



national treasury

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PRESS RELEASE

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Provincial Budgets 2006/07 Financial Year First Quarter Provincial Budget Report

SUMMARY:

1. The first quarter provincial budget statement of receipts and payments published by the National Treasury on 28 July 2006 covers spending for the first three months of the 2006/07 financial year, which ended 30 June 2006.
2. This report also includes a comparative spending analysis for the same period over the 2005/06 financial year. It should be noted that the 2005/06 financial year figures have been adjusted to exclude Programme 2: Social assistance grants of provincial social development departments, which was transferred to national government with effect from 01 April 2006. This makes the 2006/07 figures and the 2005/06 figures comparable.
3. In aggregate, provinces have spent 21,0 per cent or R38,4 billion of their budgets of R183,0 billion for the first quarter ended 30 June 2006. This represents a spending increase year-on-year of 8,6 per cent or R3,0 billion higher than for the same period last year when provinces had spent R35,3 billion.
4. Education expenditure totalled R17,5 billion or 22,1 per cent of the R79,1 billion total budget for education, and remains the largest item on provincial budgets (43,2 per cent). The spending pattern reflects a R374,0 million or marginal 2,2 per cent increase over the same period last year.
5. Health expenditure totalled R11,8 billion or 22,9 per cent of the R51,7 billion total budget for health and with the shifting of social security it becomes the second largest item after education on provincial budgets (28,2 per cent). The spending pattern reflects a 15,8 per cent or R1,6 billion increase compared with the same period in 2005/06.
6. Provincial social welfare services departments have spent 17,7 per cent or R934,4 million of their budgets of R5,3 billion for the first quarter ended 30 June 2006.
7. Total personnel expenditure in aggregate is at 23,3 per cent or R24,5 billion of the R104,9 billion personnel budget which excludes the recent announced public service increases, which were only effected from 01 July 2006.

8. In aggregate, provinces spent 16,7 per cent or over R2,4 billion of their R14,7 billion combined capital budgets between the various sectors. This is a significant improvement of 28,9 per cent or R548,8 million more than the R1,9 billion spent over the same period last year.
9. Education provincial departments spent relatively low on capital at 13,4 per cent or R479,9 million for the first three months of their R3,6 billion education capital budgets. However, this is significantly higher at 25,4 per cent or R97,2 million more than spending over the same period of the previous financial year.
10. Health provincial departments, year-on-year, significantly improved on spending on capital by spending 19,9 per cent or R858,3 million against their R4,3 billion health capital budgets, which is 64,3 per cent or R335,9 million more than the same period for 2005/06.
11. The highest share of provincial capital budgets is for public works, roads and transport departments at 35,0 per cent. The sector spent 16,7 per cent or R860,8 million against its combined capital budgets of R5,1 billion.
12. Provincial own revenue collected thus far is at 25,5 per cent or R1,7 billion of the total own revenue budget of R6,6 billion. National government has transferred R42,2 billion of the equitable share, and R5,1 billion in conditional grants to provinces, during the first three months of 2006/07.

DETAILED ANALYSIS FOR THE FIRST THREE MONTHS OF THE 2006/07 FINANCIAL YEAR:

13. The budgeted figures for provinces are based on the 2006/07 provincial budgets (main budgets) tabled in the various provincial legislatures during February 2006.
14. This analysis is based on the statement of receipts and payments, published by the National Treasury on 28 July 2006 and is available on the treasury website www.treasury.gov.za. The information is based on the Section 40(4) PFMA reports signed by each head of provincial department to their provincial treasury by 15 July 2006, and submitted to the National Treasury by 22 July 2006. Queries on spending or budget numbers should therefore, in the first instance, be referred to the relevant head official of the provincial department, and in the second instance to the head official of the provincial treasury. Queries on conditional grants may also be referred to the relevant head official of the administering national department.
15. The information presented here is mostly restricted to financial information only. Non-financial performance information is becoming increasingly necessary to measure outputs and performance and to assess value for money.
16. Except for housing delivery statistics, where figures are published, no other sector is publishing non-financial data at this stage. However, work is under way to extend reporting on service delivery in other departments. As a result of the shift of social security grants to national government with effect from 01 April 2006, information on social grant beneficiaries is no longer part of this publication.
17. This first quarter information will provide a valuable basis for determining potential overspending pressures which provinces must take into account when preparing their adjustments budgets. The trends indicated as part of this publication, should be treated with caution given the fact that it is relatively early in the financial year.

Total Expenditure

18. Table 1 indicates that provinces have spent 21,0 per cent or R38,4 billion of budgeted expenditure after three months into the current financial year. Spending to date is at the same level in percentage terms against spending over the same period in the 2005/06 financial year. However, in nominal terms, spending is 8,6 per cent or R3,0 billion higher than for the same period last year when provinces had spent R35,3 billion. Between provinces, spending ranges from the lowest share of 18,8 per cent in Gauteng and 20,8 per cent in Limpopo and KwaZulu-Natal, to the highest at 23,5 per cent in Northern Cape and 22,7 per cent in Free State.

Table 1: Provincial Aggregated Budgets and Expenditure as at 30 June 2006

| R thousand | Main budget 2006/07 | | | | Actual as at 30 June 2006 | | | | Actual as % of main budget | 2005/06: Actual as at 30 June 2005 |
|----------------|---------------------|-------------------------|-----------------------------|--------------------|---------------------------|-------------------------|-----------------------------|-------------------|----------------------------|------------------------------------|
| | Current payments | Transfers and subsidies | Payments for capital assets | Total | Current payments | Transfers and subsidies | Payments for capital assets | Total | | |
| Eastern Cape | 21 110 682 | 3 688 074 | 2 028 368 | 26 827 124 | 4 715 416 | 669 174 | 404 469 | 5 789 059 | 21.6% | 5 234 430 |
| Free State | 9 681 558 | 1 362 986 | 581 638 | 11 626 182 | 2 127 789 | 412 112 | 97 510 | 2 637 411 | 22.7% | 2 424 998 |
| Gauteng | 22 348 850 | 9 562 626 | 2 548 263 | 34 459 739 | 4 955 421 | 1 099 396 | 414 214 | 6 469 031 | 18.8% | 5 768 724 |
| Kw aZulu-Natal | 29 593 311 | 4 065 809 | 3 532 490 | 37 191 610 | 6 542 383 | 688 026 | 501 012 | 7 731 421 | 20.8% | 7 540 099 |
| Limpopo | 18 584 714 | 2 577 236 | 1 736 839 | 22 898 789 | 4 087 916 | 398 611 | 272 126 | 4 758 653 | 20.8% | 4 364 826 |
| Mpumalanga | 10 488 185 | 1 213 193 | 1 103 602 | 12 804 980 | 2 370 871 | 253 957 | 201 417 | 2 826 245 | 22.1% | 2 754 297 |
| Northern Cape | 3 429 415 | 497 526 | 468 395 | 4 395 336 | 801 294 | 147 905 | 83 196 | 1 032 394 | 23.5% | 953 525 |
| North West | 11 539 731 | 1 780 647 | 1 079 675 | 14 400 053 | 2 520 099 | 343 229 | 220 683 | 3 084 011 | 21.4% | 2 784 803 |
| Western Cape | 14 341 223 | 2 417 596 | 1 616 771 | 18 375 590 | 3 150 853 | 652 275 | 253 458 | 4 056 585 | 22.1% | 3 512 943 |
| Total | 141 117 669 | 27 165 693 | 14 696 041 | 182 979 403 | 31 272 041 | 4 664 685 | 2 448 084 | 38 384 811 | 21.0% | 35 338 645 |

The 2005/06 financial year excludes Programme 2: Social assistance grants of provincial social development departments which was transferred to the SA Social Security Agency (SASSA) with effect from 01 April 2006.

Social Services

19. Social services budgets total R136,0 billion and comprise 74,3 per cent of the total R183,0 billion provincial budgets in 2006/07.
20. It should be noted that the 2005/06 financial year figures have been adjusted to exclude Programme 2: Social assistance grants of provincial social development departments, which was transferred to national government with effect from 01 April 2006. This makes the 2006/07 figures and the 2005/06 figures comparable.
21. The function shift further results in a decrease of the social services share to total provincial budgets from 81,8 per cent in 2005/06 to 74,3 per cent in 2006/07.
22. Table 2 indicates that provinces spent 22,2 per cent or R30,3 billion of the budgeted R136,0 billion for the three social services (education, health and social welfare services). This is 7,3 per cent or R2,1 billion more than spending over the same period in 2005/06.

Table 2: Provincial Social Services Expenditure as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | %share of total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|--------------------|--------------------|---------------------------------|----------------------------------|---|---|----------------------------|
| R thousand | | | | | | |
| Education | 79 050 799 | 17 482 245 | 22,1% | 45,5% | 17 108 223 | 2,2% |
| Health | 51 685 947 | 11 840 289 | 22,9% | 30,8% | 10 224 296 | 15,8% |
| Social Development | 5 288 973 | 934 352 | 17,7% | 2,4% | 859 504 | 8,7% |
| Total | 136 025 719 | 30 256 886 | 22,2% | 78,8% | 28 192 023 | 7,3% |

Education

23. Education budgets of R79,1 billion comprise 43,2 per cent of total provincial budgets. Table 3 indicates that education expenditure is at 22,1 per cent or R17,5 billion of the total education budget, an increase of 2,2 per cent or R374,0 million compared to the R17,1 billion spent over the same period in 2005/06.
24. Spending between provinces for education ranges from the lowest rate in Gauteng at 20,5 per cent and Limpopo at 21,7 per cent to the highest in Northern Cape at 25,6 per cent and Free State at 24,3 per cent.

Table 3: Provincial Education Expenditure as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | %share of Education to total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|-------------------|---------------------------------|----------------------------------|---|---|----------------------------|
| R thousand | | | | | | |
| Eastern Cape | 13 065 022 | 2 876 014 | 22,0% | 49,7% | 2 647 292 | 8,6% |
| Free State | 5 272 241 | 1 280 210 | 24,3% | 48,5% | 1 168 183 | 9,6% |
| Gauteng | 12 281 967 | 2 517 374 | 20,5% | 38,9% | 2 499 373 | 0,7% |
| Kw aZulu-Natal | 16 209 078 | 3 561 980 | 22,0% | 46,1% | 3 709 983 | -4,0% |
| Limpopo | 11 066 540 | 2 402 895 | 21,7% | 50,5% | 2 391 008 | 0,5% |
| Mpumalanga | 6 218 010 | 1 420 252 | 22,8% | 50,3% | 1 415 136 | 0,4% |
| Northern Cape | 1 644 424 | 421 751 | 25,6% | 40,9% | 414 650 | 1,7% |
| North West | 6 305 386 | 1 435 433 | 22,8% | 46,5% | 1 349 886 | 6,3% |
| Western Cape | 6 988 131 | 1 566 336 | 22,4% | 38,6% | 1 512 712 | 3,5% |
| Total | 79 050 799 | 17 482 245 | 22,1% | 45,5% | 17 108 223 | 2,2% |

25. Spending on goods and services (mostly learner support material) in education is recorded at 11,4 per cent or R1,0 billion of its R8,7 billion budget. It comprises approximately 11,0 per cent of total provincial education budgets, which is 1,0 per cent more than the share in 2005/06.

Table 4: Provincial Personnel Expenditure: Education as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Education personnel to total Education expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|-------------------|---------------------------------|----------------------------------|--|---|----------------------------|
| R thousand | | | | | | |
| Eastern Cape | 10 432 269 | 2 482 547 | 23,8% | 86,3% | 2 475 905 | 0,3% |
| Free State | 4 185 791 | 976 655 | 23,3% | 76,3% | 986 933 | -1,0% |
| Gauteng | 9 579 954 | 2 121 722 | 22,1% | 84,3% | 2 059 948 | 3,0% |
| Kw aZulu-Natal | 12 941 988 | 3 013 917 | 23,3% | 84,6% | 2 938 881 | 2,6% |
| Limpopo | 8 766 625 | 2 184 842 | 24,9% | 90,9% | 2 212 913 | -1,3% |
| Mpumalanga | 4 595 159 | 1 119 485 | 24,4% | 78,8% | 1 051 741 | 6,4% |
| Northern Cape | 1 314 953 | 314 443 | 23,9% | 74,6% | 309 250 | 1,7% |
| North West | 5 039 244 | 1 241 264 | 24,6% | 86,5% | 1 233 801 | 0,6% |
| Western Cape | 5 385 473 | 1 258 792 | 23,4% | 80,4% | 1 238 511 | 1,6% |
| Total | 62 241 456 | 14 713 667 | 23,6% | 84,2% | 14 507 883 | 1,4% |

26. The bulk of education expenditure is on personnel (84,2 per cent), amounting to 23,6 per cent or R14,7 billion of the education personnel budgets of R62,2 billion.
27. Spending between provinces ranges from the lowest in Gauteng at 22,1 per cent to the highest in Limpopo and North West at 24,9 per cent and 24,6 per cent respectively.
28. Education capital expenditure is somewhat low at 13,4 per cent or R479,9 million of the R3,6 billion budget. However, this is significantly higher than the R382,7 million spent on capital over the same period last year.
29. Spending between provinces ranges from the lowest in KwaZulu-Natal at 1,0 per cent and Gauteng at 7,6 per cent to the highest in Northern Cape at 43,9 per cent and North West at 33,3 per cent.
30. Education capital expenditure reflects wide fluctuations compared to last year. Some provinces show very significant improvements while others are moving slowly to implement projects.

Table 5: Provincial Capital Expenditure: Education as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Education Capital to total Capital expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|------------------|------------------------------|----------------------------------|---|--|----------------------------|
| R thousand | | | | | | |
| Eastern Cape | 733 690 | 166 237 | 22,7% | 41,1% | 7 843 | 2019,6% |
| Free State | 54 430 | 6 315 | 11,6% | 6,5% | 12 203 | -48,3% |
| Gauteng | 725 679 | 54 871 | 7,6% | 13,2% | 92 911 | -40,9% |
| KwaZulu-Natal | 843 428 | 8 725 | 1,0% | 1,7% | 44 962 | -80,6% |
| Limpopo | 494 156 | 72 572 | 14,7% | 26,7% | 91 601 | -20,8% |
| Mpumalanga | 277 539 | 66 452 | 23,9% | 33,0% | 41 226 | 61,2% |
| Northern Cape | 25 273 | 11 089 | 43,9% | 13,3% | 4 694 | 136,2% |
| North West | 205 025 | 68 251 | 33,3% | 30,9% | 41 244 | 65,5% |
| Western Cape | 218 945 | 25 349 | 11,6% | 10,0% | 46 010 | -44,9% |
| Total | 3 578 165 | 479 861 | 13,4% | 19,6% | 382 694 | 25,4% |

Health

31. Health budgets totalling R51,7 billion comprise 28,2 per cent of total provincial budgets. Table 6 indicates that health expenditure is at 22,9 per cent or R11,8 billion of the total health budget, representing an increase of 15,8 per cent or R1,6 billion compared to spending after the first quarter of the 2005/06 financial year.

Table 6: Provincial Health Expenditure as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Health to total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|-------------------|---------------------------------|----------------------------------|---|---|----------------------------|
| R thousand | | | | | | |
| Eastern Cape | 6 892 701 | 1 709 599 | 24,8% | 29,5% | 1 579 324 | 8,2% |
| Free State | 3 249 613 | 768 057 | 23,6% | 29,1% | 709 287 | 8,3% |
| Gauteng | 10 404 351 | 2 391 398 | 23,0% | 37,0% | 1 974 314 | 21,1% |
| Kw aZulu-Natal | 11 736 761 | 2 630 856 | 22,4% | 34,0% | 2 328 995 | 13,0% |
| Limpopo | 5 447 933 | 1 133 208 | 20,8% | 23,8% | 956 582 | 18,5% |
| Mpumalanga | 2 912 242 | 721 499 | 24,8% | 25,5% | 613 295 | 17,6% |
| Northern Cape | 1 291 249 | 290 405 | 22,5% | 28,1% | 228 203 | 27,3% |
| North West | 3 427 604 | 714 947 | 20,9% | 23,2% | 615 798 | 16,1% |
| Western Cape | 6 323 493 | 1 480 320 | 23,4% | 36,5% | 1 218 498 | 21,5% |
| Total | 51 685 947 | 11 840 289 | 22,9% | 30,8% | 10 224 296 | 15,8% |

32. Limpopo and North West health have spent the lowest share of their budgets after the first three months at 20,8 per cent and 20,9 per cent respectively. The highest shares are recorded in Eastern Cape and Mpumalanga both at 24,8 per cent.
33. Table 7 indicates that health personnel expenditure is R6,7 billion or 23,5 per cent of the health personnel budget, an increase of R748,7 million or 12,5 per cent compared to the first quarter R6,0 billion spent in 2005/06.

Table 7: Provincial Personnel Expenditure: Health as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Health personnel to total Health expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|-------------------|---------------------------------|----------------------------------|---|---|----------------------------|
| R thousand | | | | | | |
| Eastern Cape | 3 732 331 | 898 237 | 24,1% | 52,5% | 820 290 | 9,5% |
| Free State | 2 014 412 | 471 062 | 23,4% | 61,3% | 435 504 | 8,2% |
| Gauteng | 5 081 905 | 1 272 960 | 25,0% | 53,2% | 1 106 073 | 15,1% |
| KwaZulu-Natal | 6 961 199 | 1 554 346 | 22,3% | 59,1% | 1 378 395 | 12,8% |
| Limpopo | 3 181 101 | 743 421 | 23,4% | 65,6% | 663 659 | 12,0% |
| Mpumalanga | 1 571 871 | 401 479 | 25,5% | 55,6% | 339 409 | 18,3% |
| Northern Cape | 585 742 | 143 859 | 24,6% | 49,5% | 123 239 | 16,7% |
| North West | 1 901 573 | 452 306 | 23,8% | 63,3% | 409 304 | 10,5% |
| Western Cape | 3 598 358 | 786 543 | 21,9% | 53,1% | 699 674 | 12,4% |
| Total | 28 628 492 | 6 724 213 | 23,5% | 56,8% | 5 975 547 | 12,5% |

34. Spending on non-personnel non-capital items in health, which includes medicines, drugs and other current expenditure is recorded at 22,7 per cent or R4,3 billion of the R18,7 billion budget, an increase of 14,3 per cent or R531,4 million compared to the first

quarter R3,7 billion spent in 2005/06. This appears to be an area of spending pressure on health budgets in a number of provinces.

35. Capital expenditure in the health sector is at 19,9 per cent or R858,3 million. This is significantly higher at 64,3 per cent or R335,9 million more than the R522,3 million spent for the same period last year (Table 8).

Table 8: Provincial Capital Expenditure: Health as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Health Capital to total Capital expenditure | 2005/06: Actual as at 30 June 2005 | Year-on-year growth |
|-------------------|------------------|------------------------------|----------------------------------|--|--|------------------------|
| R thousand | | | | | | |
| Eastern Cape | 463 791 | 119 665 | 25,8% | 29,6% | 100 414 | 19,2% |
| Free State | 162 950 | 33 087 | 20,3% | 33,9% | 27 818 | 18,9% |
| Gauteng | 943 756 | 250 379 | 26,5% | 60,4% | 52 556 | 376,4% |
| KwaZulu-Natal | 1 039 618 | 177 393 | 17,1% | 35,4% | 195 239 | -9,1% |
| Limpopo | 573 108 | 86 453 | 15,1% | 31,8% | 33 433 | 158,6% |
| Mpumalanga | 216 717 | 41 731 | 19,3% | 20,7% | 28 033 | 48,9% |
| Northern Cape | 269 212 | 35 724 | 13,3% | 42,9% | 16 249 | 119,9% |
| North West | 266 389 | 34 722 | 13,0% | 15,7% | 24 397 | 42,3% |
| Western Cape | 379 680 | 79 097 | 20,8% | 31,2% | 44 191 | 79,0% |
| Total | 4 315 221 | 858 251 | 19,9% | 35,1% | 522 330 | 64,3% |

36. Between provinces, with a varying degree of spending, the lowest rate of spending is in North West at 13,0 per cent and Northern Cape at 13,3 per cent with Gauteng and Eastern Cape recording the highest rate of spending at 26,5 per cent and 25,8 per cent respectively.

Social Welfare Services

37. Social welfare services budgets at R5,2 billion comprise 2,9 per cent of total provincial budgets.
38. With the shifting of the social security function to national government, provinces are only left with social welfare services.
39. The function shift further results in a decrease of the social welfare services share to total provincial budgets from 27,4 per cent in 2005/06 to only 2,9 per cent in 2006/07.
40. Provinces registered spending of 17,7 per cent or R934,4 million of their R5,3 billion budget (Table 9). This represents an increase of 8,7 per cent or R74,8 million above the R859,5 million spent over the same period last year (excluding social assistance grants).
41. Between provinces, there are varying degrees of spending with the lowest being in Mpumalanga at only 9,9 per cent and North West at 15,7 per cent while the highest being Eastern Cape and Western Cape at 21,6 per cent and 19,9 per cent respectively.

Table 9: Provincial Social Welfare Services Expenditure as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Soc Welfare to total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|------------------|------------------------------|----------------------------------|--|--|-------------------------|
| R thousand | | | | | | |
| Eastern Cape | 762 772 | 164 750 | 21,6% | 2,8% | 95 162 | 73,1% |
| Free State | 417 850 | 79 726 | 19,1% | 3,0% | 70 247 | 13,5% |
| Gauteng | 981 782 | 160 995 | 16,4% | 2,5% | 166 829 | -3,5% |
| KwaZulu-Natal | 894 810 | 167 541 | 18,7% | 2,2% | 162 979 | 2,8% |
| Limpopo | 431 750 | 68 522 | 15,9% | 1,4% | 80 737 | -15,1% |
| Mpumalanga | 430 279 | 42 613 | 9,9% | 1,5% | 52 157 | -18,3% |
| Northern Cape | 215 025 | 38 475 | 17,9% | 3,7% | 39 706 | -3,1% |
| North West | 427 562 | 67 336 | 15,7% | 2,2% | 51 520 | 30,7% |
| Western Cape | 727 143 | 144 394 | 19,9% | 3,6% | 140 167 | 3,0% |
| Total | 5 288 973 | 934 352 | 17,7% | 2,4% | 859 504 | 8,7% |

The 2005/06 financial year excludes Programme 2: Social assistance grants of provincial social development departments which was transferred to the SA Social Security Agency (SASSA) with effect from 01 April 2006.

Housing and Local Government

42. Housing and local government budgets at R9,3 billion comprise 5,1 per cent of total provincial budgets.
43. Housing and local government spending at the end of the first quarter is at 17,0 per cent or R1,6 billion of the R9,3 billion budget (Table 10). This represents an increase of 1,8 per cent or R28,3 million of the R1,6 billion spent over the same period last year.
44. Spending varies between provinces with the lowest being in Eastern Cape at 11,3 per cent and KwaZulu-Natal at 12,2 per cent while the highest being Western Cape at 27,9 per cent and North West at 24,4 per cent.

Table 10: Provincial Housing and Local Government Expenditure as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Local Gov & Housing to total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on-year growth |
|-------------------|------------------|------------------------------|----------------------------------|---|--|------------------------|
| R thousand | | | | | | |
| Eastern Cape | 1 250 606 | 141 761 | 11,3% | 2,4% | 155 030 | -8,6% |
| Free State | 718 062 | 133 019 | 18,5% | 5,0% | 135 693 | -2,0% |
| Gauteng | 2 241 812 | 358 349 | 16,0% | 5,5% | 426 944 | -16,1% |
| KwaZulu-Natal | 1 847 718 | 224 729 | 12,2% | 2,9% | 272 427 | -17,5% |
| Limpopo | 834 158 | 144 339 | 17,3% | 3,0% | 83 864 | 72,1% |
| Mpumalanga | 625 770 | 121 080 | 19,3% | 4,3% | 121 637 | -0,5% |
| Northern Cape | 260 680 | 53 472 | 20,5% | 5,2% | 81 530 | -34,4% |
| North West | 774 314 | 188 932 | 24,4% | 6,1% | 189 311 | -0,2% |
| Western Cape | 776 962 | 216 577 | 27,9% | 5,3% | 87 479 | 147,6% |
| Total | 9 330 082 | 1 582 258 | 17,0% | 4,1% | 1 553 915 | 1,8% |

Housing conditional grant

45. Most of the housing and local government expenditure is on the Integrated Housing and Human Settlement Development conditional grant (formally the housing subsidy grant). Table 11 indicates that provinces spent 16,6 per cent or just over R1,0 billion of their R6,3 billion housing conditional grant. These spending figures are marginally lower compared to last year with spending decreasing by 0,5 per cent or R5,5 million over the same period last year.

Table 11: Provincial Integrated Housing and Human Settlement Development Grant Expenditure as at 30 June 2006

| R thousand | Division of Revenue Act, 2006 (Act No. 2 of 2006) | Actual as at 30 June 2006 | Actual as % of main budget | % share of grant to total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on-year growth |
|---------------|---|---------------------------|----------------------------|--|------------------------------------|---------------------|
| Eastern Cape | 761 994 | 71 493 | 9,4% | 1,2% | 98 844 | -27,7% |
| Free State | 522 601 | 108 535 | 20,8% | 4,1% | 104 663 | 3,7% |
| Gauteng | 1 757 666 | 300 095 | 17,1% | 4,6% | 346 026 | -13,3% |
| KwaZulu-Natal | 1 048 376 | 111 202 | 10,6% | 1,4% | 146 681 | -24,2% |
| Limpopo | 521 331 | 49 921 | 9,6% | 1,0% | 48 839 | 2,2% |
| Mpumalanga | 421 002 | 61 246 | 14,5% | 2,2% | 75 591 | -19,0% |
| Northern Cape | 104 774 | 14 020 | 13,4% | 1,4% | 46 602 | -69,9% |
| North West | 613 405 | 168 107 | 27,4% | 5,5% | 138 509 | 21,4% |
| Western Cape | 598 800 | 167 911 | 28,0% | 4,1% | 52 279 | 221,2% |
| Total | 6 349 949 | 1 052 530 | 16,6% | 2,7% | 1 058 034 | -0,5% |

Housing delivery

46. For the first time in the 2006/07 financial year this report includes data on housing delivery (non-financial data).
47. Table 12 indicates for the first quarter that there were 43 approved projects, 33 219 approved subsidies (planned units) as well as 40 904 beneficiaries approved. The number of sites and units completed as at 30 June 2006 are 34 986 and 28 978 respectively.

Table 12: Housing Delivery Statistics as at 30 June 2006

| Number | Approved projects | Approved subsidies (planned units) | Beneficiaries approved | Housing Delivery | |
|---------------|-------------------|------------------------------------|------------------------|------------------|-----------------|
| | | | | Sites completed | Units completed |
| Eastern Cape | – | 5 000 | 1 769 | 2 857 | 1 284 |
| Free State | 4 | 750 | 1 323 | 300 | 1 213 |
| Gauteng | 24 | 16 559 | 6 159 | 6 710 | 6 282 |
| KwaZulu-Natal | 2 | 1 500 | 13 934 | 2 969 | 3 153 |
| Limpopo | 1 | 100 | 3 483 | 6 487 | 5 915 |
| Mpumalanga | 2 | 200 | 306 | 57 | 2 620 |
| Northern Cape | 3 | 990 | 335 | 422 | 542 |
| North West | 5 | 8 120 | 9 151 | 8 875 | 2 742 |
| Western Cape | 2 | – | 4 444 | 6 309 | 5 227 |
| Total | 43 | 33 219 | 40 904 | 34 986 | 28 978 |

Personnel expenditure

48. Personnel expenditure (“compensation of employees”) is at 23,3 per cent or R24,5 billion of the R104,9 billion budget. Spending to date is 4,9 per cent or R1,1 billion higher than the R23,3 billion spent last year.
49. Western Cape and KwaZulu-Natal recorded the lowest rates of personnel spending at 22,6 per cent and 22,9 per cent respectively while Limpopo and Mpumalanga recorded the highest rates at 24,2 per cent and 24,1 per cent respectively.

Table 13: Provincial Personnel Expenditure as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Personnel to total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on-year growth |
|-------------------|--------------------|---------------------------|----------------------------|--|------------------------------------|---------------------|
| R thousand | | | | | | |
| Eastern Cape | 16 284 955 | 3 847 423 | 23,6% | 66,5% | 3 741 369 | 2,8% |
| Free State | 7 379 544 | 1 694 836 | 23,0% | 64,3% | 1 662 151 | 2,0% |
| Gauteng | 16 308 163 | 3 754 924 | 23,0% | 58,0% | 3 498 574 | 7,3% |
| KwaZulu-Natal | 22 088 548 | 5 060 925 | 22,9% | 65,5% | 4 781 018 | 5,9% |
| Limpopo | 14 269 965 | 3 457 772 | 24,2% | 72,7% | 3 369 731 | 2,6% |
| Mpumalanga | 7 400 937 | 1 781 218 | 24,1% | 63,0% | 1 637 373 | 8,8% |
| Northern Cape | 2 409 568 | 565 681 | 23,5% | 54,8% | 525 348 | 7,7% |
| North West | 8 526 390 | 2 018 751 | 23,7% | 65,5% | 1 957 553 | 3,1% |
| Western Cape | 10 210 630 | 2 302 978 | 22,6% | 56,8% | 2 173 264 | 6,0% |
| Total | 104 878 700 | 24 484 508 | 23,3% | 63,8% | 23 346 380 | 4,9% |

Overall capital budgets and expenditure

50. Provinces have spent 16,7 per cent or over R2,4 billion of their R14,7 billion capital budgets (“payment for capital assets”). This is significantly higher (28,9 per cent or R548,8 million) than the R1,9 billion spent over the same period last year.

Table 14: Provincial Capital (Payments for Capital Assets) Expenditure as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Capital to total provincial expenditure | 2005/06: Actual as at 30 June 2005 | Year-on-year growth |
|-------------------|-------------------|---------------------------|----------------------------|--|------------------------------------|---------------------|
| R thousand | | | | | | |
| Eastern Cape | 2 028 368 | 404 469 | 19,9% | 7,0% | 259 937 | 55,6% |
| Free State | 581 638 | 97 510 | 16,8% | 3,7% | 84 760 | 15,0% |
| Gauteng | 2 548 263 | 414 214 | 16,3% | 6,4% | 203 623 | 103,4% |
| KwaZulu-Natal | 3 532 490 | 501 012 | 14,2% | 6,5% | 562 240 | -10,9% |
| Limpopo | 1 736 839 | 272 126 | 15,7% | 5,7% | 169 037 | 61,0% |
| Mpumalanga | 1 103 602 | 201 417 | 18,3% | 7,1% | 230 334 | -12,6% |
| Northern Cape | 468 395 | 83 196 | 17,8% | 8,1% | 54 423 | 52,9% |
| North West | 1 079 675 | 220 683 | 20,4% | 7,2% | 134 737 | 63,8% |
| Western Cape | 1 616 771 | 253 458 | 15,7% | 6,2% | 200 146 | 26,6% |
| Total | 14 696 041 | 2 448 084 | 16,7% | 6,4% | 1 899 237 | 28,9% |

51. Table 14 also provides capital spending information by province, which indicates low rates of spending in KwaZulu-Natal at 14,2 per cent and Limpopo at 15,7 per cent to the highest in North West at 20,4 per cent and Eastern Cape at 19,9 per cent. However, in

absolute terms, KwaZulu-Natal has spent the most at R501,0 million followed by Gauteng at R414,2 million and Eastern Cape at R404,5 million.

52. The biggest capital budgets in provinces are in public works, roads and transport departments at 35,0 per cent or R5,1 billion of the total provincial capital budget of R14,7 billion. Spending for these departments is at 16,7 per cent or R860,8 million which is 7,7 per cent or R61,5 million more than the R799,3 million spent last year over the same period.
53. Between provinces, the lowest rate of spending is recorded in Limpopo at 12,2 per cent and Gauteng at 13,9 per cent, whilst North West and KwaZulu-Natal recorded the highest rates of spending at 21,5 per cent and 19,3 per cent respectively.

Table 15: Provincial Capital Expenditure: Public Works, Roads and Transport as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of PWRT Capital to total Capital expenditure | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|------------------|------------------------------|----------------------------------|--|--|----------------------------|
| R thousand | | | | | | |
| Eastern Cape | 733 176 | 107 580 | 14,7% | 26,6% | 136 189 | -21,0% |
| Free State | 272 988 | 41 342 | 15,1% | 42,4% | 29 324 | 41,0% |
| Gauteng | 568 051 | 78 947 | 13,9% | 19,1% | 16 342 | 383,1% |
| KwaZulu-Natal | 1 477 459 | 285 863 | 19,3% | 57,1% | 274 899 | 4,0% |
| Limpopo | 177 654 | 21 594 | 12,2% | 7,9% | 13 949 | 54,8% |
| Mpumalanga | 405 902 | 75 764 | 18,7% | 37,6% | 140 887 | -46,2% |
| Northern Cape | 137 916 | 19 829 | 14,4% | 23,8% | 24 043 | -17,5% |
| North West | 417 599 | 89 929 | 21,5% | 40,8% | 62 885 | 43,0% |
| Western Cape | 954 739 | 139 944 | 14,7% | 55,2% | 100 816 | 38,8% |
| Total | 5 145 484 | 860 792 | 16,7% | 35,2% | 799 334 | 7,7% |

Conditional grants

54. Table 16 (overleaf) reflects spending on 2006/07 conditional grant allocations as at 30 June 2006 for all provinces. It excludes expected conditional grants roll-overs from the 2005/06 financial year and spending on general purpose conditional grants (Schedule 4 grants) like National Tertiary Services, Hospital Professions Training and Development, and the Provincial Infrastructure grants, as reporting against these grants cannot be separated from the province's health and capital budgets.
55. Spending on the Comprehensive Agricultural Support Programme Grant (also Schedule 4) is subsumed in a range of programmes across provincial departments and therefore no separate reporting is required in terms of the Division of Revenue Act, 2006 (Act No. 2 of 2006).
56. The total conditional grant allocation for all grants is R25,9 billion with health making up the bulk with R10,0 billion.
57. Against the total allocation of R15,0 billion, which excludes Schedule 4 grants, the rate of conditional grants spending amounts to 13,9 per cent or R2,1 billion.
58. Specific grants that show low rates of spending include Forensic Pathology Services (3,9 per cent) and Mass Sport and Recreation Participation Programme (7,4 per cent).
59. National departments administering the above conditional grants, monitor transfers, spending and outputs on the conditional grants they administer.

Table 16: Provincial Conditional Grants Expenditure as at 30 June 2006

| R thousand | Division of Revenue Act, 2006 (Act No. 2 of 2006) | Transferred from National to province | Actual as at 30 June 2006 | Actual as % of budget (<u>excluding</u> <u>schedule 4</u> <u>grants</u>) |
|--|---|---|------------------------------|--|
| Agriculture | 344 500 | 29 977 | 5 089 | 11,4% |
| ^{1.} Comprehensive Agricultural Support Programme | 300 000 | 25 968 | | |
| Land Care Programme Grant: Poverty Relief and Infra | 44 500 | 4 009 | 5 089 | 11,4% |
| Education | 1 712 507 | 542 666 | 501 579 | 29,3% |
| Further Education and Training College Sector Recap | 470 000 | 235 000 | 249 251 | 53,0% |
| HIV and Aids | 144 471 | 33 153 | 18 898 | 13,1% |
| National School Nutrition Programme | 1 098 036 | 274 513 | 233 430 | 21,3% |
| Health | 10 033 366 | 2 472 562 | 520 458 | 14,7% |
| Comprehensive HIV and Aids | 1 567 214 | 377 148 | 235 953 | 15,1% |
| Forensic Pathology Services | 525 176 | 131 295 | 20 286 | 3,9% |
| ^{1.} Health Professions Training and Development | 1 520 180 | 380 043 | | |
| Hospital Revitalisation | 1 439 647 | 338 785 | 264 219 | 18,4% |
| ^{1.} National Tertiary Services | 4 981 149 | 1 245 291 | | |
| Housing | 6 349 949 | 1 394 579 | 1 052 530 | 16,6% |
| Integrated Housing and Human Settlement Developm | 6 349 949 | 1 394 579 | 1 052 530 | 16,6% |
| Land Affairs | 8 000 | - | | |
| ^{1.} Land Distribution: Alexandra Urban Renewal Project C | 8 000 | - | | |
| National Treasury | 4 118 119 | 658 180 | | |
| ^{1.} Provincial Infrastructure Grant | 4 118 119 | 658 180 | | |
| Sport and Recreation South Africa | 119 000 | 45 384 | 8 845 | 7,4% |
| Mass Sport and Recreation Participation Programme | 119 000 | 45 384 | 8 845 | 7,4% |
| Transport | 3 241 000 | - | - | 0,0% |
| Gautrain Rapid Rail Link | 3 241 000 | - | - | 0,0% |
| Total | 25 926 441 | 5 143 348 | 2 088 501 | 13,9% |

^{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.

60. Table 17 indicates that provinces are spending slowly on conditional grants (Table 17 excludes schedule 4 conditional grants). The figures indicate that five or more provinces have spent less than 10 per cent of their grant budget after three months for the following grants: Land Care Programme, Forensic Pathology Services and Mass Sport and Recreation Participation Programme.

61. The table also indicates the number of provinces spending at slightly higher levels between 10 and 20 per cent and greater than 20 per cent of their conditional grant budgets. Although the rate of spending is encouraging and reflects an improvement over previous financial years, overall spending still lies below average.

Table 17: Selected Conditional Grants Spending Rate as at 30 June 2006

| | Number of provinces spent 10% or less | Number of provinces spent between 10% and 20% | Number of provinces spent more than 20% |
|---|---|---|---|
| Agriculture | | | |
| Land Care Programme: Poverty Relief And Infrastructure Development | 5 EC, FS, GT, MPU, NW | 2 KZN, WC | 2 LIM, NC |
| Education | | | |
| Further Education And Training College Sector Recapitalisation | | | 9 All |
| HIV And Aids (Life Skills Education) National School Nutrition Programme | 4 GT, LIM, MPU, NW | 2 FS, KZN 5 EC, GT, MPU, NW, WC | 3 EC, NC, WC 4 FS, KZN, LIM, NC |
| Health | | | |
| Comprehensive HIV And Aids Forensic Pathology Services | 2 KZN, LIM 8 EC, FS, GT, KZN, MPU, NC, NW, WC | 4 FS, GT, MPU, NW 1 LIM | 3 EC, NC, WC |
| Hospital Revitalisation | 1 NC | 5 EC, FS, KZN, NW, WC | 3 GT, LIM, MPU |
| Housing | | | |
| Integrated Housing And Human Settlement Development | 2 EC, LIM | 4 GT, KZN, MPU, NC | 3 FS, NW, WC |
| Sport and Recreation South Africa | | | |
| Mass Sport And Recreation Participation Programme | 7 EC, FS, GT, MPU, NC, NW, WC | 2 KZN, LIM | |
| Transport | | | |
| Gautrain Rapid Rail Link | 1 GT | | |

Percentages represent actual expenditure of main budget as published in the Division of Revenue Act, 2006 (Act No.2 of 2006).

Provincial revenue

62. Provincial revenue includes budgeted equitable share allocations of R150,8 billion, conditional grants of R25,9 billion and own revenue of R6,6 billion. The total provincial revenue received and collected to date is recorded at 26,8 per cent or R49,0 billion of total budgeted total revenue of R183,2 billion.
63. National government transferred 28,0 per cent or R42,2 billion of the equitable share, and 19,8 per cent or R5,1 billion in conditional grants, to provinces after the first three months of the current financial year.
64. After three months, provinces have collected 25,5 per cent or R1,7 billion of the budgeted own revenue of R6,6 billion which is 11,2 per cent or R168,7 million more than what was collected by the end of June for the previous financial year.
65. The collection rate varies from 15,7 per cent in Limpopo and 19,0 per cent in Northern Cape, to a high of 35,5 per cent in Eastern Cape and 26,9 per cent in Mpumalanga. It appears at this stage that most provinces will exceed their collection of budgeted own revenue. Often, the over collection reflects understatement of targets rather than improved fiscal effort.

Table 18: Provincial Own Revenue Collection as at 30 June 2006

| | Main budget | Actual as at 30 June 2006 | Actual as % of main budget | % share of Own Revenue to total provincial revenue | 2005/06: Actual as at 30 June 2005 | Year-on- year growth |
|-------------------|------------------|------------------------------|----------------------------------|--|--|-------------------------|
| R thousand | | | | | | |
| Eastern Cape | 472 484 | 167 696 | 35,5% | 2,2% | 92 042 | 82,2% |
| Free State | 395 000 | 100 672 | 25,5% | 3,2% | 99 061 | 1,6% |
| Gauteng | 1 758 263 | 458 042 | 26,1% | 5,5% | 412 265 | 11,1% |
| KwaZulu-Natal | 1 173 812 | 311 542 | 26,5% | 3,1% | 305 646 | 1,9% |
| Limpopo | 396 230 | 62 344 | 15,7% | 1,0% | 64 380 | -3,2% |
| Mpumalanga | 322 727 | 86 795 | 26,9% | 2,5% | 72 297 | 20,1% |
| Northern Cape | 131 551 | 24 934 | 19,0% | 2,0% | 84 897 | -70,6% |
| North West | 466 071 | 115 126 | 24,7% | 2,9% | 81 856 | 40,6% |
| Western Cape | 1 435 680 | 343 156 | 23,9% | 7,2% | 289 157 | 18,7% |
| Total | 6 551 818 | 1 670 308 | 25,5% | 3,4% | 1 501 600 | 11,2% |