

KwaZulu-Natal Provincial Treasury


KwaZulu-Natal

Presentation to the Select Committee on Finance

4 February 2008

"Be the Centre of Excellence in Fiscal and Financial Management in the Country"

1



KwaZulu-Natal Provincial Treasury

Presentation outline

- Capital expenditure
- Conditional Grant expenditure
- Conclusion

"Be the Centre of Excellence in Fiscal and Financial Management in the Country"

2



Capital Expenditure by Dept.

Table 1: Summary of Provincial Capital Expenditure as at 31 December 2007
R'000

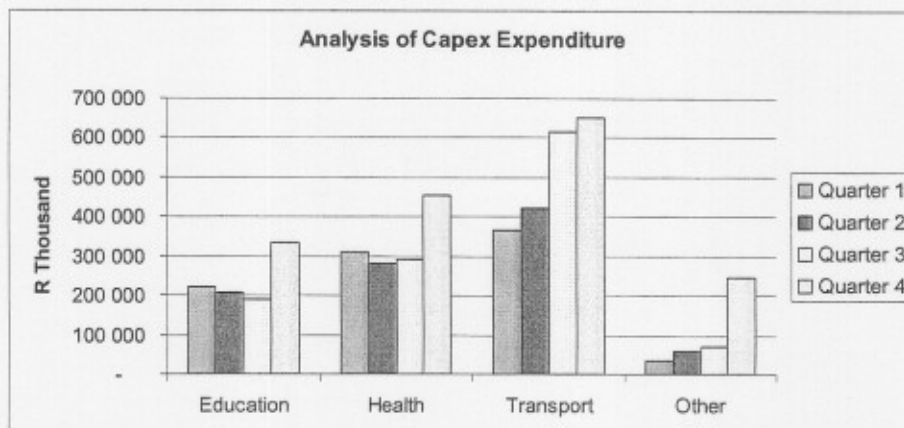
Department	Actual as at Sep 07	Projection	Total estimated actual	Adjusted Budget	Variance	% spent to date
(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)=(5)-(4)	(7)=(2)/(5)
Education	619 158	335 841	954 999	1 034 377	79 378	59.9
Health	885 192	453 536	1 338 728	1 388 863	50 135	63.7
Transport	1 402 823	650 765	2 053 588	2 053 592	4	68.3
Other	163 109	247 164	410 273	446 911	36 638	36.5
Total	3 070 282	1 687 306	4 757 588	4 923 743	166 155	62.4

"Be the Centre of Excellence in Fiscal and Financial Management in the Country"

3



Actual & Projected Expenditure per Quarter



"Be the Centre of Excellence in Fiscal and Financial Management in the Country"

4



Analysis

➤ Summary

- In aggregate total expenditure of R3.1 billion or 62.4 per cent of adj. budget;
- Expenditure increasing over the quarters, except for education;
- All sectors show highest spending in 4th quarter;
- Projected end-of-year under-exp of R166 million – largely i.r.o machinery and equipment;



Analysis – (cont.)

➤ Education

- Exp of R619m or 59.9% of budget;
- Increase of R266m (75%) from 2006/07 3rd quarter;
- Projected under-exp. of R79m mainly of which R77m is i.r.o machinery & equipment due to improved control measures

➤ Health

- Exp of R885m or 63.7% of budget;
- Good spending level despite low exp. on conditional grant projects;
- Projected under-exp. of R50m



Analysis – (cont.)

- Transport
 - Largest capex budget representing 41.7% of provincial capex budget;
 - Expenditure of R1.4 billion or 68.3% of budget;
 - 3rd quarter exp. some R200 million more than during 2nd quarter;
 - Similar spending trends to previous years which shows spending levels increasing in second half of financial year;
 - Projecting to spend entire budget allocation.

- Other
 - Actual exp. of only R163m or 36.5% of adj. budget;
 - Low spending mainly in respect of:
 - Social and Economic Facilities Programme in Housing
 - Refurbishment costs of Premiers building;
 - Mushroom base in Agriculture; and
 - Traditional Admin Centres and Multi-Purpose Community Centres;
 - Apart from the mushroom, these projects will be finalised during 4th quarter;
 - The projected under-expenditure of R37 million relates to the delays of the mushroom base.



Conditional Grants

Table 2: Analysis of Conditional Grant Expenditure (Excluding Prov. Infrastructure Grant) as at 31 December 2007
R'000

Department	Actual as at Dec 07	Projection	Total estimated actual	Main Budget	Adjustment	Adjusted Budget	Variance	% spent to date
(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)	(7)=(5)+(6)	(8)=(5)-(4)	(7)=(2)/(5)
Agriculture	19 274	19 098	38 372	75 311	55 951	131 262	92 890	14.7
Comprehensive Agric Support Programme	13 128	17 346	30 474	68 301	11 779	80 080	49 606	16.4
Land Care Programme: Poverty Relief & infrastructure	2 716	1 752	4 468	7 010	4 172	11 182	6 714	24.3
Agriculture Disaster Management Grant	3 430	-	3 430	-	40 000	40 000	36 570	8.6
Education	313 064	122 610	435 674	410 751	46 271	457 022	21 348	68.5
FET Recapitalisation Grant	115 453	-	115 453	115 453	-	115 453	-	100.0
HIV and AIDS	9 003	26 289	35 292	35 292	-	35 292	-	25.5
National School Nutrition Programme	188 608	96 321	284 929	260 006	46 271	306 277	21 348	61.8
Health	1 459 440	606 531	2 065 971	1 877 734	188 237	2 065 971	-	70.6
Comprehensive HIV and AIDS	410 080	56 862	466 922	466 922	-	466 922	-	87.8
Forensic Pathology Services	79 648	167 637	247 285	150 809	96 476	247 285	-	32.2
Health Professionals Training and Dev.	156 906	45 086	201 992	201 992	-	201 992	-	77.7
Hospital Revitalisation	153 114	207 080	360 194	268 433	91 761	360 194	-	42.5
National Tertiary Services	859 712	129 866	989 578	789 578	-	789 578	-	53.6
Housing - Integrated Housing & Human Settlement	891 895	418 660	1 310 555	1 310 555	-	1 310 555	-	68.1
Arts, Culture & Tourism - Community library services grant	8 777	5 173	13 950	13 950	-	13 950	-	82.9
Sport & Recreation - Mass Sport & Recreation	26 652	10 624	37 276	37 276	-	37 276	-	71.5
Total	2 719 182	1 182 696	3 901 798	3 725 577	290 459	4 016 036	114 238	67.7



Cond. Grant - Analysis

- Provincial Infrastructure Grant not included since it forms part of Capex expenditure and i.t.o. DORA does not require separate reporting;
- Expenditure of less than 50% of budget on:-
 - Comprehensive Agric. Support Grant (CASP) - 16%;
 - Land Care Programme - 24%;
 - Agriculture Disaster Management Grant – 8.6%
 - HIV and AIDS (life skills education) – 26%;
 - Forensic Pathology Services Grant – 32.2%; and
 - Hospital revitalisation grant – 42.5%.
- Other grants with fairly low expenditure:
 - National School Nutrition Programme – 62%; and
 - Community library services grant – 63%.



Agriculture – Cond. Grant

- Comprehensive Agricultural Support Programme
 - Spending low at only 16%
 - Effect of the Budget Review and change in management with cautious spending by dept;
 - Projected end-of-year under-expenditure of R50 million;
 - Dept did implement High Performance Team to address the slow rate of project implementation and thus spending.
- Land Care Grant
 - Low spending at 24.3 %,
 - Procurement review;
 - Implementation often dependent on progress by Land Affairs
 - Projected under-expenditure of R7 million
- Agriculture Disaster Management Grant
 - Only spent R3.5 million or 8.6%;
 - Unlikely that grant will be spent in current year;



KZN Education – Cond. Grants

- FET Recapitalisation Grant
 - The total allocation of R115,453 million has been transferred to the FET colleges;
 - Actual exp. by colleges is at 63%;
 - Indication from FET's that balance is committed.
- HIV and AIDS
 - Low level of spending at 26% of budget, leaving balance of R26m;
 - R15 million has already been committed and payment should be processed during the next month i.r.o workshops, LTSM, Peer and Lay Counselling training;
 - R9 million awaiting tender approval i.r.o homework diaries, first aid kits and printing;
 - Remaining R2 million for workshops/training to be conducted between January and March 2008.
- National School Nutrition Grant
 - Expenditure at 62 %;
 - Affected by strike action;
 - Dept is projecting under-exp of R21 million mainly i.r.o March invoices that will not be processed by 31 March 2008.



KZN Health - Cond. Grants

- Expenditure is on or ahead of target for the following grants:-
 - Comprehensive HIV and AIDS – 89% of budget;
 - Health Professional Training and Development – 78% of budget;
 - National Tertiary Services grant – 84% of budget.
- Forensic Pathology Services
 - Low spending at 32% of budget;
 - Projection for 4th quarter unrealistic;
 - Fast-track programme by dept will need to be reviewed as it does not have desired effect.



KZN Health – Cond. Grant (cont.)

- Hospital Revitalisation Grant
 - 43% of adjusted budget spent.
 - Some reasons for slow expenditure:
 - The site at King George V does not allow for multiple phases of the project to be implemented simultaneously;
 - if there is a delay in one phase it has ripple effect on the implementation of the others.
 - Procurement processes not always implemented timeously;
 - Cut-back in grant allocation for 2008/09 has negative impact on 2007/08 implementation.
 - Dept. cautious that it does not implement projects that will have a financial impact for 08/09.
 - Low expenditure suggests that the dept's attempts to fast-track certain projects is failing.



Housing – Cond. Grant

- Bulk of the departmental budget relates to the Integrated Housing and Human Settlement Development Grant.
- Expenditure is on track at 68% of budget;
- Exp. has doubled up since mid-year;
- Initial delay in implementation but dept. projecting full expenditure by end-of-year.



Arts, Culture & Tourism – Cond. Grant

- Community library services grant
 - Expenditure at 63% of budget;
 - R5 million spent in 3rd Quarter compared to R3 million for first 2 Quarters;
 - Initial delays in the following:
 - Finalisation and approval of business plan,
 - Appointment of project manager for IT portion of project, and
 - Procurement of various equipment for the libraries.
 - Current trend indicates that dept will spend the allocation by year-end.



Sport and Recreation – Cond. Grant

- Mass Sport & Recreation
 - Expenditure on track at 72% of budget;
 - Implementation is going well after some delay during the first quarter of the year;
 - Projecting to spend grant allocation for 2007/08.



Conclusion

- Capex expenditure
 - continuous with the "Hockey stick" trend – low in first quarter & peaking during 4th quarter;
 - good year-on-year growth of R934 million or 44% which suggests that provincial infrastructure planning and implementation is improving;
 - Need to further improve so that expenditure commences during the 1st quarter already.
- Conditional grants
 - Continued poor exp on Agriculture grants and Health (Revitalisation & Forensic Pathology Services).
 - Any roll-over requests from these departments will have to be well motivated with specific action plan and timeframes.



THANK YOU!