



***Provincial Capital Budgets and
Expenditure trends: Treasuries***

NCOP HEARINGS
SELECT COMMITTEE ON FINANCE
5 March 2008

Supporting Infrastructure Delivery Management



Overview

Provincial Infrastructure Expenditure Trends.

- IDIP Risk Issues.
- 2008 MTEF Education Capital Budgets.
- Discussion
- Conclusion.

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**Provincial Capital Spending Trends:
Aggregate**

Table 2: Provincial Capital (Payments for Capital Assets) Expenditure as at 31 January 2008

R thousand	Adjusted budget	Projected outcome	Actual payments as at 31 January 2008	Actual payments as % of adjusted budget	(Over)	Under	% (Over)/ under of adjusted budget	% share of Capital to total provincial expenditure	% share of Capital to total Capital expenditure	2006/07: Pre-audited outcome as at 31 January 2007	Year-on-year growth
Eastern Cape	2,376,882	2,388,703	1,790,687	75.3%	-11,821	-	-0.5%	7.3%	14.1%	1,301,682	37.5%
Free State	1,400,212	1,357,123	1,106,498	79.0%	-	43,089	3.1%	10.1%	8.7%	713,645	55.0%
Gauteng	3,139,328	3,073,136	1,771,755	56.4%	-	66,192	2.1%	5.5%	13.9%	1,694,966	4.5%
KwaZulu-Natal	4,923,743	4,550,241	3,367,541	68.4%	-	373,502	7.6%	9.1%	26.5%	2,477,028	36.0%
Limpopo	1,583,997	1,454,288	1,062,981	67.1%	-	129,709	8.2%	5.5%	8.4%	1,302,121	-18.7%
Mpumalanga	1,759,830	1,602,685	908,555	51.9%	-	157,145	8.9%	7.1%	7.1%	801,212	13.4%
Northern Cape	750,855	632,613	428,281	57.0%	-	118,237	15.7%	9.1%	3.4%	397,205	7.8%
North West	1,385,337	1,330,664	983,040	71.7%	-	54,673	3.9%	8.2%	7.8%	1,083,753	-8.4%
Western Cape	1,825,223	1,795,723	1,300,803	71.3%	-	29,500	1.6%	7.6%	10.2%	1,111,615	17.0%
Total	19,145,407	18,185,181	12,730,141	66.5%	-11,821	972,047	5.0%	7.5%	100.0%	10,888,537	16.9%
					Net	960,226					

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Payments for Capital Assets

- Provinces have spent R12.7bn or 66.5% of R19.1bn capital adjusted budgets
 - The Eastern Cape is projecting to overspend by R11.8m
 - Eight provinces are projecting an under expenditure of R972m
- Low rate of capital spending in MP (51.6%) and NC (57%)
- FS (79%) and EC (75.3%) reflects the highest rate of capital spending
- Largest provincial capital budgets are for public works, roads and transport departments at R24.5bn.
 - Spending at R12.7bn or 66.5% compared to R10.9bn spent last year (16.9% increase)

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Education Capital Spending Trends: Aggregate										
Table 3: Provincial Capital Expenditure: Education as at 31 January 2008										
R thousand	Adjusted budget	Projected outcome	Actual payments as at 31 January 2008	Actual payments as % of adjusted budget	(Over)	Under	%(Over)/ under of adjusted budget	% share of Education Capital to total Capital expenditure	% share of Capital to total Education expenditure	2008/07: Pre-audited outcome as at 31 January 2007
Eastern Cape	590,423	583,340	340,141	57.0%	-	7,083	1.2%	19.0%	2.9%	454,205
Free State	252,609	221,048	192,361	76.1%	-	31,561	12.5%	17.4%	4.0%	151,731
Gauteng	760,520	769,139	414,052	54.4%	-8,619	-	-1.1%	23.4%	3.0%	477,229
KwaZulu-Natal	1,034,377	918,164	691,042	66.8%	-	116,213	11.2%	20.5%	4.4%	469,689
Limpopo	400,962	415,962	344,393	85.9%	-15,000	-	-3.7%	32.4%	3.9%	356,050
Mpumalanga	429,201	315,939	177,545	41.4%	-	113,262	26.4%	19.5%	2.7%	247,691
Northern Cape	44,636	46,222	35,441	79.4%	-1,584	-	-3.5%	8.3%	1.8%	20,663
North West	199,333	175,332	146,543	73.5%	-	24,001	12.0%	14.8%	2.8%	299,216
Western Cape	194,372	194,372	126,698	65.2%	-	-	0.0%	9.7%	2.0%	141,403
Total	3,906,435	3,639,518	2,468,216	63.2%	-25,203	292,120	6.8%	19.4%	3.4%	2,618,077
					Net	266,917				

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Health Capital Spending Trends: Aggregate											
Table 4: Provincial Capital Expenditure: Health as at 31 January 2008											
R thousand	Adjusted budget	Projected outcome	Actual payments as at 31 January 2008	Actual payments as % of adjusted budget	(Over)	Under	%(Over)/ under of adjusted budget	% share of Health Capital to total Capital expenditure	% share of Capital to total Health expenditure	2008/07: Pre-audited outcome as at 31 January 2007	Year-on-year growth
Eastern Cape	638,528	854,738	709,790	84.6%	-16,210	-	-1.9%	39.6%	10.8%	371,816	90.9%
Free State	292,470	326,920	228,773	78.2%	-34,450	-	-11.8%	20.7%	7.3%	162,971	40.4%
Gauteng	1,196,713	1,169,219	681,291	56.9%	-	27,494	2.3%	38.5%	6.1%	745,304	-8.6%
KwaZulu-Natal	1,388,663	1,230,658	965,358	68.8%	-	158,005	11.4%	28.4%	7.7%	753,899	25.7%
Limpopo	605,395	575,395	436,180	72.0%	-	30,000	5.0%	41.0%	8.4%	503,576	-13.4%
Mpumalanga	389,249	367,843	149,252	38.3%	-	31,405	8.1%	16.4%	5.2%	188,083	-21.1%
Northern Cape	310,428	189,829	140,181	45.2%	-	120,999	38.8%	32.7%	10.8%	197,998	-29.2%
North West	511,953	512,261	319,653	62.4%	-308	-	-0.1%	32.2%	10.9%	200,513	59.4%
Western Cape	512,843	478,433	326,716	63.7%	-	34,410	6.7%	25.1%	5.4%	313,789	4.1%
Total	6,046,441	5,895,496	3,947,194	65.3%	-50,968	401,913	5.8%	31.8%	7.8%	3,438,949	14.8%
					Net	350,945					

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Public Works, Roads and Transport Capital Spending Trends: Aggregate											
Table 5: Provincial Expenditure: Public Works, Roads and Transport as at 31 January 2008											
R thousand	Adjusted budget	Projected outcome	Actual payments as at 31 January 2008	Actual payments as % of adjusted budget	(Over)	Under	%(Over)/ under of adjusted budget	%share of PWR7 Capital to total Capital expenditure	%share of PWR7 Capital to total provincial expenditure	2006/07: Pre-audited outcome as at 31 January 2007	Year-on-year growth
Eastern Cape	2,955,067	2,941,582	2,317,456	78.4%	-	13,515	0.5%	129.4%	12.1%	1,753,196	29.2%
Free State	1,589,670	1,500,360	1,264,826	79.6%	-	89,510	5.6%	114.3%	15.2%	1,022,469	23.7%
Gauteng	6,671,035	6,671,035	4,848,713	72.7%	-	-	0.0%	273.7%	21.5%	4,238,459	14.4%
KwaZulu-Natal	3,599,590	3,608,553	2,850,610	79.2%	-8,953	-	-0.2%	84.6%	9.8%	2,178,970	30.8%
Limpopo	2,860,193	2,860,193	2,054,116	73.2%	-	-	0.0%	197.0%	14.5%	1,915,781	9.3%
Mpumalanga	1,842,497	1,820,571	1,340,665	72.8%	-	21,926	1.2%	147.6%	13.9%	956,509	40.2%
Northern Cape	551,195	551,195	378,316	68.6%	-	-	0.0%	88.3%	11.0%	288,663	31.0%
North West	2,058,990	2,058,990	1,693,762	82.3%	-	-	0.0%	170.6%	19.9%	1,692,564	0.1%
Western Cape	2,388,183	2,381,660	1,803,962	75.5%	-	6,523	0.3%	138.7%	13.8%	1,603,768	12.5%
Total	24,516,650	24,394,139	18,592,625	75.8%	-8,963	131,474	0.5%	146.1%	14.5%	15,690,401	18.5%
					Net	122,511					

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Observations	
<p>Mpumalanga is going to underspend on its capital budgets both in Education and Health. A portion of the infrastructure grant amounting to R138 million has been withheld.</p> <ul style="list-style-type: none"> • It is still a challenge to align infrastructure plans and projects to budgets, this has resulted in underspending in the Northern Cape Health. • There are many education projects under retention stage and remain there for a longer period, especially in Limpopo and Mpumalanga. • Budgets for professional services have huge variations across provinces. 	8



Broad IDIP Risk Areas

Sustained commitment of leadership – challenge when leadership changes in a department.

- Weak institutionalisation of IDIP coordination structures
- Capacity and skills constraints.
- Uncertainty regarding models for delivery – is it dpw or departments develop own pw capacity – needs strong partner between treasury and Premier's office.
- Weak monitoring and reporting of IDIP and infrastructure delivery by treasuries.
- Lack of proper information to inform Infrastructure planning (asset registers and demographic analysis)

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2008 MTEF Education Allocations and Benchmark Outcomes

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2008 MTEF Education Capital: Changes to the Baseline												
Summary: Additions to MTEF baseline: Education capital expenditure												
R thousands	Infrastructure grant to Provinces: Additions to MTEF baseline (earmarked for Education)				Education: Payments for capital assets: Additions to MTEF baseline (draft 2008 Budget Statements)				Variances			
	2008/09	2009/10	2010/11	Total	2008/09	2009/10	2010/11 ^f	Total	2008/09	2009/10	2010/11	Total
Provinces												
Eastern Cape	72,745	145,280	272,006	490,032	(30,318)	(372,676)	(430,689)	(841,687)	(111,063)	(517,956)	(702,695)	(1,391,715)
Free State	31,423	62,711	117,330	211,463	113,007	(79,930)	(97,701)	(84,624)	81,584	(142,641)	(215,031)	(276,087)
Gauteng	33,461	67,360	127,121	227,942	-	50,000	44,625	94,625	(33,461)	(17,360)	(82,496)	(133,317)
KwaZulu-Natal	86,124	172,344	323,325	581,793	197,604	305,191	836,230	1,339,025	111,480	132,847	512,906	757,233
Limpopo	59,409	118,697	222,329	400,435	8,042	16,608	11,232	35,882	(51,367)	(102,089)	(211,097)	(264,653)
Mpumalanga	31,586	63,126	118,279	212,993	84,726	47,386	66,732	198,844	53,140	(15,742)	(51,547)	(14,149)
Northern Cape	21,536	43,053	80,689	145,277	10,690	26,407	26,548	63,645	(10,846)	(14,645)	(54,140)	(79,632)
North West	35,384	70,602	132,070	238,056	(48,025)	2,994	8,974	(36,066)	(83,419)	(67,609)	(123,067)	(274,124)
Western Cape	28,332	56,626	106,850	192,008	93,195	130,579	192,076	415,851	64,863	73,753	75,225	213,842
Total	400,000	800,000	1,500,000	2,700,000	420,911	128,558	648,027	1,197,486	20,911	(571,442)	(661,973)	(1,502,604)

f. The assumed baseline for 2010/11 is the 2009/10 baseline plus 7.3 per cent.

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2008 MTEF Education Capital: Changes to the Baseline												
Summary: Additions to MTEF baseline: Education capital expenditure												
R thousands	Infrastructure grant to Provinces: Additions to MTEF baseline (earmarked for Education)				Education: Payments for capital assets: Additions to MTEF baseline (Final 2008 Budget Statements)				Variances			
	2008/09	2009/10	2010/11	Total	2008/09	2009/10	2010/11 ^f	Total	2008/09	2009/10	2010/11	Total
Provinces												
Eastern Cape	72,745	145,280	272,006	490,032	(170,466)	(227,196)	(121,577)	(519,239)	(243,231)	(372,476)	(393,583)	(1,009,290)
Free State	31,423	62,711	117,330	211,463	129,851	(51,443)	(56,630)	21,778	98,428	(114,154)	(173,960)	(189,685)
Gauteng	33,461	67,360	127,121	227,942	-	50,000	44,625	94,625	(33,461)	(17,360)	(82,496)	(133,317)
KwaZulu-Natal	86,124	172,344	323,325	581,793	197,604	305,191	836,230	1,339,025	111,480	132,847	512,906	757,233
Limpopo	59,409	118,697	222,329	400,435	77,409	120,607	135,708	333,724	18,000	1,910	(66,621)	(66,711)
Mpumalanga	31,586	63,126	118,279	212,993	35,513	(12,311)	(1,627)	21,575	3,927	(75,439)	(119,906)	(191,418)
Northern Cape	21,536	43,053	80,689	145,277	12,874	21,210	21,964	56,048	(8,662)	(21,843)	(58,725)	(89,229)
North West	35,384	70,602	132,070	238,056	(8,019)	102,903	166,255	261,139	(43,403)	32,301	34,165	23,063
Western Cape	28,332	56,626	106,850	192,008	84,540	121,927	179,101	385,568	56,208	65,101	72,250	193,560
Total	400,000	800,000	1,500,000	2,700,000	358,285	430,888	1,284,049	1,984,223	(40,714)	(363,112)	(295,891)	(705,777)



Changes in 2008 DOR Bill and Grant Framework

- To facilitate phasing in of alignment model to institutionalize good planning practices
 - Plans submitted to PT 30 June 2008 for review (outlined in s40, & grant framework) with departments before submitting a revised plan to NT.
 - Programme Management plan with list of projects to be submitted to implementing agents by 29 August 2008 which will prepare the Programme Implementation Plan.
 - Infrastructure plans and other related plans together with the list of prioritised projects for 2009/10 and 2010/11 finalised by end November 2008.

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