

2019/20 Quarter 1 Spending Outcomes

STANDING COMMITTEE ON APPROPRIATIONS

Presenter: Dr. Mampho Modise | DDG: Public Finance, National Treasury | August 2019



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Summary of spending

The preliminary data for the first quarter of 2019/20 shows:

- Spending amounting to R201.4 billion, an underspending of R7 billion
- 22.9 per cent of the appropriated amount of R880.7 billion for the fiscal year 2019/20
- **Underspending:** Social Development (R1.1 billion), Cooperative Governance and Traditional Affairs (R658 million), Trade and Industry (R641 million), Water and Sanitation (R589 million), Higher Education (R551 million) and Agriculture, Forestry and Fisheries (R527 million)
- **Overspending:** The departments of Human Settlement (R498 million) and Defence and Military Veterans (R387 million),
- Spending on good and services was R3.2 billion (20 per cent)
- Transfers and subsidies registered an underspending of R2.6 billion (1.8 per cent)
- Payments for capital assets only showed spending of R1.4 billion (47.4 per cent)
- Compensation of employees recorded a marginal overspending of R184 million (0.4 per cent) against projected spending

Summary of spending

The following departments underspent their budgets:

Social Development (2,5 per cent):

- lower than expected beneficiaries for the child support grant
- SASSA transfer for June which was only authorised on the system in July and will reflect in July expenditure.

Cooperative Governance and Traditional Affairs (41.4 per cent):

- slow implementation of the Annual Procurement Plan
- lesser claims on the Municipal Systems Improvement grant
- slower spending on the goods and services component of the Community Works Programme.

Public Finance (PF) has requested the department to submit a mitigating plan to improve the spending on Community Works Programme. This is not a concern now as it is the first quarter of the financial year. Expenditure is projected to increase in the next quarter following the finalisation of their plans

Summary of spending

International Relations and Cooperation (13.9 per cent):

- non-payment (on Interest and rent on land) of the Unitary fee in programme 1 for the Head Office building
- non-payment of the membership contribution (transfers and subsidies) to the Southern African Development Community in programme 5.

The PF has provided an analysis of spending to the department in the form of a feedback letter and will continue to monitor spending in these areas in the coming months. The department has stated identifying these areas and plans to resolve these which may lead to improved spending in the second quarter

Planning, Monitoring and Evaluation (7.7 per cent):

- delays in the processing of invoices from the period of April to June 2019 for payment of the department's office accommodation
- delays in receiving invoices for its computer services from the State and Information Technology Agency
- delays in filling vacant positions also resulted in some underspending in their compensation of employees' budget

PF has cautioned the department on misalignment of spending against allocated funds and advised the department to take measures to avoid over/underspending

Summary of spending

Public Enterprises (27.4 per cent):

- delays in commencement of planned projects and filling of vacant posts

The department was advised to expedite procurement commencement of projects and the filling of posts in the critical programme. Spending on the items will be monitored monthly to determine if it is aligned to the projected spending.

Statistics South Africa (13.5 per cent):

- delays in the filling of positions related to Census 2021
- delays in receiving invoices for office rental from the Department of Public Works
- delays in receiving invoices for consultants that were contracted for benchmarking and rebasing Gross Domestic Product (GDP) estimates
- delays in supply chain management processes regarding the maintenance of server and storage facilities, and on the procurement of switches and Security Information and Event Management software

PF has cautioned the department on misalignment of spending against allocated funds and advised the department to take measures to avoid over/underspending. It must, however be indicated that the net underspending under the department's compensation of employee mainly related to the Census. The department continues to overspend on its permanent staff establishment

Summary of spending

Correctional Services (12.2 per cent):

- delays in filling funded vacancies
- outstanding invoices for accommodation charges and municipal services (DPW)

Bilateral meetings were held encouraging the department to improve on its enlistment strategy.

Independent Police Investigative Directorate (18.0 per cent):

- funded unfilled vacant posts and outstanding invoices from service providers (ABSA for fuel and property payments).
- DPSA has not yet approved the new organisational structure and thereafter posts will be filled.

Justice and Constitutional Development (6.3 per cent):

- outstanding invoices for municipal services and leases as well as DPW committing less expenditure on court infrastructural projects.

The department is encouraged to consider making virements from payments for capital assets in order to address other priorities such as replacement of old laptops and computers. In addition, DPW should allow the department to do its own maintenance.

Summary of spending

Office of the Chief Justice and Judicial Administration (8.3 per cent):

- outstanding invoices for fleet and ICT services from service providers
- invoices submitted were incorrect and disputed by the department. Once these are finalised, the department will process the payments

Agriculture, Forestry and Fisheries (21.2 per cent):

- delayed transfers to the Land Bank under the blended finance programme; as a result of the programmes' review which is currently conducted
- the outcome of the Blended Finance Programme's review is expected to provide improvement on challenges currently faced by the programme, therefore improving spending going forward
- slow expenditure on goods and services due to suppliers outstanding invoices.

Energy (7.1 per cent):

- lower transfers to private enterprises for INEP Non:Grid electrification due to delays in finalizing the Terms of Reference and procurement process for the appointment of service providers

PF has advised that the department must align their approvals for the contractual agreements of the service providers to be within the respective financial year

Summary of spending

Labour (8.7 per cent):

- delays in invoicing by service providers for the procurement of cars for the departmental fleet in the provinces and delays in the issuing of invoices for office accommodation leases and municipal service charges by the DPW

The delivery of cars will take place in the next quarter, but delays in the invoicing by DPW requires intervention as this has been a problem for several years.

Science and Technology (19.8 per cent):

- slow spending in the Research, Development and Support, and Socio-economic Innovation Partnerships programmes
- the department withheld payments to the University of the North West, University of KwaZulu-Natal and the National Research Foundation owing to a failure to submit progress reports, which are prerequisite requirements for approving further drawdowns of appropriated funds. Once the agencies and universities comply with the requirements spending will speed up
- substantial delays in the rollout of the Innovation for Inclusive Development project under the Technology Innovation Agency

Summary of spending

- The delays emanate from material deviations in the project implementation which has expanded the content and scope of project beyond what had been contractually agreed upon

The department was advised to put measures in place to improve disbursements of funds and align actual expenditure with planned expenditure in the next in-year monitoring expenditure report. The department should place more stringent measures in monitoring its departmental agencies

Small Business Development (19.4 per cent):

- small and medium enterprises submitting claims that are not compliant with the guidelines and requirements for funds to be disbursed and slow processing of applications

The department was advised to provide training or support after approval of applications to ensure that successful applicants are familiar with compliance requirements. This is a worry because the slow spending happens on a yearly basis and is based on the same reasons, despite proposals to improve compliance

Summary of spending

Telecommunications and Postal Services (11.4 per cent):

- outstanding invoices for the Broadband project since there were delays in the service activations by the service providers. Because services at these sites were not yet operational, no payments were made

PF expects services to be activated in the next quarter as work is underway to activate these services, following which payments will be made

Transport (1,7 per cent):

- revision of the capital transfer payment schedule for the Passenger Rail Agency of South Africa and delays in projects such as the establishment of the Interim Rail Economic Regulator, the development of the National Rail Safety Bill and the review of the Branch-line Strategy
- lower than expected demand on taxi scrapping and delays in projects such as the implementation of Shova Kalula bicycles; upgrade of the National Land Transport Information System and the implementation of Integrated Public Transport Networks in district municipalities

PF indicated to the department that a series of meetings to understand consistent underspending in certain programmes will be set up from August to find a suitable solution

Summary of spending

Water and Sanitation (18.6 per cent):

- non-payment of invoices that need to be certified, verified and approved on both the Indirect portions (Schedule 6B) of the Regional Bulk Infrastructure and the Water Services Infrastructure grants for work done on behalf of the department
- expenditure is projected to increase in the next quarter due to the finalisation of these invoices

Trade and Industry (20.2 per cent):

- companies not being able to meet compliance requirements for funds to be disbursed

A proposal was made to the department provide support and to review the guidelines for respective incentive programmes, conditions included when approving applications for funding and determine the exact causes of non-compliance

Summary of spending

Arts and Culture (15.2 per cent):

- the transfer to the National Youth Development Agency (NYDA) for the Young Patriot's project was delayed because of an outstanding tax clearance certificate, whilst capacity constraints in the Legal services unit of the department affected the finalisation of contracts with beneficiaries responsible for the implementation of Women and People with Disability project
- the slow spending under transfers and subsidies on non-profit institutions and other transfers to private enterprises is mainly on the Cultural and Creative Industries Development subprogramme due to Mzansi Golden Economy beneficiaries failing to submit final expenditure reports as per the contractual agreements
- slow spending on the Community Library Services Grant was lower than projected due to payment delays as business plans from provinces were not signed off due to incompleteness

Summary of spending

Rural Development and Land Reform (11.0 per cent):

- delays in finalisation of recapitalisation and development projects caused by the service providers' inability to deliver procured items on time and also the department could not disburse its Blended Finance contribution to the Land Bank due to disagreements on Land Bank's criteria for selecting beneficiaries

The National Treasury will engage both institutions in order to help find a solution. Slow progress on the recapitalisation and development programme is negatively affecting productivity of land reform beneficiaries, therefore intervention is essential.

Sport and Recreation South Africa (6.0 per cent):

- outstanding invoices for the winter school sport championships, the incorrect spending projections for the African Games was done for June instead of August when the Games will take place and a delay in appointing a supplier for outdoor gyms and multipurpose courts
- these matters are noted in the monthly expenditure feedback and this spending will take place in the next quarter

Summary of spending

The following departments recorded overspending for the first quarter of 2019/20:

Defence and Military Veterans (-3.4 per cent):

- compensation of employees ceiling that does not support the current personnel numbers of the department

PF is still awaiting the rejuvenation strategy from the department

Economic Development (-0.2 per cent):

- accruals on legal services and accommodation costs

The department was advised to find alternative ways to carry out its mandate without incurring unbudgeted legal costs and to ensure that invoices are processed timely. it was also advised to implement cost containment on non-core items to prevent over expenditure during the remainder of the year

Environmental Affairs (-1.8 per cent):

- upfront payment of the transfer amount to SANParks in April 2019 to subsidise the construction of road infrastructure and pontoon in Richtersveld and spending towards the Combatting Wildlife Crime initiatives, and payments made earlier than projected in the month of April 2019 towards the Expanded Public Works Programme: Natural Resource Management to subsidise backlog from the previous financial year

Summary of spending

the finalisation of the service agreements had resulted in the acceleration of service delivery and expenditure in the opening months of the financial year. The department was advised to adjust expenditure in the subsequent months of the financial year in line with approved drawings

Mineral Resources (-3.2 per cent):

- office accommodation that was inadequately catered for

Close monitoring of the department's spending will be done throughout the financial year and will be advised of possible reprioritisation areas. The department is expected to implement cost saving measures and reprioritise to the pressure area (operating leases)

Women (-2.2 per cent):

- Payment of ministerial foreign travel claims related to 2017/18. These were only received from DIRCO towards the end of 2018/19 and could not be paid on time

The department has confirmed that it has cleared most of the outstanding payments related to foreign travel. It will effect the necessary shifts in the budget during the AENE process. This will not result in overspending for the financial year

Summary of spending

Human Settlements (-10.8 per cent):

- Larger than estimated transfers to Provinces and Municipalities for the Human Settlements and Urban Settlements Development Grants respectively
- this was due to the adjustments made to the respective payment schedules related to monthly conditional grants transfers which is different to the original Drawings schedule

The department will need to align the payment schedules and Drawings Schedules

General issues

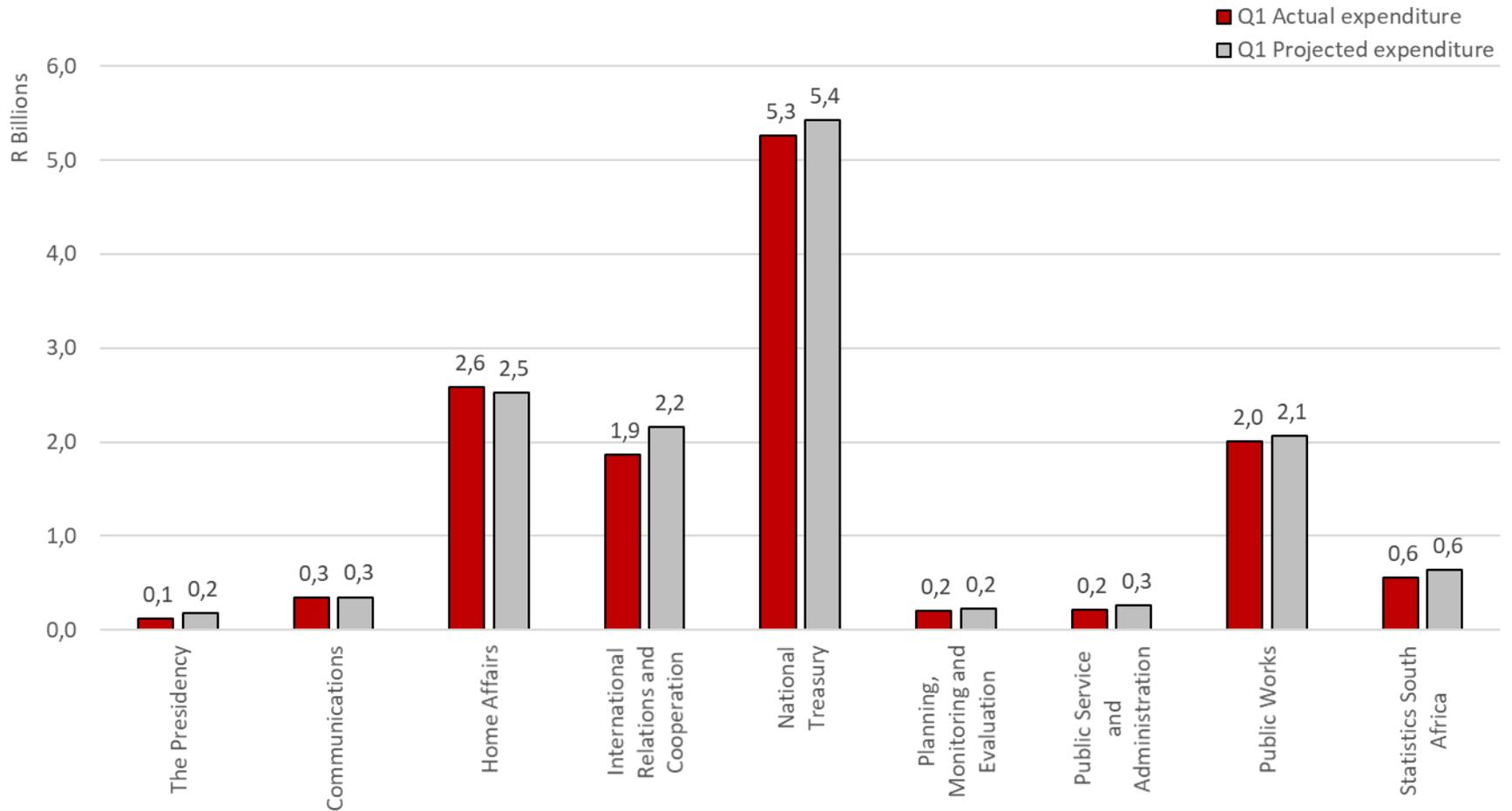
In general many of the reasons for poor spending relate to the following:

- Issues with the Department of Public Works (DPW) – late invoicing for property payments and municipal charges, disputes with DPW on actual invoices received
- Issues with the State Information Technology Agency – for the invoicing of ICT hardware payments

Within departments:

- Poor planning with respect to procurement
- Poor planning and execution of capital projects
- Poor HR management e.g. the time taken to fill vacant funded positions
- Poor management of contracts with implementing agents and service providers
- Unnecessary delays in processing payments for work done by implementing agents and service providers

Administrative Services



Administrative Services

R million	Main Appropriation	Available Budget	Q1 Actual expenditure	Expenditure as % of Available Budget	Q1 Projected expenditure	Variance from projected expenditure	% variance from projected expenditure
Departments							
1	The Presidency	691.4	115.9	16.8%	173.3	57.4	33.1%
3	Communications	1,576.1	345.0	21.9%	349.6	4.6	1.3%
5	Home Affairs	8,339.7	2,584.2	31.0%	2,523.7	-60.5	-2.4%
6	International Relations and Cooperation	6,508.5	1,862.5	28.6%	2,163.8	301.3	13.9%
7	National Treasury	30,771.1	5,259.8	17.1%	5,425.2	165.4	3.0%
8	Planning, Monitoring and Evaluation	956.9	206.4	21.6%	223.7	17.2	7.7%
10	Public Service and Administration	1,002.1	217.7	21.7%	258.1	40.4	15.6%
11	Public Works	7,809.0	2,005.2	25.7%	2,063.2	58.0	2.8%
12	Statistics South Africa	2,514.4	550.9	21.9%	636.7	85.8	13.5%
Total		120,338.4	13,147.7	21.9%	13,817.2	669.5	4.8%

Vote 1: Presidency

The Presidency, projected to spend R175.1 million to the end of the first quarter of 2019/20 and managed to spend R117.3 million, which is R57.8 million or 33.0 per cent lower than the projected expenditure mainly in goods and services due to lower than anticipated travelling expenditure and also due to delays in finalising a correct billing model for the SITA system related to e-cabinet system which consequently delayed payments. Mostly the underspending is under Programme 1: Administration which underspent by R46.0 million or 29.2 per cent of the projected expenditure of R157.7 million mainly in goods and services due to interdepartmental claims for the Presidential Inauguration that were not yet received for processing.

Vote 3: Communication

Department of Communications had projected to spend R349.6 million by the end of the first quarter of 2019/20. Actual expenditure amounted to R345 million, which is 21.9 per cent of the total available budget in 2019/20. The spending of R345 million when compared to the projected spending of R349.6 million resulted into an underspending of R4.6 million. The underspending was mainly attributed to compensation of employees as a result of vacancies, and goods and services mainly due to delays in the development of the Audio-Visual and Digital Content Strategy developed for the 4th Industrial Revolution and the Broadcasting Amendment.

Vote 5: Home Affairs

Department of Home Affairs Actual expenditure as at the end of the first quarter of 2019/20 financial year amounts to R2.6 million or 31.0 per cent of the department's total budget of R8.3 billion. The Department's expenditure is R60.5 million or 2.4 per cent higher than the projected expenditure. The higher spending of R177.5 million is largely in programme 2: Citizens Affairs, due to the expenditure related to issuing of the enabling documents such as IDs and passports, wherein the higher spending will be offset by self-financing which will only come into effect during the 2019 Adjusted Estimate of National Expenditure. The overspending in programme 3: immigration Affairs of R34.7 million is due to payment of leave gratuity for officials who exited the department through resignations, dismissals and death. However, there is an underspending of R151.7 million in programme 1: Administration due to WAIO implementation plans that would only be finalised at the beginning of the second quarter, delays in awarding contracts for physical guarding security services and also due to non-finalization of the BMA Bill.

Vote 6: International Relations and Cooperation

Department of International Relations and Cooperation spent R1.863 billion or 28.6 per cent of its 2019/20 appropriation budget allocation of R6.509 billion as at the end of June 2019. The R1.863 billion in actual spending is R301.3 million lower than the projected expenditure of R2.164 billion for this period. The lower than projected spending is mainly attributed to non-payment (on Interest and rent on land) of the Unitary fee in programme 1 for the Head Office building, and non-payment of the membership contribution (transfers and subsidies) to the Southern African Development Community in programme 5.

Vote 7: National Treasury

National Treasury projected to spend R5.425 billion by first quarter of 2019/20. The actual expenditure, as at the end of June 2019, amounted to R5.260 billion or 97 per cent of the projected expenditure as at the end of June 2019, and R165.4 million below the anticipated expenditure for the period under review. The lower than projected expenditure was mainly attributed to compensation of employees due to recently vacated positions, the Senior Management Service (SMS) salary adjustment which is yet to be effected and a longer than anticipated turnaround time for filling critical vacant positions. The low expenditure was also attributed to slow spending in relation to the Integrated Financial Management System (IFMS) project, Jobs Fund, the Infrastructure Delivery Improvement Programme (IDIP) and the 2019 World Economic Forum Africa (WEFA) Host Country Dinner.

Vote 8: Planning, Monitoring and Evaluation

Department of Planning, Monitoring and Evaluation had projected to spend R223.7 million by the end of the first quarter of 2019/20. Actual expenditure amounted to R206.4 million, which is 21.6 per cent of the total available budget in 2019/20. The spending of R206.4 million when compared to the projected spending of R223.7 million resulted into an underspending of R17.2 million. The underspending was mainly attributed to lower than projected spending on goods and services due delays in the processing of invoices from the period of April to June 2019 for payment of the department's office accommodation. The DPME has also experienced delays in receiving invoices for its computer services from the State and Information Technology Agency. In addition, the DPME also incurred a lower than anticipated expenditure on travel and subsistence.

The department reported a lower than anticipated spending on compensation of employees due to delays in filling vacant positions.

Vote 10: Public Service and Administration

The Department of Public Service and Administration spent R217.7 million or 21.7 per cent of the 2019/20 available budget of R1.0 billion. Total spending is R40.4 million lower than the projected expenditure of R258.1 million at the end of June 2019. The lower than anticipated spending is evident under goods and services (operating leases) largely due to delays in the receipt of the accommodation invoice for the first quarter from the Department of Public Works and Infrastructure.

Vote 11: Public Works

The Department of Public Works spent R2.005 billion or 25.7 per cent of its 2019/20 appropriation budget allocation of R7.809 billion as at the end of June 2019. The R2.005 billion in actual spending is R58 million lower than the projected expenditure of R2.063 billion for this period. The lower than projected spending is attributed to: (a) the low spending on the compensation of employees' budget due to delays in the filling of vacant positions, and (b) the low spending on the goods and services' budget mainly due to the non-receipt of invoices relating to computer services and communication as well as the lower than projected value of actual invoices received for municipal services in programme 1, delays in the submission of invoices for EPWP projects in programme 3, as well as the non-receipt of invoices pertaining to the Presidential Inauguration in programme 5.

Vote 12: Statistics South Africa

Statistics South Africa had projected to spend R636.7 million by the end of the first quarter of 2019/20. Actual expenditure amounted R550.9 million, which is 21.9 per cent of the total available budget in 2019/20. The spending of R550.9 million resulted into an underspending of R85.8 million when compared to the projected spending of R636.7 million. The underspending was mainly attributed compensation of employees due to funded vacancies relating to delays in the filling of positions related to Census 2021.

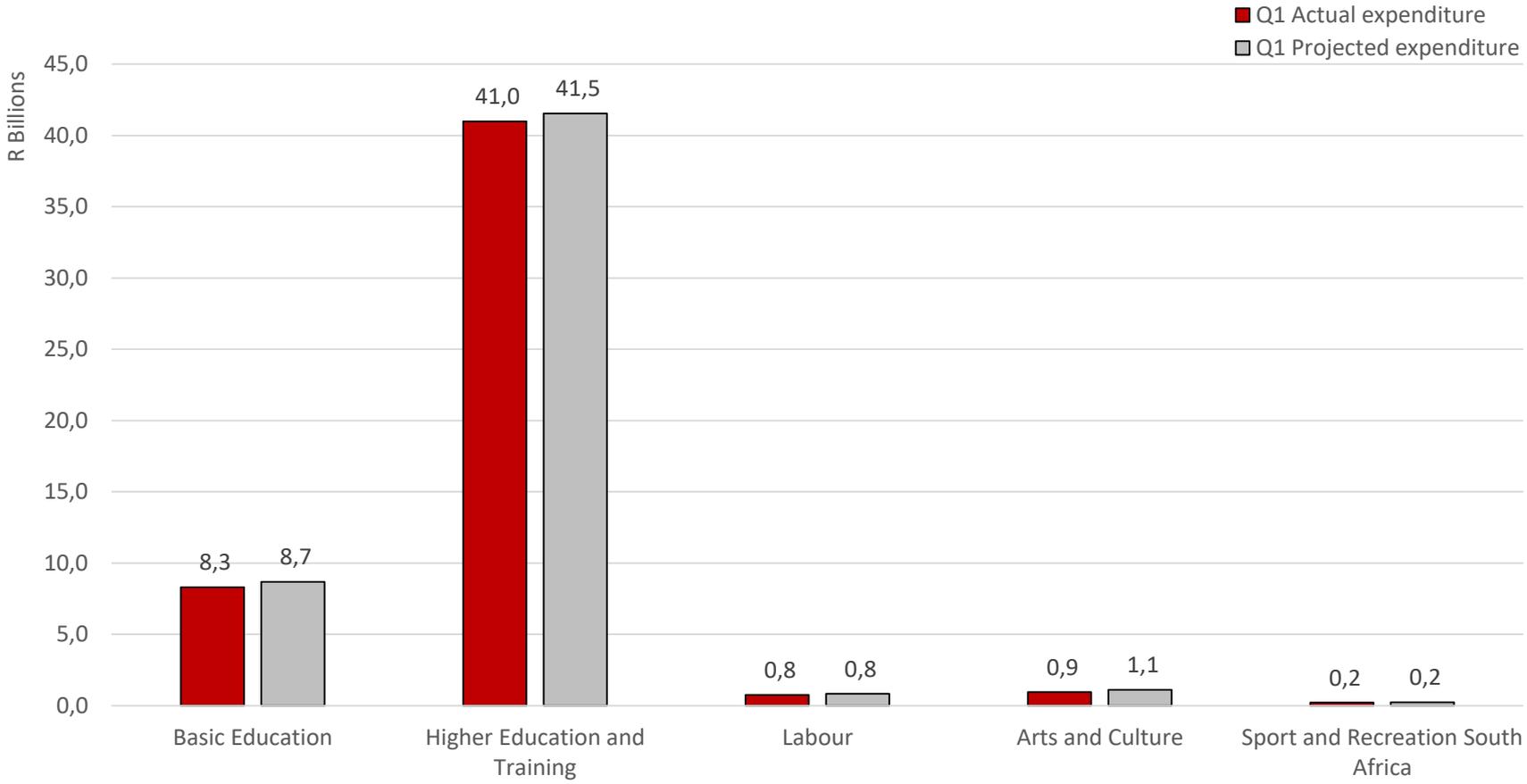
Lower than projected spending was also as a result of slow spending on the goods and services due to delays in receiving invoices for office rental from the Department of Public Works. The department also experienced delays in receiving invoices for consultants that were contracted for benchmarking and rebasing Gross Domestic Product (GDP) estimates.

The department experienced slow spending on payments for capital assets, mainly due to delays in supply chain management processes regarding the maintenance of server and storage facilities, and on the procurement of switches and Security Information and Event Management software.

Vote 13: Women

The department spent R1.3 million higher than the approved drawings at the end of the quarter. This is mainly due to payment of ministerial foreign travel claims related to 2017/18. These were only received from DIRCO towards the end of 2018/19 and could not be paid on time.

Education and Related Departments



Education and Related Departments

R million		Main Appropriation	Available Budget	Q1 Actual expenditure	Expenditure as % of Available Budget	Q1 Projected expenditure	Variance from projected expenditure	% variance from projected expenditure
14	Basic Education	24,504.5	24,504.5	8,308.6	33.9%	8,682.2	373.6	4.3%
15	Higher Education and Training	89,498.2	89,498.2	40,995.9	45.8%	41,547.3	551.4	1.3%
28	Labour	3,435.1	3,435.1	758.6	22.1%	830.7	72.1	8.7%
37	Arts and Culture	4,617.5	4,617.5	943.5	20.4%	1,113.0	169.5	15.2%
40	Sport and Recreation South Africa	1,153.7	1,153.7	221.0	19.2%	235.1	14.1	6.0%
Total		123,209.0	123,209.0	51,227.6	41.6%	52,408.3	1,180.7	2.3%

Vote 14: Basic Education

- The department's spending in the first quarter is broadly in line with projections to spend, R8.3 billion or 33.9 per cent spent of the available budget of R24.5 billion. This is lower by R373.6 million or 4.3 per cent compared to projections.
- **Programme 4: Planning, Information and Assessment** — Expenditure is lower than projected by R377.7 million or 8.2 per cent of the available budget. This is mainly attributed to the school infrastructure backlogs grant where R135 million was spent against a projection of R540.7 million. The low spending is due to delays in appointing contractors to provide safe and appropriate sanitation at schools and delays in the procurement of new contractors to replace non-performing contractors.

Vote 15: Higher Education and Training

- Actual expenditure amounted to R41 billion of R41.5 billion (1.3 per cent or R551.4 million lower) and is broadly in line with projections. Slow spending is mainly attributed to delays in the payment of the infrastructure and other earmarked grants in Programme 3: University Education.
- **Programme 3: University Education** – The programme expenditure is lower than projected by R478.2 million as indicated above.
- The department is awaiting audited reports from the universities before it disburses the funds. It is expected that payments for Clinical Training, Infrastructure and Efficiency, and block grants will be processed during the months of July and August.

Vote 28: Labour

- The department of Labour spent R758.6 million, which is lower than projected for the first quarter by R72.1 million or 8.7 per cent. The slow spending is mainly under compensation of employees, goods and services and payments for capital assets across programmes.
- **Programme 1: Administration:** Slow spending by this programme amounts to R49 million or 21.2 per cent mainly under compensation of employees due to vacant finance, supply chain, security and management posts at provincial offices and labour centres and IT posts at head office. The slow spending on goods and services is due to delays in invoicing by service providers for the procurement of cars for the departmental fleet in the provinces as well as delays in the issuing of invoices for office accommodation leases and municipal service charges by the Department of Public Works.
- **Programme 3: Public Employment Services:** Slow spending was lower than projected by R10 million or 6.4 per cent mainly under transfers and subsidies. This is because of delays in the payment of transfers to Designated Groups Special Services due to the adjudication committee approving the awarding of funding which was completed on 23 July 2019.
- **Programme 4: Labour Policy and Industrial Relations:** Slow spending of R13.2 million or 4.2 per cent is mainly under compensation of employees due to delays in establishing and appointing the National Minimum Wage Commission. Slow spending under goods and services is due to delayed invoicing for property payments as well as delayed invoicing by service providers for the procurement of cars for the regional offices. The slow spending under transfers and subsidies is due to delays in transferring funds to Strengthen Civil Society because of late submission of signed original memoranda of agreements. Most of these memorandums of agreement were only received in June.

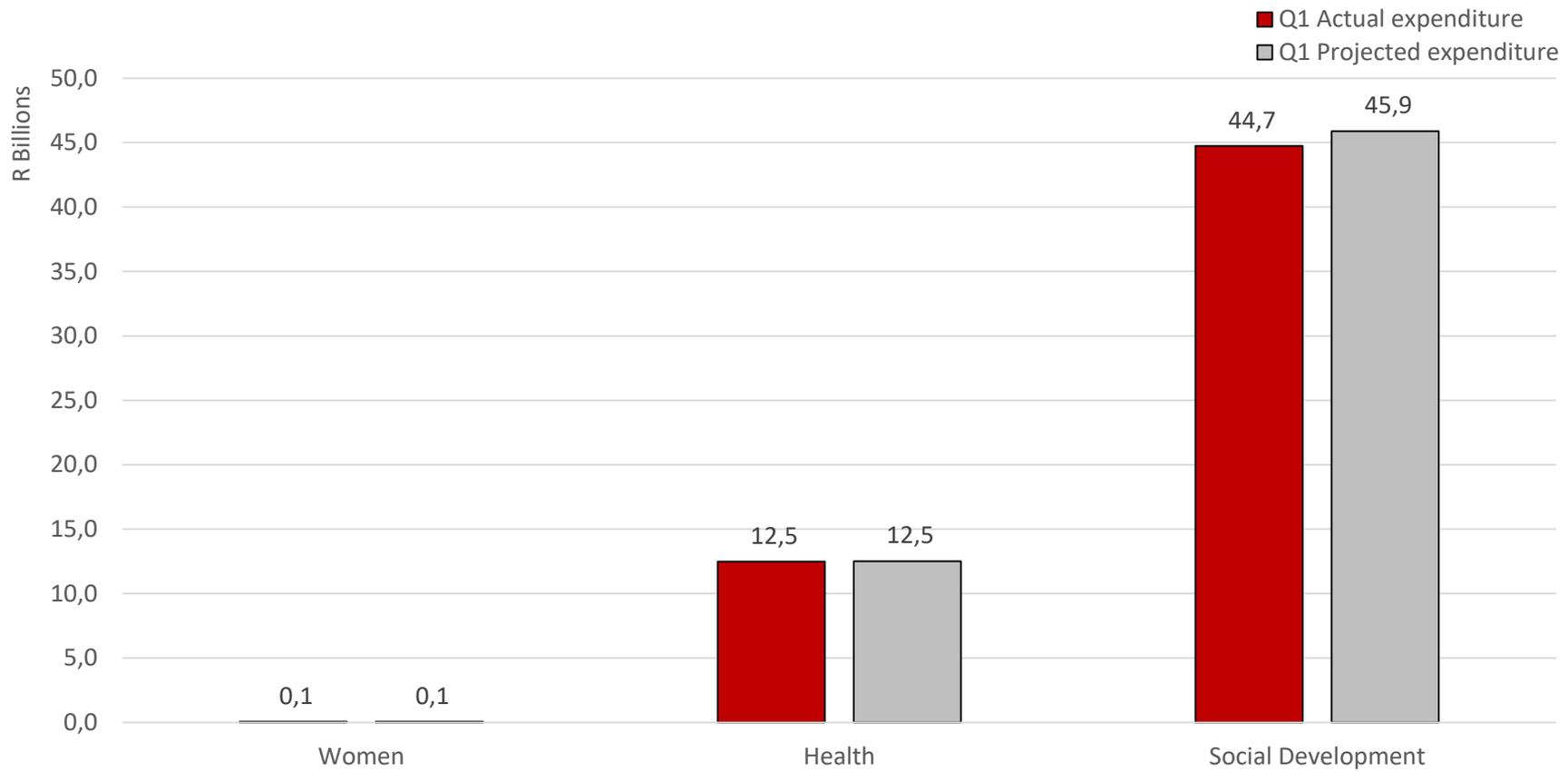
Vote 37: Arts and Culture

- The department spent R943.5 million which is a variance of R169.5 million or 15.2 per cent against 1st quarter projections of R1.1 billion mainly under goods and services and transfers and subsidies across programmes.
- **Programme 1: Administration:** Expenditure in this programme is lower than projected by R16.9 million or 22.3 per cent mainly on goods and services. The slow spending is mainly on operating leases due to delayed invoicing by the Department of Public Works for Sechaba House.
- **Programme 2: Institutional Governance:** Expenditure in this programme is lower than projected by R13.5 million or 26.3 per cent, mainly on transfers and subsidies. The slow spending under transfers in the *Social Cohesion and National Building* subprogramme is for the Young Patriots project (outstanding tax clearance certificate) and the Women and People with Disability project (constraints in the Legal services unit of the department affected the finalisation of contracts
- **Programme 3: Arts and Culture Promotion and Development:** Expenditure in this programme is lower than projected by R56.4 million or 16.3 per cent mainly on transfers and subsidies and goods and services. The slow spending under transfers and subsidies on non-profit institutions and other transfers to private enterprises is mainly on the *Cultural and Creative Industries Development* subprogramme due to Mzansi Golden Economy beneficiaries failing to submit final expenditure reports as per the contractual agreements.
- **Programme 4: Heritage Promotion and Preservation:** Expenditure in this programme is lower than projected by R82.8 million or 12.9 per cent mainly on transfers and subsidies. Slow spending by the Infrastructure Management Office subprogramme is due to slow progress on infrastructure projects at public entities by the Department of Public Works. In addition, spending on the Community Library Services Grant was lower due to incorrect projections to provinces as these were based on incomplete business plans from provinces.

Vote 40: Sport and Recreation

- The department spent R221 million or 19.2 per cent of their available budget by the end of the first quarter, which is R14.1 million or 6 per cent lower than projected. The slow spending is mainly in programmes 2, 3 and 5 and mainly under goods and services.
- **Programme 2: Active Nation:** The department has spent R159.9 million, which is R2.6 million or 1.6 per cent lower than projected. The lower spending is mainly attributed to outstanding invoices for the winter school sport championships.
- **Programme 3: Winning Nation:** The department has spent R15.4 million, which is R8.2 million or 34.7 per cent lower than projected as the department included spending projections for the African Games in June instead of August when the Games will take place.
- **Programme 5: Sport Infrastructure Support:** The department has spent R1.9 million, which is R2.5 million or 62.7 per cent lower than projected. The lower spending is mainly due to the delay in appointing a supplier for outdoor gyms and multipurpose courts.

Health and Social Development



Health and Social Development

R million		Main Appropriation	Available Budget	Q1 Actual expenditure	Expenditure as % of Available Budget	Q1 Projected expenditure	Variance from projected expenditure	% variance from projected expenditure
16	Health	51,460.7	51,460.7	12,475.5	24.2%	12,514.9	39.5	0.3%
17	Social Development	184,792.0	184,792.0	44,740.9	24.2%	45,882.6	1,141.7	2.5%
13	Women	244.4	244.4	60.8	24.9%	59.5	-1.3	-2.2%
Total		472,994.1	293,774.3	57,277.9	19.5%	58,457.1	1,179.9	2.0%

Vote 16: Health

- **National Health Insurance programme**
 - Spending for the programme is R200.0 million or 9.5 percent of the R2.1 billion main appropriation. This is below the projected spending for the period by R215.1 million or 51.8 per cent. This variance is largely due to low spending on goods and services (R34.1 million spent against a projection of R233.2 million).
 - The items showing low spending are from the National Health Insurance indirect grant. Due to delays in spending under the non-personal and personal components. The low spending under the health professionals contracting sub-component is due to delayed registration by the Practitioners in new database for oncologists, psychiatrists and related categories.
 - It is anticipated that spending will increase in the next quarter for the medicines stock surveillance system since the order has been placed.
- **Communicable and non-communicable diseases programme**
 - Spending for the programme is R5.7 billion or 24.6 percent of the main appropriation. This is lower than the projection spending for the period by R68.8 million or 1.2 per cent, due to low spending on goods and services (R17.9 million spent against a projection of R74.9 million).
 - Low spending from the accelerating HIV prevention and management earmarking is largely due to medical supplies: condoms. Condoms are procured as and when need requested by provinces.

Vote 16: Health

- In addition, the communication campaign on elimination of malaria and the Chronic Disease Prevention and Health Promotion allocation is delayed due to procurement processes.

- **Hospital systems**

- Spending for programme is R5.2 million or 25.6 per cent of the R20.3 billion main appropriation. This is higher than the drawings for the period by R305.3 million or 6.2 per cent. This is due to misalignment of the provincial payment schedule and drawings schedule.
- The department was requested to submit a revised drawing schedule in the in-year monitoring report for April but this has not been received by National Treasury.

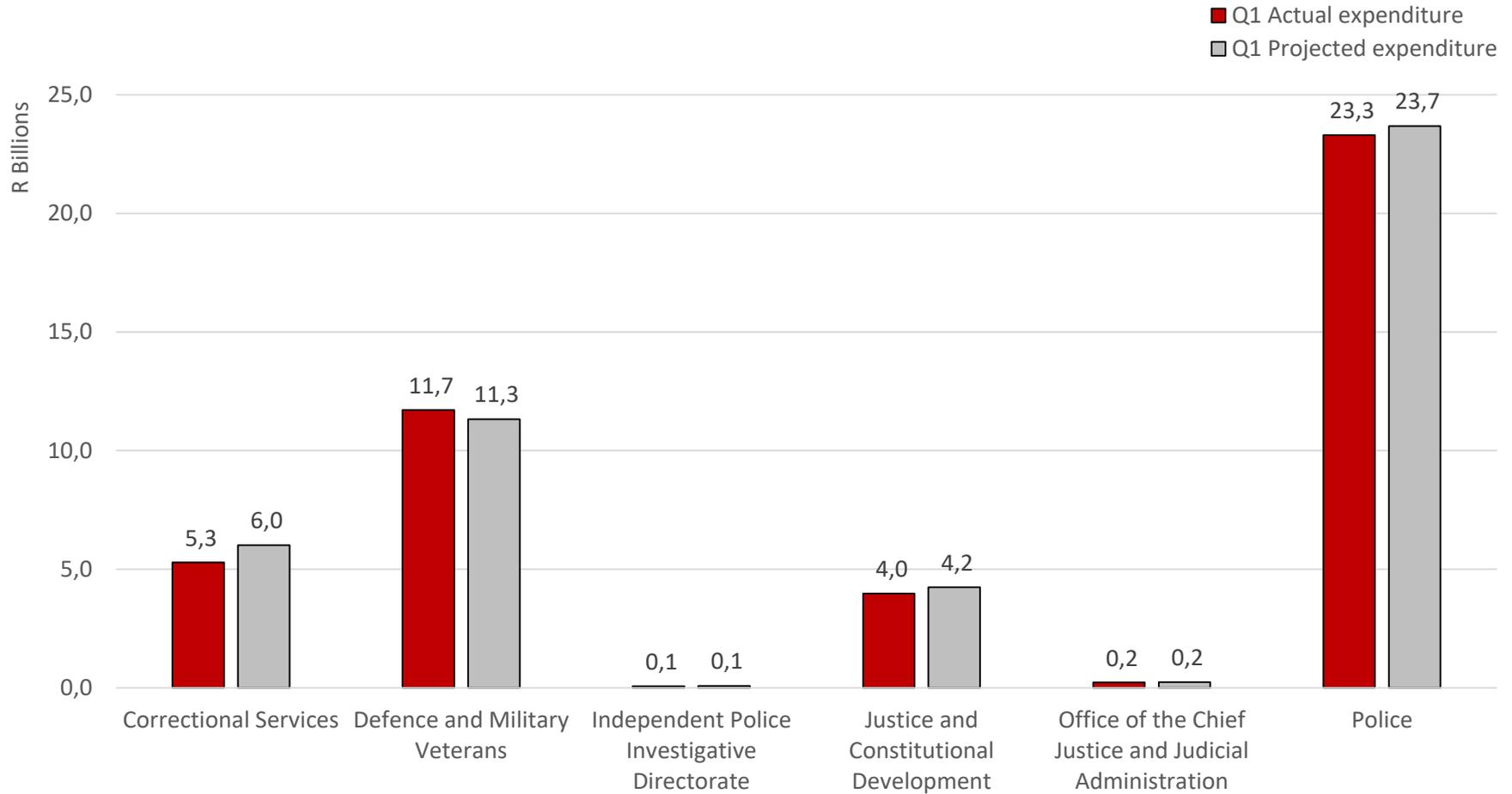
Concerns raised by National Treasury

- The National Treasury is particularly concerned that funds meant to strengthen health systems for NHI roll-out are not being spent as planned. The situation is not improving in the current year compared to the first quarter of 2018/19.
- Mental health services have been raised as one of the key priorities in the health sector, including in the report of South African Human Rights Commission dated 28 March 2019. However, to date, no spending has occurred under this sub-component in the personal services component.

Vote 17: Social Development

- **Social Assistance:** spent 24.6 per cent or R485.4 million less than the projected expenditure of R43.6 billion for the first quarter. The variance is a result of lower than projected beneficiaries, mainly for the child support grant.
- **Social Security Policy and Administration:** spent 15.7 per cent or R621.7 million lower than the projected expenditure of R1.8 billion for the first quarter. This is mainly due the transfer to the South African Social Security Agency for June 2019 which only authorised on the system in July 2019. July expenditure will reflect both the June and July transfers to the Agency.

Justice and Protection Services



Justice and Protection Services

R million		Main Appropriation	Available Budget	Q1 Actual expenditure	Expenditure as % of Available Budget	Q1 Projected expenditure	Variance from projected expenditure	% variance from projected expenditure
18	Correctional Services	25,407.6	25,407.6	5,282.6	20.8%	6,017.8	735.1	12.2%
19	Defence and Military Veterans	50,513.0	50,513.0	11,713.3	23.2%	11,326.7	-386.6	-3.4%
20	Independent Police Investigative Directorate	336.7	336.7	68.4	20.3%	83.4	15.0	18.0%
21	Justice and Constitutional Development	18,717.1	18,717.1	3,973.8	21.2%	4,243.0	269.1	6.3%
22	Office of the Chief Justice and Judicial Administration	1,197.7	1,197.7	226.4	18.9%	246.8	20.5	8.3%
23	Police	97,595.3	97,595.3	23,306.1	23.9%	23,685.8	379.7	1.6%
Total		193,767.4	193,767.4	44,570.7	23.0%	45,603.5	1,032.8	2.3%

Justice and Protection Services - Highlights

- **Vote 18: Correctional Services**

Lower than projected spending by R735 million mainly on compensation of employees and goods and services due to funded vacant posts and outstanding payments for accommodation charges and municipal services, respectively

- **Vote 19: Defence**

Higher than projected spending by R387 million mainly on compensation of employees due to compensation budget that does not support the department's current personnel numbers.

- **Vote 21: Justice and Constitutional Development**

Lower than projected spending by R269 million mainly on payments for capital assets as a result of DPW making less commitments on court infrastructure projects

- **Vote 23: Police**

Lower than projected spending by R380 million mainly on goods and services and payments for capital assets due to delays in the signing of service level agreement with contractors for fleet services and delays with the delivery of infrastructural projects by DPW

Vote 18: Correctional Services

- **Administration:** spent R1 billion against projected expenditure of R1.1 billion which resulted in a lower than planned spending of R94.8 million, mainly due to compensation of employees as a result of funded vacant posts
- **Incarceration:** spent R3.1 billion against the projected expenditure of R3.6 billion which resulted in a lower than planned spending of R508.5 million, mainly due to funded vacant posts, delays with implementation of capital works project by DPW and outstanding invoices for accommodation charges and municipal services
- **Care:** spent R479.5 million against the projected expenditure of R577.2 million which resulted in lower than planned spending of R97.7 million, mainly due to termination of nutritional services contract (reclassification of spending items yet to be effected in the 2019 AENE process)

Vote 19: Defence

- **Administration:** spent R1.4 billion against projected expenditure of R1.5 billion which resulted in lower than planned spending of R118.8 million, mainly due to delays in the submission of invoices for municipal services by DPW.
- **Landward Defence:** spent R4,1 billion against projected expenditure of R3.8 billion which resulted in higher than planned expenditure of R338.8 million, mainly due to compensation of employees ceiling which does not support the current personnel numbers of the department.
- **Air Defence:** spent R1,6 billion against projected expenditure of R1.5 billion which resulted in higher than planned expenditure of R60.8 million, mainly due compensation of employees ceiling which does not support the current personnel numbers of the department.
- **Military Health Support:** spent R1,3 billion against projected spending of R1.2 billion which resulted in higher than planned expenditure of R38.4 million, mainly due compensation of employees ceiling which does not support the current personnel numbers of the department.
- **General Support:** spent R1.4 billion against projected spending of R1.3 billion which resulted in higher than planned expenditure of R122.2 million, mainly due to payments relating to the implementation of NATO's codification system.

Vote 21: Justice and Constitutional Development

- **Administration:** spent R462.3 million against projected expenditure of R497.5 million which resulted in lower than planned spending of R35.1 million, mainly due to goods and services as a result of delays in processing of invoices for municipal services and leases.
- **Court Services:** spent R1.5 billion against projected expenditure of R1.6 billion which resulted in lower than planned expenditure of R122.7 million, mainly due to payments for capital assets, as a result of DPW committing less expenditure on court infrastructure projects.
- **State Legal Services:** spent R289.8 million against projected expenditure of R328.2 million which resulted in lower than planned expenditure of R38.4 million, mainly due to funded vacant posts and less than anticipated spending on legal costs.
- **Auxiliary and Associated Service:** spent R805.9 million against projected spending of R853.6 million which resulted in higher than planned expenditure of R47.7 million, mainly due to goods and services as a result of delays in the processing of payments relating to ICT as a result of changes in the SITA's billing system.

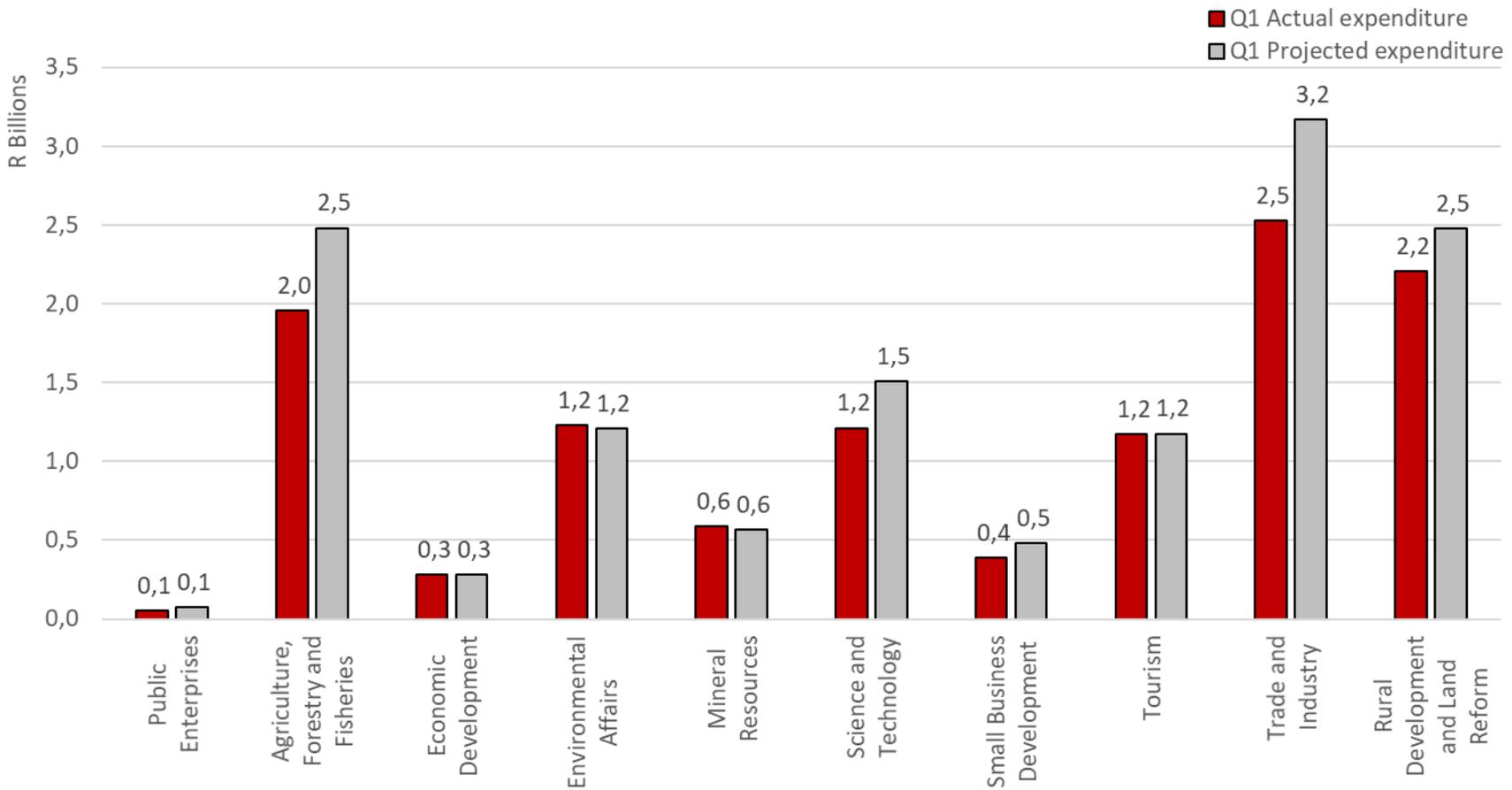
Vote 22: Office of the Chief Justice and Judicial Administration

- **Superior Courts Services:** spent R178,2 million against projected expenditure of R192.6 million which resulted in lower than planned expenditure of R14.4 million, mainly due to delays in submitting invoices by G-Fleet as a result of G-Fleet changed billing system.

Vote 23: Police

- **Administration:** spent R5 billion against projected expenditure of R5.1 billion which resulted in lower than planned expenditure of R182 million, mainly due payments for capital assets as a result of delayed delivery of vehicles and delayed invoices from DPW.
- **Visible Policing:** spent R11.9 billion against projected expenditure of R12.1 billion which resulted in lower than planned expenditure of R220 million, mainly due to slow spending on fleet services as a result of delays in signing of SLA agreement between the department and the contractor.
- **Detective Services:** spent R4.5 billion against projected expenditure of R4.8 billion which resulted in lower than planned expenditure of R184.1 million, mainly due to delays in signing of the SLA agreement of fleet services between the department and the contractor
- **Crime Intelligence:** spent R1 billion against projected expenditure of R998.6 million which resulted in higher than planned expenditure of R21.3 million, mainly due to implementation of the 2019/20 annual cost of living adjustments for level 1 to 12.
- **Protection and Security Services:** spent R968 million against projected expenditure of R782.8 million which resulted in higher than planned expenditure of R185.2 million, mainly due to:
 - Compensation of employees as a result of regrading of certain occupations within the protector functionality, as well as the unplanned deployment of protection services to the Southern African Development Community.
 - Payments for capital assets, mainly on machinery and equipment, as a result of accrual payments

Economic Services



Economic Services

R million		Main Appropriation	Available Budget	Q1 Actual expenditure	Expenditure as % of Available Budget	Q1 Projected expenditure	Variance from projected expenditure	% variance from projected expenditure
9	Public Enterprises	293.0	293.0	53.8	18.3%	74.0	20.2	27.4%
24	Agriculture, Forestry and Fisheries	7,664.9	7,664.9	1,954.4	25.5%	2,481.0	526.6	21.2%
25	Economic Development	1,045.4	1,045.4	282.7	27.0%	282.2	-0.5	-0.2%
27	Environmental Affairs	7,529.7	7,529.7	1,230.3	16.3%	1,208.4	-22.0	-1.8%
29	Mineral Resources	2,005.2	2,005.2	586.8	29.3%	568.5	-18.3	-3.2%
30	Science and Technology	8,151.0	8,151.0	1,211.0	14.9%	1,509.5	298.4	19.8%
31	Small Business Development	2,568.6	2,568.6	386.8	15.1%	480.0	93.2	19.4%
33	Tourism	2,392.7	2,392.7	1,173.3	49.0%	1,176.0	2.7	0.2%
34	Trade and Industry	10,059.0	10,059.0	2,529.3	25.1%	3,170.6	641.3	20.2%
39	Rural Development and Land Reform	10,946.2	10,946.2	2,205.6	20.1%	2,477.1	271.5	11.0%
Total		52,655.6	52,655.6	11,614.0	22.1%	13,427.3	1,813.3	13.5%

Vote 9: Public Enterprises

Expenditure as at the end of the first quarter amounted to R53.8 million against projected spending of R74 million resulting in R20.2 million or 27.4 per cent lower than projected spending. This was primarily due to the department's slow spending on Programme 1: Administration and Programme 3: Business Enhancement, Transformation and Industrialisation, especially under compensation of employees and goods and services.

Vote 24: Agriculture, Forestry and Fisheries

Actual expenditure by the end of June 2019 amounted to R1.95 billion or 78 per cent of the projected expenditure of R2.5 billion, resulting in a variance of R526.6 million or 21.2 per cent. This was mainly driven by slow expenditure under Programme 3: The Food Security and Agrarian Reform (R458.5 million or 60.8 per cent) as a result of delayed transfers to the Land Bank under the blended finance programme. The blended finance programme is currently under review.

Vote 25: Economic Development

The department has spent R282.7 million or 27 per cent of the total available budget of R1 billion during the first quarter. Spending was higher than projected by R0.5 million (i.e. R474 000) or 0.2 per cent, driven by accruals on legal services and accommodation costs.

Vote 27: Environmental Affairs

The department has spent R1.2 billion or 16.3 per cent of the total available budget of R7.5 billion during the first quarter. Spending was higher than projected by R22 million or 1.8 per cent. The overspending was mainly due to upfront payment to SANParks in April 2019 to subsidise the construction of road infrastructure and pontoon in Richtersveld and spending towards the Combatting Wildlife Crime initiatives. In addition payments made earlier than projected in the month of April 2019 towards the Expanded Public Works Programme under Natural Resource Management to subsidise backlog from the previous financial year pushed up spending during the quarter.

The finalisation of the service level agreements under EPWP resulted in the acceleration of service delivery and expenditure in the opening months of the financial year.

Vote 29: Mineral resources

Expenditure at the end of the first quarter of the 2019/20 financial year was R586.8 million against a projected spending of R568.5 million of the total allocated budget of R2 billion. This translates to R18.3 million or 3.2 per cent faster than the projected spending mainly attributable to faster spending on office accommodation which was inadequately catered for.

Vote 30: Science and Technology

The department has spent R1.2 billion or 14.9 per cent of the total available budget of R8.2 billion during the first quarter. Spending was slower than projected by R298.4million or 19.8 per cent driven by the Research, Development and Support, and Socio-economic Innovation Partnerships programmes.

- **Programme 4: Research, Development and Support:** The slower spending of R189.1 million or 26.5 per cent was mainly under transfers and subsidies due to the department withholding payments to the University of the North West, University of KwaZulu-Natal and the National Research Foundation owing to a failure to submit progress reports, which are prerequisite requirements for approving further drawdowns of appropriated funds.
- **Programme 5: Socio-Economic Innovation Partnership:** The slower spending of R71.7 million or 14.9 per cent was primarily on transfers and subsidies owing to substantial delays in the rollout of the Innovation for Inclusive Development project under the Technology Innovation Agency. The delays emanate from material deviations in the project implementation which have expanded the content and scope of the project beyond what had been contractually agreed upon.

Vote 31: Small Business Development

Expenditure during the first quarter was R386.8 million or 15.1 per cent of the appropriated budget of R2.6 billion. The underspending of R93.2 million was mainly on transfers and subsidies for incentive schemes.

Vote 33: Tourism

The department has spent R1.2 billion or 49.0 per cent of the total available budget of R2.4 billion during the first quarter. Spending was slower than projected by R2.7 million or 0.2 per cent. The underspending was mainly attributable to the Tourism Incentive Programme (TIP) owing to considerable delays in the finalisation of contracts with beneficiaries which impacted on disbursement of funds. In addition, the underspending is also as a result of outstanding invoices from the Department of Public Works linked to office accommodation.

Vote 34: Trade and Industry

During the first quarter ending 30 June 2019, spending was R2.5 billion against projected spending of R3.2 billion. Spending was therefore, R641.3 million or 20.2 per cent slower than projected. This was mainly on Programme 6: Incentive Development and Administration which houses most of the incentive programmes. On the other hand, spending on Programme 4: Industrial Development was R17.4 million higher than projected due to higher than planned transfer made to a non-profit institution.

Spending on incentive programmes remains unresolved as slow spending increased each month during the first quarter. The National Treasury is planning to have a meeting with the department to discuss issues that are contributing to slow spending on incentives.

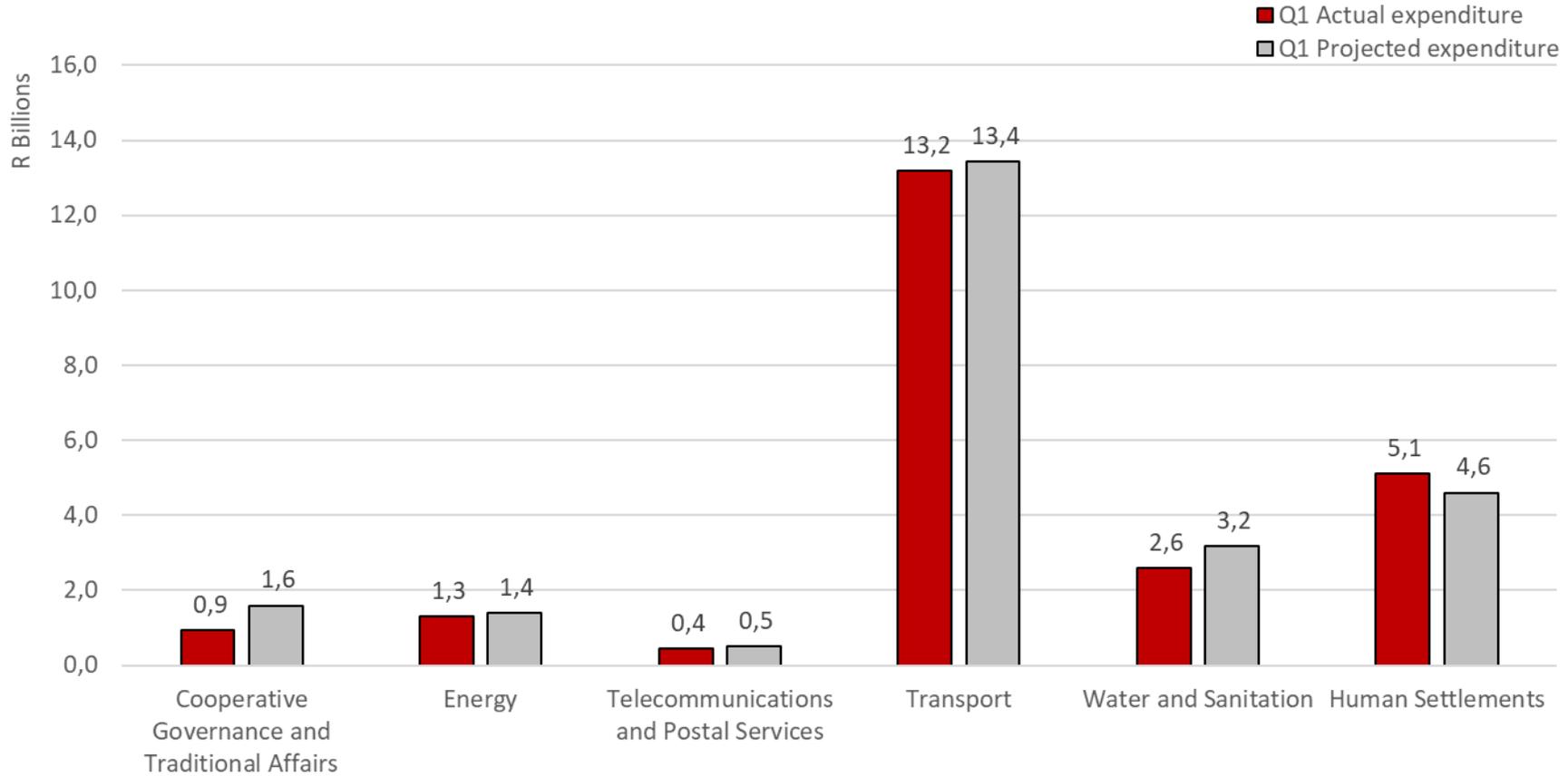
Vote 39: Rural Development and Land Reform

The Department of Rural Development and Land Reform spent R2.2 billion or 20.1 per cent of its total budget of R10.9 billion by the end of June 2019/20, after projecting to spend R2.5 billion or 22.6 per cent of its allocated budget. This represents 11 per cent or R271.5 million slower spending, mainly driven by underspending on Programme 1: Administration (25.6 per cent or R122.1 million) and Programme 3: Rural Development (19.7 per cent or R70 million).

Issues for a committee to note:

The Blended Finance allocation is with the department of Rural Development and Land Reform. However, in 2019/20, the department could not disburse the allocation to the Land Bank due to disagreements on Land Bank's criteria for selecting beneficiaries. The National Treasury will engage both institutions in order to help find a solution.

Urban Development and Infrastructure



Urban Development and Infrastructure

R million		Main Appropriation	Available Budget	Q1 Actual expenditure	Expenditure as % of Available Budget	Q1 Projected expenditure	Variance from projected expenditure	% variance from projected expenditure
4	Cooperative Governance and Traditional Affairs	90,717.8	90,717.8	930.5	1.0%	1,588.7	658.2	41.4%
26	Energy	7,440.0	7,440.0	1,302.4	17.5%	1,402.2	99.7	7.1%
32	Telecommunications and Postal Services	1,684.6	1,684.6	440.8	26.2%	497.5	56.7	11.4%
35	Transport	64,194.2	64,194.2	13,190.8	20.5%	13,425.1	234.2	1.7%
36	Water and Sanitation	16,440.4	16,440.4	2,584.1	15.7%	3,173.1	589.0	18.6%
38	Human Settlements	33,879.2	33,879.2	5,103.4	15.1%	4,605.7	-497.7	-10.8%
Total		214,356.1	214,356.1	23,552.1	11.0%	24,692.2	1,140.1	4.6%

Urban Development and Infrastructure

- **DTPS:**
 - **Broadband funding:** The department made an advance payment of R110 million to SITA and BBI for SA connect project during 2018/19 financial year, services rendered and invoices received to date for Q1 are still being off-set by the advance payment made. Therefore, funds budgeted for the 2019/20 will only be spent after the advance payment has been exhausted.
- **DWS:**
 - **Accruals:** the department closed the 2018/19 financial with accruals and payables in the amounts of R416.4 million and R1.285 billion respectively, totalling to R1.7 billion which it is carried over into the 2019/20 financial year. This has a negative effect on the budget which will be utilised to clear these amounts as the department will be revising its targets downwards from those that were published in the original Annual Performance Plan during the midterm budget in Adjusted Estimates of National Expenditure (AENE).
 - **VRS:** It is important for the Committee to note that the Department has failed to provide any leadership on the Vaal River System (VRS) intervention. As a result, there is no progress in cleaning the Vaal and further deterioration has continued, which is economically and socially detrimental, even though the implementation protocol was signed and funding made available for the department.

Vote 4: Cooperative Governance and Traditional Affairs

- Spent R930.5 million of the projected expenditure of R1.6 billion at the end of the first quarter
- Spending is therefore R658 million or 41.4 per cent less than projected, and emanates mostly from the *Community Works and National Disaster Management Centre* programme
- **The National Disaster Management Centre programme** spent R11 million against the first quarter projections of R151.3 million. The programme has spent R140.3 million, or 92.7 per cent, less than projected. This is largely due to claims not received on the Municipal Disaster Relief and Disaster Recovery, and Provincial Disaster Relief grants.
- **The Community Work Programme** spent R687.9 million against the first quarter projections of R1.1 billion which is R421.9 million, or 38 per cent, less than the projected drawings. This is largely due to non-payments to the Non Profit Organisations (NPO's) as planned, as a result of supporting documents that were not submitted by the NPO's to the department on time to release the funds.

Vote 26: Energy

- Spent R1.3 billion against projected spending of R1.4 billion billion in the first quarter.
- Spending is therefore 7.1 per cent or R100 million lower than projections, largely related to *Clean Energy* and INEP: non-grid programmes
- **Programme 2: Energy Policy and Planning** spent R3.4 million or 23.6 per cent less than projected in the first quarter of 2019/20. The variance is on goods and services items consultants: business and advisory services due to delayed planned projects such as Clean Fuels 2 (cost benefit analysis has not been completed); and the Footprint and Saving Potential project contract which expired at the end of March 2019 and will not be renewed.
- **Programme 4: Electrification and Energy Programme and Project Management** spent R55.4 million or 9.4 per cent less than projected in the first quarter of 2019/20. This was largely on transfers and subsidies due to a transfer payment for INEP-non-grid that was not made due to the delays in finalizing the Terms of Reference and procurement process for the appointment of service providers.

Vote 32: Telecommunications and Postal Services

- Spent R440.8 million, against a projected spending of R497.5 million by the end of the first quarter
- Spending is therefore 11.4 per cent or R56.7 million less than projected, and mostly emanates from the *ICT Infrastructure Support* programme.
- **Programme 5: ICT Infrastructure Support:** Spending of R121.6 million under this item is R47.6 million lower than the projected amount of R169.3 million for the first quarter. The variance of 28.1 per cent is mainly attributable to underspending on S.A Connect (Broadband project) under *Consultants: Business and Advisory* services as no invoices were received from the service providers (BBI and SITA) for the broadband project.

Vote 35: Transport

- Spent R13.2 billion against a projection of R13.4 billion at the end of the first quarter
- Spending is therefore R234.2 million or 1.7 per cent lower than projected, and emanates mostly from the *Public Transport* programme
- **Programme 7: Public Transport:** spent R1.1 billion against projected spending of R1.2 billion for the first quarter amounting to lower than expected spending of R147.7 million, or 12.1 per. This was largely due to lower than expected demand on the Taxi Recapitalisation Programme and delays in projects such as the implementation of Shova Kalula bicycles; upgrade of the National Land Transport Information System and the implementation of Integrated Public Transport Networks in district municipalities.

Vote 36: Water and Sanitation

- Spent R2.6 billion against a projection of R3.2 billion at the end of the first quarter
- Spending is R589 million or 18.6 per cent lower than projected, and mostly emanates from the *Water Infrastructure Development* programme
- **The Water Infrastructure Development programme** spent R1.962 billion against the projections of R2.451 billion as at the end of June 2019. The slower than projected spending of R488.6 million, or 19.9 per cent, is largely due slow spending on the indirect portion of both the Regional bulk Infrastructure Grant (RBIG) and Water Services Infrastructure Grant (WSIG) as the invoices have to be certified and verified by the provinces for work done on behalf of the department before payments are made.

Vote 38: Human Settlements

- Spent R5.1 billion against a projection of R4.6 billion at the end of the first quarter of 2018/19
- Spending is 10.8 per cent of R497.7 million higher than projected, and mostly emanates from the *Housing Development Finance* programme due to the adjustments made on monthly conditional grants transfers.
- **Programme 4: Housing Development Finance** – expenditure for the quarter is R4.9 billion against a projection of R4.4 billion. This represents higher than anticipated spending of R544.7 million or 12.4 per cent, mainly due to the adjusted conditional grant transfers as per the approved payment schedule. Adjustments were made to transfers for the Human Settlements Development Grant (HSDG), the Title Deeds Restoration Grant (TDRG) and the Emergency Housing Grant.
- In addition, the department has frontloaded the operational transfers of the Social Housing Regulatory Authority (R65.8 million) and the National Housing Finance Corporation: Finance Linked Individual Subsidy Programme (R50.0 million). For both these transfers, only 50 per cent on the respective annual allocation was due for transfer in the first quarter.

Thank you