

2017/18 Quarter 3 Spending Outcome

STANDING COMMITTEE ON APPROPRIATIONS

Presenter: Dr. Mampho Modise | DDG: Public Finance, National Treasury | **March 2018**



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Contents

1. Overall observations
2. Key issues
3. Spending outcome by Chief Directorate grouping:
 - Administrative Services
 - Education and Related departments
 - Health and Social Development
 - Protection Services
 - Economic Services
 - Urban Development and Infrastructure

Overall observations (1)

- The adjusted appropriation amounted to R779.8 billion for 2017/18, an increase of R14.5 billion from the main appropriation in February 2017
- The increase was largely as a result of higher appropriations for the following departments:
 - National Treasury (R9.8 billion)
 - Telecommunications and Postal Services (3.6 billion)
 - Home Affairs (R1.2 billion)
 - Water Affairs (R0.5 billion)
- These increases were partially offset by reductions in the allocations for Basic Education, Social Development, Police, and International Relations and Cooperation
- For the third quarter of 2017/18, total spending for national votes amounted to R578.4 billion against projected spending of R572.1 billion, an overspending of R6.3 billion
 - Spending on payments for financial assets increased significantly due to transfers to the South African Airways to settle its debt service obligation with the Standard Chartered Bank and for the New Development Bank as well as the additional allocation made in the adjustments budget for the recapitalisation of the South African Post Office.
 - Spending on goods and services was below projection by R2.9 billion
 - Compensation of employees was marginally lower than expected by R518 million
 - Spending on capital assets was below expectations by R1.2 billion due slower spending in Basic

Overall observations (2)

The following department show the largest variance in terms of underspending

- **Cooperative Governance And Traditional Affairs** – withholding of a portion of the Municipal Infrastructure Grant to municipalities that are non-compliant with DoRA provisions
- **Higher Education and Training** – delays in the payment of the infrastructure grants in Programme 3: University Education
- **Correctional Services** – non-payment of operating leases invoices from the Department of Public Works (DPW) as the DPW had not yet provided the department with supporting documentation detailing properties forming part of the invoiced amounts. However, this matter has been resolved and spending may increase
- **Human Settlements** – misalignment in spending projections and grant payments for the Human Settlements Development Grant (HSDG) and the Urban Settlements Development Grant (USDG)
- **Trade and Industry** – non-compliance by companies applying, outstanding site inspection reports, low volumes of claims, companies not meeting mandatory requirements, delays in finalising funding agreements, amongst other things
- **Police** – delayed payment of invoices from the State Information Technology Agency (SITA) for computer services as SITA and the department had not yet signed a Service Level Agreement (SLA). The SLA was signed in December 2017 thus spending is expected to improve from January 2018 as the department will now process all invoices received from SITA
- **Basic Education** – implementation delays in the school infrastructure backlogs grant
- **Justice and Constitutional Development** – filling of only critical post vacancies, and non-payment of invoices for accommodation charges due to lack of supporting documentation detailing properties forming part of the invoiced amounts. However, this matter has been resolved and spending is likely to increase

Overall observations (3)

Over spending departments are:

National Treasury - transfer payments to the South African Airways (SAA) to settle its debt service obligation with the Standard Chartered Bank and for the New Development Bank

Transport - transfers to the South African National Roads Agency Limited and the Road Traffic Infringement Agency made earlier than scheduled

Telecommunications and Postal Services – additional allocation made in the adjustments budget for the recapitalisation of the South African Post Office

Home Affairs - payment related to the cost of living adjustments which were paid in December, self-financing expenditure for issuing of passports and Smart ID cards and infrastructure related expenditure for the roll-out of the live capture system

Water and Sanitation – higher than planned transfers made out to water boards to fast track the implementation of the regional bulk infrastructure projects

Rural Development and Land Reform – increased spending rate to make up for underspending in previous quarters. Land reform and land restitution typically finalise projects in the last two quarters of the fiscal year.

Environmental Affairs – the Waste Bureau has been established and expenditure that was supposed to occur in the first two quarters was pushed into the third quarter.

Small Business Development – increased spending rate to make up for under spending in previous quarters.

Tourism – The Tourism Incentive Programme overspent in the third quarter after underspending in the first two quarters. Outstanding documentation from beneficiaries resulted in delayed payments for the Green Tourism programme and the International Marketing and Support initiative, so that payment occurred in the third quarter

Overall observations (3)

Summary of personnel spending:

- The following departments overspent on their personnel budgets for Q3 2017/18
 - Home affairs (R342 million) (mainly due to the payment of cost of living increases to employees in December)
 - Defence and Military Veterans (R120 million) (partly due to overtime payments for medical doctors in military health services)
- This was partially offset by lower spending by Correctional Services (R147 million)
- In terms of the HRBP, Defence and Military Veterans is 5174 employees above their target, while Higher Education and Training are 10358 employees below their target (mostly part-time and contract lecturers at TVET and CET colleges)
- The following departments have managed to noticeably reduce their headcount since the start of 2017/18:
 - Police (4136)
 - Defence and Military Veterans (1622)
 - Higher Education and training (1540)
 - Correctional Services (748)
 - Justice and Constitutional Development (538)
 - Public works (368)
 - Agriculture, Forestry and Fisheries (314)

Key issues: Education

Basic education Vote 14:

- **The School Infrastructure Backlogs Grant in Prog 4: Planning, Information and Assessment**
 - This grant has had a poor record of spending since its inception in 2011/12.
 - In the 2017 Adjustments Budget, the baseline was reduced by R415 million
 - While spending has slightly improved from the 2nd and 3rd quarters , the National Treasury projects that the grant will underspend for the year by about R500 million
 - The department has indicated that the delays are due to poor performance by some implementing agents and difficulties experienced in replacing them.

Key issues: Justice and protection services

Vote 18: Correctional Services

- Underspending on compensation of employees and office accommodation mainly due to outstanding payments for OSD phase 2 and non-payment of invoices from DPW for accommodation charges due to lack of supporting documentation detailing properties forming part of the invoiced amounts, respectively.

Vote 19: Defence

- Overspending on compensation of employees mainly due to the compensation budget that does not support the department's personnel strength as well as payment for overtime for medical doctors. The department has submitted a virement request to NT in order to augment the compensation budget

Vote 21: Justice and Constitutional Development

- Underspending on office accommodation due non-payment of invoices from DPW for accommodation charges due to lack of supporting documentation detailing properties forming part of the invoiced amounts.

Vote 23: Police

- Underspending on goods and services due to delayed payments to the State Information Technology Agency (SITA) as the Service Level Agreement (SLA) between SITA and the department had not yet been signed.

Key issues: Urban development and infrastructure

Telecommunications (Vote 32):

- Implementation of SA Connect, the broadband project is delayed due the DTSPS not yet finalising agreement with the implementing agents. Potential underspending is expected under Programme 5 on this project.

Human Settlements (Vote 38):

- Persistent under-performance on the National Upgrading Support Programme (NUSP) which has also not led to the outcome of scaled-up informal settlements upgrading.
- Good spending by the Eastern Cape Province on the Human Settlements Development Grant (HSDG) is deceptive as the province has massive accruals from continuing to appoint new contracts for new projects, but existing contracts have not been paid in full.

Transport: (Vote 35)

- Concern around oversight on public entity spending and performance such as PRASA, the Road Traffic Management Corporation (RTMC) and the Rail Safety Regulator (RSR)

Energy (Vote 26)

- INEP Non-grid - Spending was slower than anticipated due to delays in finalizing the procurement process to appoint service providers for the project.
- Solar Water Geyser Project – the underspending for the SWHP is under Goods and Services item consultant: business and advisory services due to delays in identifying the installation areas by Municipalities for the social facilitation and technical assessment phases of the project to take place. In addition, the under spending in transfer and subsidies is due to delays in finalizing the contracting process for category - B4.

Cooperative Governance (Vote 4)

- Underspending in Community Works Programme- delays in submission assessment of service provider

Key issues: Administration services

Department Of International Relation and Cooperation (DIRCO) (Vote 6):

- DIRCO's compensation ceiling for 2017/18 has been set at R3 billion; the department is at risk of breaching the ceiling owing to poor management of actual headcount. Of the 6 exit strategies available to the department, the department has only implemented 1. The lack of expediency towards implementing exit strategies has resulted budgeting pressures. The department has a projected overspending of R62 million on compensation of employees for the financial year
- African Union funding has a funding shortfall of R314.8 million for 2017/18 due to increased assessment for membership fees and outstanding contributions for the Peace Security Fund. Prolonged failure to honour the obligations may attract sanctions being imposed on South Africa and limit the state's involvement in AU processes.

National Treasury (Vote 7):

- Delays in the IFMS project is a cause for underspending and spending is only expected to gain momentum in 2018/19
- The evaluation process of projects in the Jobs Fund is a cause for spending delays and expenditure is not always materialising as planned

Statistics South Africa: (Vote 12)

- Although the department's new head-office building was completed and occupied about 18 months ago, there are still outstanding items that has not been finalised. This causes underspending on capital expenditure as well as unitary fee payments
- Statistics South Africa has indicated that there will be an overspending on compensation of employees as at the end of the financial year as the department is of the view to fill critical vacant posts rather than to reduce personnel numbers

Key issues: Economic Services

Department Trade and Industry (Vote 34):

- Non-compliance by companies applying, outstanding site inspection reports, low volumes of claims, companies not meeting mandatory requirements, and delays in finalising funding agreements are delaying payments of incentives
- This reduces the effectiveness of incentives

Science and Technology (Vote 30):

- Surpluses in entities have resulted in delayed payment of the transfer line

Rural Development and Land Reform (Vote 39):

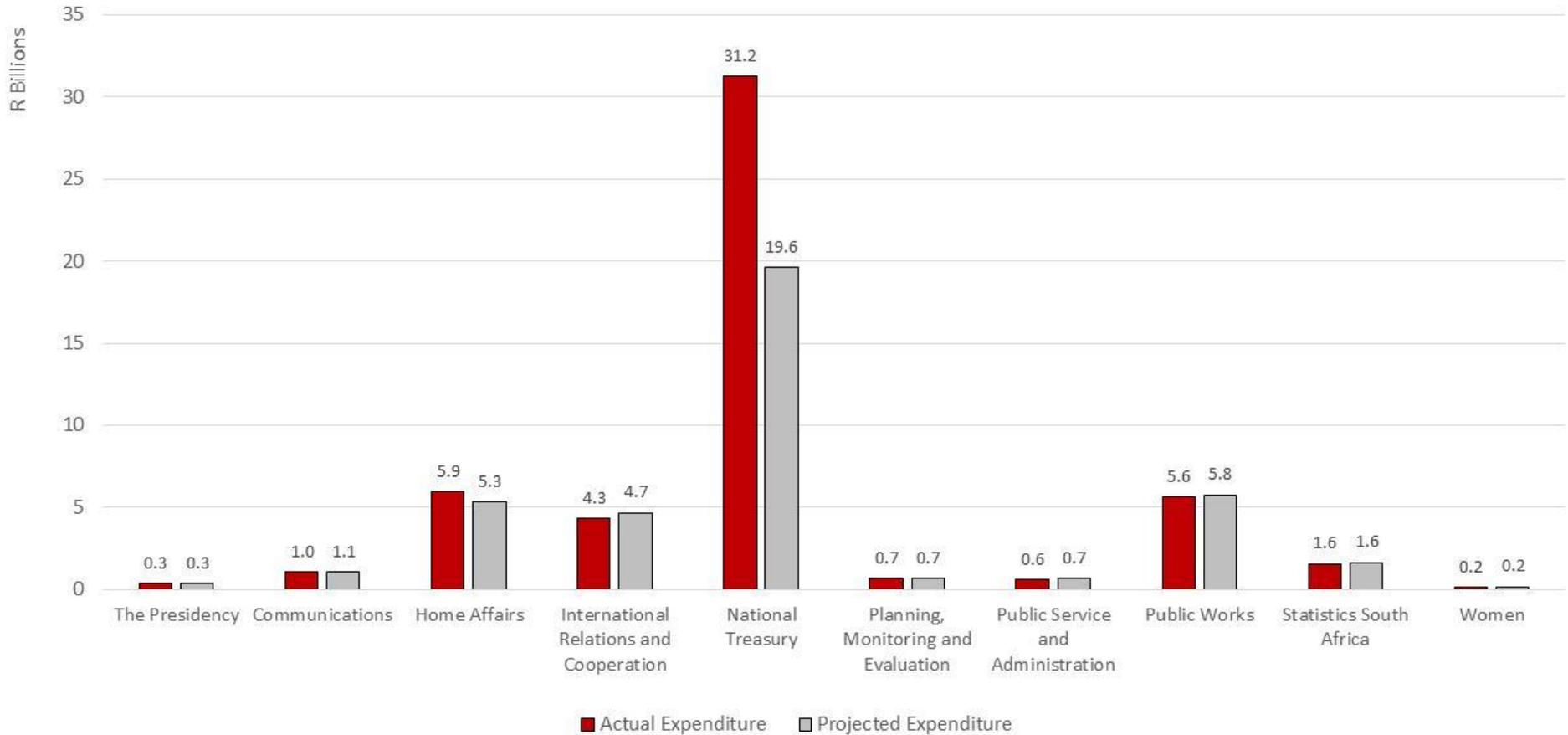
- Slow spending in the first and second quarters, offset by increased spending in Q3
- Concerns about spending the entire allocation and the quality of spending in Q4

Tourism (Vote 33):

- Slow spending in Q1 and Q2 but increased spending on Q3
- Concerns about spending the entire allocation and the quality of spending in Q4

Administrative Services

Administrative Services



Vote 1: The Presidency

The department spent R347.7 million against the projected spending of R349.3 million as at the end of third quarter, indicating a slightly lower than projected spending of R1.6 million or 0.5 per cent. The reasons for the variance in expenditure are as follows:

- **Programme 1 Administration:** Programme expenditure for the third quarter amounts to R317.2 million or 69.8 per cent of the programme's total adjusted appropriation for the year. This also translates to R2.4 million or 0.8 per cent lower than the projected expenditure of R319.7 million for the third quarter. The main cost drivers for the programme are compensation of employees, communications and computer services.
- **Programme 2: Executive Support:** Programme expenditure for the third quarter amounts to R 26.2 million or 56 per cent of the programme's total adjusted appropriation. This also translates to R994 000 or 3.9 per cent more than projected expenditure of R25.3 million for the quarter. The more than projected expenditure is mainly due to previous quarter invoices that were not paid on time, and that were only paid during the third quarter.

Expenditure on transfers and subsidies is more than the projected expenditure mainly due to payments to employees that exited the department. The negative R2.3 million or 75.4 per cent on transfers and subsidies was addressed during the Adjusted Estimates of National Expenditure process.

Expenditure on payment for capital assets for the third quarter is R4.7 million which is lower than projected expenditure of R7.2 million by R2.5 million or 35.4 per cent. The lower than projected expenditure is mainly due to delays in procurement of office furniture as a result of delays in finalising the process of moving staff to the Union Building. The move is expected to be finalised in the last quarter of the financial year.

Vote 3: Communications

Actual expenditure of R1 billion is less than the projected expenditure of R1.1 billion by 0.5 per cent. The reasons for the variance in expenditure are as follows:

- **Programme 1: Administration:** spent 4.4 per cent or R2.2 million less than the projected expenditure for the quarter, mainly due to:
 - compensation of employees as a result of delays in filling of vacancies and the release of some contract posts.
- **Programme 3: Industry and Capacity Development:** spent 18.3 per cent or R3.7 million less than the projected expenditure for the quarter, mainly due to:
 - compensation of employees as a result of delays in filling of vacancies and the release of some contract posts

Vote 5: Home Affairs

Actual expenditure of R5.9 billion was spent more than the projected expenditure of R5.3 by R607.7 million or 11.4 per cent. The reasons for the variance in expenditure are as follows:

- Payment related to the cost of living adjustment which were paid in December backdated 1 April;
- Self-financing expenditure for issuing of passports and Smart ID card which is incurred on monthly basis but funds only received after the Adjusted Appropriation Act is signed by the President;
- Infrastructure related expenditure for the roll-out of the live capture system.

- **Programme 1 - Administration:** spent 71 per cent or R1.49 billion less than the projected expenditure of R1.5 billion for the quarter, mainly due to: spending on the Information Systems Modernization project (previously WAIO) was deferred to the third quarter.
- **Programme 2 – Citizen Affairs :** spent 96.5 per cent or R3.6 more than the projected expenditure of R3 billion for the quarter, mainly due to: Self-financing expenditure for issuing of passports and Smart ID card which is incurred on monthly basis but funds only received after the Adjusted Appropriation Act is signed by the President; and Infrastructure related expenditure for the roll-out of the live capture system.
- **Programme 3 – Immigration Affairs :** spent 69.1 per cent or R874.5 million more than the projected expenditure of R827.3 million for the quarter, mainly due to: overtime payment during the Christmas festive season where ports of entry open extended office hours.

Vote 6: Department Of International Relation and Cooperation (DIRCO)

Actual expenditure of R4.3 billion was spent less than the projected spending of R4.7 billion by R375.5 million or 8.0 per cent. The reasons for the variance in expenditure are due to the deferment of the initiation of new capital projects, whilst concluding the New York project. Thus, the amount would be spent in the last quarter of 2017/18 towards the acquisition of land for the two missions in New York and expenditure of four missions that were not processed due to System downtime and will be processed in the fourth quarter and cost containment measures that the department has implemented on traveling expenses.

- **Programme 1: Administration:** spent 55.4 per cent or R863.1 million less than the projected spending of R1.1 billion for the quarter, mainly due to the deferment of the initiation of new capital projects, whilst concluding the New York project. Thus, the amount would be spent in the last quarter of 2017/18 towards the acquisition of land for the two missions in New York.
- **Programme 2: International Relation:** spent 74 per cent or R2.6 billion less than the projected spending of R2.8 billion for the quarter, mainly due to the expenditure of four missions that were not processed due to System downtime and will be processed in the fourth quarter.
- **Programme 3: International Cooperation:** spent 59.5 per cent or R336.6 million less than the projected spending of R395.5 for the quarter, mainly due to cost containment measures that the department has implemented on traveling expenses.
- **Programme 4: Public Diplomacy and Protocol Services:** spent 74.4 per cent or R198.1 million less than the projected spending of R200.1 million for the quarter, mainly due to expenditure for the international State visits undertaken in the third quarter which will be paid in fourth quarter.
- **Programme 5: International Transfers:** spent 43.9 per cent or R271.1 million more than the projected spending of R269.6 million for the quarter, mainly attributable to payment for arrears African Union peace funds contribution that was paid in the third quarter.

Vote 7: National Treasury

Actual expenditure of R31.2 billion is more than the projected expenditure of R19.6 billion by 59.5 per cent. The reasons for the variance in expenditure are as follows:

- **Programme 4: Asset and Liability Management:** spent 342.5 per cent or R7.8 billion more than the projected expenditure for the quarter, mainly due to:
 - transfer payment to SAA to settle its debt service obligations.
- **Programme 6: International Financial Relations:** spent 9827.6 per cent or R4.1 billion more than the projected expenditure for the quarter, mainly due to:
 - the 3rd capital contribution instalment to the New Development Bank. The payment was done earlier than planned to benefit from the stronger currency.
- **Programme 8: Technical Support and Development Finance:** spent 5.2 per cent or R96.6 million more than the projected expenditure for the quarter, mainly due to:
 - the Municipal Finance Improvement Programme (MFIP) 4th quarter payment which was scheduled for January 2018 but requested earlier in December 2017. The Jobs Fund grant disbursement which was scheduled for January 2018 but requested earlier in October 2017.

Vote 8: Planning, Monitoring and Evaluation

The department spent R661.1 million against the projected expenditure of R667.8 million as at the end of the third quarter, indicating lower than projected expenditure of R6.7 million or 1.0 per cent. The lower projected expenditure is mainly due to funded vacant positions, the reasons for the variance in expenditure are as follows:

Programme 1 Administration: Expenditure for the third quarter amounts to R110.4 million or 63.7 per cent of the programme's adjusted appropriation of R173.4 million. The expenditure is R1.4 million or 1.3 per cent lower than the projected expenditure of R111.9 million for the quarter, mainly due to vacancies not filled because of the late implementation of the revised organisational structure.

Programme 2 National Planning Coordination: Expenditure for the third quarter amounts to R33.7 million or 75.5 per cent of the programme's adjusted appropriation of R44.7 million. The expenditure is R2.8 million or 9 per cent more than the projected expenditure of R30.9 million for the quarter, mainly due to lower than projected expenditure on business and advisory services, and travel & subsistence as they largely relate to research and travel needed to support the implementation of the NDP and National Planning Commission.

Programme 3 Sector Planning and Monitoring: Expenditure for the third quarter amounts to R30.6 million or 64.5 per cent of the programme's adjusted appropriation of R47.4 million. The expenditure is R2.5 million or 7.7 per cent lower than the projected expenditure of R33.2 million for the quarter, mainly due to vacancies.

Programme 6 Evaluation and Knowledge Systems: The programme expenditure for the third quarter amounts to R88.5 million or 82.7 per cent of the programme's adjusted appropriation of R106.9 million. The expenditure is R4.4 million or 4.8 per cent lower than the projected expenditure of R93.0 million for the quarter. This is mainly due to lower than anticipated travelling expenses for the quarter.

Vote 10 : Department of Public Service and Administration

Actual expenditure of R603.9 million is less than the projected expenditure of R660 million by 8.5 per cent. The reasons for the variance in expenditure are as follows:

- **Programme 1: Administration-** spent R131.3 million or 54.2 per cent of the available budget of R242.2 million. This low spending was mainly caused by the non-payment of rental and maintenance costs for the department's office accommodation. The Department of Public Service and Administration is disputing the rental amounts charged by the Department of Public Works, and is dissatisfied with the quality of maintenance services that the Department of Public Works provides
- **Programme 2: Policy Development, Research and Analysis** – spent R20.1 million or 62 per cent of its 2017/18 total available budget of R32.4 million. The low spending was mainly reported under goods and services because of lower than planned traveling activities under the Productivity and efficiency Studies subprogramme. The Knowledge Management Summit that the department had planned to host during the third quarter did not take place as planned. A submission seeking approval was only submitted to the Minister in December 2017.
- **Programme 4: Government Chief Information Officer** –spent R11.9 million or 62.1 per cent of its available budget of R19.1 million. This underspending was mainly, caused by funded vacancies, as well as administration related delays in the delivery of a research project for the ICT implementation standards

Vote 11: Department of Public Works

Actual expenditure of R5.623 billion is less than the projected expenditure of R5.768 billion by 2.5 per cent. The reasons for the variance in expenditure are as follows:

- **Programme 3 - Expanded Public Works Programme** : spent 4.7 per cent or R100.4 million less than the projected expenditure for the quarter, mainly due to the low spending in transfers and subsidies, specifically on the Expanded Public Works Programme: Integrated Grant for Municipalities which was withheld due to non-compliance with the DORA requirements. The programme has also underspent on its goods and services budget (mainly on agency and support/outsourced services and infrastructure planning) due to delays in the implementation of the expanded public works projects, as well as delays in the submission of progress reports.
- **Programme 5 - Prestige Policy** : spent 18.4 per cent or R11.3 million less than the projected expenditure for the quarter, mainly due to slow spending is evident in goods and services, specifically on contractors due to some of the planned state function events not having taken place.

Vote 12: Statistics South Africa

Actual expenditure of R1.58 billion is less than the projected expenditure of R1.64 billion by 4.1 per cent. The reasons for the variance in expenditure are as follows:

- **Programme 1: Administration:** spent 2.2 per cent or R11 million less than the projected expenditure for the quarter, mainly due to:
 - unitary fee payments withheld due to incomplete items on the building.
- **Programme 5: Statistical Support and Informatics:** spent 6.6 per cent or R10.3 million less than the projected expenditure for the quarter, mainly due to:
 - the hold placed on the replacement of obsolete computer equipment. As the department is exploring a low cost model on replacement, spending is delayed to the fourth quarter.
- **Programme 6: Statistical Collection and Outreach:** spent 1.9 per cent or R9.4 million less than the projected expenditure for the quarter, mainly due to:
 - compensation of employees, on operating leases and payments for capital assets for less utilisation of GG vehicles. Due to austerity measures, 5 vehicles have been returned to the Department of Transport.
- **Programme 7: Survey Operations:** spent 17.5 per cent or R30.5 million less than the projected expenditure for the quarter, mainly due to:
 - compensation of employees, on travel costs due to the reduction in the number of officials utilised for data collections and on training and development for employees.

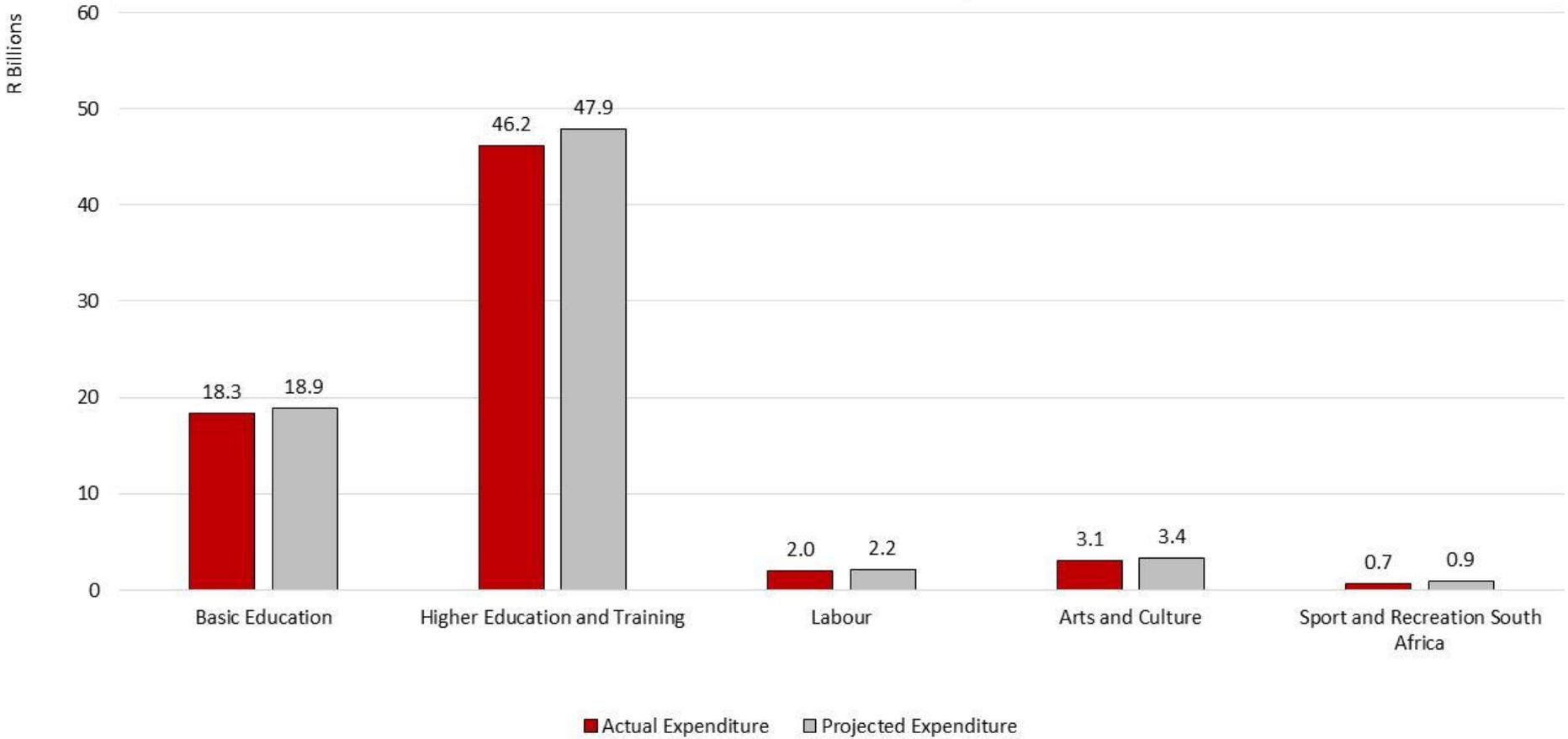
Vote 13: Department of Women

Actual expenditure of R150.2 million is less than the projected expenditure of R152.8 million by 1.7 per cent. The reasons for the variance in expenditure are as follows:

- **Programme 1: Administration** - spent R60 million or 72.2 per cent of its available budget of R83 million as at the end of the third quarter of 2017. This expenditure represents a lower than anticipated spending of R60 million when compared to the projected expenditure of R63 million, yielding an underspending of R3 million. The lower than planned spending in Administration was mainly on goods and service as a result of unpaid office accommodation costs due to the non-issuance of invoices by the Department of Public Works

Education and Related Departments

Education and Related Departments



Vote 14: Basic Education

- **Programme 4: Planning, Information and Assessment:** The department has projected to spend R10.6 billion but has spent R9.9 billion by the end of the third quarter. The deviation of R678.3 million or 6.4 per cent of the available budget is mainly due to implementation delays in the school infrastructure backlogs grant, where the projected expenditure for the quarter was R1.3 billion and only R751.1 million (58 per cent) was spent. This slow spending is also reflected under total payments for capital assets and is mainly due to poor performance by some implementing agents and difficulties experienced in replacing them.

Vote 15: Higher Education and Training

- **Personnel: Department:** Spent R5.969 billion of the projected spending of R5.993 billion at the end of the third quarter, indicating lower than expected spending of 0.4 per cent – equivalent to R24.6 million, mainly due to vacant posts that could not be filled as planned owing to difficulties in processing high application volumes at TVET and CET colleges across all provinces, and difficulties in finding suitably qualified candidates for critical posts in the department.
- **Programme 3: University Education:** Spent R38.7 billion of the projected spending of R40.4 billion at the end of the third quarter, indicating lower than expected spending of 4.2 per cent – equivalent to R1.7 billion, mainly due to delays in the transfer payments of the infrastructure earmarked grants to higher education institutions. The Department has been requested to explore a more efficient process of administering the university infrastructure grant, and to table a more appropriate payment schedule for the grant.

Vote 28: Labour

Compensation of Employees: R795.7 million of the projected spending of R842.9 million was made at the end of quarter 3, indicating lower than expected spending of 5.6 per cent – equivalent to R47.3 million. The headcount target for 2017/18 is 3 094 with only 2 640 posts filled by the end of quarter 3. The slow spending and lower headcount is mainly due to:

- **Programme 2: Inspection and Enforcement Services** - not being able to attract and retain Labour inspectors due to higher salaries for similar work in the private sector.
- **Programme 3: Public Employment Services** - delays in creating posts to accelerate service delivery in the work seeker programme.

Vote 37: Arts and Culture

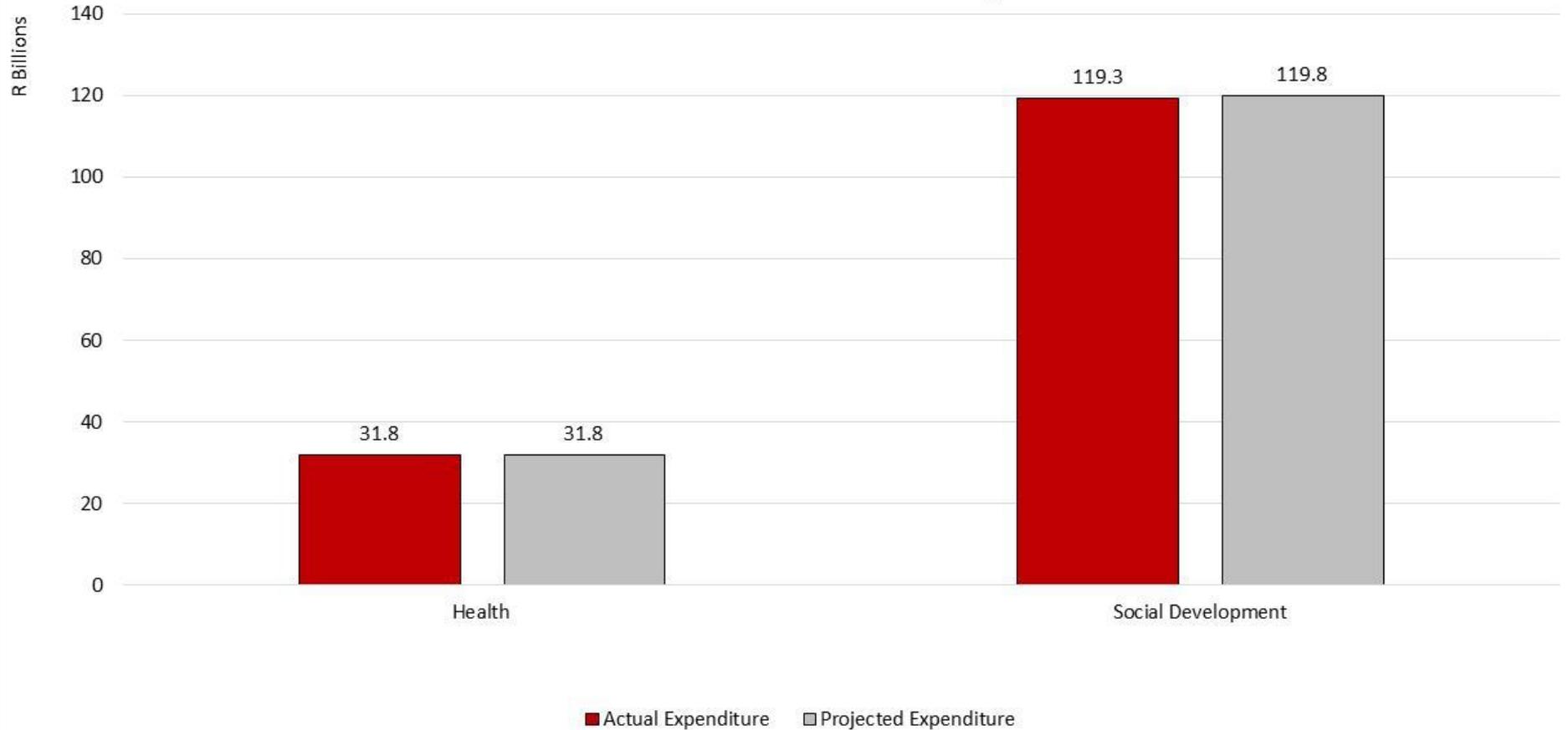
- **Programme 2: Institutional Governance** spent R113.1 million of the projected spending of R243.4 million at the end of the third quarter, indicating lower than expected spending of 53.5 per cent – equivalent to R130.3 million, mainly due to:
 - the termination of the contract with the Independent Development Trust as implementing agent; and
 - delays in securing suitable land for the construction of the Heroes Acre and National Heritage Monument projects.
- **Programme 3: Arts and Culture Promotion and Development** spent R784.1 million of the projected spending of R871.8 million at the end of the third quarter, indicating lower than expected spending of 10.1 per cent – equivalent to R87.8 million, mainly due to:
 - delays by provincial departments in providing proof of expenditure for the implementation of flagship Mzansi Golden Economy projects; and
 - delayed capital transfers to Artscape and the Performing Arts Centre of the Free State due to these entities not being able to comply with the Department's infrastructure policy.

Vote 40: Sport and Recreation

- **Programme 2: Active Nation** - Spent R392.1 million of the projected spending of R546.4 million at the end of the third quarter, indicating lower than expected spending of 28.2 per cent or R154.3 million, mainly due to:
 - The withholding of transfers of the *mass participation and sport development grant* to provinces as provincial business plans did not meet grant requirements. Provinces have since met the necessary requirements and the department will make these transfers in the fourth quarter.
- **Programme 3: Winning Nation** - Spent R59.9 million of the projected spending of R53.7 million at the end of the third quarter, indicating higher than expected spending of 11.7 per cent or R6.3 million, mainly due to:
 - The transfer to the South African Drug-Free Sport planned for quarter 4 being made in quarter 3 to alleviate cash flow problems that the entity was experiencing.
- **Programme 4: Sport Support** - Spent R116.6 million of the projected spending of R145.8 million at the end of the third quarter, indicating lower than expected spending of 20.1 per cent or R29.2 million, mainly due to:
 - Transfers to sport federations were not made as planned due to the non-compliance of federations to submit required documentation (e.g. audited financial statements). Most federations are now compliant and payments are being processed and will be reflected in the fourth quarter.
- **Programme 5: Sport Infrastructure Support** - Spent R5.6 million of the projected spending of R9.2 million at the end of the third quarter, indicating lower than expected spending of 39.3 per cent or R3.6 million, mainly due to:
 - Slow spending under compensation of employees, the department has delayed filling posts since they are in the process of reviewing their personnel structure.

Health and Social Development

Health and Social Development



Vote 16: Health

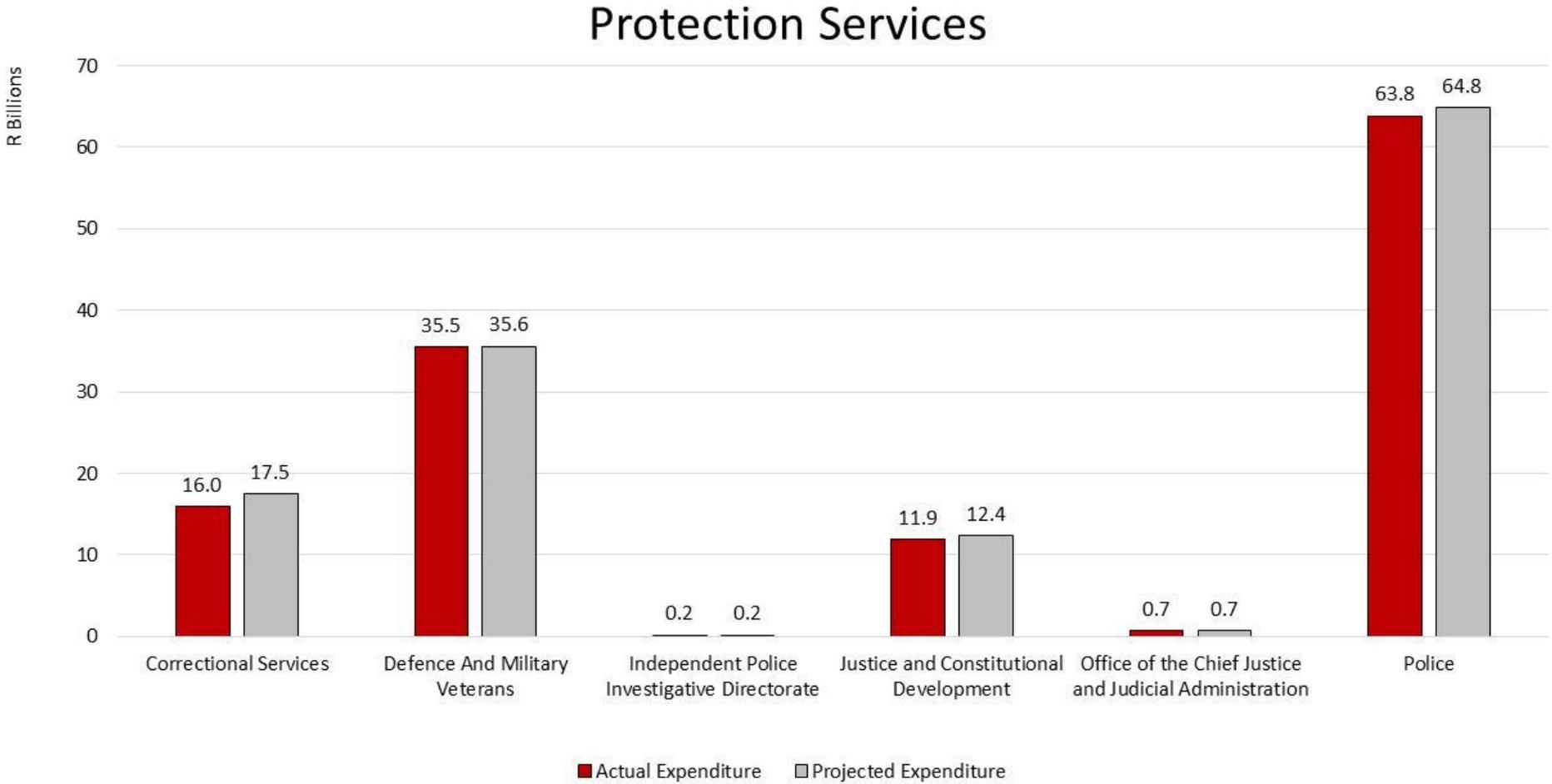
Actual expenditure of R31.8 billion is virtually identical to projected expenditure with total variance of R0.191 million, however there are small variances within programmes. The reasons for the variance in expenditure are as follows:

- ***Health Regulation and Compliance Management programme:*** spent 7.4 per cent or R95.3 million less than the projected expenditure for the quarter, due to:
 - Delays in promulgation of the establishing legislation for SAHPRA meant that the transfer could not have been made on the budget item. SAHPRA's related expenditure was captured under the suspense account pending approval of the Adjustments Appropriation Act. It is expected that this spending will improve in the fourth quarter as this is journalized.
- ***National Health Insurance, Health Planning and Systems Enablement:*** spent 0.3 per cent or R1.8 million less than the projected expenditure for the quarter:
 - Despite R200 million being shifted to Health Professionals Contracting component of the National Health Insurance indirect grant, this grant is likely to overspent (83.4% or R431.8 of the adjusted budget has been spent). This higher than anticipated spending was offset by slow spending in the Information systems component of the same grant (due to the misclassification of funds, this has been corrected in the Adjustment Appropriation Act and it is expected that spending will increase in the fourth quarter).

Vote 17: Social Development

- **Social Assistance:** spent 0.4 per cent or R430.2 million less than the projected expenditure for the quarter, mainly due to slow spending on the child support grant as a result of lower than anticipated beneficiary numbers. Due to slow spending on social grants particularly the child support grant.

Protection Services



Vote 18: Correctional Services

- **Incarceration:** spent 13.1 per cent or R1.4 billion less than the projected expenditure for the quarter, mainly due to:
 - outstanding OSD phase 2 payments for employees as well as operating leases which were supposed to be paid in the last three quarters.
- **Rehabilitation:** spent 5.8 per cent or R72 million less than the projected expenditure for the quarter, mainly due to:
 - funded vacant posts as well as non delivery of clothing material ordered in June 2017
- **Care:** spent 2.3 per cent or R37.8 million more than the projected expenditure for the quarter, mainly due to:
 - implementation and payment of OSD phase 2 in line with Departmental Bargaining Chamber (DBC) resolution 1 of 2016 which was signed on the 21 November 2016 as well as continuous increase of food prices.

Vote 19: Defence and Military Veterans

- **Force Employment:** spent 6.7 per cent or R160 million less than the projected expenditure for the quarter, mainly due to:
 - the delay on the back loading of prime mission equipment from the Democratic Republic of the Congo and Sudan to South Africa as well as the protracted procurement processes regarding containers to be used as offices.
- **Air Defence:** spent 2.7 per cent or R127,9 million less than the projected expenditure for the quarter, mainly due to:
 - delays in finalising the multi-year maintenance and support contracts for aircraft systems within the transport and maritime as well as the helicopter capability.
- **General Support:** spent 4.4 per cent or R188.9 million more than the projected expenditure for the quarter, mainly due to:
 - the payment for the vocational training services provided by the Cuban contractors in terms of the contract that South Africa signed with Cuba.

Vote 21: Justice and Constitutional Development

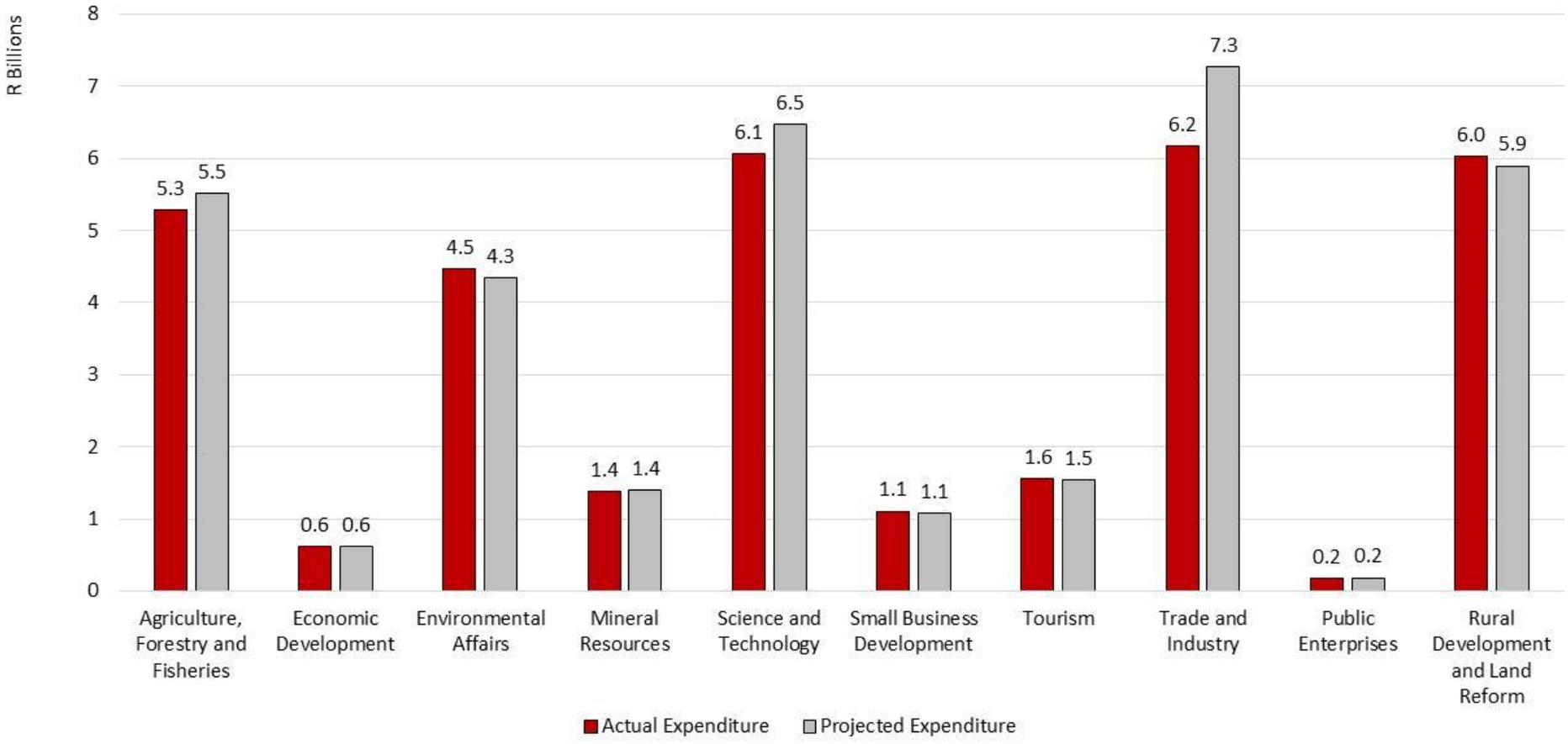
- **Administration:** spent 10.0 per cent or R133 million less than the projected expenditure for the quarter, mainly due to:
 - lower than anticipated expenditure on compensation of employees as a result of a decision to fill only critical post vacancies, and non-payment of invoices for accommodation charges due to lack of supporting documentation detailing properties forming part of the invoiced amounts.
- **Court Services:** spent 4.9 per cent or R238 million less than the projected expenditure for the quarter, mainly due to:
 - lower than planned spending on goods and services and machinery and equipment as a result of the implementation of cost containment measures in order to circumvent projected overspending on items: operating leases, property payments and buildings and other fixed structures
- **Auxiliary and Associated Services:** spent 3.2 per cent or R83.6 less than the projected expenditure for the quarter, mainly due to:
 - lower than planned spending on projects within the IJS modernisation programme, as a result of protracted procurement processes and slow invoicing by the State Information Technology Agency.

Vote 23: Police

- **Administration:** spent 4.9 per cent or R669 million less than the projected expenditure for the quarter, mainly due to:
 - delays in the signing of the SLA between SITA and the department due to negotiations that were taking place.
- **Visible Policing:** spent 0.9 per cent or R291 less than the projected expenditure for the quarter, mainly due to funded vacant posts

Economic Services

Economic Services



Vote 34: Trade and Industry

- **Programme 6: Incentive Development and Administration:** Spending for the third quarter was R987.1 million or 24 per cent lower than projected expenditure of R4.1 billion due to slower than expected spending on the following transfer payment lines:
 - Critical Infrastructure Programme (private enterprises) – R81.5 million could not be disbursed due to non-compliance with the B-BBEE requirements and outstanding site inspection reports.
 - Manufacturing Development Incentives – R623.9 million, low volumes of claims were received from companies which resulted in lower than expected funds being disbursed. Additionally, most of the applications received under the technology and human resources for industry programme did not meet the mandatory requirements of the programme.
 - Special Economic Zones – R85.1 million could not be disbursed due to funding agreements that are still being finalised.
 - Export Market and Investment Assistance – R41 million could not be disbursed due to delays in performing due diligence on applications.
 - Industrial Development Zones: Other – R19.8 million could not be disbursed due to non-compliance with the B-BBEE requirements, outstanding tax clearance certificates and financial statements.

Vote 39: Rural Development and Land Reform

- The department of Rural Development and Land Reform has spent R6 billion or 59.2 per cent of its total budget, after projecting to spend R5.8 billion or 57.8 per cent of its allocated budget by the end of December 2017/18. This represents a 2.2 per cent over spending or R128.5 million, driven mainly by 20.7 per cent over spending on Land reform programme. Spending per programme:
- **Programme 5: Land Reform:** programme spent R1.6 billion compared to the projected pending of R1.4 billion at the end of the third quarter, indicating higher than expected spending of 20.7 per cent equivalent to R291.1 million. The deviation is caused by the additional payments made with regards to the appointment of panellists for the evictions and mediations relating to the Land Rights Management Facility.

Vote 27: Environmental Affairs

- **Programme 6 – Environmental Programmes:** Expenditure was R55.9 million or 2.3 per cent higher than the projections during the quarter due to spending on EPWP programmes above the projections.
 - Spending was slower in than projected in Q1 and Q2, necessitating higher spending in Q3.
- **Programme 7: Chemicals and Waste Management:** Expenditure was R157.2 million, R2.4 million or 1.6 per cent higher than the projections during the quarter due to implementation of the new Waste Management Bureau sub-programme which is currently operational.
 - There were delays in establishing the Waste Bureau, resulting in slow spending in Q1 and Q2, thus leading to higher than anticipated spending in Q3.

Vote 31: Small Business Development

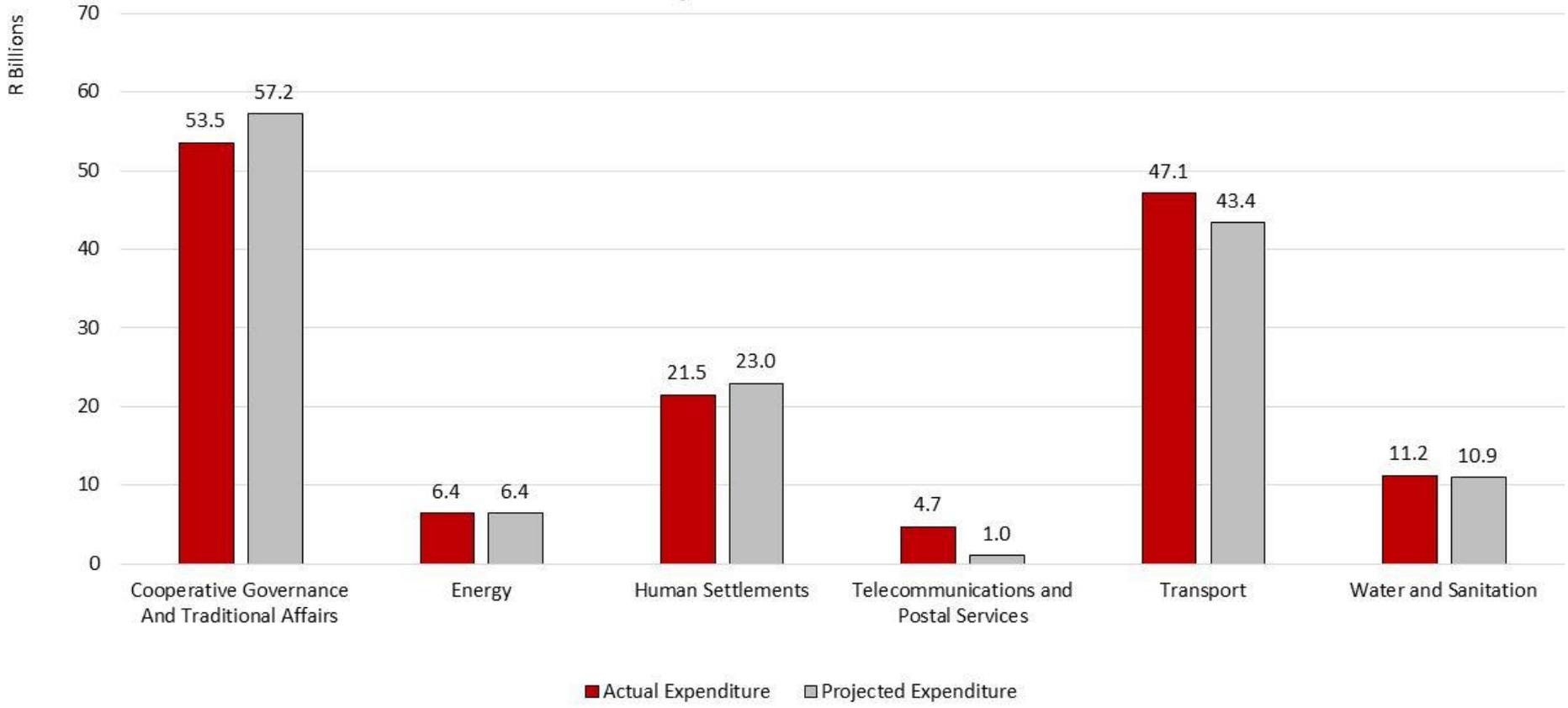
- **Programme 2: Small, Medium and Micro Enterprises and Cooperatives Policy and Research:** During the third quarter, spending was 16.2 per cent or R1.8 million lower than projected. This was due to delays in the research programme as the procurement process to appoint a suitable service provider to conduct research on regulatory and legislative barriers impeding small, micro and medium enterprises and co-operatives was delayed.
- **Programme 3: Small, Medium and Micro Enterprises and Cooperatives Programme Design and Support:** Spending during the third quarter was 2.5 per cent (or R24.5 million) higher than project due to more claims that were received and processed than anticipated on the black business supplier development programme. To date, Programme 3 has spent 75.4 per cent of the appropriated budget suggesting that spending may be contained within the annual budget for the programme.

Vote 33: Tourism

- **Programme 3: Destination Development:** This programme spent R191.9 million or R7.3 million or 3.7 per cent lower than the projections during the third quarter of the year. The programme had anticipated projects to have progressed to the construction phase at this point in the year but delays in the projects have resulted in further delays with the disbursement of funds. The programme anticipates funds to flow faster during the remainder of the financial year with there being no variance at year-end.
- **Programme 4: Enterprise and Visitor Support Services:** This programme spent R170.4 million, or R20.3 million or 13.5 per cent higher than the projections during the third quarter of the year due slow spending within the Tourism Incentive Programme (TIP) in Q1 and Q2. Outstanding and incomplete documentation submitted by participants of the International Marketing and Support initiative have resulted in delays in the disbursement of funds. Large construction projects linked to the Green Tourism initiative (i.e. construction of solar panels at national parks) have met with delays resulting in the variance under both payments for capital assets as well as payments to the relevant contractors. The programme has also indicated that all funds will be disbursed by year-end as they overcome the obstacles delaying payments.

Urban Development and Infrastructure

Urban Development and Infrastructure



Vote 4: Cooperative Governance and Traditional Affairs

- Spent R53.5 billion or 68.2 per cent of available budget of R78.5 billion
- Spending in Q3 of 2018/19 is 6.5 per cent or R3.7 billion lower than projected:
- ***Institutional Development:*** spent 6 per cent or R3 billion less than the projected expenditure for the quarter, mainly due to:
 - The withholding of the local government equitable share to 2 metropolitan municipalities.
- ***Local Government Support and Intervention Management:*** spent 7.4 per cent or R852.9 less than the projected expenditure for the quarter, mainly due to:
 - The withholding of the municipal infrastructure grant to municipalities that have not complied with the Division of Revenue Act.

Vote 32: Telecommunications and Postal Services

- Spent R4.7 billion or 91.5 per cent of available budget of R5.2 billion
- Spending in Q3 of 2018/19 is 357 per cent or R3.7 billion higher than projected:
- **ICT Enterprise Development and Oversight:** spent 1 829.6 per cent or R3.7 billion more than the projected expenditure for the quarter, mainly due to:
 - The once-off recapitalisation of the South African Post Office

Vote 35: Transport

- Spent R43.4 billion or 78.8 per cent of available budget of R59.8 billion
- Spending in Q3 of 2018/19 is 8.6 per cent or R3.7 billion higher than projected:
- **Road Transport:** spent 20 per cent or R4.3 billion more than the projected expenditure for the quarter, mainly due to:
 - Transfers to the South African National Roads Agency and the Road Traffic Infringement Agency that was made earlier than planned.
 - Transfers to provinces for the Public Transport Operations Grant that was incorrectly assigned to the Road Transport Programme
- **Public Transport:** spent 8.1 per cent or R806 million less than project expenditure for the quarter, mainly due to:
 - Incorrectly classified expenditure on the Public Transport Operations Grant to provinces

Vote 36: Water and Sanitation

- Spent R11.2 billion or 71.7 per cent of available budget of R15.6 billion
- Spending in Q3 of 2018/19 is 2.4 per cent or R265.4 million higher than projected:
- **Water Infrastructure Development:** spent 4.1 per cent or R368 million more than the projected expenditure for the quarter, mainly due to:
 - Transfers made to water boards earlier than expected for the implementation of the regional bulk infrastructure programme.

Vote 38: Human Settlements

- Spent R23 billion or 64.2 per cent of available budget of R33.5 billion
- Spending in Q3 of 2018/19 is 6.4 per cent or R1.5 billion lower than projected:
- **Housing Development Finance:** spent 6.4 per cent or R1.4 billion less than the projected expenditure for the quarter, mainly due to:
 - R600 million withheld to 3 provinces on the human settlements development grant
 - R263.4 million not transferred to 3 provinces
 - Transfers not made as planned to provinces and municipalities on the human settlements development grant and urban settlements development grant respectively due to a misalignment with the grant payment schedule.

THANK YOU