



national treasury

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PRESS RELEASE

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Provincial Budgets: 2006/07 Financial Year Fourth Quarter Year-to-Date Provincial Budget Report (Preliminary Outcome)

SUMMARY:

1. The fourth quarter provincial budget statement of receipts and payments, published by the National Treasury in terms of Section 32 of the Public Finance Management Act, 1999 (PFMA) on 30 April 2007, is the first estimate of spending outcomes for the 2006/07 financial year, which commenced on 1 April 2006 and ended on 31 March 2007. These figures may be revised as national and provincial departments finalise (and reconcile) their financial statements by 31 May 2007 for submission to the Auditor-General.
2. The budgeted expenditure figures take account of revisions effected in the provincial adjustment budgets, which include R1,6 billion allocated to provinces for conditional grants in the 2006 Adjusted Estimates of National Expenditure and additional funding by provinces of almost R3,4 billion, which includes roll-overs from the previous financial year.
3. This report also includes a comparative spending analysis over the 2005/06 financial year. Data for the 2005/06 financial year are extracted from the provincial departments' audited annual financial statements as published in their annual reports.
4. 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 were shifted to national government with effect from 1 April 2006. This makes the 2006/07 figures and the 2005/06 figures comparable.
5. In aggregate, provinces have spent 98,7 per cent or R185,6 billion of their combined adjusted budgets of R188,0 billion in 2006/07. This represents a significant spending increase year-on-year of 15,2 per cent or R24,5 billion over the audited R161,1 billion spent in 2005/06. Spending varies between provinces with the lowest share of 96,6 per cent in North West and 96,8 per cent in Western Cape to the highest at 103,6 per cent in Free State and 101,3 per cent in Northern Cape.

6. The preliminary under expenditure outcome of R2,4 billion or 1,3 per cent of adjusted provincial budgets in aggregate by provinces for the 2006/07 financial year, is largely due to under expenditure in seven provincial education departments, and to a lesser extent in capital and conditional grants.
7. Education expenditure totalled R78,8 billion or 98,3 per cent of the R80,1 billion combined adjusted education budgets, and remains the largest item on provincial budgets. The spending pattern reflects a 9,4 per cent or R6,8 billion increase compared with the audited spending in 2005/06.
8. Health expenditure totalled R53,6 billion or 100,6 per cent of the R53,3 billion combined adjusted health budgets, and is the second largest item (after education) on provincial budgets. The spending pattern reflects a 14,0 per cent or R6,6 billion increase compared with the audited spending in 2005/06.
9. Provincial social welfare services preliminary outcome for the 2006/07 financial year is recorded at 97,8 per cent or R5,2 billion of the R5,3 billion adjusted social welfare services budgets.
10. Total personnel expenditure in aggregate is at 98,7 per cent or R104,0 billion of the R105,5 billion adjusted personnel budgets. This represents under expenditure of R1,4 billion of which the bulk is in provincial education departments with the exception of Eastern Cape and North West which overspent in total by R323,5 million in education personnel.
11. In aggregate, provinces spent 97,3 per cent or R15,6 billion of their almost R16,1 billion adjusted capital budgets between the various sectors. This is a significant improvement of 22,2 per cent over the previous financial year, exceeding the audited R12,8 billion spent in 2005/06 by R2,8 billion.
12. Provincial education departments, year-on-year, significantly improved on spending on capital with a preliminary outcome of 96,5 per cent or R3,7 billion against their R3,8 billion adjusted education capital budgets, which is 38,9 per cent or R1,0 billion more than the previous financial year's audited outcome.
13. Provincial health departments spent 93,1 per cent or R4,7 billion of their R5,0 billion adjusted health capital budgets, which is 21,4 per cent or R819,3 million more than audited spending over the previous financial year.
14. The highest share of adjusted provincial capital budgets is for public works, roads and transport departments at 34,3 per cent. The sector spent 104,6 per cent or R5,8 billion against its combined adjusted capital budgets of R5,5 billion for the 2006/07 financial year.
15. A total of R144,4 million of the Integrated Housing and Human Settlement Development grant has been stopped (not transferred) by the national Department of Housing due to a lack of spending capacity, with Eastern Cape (R85,3 million) and Mpumalanga (R59,1 million) being the affected provinces.
16. Provincial own revenue collected is 11,5 per cent more than the adjusted forecast of R7,0 billion at R7,9 billion. National government transferred R150,8 billion in the form of the equitable share and R27,4 billion in conditional grants to provinces for the 2006/07 financial year.

DETAILED ANALYSIS OF THE 2006/07 BUDGET (PRELIMINARY OUTCOME):

17. The budgeted figures take account of revisions effected in the adjusted estimates of provinces, which were tabled in their provincial legislatures during November/December 2006 and also cater for amendments made to the adjusted

estimates in the case of the Limpopo and Gauteng provinces (approved by their legislatures on 08 March and 26 March 2007 respectively).

18. This analysis is based on the statement of receipts and payments, published by the National Treasury on 30 April 2007 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, and submitted to the National Treasury by 20 April 2007. 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.
19. The analysis presented here is restricted to financial information only, but provincial departments might be in a position to provide complementary non-financial performance information at least up to the third quarter of the 2006/07 financial year relative to the targets set in their annual performance plans, tabled in their respective provincial legislatures.

Total Expenditure

20. The preliminary outcomes indicate that provinces have spent 98,7 per cent or R185,6 billion of their adjusted budgets of R188,0 billion for the 2006/07 financial year. Spending is at a similar level in percentage terms against spending over the 2005/06 financial year (98,3 per cent). However, in nominal terms, spending is 15,2 per cent or R24,5 billion higher than last year when provinces recorded audited spending of R161,1 billion.
21. Between provinces, spending ranges from the lowest share of 96,6 per cent in North West and 96,8 per cent in Western Cape to the highest at 103,6 per cent in Free State and 101,3 per cent in Northern Cape.

Table 1: Provincial Aggregated Budgets and Expenditure as at 31 March 2007

R thousand	Adjusted budget 2006/07				Preliminary outcome as at 31 March 2007				Preliminary outcome as % of adjusted budget	2005/06: Audited outcome
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total		
Eastern Cape	22 271 256	3 202 984	2 055 648	27 529 888	21 848 886	3 125 343	1 865 224	26 839 454	97,5%	23 646 855
Free State	9 694 576	1 357 109	830 970	11 882 655	9 757 605	1 450 636	1 097 423	12 305 664	103,6%	10 675 857
Gauteng	23 053 434	9 446 445	2 600 493	35 100 372	22 573 482	9 598 468	2 512 231	34 684 181	98,8%	27 091 064
KwaZulu-Natal	29 668 534	4 145 071	3 615 610	37 429 215	29 376 100	4 125 240	3 512 730	37 014 070	98,9%	33 307 079
Limpopo	18 734 204	3 121 942	1 865 846	23 721 992	18 866 055	3 113 095	1 856 504	23 835 654	100,5%	20 906 528
Mpumalanga	10 439 408	1 214 558	1 178 018	12 831 984	10 247 791	1 203 861	1 069 531	12 521 183	97,6%	11 602 480
Northern Cape	3 478 087	504 854	526 673	4 509 614	3 533 882	519 948	513 351	4 567 182	101,3%	3 950 760
North West	11 876 305	2 044 506	1 611 176	15 531 987	11 548 408	1 953 608	1 497 819	14 999 835	96,6%	13 136 997
Western Cape	14 548 170	3 124 513	1 785 055	19 457 738	14 192 805	2 926 603	1 709 970	18 829 378	96,8%	16 747 389
Total	143 763 974	28 161 982	16 069 489	187 995 445	141 945 015	28 016 802	15 634 784	185 596 601	98,7%	161 065 009

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

Social Services

22. Adjusted social services budgets total R138,7 billion, and comprise 73,8 per cent of the R188,0 billion combined adjusted provincial budgets in 2006/07. Table 2 indicates that provinces have spent 99,2 per cent or R137,5 billion of the adjusted R138,7 billion budget for the three social services (education, health and social welfare services). This is 11,6 per cent or R14,3 billion more than the audited spending in 2005/06.

Table 2: Provincial Social Services Expenditure as at 31 March 2007

R thousand	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of total provincial expenditure	2005/06: Audited outcome	Year-on-year growth
Education	80 121 715	78 771 399	98,3%	42,4%	71 981 207	9,4%
Health	53 269 283	53 597 471	100,6%	28,9%	47 007 677	14,0%
Social Development	5 292 679	5 174 850	97,8%	2,8%	4 219 978	22,6%
Total	138 683 677	137 543 720	99,2%	74,1%	123 208 862	11,6%

Education

23. Adjusted education budgets of R80,1 billion comprise 42,6 per cent of total adjusted provincial budgets. Table 3 indicates that education expenditure is at 98,3 per cent or R78,8 billion of the total adjusted education budgets, an increase of 9,4 per cent or R6,8 billion compared to the audited R72,0 billion spent in 2005/06.
24. Spending between provinces for education ranges from the lowest rate in Gauteng at 94,7 per cent and Mpumalanga at 96,6 per cent to the highest in KwaZulu-Natal and Free State at 100,9 per cent and 100,2 per cent, respectively.
25. Seven provinces (except Free State and KwaZulu-Natal) recorded a combined preliminary underspending on their adjusted education budgets of R1,5 billion with Gauteng the largest at R647,9 million. Most of the underspending in Gauteng, at R606,7 million, is for education personnel.

Table 3: Provincial Education Expenditure as at 31 March 2007

R thousand	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Education to total provincial expenditure	2005/06: Audited outcome	Year-on-year growth
Eastern Cape	13 122 093	12 866 916	98,1%	47,9%	11 523 158	11,7%
Free State	5 333 257	5 345 192	100,2%	43,4%	4 916 135	8,7%
Gauteng	12 261 959	11 614 069	94,7%	33,5%	10 406 370	11,6%
KwaZulu-Natal	16 136 078	16 278 132	100,9%	44,0%	15 030 000	8,3%
Limpopo	11 398 658	11 313 698	99,3%	47,5%	10 362 084	9,2%
Mpumalanga	6 325 857	6 108 168	96,6%	48,8%	5 780 057	5,7%
Northern Cape	1 647 976	1 642 252	99,7%	36,0%	1 563 461	5,0%
North West	6 779 976	6 685 180	98,6%	44,6%	5 950 698	12,3%
Western Cape	7 115 861	6 917 793	97,2%	36,7%	6 449 244	7,3%
Total	80 121 715	78 771 399	98,3%	42,4%	71 981 207	9,4%

26. The bulk of education expenditure is on personnel (79,2 per cent), which amounts to 99,0 per cent or R62,4 billion of the adjusted education personnel budgets of R63,0 billion.
27. Spending between provinces ranges from the lowest in Gauteng and Western Cape at 93,7 per cent and 97,5 per cent to the highest in Eastern Cape and North West at 102,4 per cent and 101,3 per cent respectively.

Table 4: Provincial Personnel Expenditure: Education as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Education Personnel to total personnel expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	10 447 980	10 701 651	102,4%	64,8%	9 915 990	7,9%
Free State	4 163 791	4 148 211	99,6%	57,5%	3 899 457	6,4%
Gauteng	9 569 166	8 962 504	93,7%	56,6%	8 270 713	8,4%
KwaZulu-Natal	13 084 149	12 952 489	99,0%	59,8%	11 879 394	9,0%
Limpopo	9 267 850	9 206 293	99,3%	62,2%	8 758 531	5,1%
Mpumalanga	4 611 047	4 586 239	99,5%	62,6%	4 325 174	6,0%
Northern Cape	1 315 031	1 314 330	99,9%	54,6%	1 233 525	6,6%
North West	5 185 489	5 255 318	101,3%	61,3%	4 929 935	6,6%
Western Cape	5 388 030	5 252 445	97,5%	54,0%	4 962 469	5,8%
Total	63 032 533	62 379 480	99,0%	60,0%	58 175 188	7,2%

28. The preliminary outcome on goods and services (mostly learner support material) in education, is recorded at only 89,4 per cent or R7,9 billion of the R8,8 billion adjusted budget. The bulk of the goods and services underspending of R933,3 million is recorded in Eastern Cape at R392,2 million.
29. A notable improvement is in education capital expenditure at 96,5 per cent or R3,7 billion of the R3,8 billion adjusted education capital budgets. This is significantly higher by 38,9 per cent or R1,0 billion more than the audited spending of R2,6 billion in 2005/06.
30. Capital spending for education between provinces ranges from the lowest in Eastern Cape at 78,9 per cent and Mpumalanga at 85,5 per cent to the highest in Gauteng at 112,6 per cent and KwaZulu-Natal at 108,4 per cent. However, expenditure reflects wide fluctuations compared to the audited outcome of last year. Some provinces show very significant improvements while others reflect negative year-on-year growth.

Table 5: Provincial Capital Expenditure: Education as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Education Capital to total Capital expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	664 081	524 001	78,9%	28,1%	339 754	54,2%
Free State	188 782	201 204	106,6%	18,3%	63 077	219,0%
Gauteng	683 924	770 345	112,6%	30,7%	520 561	48,0%
KwaZulu-Natal	695 759	754 053	108,4%	21,5%	573 758	31,4%
Limpopo	498 079	480 108	96,4%	25,9%	378 807	26,7%
Mpumalanga	352 127	301 142	85,5%	28,2%	179 032	68,2%
Northern Cape	26 194	23 751	90,7%	4,6%	32 695	-27,4%
North West	418 341	374 937	89,6%	25,0%	259 571	44,4%
Western Cape	274 028	239 552	87,4%	14,0%	294 065	-18,5%
Total	3 801 315	3 669 093	96,5%	23,5%	2 641 320	38,9%

Health

31. Adjusted health budgets totalling R53,3 billion comprise 28,3 per cent of the total adjusted provincial budgets. Table 6 indicates that health expenditure is at 100,6 per cent or R53,6 billion of adjusted health budgets, representing an increase of

14,0 per cent or R6,6 billion compared to the audited spending of the previous financial year. Four provinces (Free State, Gauteng, Limpopo and Northern Cape) recorded a total overspending in their adjusted health budgets of R834,7 million with Gauteng and Limpopo the largest at R372,2 million and R264,8 million respectively.

32. North West and Eastern Cape have spent the lowest share of their adjusted health budgets at 96,2 per cent and 98,2 per cent respectively. The highest shares are recorded in Northern Cape at 107,0 per cent and Limpopo at 104,8 per cent respectively. Both provinces have slightly exceeded their adjusted budgets.

Table 6: Provincial Health Expenditure as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Health to total provincial expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	7 336 999	7 204 681	98,2%	26,8%	6 120 970	17,7%
Free State	3 369 410	3 475 010	103,1%	28,2%	3 121 275	11,3%
Gauteng	10 748 498	11 120 685	103,5%	32,1%	9 974 183	11,5%
KwaZulu-Natal	11 819 251	11 671 677	98,8%	31,5%	10 555 752	10,6%
Limpopo	5 554 259	5 819 070	104,8%	24,4%	4 788 257	21,5%
Mpumalanga	3 032 242	3 008 386	99,2%	24,0%	2 663 694	12,9%
Northern Cape	1 316 370	1 408 429	107,0%	30,8%	1 096 575	28,4%
North West	3 615 906	3 478 848	96,2%	23,2%	2 968 159	17,2%
Western Cape	6 476 348	6 410 685	99,0%	34,0%	5 718 812	12,1%
Total	53 269 283	53 597 471	100,6%	28,9%	47 007 677	14,0%

33. Table 7 indicates that health personnel expenditure is at 99,5 per cent or R28,8 billion of adjusted health personnel budgets, an increase of 13,2 per cent or R3,4 billion compared to the audited R25,4 billion spent in 2005/06.

Table 7: Provincial Personnel Expenditure: Health as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Health Personnel to total personnel expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	3 979 988	3 865 447	97,1%	23,4%	3 445 574	12,2%
Free State	2 002 525	2 012 269	100,5%	27,9%	1 849 533	8,8%
Gauteng	5 179 398	5 347 780	103,3%	33,8%	4 688 666	14,1%
KwaZulu-Natal	6 723 759	6 629 171	98,6%	30,6%	5 866 764	13,0%
Limpopo	3 239 490	3 332 512	102,9%	22,5%	2 854 775	16,7%
Mpumalanga	1 678 923	1 638 222	97,6%	22,4%	1 449 633	13,0%
Northern Cape	590 828	621 051	105,1%	25,8%	522 587	18,8%
North West	1 972 888	1 913 299	97,0%	22,3%	1 764 998	8,4%
Western Cape	3 543 036	3 416 364	96,4%	35,1%	2 976 610	14,8%
Total	28 910 835	28 776 115	99,5%	27,7%	25 419 140	13,2%

34. Spending on non-personnel non-capital items (NPNC) in health, which includes medicines, drugs and other current expenditure is recorded at 104,2 per cent or R20,2 billion of the R19,4 billion adjusted health NPNC budgets, an increase of 13,6 per cent or R2,4 billion compared to the R17,8 billion spent in 2005/06. Seven

provinces (except Eastern Cape and North West) recorded a total overspending in their health NPNC budgets of R869,8 million with Gauteng the largest at R329,7 million.

35. Capital expenditure in the health sector at 93,1 per cent or R4,7 billion of the almost R5,0 billion combined adjusted health capital budgets, is lower than the total capital expenditure against total adjusted capital budgets share of 97,3 per cent. However, this is higher by 21,4 per cent or R819,3 million more than the R3,8 billion spent in the 2005/06 financial year.
36. Between provinces, the lowest rate of spending is in KwaZulu-Natal at 84,6 per cent and Northern Cape at 85,2 per cent with Limpopo and Free State recording the highest rate of spending at 111,8 per cent and 104,1 per cent respectively.

Table 8: Provincial Capital Expenditure: Health as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Health Capital to total Capital expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	573 037	561 835	98,0%	30,1%	358 224	56,8%
Free State	236 498	246 283	104,1%	22,4%	228 838	7,6%
Gauteng	1 070 332	944 409	88,2%	37,6%	969 241	-2,6%
KwaZulu-Natal	1 109 560	938 213	84,6%	26,7%	943 133	-0,5%
Limpopo	662 625	740 634	111,8%	39,9%	391 344	89,3%
Mpumalanga	269 899	244 875	90,7%	22,9%	256 111	-4,4%
Northern Cape	281 861	240 173	85,2%	46,8%	169 843	41,4%
North West	342 286	321 710	94,0%	21,5%	170 624	88,5%
Western Cape	449 160	413 723	92,1%	24,2%	345 201	19,8%
Total	4 995 258	4 651 855	93,1%	29,8%	3 832 559	21,4%

Social Welfare Services (Social Development)

37. Adjusted social welfare services budgets at R5,3 billion, comprise 2,8 per cent of total adjusted provincial budgets.

Table 9: Provincial Social Welfare Services Expenditure as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Soc welfare to total provincial expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	740 802	747 478	100,9%	2,8%	513 368	45,6%
Free State	445 734	442 448	99,3%	3,6%	382 906	15,6%
Gauteng	1 005 643	1 011 157	100,5%	2,9%	816 182	23,9%
KwaZulu-Natal	1 000 485	954 048	95,4%	2,6%	746 226	27,8%
Limpopo	395 449	403 726	102,1%	1,7%	358 110	12,7%
Mpumalanga	334 281	319 621	95,6%	2,6%	249 898	27,9%
Northern Cape	222 721	217 709	97,7%	4,8%	175 446	24,1%
North West	419 593	368 143	87,7%	2,5%	324 330	13,5%
Western Cape	727 971	710 520	97,6%	3,8%	653 512	8,7%
Total	5 292 679	5 174 850	97,8%	2,8%	4 219 978	22,6%

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

38. Provincial social welfare services expenditure for the 2006/07 financial year is recorded at 97,8 per cent or R5,2 billion of adjusted social welfare services budgets (Table 9). This represents an increase of 22,6 per cent or R954,9 million above the audited R4,2 billion spent last year (excluding social assistance grants).
39. Between provinces, there are varying degrees of spending with the lowest being in North West at 87,7 per cent and KwaZulu-Natal at 95,4 per cent while the highest being Limpopo at 102,1 per cent and Eastern Cape at 100,9 per cent.

Housing and Local Government

40. Adjusted housing and local government budgets at R10,4 billion comprise 5,5 per cent of total adjusted provincial budgets.
41. The preliminary outcome on housing and local government spending is at 94,5 per cent or R9,8 billion of the adjusted housing and local government budgets (Table 10). This represents an increase of 24,2 per cent or R1,9 billion on the R7,9 billion audited outcome in 2005/06.
42. Spending varies between provinces with the lowest being in Western Cape at 81,8 per cent and Eastern Cape at 86,3 per cent while the highest are Mpumalanga at 100,0 per cent and Northern Cape at 99,7 per cent.

Table 10: Provincial Housing and Local Government Expenditure as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Local Gov & Housing to total provincial expenditure	% share of Housing Grant to total LG & Housing expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand							
Eastern Cape	1 260 856	1 088 526	86,3%	4,1%	58,6%	1 082 724	0,5%
Free State	745 870	714 554	95,8%	5,8%	73,9%	527 219	35,5%
Gauteng	2 377 880	2 338 932	98,4%	6,7%	75,2%	1 801 786	29,8%
KwaZulu-Natal	1 938 489	1 911 097	98,6%	5,2%	56,2%	1 445 131	32,2%
Limpopo	1 133 905	1 082 216	95,4%	4,5%	59,8%	747 821	44,7%
Mpumalanga	555 464	555 486	100,0%	4,4%	59,4%	485 252	14,5%
Northern Cape	261 280	260 393	99,7%	5,7%	40,2%	252 909	3,0%
North West	872 813	849 610	97,3%	5,7%	82,0%	785 351	8,2%
Western Cape	1 266 109	1 035 818	81,8%	5,5%	74,2%	790 167	31,1%
Total	10 412 666	9 836 632	94,5%	5,3%	66,6%	7 918 360	24,2%

43. Most of the housing expenditure is on the Integrated Housing and Human Settlement Development conditional grant (formally the housing subsidy grant).
44. Table 11 indicates that provinces spent 96,0 per cent or R6,5 billion of their R6,8 billion housing conditional grant. These spending figures are a significant improvement compared to last year with audited spending increasing by 30,7 per cent or R1,5 billion from the R5,0 billion spent in 2005/06.
45. However, a total of R144,4 million of the housing conditional grant has been stopped (not transferred) by the national Department of Housing due to a lack of spending capacity, with Eastern Cape (R85,3 million) and Mpumalanga (R59,1 million) being the affected provinces.

Table 11: Provincial Integrated Housing and Human Settlement Development Grant Expenditure as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of grant to total provincial expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	761 994	637 467	83,7%	2,4%	607 275	5,0%
Free State	522 601	528 412	101,1%	4,3%	355 475	48,6%
Gauteng	1 757 666	1 759 822	100,1%	5,1%	1 349 352	30,4%
KwaZulu-Natal	1 048 376	1 074 511	102,5%	2,9%	809 263	32,8%
Limpopo	521 331	646 834	124,1%	2,7%	372 776	73,5%
Mpumalanga	421 002	330 084	78,4%	2,6%	262 071	26,0%
Northern Cape	104 774	104 711	99,9%	2,3%	102 542	2,1%
North West	697 419	696 544	99,9%	4,6%	615 411	13,2%
Western Cape	987 006	768 209	77,8%	4,1%	533 248	44,1%
Total	6 822 169	6 546 594	96,0%	3,5%	5 007 413	30,7%

Personnel Expenditure

46. Total provincial personnel expenditure (“compensation of employees”) is at 98,7 per cent or R104,0 billion of the R105,5 billion adjusted personnel budgets, representing a substantial under expenditure of R1,4 billion.
47. However, the preliminary outcome is 8,7 per cent or R8,4 billion higher than the R95,7 billion spent last year. Western Cape and Gauteng recorded the lowest rates of personnel spending at 96,4 per cent and 96,9 per cent respectively while Northern Cape and Eastern Cape recorded the highest rates at 100,4 per cent and 100,2 per cent, respectively.

Table 12: Provincial Personnel Expenditure as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Personnel to total provincial expenditure	Head-counts ¹	2005/06: Audited outcome	Year-on-year growth
R thousand							
Eastern Cape	16 494 257	16 524 374	100,2%	61,6%	118 900	15 254 937	8,3%
Free State	7 327 072	7 212 467	98,4%	58,6%	56 248	6 764 019	6,6%
Gauteng	16 350 367	15 840 516	96,9%	45,7%	123 613	14 356 316	10,3%
KwaZulu-Natal	21 947 029	21 649 796	98,6%	58,5%	173 500	19 682 778	10,0%
Limpopo	14 768 921	14 793 853	100,2%	62,1%	112 035	13 744 514	7,6%
Mpumalanga	7 442 644	7 322 863	98,4%	58,5%	65 688	6 754 348	8,4%
Northern Cape	2 399 997	2 408 425	100,4%	52,7%	20 493	2 157 888	11,6%
North West	8 647 393	8 571 159	99,1%	57,1%	65 763	8 039 020	6,6%
Western Cape	10 087 103	9 722 410	96,4%	51,6%	71 063	8 930 472	8,9%
Total	105 464 783	104 045 864	98,7%	56,1%	807 303	95 684 292	8,7%

1. Headcounts as extracted from Vulindlela on 02 April 2007.

Overall capital budgets and expenditure

48. Capital expenditure is another area of notable improvement. This is partly the result of the Infrastructure Delivery Improvement Programme (IDIP) which encourages infrastructure budgets to be aligned with spending capacity of departments. The programme’s aim is to facilitate improvements in the capacity of departments both in terms of skills and efficiency in the delivery management systems.

49. Provinces have spent 97,3 per cent or R15,6 billion of their almost R16,1 billion adjusted capital budgets ("payment for capital assets"). This is significantly higher by 22,2 per cent or R2,8 billion more than the R12,8 billion spent in 2005/06.
50. However, provinces in aggregate underspent their adjusted capital budgets by R434,7 million with Free State overspending its adjusted capital budget by 32,1 percent or R266,5 million (mainly on roads infrastructure), at the end of the 2006/07 financial year.

Table 13: Provincial Capital (Payments for Capital Assets) Expenditure as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Capital to total provincial expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	2 055 648	1 865 224	90,7%	6,9%	1 511 353	23,4%
Free State	830 970	1 097 423	132,1%	8,9%	647 361	69,5%
Gauteng	2 600 493	2 512 231	96,6%	7,2%	2 132 864	17,8%
KwaZulu-Natal	3 615 610	3 512 730	97,2%	9,5%	3 246 652	8,2%
Limpopo	1 865 846	1 856 504	99,5%	7,8%	1 347 141	37,8%
Mpumalanga	1 178 018	1 069 531	90,8%	8,5%	1 090 865	-2,0%
Northern Cape	526 673	513 351	97,5%	11,2%	371 445	38,2%
North West	1 611 176	1 497 819	93,0%	10,0%	965 276	55,2%
Western Cape	1 785 055	1 709 970	95,8%	9,1%	1 482 994	15,3%
Total	16 069 489	15 634 784	97,3%	8,4%	12 795 951	22,2%

51. Table 13 above provides total capital spending information by province, which indicates somewhat low rates of spending in Eastern Cape at 90,7 per cent and Mpumalanga at 90,8 per cent to the highest in Free State at 132,1 per cent and Limpopo at 99,5 per cent. In absolute terms, KwaZulu-Natal has spent the most at R3,5 billion followed by Gauteng and Eastern Cape at R2,5 billion and R1,9 billion respectively.

Table 14: Provincial Capital Expenditure: Public Works, Roads and Transport as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of PWRT Capital to total Capital expenditure	2005/06: Audited outcome	Year-on-year growth
R thousand						
Eastern Cape	697 387	708 331	101,6%	38,0%	720 323	-1,7%
Free State	309 006	534 838	173,1%	48,7%	223 747	139,0%
Gauteng	592 671	581 671	98,1%	23,2%	405 975	43,3%
KwaZulu-Natal	1 542 906	1 604 433	104,0%	45,7%	1 501 121	6,9%
Limpopo	201 519	175 178	86,9%	9,4%	158 048	10,8%
Mpumalanga	445 158	421 762	94,7%	39,4%	522 479	-19,3%
Northern Cape	149 988	157 229	104,8%	30,6%	111 030	41,6%
North West	555 279	574 036	103,4%	38,3%	466 050	23,2%
Western Cape	1 023 287	1 015 007	99,2%	59,4%	752 496	34,9%
Total	5 517 201	5 772 485	104,6%	36,9%	4 861 269	18,7%

52. The biggest adjusted capital budgets in provinces are in public works, roads and transport departments at 34,3 per cent or R5,5 billion of the total adjusted capital budgets of R16,1 billion. Spending for these departments is higher than in other

sectors at 104,6 per cent or R5,8 billion which is 18,7 per cent or R911,2 million more than the audited R4,9 billion spent last year.

53. Between provinces, the lowest rate of spending is recorded in Limpopo at 86,9 per cent and Mpumalanga at 94,7 per cent, whilst Free State and Northern Cape recorded the highest rates of spending at 173,1 per cent and 104,8 per cent respectively.

Conditional grants

54. The total adjusted conditional grant allocation for all grants is R27,6 billion (including Schedule 4 grants and provincial roll-overs) with health making up the bulk at R10,5 billion.

Table 15: Provincial Conditional Grants Expenditure as at 31 March 2007

	Division of Revenue Act, 2006 (Act No. 2 of 2006)	Other Gazetted Amounts	Provincial roll- overs	Total available 2006/07	Transferred from National to province	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of total available (excluding Schedule 4 grants)
R thousand							
Agriculture	344 500	56 638	114 794	515 932	401 138	99 297	57,1%
Agricultural Disaster Management Grant	–	45 403	66 745	112 148	45 403	49 480	44,1%
^{1.} Comprehensive Agricultural Support Programme	300 000	–	41 948	341 948	300 000		
Land Care Programme Grant: Poverty Relief and Infra	44 500	11 235	6 101	61 836	55 735	49 817	80,6%
Education	1 712 507	–	125 946	1 838 453	1 712 507	1 673 374	91,0%
Further Education and Training College Sector Recap	470 000	–	–	470 000	470 000	470 000	100,0%
HIV and Aids	144 471	–	1 701	146 172	144 471	139 378	95,4%
National School Nutrition Programme	1 098 036	–	124 245	1 222 281	1 098 036	1 063 996	87,1%
Health	10 033 366	173 176	319 985	10 526 527	10 206 542	3 583 344	89,4%
Comprehensive HIV and Aids	1 567 214	49 000	13 562	1 629 776	1 616 214	1 680 982	103,1%
Forensic Pathology Services	525 176	36 500	55 188	616 864	561 676	341 978	55,4%
^{1.} Health Professions Training and Development	1 520 180	–	18 202	1 538 382	1 520 180		
Hospital Revitalisation	1 439 647	87 676	232 219	1 759 542	1 527 323	1 560 384	88,7%
^{1.} National Tertiary Services	4 981 149	–	814	4 981 963	4 981 149		
Housing	6 349 949	472 220	-71 284	6 750 885	6 677 806	6 546 594	97,0%
Integrated Housing and Human Settlement Developm	6 349 949	472 220	-71 284	6 750 885	6 677 806	6 546 594	97,0%
Land Affairs	8 000	–	–	8 000	8 000		
^{1.} Land Distribution: Alexandra Urban Renewal Project C	8 000	–	–	8 000	8 000		
National Treasury	4 118 119	865 379	-468 916	4 514 582	4 983 498		
^{1.} Provincial Infrastructure Grant	4 118 119	865 379	-468 916	4 514 582	4 983 498		
Sport and Recreation South Africa	119 000	–	414	119 414	119 000	104 434	87,5%
Mass Sport and Recreation Participation Programme	119 000	–	414	119 414	119 000	104 434	87,5%
Trade and Industry	–	58 200	–	58 200	58 200	58 200	100,0%
Industrial Development Zones	–	58 200	–	58 200	58 200	58 200	100,0%
Transport	3 241 000	–	–	3 241 000	3 241 000	3 241 001	100,0%
Gautrain Rapid Rail Link	3 241 000	–	–	3 241 000	3 241 000	3 241 001	100,0%
Total	25 926 441	1 625 613	20 939	27 572 993	27 407 691	15 306 244	94,6%

^{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.

55. Table 15 reflects the preliminary outcome on conditional grant allocations for all provinces. It excludes spending on general purpose conditional grants (Schedule 4 grants) like National Tertiary Services, Health Professions Training and Development, and the Provincial Infrastructure grants, as reporting against these grants cannot be separated from the provinces' health and capital budgets.
56. Spending on the Comprehensive Agricultural Support Programme grant (also Schedule 4) is subsumed in a range of programmes and therefore no separate reporting is required in terms of the Division of Revenue Act, 2006 (Act No. 2 of 2006).
57. Against the total adjusted allocation of R16,2 billion, which excludes Schedule 4 grants, the rate of conditional grants spending amounts to 94,6 per cent or R15,3 billion.
58. Specific grants that show low rates of spending include Agricultural Disaster Management (44,1 per cent), Forensic Pathology Services (55,4 per cent) and the Land Care Programme (80,6 per cent).
59. Table 16 indicates selected conditional grant spending rates as at 31 March 2007. It further indicates that four or more provinces have spent less than 90 per cent of their grant budget at the end of the financial year for the following grants: Land Care Programme, Forensic Pathology Services and Hospital Revitalisation.

Table 16: Selected Conditional Grants Spending Rate as at 31 March 2007

	Number of provinces spent less than 90%	Number of provinces spent between 90% and 100% (inclusive)	Number of provinces spent more than 100%
Agriculture			
Agricultural Disaster Management			
Land Care Programme: Poverty Relief and Infra	4 EC, KZN, MPU, NW	4 FS, GT, LIM, WC	1 NC
Education			
Further Education and Training College Sector	-	9 All provinces	-
HIV and AIDS (Life Skills Education)	2 LIM, NC	3 FS, GT, NW	4 EC, KZN, MPU, WC
National School Nutrition Programme	2 EC, KZN	6 FS, GT, MPU, NC, NW, WC	1 LIM
Health			
Comprehensive HIV and AIDS	-	6 FS, KZN, MPU, NC, NW, WC	3 EC, GT, LIM
Forensic Pathology Services	8 EC, FS, GT, KZN, MPU, NC, NW, WC	-	1 LIM
Hospital Revitalisation	5 GT, KZN, MPU, NC, NW	2 FS, WC	2 EC, LIM
Housing			
Integrated Housing and Human Settlement Dev	2 EC, WC	4 FS, MPU, NC, NW	3 GT, KZN, LIM
Sport and Recreation South Africa			
Mass Sport and Recreation Participation Progr	3 GT, LIM, NW	6 EC, FS, KZN, MPU, NC, WC	-
Trade and Industry			
Industrial Development Zones	-	1 EC	-
Transport			
Gautrain Rapid Rail Link	-	-	1 GT

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

60. The table also indicates the number of provinces spending at higher levels between 90 and 100 per cent and greater than 100 per cent of their conditional grant budgets.
61. Although the rate of spending is encouraging and reflects an improvement over previous financial years, overall conditional grants spending still lies below the total provincial average of 98,7 per cent.

Table 17: Further Education and Training College Sector Recapitalisation grant by college as at 31 March 2007

R thousand	Division of Revenue Act, No. 2 of 2006	Approved Provincial Payment Schedule	Transferred from National to province	Transferred from province to Colleges	Actual payments made by Colleges
Eastern Cape	61 000	61 000	61 000	61 000	51 567
Buffalo City	14 000			14 000	14 000
E Cape Midlands	9 000			9 000	6 155
Ikhala College	6 000			6 000	5 998
Ingwe College	2 000			2 000	2 000
King Hintsa College	2 000			2 000	2 000
King Sabata College	5 000			5 000	5 000
Lovedale College	10 000			10 000	6 980
Port Elizabeth College	13 000			13 000	9 434
Free State	30 000	30 000	30 000	30 000	29 416
Flavius Mareka College	6 000			6 000	5 417
Goldfields College	10 000			10 000	10 000
Maluti College	5 000			5 000	4 999
Motheo College	9 000			9 000	9 000
Gauteng	106 000	106 000	106 000	106 000	83 602
Central Johannesburg	15 000			15 000	6 925
Ekhuruleni West	18 000			18 000	8 959
Ekhuruleni East	13 000			13 000	13 000
Sedibeng	11 000			11 000	9 688
South West College	12 000			12 000	11 997
Tshwane South	20 000			20 000	19 091
Tshwane North	14 000			14 000	10 942
Western College	3 000			3 000	3 000
KwaZulu-Natal	90 000	90 000	90 000	90 000	87 447
Coastal College	18 000			18 000	18 000
Elangeni College	10 000			10 000	10 000
Esayidi College	14 000			14 000	11 717
Majuba College	16 000			16 000	16 000
Mnambithi College	3 000			3 000	2 869
Mthashana College	2 000			2 000	2 000
Thekwini College	3 000			3 000	2 877
Umfoloji College	15 000			15 000	14 984
Umgungundlovu College	9 000			9 000	9 000
Limpopo	43 000	43 000	43 000	43 000	39 873
Capricorn College	11 000			11 000	8 869
Lephalale College	5 000			5 000	5 000
Letaba College	6 000			6 000	6 000
Mopani College	6 000			6 000	5 931
Sekhukhune College	4 000			4 000	3 073
Vhembe College	5 000			5 000	5 000
Waterberg College	6 000			6 000	6 000
Mpumalanga	32 000	32 000	32 000	32 000	24 379
Ehlanzani College	8 000			8 000	4 879
Gert Sibande College	7 000			7 000	7 000
Nkangala College	17 000			17 000	12 500
Northern Cape	10 000	10 000	10 000	10 000	10 000
Rural College	5 000			5 000	5 000
Urban College	5 000			5 000	5 000
North West	28 000	28 000	28 000	28 000	25 248
Orbit College	11 000			11 000	9 887
Taletso College	7 000			7 000	6 241
Vuselela College	10 000			10 000	9 120
Western Cape	70 000	70 000	70 000	70 000	66 898
Boland College	11 000			11 000	11 000
Cape Town College	16 000			16 000	16 000
False Bay College	13 000			13 000	13 000
Northlink College	15 000			15 000	13 200
South Cape College	10 000			10 000	8 698
West Coast College	5 000			5 000	5 000
Total	470 000	470 000	470 000	470 000	418 430

Source: National Department of Education

62. Spending on the Further Education and Training College Sector Recapitalisation grant is at 100,0 per cent or R470,0 million and reflects actual transfers from the provincial education departments to the FET colleges.
63. Table 17 indicates the actual amounts transferred by provincial education departments to colleges and amounts spent by colleges, as provided by the national Department of Education. FET colleges expenditure is at 89,0 per cent or R418,4 million of the R470,0 million transferred from the provincial education departments.

Provincial Revenue

64. Provincial revenue includes budgeted equitable share allocations of R150,8 billion, adjusted conditional grant allocations of R27,6 billion and adjusted own revenue allocations of R7,0 billion. The total equitable share and conditional grants transferred to provinces and own revenue collected by provinces for the 2006/07 financial year is recorded at 100,4 per cent or R186,0 billion of total adjusted revenue budgets of R185,3 billion.
65. National government transferred all of the equitable share (R150,8 billion) and 99,5 per cent or R27,4 billion in conditional grants to provinces for the 2006/07 financial year.
66. The preliminary outcome on provincial own revenue suggests that provinces have collected 111,5 per cent or R7,9 billion of their adjusted own revenue budgets of R7,0 billion, which is 2,8 per cent or R216,2 million more than what was collected for the previous financial year.
67. The collection rate varies from 90,7 per cent in Northern Cape and 103,5 per cent in Limpopo, to a high of 123,2 per cent in North West and 117,0 per cent in Mpumalanga. Most provinces exceed their collection of budgeted own revenue, which often reflects understatement of targets rather than improved fiscal effort.

Table 18: Provincial Own Revenue Collection as at 31 March 2007

	Adjusted budget	Preliminary outcome as at 31 March 2007	Preliminary outcome as % of adjusted budget	% share of Own Revenue to total provincial revenue	2005/06: Actual as at 31 March 2006	Year-on-year growth
R thousand						
Eastern Cape	681 623	753 748	110,6%	2,7%	668 772	12,7%
Free State	432 695	482 199	111,4%	4,1%	447 783	7,7%
Gauteng	1 758 263	2 001 983	113,9%	5,8%	1 908 027	4,9%
KwaZulu-Natal	1 273 812	1 422 230	111,7%	3,8%	1 240 409	14,7%
Limpopo	444 782	460 430	103,5%	2,0%	446 324	3,2%
Mpumalanga	322 727	377 549	117,0%	3,0%	359 250	5,1%
Northern Cape	131 551	119 271	90,7%	2,6%	349 620	-65,9%
North West	457 073	562 926	123,2%	3,8%	501 445	12,3%
Western Cape	1 537 304	1 671 532	108,7%	8,9%	1 714 001	-2,5%
Total	7 039 830	7 851 868	111,5%	4,2%	7 635 631	2,8%