



cooperative governance
& traditional affairs
Department
Cooperative Governance and Traditional Affairs
REPUBLIC OF SOUTH AFRICA



Expenditure and Budget Implementation for the First Quarter (2009/10 Financial Year)

Standing Committee on Appropriations

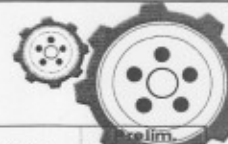
16 October 2009



Purpose of the Presentation

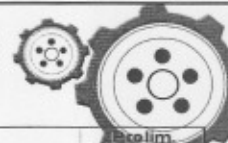
To present the Department's Budget Performance for the 1st Quarter ending June 2009

Expenditure Summary with Provincial & LG Transfers



DPLG	Available funds (R'000)	Total Expenditure (R'000)	Funds Available	Expenditure Outcome	Prelim.
1. Administration	163,543	42,823	120,720	26.2%	
2. Governance, Policy and Research	49,035	9,845	39,190	20.1%	
3. Urban and Renewal Development	12,909	3,259	9,650	25.2%	
4. Systems and Capacity Building	106,265	20,542	85,723	19.3%	
5. Free Basic Services and Infrastructure	41,942	10,413	31,529	24.8%	
6. Provincial and Local Government Transfers	35,131,362	2,152,163	32,979,199	6.1%	
7. Fiscal Transfers	101,983	19,106	82,877	18.7%	
Total	35,607,039	2,258,151	33,348,888	6.3%	
Current expenditure	382,407	89,902	292,505		0
<i>Of which:</i>					
Compensation of employees	195,917	40,265	155,652	20.6%	
Goods and Services	186,490	49,637	136,853	26.6%	
Transfers and subsidies	35,216,431	2,167,549	33,048,882		1
<i>Of which:</i>					
Provincial and Local Government transfers	35,133,507	2,156,512	32,976,995	6.1%	
South African Local Government Association	23,302	5,826	17,476	25.0%	
Municipal Demarcation Board	34,557		34,557	0.0%	
South African Cities Network	4,815		4,815	0.0%	
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	20,250	5,211	15,039	25.7%	
Payments for capital assets	8,201	700	7,501	8.5%	
Total	35,607,039	2,258,151	33,348,888	6.3%	3

Expenditure Summary without Provincial & LG Transfers



DPLG	Available funds (R'000)	Total Expenditure (R'000)	Funds Available	Expenditure Outcome	Prelim.
1. Administration	163,543	42,823	120,720	26.2%	
2. Governance, Policy and Research	49,035	9,845	39,190	20.1%	
3. Urban and Renewal Development	12,909	3,259	9,650	25.2%	
4. Systems and Capacity Building	106,265	20,542	85,723	19.3%	
5. Free Basic Services and Infrastructure	41,942	10,413	31,529	24.8%	
7. Fiscal Transfers	101,983	19,106	82,877	18.7%	
Total	475,677	105,988	369,689	22.3%	
Current expenditure	382,407	89,902	292,505		0
<i>Of which:</i>					
Compensation of employees	195,917	40,265	155,652	20.6%	
Goods and Services	186,490	49,637	136,853	26.6%	
Transfers and subsidies	82,924	11,037	71,887		1
<i>Of which:</i>					
South African Local Government Association	23,302	5,826	17,476	25.0%	
Municipal Demarcation Board	34,557		34,557	0.0%	
South African Cities Network	4,815		4,815	0.0%	
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	20,250	5,211	15,039	25.7%	
Payments for capital assets	8,201	700	7,501	8.5%	
Total	475,677	105,988	371,893	21.5%	4

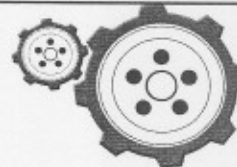
1st Quarter Expenditure Trends



Programme	Apr 09	May 09	Jun 09	Total Exp	Allocation	Expenditure
	R'000	R'000	R'000	R'000	R'000	3 months %
Prog 1: Administration	13,713	15,915	13,195	42,823	163,543	26.2
Prog 2: Governance, Policy and Research	3,327	3,438	3,082	9,845	49,035	20.1
Prog 3: Urban and Rural Development	1,448	819	954	3,259	12,909	25.1
Prog 4: Systems and Capacity Building	5,150	5,081	5,311	20,542	105,205	19.3
Prog 5: Free Basic Services and Infrastructure	3,424	4,505	2,084	10,413	41,942	24.8
Prog 6: Provincial and Local Government Transfers	875,802	409,147	867,214	2,152,165	35,131,382	6.13
Prog 7: Fiscal Transfers	14,491	3,500	1,115	18,106	19,105	15.7
Total	920,353	443,803	893,995	2,258,151	35,607,039	6.3
Economic Classification						
Current Payments	32,297	33,903	24,001	89,901	382,407	23.5
Compensation of Employees	13,723	13,435	13,107	40,265	195,917	20.5
Goods and Services	18,573	20,165	10,894	49,532	188,490	26.6
Financial Transactions in assets & liabilities	1	3		4		
Transfer and subsidies to Current Transfers)	12,051	798	2,524	15,384	24,131,571	0.0
Transfer and subsidies to Capital Transfers)	875,804	409,147	867,215	2,152,165	11,084,880	19.4
Payments for capital assets	191	254	255	700	8,201	8.5
Total	920,353	443,803	893,995	2,258,151	35,607,039	6.3
Economic Classification						
Current Payments	32,297	33,903	24,001	89,901	382,407	23.5
Transfer and Subsidies (Current & Capital)	887,855	409,946	889,739	2,187,550	35,216,431	6.2
Payments for capital assets	191	254	255	700	8,201	8.5
Total	920,353	443,803	893,995	2,258,151	35,607,039	6.3

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Expenditure trends



Current Expenditure

The budget for Compensation for the year is R195.9 million and the total expenditure as at 30 June 2009 is R40.2 million (21%), compared to a favourable 22% projected.

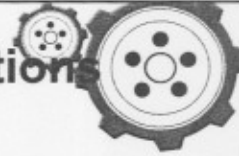
Goods and Services reflect a 27% (R49.6 million) spending against the current allocation of R186.4 million compared to the projection of 22% (R36.9 million). The overspending on the actual expenditure versus the projections is due to services that were rendered in the previous financial year but paid in the current financial year (accruals).

Capital Expenditure (Furniture and Equipment)

The payment for capital assets has a budget of R8.2 million with the expenditure of R700 000 (9%). This projection indicates an estimation of 41% (R3.3 million) by the end of June 09 and was an under-spending due to posts that were not filled.

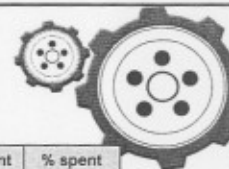
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Actual 1st Qrt Exp vs Projections



DPLG	Available funds (R'000)	Expenditure (R'000)	Projections (R'000)	and Actual Exp %
1. Administration	163,543	42,822	35,001	122.3%
2. Governance, Policy and Research	49,035	9,845	10,867	90.6%
3. Urban and Renewal Development	12,909	3,258	3,169	102.8%
4. Systems and Capacity Building	106,265	20,541	21,459	95.7%
5. Free Basic Services and Infrastructure	41,942	10,413	7,070	147.3%
6. Provincial and Local Government Transfers	35,131,362	2,152,164	2,098,669	102.5%
7. Fiscal Transfers	101,963	19,107	20,791	91.9%
Total	35,607,039	2,258,150	2,197,026	102.8%
Current expenditure	382,407	89,901	78,819	114.1%
Of which:				
Compensation of employees	195,917	40,264	41,915	96.1%
Goods and Services	186,490	49,637	36,904	134.5%
Transfers and subsidies	35,216,431	2,167,548	2,114,876	102.5%
Of which:				
Provincial and Local Government transfers	35,133,507	2,156,511	2,094,085	103.0%
South African Local Government Association	23,302	5,826	5,826	100.0%
Municipal Demarcation Board	34,557		8,700	
South African Cities Network	4,815		1,203	
Commission for the Promotion and Protection of the Rights of Cultural, Religious and Linguistic Communities	20,250	5,211	5,062	102.9%
Payments for capital assets	8,201	701	3,331	21.0%
Total	36,607,039	2,268,150	2,197,026	102.8%

Expenditure trends on Fiscal Transfers

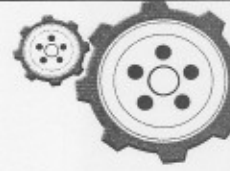


	Main Appropriation on R'000 09/10	Transfers to date (Jun 09)	% spent Jun 2009	% spent projected
SA Local Government Association (SALGA)	23 302	5 826	25%	100%
Municipal Demarcation Board	34 557	0	0%	0%
National House of Traditional Leaders	9 169	4 978	54%	42%
South Africa Cities Network	4 815	0	0%	25%
Commission for the Promotion & Protection of Rights of Cultural, Religious & Linguistic Communities	20 250	5 211	26%	25%
Commission on Traditional Leadership Disputes and Claims	9 890	3 093	31%	27%
TOTAL	101 983	14 491	19%	20%

NB: Transfers are effected after receiving compliance certificate & quarterly progress report

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Overall Expenditure trends



General Department Budget Configuration

98 per cent of the department's budget is transfers to associated institutions and municipalities. (About R35,1 bil)

Expenditure Outcome

Department spent R2.258 billion or 6.3% of its allocated budget of R35,6 billion. The expenditure is in line with projected expenditure of the 1st quarter

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LG Transfers & Payment schedule



CoGTA	Available funds (R'000)	Total Expenditure (R'000)	Total Projections (R'000)	Projection and Actual Exp %
Transfers and subsidies	35,131,362	2,152,166	2,098,669	102.5%
Of which:				
Local Government Equitable Share	23,846,502	-	-	0.0%
Municipal Systems Improvement Grant	200,000	-	-	0.0%
Municipal Infrastructure Grant	11,084,860	2,152,166	2,098,669	102.5%
Total	35,131,362	2,152,166	2,098,669	102.5%

- The MSIG and LG Equitable Share are only transferred in July as per DORA
- MIG is transferred from April to ensure continuity of infrastructure projects

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MIG Expenditure trends 2008 – 2009 as at 30 June 2009



Summary by province	Allocated (R'000)	Transferred to date	Transfers as % allocation	Expenditure to date	Expenditure as % allocation	Expenditure as % transferred	Balance Unspent
Eastern Cape	1,628,618	1,628,618	100.0%	1,535,457	94.3%	94.3%	93,161
Free State	547,504	547,504	100.0%	478,772	87.4%	87.4%	68,732
Gauteng	1,180,038	1,180,038	100.0%	1,132,514	96.0%	96.0%	47,524
KwaZulu Natal	1,874,064	1,874,064	100.0%	1,854,924	99.0%	99.0%	19,140
Limpopo	1,185,299	1,185,299	100.0%	1,168,152	98.6%	98.6%	17,147
Mpumalanga	600,027	600,027	100.0%	573,420	95.6%	95.6%	26,607
Northern Cape	181,614	181,614	100.1%	142,079	78.2%	78.1%	39,796
North West	710,139	710,139	100.0%	669,774	94.3%	94.3%	40,365
Western Cape	461,954	461,954	100.0%	460,709	99.7%	99.7%	1,245
Unallocated							
	8,369,257	8,369,257	100.0%	8,015,801	95.8%	95.8%	353,718

In overall municipalities spent 96% of the allocated funds. FS and NC are the lowest due overlap of funds into new financial year

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2009/2010 MIG Allocation as at 30 September 2009 – 1st Qrt of Municipalities



Summary by province	Allocated (R'000)	Transferred to date	Transfers as % allocation	Exp to date	Exp as % allocation	Expenditure as % transferred	Balance Unspent
Eastern Cape	1,880,426	776,335	36.5%	393,960	21.0%	50.7%	382,375
Free State	745,501	290,717	39.0%	197,727	26.5%	68.0%	92,990
Gauteng	610,141	97,026	6.4%	76,508	12.5%	78.9%	20,518
KwaZulu Natal	1,861,448	1,025,964	39.2%	809,688	43.5%	78.9%	216,276
Limpopo	1,446,350	731,701	50.6%	521,007	36.0%	71.2%	210,694
Mpumalanga	838,914	342,126	40.8%	205,592	24.5%	60.1%	136,534
Northern Cape	307,242	80,919	26.3%	58,191	18.9%	71.9%	22,728
North West	892,574	461,401	51.7%	252,236	28.3%	54.7%	209,165
Western Cape	271,364	142,694	23.8%	130,581	48.1%	91.5%	12,113
Unallocated							
	8,653,963	3,948,863	44.8%	2,645,489	29.9%	67.0%	1,303,364

- 1st Qrt transfers are above initial projections as allowed by the DORA
- The expenditure is on track

MSIG Expenditure trends 2008 – 2009 as at 30 June 2009



Province	Allocation R'000	March 09 Expenditure R'000	June 09 Expenditure R'000	Sep 09 Expenditure R'000
Eastern Cape	29 595	11 952	23 537	23 878
Free State	17 705	6 180	11 327	13 080
Gauteng	7 755	4 203	7 184	7 184
KwaZulu Natal	43 180	8 293	25 520	26 863
Limpopo	23 675	12 083	20 696	20 696
Mpumalanga	15 435	10 233	15 240	15 240
Northern Cape	24 540	11 698	24 183	24 183
North West	18 550	7 339	15 626	15 626
Western Cape	19 565	8 072	15 463	15 463
TOTAL	200 000	80 052 (40%)	158 775 (79%)	162 214 (81%)

The Department transferred 100% of the funds and the municipal expenditure reflected 79% by June 2009

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Common Reasons for Variance on Grants



- Delays in the registration of projects due to: Poor planning by municipalities, Lack of capacity at provincial level, Inadequate information on registration forms reaching the national office, Late approvals of technical reports and Environmental Impact assessments by relevant sector departments.
- Poor consultant/contractor performance on projects
- Expenditure by municipalities on unregistered projects
- Value Added Tax (VAT) and retention funds on MIG projects not clearly understood by municipalities.
- Challenges relating to supply chain processes.
- High staff turnover and a lack of technical and financial capacity in municipalities
- Political challenges and governance issues within municipalities (uneven political oversight)

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Remedial Measures on Grant Expenditure



Instituted the Withholding of 2009/10 Allocation to under spending municipalities in terms of the Division of Revenue Act, while at the same time providing support.

National Treasury wrote to all under spending municipalities to return the unspent funds to National Revenue Fund in terms of the DORA

Quarterly review meetings and one-on-one intervention visits to municipalities in all provinces

Technical support provided to underspending

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Conclusion



In summary the department performance in the 1st Quarter is in line with the projected 6.3% (R2,2 bil)

98% of the Department comprises of the transfers to local government

The Department is undertaking remedial measures to improve performance in the remaining quarters

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