

Sec Finance 14/7/2017



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# PROVINCIAL PERFORMANCE FOR THE 2016/17 FINANCIAL YEAR PRELIMINARY OUTCOME AS AT 31 MARCH 2017

Presentation to the Select Committee on Finance

Parliament

Zakariya Hoosain

14 June 2017

# Presentation Outline

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- Introductory remarks by Head Official of Treasury
- Implementation of the Provincial Economic Growth & Development Strategies
- Provincial Own Revenue
  - Overall departmental revenue
  - Revenue collection and challenges
- Provincial Expenditure
  - Overall departmental expenditure
  - Infrastructure expenditure
- Provincial Fiscal Position
  - Cash flow/bank balances
  - Debt outcomes
  - Accruals
  - Unauthorised, Irregular and wasteful expenditure
- Closing remarks by the MEC: Finance

Introductory remarks

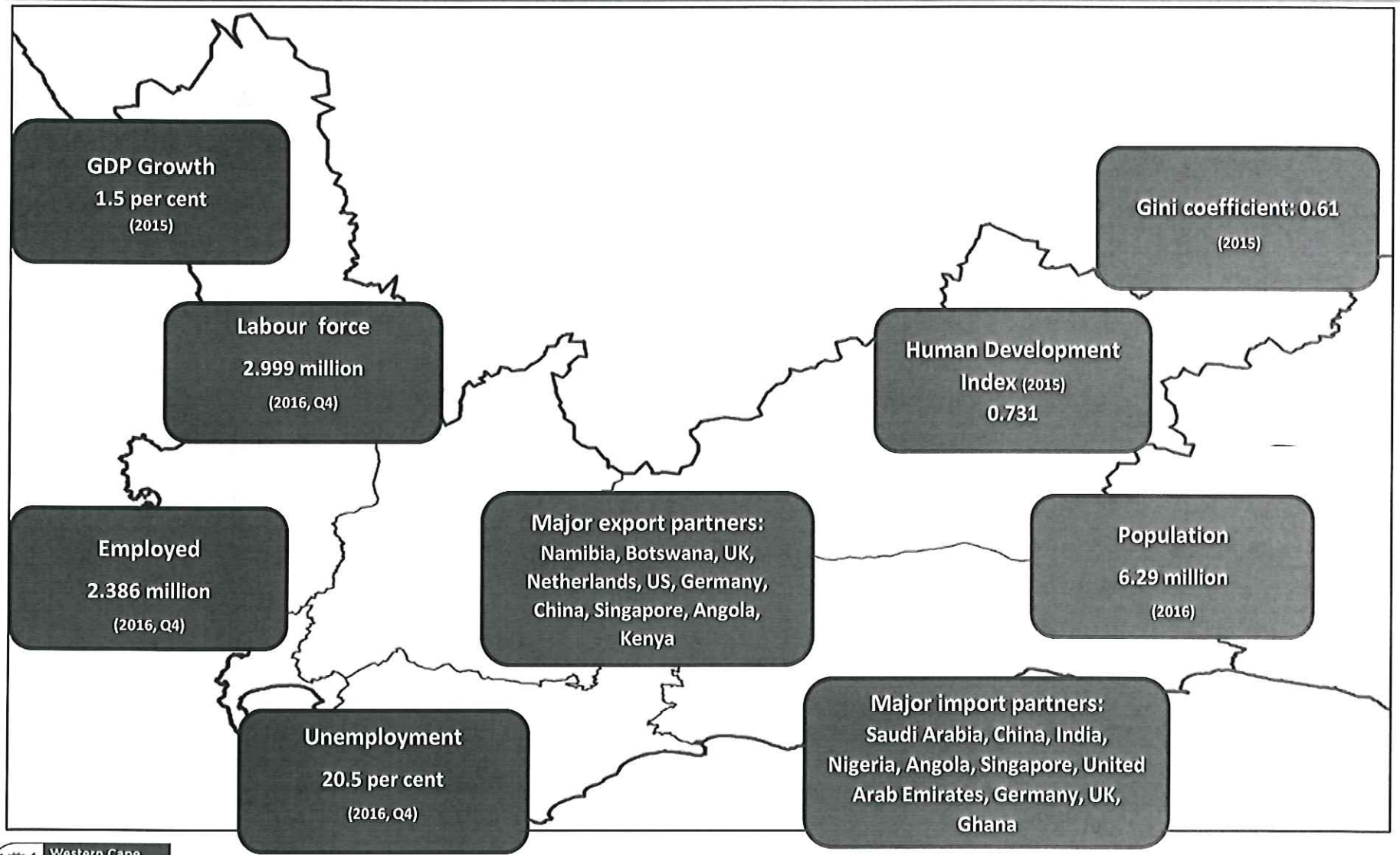
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# Western Cape Government Fiscal Policy Principles

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- The Western Cape Government tables a **balanced budget**
- **Continued Fiscal Consolidation** - curtailing expenditure whilst enhancing revenue generation in response to a constrained fiscal environment
  - Improved efficiencies, particularly as it relates to Goods & services and Transfers, whilst minimising the impact on frontline services
  - Targeting CoE by introducing upper limits on personnel budgets
- **Continued Fiscal Discipline** - ensuring that all departments and entities remain within budget limits and avoid irregular, fruitless and wasteful expenditure
- **Continued Allocative Efficiency** - achieving a balanced allocation of resources that reflects the priorities of government

# Western Cape Economy in a nutshell



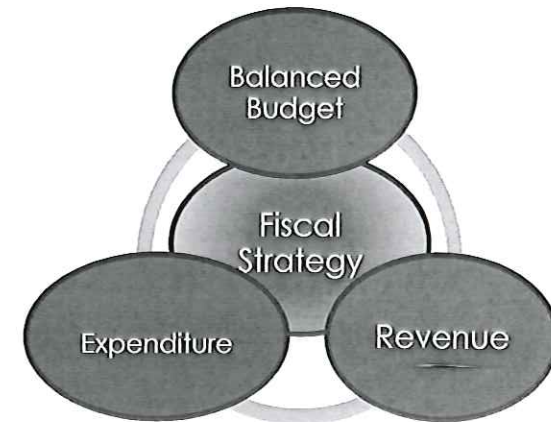
# Current economic outlook and implications

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- **Key economic challenges:** low growth, policy uncertainty, infrastructure gaps, drought, rising fiscal pressure, and high joblessness for youth
- **Economic opportunities** in the key growth sectors, i.e. construction and services sectors, the key priority sectors of the Province (agri-processing, tourism and oil and gas) and capitalising on the relatively higher levels of business confidence in the Western Cape, trade opportunities and regional comparative advantages
- **Noting the possible implications of the credit rating downgrade:** Potential increase in the interest rate, inflation rate, deteriorated business confidence and modest economic growth
- **Drought and the water crisis continue to be major risk** to the economy and in particular the agriculture sector
- Provincial labour and capital contribute positively to provincial economic growth therefore **education, health and infrastructure are KEY for economic growth**
- Taking a more **innovative and entrepreneurial approach to economic development** - being more active in creating and shaping markets or developing new skills sets, using technology as an enabler, and investing in and targeting infrastructure spending

# The Fiscal and Budget Policy response

- The Fiscal and Budget Policy approach is designed to **manage risk and maintain fiscal sustainability** in a constrained economic and fiscal environment
- Focus for 2017 Budget - Giving effect to the Provincial Strategic Plan, inclusive of the Game Changers
- PSG 1 - Creating opportunities for growth and jobs and Project Khulisa



A Budget for Growth	
<b>Inclusive Growth</b>	Empowers people. Promotes a cohesive society. Equal access and opportunities to markets, resources. Growth that is broad based and includes a large part of the labour force. Policies that remove constraints to growth
<b>Sustainable Growth</b>	Promotes a more resource efficient, greener and competitive economy
<b>Smart Growth</b>	Builds an economy based on knowledge and innovation for future growth

**R59 billion budget**

of which **R8.6 billion** will be spent on **Infrastructure led growth and Job creation.**



# Provincial Strategic Plan 2014 - 2019



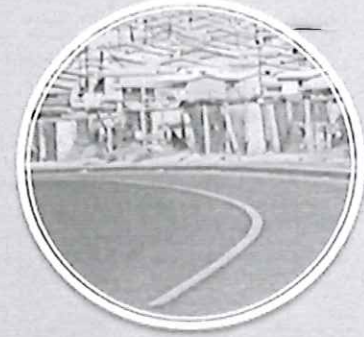
**STRATEGIC GOAL 1:**  
Create opportunities  
for growth and jobs



**STRATEGIC GOAL 2:**  
Improve education  
outcomes and  
opportunities for youth  
development



**STRATEGIC GOAL 3:**  
Increase wellness,  
safety and tackle  
social ills



**STRATEGIC GOAL 4:**  
Enable a resilient,  
sustainable, quality  
and inclusive living  
environment

**STRATEGIC GOAL 5: Embed good governance and integrated service delivery through partnerships and spatial alignment**



# Western Cape approach to economic development

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- **Holistic approach** to economic development
- Focus on creating an enabling environment which is conducive to attracting investment, growing the economy and creating jobs
- **Infrastructure led growth** to support socio-economic development and building economic resilience
- A more **integrated and coordinated approach to planning and budgeting** toward economic development
- Strengthening evidence-based planning through **socio-economic intelligence**
- Consideration of **economic development at a regional level** and micro measures to complement macro measures
- **Spatial and targeted planning and investment is key**

# Implementing the economic growth strategy

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## **PSG 1: Support to key economic sectors, artisan and technical skills, ease of doing business, transport and energy**

- Project Khulisa - Agri-processing, Tourism and Oil and Gas
- Saldanha Bay IDZ - Catalytic economic infrastructure promoting Oil and Gas
- Ease of doing business programme - reducing red tape particularly facing businesses
- Infrastructure for growth - investment in roads and transport and broadband infrastructure
- Reliable and affordable public transport
- Energy Security Game Changer - energy security to support economic growth
- Apprenticeship Game Changer - sufficient, appropriately qualified technical and vocational skilled people to meet the needs of prioritised economic growth areas

# Preliminary Year-End Outcomes for Revenue, Expenditure, Infrastructure and Fiscal Position

# Preliminary Provincial Own Receipts as at 31 March 2017

Votes R'000	Actual Collections 2015/16	Actual Collections 2016/17	2016/17 vs 2015/16 Growth (%)
Education	22 833	37 001	62.1%
Health	585 741	543 513	-7.2%
Social Development	2 184	1 780	-18.5%
Premier	8 927	3 322	-62.8%
Provincial Parliament	276	324	17.4%
Provincial Treasury	565 826	579 125	2.4%
Community Safety	11 657	41 770	258.3%
Human Settlements	82 933	171 127	106.3%
Environmental Affairs & Development Planning	4 168	7 794	87.0%
Transport & Public Works	1 466 341	1 573 805	7.3%
Agriculture	43 681	39 895	-8.7%
Economic Development & Tourism	38 839	1 059	-97.3%
Cultural Affairs & Sport	42 610	47 120	10.6%
Local Government	436	227	-47.9%
<b>Total</b>	<b>2 876 452</b>	<b>3 047 862</b>	<b>6.0%</b>

# Preliminary Provincial Own Receipts as at 31 March 2017

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● Provincial own receipts collected up to 31 March 2017 amounted to R3.048 billion

● **Key Revenue Drivers:**

- **Transport and Public Works:** The own revenue is mainly derived from Motor Vehicle Licence (MVL) fees, which registered collections of R1.422 billion at the end of March 2017, higher than the R1.342 billion collected in the 2015/16 financial year. The higher MVL revenue collected during 2016/17 can be ascribed to an increase in the Western Cape motor vehicle population and collection effort
- **Health:** The own revenue of R543.513 million is 7.2 per cent less than the R585.741 million in own revenue collected at the end of March 2016. This is due to the Department receiving less transfers from the Global Fund according to the new donor funding agreement concluded in July 2016
- **Provincial Treasury:** The own revenue at the end of the March 2017 amounted to R579.125 million. Casino taxes contributed R524.384 million to own receipts, while horse racing taxes contributed R47.816 million to own receipts

# Provincial Own Receipts Risks and Challenges

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- Lower than expected economic growth rates over the medium term
- Political uncertainties locally and internationally
- Changing demographic profile impacting on the demand for front line services
- Lower than anticipated tax revenue collection
- Depreciation of the rand impacting on import prices of goods and services procured
- Rate of the year-on-year growth in gambling taxes have begun to plateau:
  - Gambling industry maturing
  - Pressure on household disposal incomes
- Reduction and containment of debt owed to government departments

# Preliminary Provincial Expenditure as at 31 March 2017

Votes R'000	Allocation for 2016/17	Expenditure Outcome per economic classification for 2016/17					Actual Outcome		
	Adjusted Budget	CoE	Goods & Services	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total expenditure	(Over) Under	Spending as percentage of budget
Education	19 530 682	14 133 774	2 134 836	2 012 071	1 011 759	4 873	19 297 313	233 369	98.8%
Health	20 144 545	11 833 788	6 430 706	975 091	784 841	6 369	20 030 795	113 750	99.4%
Social Development	1 963 864	678 746	194 832	1 057 467	28 178	-	1 959 223	4 641	99.8%
Premier	1 364 850	544 494	693 685	21 653	82 212	718	1 342 762	22 088	98.4%
Provincial Parliament	168 476	88 967	23 798	39 623	5 005	16	157 409	11 067	93.4%
Provincial Treasury	254 548	157 400	51 583	35 822	3 078	124	248 007	6 541	97.4%
Community Safety	289 844	129 430	88 172	60 414	7 695	211	285 927	3 917	98.6%
Human Settlements	2 244 424	195 994	91 258	1 950 059	6 811	299	2 244 421	3	100.0%
Environmental Affairs and Development Planning	543 699	190 418	53 465	287 078	6 543	406	537 910	5 789	98.9%
Transport and Public Works	7 092 664	737 044	1 722 384	1 612 011	2 903 788	1 598	6 976 859	115 805	98.4%
Agriculture	815 871	326 389	150 028	283 083	47 673	611	807 786	8 085	99.0%
Economic Development and Tourism	573 266	104 653	113 603	337 431	3 523	176	559 386	13 880	97.6%
Cultural Affairs and Sport	730 472	182 455	152 860	373 744	14 163	150	723 372	7 100	99.0%
Local Government	238 747	137 468	48 414	44 197	4 767	88	234 934	3 813	98.4%
<b>Total</b>	<b>55 955 952</b>	<b>29 441 020</b>	<b>11 949 624</b>	<b>9 089 744</b>	<b>4 910 036</b>	<b>15 639</b>	<b>55 406 104</b>	<b>549 848</b>	<b>99.0%</b>

# Preliminary Provincial Expenditure as at 31 March 2017

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## Practical Implications of Compensation of Employees as an Earmarked Allocation

- For the first time, as part of the 2016/17 Main Budget process, the aggregate compensation of employees allocation to departments has been earmarked as specifically and exclusively appropriated in terms of the Western Cape Appropriation Act, 2016 (Act 3 of 2016)
- Provincial Treasury implemented the determination of upper limits on the compensation of employees' budgets of departments and Provincial Parliament. These allocations were further earmarked in an attempt to manage and contain personnel headcounts and expenditure within the 2016/17 financial year, i.e. the allocations were specifically and exclusively appropriated for within the Appropriation Act, 2016
- The implications of earmarking the department's aggregate compensation of employees' allocation within the 2016 Appropriation Act thus means that departments **will not** be able to increase or decrease their aggregate compensation of employees' budgets, other than by another Act of Parliament, i.e. by means of the Western Cape Adjustments Appropriation Act as part of the 2016 Adjusted Estimates process
- Furthermore, as part of the year-end processes when applying the virement rules, the only exception is where the compensation of employees' savings will be utilised for the same purpose to fund payments related to severance/exit packages (which includes leave gratuity) under Households



# Preliminary Provincial Expenditure as at 31 March 2017

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- The preliminary outcome for the Province at the end of March 2016, reflect spending of R55.406 billion or 99 per cent of the R55.956 billion adjusted budget
- The preliminary under spending for the 2016/17 financial year amounts to R549.848 million, equating to 1 per cent of the adjusted budget
- The total under spending amounting to R549.848 million, includes R272.056 million related to Compensation of Employees (CoE) which accounts for 0.92 per cent of the total CoE adjusted budget
- Year-end processes, such as capturing final virements, passing of journals, and the clearing of suspense accounts by votes will influence the preliminary spending outcome. It is expected that once all year-end transactions have been captured that the under spending would marginally decrease

# Preliminary Provincial Expenditure as at 31 March 2017

- The preliminary under spending amounting to R549.848 million, relates mainly to the following departments:
  - **Education:** Preliminary net under spending of R233.369 million can be attributed to Compensation of Employees (R137.026 million), due to the lower than anticipated temporary appointments, and slow filling of vacant posts. The remaining preliminary under spending therefore mainly relates to Broadband and the Education Infrastructure Grant (EIG), for which a roll-over request has been submitted since the unspent funds were committed to projects undertaken in 2016/17
  - **Health:** Preliminary net under spending of R113.750 million is mainly related to budget reprioritisation and cost saving initiatives implemented in Programme 1 and Programme 4; as well as savings realised under Compensation of Employees, due to high attrition rates and delays in the filling of posts within these programmes
  - **Transport and Public Works:** Preliminary net under spending of R115.805 million, mainly as a result of savings on Goods and Services, particularly for Consultants: Business and Advisory Services (R57.807 million); and Contractors (R53.536 million). The under spending by the Department relates to certain infrastructure projects that could not be executed as a result of delays related to the heritage impact assessments and the finalisation of property procurement agreements. The unspent funds are intended to be requested for roll-over

# Preliminary Public Entity Expenditure as at 31 March 2017

Public Entities R'000	Allocation for 2016/17		Actual Outcome		
	Main Budget 2016/17	Adjusted Budget 2016/17	Total Expenditure	(Over)/ under	% budget spent of Adjusted Budget
Casidra (Soc) Ltd	35 373	35 373	30 720	4 653	86.8%
Western Cape Cultural Commission	4 934	3 492	3 492	-	100.0%
Western Cape Gambling and Racing Board	50 781	50 781	45 133	5 648	88.9%
Western Cape Tourism, Trade and Investment Promotion Agency (Wesgro)	53 231	53 231	52 567	664	98.8%
Western Cape Language Committee	255	208	208	-	100.0%
Western Cape Liquor Authority	37 867	43 421	40 167	3 254	92.5%
Western Cape Nature Conservation Board	323 531	333 222	329 340	3 882	98.8%
Western Cape Heritage	3 700	3 057	3 057	-	100.0%
Saldanha Bay IDZ Licencing Company (Soc) Ltd	69 638	46 520	45 377	1 143	97.5%
<b>Total</b>	<b>579 310</b>	<b>569 305</b>	<b>550 061</b>	<b>19 244</b>	<b>96.6%</b>

# Preliminary Public Entity Expenditure as at 31 March 2017

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- The Western Cape Public Entities reflect preliminary spending of R550.061 million or 96.6 per cent in relation to the adjusted budget amounting to R569.305 million
- At the end of March 2017, Provincial Public Entities recorded a preliminary net under spending of R19.244 million, which excludes commitments and accrual transactions, to be processed as part of the year-end entries, that will impact the final quantum of under spending
- The preliminary under spending amounting to R19.244 million, relates mainly to the following entities:
  - **Casidra:** The net preliminary under spending of R4.653 million is largely within Goods and Services due to efficiencies and savings initiatives
  - **Western Cape Gambling and Racing Board:** The preliminary under spending of R5.648 million mainly relates to savings for Goods and Services (Professional and Advisory services due the utilisation of in-house capacity) as well as efficiencies implemented on Travel and Subsistence and conference fees
  - **Western Cape Nature Conservation Board:** The net under spending of R3.882 million is committed funds and is mainly related to Payments for Capital Assets, where planned infrastructure projects are at various stages of development
  - **Western Cape Liquor Authority:** The net under spending of R3.254 million is mainly related to Goods and Services as well as Payment for Capital Assets intended for the Liquor Licencing System being implemented in a phased approach

# Preliminary Infrastructure Expenditure as at 31 March 2017

Infrastructure	Allocation for 2016/17		
	Performance		
	Adjusted Budget	Cumulative	Actual Spent as percentage of budget
<b>Social Infrastructure</b>			
Education	1 582 054	1 573 280	99.4%
Health	867 795	877 438	101.1%
Human Settlements	2 000 811	2 000 811	100.0%
CapeNature	18 311	15 350	83.8%
Public Works	605 810	603 245	99.6%
<b>Total Social Infrastructure</b>	<b>5 074 781</b>	<b>5 070 124</b>	<b>99.9%</b>
<b>Economic Infrastructure</b>			
Transport	3 082 459	3 003 552	97.4%
Broadband (Votes 1, 5, 12 and 13)	266 755	202 935	76.1%
<b>Total Economic Infrastructure</b>	<b>3 349 214</b>	<b>3 206 487</b>	<b>95.7%</b>
<b>Total Infrastructure</b>	<b>8 423 995</b>	<b>8 276 611</b>	<b>98.3%</b>

# Provincial Revenue Fund as at 31 March 2017

PRF BALANCES MARCH 2017			
R'000			
PMG	INVESTMENTS	IGCC	TOTAL
1 507 637	0	6 130 000	7 637 637
<b>Less: Commitments</b>			<b>7 694 167</b>
Total due to Departments			244
GMT			750 000
Interest due to GMT 2016/17			45 192
<b>Shortfall</b>			<b>3 649 306</b>
Broadband			3 457 000
ICS			192 306
<b>AFR Commitments</b>			<b>2 649 425</b>
Roads infrastructure			2 186 110
Infrastructure projects			463 315
Working Capital Reserve			<b>600 000</b>
<b>Deficit</b>			<b>-56 530</b>

# Debt, Accruals, Unauthorised, Irregular and Wasteful Expenditure

# Debt owed to Departments at the end of March 2017

R'000	Mar-16	Mar-17*	Mar-16 to Mar-17	
			Actual Change	% change
Premier	602	584	(18)	-3.0%
Parliament	94	123	29	30.9%
Provincial Treasury	167	281	114	68.3%
Community Safety	758	678	(80)	-10.6%
Education	65,088	56,766	(8,322)	-12.8%
Health	639,427	677,869	38,442	6.0%
Social Development	3,800	4,051	251	6.6%
Human Settlements	90,201	86,538	(3,663)	-4.1%
Local Government	241	392	151	62.7%
Environmental Affairs and Development Planning	373	72	(301)	-80.7%
Transport & Public Works	435,899	523,934	88,035	20.2%
Agriculture	13,783	15,310	1,527	11.1%
Economic Development and Tourism	83	128	45	54.2%
Cultural Affairs and Sport	1,267	1,504	237	18.7%
<b>Total</b>	<b>1,251,783</b>	<b>1,368,230</b>	<b>116,447</b>	<b>9.3%</b>

\* Pre-audited as at 31 March 2017





## Debt owed to Departments (by debt type) at the end of March 2017

R'000	Mar-16	Mar-17*	Mar-16 to Mar-17	
			Actual Change	% change
Staff related debt (salary, S&T, bursary, etc.)	53 702	55 729	2 027	3.8%
Other Debt (supplier, ex-employee, claims recoverable, miscellaneous debt, etc.)	83 768	92 406	8 638	10.3%
<b>Total Salary and other debt</b>	<b>137 470</b>	<b>148 135</b>	<b>10 665</b>	<b>7.8%</b>
Loans, rentals and sales (Human Settlements)	79 425	75 414	(4 011)	-5.1%
MDA Debt	79 185	87 928	8 743	11.0%
MVL Debt	276 893	369 714	92 821	33.5%
Agriculture: Services rendered	10 913	12 160	1 247	11.4%
GMT debt	65 871	39 338	(26 533)	-40.3%
Hospital Patient Fees related debt	602 025	635 541	33 516	5.6%
<b>Total Departmental Debt</b>	<b>1 251 782</b>	<b>1 368 230</b>	<b>116 448</b>	<b>9.3%</b>

\*Pre-audited as at 31 March 2017

# Summary of Provisional Departmental Accruals and Payables not recognised

Votes	As at 31 March 2017		
	Accruals 30 Days R '000	Accruals +30 Days R '000	Total Accruals R '000
Premier	16457	187	16 644
Provincial Parliament	674	-	674
Provincial Treasury	368	26	394
Community Safety	3 062	84	3 146
Education	79 543	17 052	96 595
Health	227 169	73 950	301 119
Social Development	8 451	2 294	10 745
Human Settlements	52 975	7 029	60 004
Environmental Affairs and Development Planning	1 154	-	1 154
Transport and Public Works	301 252	-	301 252
Agriculture	3 500	2 046	5 546
Economic Development and Tourism	1 398	86	1 484
Cultural Affairs and Sport	324	518	842
Local Government	897	-	897
<b>Total</b>	<b>697 224</b>	<b>103 272</b>	<b>800 496</b>

- From the table above, it should be noted that the information provided for period ending 31 March 2017, is provisional amounts and are due to change. The total provisional accruals for the period ending 31 March 2017 amounted to R800.496 million. Departments of Education (R96.595 million), Health (R301.119 million) and Transport and Public Works (R301.252 million) disclosed higher levels of accruals

# Fruitless and Wasteful Expenditure as at 31 March 2017

PROVINCIAL FRUITLESS AND WASTEFUL EXPENDITURE AS AT 31 MARCH 2017				
Votes	Opening Balance	Add: Fruitless and Wasteful Expenditure	Less: Amounts condoned/resolved	Fruitless and Wasteful Expenditure awaiting resolution
	R'000	R'000	R'000	R'000
Premier	10	-	-6	4
Provincial Parliament	-	-	-	-
Provincial Treasury	2	1	-3	-
Community Safety	30	7	-37	-
Education	260	116	-339	37
Health	133	7	-133	7
Social Development	84	-	-84	-
Human Settlements	-	-	-	-
Environmental Affairs and Development Planning	1	3	-4	-
Transport and Public Works	-	-	-	-
Agriculture	-	421	-364	57
Economic Development and Tourism	-	-	-	-
Cultural Affairs and Sport	-	-	-	-
Local Government	1	4	-5	-
<b>Total</b>	<b>521</b>	<b>559</b>	<b>-975</b>	<b>105</b>

# Irregular Expenditure as at 31 March 2017

PROVINCIAL IRREGULAR EXPENDITURE CONDONED AS AT 31 MARCH 2017				
Votes	Opening Balance (Closing balance of previous month)	Add Irregular Expenditure	Less Amounts condoned/ resolved	Closing Balance awaiting condonation
	R'000			R'000
Premier	6 866	900	-3 317	4 449
Provincial Parliament	-	67	-50	17
Provincial Treasury	1 934	4	-1 934	4
Community Safety	-	14	-14	-
Education	-	883	-883	-
Health	71 351	11 330	-10 329	72 352
Social Development	2 335	1 409	-3 095	649
Human Settlements	775	436	-1 211	-
Environmental Affairs and Development Planning	-	3	-3	-
Transport and Public Works	4 942	46	-4 988	-
Agriculture	-	106	-96	10
Economic Development and Tourism	-	800	-	800
Cultural Affairs and Sport	-	1 123	-1 123	-
Local Government	63	-	-	63
<b>Total</b>	<b>88 266</b>	<b>17 121</b>	<b>-27 043</b>	<b>78 344</b>

# Summary and Concluding remarks

*Dr IH Meyer*

# Summary and Concluding Comments

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- Budget underpinned by evidence based practices and sound fiscal policy principles
- PSG 1 → to grow the Economy is the Number One objective
- Strong oversight and fiscal discipline
- Good Governance, Integrated Management and Partnering
- Rule of Law and Constitutionalism

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Thank you

# Contact Us



**Western Cape  
Government**  
Provincial Treasury

**BETTER TOGETHER.**

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