



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

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**DETAILED ANALYSIS OF THE PRELIMINARY OUTCOMES FOR 2004/05
PROVINCIAL BUDGETS
(Published to assist provincial legislatures and government departments)**

1. The fourth quarter provincial budget statement of revenue and expenditure published by the National Treasury on 29 April 2005 is the first estimate of spending outcomes for the 2004/05 financial year, from 1 April 2004 to 31 March 2005. These figures will be revised as national and provincial departments finalise (and reconcile) their financial statements by 31 May 2005 for submission to the Auditor-General.
2. The figures in this fourth quarter report includes the additional funds totalling R4,3 billion allocated to provinces on 26 October 2004 through the national adjustments budget. Provincial budget figures are also updated for their own adjustments, including any roll-overs from the previous financial year.

Total Expenditure

3. Table 1 below indicates that provinces have spent R188,8 billion in aggregate, or 97,6 per cent of their adjusted budgets by the end of the 2004/05 financial year. This is an increase of R18,2 billion or 10,6 per cent over the R170,7 billion spent in the previous year.
4. Average spending per province varies significantly, ranging from the lowest share of 94,8 per cent in North West to the highest at 99,6 per cent in KwaZulu-Natal. The preliminary figures ended with an aggregated provincial surplus¹ of just under R2,6 billion, compared to the deficit of R2,5 billion in 2003/04.

¹ The underspending and surplus/deficit are different concepts. Both use actual total spending (R188,8 billion), but compare it to different totals. The surplus/deficit compares spending to total actual revenue (R191,4 billion) received and collected during that financial year only, whilst underspending compares spending to total adjusted budget, which includes roll-overs from the previous financial year (R193,6 billion).

Table 1: Provincial Budgets and Expenditure as at 31 March 2005 (Preliminary Outcome)

R thousand	Adjusted budget 2004/05				Actual as at 31 March 2005 (preliminary outcome)				Actual as % of adjusted budget	2003/04: Audited outcome
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total		
Eastern Cape	18 116 658	11 450 846	1 705 868	31 273 372	17 835 724	11 525 209	1 613 812	30 974 745	99,0%	29 671 567
Free State	8 385 433	4 444 107	659 547	13 489 087	8 049 997	4 325 332	500 411	12 875 741	95,5%	11 436 770
Gauteng	19 298 689	9 752 052	2 156 031	31 206 772	18 879 531	9 542 642	1 821 076	30 243 249	96,9%	28 339 144
Kw aZulu-Natal	24 063 930	12 217 539	2 712 575	38 994 044	23 626 501	12 855 593	2 366 959	38 849 053	99,6%	34 127 763
Limpopo	16 230 993	7 909 477	1 475 545	25 616 015	15 868 237	7 827 637	1 298 968	24 994 842	97,6%	21 672 926
Mpumalanga	8 812 550	3 967 106	1 008 032	13 787 688	8 518 390	3 955 320	666 494	13 140 204	95,3%	11 541 525
Northern Cape	2 811 767	1 548 940	281 061	4 641 768	2 732 973	1 513 472	210 253	4 456 699	96,0%	4 151 066
North West	9 738 012	5 282 679	860 538	15 881 229	9 364 409	5 079 655	607 743	15 051 807	94,8%	13 364 093
Western Cape	11 785 957	5 763 754	1 121 284	18 670 995	11 554 120	5 654 755	1 041 473	18 250 348	97,7%	16 364 631
Total	119 243 989	62 336 500	11 980 481	193 560 970	116 429 883	62 279 615	10 127 188	188 836 686	97,6%	170 669 485

5. Provinces have succeeded in better controlling their budgets in 2004/05, with only four of the 117 provincial departments overspending significantly (by more than one per cent) compared to the 12 in the previous 2003/04 financial year.

Table 1a: Number of Over- and Underspending Provincial Departments

Province	Overspending provincial departments		Underspending provincial departments	
	Overspending by more than 1% of adjusted budget		Underspending more than 10% of adjusted budget	Total under expenditure as % of adjusted budget
Eastern Cape	1	Social Development (R 114,3 million or 1,2%)	2	1,0%
Free State	1	Health (R 39,8 million or 1,4%)	4	4,5%
Gauteng	–	None	3	3,1%
KwaZulu-Natal	1	Social Development (R 504,9 million or 4,6%)	3	0,4%
Limpopo	1	Sport, Arts and Culture (R 4,8 million or 6%)	3	2,4%
Mpumalanga	–	None	–	4,7%
Northern Cape	–	None	4	4,0%
North West	–	None	4	5,2%
Western Cape	–	None	3	2,3%
Total	4		26	2,4%

6. However, 26 provincial departments significantly underspent their adjusted budgets by more than 10 per cent. Eight provinces had at least two such underspending departments.
7. It should be noted that the aggregated 2,4 per cent not spent is comprised of both savings and underspending – the exact amounts saved and underspent can only be determined once all departments finalise their annual financial statements, and report on the reasons for the amounts not spent from their budgets. For purposes of this analysis we regard actual spending less adjusted budget as a saving in the case of personnel expenditure, and as an underspending in the case of capital and other non-personnel non-capital items.

Social Services

8. The three social services departments (education, health and social development) collectively spent R155,5 billion or 98,9 per cent of the total adjusted budget of R157,3 billion, and comprises 82,3 per cent of total provincial expenditure (Table 2). This represents an increase of R16,2 billion or 11,6 per cent against the R139,3 billion spent in the 2003/04 financial year.

Table 2: Provincial Social Services Expenditure (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of Social Services to total provincial expenditure	% share of personnel to Social Services expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand										
Education	65 749 482	64 405 898	98,0%	–	1 343 584	2,0%	34,1%	83,0%	59 551 909	8,2%
Health	40 849 417	40 275 355	98,6%	–	574 062	1,4%	21,3%	58,2%	37 619 035	7,1%
Social Development	50 652 364	50 796 364	100,3%	-144 000	–	-0,3%	26,9%	3,1%	42 106 346	20,6%
Total	157 251 263	155 477 617	98,9%	-144 000	1 917 646	1,1%	82,3%	50,4%	139 277 290	11,6%
				Net	1 773 646					

Social Development

9. Social development spent R50,8 billion or 100,3 per cent of the total adjusted budget of R50,7 billion, and comprises 26,9 per cent of total provincial expenditure (Table 3). This represents an increase of R8,7 billion or 20,6 per cent against the R42,1 billion spent in the 2003/04 financial year.
10. Most provinces succeeded in adjusting their budgets upwards adequately from the initial budget of R47,3 billion, in order to ensure that actual spending ended within budget.
11. Six provinces spent R509,2 million less than their adjusted budget, with Limpopo underspending by R134,6 million, Free State R116,8 million and North West R112 million.

Table 3: Provincial Social Development Expenditure (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of Soc Dev to total provincial expenditure	% share of personnel to total Soc Dev expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand										
Eastern Cape	9 687 860	9 802 184	101,2%	-114 324	–	-1,2%	31,6%	2,3%	8 444 747	16,1%
Free State	3 632 596	3 515 829	96,8%	–	116 767	3,2%	27,3%	4,6%	2 812 671	25,0%
Gauteng	6 342 534	6 376 486	100,5%	-33 952	–	-0,5%	21,1%	3,7%	5 312 759	20,0%
Kw aZulu-Natal	10 950 554	11 455 475	104,6%	-504 921	–	-4,6%	29,5%	2,5%	9 162 847	25,0%
Limpopo	6 712 055	6 577 503	98,0%	–	134 552	2,0%	26,3%	2,3%	5 309 638	23,9%
Mpumalanga	3 368 928	3 334 929	99,0%	–	33 999	1,0%	25,4%	2,4%	2 691 163	23,9%
Northern Cape	1 317 875	1 279 142	97,1%	–	38 733	2,9%	28,7%	5,9%	1 145 540	11,7%
North West	4 313 458	4 201 503	97,4%	–	111 955	2,6%	27,9%	3,5%	3 456 354	21,6%
Western Cape	4 326 504	4 253 313	98,3%	–	73 191	1,7%	23,3%	4,6%	3 770 627	12,8%
Total	50 652 364	50 796 364	100,3%	-653 197	509 197	-0,3%	26,9%	3,1%	42 106 346	20,6%
				Net	-144 000					

12. Three provinces proved not to have adjusted their social development budgets sufficiently, and overspent by a combined amount of R653,2 million, particularly in KwaZulu-Natal which overspent by R504,9 million, and to a lesser extent Eastern Cape (R114,3 million) and Gauteng (R34 million). Table 4 indicates that this is due to overspending on social grants, which is even higher, indicating that they have funded

social grants from other programmes (e.g. social welfare services). KwaZulu-Natal overspent on social grants by R638 million followed by Eastern Cape at R187,2 million and Gauteng by R72,9 million.

Table 4: Provincial Social Grants Expenditure (Programme 2) (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of Soc Grants to total provincial expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	9 189 559	9 376 793	102,0%	-187 234	–	-2,0%	30,3%	7 959 361	17,8%
Free State	3 274 413	3 223 460	98,4%	–	50 953	1,6%	25,0%	2 530 781	27,4%
Gauteng	5 514 534	5 587 460	101,3%	-72 926	–	-1,3%	18,5%	4 645 698	20,3%
Kw aZulu-Natal	10 273 837	10 911 865	106,2%	-638 028	–	-6,2%	28,1%	8 651 267	26,1%
Limpopo	6 320 858	6 232 589	98,6%	–	88 269	1,4%	24,9%	5 163 420	20,7%
Mpumalanga	3 140 705	3 117 728	99,3%	–	22 977	0,7%	23,7%	2 521 880	23,6%
Northern Cape	1 161 632	1 139 827	98,1%	–	21 805	1,9%	25,6%	1 017 352	12,0%
North West	4 025 756	3 940 847	97,9%	–	84 909	2,1%	26,2%	3 182 399	23,8%
Western Cape	3 675 632	3 632 043	98,8%	–	43 589	1,2%	19,9%	3 225 392	12,6%
Total	46 576 926	47 162 612	101,3%	-898 188	312 502	-1,3%	25,0%	38 897 550	21,2%
				Net					
									-585 686

Education

13. The nine provincial education departments spent R64,4 billion or 98 per cent of the combined adjusted budget of R65,7 billion, and comprises 34,1 per cent of total provincial expenditure (Table 5). This represents an increase of R4,9 billion or 8,2 per cent against the R59,6 billion spent in the 2003/04 financial year.

14. The average varies greatly between provinces, from the lowest in Mpumalanga at 93,5 per cent, to the highest in Northern Cape at 99,9 per cent and KwaZulu-Natal at 99,5 per cent.

Table 5: Provincial Education Expenditure (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of Education to total provincial expenditure	% share of personnel to total Education expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand										
Eastern Cape	10 799 841	10 717 209	99,2%	–	82 632	0,8%	34,6%	86,8%	10 155 292	5,5%
Free State	4 617 650	4 347 690	94,2%	–	269 960	5,8%	33,8%	82,8%	4 048 174	7,4%
Gauteng	10 027 349	9 833 557	98,1%	–	193 792	1,9%	32,5%	78,5%	9 471 854	3,8%
Kw aZulu-Natal	13 068 714	13 001 336	99,5%	–	67 378	0,5%	33,5%	83,6%	11 819 572	10,0%
Limpopo	9 689 857	9 611 140	99,2%	–	78 717	0,8%	38,5%	81,9%	8 147 637	18,0%
Mpumalanga	5 206 947	4 868 569	93,5%	–	338 378	6,5%	37,1%	79,5%	4 475 311	8,8%
Northern Cape	1 398 132	1 396 471	99,9%	–	1 661	0,1%	31,3%	82,6%	1 288 873	8,3%
North West	5 424 608	5 179 131	95,5%	–	245 477	4,5%	34,4%	86,4%	4 840 389	7,0%
Western Cape	5 516 384	5 450 795	98,8%	–	65 589	1,2%	29,9%	83,8%	5 304 807	2,8%
Total	65 749 482	64 405 898	98,0%	–	1 343 584	2,0%	34,1%	83,0%	59 551 909	8,2%
				Net						
										1 343 584

15. The bulk of education expenditure is for personnel. Provinces spent R53,4 billion or 99 per cent of the personnel adjusted budget of almost R54 billion. Adequate provision was made for pay progression and incentives targeted at school-based educators in provincial education budgets. Most of the R527,3 million not spent on personnel is probably due to delays in paying educator progression.

Table 6: Provincial Personnel Expenditure: Education (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total personnel expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	9 423 199	9 299 538	98,7%	–	123 661	1,3%	64,8%	8 757 597	6,2%
Free State	3 688 587	3 598 304	97,6%	–	90 283	2,4%	57,7%	3 392 405	6,1%
Gauteng	7 789 501	7 723 079	99,1%	–	66 422	0,9%	57,9%	7 266 527	6,3%
Kw aZulu-Natal	10 821 932	10 874 795	100,5%	-52 863	–	-0,5%	60,7%	10 037 828	8,3%
Limpopo	7 768 053	7 868 578	101,3%	-100 525	–	-1,3%	62,9%	7 089 915	11,0%
Mpumalanga	4 053 584	3 871 653	95,5%	–	181 931	4,5%	64,5%	3 566 751	8,5%
Northern Cape	1 136 387	1 153 749	101,5%	-17 362	–	-1,5%	58,6%	1 011 494	14,1%
North West	4 618 658	4 474 067	96,9%	–	144 591	3,1%	61,3%	4 236 966	5,6%
Western Cape	4 656 454	4 565 335	98,0%	–	91 119	2,0%	55,6%	4 316 446	5,8%
Total	53 956 355	53 429 098	99,0%	-170 750	698 007	1,0%	60,8%	49 675 929	7,6%
				Net				527 257	

16. Significant underspending is recorded on the capital budgets of provincial education departments, as provinces only spent 78 per cent or R2,3 billion of their total adjusted capital budgets (Table 7 below). This is marginally lower (R29,8 million) than the spending on capital in the previous financial year. Provinces with the highest underspending education departments in capital are Free State (57,8 per cent), Mpumalanga (60,1 per cent) and KwaZulu-Natal (68,3 per cent). Northern Cape (108,3 per cent) and Eastern Cape (94,1 per cent) recorded the best spending capacity for capital in education.

Table 7: Provincial Capital Expenditure: Education (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total capital expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	316 339	297 612	94,1%	–	18 727	5,9%	18,4%	32 734	809,2%
Free State	172 963	99 938	57,8%	–	73 025	42,2%	20,0%	150 194	-33,5%
Gauteng	805 845	680 074	84,4%	–	125 771	15,6%	37,3%	826 246	-17,7%
Kw aZulu-Natal	710 353	485 085	68,3%	–	225 268	31,7%	20,5%	564 948	-14,1%
Limpopo	510 437	447 170	87,6%	–	63 267	12,4%	34,4%	326 456	37,0%
Mpumalanga	224 983	135 242	60,1%	–	89 741	39,9%	20,3%	236 556	-42,8%
Northern Cape	14 975	16 214	108,3%	-1 239	–	-8,3%	7,7%	44 489	-63,6%
North West	204 714	144 366	70,5%	–	60 348	29,5%	23,8%	139 684	3,4%
Western Cape	30 039	25 748	85,7%	–	4 291	14,3%	2,5%	39 909	-35,5%
Total	2 990 648	2 331 449	78,0%	-1 239	660 438	22,0%	23,0%	2 361 216	-1,3%
				Net				659 199	

17. Table 8 indicates that education departments also spent 98,2 per cent or R8,6 billion of the R8,8 billion adjusted budget on non-personnel non-capital items (e.g. learner support material like textbooks and stationery, transfers to section 21 schools, school feeding) of which more specifically spending on goods and services (mostly learner support material) is recorded at R5,5 billion or 92,4 per cent of its R5,9 billion adjusted budget. This item comprises 13,4 per cent of total provincial education expenditure, and relatively small given that it is a critical input for effective education outcomes. It is a national budget priority to increase both the level and share of this item, at a far greater rate than the 3,2 per cent growth recorded against the R8,4 billion spent in 2003/04.

18. Spending between provinces ranges from the lowest in Free State (85,9 per cent), Limpopo and Northern Cape at 91,8 per cent and Mpumalanga (92,8 per cent) to the highest in KwaZulu-Natal (106,8 per cent) and Eastern Cape (105,6 per cent).

Table 8: Provincial Non-Personnel, Non-Capital Expenditure: Education (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	%(Over) / under of adjusted budget	% share of total Education expenditure	2003/04 outcomes ¹	Year-on-year growth
R thousand									
Eastern Cape	1 060 303	1 120 059	105,6%	-59 756	–	-5,6%	10,5%	1 490 613	-24,9%
Free State	756 100	649 448	85,9%	–	106 652	14,1%	14,9%	547 654	18,6%
Gauteng	1 432 003	1 430 404	99,9%	–	1 599	0,1%	14,5%	1 719 044	-16,8%
Kw aZulu-Natal	1 536 429	1 641 456	106,8%	-105 027	–	-6,8%	12,6%	1 403 184	17,0%
Limpopo	1 411 367	1 295 392	91,8%	–	115 975	8,2%	13,5%	860 127	50,6%
Mpumalanga	928 380	861 674	92,8%	–	66 706	7,2%	17,7%	727 259	18,5%
Northern Cape	246 770	226 508	91,8%	–	20 262	8,2%	16,2%	251 191	-9,8%
North West	601 236	560 698	93,3%	–	40 538	6,7%	10,8%	527 069	6,4%
Western Cape	829 891	859 712	103,6%	-29 821	–	-3,6%	15,8%	850 271	1,1%
Total	8 802 479	8 645 351	98,2%	-194 604	351 732	1,8%	13,4%	8 376 412	3,2%
				Net	157 128				

1) The 2003/04 outcome was adjusted by some provinces to accommodate the shift in the Integrated Nutrition Programme Conditional Grant from Health to Education.

Health

19. The nine provincial health departments spent R40,3 billion or 98,6 per cent of the combined adjusted budget of R40,8 billion. This comprises 21,3 per cent of total provincial expenditure. This represents an increase of R2,7 billion or 7,1 per cent against the R37,6 billion spent in the 2003/04 financial year.

Table 9: Provincial Health Expenditure (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	%(Over) / under of adjusted budget	% share of Health to total provincial expenditure	% share of personnel to total Health expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand										
Eastern Cape	5 221 266	5 173 239	99,1%	–	48 027	0,9%	16,7%	62,4%	5 243 012	-1,3%
Free State	2 757 267	2 797 043	101,4%	-39 776	–	-1,4%	21,7%	60,3%	2 542 413	10,0%
Gauteng	8 943 840	8 597 195	96,1%	–	346 645	3,9%	28,4%	51,8%	8 195 817	4,9%
Kw aZulu-Natal	8 875 985	8 950 461	100,8%	-74 476	–	-0,8%	23,0%	59,6%	8 244 543	8,6%
Limpopo	4 239 622	4 195 541	99,0%	–	44 081	1,0%	16,8%	62,3%	3 743 798	12,1%
Mpumalanga	2 393 885	2 262 786	94,5%	–	131 099	5,5%	17,2%	55,6%	2 006 393	12,8%
Northern Cape	874 839	832 047	95,1%	–	42 792	4,9%	18,7%	56,6%	832 624	-0,1%
North West	2 664 370	2 594 542	97,4%	–	69 828	2,6%	17,2%	61,2%	2 263 131	14,6%
Western Cape	4 878 343	4 872 501	99,9%	–	5 842	0,1%	26,7%	57,4%	4 547 304	7,2%
Total	40 849 417	40 275 355	98,6%	-114 252	688 314	1,4%	21,3%	58,2%	37 619 035	7,1%
				Net	574 062					

20. The Mpumalanga health department has spent the lowest share of its budget at 94,5 per cent with Northern Cape at 95,1 per cent. The highest share spent is recorded in Free State (101,4 per cent) and KwaZulu-Natal (100,8 per cent).

21. Table 10 below indicates that health personnel expenditure is R23,4 billion or 98,4 per cent of the adjusted health personnel budget, an increase of R2,5 billion or 11,7 per cent compared to the almost R21 billion spent in 2003/04. Two provinces (Mpumalanga and North West) recorded overspending in health personnel budgets while the remaining 7 provinces recorded a total saving of R429,7 million with Gauteng and Free State the largest at R133,6 million and R128,7 million respectively.

Table 10: Provincial Personnel Expenditure: Health (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total personnel expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	3 255 905	3 230 045	99,2%	–	25 860	0,8%	22,5%	2 815 648	14,7%
Free State	1 814 179	1 685 470	92,9%	–	128 709	7,1%	27,0%	1 495 541	12,7%
Gauteng	4 590 577	4 456 990	97,1%	–	133 587	2,9%	33,4%	4 219 065	5,6%
Kw aZulu-Natal	5 339 893	5 333 123	99,9%	–	6 770	0,1%	29,8%	4 619 621	15,4%
Limpopo	2 664 453	2 615 329	98,2%	–	49 124	1,8%	20,9%	2 377 161	10,0%
Mpumalanga	1 240 047	1 258 700	101,5%	-18 653	–	-1,5%	21,0%	1 128 056	11,6%
Northern Cape	475 055	471 199	99,2%	–	3 856	0,8%	23,9%	424 442	11,0%
North West	1 564 366	1 587 252	101,5%	-22 886	–	-1,5%	21,8%	1 405 936	12,9%
Western Cape	2 880 511	2 798 677	97,2%	–	81 834	2,8%	34,1%	2 497 658	12,1%
Total	23 824 986	23 436 785	98,4%	-41 539	429 740	1,6%	26,7%	20 983 128	11,7%
				Net				388 201	

22. Significant underspending is recorded on the capital budgets of provincial health departments, as provinces only spent 82,6 per cent of their adjusted budget, or R2,3 billion, which is significantly less (by R438,3 million) than the previous financial year's spending of R2,8 billion (Table 11 below). The provinces with the highest underspending health departments in capital are Mpumalanga (36,3 per cent) and Northern Cape (58,8 per cent), whilst those performing the best are in KwaZulu-Natal and Limpopo at 103,2 per cent and 101,6 per cent respectively.

Table 11: Provincial Capital Expenditure: Health (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total capital expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	388 754	370 956	95,4%	–	17 798	4,6%	23,0%	525 666	-29,4%
Free State	207 196	174 851	84,4%	–	32 345	15,6%	34,9%	139 152	25,7%
Gauteng	495 940	318 802	64,3%	–	177 138	35,7%	17,5%	488 587	-34,8%
Kw aZulu-Natal	569 197	587 501	103,2%	-18 304	–	-3,2%	24,8%	673 084	-12,7%
Limpopo	396 039	402 515	101,6%	-6 476	–	-1,6%	31,0%	319 219	26,1%
Mpumalanga	252 491	91 615	36,3%	–	160 876	63,7%	13,7%	130 704	-29,9%
Northern Cape	125 292	73 677	58,8%	–	51 615	41,2%	35,0%	44 846	64,3%
North West	266 346	192 091	72,1%	–	74 255	27,9%	31,6%	147 362	30,4%
Western Cape	105 160	105 217	100,1%	-57	–	-0,1%	10,1%	286 891	-63,3%
Total	2 806 415	2 317 225	82,6%	-24 837	514 027	17,4%	22,9%	2 755 511	-15,9%
				Net				489 190	

23. Table 12 shows that spending on non-personnel non-capital items in health which includes medicines, drugs and other current expenditure is recorded at 102,1 per cent or R14,5 billion of the R14,2 billion adjusted budget. It has grown slowly from the previous financial year's R13,6 billion at 6,9 per cent to 2004/05, and now comprises 36,1 per cent

of total health expenditure. Like education, increasing the level and share of this allocation is critical for better health outcomes.

Table 12: Provincial Non-Personnel, Non-Capital Expenditure: Health (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total Health expenditure	2003/04 outcomes ¹	Year-on-year growth
R thousand									
Eastern Cape	1 576 607	1 572 238	99,7%	–	4 369	0,3%	30,4%	1 749 904	-10,2%
Free State	735 892	936 722	127,3%	-200 830	–	-27,3%	33,5%	865 641	8,2%
Gauteng	3 857 323	3 821 403	99,1%	–	35 920	0,9%	44,4%	3 422 805	11,6%
Kw aZulu-Natal	2 966 895	3 029 837	102,1%	-62 942	–	-2,1%	33,9%	2 917 061	3,9%
Limpopo	1 179 130	1 177 697	99,9%	–	1 433	0,1%	28,1%	918 557	28,2%
Mpumalanga	901 347	912 471	101,2%	-11 124	–	-1,2%	40,3%	810 576	12,6%
Northern Cape	274 492	287 171	104,6%	-12 679	–	-4,6%	34,5%	345 650	-16,9%
North West	833 658	815 199	97,8%	–	18 459	2,2%	31,4%	666 612	22,3%
Western Cape	1 892 672	1 968 607	104,0%	-75 935	–	-4,0%	40,4%	1 885 502	4,4%
Total	14 218 016	14 521 345	102,1%	-363 510	60 181	-2,1%	36,1%	13 582 308	6,9%
				Net					
									-303 329

1) The 2003/04 outcome was adjusted by some provinces to accommodate the shift in the Integrated Nutrition Programme Conditional Grant from Health to Education.

Roads and Transport

24. The biggest spending on capital in provinces is for roads and transport (which includes public works budgets) totalling R4,5 billion or 95,9 per cent of its adjusted budgets and 44,6 per cent of all capital expenditure. Spending is also significantly higher by R1,2 billion or 34,7 per cent than the R3,4 billion spent in the previous financial year.

Table 13: Provincial Capital Expenditure: Roads and Transport (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total capital expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	914 334	908 268	99,3%	–	6 066	0,7%	56,3%	896 981	1,3%
Free State	161 577	148 863	92,1%	–	12 714	7,9%	29,7%	155 982	-4,6%
Gauteng	698 640	726 728	104,0%	-28 088	–	-4,0%	39,9%	46 752	1454,4%
Kw aZulu-Natal	1 162 554	1 146 047	98,6%	–	16 507	1,4%	48,4%	1 090 468	5,1%
Limpopo	122 565	89 266	72,8%	–	33 299	27,2%	6,9%	59 541	49,9%
Mpumalanga	410 775	367 115	89,4%	–	43 660	10,6%	55,1%	259 756	41,3%
Northern Cape	108 032	101 991	94,4%	–	6 041	5,6%	48,5%	93 327	9,3%
North West	276 048	198 963	72,1%	–	77 085	27,9%	32,7%	265 081	-24,9%
Western Cape	856 932	833 357	97,2%	–	23 575	2,8%	80,0%	488 189	70,7%
Total	4 711 457	4 520 598	95,9%	-28 088	218 947	4,1%	44,6%	3 356 077	34,7%
				Net					
									190 859

25. Eight of the nine provinces recorded underspending of R219 million, with the lowest spending in North West (72,1 per cent) and Limpopo (72,8 per cent) followed by Mpumalanga (89,4 per cent).

Total Capital

26. Overall, provinces spent 84,5 per cent or R10,1 billion of their R12 billion adjusted capital budgets ("payments for capital assets"). Whilst this is an improvement of 13 per cent or R1,2 billion over the 2003/04 financial year, provinces have in aggregate underspent by a significant R1,9 billion compared to their adjusted capital budgets.
27. Table 14 indicates that the highest underspending provinces are Mpumalanga (66,1 per cent), North West (70,6 per cent), Northern Cape (74,8 per cent), Free State (75,9 per cent) and Gauteng (84,5 per cent). The highest spending on capital was in Eastern Cape (94,6 per cent), but in absolute terms, KwaZulu-Natal spent the most at R2,4 billion, followed by Gauteng at R1,8 billion and Eastern Cape at R1,6 billion.
28. The above figures assume that provincial departments are reporting on actual spending on capital. The large fluctuations in reporting on actual spending between the third-quarter and fourth-quarter reports indicate that not all provinces are reporting consistently or accurately on capital spending. It is not clear to what extent such reporting includes or excludes transfers to entities, and whether all funds transferred have actually been spent. Though lower than previous years, a further concern is on the high proportion of spending in the last month of the financial year ("fiscal dumping"). It is hoped that the audit process and relevant portfolio committees in provincial legislatures will assess to what extent provincial departments have actually spent their capital, including the actual outputs (infrastructure) produced.

Table 14: Provincial Capital Expenditure (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total provincial expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	1 705 868	1 613 812	94,6%	–	92 056	5,4%	5,2%	1 602 705	0,7%
Free State	659 547	500 411	75,9%	–	159 136	24,1%	3,9%	519 822	-3,7%
Gauteng	2 156 031	1 821 076	84,5%	–	334 955	15,5%	6,0%	1 430 131	27,3%
Kw aZulu-Natal	2 712 575	2 366 959	87,3%	–	345 616	12,7%	6,1%	2 464 157	-3,9%
Limpopo	1 475 545	1 298 968	88,0%	–	176 577	12,0%	5,2%	818 934	58,6%
Mpumalanga	1 008 032	666 494	66,1%	–	341 538	33,9%	5,1%	776 798	-14,2%
Northern Cape	281 061	210 253	74,8%	–	70 808	25,2%	4,7%	204 982	2,6%
North West	860 538	607 743	70,6%	–	252 795	29,4%	4,0%	374 134	62,4%
Western Cape	1 121 284	1 041 473	92,9%	–	79 811	7,1%	5,7%	769 785	35,3%
Total	11 980 481	10 127 188	84,5%	–	1 853 293	15,5%	5,4%	8 961 448	13,0%
				Net	1 853 293				

29. Underspending on capital appears to be a symptom of deficiencies in planning, project management, monitoring and implementation. Currently, Government is implementing an Infrastructure Investment Improvement Programme (IDIP) in all education and health departments, to improve their spending and reporting capacity on capital projects.

Housing and other conditional grants

30. Housing subsidy expenditure is no longer classified as capital in terms of the *New Reporting Economic Format*. Table 15 indicates that provinces transferred R4,4 billion or spent 99,3 per cent of their R4,5 billion Housing Subsidy conditional grant. These spending figures are a significant improvement compared to the last three financial years, though it is not clear to what extent some of the transfers reflects actual spending rather than further transfers.

31. Provincial housing departments do not link actual output information on housing (e.g. complete houses built, complete foundations or serviced plots provided) to their spending figures. Such information is required to assess the extent of housing delivery.

Table 15: Provincial Housing Subsidy Grant Expenditure: (Preliminary Outcome)

R thousand	Division of Revenue Act, 2004 & Gov Gazette 8 Dec 2004	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total capital expenditure	2003/04: Outcome	Year-on-year growth
Eastern Cape	598 900	572 815	95,6%	–	26 085	4,4%	35,5%	792 625	-27,7%
Free State	385 641	447 571	116,1%	-61 930	–	-16,1%	89,4%	325 403	37,5%
Gauteng	1 117 463	1 104 379	98,8%	–	13 084	1,2%	60,6%	969 752	13,9%
Kw aZulu-Natal	748 463	727 333	97,2%	–	21 130	2,8%	30,7%	912 038	-20,3%
Limpopo	369 818	313 394	84,7%	–	56 424	15,3%	24,1%	441 763	-29,1%
Mpumalanga	296 457	301 793	101,8%	-5 336	–	-1,8%	45,3%	275 408	9,6%
Northern Cape	89 442	90 245	100,9%	-803	–	-0,9%	42,9%	104 884	-14,0%
North West	421 378	371 822	88,2%	–	49 556	11,8%	61,2%	363 865	2,2%
Western Cape	446 035	511 159	114,6%	-65 124	–	-14,6%	49,1%	281 865	81,3%
Total	4 473 597	4 440 511	99,3%	-133 193	166 279	0,7%	43,8%	4 467 603	-0,6%
				Net	33 086				

Conditional Grants

32. Table 16 reflects spending on 2004/05 conditional grant allocations as at 31 March 2005 for all provinces. It excludes roll-overs from conditional grants from the 2003/04 financial year. It also excludes general conditional grants like National Tertiary Services, Health Professions Training and Development, and the Provincial Infrastructure grants, as spending against these grants is subsumed in a range of programmes across provincial departments and therefore no reporting is available on these grants.

33. The rate of conditional grants spending is slightly lower than total provincial expenditure with provinces having spent R11,3 billion or 93,7 per cent of the adjusted budget (2004 Division of Revenue Act and related *Government Gazette* allocations) of R12,1 billion, which excludes general conditional grants as mentioned above.

34. Grants reporting very low spending include Food Emergency Relief (29,9 per cent), Land Care Programme: Poverty Relief (72,5 per cent), Hospital Revitalisation (74,5 per cent) and HIV and Aids (Life Skills Education) (78 per cent), and Financial Management and Quality Enhancement (4,9 per cent). Though the Financial Management and Quality Enhancement grant ended in 2003/04, funds were rolled over from the 2003/04 to the Eastern Cape in 2004/05.

35. Funds have been transferred for the Malaria and Cholera Prevention grant during the last day of the 2003/04 financial year and are included in table 16 to register spending on this grant.

36. The total available for spending on conditional grants increases by R850 million if provincial roll-overs are included, like Housing Subsidy (R374,8 million), Human Settlement (R116,4 million), Local Government Capacity Building Fund (R58,8 million) and Child Support Extension (R52,1 million).

Table 16: Provincial Conditional Grants Expenditure (Preliminary Outcome)

	Division of Revenue Act, No. 5 of 2004	Government Gazette, 8 December 2004	Total available 2004/05	Transferred from National to province	Actual as at 31 March 2005	Actual as % of budget (<u>excluding provincial roll-overs</u>)
R thousand						
Agriculture	227 100	116 700	343 800	343 800	80 567	56,0%
Agricultural Disaster Management	–	100 000	100 000	100 000	48 802	48,8%
Land Care Programme: Poverty Relief and Infrastructure	27 100	16 700	43 800	43 800	31 765	72,5%
Comprehensive Agriculture Support Programme ¹	200 000	–	200 000	200 000		
Education	960 779	29 725	990 504	990 504	816 484	82,4%
HIV and Aids (Life Skills Education)	128 579	5 572	134 151	134 151	104 613	78,0%
Primary School Nutrition Programme	832 200	–	832 200	832 200	709 116	85,2%
Early Childhood Development	–	2 470	2 470	2 470	1 692	68,5%
Financial Management and Quality Enhancement	–	21 683	21 683	21 683	1 063	4,9%
Health	7 654 655	–	7 654 655	7 397 464	1 699 501	87,3%
Comprehensive HIV and Aids	781 612	–	781 612	732 381	770 077	98,5%
Hospital Management and Quality Improvement	141 832	–	141 832	117 006	135 301	95,4%
Hospital Revitalisation	911 856	–	911 856	733 802	679 631	74,5%
Integrated Nutrition Programme	112 218	–	112 218	107 138	96 579	86,1%
Malaria and Cholera Prevention	–	–	–	–	17 913	–
Health Professions Training and Development ¹	1 434 132	–	1 434 132	1 434 132		
National Tertiary Services ¹	4 273 005	–	4 273 005	4 273 005		
Housing	4 589 137	–	4 589 137	4 589 137	4 603 320	100,3%
Housing Subsidy	4 473 597	–	4 473 597	4 473 597	4 440 511	99,3%
Human Settlement and Redevelopment	115 540	–	115 540	115 540	162 809	140,9%
Provincial and Local Government	261 192	–	261 192	259 300	242 070	92,7%
Local Government Capacity Building Fund	220 459	–	220 459	218 569	195 245	88,6%
Provincial Project Management Capacity for Municipalities	40 733	–	40 733	40 731	46 825	115,0%
Land Affairs	–	6 250	6 250	6 250	–	0,0%
Land Distribution: Alexandra Urban Renewal Project	–	6 250	6 250	6 250	–	0,0%
National Treasury	3 348 362	–	3 348 362	3 348 362	–	0,0%
Provincial Infrastructure ¹	3 348 362	–	3 348 362	3 348 362		
Social Development	4 108 180	–	4 108 180	4 108 180	3 844 528	93,6%
Child Support Extension	3 650 000	–	3 650 000	3 650 000	3 656 415	100,2%
Food Emergency Relief	388 000	–	388 000	388 000	116 090	29,9%
HIV and Aids (Community-Based Care)	70 180	–	70 180	70 180	72 023	102,6%
Sport and Recreation South Africa	9 000	–	9 000	9 000	7 686	85,4%
Mass Sport and Recreation Participation Programme	9 000	–	9 000	9 000	7 686	85,4%
Total	21 158 405	152 675	21 311 080	21 051 997	11 294 156	93,7%

1) Spending of these grants is subsumed in the spending of a range of programmes across provincial departments and therefore no reporting is required on these grants.

37. Table 17 indicates the variance in spending of selected conditional grants between provinces, particularly for the Agricultural Disaster Management, Malaria and Cholera Prevention, Human Settlement and Redevelopment, Local Government Capacity Building Fund and Food Emergency Relief, where at least 5 provinces have spent less than 70 per cent of these grants. Percentages represent actual expenditure of total available (gazetted amounts and provincial roll-overs).

Table 17: Provincial Conditional Grants Spending Rate (Preliminary Outcome)

R thousand	Number of provinces spent less than 70%	Number of provinces spent between 70% and 90%	Number of provinces spent more than 90%
Agriculture			
Agricultural Disaster Management	7 EC, FS, KZN, LIM, MPU, NC, WC	0	1 NW
Land Care Programme: Poverty Relief and Infrastructure	4 EC, FS, KZN, NC	4 GT, LIM, MPU, WC	1 NW
Education			
HIV and Aids (Life Skills Education)	1 KZN	3 EC, GT, NW	5 FS, LIM, MPU, NC, WC
Primary School Nutrition Programme	1 EC	3 FS, KZN, NW	5 GT, LIM, MPU, NC, WC
Early Childhood Development	1 EC	0	0
Financial Management and Quality Enhancement	1 EC	0	0
Health			
Comprehensive HIV and Aids	0	4 EC, LIM, MPU, NW	5 FS, GT, KZN, NC, WC
Hospital Management and Quality Improvement	2 EC, NW	4 FS, KZN, LIM, MPU	3 GT, NC, WC
Hospital Revitalisation	4 GT, KZN, MPU, NW	3 EC, FS, NC	2 LIM, WC
Integrated Nutrition Programme	3 EC, LIM, NW	2 FS, MPU	4 GT, KZN, NC, WC
Malaria and Cholera Prevention	5 EC, FS, LIM, MPU, NW	1 KZN	1 NC
Housing			
Housing Subsidy	0	4 FS, LIM, NW, WC	5 EC, GT, KZN, MPU, NC
Human Settlement and Redevelopment	6 FS, LIM, MPU, NC, NW, WC	1 GT	2 EC, KZN
Provincial and Local Government			
Local Government Capacity Building Fund	5 EC, FS, LIM, NC, WC	1 GT	3 KZN, MPU, NW
Provincial Project Management Capacity for Municipal	2 FS, MPU	5 GT, KZN, LIM, NC, NW	2 EC, WC
Land Affairs			
Land Distribution: Alexandra Urban Renewal Project	1 GT	0	0
Social Development			
Child Support Extension	0	3 EC, FS, NC	6 GT, KZN, LIM, MPU, NW, WC
Food Emergency Relief	8 All except MPU	1 MPU	0
HIV and Aids (Community-Based Care)	0	2 FS, KZN	7 EC, GT, LIM, MPU, NC, NW, WC
Sport and Recreation South Africa			
Mass Sport and Recreation Participation Programme	2 GT, MPU	2 EC, NW	5 FS, KZN, LIM, NC, WC

1) Percentages represent actual expenditure of total available (Gazetted amounts + provincial roll-overs).

38. However, the number of provinces spending at higher levels (more than 90 per cent) has increased since the last quarter with seven grants (Primary School Nutrition programme, HIV and Aids (Life Skills Education), Comprehensive HIV and Aids (Health), Housing Subsidy, Child Support Extension, HIV and Aids (Community-based Care) and Mass Sport and Recreation Participation) performing well.

Personnel Expenditure

39. Personnel expenditure ("compensation of employees") is R87,8 billion or 98,2 per cent of the R89,5 billion adjusted personnel budget (Table 18). Northern Cape (R2 billion or 100,2 per cent), Limpopo (R12,5 billion or 99,9 per cent) and KwaZulu-Natal (R17,9 billion or 99,7 per cent) have the highest rate of personnel expenditure, with Free State and Mpumalanga the lowest at 95 per cent and 95,9 per cent respectively.
40. All provinces, except Northern Cape, recorded significant savings in personnel budgets (R1,7 billion or 1,8 per cent). The major savings are in Gauteng (R354,3 million), Free State (R325,1 million), Mpumalanga (R258,9 million) and Western Cape (R253,3 million).

Table 18: Provincial Personnel Expenditure (Preliminary Outcome)

	Adjusted budget	Actual as at 31 March 2005	Actual as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of Personnel to total provincial expenditure	2003/04: Audited outcome	Year-on-year growth
R thousand									
Eastern Cape	14 541 873	14 353 160	98,7%	–	188 713	1,3%	46,3%	13 407 228	7,1%
Free State	6 559 704	6 234 567	95,0%	–	325 137	5,0%	48,4%	5 715 288	9,1%
Gauteng	13 701 035	13 346 769	97,4%	–	354 266	2,6%	44,1%	12 630 126	5,7%
Kw aZulu-Natal	17 978 813	17 923 036	99,7%	–	55 777	0,3%	46,1%	16 083 789	11,4%
Limpopo	12 514 574	12 503 216	99,9%	–	11 358	0,1%	50,0%	11 456 701	9,1%
Mpumalanga	6 264 060	6 005 113	95,9%	–	258 947	4,1%	45,7%	5 503 733	9,1%
Northern Cape	1 965 768	1 969 525	100,2%	-3 757	–	-0,2%	44,2%	1 727 482	14,0%
North West	7 501 914	7 295 253	97,2%	–	206 661	2,8%	48,5%	6 851 848	6,5%
Western Cape	8 469 509	8 216 178	97,0%	–	253 331	3,0%	45,0%	7 569 576	8,5%
Total	89 497 250	87 846 817	98,2%	-3 757	1 654 190	1,8%	46,5%	80 945 771	8,5%
				Net	1 650 433				

Provincial Revenue

41. Provincial Revenue includes adjusted budgeted equitable share allocations of R164,1 billion, conditional grants of R21,3 billion and own revenue of R5,3 billion. National government transferred the entire equitable share and 98,8 per cent of the conditional grants allocations to provinces for the 2004/05 financial year. Provinces have collected R6,3 billion or 118,9 per cent of adjusted budgeted own revenue of R5,3 billion.
42. The adjusted budgeted R5,3 billion (adjusted from R5,4 billion) amount is significantly lower than the R6,6 billion collected in the previous financial year. However, the R6,3 billion collected is 5,4 per cent less than what was collected for the 2003/04 financial year. The collection rate varies from 106,8 per cent in Mpumalanga and 109,1 per cent in Free State, to a high of 125,5 per cent and 125,1 per cent in KwaZulu-Natal and Eastern Cape respectively, against the adjusted own revenue budget.

Table 19: Provincial Own Revenue Collection (Preliminary Outcome)

	Adjusted budget	Actual collection as at 31 March 2005	Actual receipts as % of adjusted budget	(Over)	Under	% (Over) / under of adjusted budget	% share of total provincial revenue	2003/04: Outcome	Year-on-year growth
R thousand									
Eastern Cape	276 095	345 501	125,1%	-69 406	-	-25,1%	1,1%	625 177	-44,7%
Free State	380 000	414 695	109,1%	-34 695	-	-9,1%	3,2%	759 056	-45,4%
Gauteng	1 405 194	1 635 678	116,4%	-230 484	-	-16,4%	5,2%	1 541 886	6,1%
Kw aZulu-Natal	901 275	1 131 390	125,5%	-230 115	-	-25,5%	2,9%	1 109 520	2,0%
Limpopo	350 988	423 923	120,8%	-72 935	-	-20,8%	1,7%	492 920	-14,0%
Mpumalanga	315 740	337 117	106,8%	-21 377	-	-6,8%	2,5%	321 026	5,0%
Northern Cape	94 305	106 443	112,9%	-12 138	-	-12,9%	2,3%	99 293	7,2%
North West	356 275	423 807	119,0%	-67 532	-	-19,0%	2,7%	345 021	22,8%
Western Cape	1 180 891	1 436 452	121,6%	-255 561	-	-21,6%	7,7%	1 319 511	8,9%
Total	5 260 763	6 255 007	118,9%	-994 244	-	-18,9%	3,3%	6 613 410	-5,4%
			Net	-994 244					