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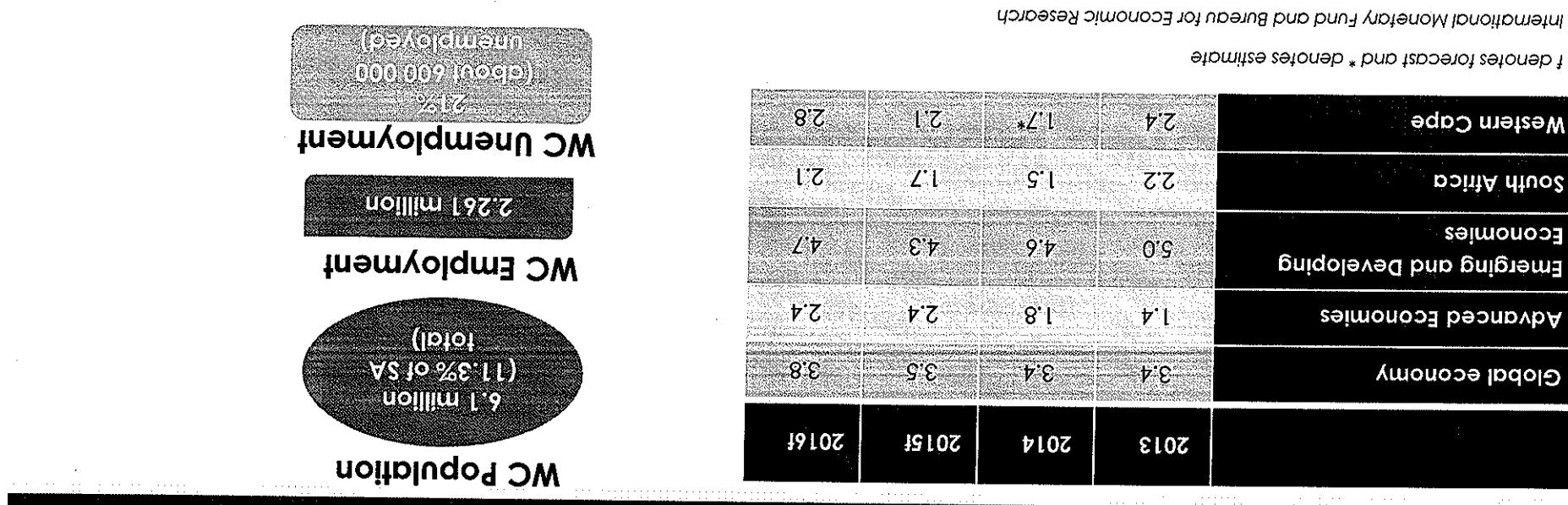
KEY ECONOMIC INDICATORS, PGDS AND PRELIMINARY 2014/15 BUDGET OUTCOMES

Presentation to the Select Committee on Finance

Ms M Korsten and Ms J Gantana

5 June 2015

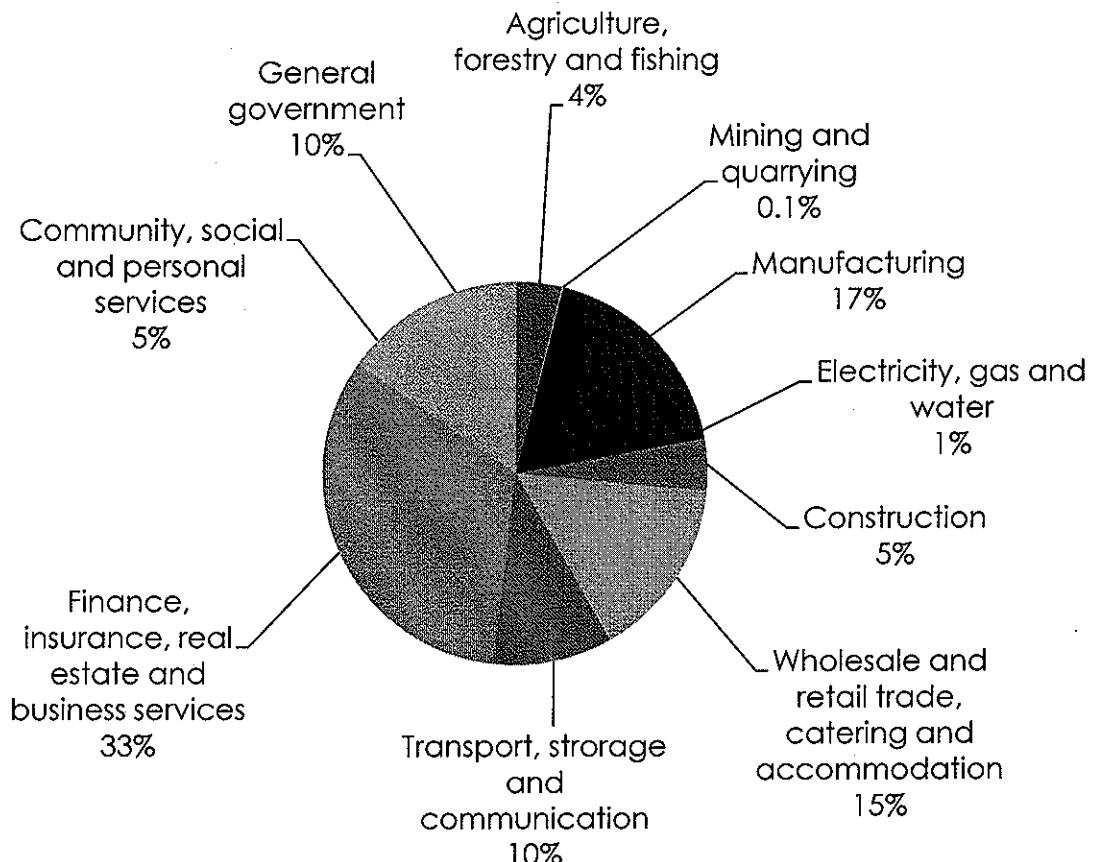
- Risks: employment, energy, water, food security and uncertain global growth
- Youth unemployment is high
- In the Western Cape region modest economic growth performance expected to persist in line with the country



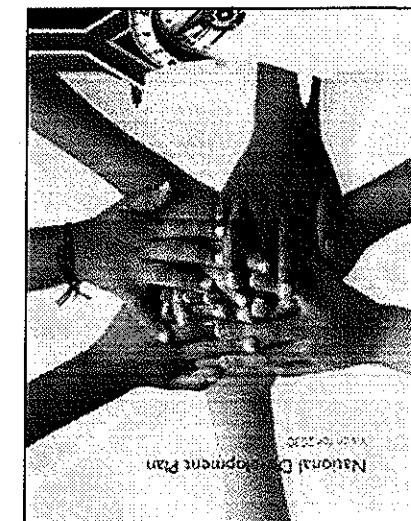
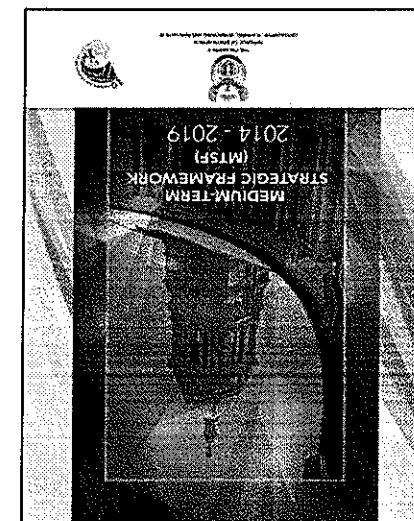
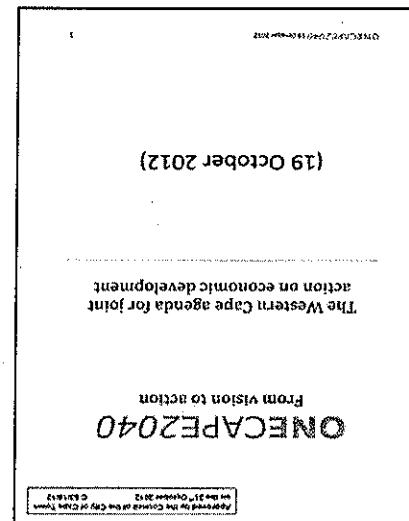
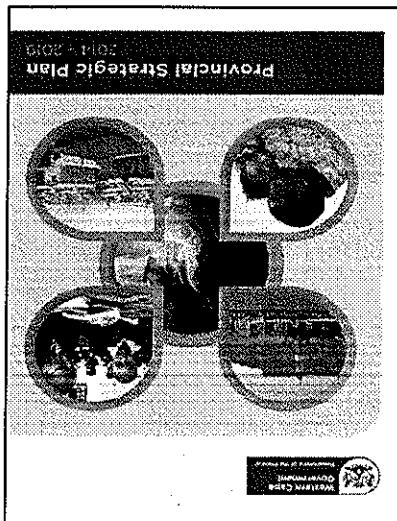
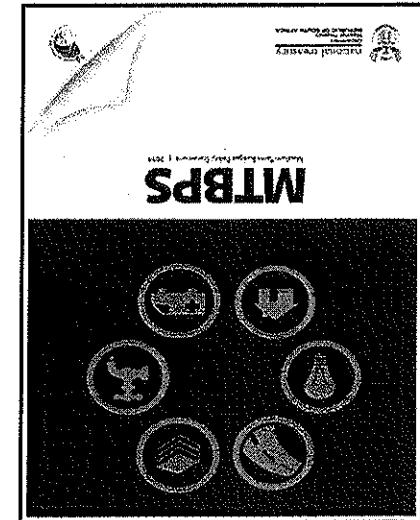
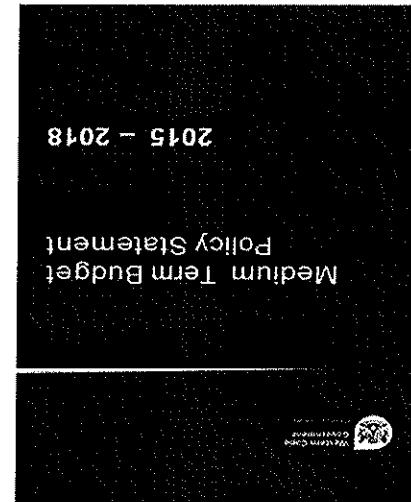
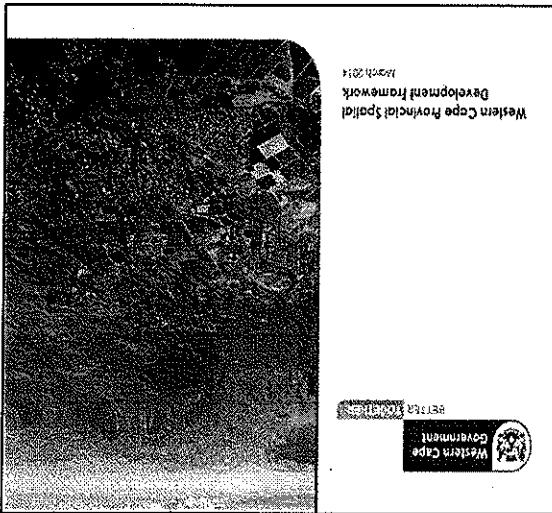
Economic Outlook

Structure of the Western Cape economy (2013)

- The rising contribution by the services (tertiary) sectors is expected to continue
- Fastest growing sectors, 2014 - 2019:
 - Construction (4.1 per cent)
 - Finance, insurance, real estate & business services (3.5 per cent)
 - Transport, storage & communication (3.1 per cent)
- Growth being concentrated in the skills-intensive services industries



Source: Western Cape Provincial Economic Review and Outlook, 2014



Policy context

Budget policy framework

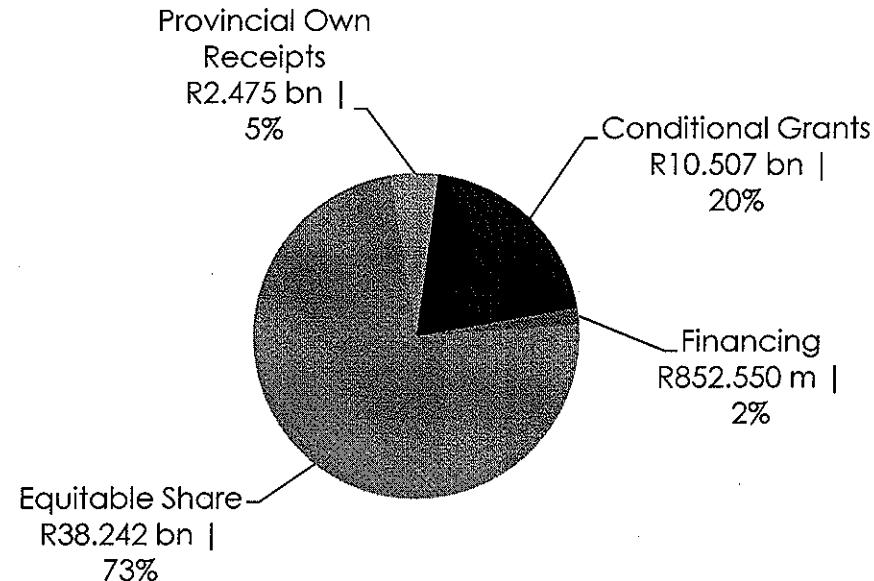
- Designed to balance public finances, while managing risk and maintaining fiscal stability in a constrained economic environment
- Extension of the protection of essential frontline services (Health, Education and Social Development) to minimise the impact on the poor
- The policy goals which the 2015 MTEF budget aims to give effect to: NDP and MTSF, Provincial Strategic Plan 2014 – 2019 and the five Provincial Strategic Goals
- Western Cape Provincial Strategic Goals:
 - Create opportunities for growth and jobs
 - Improve education outcomes and opportunities for youth development
 - Increase wellness, safety and tackle social ills
 - Enable a resilient sustainable, quality and inclusive living environment
 - Embed good governance and integrated service delivery through partnerships and spatial alignment



- The economic and fiscal environment provides the departure points and objectives of the 2015 Budget process, i.e. fiscal sustainability, allocative efficiency and value for money
- The National Medium Term Budget Policy Statement emphasises on fiscal consolidation and stabilisation of the fiscal base, whilst pursuing the outcomes and priorities contained in the NDP and MTF
- Focus fell on managing cost and service pressures, internal prioritisation, enhancing efficiencies, giving effect to Provincial Strategic goals and integration with local planning and service delivery initiatives

2015 MTEF approach and main principles

Provincial Revenue 2015/16

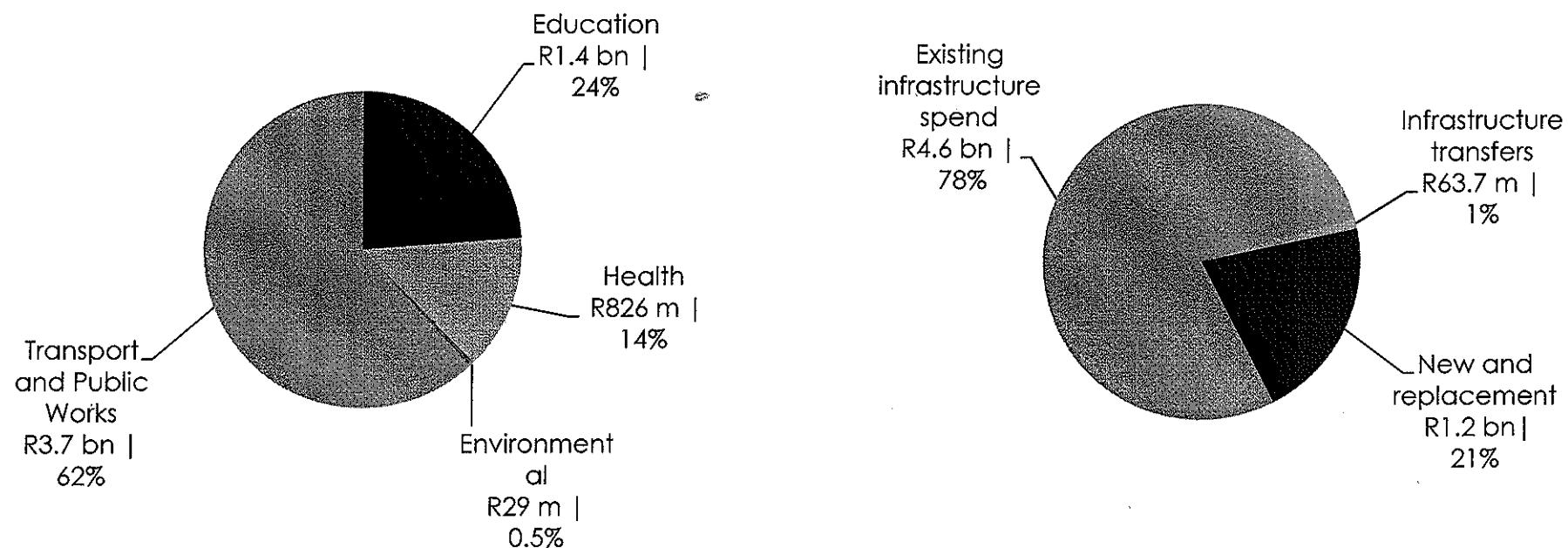


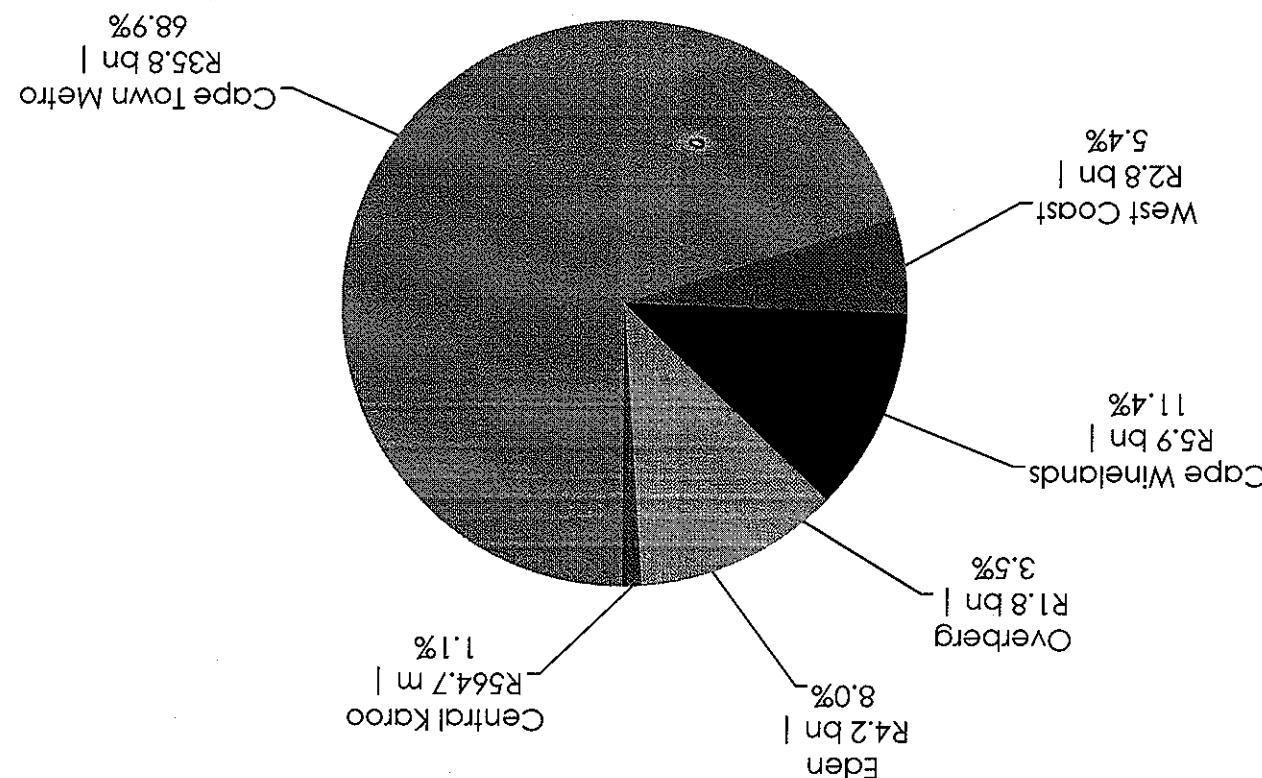
- Transfers from National Government [PES & Conditional Grants] accounts for 93 per cent of total resource envelope in 2015/16
- Provincial resource envelope grows at an average annual growth rate of 6.02 per cent over the 2015 MTEF
- Education, health and roads infrastructure conditional grants account for more than a quarter of total grant funding received
- Provincial Own Receipts over the 2014 MTEF are projected at R2.475 billion in 2015/16

2015 MTEF Allocations by Vote

	Vote R'000	Medium-term estimate	% Share of Budget	2015/16	1 Department of the Premier	2 Provincial Parliament	3 Provincial Treasury	4 Community Safety	5 Education	6 Health	7 Social Development	8 Human Settlements	9 Environmental Affairs and Development Planning	10 Transport and Public Works	11 Agriculture	12 Economic Development and Tourism	13 Cultural Affairs and Sport	14 Local Government	Total provincial payments and estimates by vote	
					117 180	0.23%	118 112	124 392	234 574	0.45%	248 071	246 096	17 744 928	34.11%	18 562 726	19 442 931	18 112 682	36.16%	19 604 029	20 672 722
					262 029	0.50%	278 733	325 607					1 897 985	3.65%	2 000 563	2 100 586	2 189 533	4.21%	2 407 570	2 557 667
							6 760 391	13.00%	7 103 663	6 859 717			502 976	0.97%	537 907	588 326	7 42 261	143%	7 86 590	830 241
							518 839	1.00%	454 376	458 110			706 499	1.36%	735 022	710 354	200 389	0.39%	209 126	219 582
									52 022 293	100.00%	54 458 314	56 579 416								

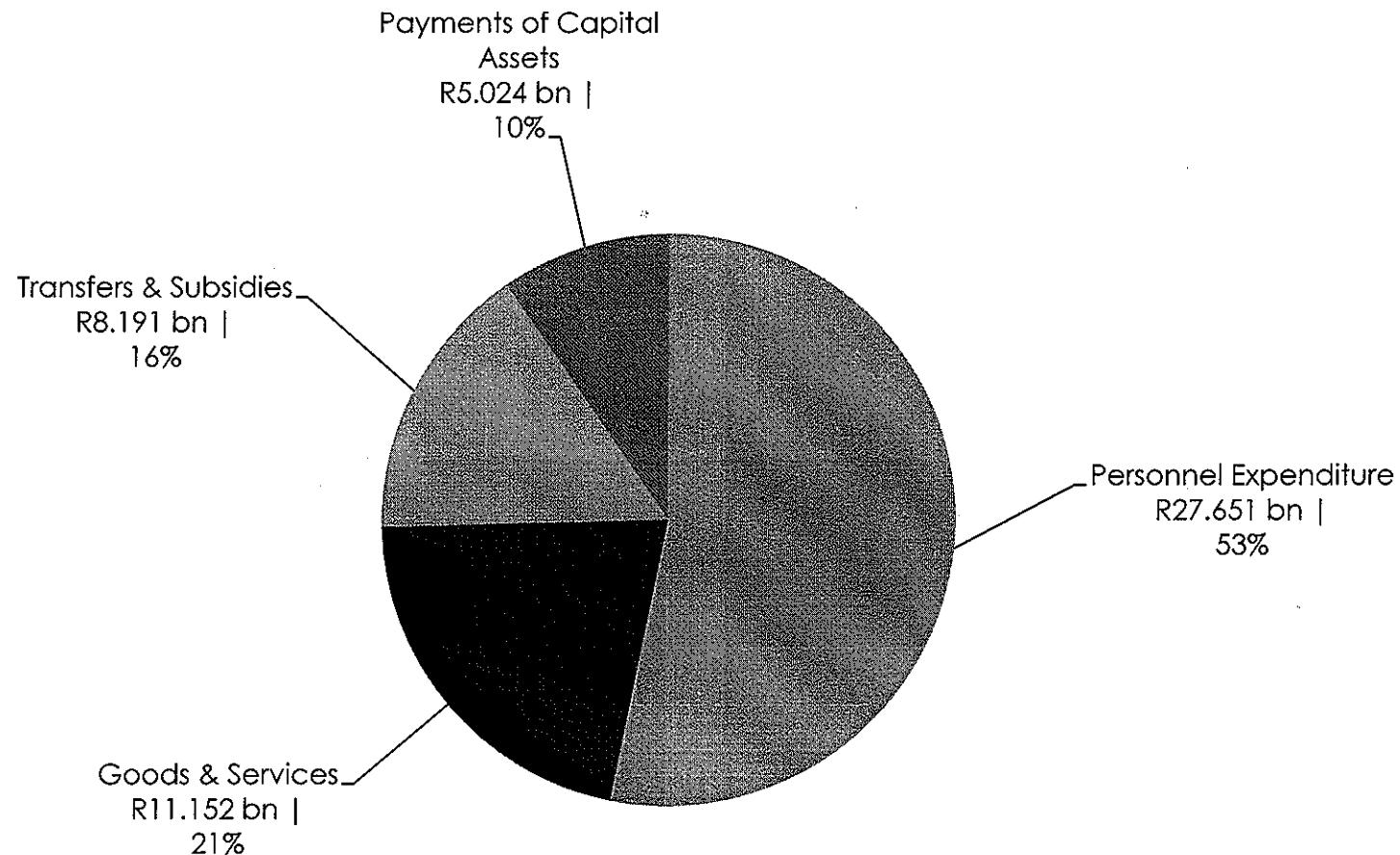
2015/16: Share of infrastructure estimates and by category





2015/16: Spatial distribution of provincial estimates

2015/16 Estimates per economic classification



Preliminary 2014/15 Budget Outcomes

Summary of Preliminary Provincial Revenue Performance as at 31 March 2015

R thousand 2014/15	Annual budget	Adjustment	Adjusted budget	Collected as at 31 March 2015	Collected as % of budget	Total revenue	(Over)/under collection
TRANSFERS FROM NATIONAL	45 548 739	-	45 973 371	45 973 371	100.0%	45 973 371	-
Equitable share	35 631 310	-	35 631 310	35 631 310	100.0%	35 631 310	-
Conditional grants	9 917 429	-	10 342 061	10 342 061	100.0%	10 342 061	-
Provincial own receipts	2 139 999	-	2 229 908	2 907 833	130.4%	2 907 833	(677 925)
Tax receipts	1 385 111	-	1 385 111	1 759 626	127.0%	1 759 626	(374 515)
Casino taxes	299 335	-	299 335	478 818	160.0%	478 818	(179 483)
Horse racing taxes	20 000	-	20 000	40 521	202.6%	40 521	(20 521)
Liquor licences	25 000	-	25 000	27 411	109.6%	27 411	(2 411)
Motor vehicle licences	1 040 776	-	1 040 776	1 212 876	116.5%	1 212 876	(172 100)
G&S Sales other than Cap assets	471 132	-	471 603	593 168	125.8%	593 168	(121 565)
of which: Health patient fees	323 095	-	323 095	392 808	121.6%	392 808	(69 713)
Transfers received	196 548	-	276 329	265 489	96.1%	265 489	10 840
Fines, penalties & forfeits	2 611	-	2 611	7 800	298.7%	7 800	(5 189)
Interest, dividends & rent on land	7 182	-	6 165	8 753	142.0%	8 753	(2 588)
Sales of capital assets	21	-21		118 855	565 976.2%	118 855	(118 834)
Financial transactions in assets & liabilities	77 394	-	88 068	154 142	175.0%	154 142	(66 074)



Preliminary Expenditure outcome as at 31 March 2015

Votes R000	Allocation for 2014/15									
	Main Budget	Adjustment	Actual spent	Projected outcome	Performance	Actual spent	March 2015 Prelim	(Over)/Under Budget	Actual	Actual spent
Health	17 338 111	92 312	17 430 423	17 282 980	-	17 282 980	147 443	99.2%	0.8%	
Education	16 424 944	60 1 386	17 026 330	16 998 182	-	16 998 182	28 148	99.8%	0.2%	
Social Development	1 755 933	1 735	1 757 668	1 734 299	-	1 734 299	23 369	98.7%	1.3%	
Premier	1 027 754	320 641	1 348 395	1 042 410	-	1 042 410	305 985	77.3%	22.7%	
Provincial Parliament	1 445 17	6 539	151 056	144 460	-	144 460	6 596	95.6%	4.4%	
Provincial Treasury	648 298	(409 130)	239 168	232 169	-	232 169	6 999	97.1%	2.9%	
Community Safety	222 566	7 119	229 685	225 873	-	225 873	3 812	98.3%	1.7%	
Human Settlements	2 115 245	36 085	2 151 330	2 151 229	-	2 151 229	101	100.0%	0.0%	
Environmental Affairs & Development Planning	454 348	27 814	482 162	456 829	-	456 829	25 333	94.7%	5.3%	
Transport & Public Works	5 630 479	319 214	5 949 693	5 759 456	-	5 759 456	190 237	96.8%	3.2%	
Agriculture	859 870	2 820	862 690	855 361	-	855 361	7 329	99.2%	0.8%	
Economic Development & Tourism	498 047	12 249	510 296	508 786	-	508 786	1 510	99.7%	0.3%	
Cultural Affairs & Sport	626 010	(8 995)	617 015	612 545	-	612 545	4 470	99.3%	0.7%	
Local Government	1 887 50	10 380	199 130	197 532	-	197 532	1 598	99.2%	0.8%	
Total	47 934 872	1 020 169	48 955 041	48 202 111	-	48 202 111	752 930	98.5%	1.5%	

Preliminary Expenditure outcome as at 31 March 2015 [1]

Provincial Spending:

- The preliminary expenditure outcome amounts to R48.2 billion or 98.5 per cent of the R48.9 billion adjusted budget
- The Provincial under spending amounts to R752.9 million, equivalent to 1.5 per cent of the adjusted budget
- The total under spending for the Province relate mainly to transversal projects undertaken by various departments. Transversal projects are projects that require various partners and stakeholders and can vary from different spheres of governments, agencies and departments
- Detail of the R753 million under spending mainly includes the following:

Education R28.1 million: efficiencies undertaken on personnel expenditure due to the reduction of relief educators

Health R147.4 million: Under spending on infrastructure projects amounting to R105.458 million, R38.235 million under spending on District Health Services mainly due to HIV and AIDS as well as Global Fund journals still to be drawn at this point

Transport and Public Works R190.237 million: Unspent funds on the Regeneration projects (R69 million), vacant posts that have not been filled as planned (R93 million)

Social Development R23.3 million: Delays in infrastructure projects that will be completed in the 2015/16 financial year, under spending on CoE due to the slow filling of post and staff attrition

Environment and Development Planning R25.3 million: Primarily related to the Transversal Project: Regional Socio-Economic Programme (RSEP)/Violence Prevention for Urban Upgrading (VPU) programmes. They are committed in the 2015/16 financial year

Treasury R6.9 million: Funds related to the transversal project, Internal Control, that has been reserved within the Province

Premier R305.9 million: Delayed implementation and roll-out of the Broadband transversal project amounting to R261 million. The unspent funds for 2014/15 is committed and will be spent over the duration of the broadband contract

Preliminary Expenditure outcome as at 31 March 2015 [2]

Preliminary Infrastructure Expenditure outcome as at 31 March 2015

VOTES	Allocation for 2013		Performance Actual spent as percentage of budget		Allocation for 2014		Performance Actual spent as percentage of budget
	Adjusted Budget	Actual expenditure			Adjusted Budget	Actual expenditure	
Education	1 147 394	1 054 312	91.9%		1 397 772	1 438 503	102.9%
Capital	923 709	786 393	85.1%		1 166 839	1 208 000	103.5%
Current	223 658	267 919	119.8%		230 933	230 503	99.8%
Health	958 914	867 804	90.5%		814 386	708 928	87.1%
Capital	761 717	687 926	90.3%		574 402	511 363	89.0%
Current	197 197	179 878	91.2%		239 984	197 565	82.3%
Roads	1 962 257	1 939 275	98.8%		2 450 432	2 426 403	99.0%
Capital	1 414 508	1 440 417	101.8%		1 906 329	1 934 900	101.5%
Current	547 749	498 858	91.1%		544 103	491 503	90.3%
Public Works	466 114	415 014	89.0%		631 194	549 161	87.0%
Capital	258 815	253 239	97.8%		449 283	365 088	81.3%
Current	207 299	161 775	78.0%		181 911	184 073	101.2%
Total capital	3 358 749	3 167 975	94.3%		4 096 853	4 019 351	98.1%
Total current	1 175 903	1 108 430	94.3%		1 196 931	1 103 644	92.2%
Total	4 534 679	4 276 405	94.3%		5 293 784	5 122 995	96.8%

Infrastucture Spending:

- The aggregate infrastructure expenditure (maintenance and capital) amounts to R5.1 billion or 96.8 per cent against the adjusted budget of R5.294 billion
- Education's total spending amounts to R1.439 billion or 102.9 per cent against the adjusted budget of R1.398 billion
- Health infrastructure payments amount R708.9 million or 87.1 per cent against the adjusted budget of R814.4 million. The under spending amounts to R105.4 million and is due to delays in practical completion, slower than anticipated performance of contractor and Professional Service Providers (PSP) as well as legal disputes (Vredenburg Hospital Phase 2B)

Preliminary Infrastructure Expenditure Outcome as at 31 March 2015 [1]

Preliminary Infrastructure Expenditure outcome as at 31 March 2015 [2]

- **Public Works** total infrastructure payments amount to R549.2 million which is 87.0 per cent of the total adjusted allocation of R631.2 million. The under spending of R82.03 million (primarily related to capital) is due to the contractors progress (slower than anticipated) and consultant fee invoices issued late as well as delays in the rezoning submission process on regeneration projects
- **Roads** total infrastructure payments amounted to R2.4 billion or 99.0 per cent against the adjusted budget of R2.5 billion

- Conditional Grant Spending:**
- The Province spent R10.4 billion or 98.7 per cent of the total available transfers from National amounting to R10.5 billion
 - The Education Sector notes total spending of R1.8 billion or 99.3 per cent of the total available transfers of R1.7 billion. This sector has improved spending of its grants compared to the previous financial year (90.2 per cent in 2013/14)
 - The Health Sector notes total spending of R4.7 billion or 97.5 per cent of the total available transfers of R4.8 billion. This includes the National Health Insurance Grant which notes performance of 76.8 per cent. In addition an amount of R6.9 million was received during the Provincial additional adjustment budget tabled on 26 February 2015. Reasons for performance include the additional funds received late in the year as well as the discontinuation of a key project (contract management) due to poor bidding responses in the industry

Preliminary Conditional Grant Expenditure Outcome as at 31 March 2015 [1]

Preliminary Conditional Grant Expenditure outcome as at 31 March 2015 [2]

Conditional Grant Spending (EPWP):

- **Integrated Grant for Provinces:** reflects total expenditure of R21.7 million or 88.9 per cent against the total available transfers from National which amounts to R24.5 million. The under spending is primarily related to the initiation of new contracts for the Building Facilities Maintenance projects
- **Social Sector Incentive Grant:** reflects total spending of R24.9 million or 96.3 per cent against the total available transfers of R25.8 million. The under spending is mainly related to internal training/operation activities which did not materialise as anticipated and the under spending by Non Profit Institutions (NPI's) within the Education sector, the high attrition rate of Health Community Care Workers as well as the late filling of NPI posts

Expenditure outcome as at 30 April 2015

Votes	R 000	Allocation for 2015/16	Payments as at 30 April 2015	Projected outcome	Performance	Actual spent as budgeted	Percentage of budget	Actual spending to date	Spending expenditure	Adjusted Budget	Main Budget
Education	17 741 928	-	17 741 928	13 728 11	16 372 117	17 741 928	-	-	-	17 741 928	18 812 682
Health	18 812 682	-	18 812 682	11 257 18	17 686 964	18 812 682	-	-	-	18 812 682	6.0%
Social Development	1 897 985	-	1 897 985	1 539 35	1 744 050	1 897 985	-	-	-	1 897 985	8.1%
Premier	1 332 027	-	1 332 027	52 316	1 279 711	1 332 027	-	-	-	1 332 027	3.9%
Provincial Parliament	154 365	-	154 365	14257	140 108	154 365	-	-	-	154 365	9.2%
Provincial Treasury	262 029	-	262 029	13 623	248 406	262 029	-	-	-	262 029	5.2%
Community Safety	234 574	-	234 574	11 864	222 710	234 574	-	-	-	234 574	5.1%
Human Settlements	2 189 533	-	2 189 533	49 167	2 140 366	2 189 533	-	-	-	2 189 533	2.2%
Environmental Affairs & Development Planning	502 976	-	502 976	33 621	469 355	502 976	-	-	-	502 976	6.7%
Transport & Public Works	6 760 391	-	6 760 391	262 279	6 498 112	6 760 391	-	-	-	6 760 391	3.9%
Agriculture	742 261	-	742 261	37 862	704 399	742 261	-	-	-	742 261	5.1%
Economic Development & Tourism	518 839	-	518 839	10 443	508 396	518 839	-	-	-	518 839	2.0%
Cultural Affairs & Sport	706 499	-	706 499	16 443	690 056	706 499	-	-	-	706 499	2.3%
Local Government	200 389	-	200 389	11 232	189 157	200 389	-	-	-	200 389	5.6%
Total	52 059 478	-	52 059 478	3 165 571	48 893 907	52 059 478	-	-	-	52 059 478	6.1%



Thank you

Contact Us



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