in verification of energy savings.

# Urban Development and Infrastructure

## 2013/14 Outcomes

- Human Settlements
  - Human Settlements expenditure increased largely due to a R3.42 billion increase in the Human Settlement Development Grant to Provinces and the Urban Settlement Development Grant to Metros. Under spending was largely due to the withholding of funds towards the Social Housing Regulatory Authority, under spending of the National Upgrade Support Programme and personnel vacancies, the latter at only 65%.
  
- Transport
  - The department has overspent on the budget due to payments made for the eNATIS system for which funds collected by the RTMC for this purpose has not been paid to the department, to date R1.182 billion has been collected but not transferred leading to a R700million overspending in the programme.

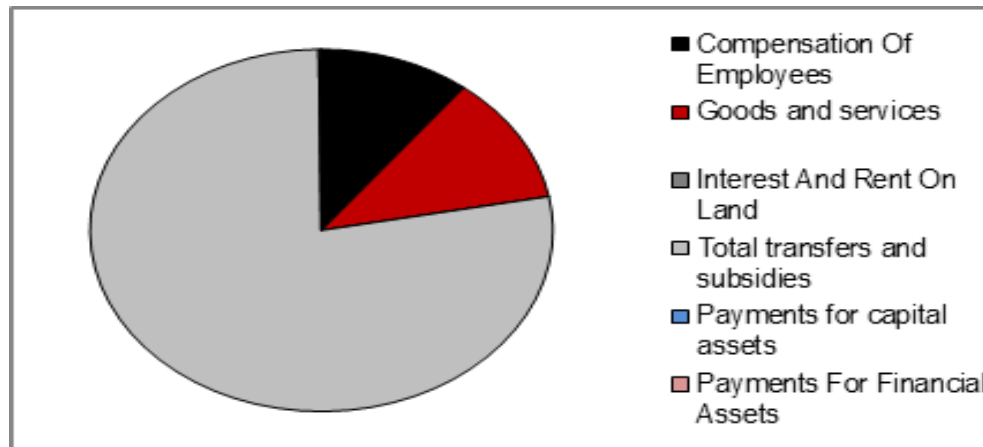
# Urban Development and Infrastructure

## 2013/14 Outcomes

- Cooperative Governance
  - The Department of Cooperative Governance and Traditional Affairs operational expenditure has largely grown due to increases in the Community Works Programme (37.2% increase). Under spending is due to the Equitable Share being withheld due to unspent conditional grants not paid back by municipalities.
  
- Water and Sanitation
  - Significant growth in the Water Affairs budget is due to increased allocations towards Regional Bulk Infrastructure and Municipal Water Infrastructure. Under spending is largely due to the inability of the department till fill vacancies (95.5% spending) and delays in receiving invoices for water sector support. Capital expenditure in the Department was 100% in 2013/14.

# Telecommunications and Postal Services

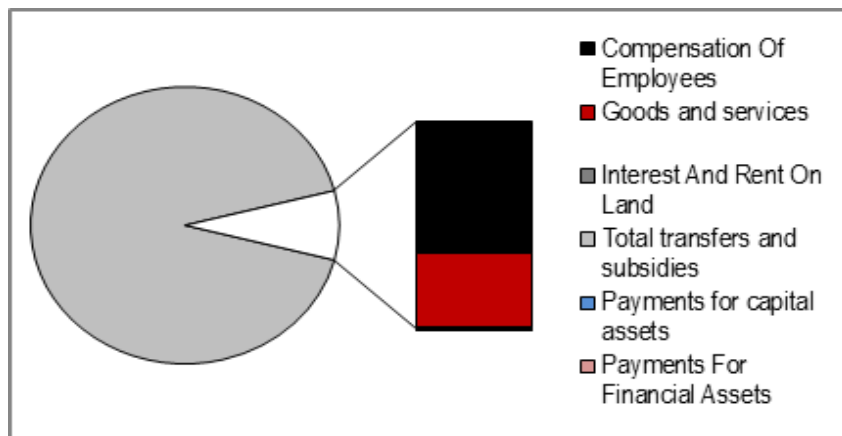
- Available appropriation of R1.6 billion which represents a nominal decrease of R799.4 million, or 42 per cent, from 2013/14 due to finalisation of digital migration infrastructure programmes
- 31.8% of appropriated funds spent in compared to 15.3% last year first quarter reflecting a 40.2% increase in expenditure



- Transfers to the Independent Communications Authority of South Africa, Universal Service Access Agency of South Africa, SABC and National Electronic Media Institute of South Africa
- Concerns that departments is not honouring its financial commitments within 30 days.

# Energy

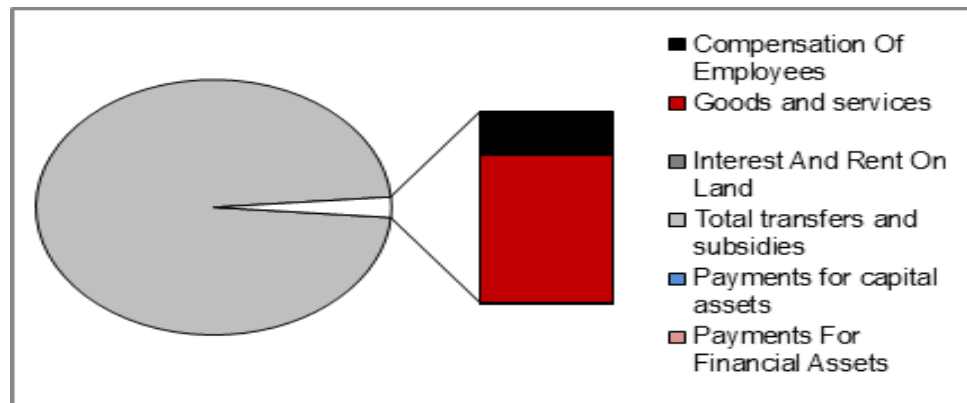
- The department of Energy has a 2014/15 available appropriation of R7.4 billion which represents a nominal increase of R867.9 million, or 14 per cent, from 2013/14 due to additional allocation for the Integrated National Electrification Programme
- First quarter expenditure was 16.5% of the total allocation which increased from the 14% over the same period reflecting a 34.7% increase in expenditure



- 55% of total operational expenditure was on the Administration programme reflecting a growth of 34% compared to last year due to increases in travel and subsistence
- R507.3 million deviation from projected spending in Clean Energy is due to delays in finalising the implementation agreement with ESKOM for Solar Water Geysers.

# Transport

- The department of Transport has a 2014/15 available appropriation of R48.7 billion which represents a nominal increase of R6.3 billion, or 14.9 per cent, from 2013/14 largely towards the PRASA new rolling stock programme
- Spending increase from 20.6% last year to 29.6% this year with total expenditure increasing by 65% in the first quarter due to prepayments of R5.1 billion towards the new rollingstock programme

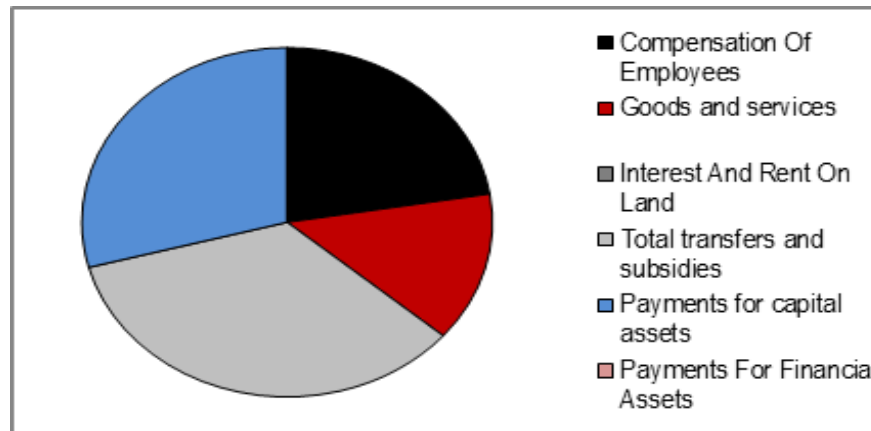


- Operational expenditure has grown at a nominal rate of 166.5 per cent, or R231.9 million, when compared to last year due to growth in the Road Transport programme, mainly driven by increased spending on goods and services for eNaTIS. The Administration and Public Transport programmes show high expenditure growth due to increases in spending on goods and services relating to transport services for the funeral of the former President, Nelson Mandela.



# Water and Sanitation

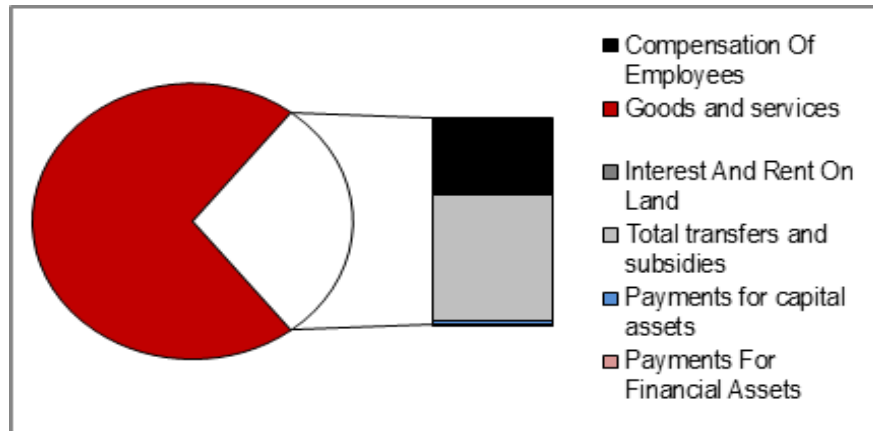
- The department of Water and Sanitation has a 2014/15 available appropriation of R12.5 billion which represents a nominal increase of R2 billion, or 20.3 per cent, from 2013/14 largely due to growth in regional bulk expenditure
- Compared to last year, first quarter expenditure has decreased from 13.5% to 11 of the total allocation



- The slower spending of R77.1 million or 31.5 per cent against the projected drawings of R244.2 million in the Administration programme is due to a 17 per cent vacancy rate and delays experienced in signing Service Level Agreements (SLA's) for on Information Technology support and maintenance services
- Capital expenditure has increased from R349.7 million to R398.6 million

# Cooperative Governance and Traditional Affairs

- The department of Cooperative Governance and Traditional Affairs has a 2014/15 available appropriation of R63.2 billion which represents a nominal increase of R4.7 billion, or 7.9 per cent, from 2013/14 largely due to increases in the Community Works Programme and the Municipal Disaster recovery Grant
- The department increased spending in the first quarter to 21.2% when compared to the 12.2% last year.



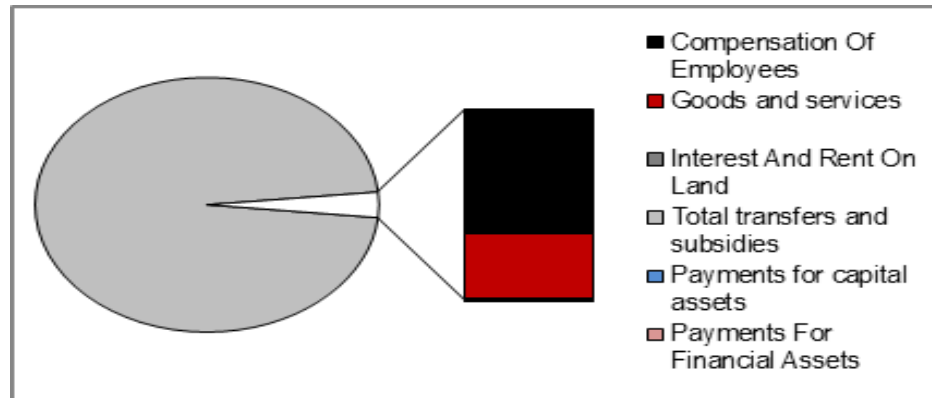
- Transfers are largely towards Local Government Equitable Share and MIG



The department has spent R690.6 million to the end of quarter 1, whilst originally scheduling drawings of R998.9 million leaving a lag of R308.2 million at this point in the year. This is mainly

# Human Settlements

- The department of Human Settlements has a 2014/15 available appropriation of R30.5 billion which represents a nominal increase of R2.2 billion, or 8 per cent, from 2013/14 due to additional allocations towards the Humans Settlement Development Grant largely for Mining Towns
- Expenditure improved slightly from 11% to 11.9% compared to last year in this quarter.



- The department has spent R3.5 billion to the end of quarter 1, whilst originally scheduling drawings of R3.7 billion leaving a lag of R134.4 million at this point in the year. This is mainly due to under spending on consultants for the National Upgrading Support Programme, the Special Investigations Unit and on computer services for the Housing Subsidy System as well as the slow filling of vacant posts.



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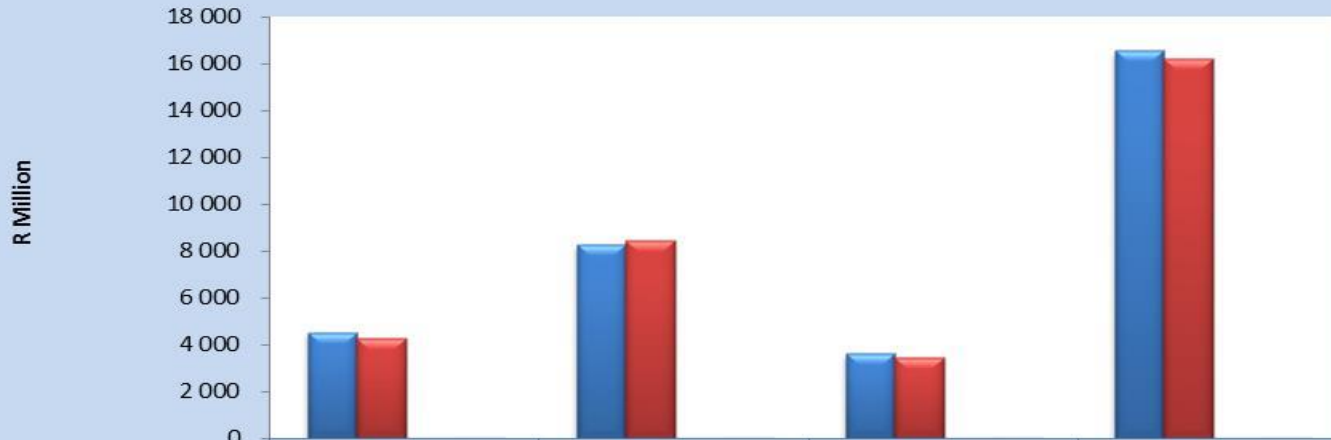
# Presentation outline

1. 2014/15 first quarter expenditure summary
2. Departmental expenditures by programme
3. Issues emanating from expenditure summary



# 2014/15 FIRST QUARTER EXPENDITURE SUMMARY

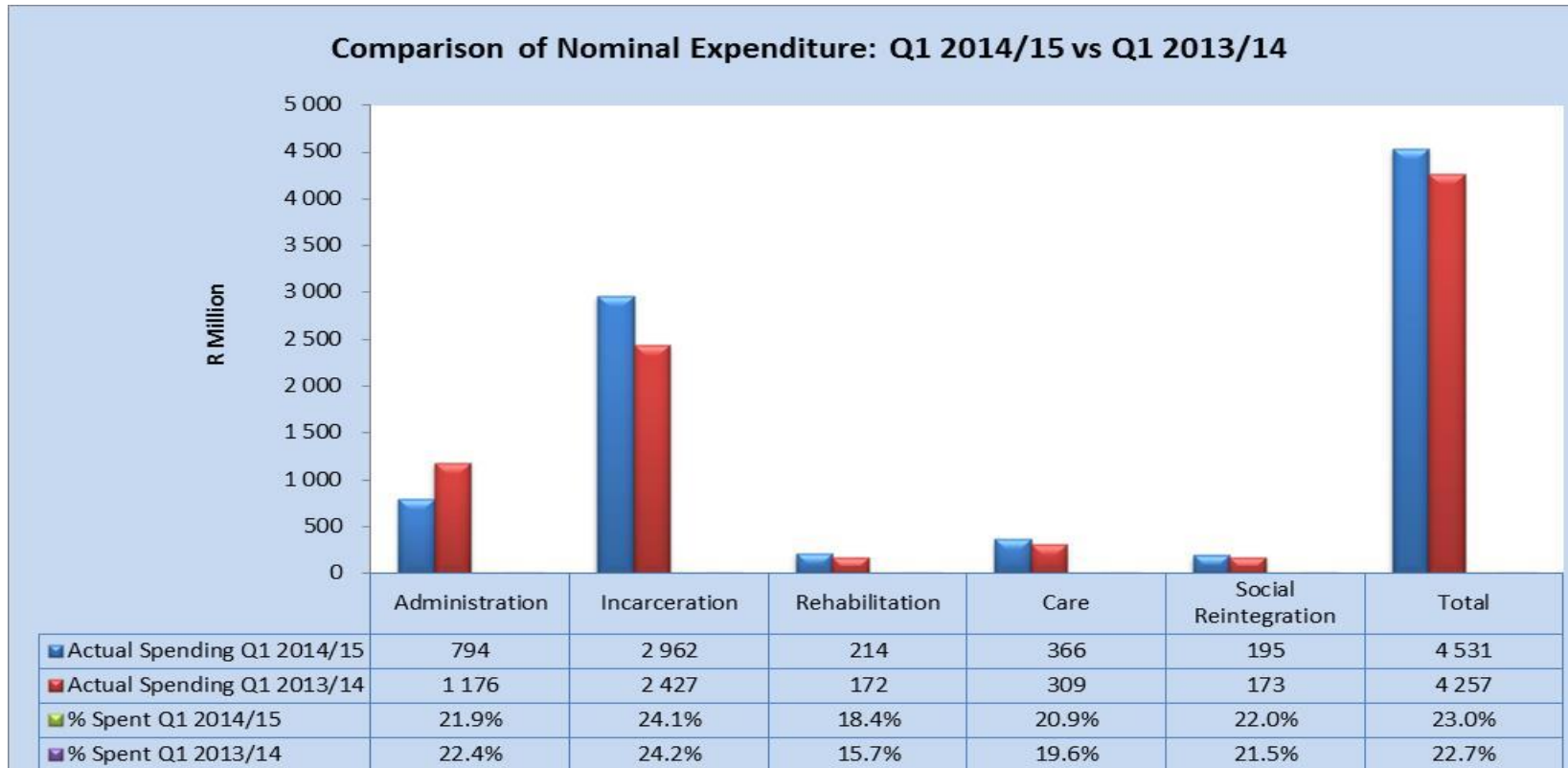
Comparison of Nominal Expenditures: Q1 2014/15 vs Q1 2013/14



	Correctional Services	Defence and Military Veterans	Justice and Constitutional Development	Police
Actual Spending Q1 2014/15	4 518	8 290	3 600	16 564
Actual Spending Q1 2013/14	4 257	8 470	3 469	16 192
% Spent Q1 2014/15	23.0%	19.4%	20.1%	22.8%
% Spent Q1 2013/14	22.7%	20.8%	20.7%	23.5%

Compared with expenditure in Q1 2013/14, all departments recorded lower percentage expenditures in Q1 2014/15 except Correctional Services. However, in nominal terms, Correctional Services, Justice and Police have spent more in Q1 of 2014/15 than Q1 of 2013/14.

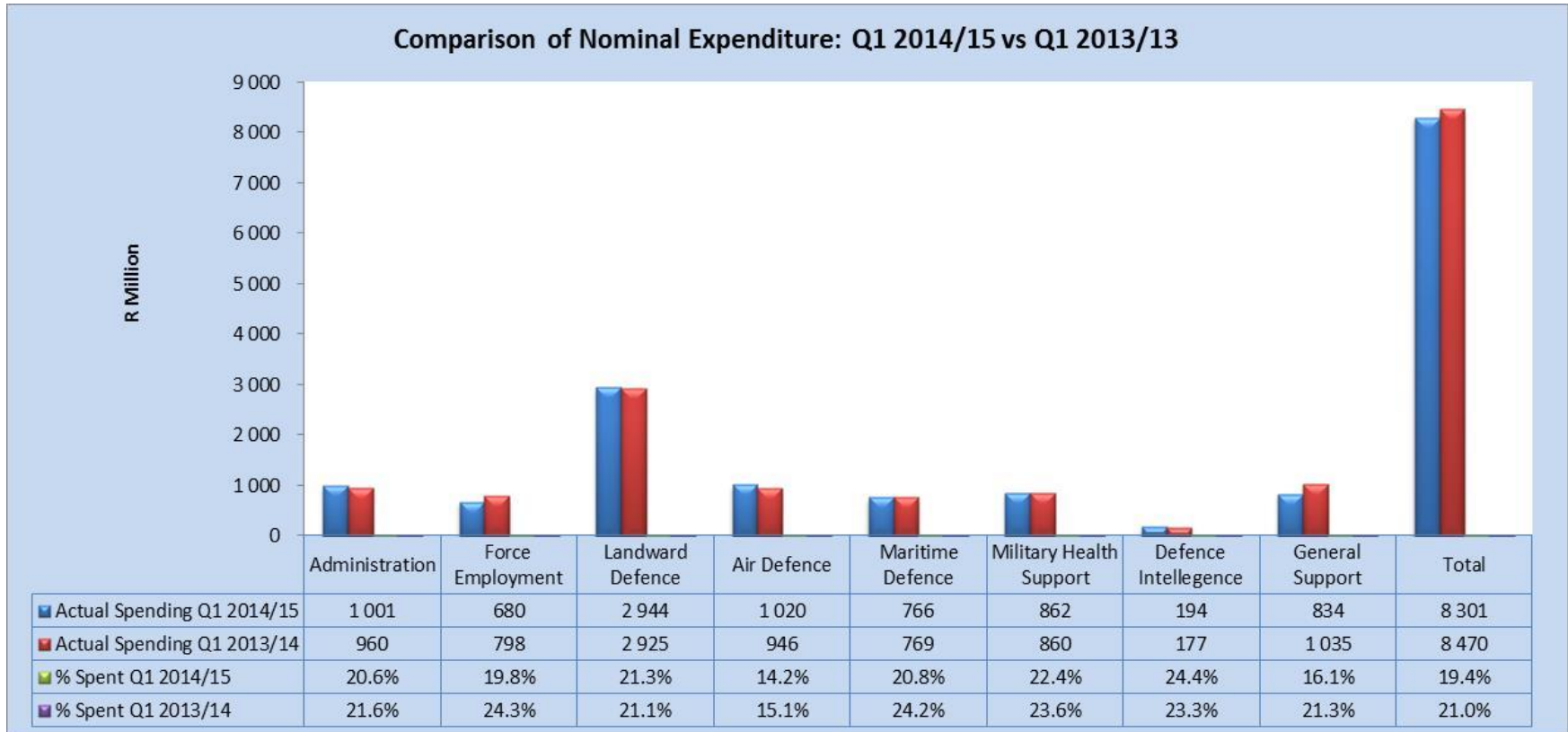
# Overall departmental spending – Correctional Services



The department has spent 23 per cent of its R19.7 billion budget as at 30 June 2014. This expenditure is higher than the Q1 2013/14 expenditure by 0.3 percentage points in proportional terms. However, this is still lower than the planned expenditure for Q1 2014/15 and this has occurred on all programmes and economic classification items. The lower than planned expenditure is mainly due to natural attrition, delays in the appointment of contractors for maintenance and repair projects, and protracted procurement processes relating to the purchasing of IT equipment for server installation and cabling projects.

# Overall departmental spending – Defence

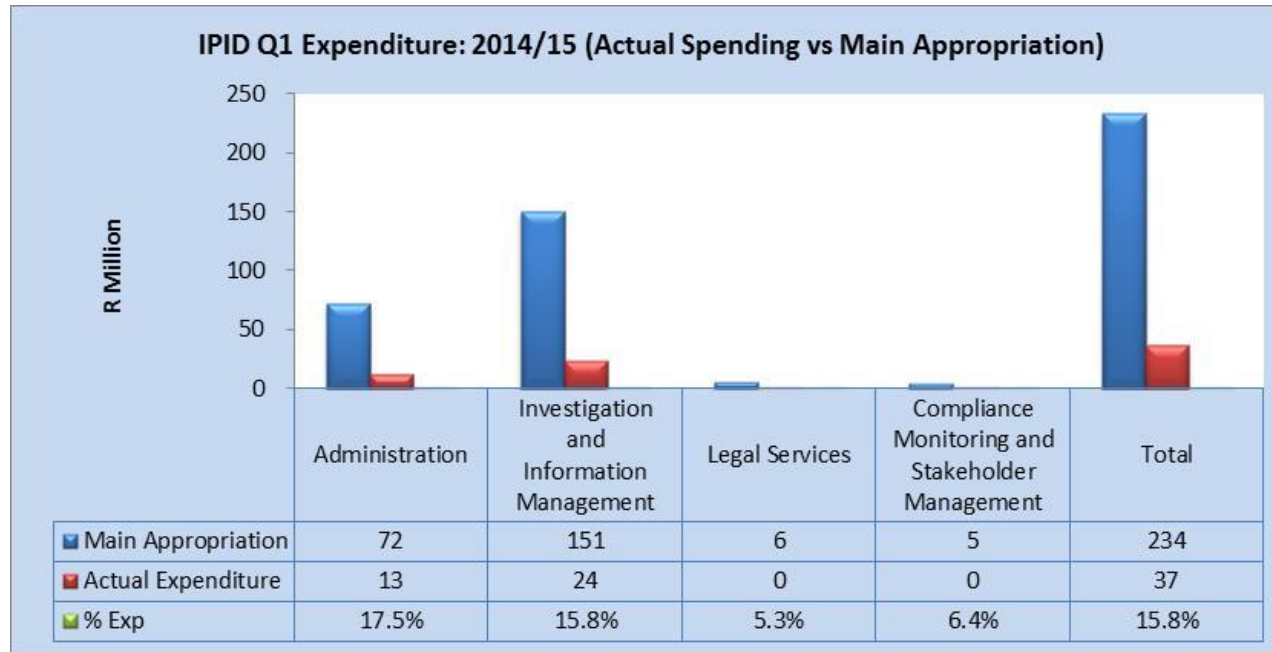
Comparison of Nominal Expenditure: Q1 2014/15 vs Q1 2013/13



The department has spent R8.3 billion or 19.4 per cent of its R42.8 billion budget in Q1 2014/15. Compared with expenditure in Q1 2013/14, expenditure has decreased by 1.6 percentage points in proportional terms. The decrease emanates from all programmes with the exception of Landward Defence and Defence Intelligence programmes. The slow spending can be attributed mainly to the late placement of orders for military systems; delays in repair and maintenance programmes administered by the Department of Public Works (DPW) and delays in issuing of invoices by SITA.

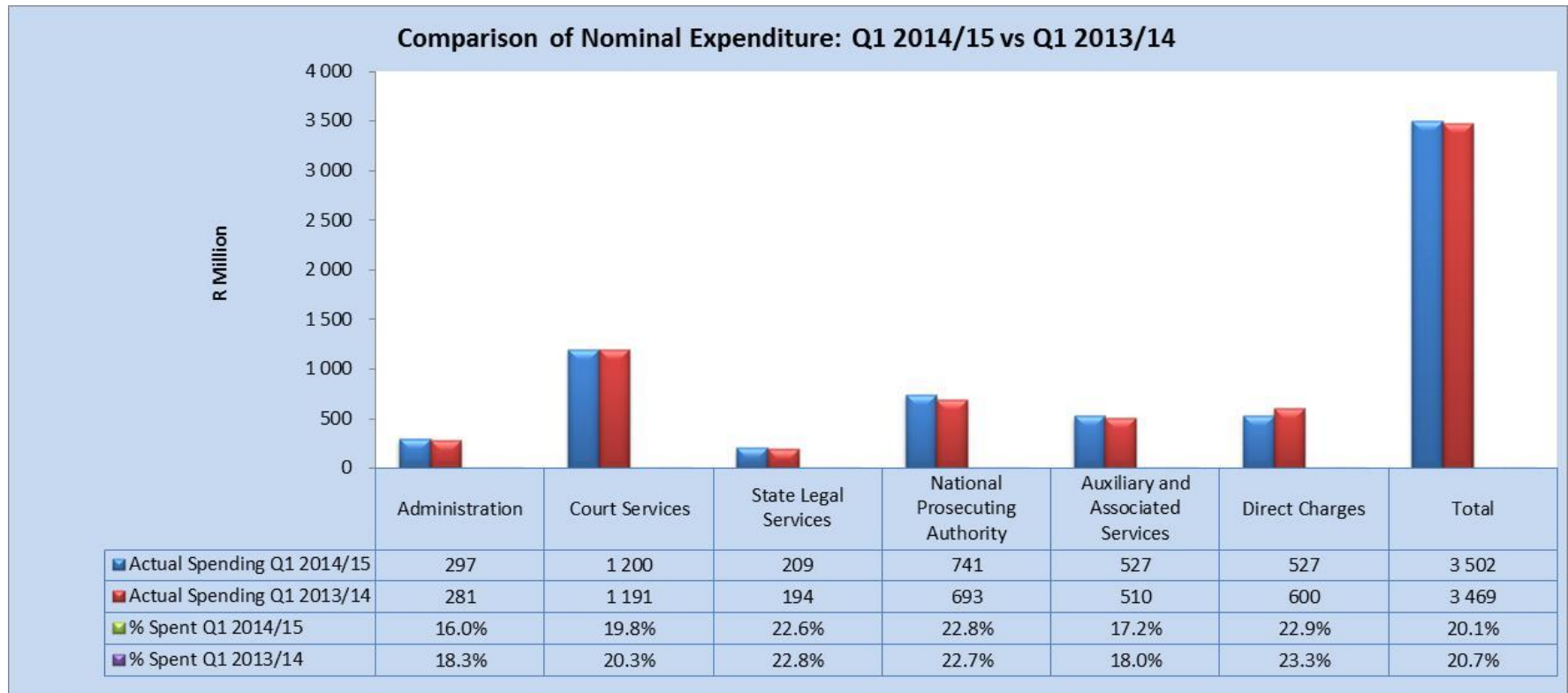


# Overall departmental spending– Independent Police Investigative Directorate (IPID)



- NB: The programme structure for IPID has changed in 2014/15 financial year compared to the 2013/14 programme structure and hence no comparative figures have been presented.
- Lower than planned spending in Q1 2014 is visible on all programmes but is mainly notable under the Legal Services programme, mainly as a result of unfilled positions. At economic classification level, spending in the department is lower than anticipated, mainly under current payments and payments for capital assets. The underspending on current payments (goods and services) was mainly on operating leases due to delayed invoicing by the Department of Public Works.

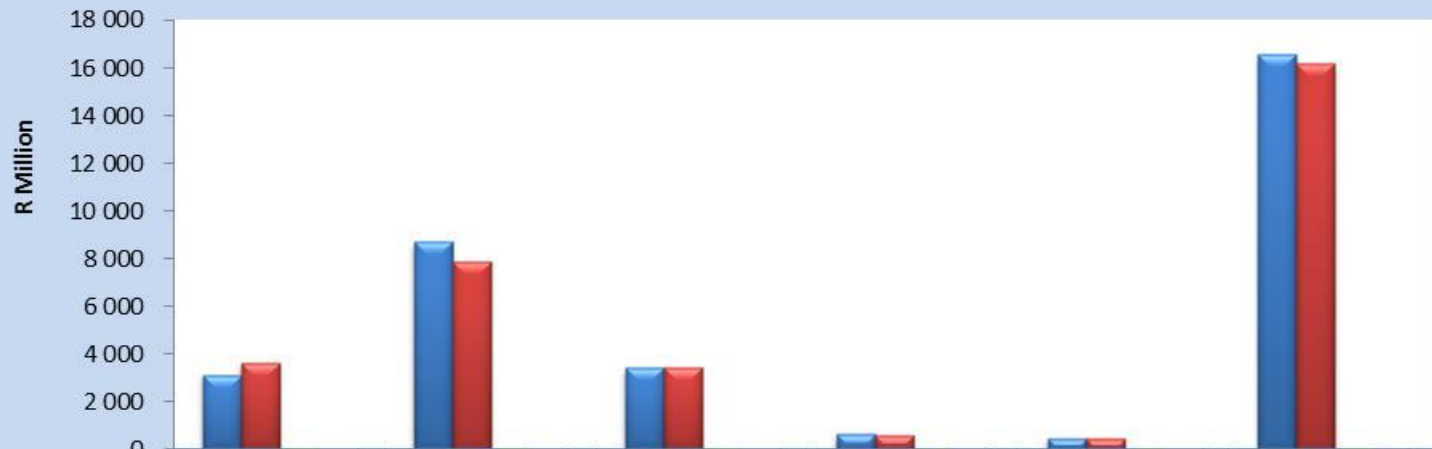
# Overall departmental spending – Justice and Constitutional Development



The department has spent 20.1 per cent of its R17.9 billion budget. This represents a decrease of 0.6 percentage points in proportional terms when compared to expenditure in Q1 of 2013/14. Worth noting is that, expenditure under Administration has decreased by R16 million or 2.3 per cent when compared to Q1 2013/14 spending and this is due to delays in the receipts of invoices for leases. In addition, significant underspending on payments for capital assets can be attributed to the delays in the submission of invoices and execution of capital works projects by DPW. A decrease in expenditure (in proportional terms) on Auxiliary and Associated Services is attributed to the delays in receiving claims from the Justice, Crime Prevention and Security Cluster departments (for the criminal justice system modernisation projects).

# Overall departmental spending – Police

## Comparison of Nominal Expenditure: Q1 2014/15 vs Q1 2013/14



	Administration	Visible Policing	Detective Services	Crime Intelligence	Protection and Security Services	Total
Actual Spending Q1 2014/15	3 156	8 731	3 458	696	523	16 563
Actual Spending Q1 2013/14	3 679	7 881	3 462	662	508	16 192
% Spent Q1 2014/15	20.6%	23.6%	22.7%	24.1%	25.2%	22.8%
% Spent Q1 2013/14	21.2%	25.0%	24.1%	24.4%	25.8%	23.8%

The department has spent 22.8 per cent of its R72.5 billion budget. This represents a decrease of 0.7 percentage points in proportional terms when compared to expenditure in the same period in 2013/14. In proportional terms, all programmes spent lower compared with the same period in 2013/14. When compared to approved projections, the department is behind its spending schedule by R530 million. Slow spending is also noted on goods and services (R504.3 million) mainly as a result of delays in receiving invoices for lease payments. Spending on compensation of employees is R346.1 million higher than planned. This emanates mainly from the Visible Policing programme and is mainly due to the carry through effects of salary adjustments effected in 2013/14.

# Issues from the expenditure summary

- Involvement of third parties (for example DPW and SITA) in the delivery of services is a challenge and this delays service delivery leading to underspending of departmental budgets. In this regard, DPW delays the building of infrastructure while SITA delay is mainly in respect of modernization project (i.e modernization of the criminal justice system).
- National Treasury will have discussions with DPW and SITA to address the problems mentioned on most of the slides.



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# Education and related departments

- Higher Education and Training spent 41.2% (R20.71 billion of R50.31 billion) of their main budget of which 99.1% was transferred to Universities, Technical and Vocational Education and Training (TVET) Colleges & to the National student Financial Aid Scheme (NSFAS)
- Basic Education spent 30.5% (R6.01 billion of R19.7 billion) of their main budget of which 77% was transferred to provinces for school nutrition, school infrastructure, maths & science improvements, and life skills
- Arts and Culture spent 20.2% (R711.1 million of R3.52 billion) of their main budget of which 75.4% was transferred to museums, playhouses, cultural and heritage institutions & to provinces for community libraries
- Labour spent 30.1% (R761.1 million of R2.53 billion) of their main budget of which 31.8% was spent on compensation of employees and 50.5% was transferred to the Commission for Conciliation, Mediation and Arbitration (CCMA), Productivity SA, NEDLAC and the Supported Employment Enterprises (Sheltered employment factories)
- Sport and Recreation spent 24.8% (R240.3 million of R970.4 million) of their main budget of which 83.7% was transferred to sport federations & to provinces for mass

# Education and related departments (2)

Underspending concerns in the Schools Infrastructure Backlog grant in Basic Education:

- Given the slow spending on this grant in 2011/12 (R76 million of R700 million or 11% ) and in 2012/13 (R775 million of R2 billion or 37.5% ), rescheduling of the grant took place in the 2013 Medium Term Expenditure Framework to bring the budget in line with capacity of the department to spend.
- While spending improved in 2013/14 to 71.5% (R1.4 billion of R1.9 billion or 71.5% spent) , this is not at a satisfactory level yet, given that this grant focuses on the eradication of inappropriate school structures, provision of school furniture and learner material for Grade R as well as the provision of electricity, water and sanitation.
- For first quarter of 2014/15, spending remains slow. Only R161 million out of a proposed R495 million was spent i.e. only 32.5 % of the planned spending happened.

Underspending concerns on the Mzansi Golden Economy Strategy Projects:

- Ideally the call for proposals must be advertised and awarded a year in advance in order to allocate the funding in the correct economic classifications . The DAC does not advertise and award funding before the allocation of the budget for the year in which the spending is to take place. As a result the department must apply to Treasury for virement approval to move the main budget to the economic classifications where it must be spent. This can only be approved when the Appropriation Bill is passed and assented to by the President.



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# VOTE 1 - PRESIDENCY

- The Presidency spent R262.1 million (or 21.8 per cent) of R1.2 billion for 2014/15.
- The spending for the first quarter represents R12.8 million under spending against the projected drawings of R274.9 million at this point in the year.
- Mainly due to underspending on compensation of employees due to vacancies as well as pending security screening results which delayed the appointment of the transferred support staff to the Minister and Deputy Ministers

# VOTE 2 - PARLIAMENT

Programme	2013/14			2014/15				Expenditure growth 12/13 to 13/14 April to June <sup>2</sup>
	Available budget <sup>1</sup>	April to June expenditure	April to June percentage spent	Main appropriation	Available budget <sup>1</sup>	April to June expenditure	April to June percentage spent	
R million								
<b>Operational Expenditure</b>								
1. Administration	409.7	102.1	24.9%	442.0	442.0	103.9	23.5%	1.7%
2. Legislation And Oversight	347.5	77.6	22.3%	361.2	361.2	76.9	21.3%	-1.0%
3. Public And International Participation	119.9	19.7	16.4%	132.6	132.6	21.6	16.3%	9.5%
4. Members' Facilities	211.2	45.7	21.6%	223.9	223.9	35.6	15.9%	-22.0%
5. Associated Services	-2.0	-	0.0%	-	-	-	-	-
<b>Sub Total</b>	<b>1 086.3</b>	<b>245.2</b>	<b>22.6%</b>	<b>1 159.7</b>	<b>1 159.7</b>	<b>238.0</b>	<b>20.5%</b>	<b>-2.9%</b>
<b>Transfers and Subsidies</b>								
Non-Profit Institutions	331.1	82.7	25.0%	348.5	348.5	78.4	22.5%	-5.2%
<b>Sub Total</b>	<b>331.1</b>	<b>82.7</b>	<b>25.0%</b>	<b>348.5</b>	<b>348.5</b>	<b>78.4</b>	<b>22.5%</b>	<b>-5.2%</b>
<b>Total</b>	<b>1 417.4</b>	<b>327.9</b>	<b>23.1%</b>	<b>1 508.2</b>	<b>1 508.2</b>	<b>316.4</b>	<b>21.0%</b>	<b>-3.5%</b>
<b>Economic Classification</b>								
<b>Current payments</b>	1 172.2	253.4	21.6%	1 156.3	1 156.3	236.9	20.5%	-6.5%
Compensation Of Employees	653.3	154.4	23.6%	675.1	675.1	168.9	25.0%	9.4%
Goods and services	519.0	98.9	19.1%	481.2	481.2	67.9	14.1%	-31.3%
Interest And Rent On Land	-	-	-	-	-	-	-	-
<b>Total transfers and subsidies</b>	331.1	82.7	25.0%	348.5	348.5	78.4	22.5%	-5.2%
<b>Payments for capital assets</b>	4.0	3.2	81.0%	3.4	3.4	1.1	33.4%	-64.8%
<b>Payments For Financial Assets</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1 507.3</b>	<b>339.3</b>	<b>22.5%</b>	<b>1 508.2</b>	<b>1 508.2</b>	<b>316.4</b>	<b>21.0%</b>	<b>-6.7%</b>
<b>Direct Charge Against The National Revenue Fund</b>								
Members' Remuneration	453.8	94.4	20.8%	481.0	481.0	95.3	19.8%	1.0%
<b>Sub Total</b>	<b>453.8</b>	<b>94.4</b>	<b>20.8%</b>	<b>481.0</b>	<b>481.0</b>	<b>95.3</b>	<b>19.8%</b>	<b>1.0%</b>
<b>Total</b>	<b>1 871.1</b>	<b>422.2</b>	<b>22.6%</b>	<b>1 989.2</b>	<b>1 989.2</b>	<b>411.7</b>	<b>20.7%</b>	<b>-2.5%</b>

1. After adjustments

2. Nominal



# VOTE 2 - PARLIAMENT

- Parliament has a budget of R2 billion for 2014/15.
- Of this amount, R481 million (24.2 per cent) is an allocation for direct charges used as payment for Members' remuneration.
- Exclusive of direct chargers, Parliament's budget has shown a nominal increase of R0.9 million, or 6.4 per cent to R1.5 billion from 2013/14.
- Parliament has an available budget of R348.5 million for Transfers and Subsidies, and so far only R78.4 million or 22.5 per cent has been transferred, mainly to non-profit institutions.
- After the deduction of the R348.5 million for Transfers and Subsidies, Parliament has a budget of about R1.2 billion, 44 per cent of which is used for administration, while 56 per cent is used for the Programmes.
- From total spending of R238 million, or 20.5 per cent of its total budget, Parliament has spent 7.1 per cent of compensation of employees, 28.5 per cent on goods and services, and only 0.5 per cent on payments for capital assets

# VOTE 4 - HOME AFFAIRS

- Home Affairs has a budget of R6.6 billion for 2014/15, this shows a nominal decrease of R424.7 million, or 5.3 per cent from 2013/14.
- Of this total budget, R1.8 billion is an allocation for Transfers and Subsidies, and so far R775.6 million, or 44.1 per cent has been transferred mainly to departmental agencies and accounts.
- Of the R4.9 billion available for operations, Home Affairs has spent R1.1 billion, or 23.6 per cent, most of which has been used for compensation of employees and goods and services.
- The highest spending Programme at the end of quarter 1 is Citizens Affairs, under which R616.8 million has been spent; most of this spending has been for compensation of employees.

- The department has spent R1.3 billion or 22.4 per cent of its total available of R5.8 billion for 2014/15 towards compensation of employees and good and services.
- The spending for the first quarter represents R160.8 million under spending against the projected drawings of R1.5 billion at this point in the year
- This is mainly due to slow progress in ICT projects and delay in building projects abroad.

# Vote 6 – Department of Performance Monitoring and Evaluation

- DPME spent R36.6 million (or 17.5 %) of its available budget of R208.2 million for 2014/15.
- Spending is predominantly towards compensation of employees and is on tract with the approved drawings schedule

# VOTE 9 - GCIS

# VOTE 10 – NATIONAL TREASURY

## GCIS

- Spending on track, department over spent their 2013/14 budget due to state funeral

## National Treasury

- Spending slower than planned due to vacancies and lower transfers to the Jobs Fund

## STATS SA

- Slow spending due to outstanding invoices for Accommodation and Municipal Services

# Vote 12 - Department of Public Service and Administration

- The Department of Public Service and Administration spent 22.5 per cent of its R875.1 million budget.
  
- There is generally a lower spending in the department, when compared to the projected expenditure as at 30 June 2014.
  
- The lower spending is mainly in Goods and Services due to delays in the implementation of specific projects such as:
  - Government Information Technology Officer Council
  - Submission of Invoices by Service Providers for Batho Pele Gateway Call Centre
  - IT connectivity of the Thusong Service Centres and
  - Operating leases for office accommodation.



# National School of Government

- The Department of Women, Children and People with Disabilities has also reported a lower spending of 21.5 per cent, against the budget of R218.5 million.
- The lower than anticipated expenditure is mainly due to funded vacancies, represented by a vacancy rate of 13 per cent as at the end of June 2014.



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Overview Q1: Economic Services

## Summary per Department

R'000	Approved Drawings	Actual Expenditure	Total under/(over) spending	Q1 Budget Spending as a % of Total Budget
DPE	61,591	48,740	12,851	18.8
EDD	177,345	161,173	16,172	23.1
DTI	2,527,360	1,908,715	618,645	19.5
DEA	1,176,367	1,086,235	90,132	19.2
DST	1,401,874	1,399,608	2,266	21.6
NDT	777,298	684,948	92,350	41.2
DMR	446,413	418,416	28,227	28.4
DAFF	1,718,098	1,658,398	59,700	25.0
DRDLR	2,274,545	2,113,788	160,757	22.4

# Vote 11: SCoA

Department of Public Enterprises

2014/15 available appropriation of R259.8 million

R'000	Apr	May	Jun	Total Q1
Approved Drawings	18,815	18,957	23,819	61,591
Actual Expenditure	14,102	17,619	17,019	48,740
<b>Under/(Over) Spending</b>	<b>4,713</b>	<b>1,338</b>	<b>6,800</b>	<b>12,851</b>

The department has spent R48.7 million to the end of quarter 1, whilst originally scheduling drawings of R61.6 million leaving a lag of R12.9 million at this point in the year. This is mainly due to delays in projects.

# Vote 28: SCoA

## Economic Development Department

2014/15 available appropriation of R696.9 million

R'000	April	May	June	Total
Approved Drawings	122,887	40,056	14,402	177,345
Actual Expenditure	117,627	36,639	6,907	161,173
<b>Under/(Over) Spending</b>	<b>5,260</b>	<b>3,417</b>	<b>7,495</b>	<b>16,172</b>

The department has spent R161.17 million to the end of quarter 1, whilst originally scheduling drawings of R177.35 million leaving a lag of R16.17 million. Under spending is largely on programme 1: Administration and 2: Economic Policy Development. Compensation of employees and goods and services are the main areas of under spending mainly due to slow filling of vacant posts.

# Vote 36: SCoA

Department of Trade and Industry

2014/15 available appropriation of R9.8 billion

R'000	April	May	June	Total
Approved Drawings	1,129,048	778,030	620,282	2,527,360
Actual Expenditure	828,539	585,730	494,447	1,908,715
<b>Under/(Over) Spending</b>	<b>300,509</b>	<b>192,300</b>	<b>125,835</b>	<b>618,645</b>

The department has spent R1.9 billion to the end of quarter 1, whilst originally scheduling drawings of R2.5 billion leaving a lag of R618.6 million at this point in the year. This is mainly due to under spending in Programme 6: Industrial Development Incentive Administration for transfer payments (mainly in incentives). The under spending is mainly due to the following incentives: Manufacturing Competitiveness Enhancement Programme (MCEP) (R213 million) and Special Economic Zones (R130 million).

# Vote 30: SCoA

Department of Environmental Affairs

2014/15 available appropriation of R5.7 billion

R'000	Apr	May	Jun	Total Q1
Approved Drawings	288,913	434,648	452,806	1,176,367
Actual Expenditure	357,411	384,210	344,614	1,086,235
<b>Under/(Over) Spending</b>	<b>-68,498</b>	<b>50,438</b>	<b>108,192</b>	<b>90,132</b>

The department has spent R1.1 billion to the end of quarter 1, whilst originally scheduling drawings of R1.2 billion leaving a lag of R90 million at this point in the year. This is mainly due to invoices from SITA and DPW that were received later than expected by the DEA. These payments will be processed in Q2.

# Vote 34: SCoA

Department of Science and Technology

2014/15 available appropriation of R6.5 billion

R'000	Apr	May	Jun	Total Q1
Approved Drawings	789,468	381,459	230,947	1,401,874
Actual Expenditure	784,830	376,488	238,290	1,399,608
<b>Under/(Over) Spending</b>	<b>4,638</b>	<b>4,971</b>	<b>-7,343</b>	<b>2,266</b>

The department has spent R1.4 billion to the end of quarter 1, whilst originally scheduling drawings of R2.7 billion leaving a lag of R1.3 billion at this point in the year. The low spending was caused by delays in projects like Astronomy, Cyber Infrastructure, Human and Social Development Dynamics, Human Resource Development, Research and Development Infrastructure, Science Awareness and SKA. Payments for Astronomy and Human and Social Development Dynamics were processed in July 2014. Over R1 billion in transfer payments will be processed in August 2014. This includes R204 million for Cyber Infrastructure, R462 million for HRD, R385 million for SKA capital and R259 million for Research and Development Infrastructure.



# Vote 35: SCoA

Department of Tourism

2014/15 available appropriation of R1.7 billion

R'000	Apr	May	Jun	Total Q1
Approved Drawings	644,104	68,444	64,750	777,298
Actual Expenditure	610,806	38,747	35,395	684,948
<b>Under/(Over) Spending</b>	<b>33,298</b>	<b>29,697</b>	<b>29,355</b>	<b>92,350</b>

The department has spent R684,948 to the end of quarter 1, whilst originally scheduling drawings of R777, 298 leaving a lag of R92,350. Spending under the International Tourism programme has decreased however mainly due to lower spending on goods and services and payments for capital assets. Low expenditure is due to slower than expected transfers to Social Responsibility Implementation for EPWP programmes and delays in implementation of the Tourism Incentive Programme. EPWP programmes usually start accelerating during Q3 and Q4. NDT is considering a reschedule as not all TEP funds will be spent in the current year.

# Vote 32: SCoA

## Department of Mineral Resources

2014/15 available appropriation of R1.5 billion

R'000	April	May	June	Total Q1
Approved Drawings	144 354	145 501	156 558	446 413
Actual Expenditure	134 574	161 634	121 978	418 186
<b>Under/(Over) Spending</b>	9 780	-16 133	34 580	28 227

The department has spent R418 million or 28.42% of the available budget at the end of quarter 1, whereas it projected to spend R446 million, leaving an under spending of R28 million. The under spending was mainly due to transfers to the Industrial Development Corporation (IDC) for the promotion of small-scale mining projects which were not transferred as projected due to the finalisation of the memorandum of understanding between the Department and the IDC and delays in the filling of new environmental mine inspectors posts.

# Vote 26: SCoA

## Department of Agriculture, Forestry and Fisheries

### 2014/15 available appropriation of R6.7 billion

R' 000	April	May	June	Total Q1
Approved drawings	1 107 375	304 461	306 262	1 718 098
Actual expenditure	453 290	912 632	292 476	1 658 398
Over/(under)	-654 085	608 171	-13 786	-59 700

The department spent R1.659 billion of the allocated R6.7 billion. Transfers and Subsidies account for R4 billion of the available budget and of this amount the department has so far transferred R1.1 billion (27.4%) mainly to public entities; and provinces and municipalities. The department has R2.7 billion for operations, of this, the department has spent R552.4 million (or 20.8%), the majority of which has been used on compensation of employees. The next largest element was R148.5 million under the Administration programme mainly for compensation of employees and goods and services, followed by R114.2 million under the Agricultural Production, Health And Food Safety programme primarily for compensation of employees. The department has spent R1.659 billion (25%) to the end of quarter 1, whilst originally scheduling drawings of R1.7 billion leaving a lag of R59.7 million at this point in the year. The reasons for the lag are slow spending on compensation of employees (due to vacancies); and goods and services

# Vote 33: SCoA

## Department of Rural Development and Land Reform

2014/15 available appropriation of R9.5 billion

R'000	April	May	June	Total Q1
Approved Drawings	1 007 247	642 720	624 578	2 274 545
Actual Expenditure	884 129	480 806	748 853	2 113 788
<b>Under/(Over) Spending</b>	123 118	161 914	-124 275	160 757

The department has spent R2.1 billion to the end of quarter 1, whilst originally scheduling drawings of R2.3 billion leaving a lag of R160.8 million at this point in the year. This is mainly due to the time takes to finalise restitution claims, and to identify agricultural land. The largest element of operational expenditure to the end of quarter 1 in 2014/15 was R308.1 million spent under the Rural Development programme mainly on goods and services and compensation of employees. At the end of quarter 1 the department had transferred R1.2 billion or 20.3 per cent of the total available budget. Transfers to Departmental Agencies and Accounts to the end of quarter 1 were R436.4 million. This transfer was all to the Agricultural Land Holding Account: Land Acquisition transfer. Transfers to Households to the end of quarter 1 were R699.7 million, the majority of which was for the Restitution Grants: Land Claims Settlements transfer.



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# Overview of Health Budget 2014/15

Programme	2013/14			2014/15				
	Available budget <sup>1</sup>	April to June expenditure	April to June percentage spent	Main appropriation	Available budget <sup>1</sup>	April to June expenditure	April to June percentage spent	Expenditure growth 12/13 to 13/14 April to June <sup>2</sup>
R million								
<b>Operational Expenditure</b>								
1. Administration	419.7	92.4	22.0%	398.3	398.3	111.5	28.0%	20.6%
2. National Health Insurance, Health Planning And Systems Enablement	427.5	25.6	6.0%	546.3	546.3	31.0	5.7%	21.3%
3. Hiv And Aids, Tuberculosis, Maternal And Child Health	287.1	47.0	16.4%	534.8	534.8	75.0	14.0%	59.6%
4. Primary Health Care Services	91.2	14.2	15.6%	89.1	89.1	17.9	20.1%	26.0%
5. Hospitals, Tertiary Health Services And Human Resource Development	614.3	47.5	7.7%	1 195.8	1 195.8	46.9	3.9%	-1.3%
6. Health Regulation And Compliance Management	221.6	39.3	17.7%	274.8	274.8	45.1	16.4%	14.7%
<b>Sub Total</b>	<b>2 061.4</b>	<b>266.0</b>	<b>12.9%</b>	<b>3 039.1</b>	<b>3 039.1</b>	<b>327.3</b>	<b>10.8%</b>	<b>23.1%</b>
<b>Transfers and Subsidies</b>								
Provinces and Municipalities	27 688.8	6 933.0	25.0%	30 111.3	30 111.3	7 451.2	24.7%	7.5%
Departmental Agencies and Accounts	561.9	131.3	23.4%	596.0	596.0	144.5	24.3%	10.1%
Higher Education Institutions	7.0	-	0.0%	3.0	3.0	-	0.0%	-
Non-Profit Institutions	209.1	13.2	6.3%	206.1	206.1	0.1	0.0%	-99.2%
Households	0.1	0.1	256.0%	-	-	0.7	-	425.0%
<b>Sub Total</b>	<b>28 466.8</b>	<b>7 077.6</b>	<b>24.9%</b>	<b>30 916.4</b>	<b>30 916.4</b>	<b>7 596.5</b>	<b>24.6%</b>	<b>7.3%</b>
<b>Payments For Financial Assets</b>	-	-	-	-	-	<b>0.3</b>	-	-
<b>Total</b>	<b>30 528.2</b>	<b>7 343.6</b>	<b>24.1%</b>	<b>33 955.5</b>	<b>33 955.5</b>	<b>7 924.1</b>	<b>23.3%</b>	<b>7.9%</b>
<b>Economic Classification</b>								
<b>Current payments</b>	1 590.3	264.2	16.6%	1 983.4	1 983.4	306.3	15.4%	<b>15.9%</b>
Compensation Of Employees	538.4	129.4	24.0%	597.2	597.2	146.0	24.4%	12.8%
Goods and services	1 051.9	134.8	12.8%	1 386.2	1 386.2	160.3	11.6%	18.9%
Interest And Rent On Land	-	-	-	-	-	-	-	-
<b>Total transfers and subsidies</b>	28 466.8	7 077.6	24.9%	30 916.4	30 916.4	7 596.5	24.6%	7.3%
<b>Payments for capital assets</b>	471.1	1.8	0.4%	1 025.0	1 025.0	13.5	1.3%	664.7%
<b>Payments For Financial Assets</b>	-	-	-	-	-	0.3	-	-
<b>Total</b>	<b>30 528.2</b>	<b>7 343.6</b>	<b>24.1%</b>	<b>33 924.8</b>	<b>33 924.8</b>	<b>7 916.6</b>	<b>23.3%</b>	<b>7.8%</b>

1. After adjustments

2. Nominal

# Overview of Health Budget 2014/15- CONTINUED

- The health budget for 2014/15 amounts to R30.5 billion which represents a nominal increase of R3.4 billion, or 11.2 per cent, from 2013/14, mainly driven by growth in the HIV conditional grant.
- Transfer and Subsidies account for R30.9 billion of the budget, mainly due to the large conditional grants transferred to provinces.
- Overall spending in Q1 of 2014/15 is 23.3% of the annual allocation
- Of the R3 billion non-transfer budget, only R327.3 million (8.4%) was spent. The underspending was mainly in the in-kind conditional grant (both NHI and health facility revitalisation components) and condoms budget.

# Health spending by programme

Programme	Main Budget	Actual Spending	% spent	% spent at same period in 2013/14
ADMINISTRATION	399,721	112,102	28.0%	22.5%
NATIONAL HEALTH INSURANCE, HEALTH PLANNING AND SYSTEMS ENABLEMENT	621,252	38,295	6.2%	7.2%
HIV AND AIDS, TUBERCULOSIS, MATERNAL AND CHILD HEALTH	13,049,923	3,083,868	23.6%	24.1%
PRIMARY HEALTH CARE SERVICES	93,515	18,028	19.3%	13.0%
HOSPITALS, TERTIARY HEALTH SERVICES AND HUMAN RESOURCE DEVELOPMENT	18,925,780	4,482,176	23.7%	24.4%
HEALTH REGULATION AND COMPLIANCE MANAGEMENT	865,284	189,651	21.9%	23.3%
<b>Total</b>	<b>33,955,475</b>	<b>7,924,120</b>	<b>23.3%</b>	<b>23.9%</b>



# Health spending by programme - CONTINUED

- Benchmark spending for quarter 1 is 25%
- Programme 2: National Health Insurance, Health Planning and Systems Enablement:
  - Spent R38.3million, or 6.2% of its R621.3 million budget. Although low, it is an improvement from Q1 of 2013/14
  - Low spending mainly due to slow spending in the NHI component of the National Health Grant, which only spent 1.5% of its R395 million budget. Underspending due to difficulties in contracting GPs (only 162 from a 900 target have been contracted to date) and misclassification of spending (R2.7 million) relating to the DRG hospital reimbursement project.
- Programme 3: HIV and AIDS, Tuberculosis, Maternal and Child Health
  - Spent R3.1 billion, or 23.6% of its R13 billion budget. Condoms expenditure has improved and spending is at 33.3%.

# Health spending by programme - CONTINUED

- Programme 5: Hospitals, Tertiary Health Services and Human Resource Development
  - Spent R4.5 billion, or 23.7% of its R18.9 billion budget. Spending on the infrastructure component of the National Health Grant remains low in Q1 2014/15 at R11.5 million or 1.17% of its R979.9 million budget.

# Overview of social development budget 2014/15

Programme	2013/14			2014/15				
	Available budget <sup>1</sup>	April to June expenditure	April to June percentage spent	Main appropriation	Available budget <sup>1</sup>	April to June expenditure	April to June percentage spent	Expenditure growth 12/13 to 13/14 April to June <sup>2</sup>
R million								
<b>Operational Expenditure</b>								
1. Administration	262.5	59.0	22.5%	275.1	275.1	75.9	27.6%	28.7%
2. Social Assistance	-	-	-	-	-	-	-	-
3. Social Security Policy And Administration	64.3	13.1	20.4%	93.7	91.9	18.9	20.6%	44.1%
4. Welfare Services Policy Development And Implementation Support	227.5	40.6	17.8%	219.0	219.0	43.0	19.6%	5.9%
5. Social Policy And Integrated Service Delivery	122.5	22.7	18.6%	98.3	98.3	22.2	22.6%	-2.4%
<b>Sub Total</b>	<b>676.8</b>	<b>135.5</b>	<b>20.0%</b>	<b>686.1</b>	<b>684.3</b>	<b>160.1</b>	<b>23.4%</b>	<b>18.1%</b>
<b>Transfers and Subsidies</b>								
Provinces and Municipalities	-	-	-	29.0	29.0	-	0.0%	-
Departmental Agencies and Accounts	6 732.8	1 807.7	26.8%	7 009.9	7 009.9	1 724.9	24.6%	-4.6%
Higher Education Institutions	-	-	-	0.4	2.2	1.8	81.8.0%	-
Foreign Governments and International Organisations	3.0	1.6	53.7%	3.3	3.3	0.1	2.5%	-95.0%
Non-Profit Institutions	104.0	0.2	0.2%	77.6	77.6	-	0.0%	-100.0%
Households	111 007.7	27 157.2	24.5%	120 993.1	120 993.1	28 746.7	23.8%	5.9%
<b>Sub Total</b>	<b>117 847.5</b>	<b>28 966.7</b>	<b>24.6%</b>	<b>128 113.3</b>	<b>128 115.1</b>	<b>30 473.4</b>	<b>23.8%</b>	<b>5.2%</b>
<b>Total</b>	<b>118 524.3</b>	<b>29 102.2</b>	<b>24.6%</b>	<b>128 799.4</b>	<b>128 799.4</b>	<b>30 633.5</b>	<b>23.8%</b>	<b>5.3%</b>
<b>Economic Classification</b>								
<b>Current payments</b>	806.0	161.4	20.0%	679.4	677.6	156.4	22.5%	-5.6%
Compensation Of Employees	323.7	77.5	24.0%	355.8	355.8	87.1	24.5%	12.3%
Goods and services	482.3	83.9	17.4%	323.5	321.7	69.3	20.3%	-22.2%
Interest And Rent On Land	-	-	-	-	-	-	-	-
<b>Total transfers and subsidies</b>	117 847.5	28 966.7	24.6%	128 113.3	128 115.1	30 473.4	23.8%	5.2%
<b>Payments for capital assets</b>	6.4	0.5	8.3%	6.7	6.7	3.6	54.2%	583.0%
<b>Payments For Financial Assets</b>	-	-	-	-	-	-	-	-
<b>Total</b>	<b>118 659.9</b>	<b>29 128.7</b>	<b>24.5%</b>	<b>128 789.4</b>	<b>128 799.4</b>	<b>30 633.4</b>	<b>23.8%</b>	<b>5.2%</b>

1. After adjustments

2. Nominal



# Overview of social development budget 2014/15

- Transfers and subsidies account for R128.1 billion, with R30.5 billion (23.8%) transferred in Q1.
- The department has an available budget of R686.1 million for operations. Of this, the department has spent R160.1 million, or 23.3% at the end of Q1 2014/15, the majority of which has been used on compensation of employees (54.4%) and goods and services (40.8%).
- A total of 99.5% of expenditure to this point was under transfers and subsidies, with 0.5% spent on departmental operations.

# Operational Expenditure

## Overview

- Operational expenditure has grown at a nominal rate of 18.1 per cent, or R24.6 million, when compared to the same period in the previous financial year.
- The main increases from last year in operational expenditure are due to:
  - payment for advertising material for the Mikondzo Project emanating from the previous financial year. The project is aimed at gathering data/information on social development services required by local communities in order to improve service delivery.
  - legal fees for adjudication of social grant appeals cases in which outstanding invoices from 2013/14 were settled in April 2014.
  - appointment of consultants for the project on linking unemployed youth with economic opportunities and the project on policy proposals for inclusion of informal sector workers in social security.

# Operational Expenditure

- appointment of retired social workers to operate the newly established command centre for victim empowerment services, which is currently being piloted in Gauteng. The command centre provides access for victims of gender based violence to receive immediate telephonic counselling and referrals to other stakeholders such as SAPS and health.

# Transfers and Subsidies

- 94.4% of the transfer budget is for Households (social grants).
- There have not yet been any transfers to Non-Profit Institutions.
- Transfers to Households to the end of Q1 were R28.7 billion, representing an increase of R1.6 billion, or 5.9%, when compared with the same period last year.
- The increase was largely driven by the Old Age and Child Support grants.

# Drawings

- The department has spent R30.6 billion to the end of Q1, whilst originally scheduling drawings of R30.9 billion resulting in a lag of R250.7 million. This is mainly due to delays with the first tranche of payments for the social worker scholarship, loveLife and the food relief programme.