



MINISTRY
HUMAN SETTLEMENTS
REPUBLIC OF SOUTH AFRICA

Private Bag X645, PRETORIA, 0001 Tel (012) 421 1309 Fax (012) 341 8513 Private Bag X 9029, CAPE TOWN, 8000 Tel (021) 466 7603 Fax (021) 466 3610

Input to Portfolio Committee on Human Settlements

by Human Settlements Minister Tokyo Sexwale

25 November 2010

1. We take note of the fact that the Finance Minister released a statement on Friday regarding mid-term provincial budgets and expenditure reports, wherein he raised some disquiet around the potential of provinces in their totality experiencing various forms of under-spending.
2. For example, the Finance Minister indicated, and I quote: **"In aggregate, provinces have spent 33% of their combined capital budgets. This is a decline of 23.5% when compared to the same period in 2009/10."** [The Minister's full statement is attached as an annexure.]
3. To the same extent, within this context of total provincial expenditure, Human Settlements in particular is experiencing varying degrees of under-spending in provinces. This affects delivery at this medium term stage regarding Outcome 8 as per Delivery Agreement between the Minister and President.
4. It is also noted that the Human Settlements Portfolio Committee's own mid-term Budget Review has raised some real questions about delivery challenges. This has been noted and is appreciated.
5. At this stage, it is important to share with the Portfolio Committee some clearer sense of where we are at this medium-term stage of the financial year with more than 8 000 projects underway across the country as per report before Parliament.

6. Although the average picture is not dissimilar to the observations by Treasury, it is nevertheless noted that some provinces are ahead of the curve. This is much encouraging.
7. For example: the medium term expenditure and delivery in provinces such as Limpopo and Northern Cape are safely above the 50% benchmark. This is satisfactory.
8. At the same time, there is cause for concern in respect of others -- and room for improvement.
9. Although this may be the case, provinces such as Gauteng and KwaZulu Natal – which have much more peculiar problems in view of migration and urbanization – can be later expected to make significant recoveries by the end of this 2010/11 financial year or the end of the term in 2014.
10. All in all, the Ministry stands poised to offer the necessary support and assistance to obviate the situation. Measures will include closer monitoring, provision of technical support and other expertise.
11. The main challenges which all provinces have to confront can be grouped into five categories:
 - a. Challenges around bulk infrastructure.
 - b. Problems around project management capacity.
 - c. Shortcomings in developing an integrated approach to human settlements development, side by side with other government departments relevant to the human settlements mandate.
 - d. The need for additional funding in respect of a few provinces.
 - e. And last but not least, the time-consuming and energy-wasting diversion of capacity and capital towards the rectification of shoddy houses and the unblocking of blocked projects.

Working in partnership with the Special Investigations Unit, much work has been done to bring some of the culprits to book. In this regard there will be an increasing focus on syndicates – including those involved in the hijacking of buildings in CBDs and the intensification of anti-corruption measures around the lists for the allocation of homes to beneficiaries.

12. When all is said and done the most serious threat, a real risk, is the challenge of providing bulk infrastructure to human settlements projects.
13. There can be no viable – let alone sustainable -- human settlements without the urgent rollout of large scale electrification projects, the construction of new water treatment and sewage processing plants, including pipelines to bring fresh and clean water to the people. We cannot continue to dot the landscape with top structures without providing bulk services below the ground.
14. In addition, there is the added need to provide roads, storm-water drainage and streetlights.
15. The provision of these infrastructural projects after top structures have already been built brings about massive additional costs. The cart cannot be put before the horse.
16. Living examples of these challenges include Inter alia the following:
 - i. Human settlements developments south of Johannesburg have almost come to a standstill due essentially to the lack of a sewage plant – the estimated cost of which would be beyond R3-billion. The new Lufhereng project encompassing 24 000 housing units is thus being negatively affected.
 - ii. KwaZulu Natal's largest new major project, Kornubia – where 50 000 houses are planned – is hamstrung by the lack of bulk infrastructure.
 - iii. In the Eastern Cape, the 5 000-unit Thornhill project in Port Alfred – which we launched in April – is at risk. 500 units have been completed and are due to be handed over in two weeks' time. A lack of bulk services – in this case, major waterworks such as a desalination plant to treat sea water, a plant to clean river water, or construction of a new dam – is delaying the rollout of the remaining 4 500 homes. In respect of our forthcoming visit to hand over the 500 houses in Port Alfred, we are inviting the Portfolio Committee to come and see this success story located within the proximity of these fundamental challenges.
 - iv. In Limpopo, there is potential for a new town to be built in Lephalale around the new Medupi mega power station. However, although electricity will be readily available, there are serious challenges in terms of other bulk infrastructure services.
 - v. Overall, rural projects countrywide have got no bulk services to speak of. Limpopo Premier Cassel Mathale spoke for other Premiers when he told our recent MinMEC that the rural infrastructure challenge can only be described as

chronic. In the absence of any bulk infrastructure, rural families cannot wait for large-scale sewage and water plants – and have to make do with digging pit latrines.

17. What is even more onerous is that the mandates for the rollout of these critical large-scale bulk infrastructure projects do not lie with the Human Settlements Ministry. Thus the need for a more integrated, planned and coordinated approach across relevant national departments. Hence, as we have reported, the President is seized with the initiative to coordinate a Special Presidential Coordinating Committee on Human Settlements.

18. Encompassing all of these issues, even if more bulk infrastructure were in place, project management would remain a critical challenge. This is something we need to seriously fine-tune – and do so drawing on the project management skills that made such a success of the 2010 World Cup.

19. In addition, increased capacity would still be needed at municipal level. In this case, we have covered a lot of ground in accrediting the major metros, including Johannesburg, Ekurhuleni, Thekwini, Tshwane and Cape Town, as well as two districts in the Northern Cape.

These municipalities also have challenges in terms of capacity for planning, logistics, management, operations and most crucially finance. All these have a direct impact on service delivery. Consequently, we have established a joint MinMEC with the Department of Cooperative Governance, a critical partner for Human Settlements, to facilitate coordination.

Notwithstanding, as the national Department, we are on top of the situation and we are working very hard to ensure that by the end of the financial year, and also by the end of this term, **no rollovers** should be experienced because of these capacity problems. Nonetheless, we do envisage that in the interests of overall delivery in the sector, there may be a need for the transfer of funds from some provinces to better-performing ones.

20. In this light, at our recent MinMEC last week in Limpopo, where Outcome 8 service delivery agreements were signed, all MECs without exception endorsed the Minister's view about the possible transfer of funds if needs be.

21. However, before this can be done, we want to make sure that all support is provided to the provinces to spend appropriately within the ambit of established guidelines in order to avoid fiscal dumping. This will never be countenanced.
22. The agreement by MinMEC, a legislated structure, is premised upon the principle that we all take collective responsibility for the development of human settlements across South Africa. Therefore although there might well be possible under-spending by some provinces, overall there shall be appropriate budget-related spending nationally. That is the essence of good co-operative governance.
23. In conclusion, the Human Settlements Portfolio Committee is invited to note and to interact with this medium term statement, which is elaborated upon by the Departmental report. Constructive comments would be much appreciated.

I thank you.



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE

18 NOVEMBER 2010

Provincial Budgets: 2010/11 Financial Year Mid-Term Provincial Budgets and Expenditure Report

SUMMARY

1. Published by the National Treasury in terms of Section 32 of the Public Finance Management Act, 1999 (PFMA) on 29 October 2010, the provincial budget statement of receipts and payments covers spending for the first six months (April-September 2010) of the 2010/11 financial year. The statement is available on the treasury website at www.treasury.gov.za.
2. The information is sourced from the Section 40(4) PFMA reports submitted by the heads of provincial departments to provincial treasuries, who, in turn, had to submit the information to the National Treasury by 22 October 2010. Queries on spending or budget numbers should therefore, in the first instance, be referred to the head of the relevant provincial department, and in the second instance, to the head of the relevant provincial treasury. Queries on conditional grants may be referred to the head of the administering national department.
3. Expenditures not foreseen at the time of tabling the 2010 provincial main budgets are:
 - a. Higher than budgeted for personnel remuneration increases, including the increased housing allowance.
 - b. Occupation Specific Dispensation payments for the provincial health sector.
 - c. Expenditure for the Devolution of Property Rate Funds grant in provinces.
 - d. Expenditure for the Comprehensive HIV and Aids programme to meet the increased demand for male circumcision.
 - e. Expenses relating to disasters and other emergencies in KwaZulu-Natal and the Western Cape.
4. To cover the shortfalls mentioned above, the *2010 Adjusted Estimates of National Expenditure* and the *2010 Medium Term Budget Policy Statement* tabled on 27 October 2010, proposed additional adjustments to the allocations made to provinces in the 2010 Budget. These documents are available on the treasury website at www.treasury.gov.za.
5. The additional adjustments will be concluded after the provinces table their 2010 adjusted estimates during November 2010.

Overall Expenditure Trends

6. In aggregate, provinces spent R152.6 billion, or 46.3 per cent, of their main budgets of R329.8 billion for the first half of the 2010/11 financial year. This represents a spending increase of 4.9 per cent or R7.1 billion compared to the same period last year when provinces had spent R145.5 billion.
7. Education expenditure totalled R65.5 billion, or 47.6 per cent, of the R137.4 billion combined education budgets, and remains the largest item on provincial budgets (41.7 per cent). This is an increase of 11.1 per cent, or R6.5 billion, on the same period last year.
8. Health expenditure totalled R46.3 billion, or 47.1 per cent, of the R98.4 billion combined health budgets and is the second largest item on provincial budgets (29.8 per cent). This is an increase of 9.1 per cent or R3.9 billion on the same period last year.
9. Social development spending is recorded at R4.3 billion, or 42.3 per cent, of the R10.2 billion social development budgets.
10. Personnel expenditure, in aggregate, is at R91.6 billion, or 49.3 per cent, of the budgeted R185.7 billion.
11. In aggregate, provinces spent R8.4 billion, or 33.1 per cent, of their R25.4 billion combined capital budgets. This is a decline of 23.5 per cent when compared to the same period in 2009/10.
12. Provincial education departments spent R2.1 billion, or 29.4 per cent, of the budgeted R7.2 billion for capital expenditure. This is 33.3 per cent or R1 billion less than what was spent the previous financial year.
13. Provincial health departments spent R3 billion, or 33.6 per cent, of the budgeted R8.8 billion for capital expenditure, which is R253.1 million, or 7.9 per cent, less than the same period for 2009/10.
14. The second biggest share (29 percent) of provincial capital budgets after health, is for public works, roads and transport departments which spent R2.8 billion, or 37.9 per cent, of the total capital budget of R7.4 billion.
15. Provincial own revenue collected thus far is at R4.8 billion, or 50.3 per cent, of the budgeted own revenue of R9.5 billion. At the half-year mark, national government had transferred to provinces R130.5 billion of the equitable share and R31.3 billion of conditional grants to provinces.
16. A detailed analysis of the expenditure outcome as at 30 September 2010 is set out in Annexure A, which also includes a comparative analysis of spending for the same period over the 2009/10 financial year.

ANNEXURE A

DETAILED ANALYSIS FOR THE FIRST AND SECOND QUARTER OF THE 2010/11 FINANCIAL YEAR

1. The budgeted figures for provinces are based on the 2010/11 estimates of provincial revenue and expenditure documents (main budgets) tabled in the provincial legislatures during February and March 2010.

Total Expenditure

2. Table 1 indicates that provinces have spent R152.6 billion, or 46.3 per cent, of the budgeted expenditure of R329.8 billion for the first six months of the current financial year. Spending against budgets is lower in percentage terms compared to the same period for the 2009/10 financial year when it stood at 50.2 per cent. However, spending in nominal terms, is 4.9 per cent, or R7.1 billion, higher than last year, when provinces spent R145.5 billion.
3. Among provinces, spending is lowest in the Free State (43 percent of the budget) and North West (43.3 per cent) and highest in the Eastern Cape at 48.8 per cent and Gauteng at 48.7 per cent.

Table 1: Provincial Aggregated Budgets and Expenditure as at 30 September 2010

R thousand	Main budget 2010/11					Actual spending as at 30 September 2010					Actual spending as % of main budget	2009/10: Outcome as at 30 September 2009
	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Payments for financial assets	Total		
Eastern Cape	38 703 055	5 871 753	3 648 987	—	48 223 795	19 561 046	2 772 459	1 188 833	97	23 522 435	48.8%	22 633 526
Free State	15 990 595	3 379 994	2 010 425	—	21 381 014	7 380 292	1 347 598	458 474	3 116	9 189 480	43.0%	8 648 664
Gauteng	45 551 221	12 173 767	3 131 658	—	60 856 646	22 121 372	6 637 709	854 770	8 623	29 622 474	48.7%	29 429 883
KwaZulu-Natal	53 728 085	8 409 339	6 607 601	332 338	69 077 363	24 829 594	4 075 684	2 382 642	186 543	31 474 463	45.6%	29 859 608
Limpopo	32 007 273	4 943 025	2 702 293	100	39 652 691	14 934 745	2 221 960	708 519	—	17 865 224	45.1%	16 117 444
Mpumalanga	20 784 225	3 132 785	2 183 575	—	26 100 585	9 514 417	1 581 126	828 991	70	11 924 604	45.7%	11 344 361
Northern Cape	7 098 874	1 021 776	1 041 856	—	9 162 506	3 288 300	511 157	389 875	4	4 189 336	45.7%	3 785 267
North West	16 586 756	3 906 870	1 620 731	21	22 114 378	7 549 218	1 449 758	580 351	—	9 579 327	43.3%	10 013 588
Western Cape	24 889 882	5 868 902	2 478 975	3 733	33 241 492	11 518 493	2 701 163	1 023 364	1 756	15 244 776	45.9%	13 630 252
Total	255 339 966	48 708 211	25 426 101	336 192	329 810 470	120 697 477	23 298 614	8 415 819	200 209	152 612 119	46.3%	145 462 593

Social Services

4. Provinces have budgeted R246.1 billion for social services, including education, health and social development.

Table 2: Provincial Social Services Expenditure as at 30 September 2010

R thousand	Main budget	Actual spending as at 30 September 2010		% share of total provincial expenditure	% share of total Social Services expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
		Actual spending as at 30 September 2010	Actual spending as % of main budget				
Education	137 438 683	65 486 717	47.6%	42.9%	56.4%	58 967 356	11.1%
Health	98 380 858	46 314 554	47.1%	30.3%	39.9%	42 437 136	9.1%
Social Development	10 235 907	4 331 775	42.3%	2.8%	3.7%	4 124 508	5.0%
Total	246 055 448	116 133 046	47.2%	76.1%	100.0%	105 529 000	10.0%

5. Spending on social services is recorded at R116.1 billion, or 47.2 per cent, of the total provincial social services budgets for the first six months of 2010/11.

Education

6. Education budgets of R137.4 billion comprise 41.7 per cent of total provincial budgets. Table 3 indicates that education expenditure is at 47.6 per cent or R65.5 billion of the total education budget, an increase of 11.1 per cent, or R6.5 billion, on the R59 billion spent over the same period in 2009/10.
7. Spending by provinces on education ranges from the lowest rate, 43.8 per cent in North West, Free State at 46.1 per cent, to the highest in KwaZulu-Natal at 49.8 per cent, followed by the Eastern Cape at 48.5 per cent.

Table 3: Provincial Education Expenditure as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Education to total provincial expenditure	% share of Education to total Social Services expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	22 679 786	11 002 530	48.5%	46.8%	59.4%	10 074 114	9.2%
Free State	8 539 463	3 936 176	46.1%	42.8%	57.1%	3 690 358	6.7%
Gauteng	22 485 539	10 782 643	48.0%	36.4%	50.0%	9 505 425	13.4%
KwaZulu-Natal	29 034 762	14 460 194	49.8%	45.9%	58.4%	12 330 240	17.3%
Limpopo	18 814 610	8 775 328	46.6%	49.1%	63.7%	7 839 194	11.9%
Mpumalanga	11 530 252	5 469 591	47.4%	45.9%	61.6%	5 188 330	5.4%
Northern Cape	3 457 789	1 619 520	46.8%	38.7%	52.7%	1 505 509	7.6%
North West	9 050 791	3 960 294	43.8%	41.3%	57.8%	3 978 488	-0.5%
Western Cape	11 845 691	5 480 441	46.3%	35.9%	46.6%	4 855 698	12.9%
Total	137 438 683	65 486 717	47.6%	42.9%	56.4%	58 967 356	11.1%

8. Spending on goods and services (including learner and teacher support materials) in education is recorded at R4.7 billion, or 31.8 per cent, of the budgeted amount of R14.7 billion. It comprises approximately 10.7 per cent of total provincial education budgets.

Table 4: Provincial Personnel Expenditure: Education as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Education Personnel to total personnel expenditure	% share of Education personnel to total Education expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	17 372 413	9 120 530	52.5%	60.2%	82.9%	7 491 582	21.7%
Free State	6 666 435	3 214 562	48.2%	54.9%	81.7%	2 705 970	18.8%
Gauteng	16 100 096	8 225 432	51.1%	53.4%	76.3%	6 732 046	22.2%
KwaZulu-Natal	22 022 542	11 079 120	50.3%	58.6%	76.6%	9 228 039	20.1%
Limpopo	14 667 809	7 461 610	50.9%	60.6%	85.0%	6 187 384	20.6%
Mpumalanga	9 217 097	4 409 798	47.8%	60.7%	80.6%	3 734 486	18.1%
Northern Cape	2 674 086	1 281 023	47.9%	54.7%	79.1%	1 121 315	14.2%
North West	6 814 710	3 322 682	48.8%	56.3%	83.9%	2 864 311	16.0%
Western Cape	9 107 962	4 327 074	47.5%	51.2%	79.0%	3 626 979	19.3%
Total	104 643 150	52 441 831	50.1%	57.2%	80.1%	43 692 112	20.0%

9. The bulk of education expenditure is on personnel (80.1 per cent). Current spending on education personnel amounts to R52.4 billion, or 50.1 per cent, of the R104.6 billion budgeted for personnel (table 4).

10. Spending by provinces on personnel expenditure in education ranges from the lowest, 47.5 percent in Western Cape, to the highest in Eastern Cape at 52.5 percent of the budget for the year.
11. Education capital expenditure is at R2.1 billion, or 29.4 per cent, of the R7.2 billion budget. This is significantly lower than the spending over the same period of the previous financial year.

Table 5: Provincial Capital Expenditure: Education as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Education Capital to total Capital expenditure	% share of Capital to total Education expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	1 253 894	205 829	16.4%	17.3%	1.9%	612 675	-66.4%
Free State	305 929	38 470	12.6%	8.4%	1.0%	286 853	-86.6%
Gauteng	1 139 032	268 233	23.5%	31.4%	2.5%	409 896	-34.6%
KwaZulu-Natal	2 229 985	983 140	44.1%	41.3%	6.8%	747 168	31.6%
Limpopo	1 085 512	215 951	19.9%	30.5%	2.5%	574 619	-62.4%
Mpumalanga	457 725	158 714	34.7%	19.1%	2.9%	145 640	9.0%
Northern Cape	69 753	33 037	47.4%	8.5%	2.0%	46 746	-29.3%
North West	294 276	73 871	25.1%	12.7%	1.9%	199 781	-63.0%
Western Cape	315 552	126 242	40.0%	12.3%	2.3%	129 252	-2.3%
Total	7 151 658	2 103 487	29.4%	25.0%	3.2%	3 152 630	-33.3%

12. Spending on education capital expenditure ranges from the lowest, 12.6 percent in the Free State, to the highest, 47.4 percent, in the Northern Cape.

Health

13. Health budgets totalling R98.4 billion comprise 29.8 per cent of total provincial budgets.

Table 6: Provincial Health Expenditure as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Health to total provincial expenditure	% share of Health to total Social Services expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	13 340 872	6 824 833	51.2%	29.0%	36.8%	6 522 030	4.6%
Free State	6 151 710	2 638 778	42.9%	28.7%	38.3%	2 336 570	12.9%
Gauteng	20 072 001	9 974 238	49.7%	33.7%	46.2%	9 065 819	10.0%
KwaZulu-Natal	21 657 681	9 696 470	44.8%	30.8%	39.2%	9 103 175	6.5%
Limpopo	10 534 963	4 587 047	43.5%	25.7%	33.3%	4 089 093	12.2%
Mpumalanga	6 420 715	3 044 481	47.4%	25.5%	34.3%	2 907 380	4.7%
Northern Cape	2 657 301	1 234 107	46.4%	29.5%	40.1%	1 096 312	12.6%
North West	5 582 752	2 598 407	46.5%	27.1%	37.9%	2 504 604	3.7%
Western Cape	11 962 863	5 716 193	47.8%	37.5%	48.6%	4 812 153	18.8%
Total	98 380 858	46 314 554	47.1%	30.3%	39.9%	42 437 136	9.1%

14. Table 6 indicates that, at R46.3 billion, or 47.1 per cent, of the total health budget, health expenditure increased 9.1 per cent, or R3.9 billion, on the same period in 2009/10.
15. The Free State and Limpopo provinces spent the lowest share of their health budgets at 42.9 per cent and 43.5 per cent respectively. The highest shares are recorded by the Eastern Cape at 51.2 per cent and Gauteng at 49.7 per cent.

16. Table 7 indicates that health personnel expenditure is R27.4 billion, or 49.3 per cent, of the total health personnel budget, an increase of R4.6 billion, or 20.2 per cent, on the R22.8 billion spent over the same period in 2009/10.

Table 7: Provincial Personnel Expenditure: Health as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Health Personnel to total personnel expenditure	% share of Health personnel to total Health expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	7 919 339	4 040 962	51.0%	26.7%	59.2%	3 625 615	11.5%
Free State	3 575 952	1 754 509	49.1%	29.9%	66.5%	1 413 030	24.2%
Gauteng	10 582 546	5 672 048	53.6%	36.8%	56.9%	4 355 746	30.2%
KwaZulu-Natal	12 739 583	6 015 650	47.2%	31.8%	62.0%	5 129 985	17.3%
Limpopo	6 499 398	3 002 134	46.2%	24.4%	65.4%	2 557 624	17.4%
Mpumalanga	3 476 417	1 676 894	48.2%	23.1%	55.1%	1 394 144	20.3%
Northern Cape	1 167 528	570 013	48.8%	24.3%	46.2%	460 405	23.8%
North West	3 026 617	1 526 206	50.4%	25.9%	58.7%	1 298 754	17.5%
Western Cape	6 609 793	3 178 541	48.1%	37.6%	55.6%	2 598 649	22.3%
Total	55 597 173	27 436 957	49.3%	29.9%	59.2%	22 833 952	20.2%

17. Spending on non-personnel non-capital items in health, which includes medicines, drugs and other current expenditure, is at R15.9 billion, or 46.9 per cent, of the R33.9 billion budget.

18. Capital expenditure in the health sector is at R3 billion, or 33.6 per cent, a decrease of R253.1 million, or 7.9 per cent, on the R3.2 billion spent over the same period last year.

Table 8: Provincial Capital Expenditure: Health as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Health Capital to total Capital expenditure	% share of Capital to total Health expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	1 282 012	448 623	35.0%	37.7%	6.6%	479 966	-6.5%
Free State	617 943	92 427	15.0%	20.2%	3.5%	135 070	-31.6%
Gauteng	1 690 643	522 565	30.9%	61.1%	5.2%	598 871	-12.7%
KwaZulu-Natal	1 649 148	492 058	29.8%	20.7%	5.1%	769 240	-36.0%
Limpopo	1 002 858	317 525	31.7%	44.8%	6.9%	338 796	-6.3%
Mpumalanga	791 158	326 751	41.3%	39.4%	10.7%	72 119	353.1%
Northern Cape	478 298	162 437	34.0%	41.7%	13.2%	195 435	-16.9%
North West	419 345	230 397	54.9%	39.7%	8.9%	338 649	-32.0%
Western Cape	906 687	377 968	41.7%	36.9%	6.6%	295 704	27.8%
Total	8 838 092	2 970 751	33.6%	35.3%	6.4%	3 223 850	-7.9%

19. Spending by provinces varied, with the lowest rate of health capital expenditure being in the Free State at 15 per cent, KwaZulu-Natal at 29.8 per cent, and the highest being the North West and Western Cape at 54.9 per cent and 41.7 per cent respectively.

Social Development

20. At R10.2 billion, the social development budget comprises 3.1 per cent of total provincial budgets.

21. Provinces registered spending of R4.3 billion, or 42.3 per cent, of the total R10.2 billion budget. This represents an increase of R207.3 million, or 5 per cent, on the R4.1 billion spent over the same period last year.
22. There are varying degrees of spending among provinces, the lowest being KwaZulu-Natal at 36.5 per cent and Gauteng at 37.8 per cent while the highest are Limpopo at 52 per cent and Northern Cape at 47.6 per cent.

Table 9: Provincial Social Development Expenditure as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Soc Dev to total provincial expenditure	% share of Soc Dev to total Social Services expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	1 560 151	710 865	45.6%	3.0%	3.8%	654 217	8.7%
Free State	721 690	322 503	44.7%	3.5%	4.7%	308 433	4.6%
Gauteng	2 165 370	817 791	37.8%	2.8%	3.8%	862 810	-5.2%
KwaZulu-Natal	1 668 170	608 260	36.5%	1.9%	2.5%	686 478	-11.4%
Limpopo	805 705	419 022	52.0%	2.3%	3.0%	333 005	25.8%
Mpumalanga	881 447	370 442	42.0%	3.1%	4.2%	296 191	25.1%
Northern Cape	464 212	220 945	47.6%	5.3%	7.2%	174 858	26.4%
North West	749 875	294 329	39.3%	3.1%	4.3%	285 568	3.1%
Western Cape	1 219 287	567 618	46.6%	3.7%	4.8%	522 948	8.5%
Total	10 235 907	4 331 775	42.3%	2.8%	3.7%	4 124 508	5.0%

Human Settlements and Local Government

23. Human settlements and local government budgets at R20.8 billion comprise 6.3 per cent of total provincial budgets.

Table 10: Provincial Housing and Local Government Expenditure as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Local Gov & Housing to total provincial expenditure	% share of Housing Grant to total LG & Housing expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	2 533 676	1 129 828	44.6%	4.8%	61.7%	1 166 547	-3.1%
Free State	1 684 961	449 440	26.7%	4.9%	54.2%	709 696	-36.7%
Gauteng	4 511 575	1 738 441	38.5%	5.9%	80.4%	2 628 137	-33.9%
KwaZulu-Natal	4 173 516	1 459 288	35.0%	4.6%	58.0%	1 812 754	-19.5%
Limpopo	1 885 787	882 042	46.8%	4.9%	71.3%	820 938	7.4%
Mpumalanga	1 601 587	650 952	40.6%	5.5%	63.4%	663 331	-1.9%
Northern Cape	493 017	267 359	54.2%	6.4%	60.7%	239 110	11.8%
North West	1 704 199	652 674	38.3%	6.8%	76.4%	572 196	14.1%
Western Cape	2 163 261	773 529	35.8%	5.1%	81.6%	792 420	-2.4%
Total	20 751 579	8 003 553	38.6%	5.2%	68.9%	9 405 129	-14.9%

24. Spending by human settlements and local government was R8 billion, or 38.6 per cent, of the R20.8 billion budget. This represents a decrease of R1.4 billion, or 14.9 per cent, on the R9.4 billion spent over the same period last year.
25. Spending levels by provinces varied, the lowest being the Free State at 26.7 per cent and KwaZulu-Natal at 35 per cent, while the highest spenders were the Northern Cape at 54.2 per cent and Limpopo at 46.8 per cent.

Human Settlements Development Conditional Grant

26. Most of the human settlements and local government expenditure is from the Human Settlements Development conditional grant. Table 11 indicates that provinces spent R5.5 billion, or 36.7 per cent, of the R15 billion Human Settlements Development grant budget. These spending figures are R1.5 billion, or 21.5 per cent, lower than the same period last year.

Table 11: Provincial Human Settlements Development Grant Expenditure as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of grant to total provincial expenditure	% share of grant to total grant expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	1 598 646	696 692	43.6%	3.0%	12.6%	715 934	-2.7%
Free State	1 300 691	243 789	18.7%	2.7%	4.4%	587 058	-58.5%
Gauteng	3 771 831	1 397 331	37.0%	4.7%	25.3%	2 208 750	-36.7%
KwaZulu-Natal	2 714 109	846 014	31.2%	2.7%	15.3%	1 177 101	-28.1%
Limpopo	1 234 750	628 596	50.9%	3.5%	11.4%	629 334	-0.1%
Mpumalanga	975 863	412 724	42.3%	3.5%	7.5%	403 513	2.3%
Northern Cape	273 260	162 186	59.4%	3.9%	2.9%	140 683	15.3%
North West	1 288 770	498 597	38.7%	5.2%	9.0%	491 984	1.3%
Western Cape	1 868 843	630 978	33.8%	4.1%	11.4%	673 265	-6.3%
Total	15 026 763	5 516 907	36.7%	3.6%	100.0%	7 027 622	-21.5%

Personnel expenditure

27. Personnel expenditure (compensation of employees) for the first six months of the 2010/11 financial year is at R91.6 billion, or 49.3 per cent, of the budgeted R185.7 billion.

Table 12: Provincial Personnel Expenditure as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	% share of Personnel to total provincial expenditure	% share of personnel to total Personnel expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	29 548 093	15 158 570	51.3%	64.4%	16.5%	12 928 192	17.3%
Free State	12 253 768	5 859 948	47.8%	63.8%	6.4%	4 874 779	20.2%
Gauteng	29 910 978	15 402 479	51.5%	52.0%	16.8%	12 420 352	24.0%
KwaZulu-Natal	38 918 909	18 916 094	48.6%	60.1%	20.6%	15 954 195	18.6%
Limpopo	24 977 819	12 318 131	49.3%	69.0%	13.4%	10 321 730	19.3%
Mpumalanga	15 319 699	7 265 734	47.4%	60.9%	7.9%	6 135 768	18.4%
Northern Cape	4 912 419	2 342 466	47.7%	55.9%	2.6%	2 011 412	16.5%
North West	12 025 335	5 900 614	49.1%	61.6%	6.4%	4 964 107	18.9%
Western Cape	17 847 042	8 452 741	47.4%	55.4%	9.2%	7 048 725	19.9%
Total	185 714 062	91 616 777	49.3%	60.0%	100.0%	76 659 260	19.5%

28. Spending to date is R15 billion, or 19.5 per cent, higher than the R76.7 billion spent over the same period last year.

29. Western Cape and Mpumalanga both recorded the lowest rate of personnel spending at 47.4 per cent, while Gauteng and Eastern Cape recorded the highest at 51.5 per cent and 51.3 per cent respectively.

Overall Capital Budgets and Expenditure

30. By the end of September 2010, provinces had spent R8.4 billion, or 33.1 per cent, of their R25.4 billion capital budgets ("payments for capital assets"). This is a decline of 23.5 per cent compared to the same period in 2009/10.

Table 13: Provincial Capital (Payments for Capital Assets) Expenditure as at 30 September 2010

	Main budget	Actual spending as at 30 September 2010	Actual spending as % of main budget	%share of Capital to total provincial expenditure	%share of Capital to total Capital expenditure	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	3 648 987	1 188 833	32.6%	5.1%	14.1%	1 717 187	-30.8%
Free State	2 010 425	458 474	22.8%	5.0%	5.4%	824 360	-44.4%
Gauteng	3 131 658	854 770	27.3%	2.9%	10.2%	1 167 345	-26.8%
KwaZulu-Natal	6 607 601	2 382 642	36.1%	7.6%	28.3%	2 861 079	-16.7%
Limpopo	2 702 293	708 519	26.2%	4.0%	8.4%	1 077 626	-34.3%
Mpumalanga	2 183 575	828 991	38.0%	7.0%	9.9%	663 503	24.9%
Northern Cape	1 041 856	389 875	37.4%	9.3%	4.6%	395 118	-1.3%
North West	1 620 731	580 351	35.8%	6.1%	6.9%	1 107 121	-47.6%
Western Cape	2 478 975	1 023 364	41.3%	6.7%	12.2%	1 185 994	-13.7%
Total	25 426 101	8 415 819	33.1%	5.5%	100.0%	10 999 333	-23.5%

31. Table 13 provides capital spending information by province and shows low rates of spending in the Free State at 22.8 per cent and Limpopo at 26.2 per cent, and high rates in the Western Cape at 41.3 per cent and Mpumalanga at 38 per cent. However, in absolute terms, KwaZulu-Natal spent the most, with total spending of R2.4 billion followed by Eastern Cape at R1.2 billion and Western Cape at R1 billion.
32. Provincial education departments spent R2.1 billion, or 29.4 per cent, of their R7.2 billion education capital budgets. This is R1 billion, or 33.3 per cent, less than spending over the same period in previous financial year.
33. Provincial health departments spent R3 billion or 33.6 per cent of their R8.8 billion health capital budgets, which is R253.1 million, or 7.9 per cent, less than the same period for 2009/10.
34. At 29 per cent, public works, roads and transport departments has, after health, the second highest share of provincial capital budgets. The sector spent R2.8 billion, or 37.9 per cent, against its combined capital budgets of R7.4 billion.

Conditional Grants

35. The total conditional grant allocation is R61.9 billion (including Schedule 4 and 8 grants), with health making up the bulk at R19.9 billion.
36. Table 14 reflects spending by all provinces on conditional grant allocations as at 30 September 2010. It excludes expected conditional grant roll-overs from the 2009/10 financial year and spending on Schedule 4 grants. Schedule 4 grants specify allocations to provinces to supplement the funding of programmes or functions funded from provincial budgets. The Expanded Public Works Programme (EPWP) Incentive grant for the infrastructure sector (Schedule 8 grant) specifies incentives to provinces to meet targets for priority government programmes.

Table 14: Provincial Conditional Grants Expenditure as at 30 September 2010

	Division of Revenue Act, 2010 (Act No. 1 of 2010)	Received by province	Actual spending as at 30 September 2010	Actual spending as % of main budget (excluding Schedule 4, 8 grants)
R thousand				
Agriculture, Forestry and Fisheries	1 116 867	598 814	68 814	27.0%
1. Comprehensive Agricultural Support Programme Grant	862 365	474 292		
Ilima/Letsema Projects Grant	200 000	100 000	53 124	26.6%
Land Care Programme Grant: Poverty Relief and Infrastructure	54 502	24 522	15 690	28.8%
Arts and Culture	512 660	274 214	169 562	33.1%
Community Library Services Grant	512 660	274 214	169 562	33.1%
Basic Education	3 931 371	2 013 898	1 349 111	34.3%
HIV and Aids (Life Skills Education) Grant	188 045	94 018	41 826	22.2%
National School Nutrition Programme Grant	3 663 326	1 891 880	1 301 013	35.5%
Technical Secondary Schools Recapitalisation Grant	80 000	28 000	6 272	7.8%
Health	19 852 773	9 968 142	4 245 217	40.1%
Comprehensive HIV and Aids Grant	6 011 757	2 954 233	2 485 409	41.3%
Forensic Pathology Services Grant	556 962	286 298	273 103	49.0%
1. Health Professions Training and Development Grant	1 865 387	955 328		
Hospital Revitalisation Grant	4 020 667	2 073 277	1 486 705	37.0%
1. National Tertiary Services Grant	7 398 000	3 699 006		
Higher Education and Training	3 772 661	1 966 951		
1. Further Education and Training Colleges Grant	3 772 661	1 966 951		
Human Settlements	15 160 563	7 576 391	5 536 073	36.5%
Housing Disaster Relief Grant	133 800	66 900	19 166	14.3%
Human Settlements Development Grant	15 026 763	7 509 491	5 516 907	36.7%
National Treasury	11 314 911	5 263 139		
1. Infrastructure Grant to Provinces	11 314 911	5 263 139		
Public Works	1 483 833	963 723	662 729	57.5%
Devolution of Property Rate Funds Grant	1 096 192	862 266	660 631	60.3%
2. EPWP Incentive Grant to Provinces for the Infrastructure Sector	331 004	44 820		
EPWP Grant for the Social Sector	56 637	56 637	2 098	3.7%
Sport and Recreation South Africa	426 385	273 248	177 634	41.7%
Mass Sport and Recreation Participation Programme Grant	426 385	273 248	177 634	41.7%
Transport	4 312 431	2 390 230	438 360	97.5%
Gautrain Rapid Rail Link Grant	438 360	438 360	438 360	100.0%
Overload Control Grant	11 038	11 038	—	0.0%
1. Public Transport Operations Grant	3 863 033	1 940 832		
Total	61 884 455	31 288 750		
Total excluding Schedules 4 and 8 grants	32 477 094	16 944 382	12 647 500	38.9%
Total excluding Schedules 4,8 grants & Gautrain	32 038 734	16 506 022	12 209 140	38.1%

1. Schedule 4 grants specifying allocations to provinces to supplement the funding of programmes or functions funded from provincial budgets.

2. Schedule 8 grants specifying incentives to provinces to meet targets with regards to priority government programmes.

37. Against the total allocation of R32.5 billion (which excludes Schedules 4 and 8 grants) the rate of conditional grants spending amounts to R12.6 billion, or 38.9 per cent. Excluding the Gautrain Rapid Rail Link grant, the conditional grant expenditure amounts to R12.2 billion, or 38.1 per cent, of the total allocation of R32 billion.

38. Specific grants that show low rates of spending include:

- a. Overload Control (zero spending)
- b. EPWP grant for the Social Sector (3.7 per cent)
- c. Technical Secondary Schools Recapitalisation (7.8 per cent)
- d. Housing Disaster Relief (14.3 per cent)
- e. HIV and Aids (Life Skills Education) (22.2 per cent)
- f. Ilima/Letsema Projects (26.6 per cent) and Land Care Programme (28.8 per cent).

39. Table 15 indicates selected conditional grant spending rates as at 30 September 2010. It further indicates that at the half-way mark, five or more provinces had spent less than 35 per cent of the following grants: Land Care Programme, Community Library Services, HIV and Aids (Life Skills Education) and Hospital Revitalisation.

40. The table also indicates the number of provinces where spending of conditional grant budgets is at between 35 and 45 per cent, and where it is greater than 45 per cent.

Table 15: Selected Conditional Grants Spending Rates as at 30 September 2010

	Number of provinces spent less than 35%	Number of provinces spent between 35% and 45% (inclusive)	Number of provinces spent more than 45%
Agriculture			
Land Care Programme: Poverty Relief and In	7 EC, FS, KZN, LIM, MPU, NC, NW		2 GT, WC
Arts and Culture			
Community Library Services Grant	6 EC, KZN, LIM, MPU, NC, NW	1 FS	2 GT, WC
Education			
HIV and Aids (Life Skills Education) Grant	7 EC, FS, GT, LIM, MPU, NC, WC	1 NW	1 KZN
National School Nutrition Programme Grant	3 EC, LIM, NW	4 GT, KZN, MPU, WC	2 FS, NC
Health			
Comprehensive HIV and Aids Grant	1 FS	5 EC, KZN, NC, NW, WC	3 GT, LIM, MPU
Forensic Pathology Services Grant	1 MPU	5 EC, FS, GT, NC, NW	3 KZN, LIM, WC
Hospital Revitalisation Grant	5 EC, FS, KZN, LIM, NC		4 GT, MPU, NW, WC
Housing			
Human Settlements Development Grant	3 FS, KZN, WC	4 EC, GT, MPU, NW	2 LIM, NC
Public Works			
Devolution of Property Rate Funds Grant	4 GT, MPU, NC, NW		5 EC, FS, KZN, LIM, WC
Sport and Recreation South Africa			
Mass Sport and Recreation Participation Pro	4 GT, KZN, MPU, NW	1 NC	4 EC, FS, LIM, WC
Transport			
Gautrain Rapid Rail Link Grant			1 GT

Percentages represent actual expenditure of main budgets as published in the Division of Revenue Act, 2010 (Act No. 1 of 2010).

Provincial Revenue

41. Provincial revenue includes budgeted equitable share allocations of R261 billion, conditional grants of R61.9 billion and own revenue of R9.5 billion. The total provincial revenue received and collected to date is recorded at R166.5 billion, or 50.1 per cent, of total budgeted revenue of R332.3 billion.

42. National government transferred R130.5 billion, or 50 per cent, of the equitable share and R31.3 billion, or 50.6 per cent, in conditional grants to provinces within the first six months of the current financial year.
43. After six months, provinces have collected R4.8 billion, or 50.3 per cent, of the budgeted own revenue of R9.5 billion, which is 12 per cent or R509.3 million more than what was collected by the end of September for the previous financial year.
44. The collection rate varies from 37.9 per cent in North West and 42 per cent in Mpumalanga, to a high of 60.4 per cent in the Eastern Cape and 55.6 per cent in KwaZulu-Natal.

Table 16: Provincial Own Revenue Collection as at 30 September 2010

	Main budget	Actual collection as at 30 September 2010	Actual collection as % of main budget	% share of Own Revenue to total provincial revenue	% share of Own Revenue to total Own Revenue	2009/10: Outcome as at 30 September 2009	Year-on-year growth
R thousand							
Eastern Cape	634 222	383 215	60.4%	1.6%	8.0%	419 450	-8.6%
Free State	647 411	358 412	55.4%	3.4%	7.5%	267 729	33.9%
Gauteng	2 801 234	1 290 335	46.1%	4.1%	27.0%	1 049 705	22.9%
KwaZulu-Natal	1 803 568	1 002 222	55.6%	2.9%	21.0%	903 392	10.9%
Limpopo	553 438	269 882	48.8%	1.4%	5.7%	258 686	4.3%
Mpumalanga	555 117	232 966	42.0%	1.8%	4.9%	256 836	-9.3%
Northern Cape	185 696	102 730	55.3%	2.2%	2.2%	84 574	21.5%
North West	610 361	231 181	37.9%	2.1%	4.8%	105 565	119.0%
Western Cape	1 687 817	900 204	53.3%	5.3%	18.9%	915 907	-1.7%
Total	9 478 864	4 771 147	50.3%	2.9%	100.0%	4 261 843	12.0%