



KwaZulu-Natal

Presentation to the Select Committee on Finance

6 May 2008

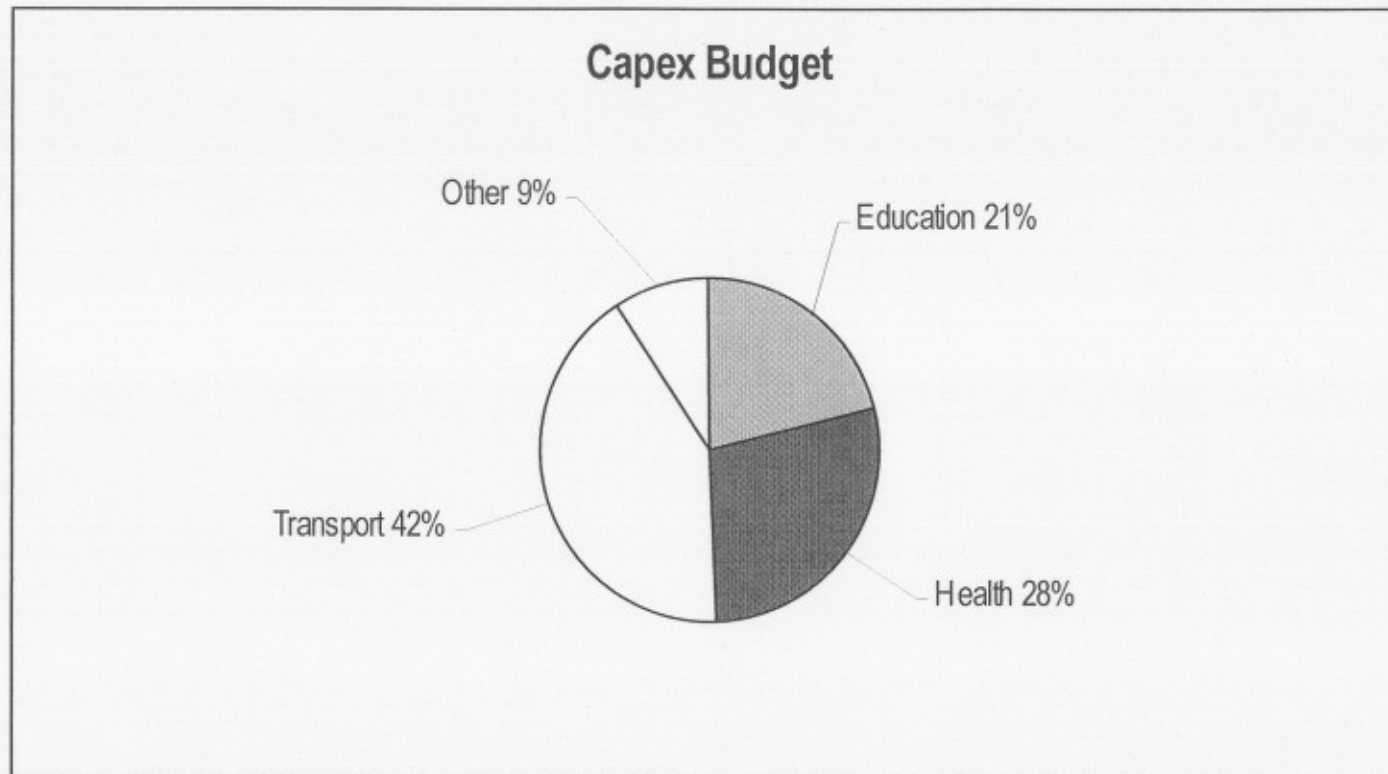


Presentation outline

- Analysis of Capital expenditure
- Analysis of Conditional Grant expenditure
- Monitoring mechanism within Provincial Treasury
- Conclusion



Capex Budget



Largest Capex Budget in Transport (41.7% of total provincial capex budget), followed by Health (28.2%) and Education (21%)



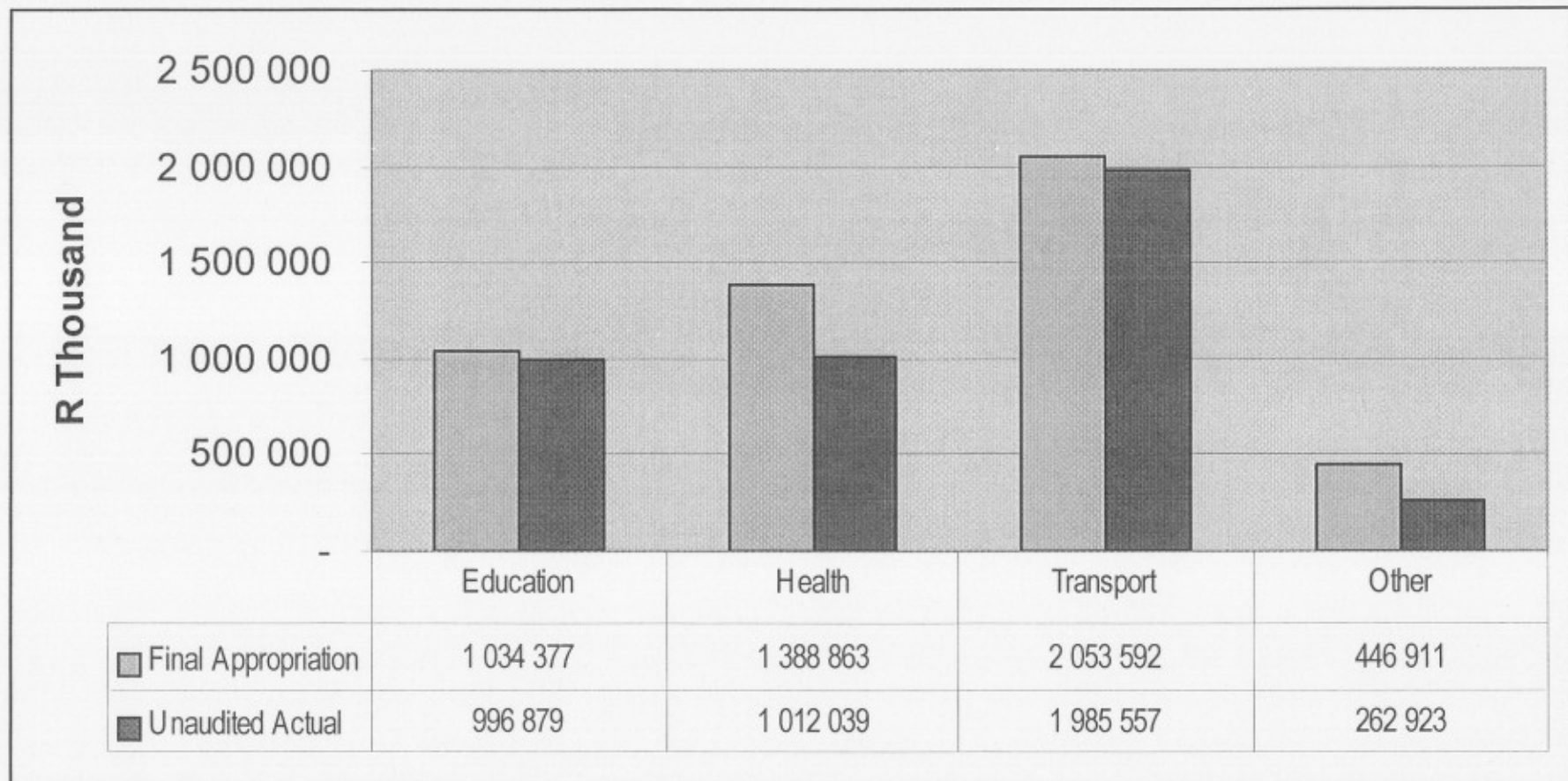
Capital Expenditure by Department

Table 1: Summary of Provincial Capital Expenditure as at 31 March 2008

R000	2007/08 Final Appropriation	2007/08 Unaudited Actual	Under/ (Over)	% spent
Education	1 034 377	996 879	37 498	96.4
<i>Buildings and Other Fixed Structures</i>	882 055	955 266	(73 211)	108.3
<i>Machinery and Equipment</i>	152 322	41 477	110 845	27.2
<i>Other</i>	-	136	(136)	-
Health	1 388 863	1 012 039	376 824	72.9
<i>Buildings and Other Fixed Structures</i>	841 123	623 663	217 460	74.1
<i>Machinery and Equipment</i>	547 624	388 309	159 315	70.9
<i>Other</i>	116	67	49	57.8
Transport	2 053 592	1 985 557	68 035	96.7
<i>Buildings and Other Fixed Structures</i>	1 988 225	1 941 385	46 840	97.6
<i>Machinery and Equipment</i>	65 367	44 112	21 255	67.5
<i>Other</i>	-	60	(60)	-
Other	446 911	262 923	183 988	58.8
<i>Buildings and Other Fixed Structures</i>	278 013	132 789	145 224	47.8
<i>Machinery and Equipment</i>	140 543	109 224	31 319	77.7
<i>Other</i>	28 355	20 910	7 445	73.7
Total	4 923 743	4 257 398	666 345	86.5



Analysis of 2007/08 Capex Expenditure





Analysis

➤ Summary

- In aggregate total expenditure of R4.3 billion or 86.5 per cent of adjusted budget;
- End-of-year under-expenditure of R666 million;
- Under-spending against Machinery and equipment relating to Health and Education; and
- Under-spending against Buildings and Other fixed structures relating mainly to Health, Agriculture and Transport.



Analysis – (cont.)

➤ Education

- Exp of R997m or 96.4% of budget;
- Increase of R176m from 2006/07; and
- Under-expenditure against Capex of R37m consisting of:
 - Under-spending against Machinery and equipment of R111m due to improved control measures;
 - Over-spending against Buildings & other fixed structures of R73m mainly due to misallocation of maintenance expenditure which will be journalised to *Goods & services*.

➤ Health

- Exp of R1bn or 72.9% of budget;
- Good spending level despite low exp. on conditional grant projects; and
- Under-exp. of R377m relating to Hospital Revitalisation and Forensic Pathology Services conditional grants as well as enforced savings against machinery and equipment to mitigate over spending in other areas.



Analysis – (cont.)

➤ Transport

- Largest capex budget representing 41.7% of provincial capex budget;
- Expenditure of R1.9 billion or 96.7% of budget;
- Similar spending trend to previous years which shows spending levels increasing in second half of financial year; and
- Under-expenditure largely due to misclassification of expenditure to *Current*. This will be journalised.

➤ Other

- Actual exp. of only R263m or 58.8% of adj. budget;
- Low spending mainly in respect of:
 - Social and Economic Facilities Programme in Housing;
 - Moratorium on capital projects to address spending pressures in other areas in the Office of the Premier;
 - Delays in infrastructure projects, including the Mushroom base in Agriculture mainly relating to procurement delays; and
 - Delays in the construction of Traditional Admin Centres and Multi-Purpose Community Centres;



Conditional Grants

Table 2: Analysis of Conditional Grant Exp (excl Infra Grant to Provinces) as at 31 March 2008

R000	2007/08	2007/08	Under/	% spent
	Final	Unaudited	(Over)	
	Appropriation	Actual	(3) = (1) - (2)	(2) / (1)
	(1)	(2)	(3) = (1) - (2)	(2) / (1)
Agriculture and Environmental Affairs	131 262	23 340	107 922	17.8
Land Care Grant	11 182	4 663	6 519	41.7
Comprehensive Agriculture Support Programme	80 080	15 247	64 833	19.0
Agriculture Disaster Management	40 000	3 430	36 570	8.6
Education	457 022	381 964	75 058	83.6
HIV and Aids (Life Skills Education)	35 292	24 081	11 211	68.2
National School Nutrition Programme	306 277	242 430	63 847	79.2
FET Recapitalisation	115 453	115 453	-	100.0
Health	2 065 971	1 922 460	143 511	93.1
Health Professionals Training & Dev	201 992	200 799	1 193	99.4
Comprehensive HIV and Aids	466 922	466 922	-	100.0
National Tertiary Services	789 578	789 578	-	100.0
Hospital Revitalisation	360 194	331 270	28 924	92.0
Forensic Pathology Grant	247 285	133 891	113 394	54.1
Housing	1 310 555	1 311 040	(485)	100.0
Integrated Housing and Human Settlement Dev.	1 310 555	1 311 040	(485)	100.0
Arts, Culture and Tourism	13 950	13 967	(17)	100.1
Library Services Grant	13 950	13 967	(17)	100.1
Sports and Recreation	37 276	36 263	1 013	97.3
Mass Sport & Recreation Participation Programme	37 276	36 263	1 013	97.3
Total	4 016 036	3 689 034	327 002	91.9



Conditional Grant - Analysis

- Provincial Infrastructure Grant not included since it forms part of Capex expenditure and i.t.o. DORA does not require separate reporting;
- In total, 91.9% of conditional grant budget was spent, therefore under spent by R327m;
- Expenditure of less than 50% of budget on:-
 - Comprehensive Agric. Support Grant (CASP) – 19%;
 - Land Care Programme – 41.7%;
 - Agriculture Disaster Management Grant – 8.6%; and
- Other grants with fairly low expenditure:
 - HIV and Aids (Life Skills education) – 68.2%;
 - National School Nutrition Programme – 79.2%; and
 - Forensic Pathology Grant – 54.1%.



Agriculture – Conditional Grant

- Department receives 3 conditional grants from the National Department of Agriculture:
- Comprehensive Agricultural Support Programme
 - Spending low at only 19%;
 - Effect of the Budget and Procurement Review and change in management with cautious spending by department;
 - Department implemented High Performance Team to address the slow rate of project implementation and thus spending.
- Land Care Grant
 - Low spending at 41.7 %;
 - Procurement review;
 - Implementation often dependent on progress by Land Affairs;
- Agriculture Disaster Management Grant
 - Only spent R3.4 million or 8.6%.