



**national treasury**

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## **PRESS RELEASE**

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### **Provincial Budgets: 2007/08 Financial Year Fourth Quarter Year-to-Date Provincial Budgets and Expenditure Report (Preliminary Outcome)**

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#### **SUMMARY:**

1. The fourth quarter year to date 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 2008, is the first estimate of spending outcomes for the 2007/08 financial year which commenced on 1 April 2007 and ended on 31 March 2008. It is available on the treasury website at [www.treasury.gov.za](http://www.treasury.gov.za). These figures may be revised as provincial departments finalise (and reconcile) their financial statements by 31 May 2008 for submission to the provincial Auditors-General.
2. 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 22 April 2008. 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.
3. The budgeted expenditure figures take account of revisions effected in the 2007 *Adjusted Estimates of National Expenditure*. A total adjustment of R2.8 billion was allocated to provinces consisting of a R1.6 billion adjustment to the provincial equitable share and a R1.2 billion adjustment to conditional grant expenditure.
4. The approved additional adjustments to provinces were gazetted on 20 December 2007 and these additional transfers were taken up in the provincial adjusted budgets in terms of Section 31(2) of the PFMA and Section 22(2) of the Division of Revenue Act, 2007.
5. A second *Gazette* was published on 15 February 2008 which revised the allocations of the Integrated Housing and Human Settlement Development grant between certain provinces based on the following:
  - a. In compliance with Section 26 of the 2007 Division of Revenue Act (Act No. 1 of 2007), the national Department of Housing stopped the transfer of funds following

slow spending on the part of the Eastern Cape (R500 million) and the Free State (R100 million).

- b. In compliance with Section 27 of the 2007 Division of Revenue Act (Act No. 1 of 2007), the national Department of Housing re-allocated funds between provinces in Gauteng (R350 million) and Northern Cape (R100 million).
6. In addition to the national adjustments, provinces increased their budgets by R2.7 billion (including second adjusted estimates by Gauteng (R950 million) and Limpopo (R163.9 million)). The provincial adjustments consist mainly of unspent conditional grants not surrendered to the National Revenue Fund and other funds surrendered to the provincial exchequer during the 2006/07 financial year.
7. In light of the above, provinces, in aggregate, increased their main budgets (expenditure side) by R5.5 billion with the bulk to health (R1.7 billion) and education (R1.2 billion).
8. In aggregate, provinces have spent R213.5 billion or 98.9 per cent of their adjusted budgets of R215.9 billion in 2007/08 (preliminary outcome). This represents a spending increase year-on-year of 14.9 per cent or R27.7 billion over the audited R185.8 billion spent in 2006/07. Spending varies between provinces with the lowest share of 96.5 per cent in Mpumalanga and 97.9 per cent in North West to the highest at 100.5 per cent in KwaZulu-Natal and 99.2 per cent in Western Cape.
9. The preliminary under expenditure outcome of R2.6 billion or 1.2 per cent of provincial adjusted budgets in eight provinces for the 2007/08 financial year is largely due to under expenditure in seven provincial education departments, all social welfare services' departments, capital and conditional grants. KwaZulu-Natal is the only province to overspend its adjusted budgets by R226.4 million.

**Table 1: Provincial Aggregated Budgets and Expenditure as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of total provincial expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	30 608 786	30 269 445	98.9%	14.2%	26 904 023
Free State	13 427 509	13 269 666	98.8%	6.2%	12 298 159
Gauteng	42 143 686	41 611 990	98.7%	19.5%	34 738 659
KwaZulu-Natal	44 537 996	44 764 412	100.5%	21.0%	36 881 396
Limpopo	25 125 210	24 677 410	98.2%	11.6%	23 862 991
Mpumalanga	16 846 448	16 264 748	96.5%	7.6%	12 685 816
Northern Cape	5 998 700	5 928 716	98.8%	2.8%	4 568 573
North West	15 558 452	15 234 414	97.9%	7.1%	15 023 672
Western Cape	21 682 437	21 501 591	99.2%	10.1%	18 848 794
<b>Total</b>	<b>215 929 224</b>	<b>213 522 393</b>	<b>98.9%</b>	<b>100.0%</b>	<b>185 812 083</b>

10. Education expenditure totalled R88.7 billion or 98.6 per cent of the R90 billion combined education adjusted budgets and remains the largest item on provincial adjusted budgets (41.7 per cent). The spending pattern reflects a 12.3 per cent or R9.7 billion increase compared with the audited spending in the 2006/07 financial year.
11. Health expenditure totalled R62.4 billion or 102.3 per cent of the R61 billion combined health adjusted budgets and is the second largest item (after education) on provincial adjusted budgets (28.2 per cent). The spending pattern reflects a 16.3 per cent or R8.8 billion increase compared with the audited spending in the 2006/07 financial year.

12. Social welfare services (social development) preliminary outcome for the 2007/08 financial year is recorded at R6.2 billion or 97.3 per cent of the R6.4 billion social welfare services adjusted budgets.
13. Total personnel expenditure, in aggregate, is at R120.1 billion or 100.9 per cent of the R119 billion personnel adjusted budgets.
14. In aggregate, provinces spent R16.9 billion or 88.5 per cent of their R19.1 billion combined capital adjusted budgets. This is an improvement of 8.2 per cent over the previous financial year, exceeding the audited R15.6 billion spent in 2006/07 by R1.3 billion.
15. Provincial education departments spent R3.3 billion or 83.3 per cent of their R3.9 billion education capital adjusted budgets.
16. Provincial health departments show improvement on capital spending when compared to the previous financial year. They have spent R5 billion or 84.3 per cent against their R6 billion health capital adjusted budgets, which is 7.2 per cent or R338.9 million more than the audited spending over the previous financial year.
17. The greatest share of provincial capital is on the budgets of public works, roads and transport departments at 38 per cent. The sector spent R7.1 billion or 97.8 per cent against its combined capital adjusted budget of R7.3 billion. This represents a massive increase of 23.7 per cent or R1.4 billion compared to the audited outcome of last year.
18. Provincial own revenue collected is 13.6 per cent or R1.1 billion more than the adjusted forecast of R8.2 billion. National government has transferred R172.9 billion of the equitable share and R32.1 billion in conditional grants to provinces, for the 2007/08 financial year.
19. A more detail analysis of the provincial preliminary outcome is set out in **Annexure A**.

### DETAILED ANALYSIS OF THE 2007/08 FINANCIAL YEAR (PRELIMINARY OUTCOME)

- The budgeted figures take account of revisions effected in the adjusted estimates of provinces, which were tabled in their provincial legislatures during November 2007 and also cater for amendments made to the adjusted estimates in the case of the Limpopo and Gauteng provinces (approved by their legislatures on 11 March and 29 March 2008 respectively).

#### Total expenditure

- Table 1 indicates that provinces have spent R213.5 billion or 98.9 per cent of adjusted budgeted expenditure for the 2007/08 financial year. The preliminary outcome is at a similar level in percentage terms compared to the audited outcome for the 2006/07 financial year (98.8 per cent).
- However, in nominal terms, spending is 14.9 per cent or R27.7 billion higher than last year when provinces had spent R185.8 billion (audited outcome). Between provinces, spending ranges from the lowest share of 96.5 per cent in Mpumalanga and 97.9 per cent in North West to the highest at 100.5 per cent in KwaZulu-Natal and 99.2 per cent in Western Cape.

**Table 1: Provincial Aggregated Budgets and Expenditure as at 31 March 2008**

R thousand	Adjusted budget 2007/08				Preliminary outcome as at 31 March 2008				Preliminary outcome as % of adjusted budget	2006/07: Audited outcome as at 31 March 2007
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total		
Eastern Cape	24 544 901	3 687 003	2 376 882	<b>30 608 786</b>	24 787 178	3 252 297	2 229 971	<b>30 269 445</b>	98.9%	<b>26 904 023</b>
Free State	10 536 699	1 490 598	1 400 212	<b>13 427 509</b>	10 536 045	1 431 035	1 302 586	<b>13 269 666</b>	98.8%	<b>12 298 159</b>
Gauteng	27 575 998	11 428 360	3 139 328	<b>42 143 686</b>	27 456 340	11 441 195	2 714 454	<b>41 611 989</b>	98.7%	<b>34 738 659</b>
KwaZulu-Natal	34 235 421	5 378 832	4 923 743	<b>44 537 996</b>	35 114 946	5 392 068	4 257 398	<b>44 764 412</b>	100.5%	<b>36 881 396</b>
Limpopo	20 134 684	3 485 954	1 504 572	<b>25 125 210</b>	19 858 961	3 421 839	1 396 610	<b>24 677 410</b>	98.2%	<b>23 862 991</b>
Mpumalanga	13 219 711	1 866 907	1 759 830	<b>16 846 448</b>	13 103 488	1 805 803	1 355 457	<b>16 264 748</b>	96.5%	<b>12 685 816</b>
Northern Cape	4 504 575	743 270	750 855	<b>5 998 700</b>	4 589 596	709 602	629 518	<b>5 928 716</b>	98.8%	<b>4 568 573</b>
North West	11 770 458	2 402 657	1 385 337	<b>15 558 452</b>	11 743 087	2 220 160	1 271 167	<b>15 234 414</b>	97.9%	<b>15 023 672</b>
Western Cape	16 271 594	3 585 620	1 825 223	<b>21 682 437</b>	16 307 137	3 484 707	1 709 747	<b>21 501 591</b>	99.2%	<b>18 848 794</b>
<b>Total</b>	<b>162 794 041</b>	<b>34 069 201</b>	<b>19 065 982</b>	<b>215 929 224</b>	<b>163 496 778</b>	<b>33 158 707</b>	<b>16 866 907</b>	<b>213 522 392</b>	<b>98.9%</b>	<b>185 812 083</b>

#### Social services

- Provinces have budgeted R157.3 billion for social services, which include spending on education, health and social development.

**Table 2: Provincial Social Services Expenditure as at 31 March 2008**

R thousand	Adjusted budget	Preliminary outcome as at 31 March 2008	Preliminary outcome as % of adjusted budget	% share of total provincial expenditure	2006/07: Audited outcome as at 31 March 2007
Education	89 951 768	88 654 343	98.6%	41.5%	78 948 144
Health	60 996 987	62 409 172	102.3%	29.2%	53 648 586
Social Development	6 388 113	6 218 433	97.3%	2.9%	5 153 250
<b>Total</b>	<b>157 336 868</b>	<b>157 281 948</b>	<b>100.0%</b>	<b>73.7%</b>	<b>137 749 980</b>

5. Preliminary outcome on social services is recorded at R157.3 billion or 100 per cent of total provincial social services adjusted budget. This is 14.2 per cent or R19.5 billion more than the audited spending in 2006/07.
6. Social services adjusted budgets comprise 72.9 per cent of total provincial adjusted budgets in 2007/08. The original social services budget, in aggregate, has been increased by R2.8 billion during the provincial adjusted estimates process.

### Education

7. Education preliminary outcome is at R88.7 billion or 98.6 per cent of the total provincial education adjusted budget of almost R90 billion, an increase of 12.3 per cent or R9.7 billion compared to the R78.9 billion spent in 2006/07. The original education budget, in aggregate, has been increased by R1.2 billion during the provincial adjusted estimates process.

**Table 3: Provincial Education Expenditure as at 31 March 2008**

R thousand	Adjusted budget	Preliminary outcome as at 31 March 2008	Preliminary outcome as % of adjusted budget	% share of Education to total provincial expenditure	2006/07: Audited outcome as at 31 March 2007
Eastern Cape	14 497 592	14 455 416	99.7%	47.8%	12 872 743
Free State	5 718 029	5 796 934	101.4%	43.7%	5 345 739
Gauteng	14 645 637	13 825 796	94.4%	33.2%	11 622 696
KwaZulu-Natal	18 836 900	18 724 402	99.4%	41.8%	16 218 726
Limpopo	11 929 675	11 814 169	99.0%	47.9%	11 366 685
Mpumalanga	8 118 307	7 814 202	96.3%	48.0%	6 272 886
Northern Cape	2 286 860	2 284 173	99.9%	38.5%	1 642 659
North West	6 096 036	6 205 448	101.8%	40.7%	6 685 648
Western Cape	7 822 732	7 733 803	98.9%	36.0%	6 920 362
<b>Total</b>	<b>89 951 768</b>	<b>88 654 343</b>	<b>98.6%</b>	<b>41.5%</b>	<b>78 948 144</b>

8. Spending between provinces for education ranges from the lowest rate in Gauteng at 94.4 per cent and Mpumalanga at 96.3 per cent to the highest in North West and Free State at 101.8 per cent and 101.4 per cent respectively.

**Table 4: Provincial Personnel Expenditure: Education as at 31 March 2008**

R thousand	Adjusted budget	Preliminary outcome as at 31 March 2008	Preliminary outcome as % of adjusted budget	% share of Education Personnel to total personnel expenditure	2006/07: Audited outcome as at 31 March 2007
Eastern Cape	11 884 432	11 727 033	98.7%	63.0%	10 706 948
Free State	4 436 517	4 519 165	101.9%	56.0%	4 147 891
Gauteng	10 769 050	10 525 502	97.7%	55.4%	8 958 365
KwaZulu-Natal	15 031 608	14 986 556	99.7%	57.7%	12 951 146
Limpopo	9 656 615	9 649 419	99.9%	59.7%	9 257 922
Mpumalanga	5 951 757	5 994 129	100.7%	63.7%	4 751 834
Northern Cape	1 705 503	1 796 032	105.3%	56.1%	1 314 190
North West	4 758 723	4 941 768	103.8%	58.8%	5 255 673
Western Cape	5 919 781	5 903 751	99.7%	52.4%	5 253 453
<b>Total</b>	<b>70 113 986</b>	<b>70 043 355</b>	<b>99.9%</b>	<b>58.3%</b>	<b>62 597 422</b>

9. The preliminary outcome for education personnel is at R70 billion or 99.9 per cent of the education personnel adjusted budgets of R70.1 billion. Spending between

provinces ranges from the lowest in Gauteng and Eastern Cape at 97.7 per cent and 98.7 per cent to the highest in Northern Cape and North West at 105.3 per cent and 103.8 per cent respectively.

10. The preliminary outcome on goods and services (mostly learner support material) in education, is recorded at R9 billion or 92.1 per cent of the R9.8 billion adjusted budget.
11. The preliminary outcome for education capital is at R3.3 billion or 83.3 per cent of the R3.9 billion education capital adjusted budget. Capital spending for education between provinces ranges from the lowest in Mpumalanga at 60.9 per cent and Gauteng at 71.4 per cent to the highest in Northern Cape at 120.7 per cent and Limpopo at 104 per cent.

**Table 5: Provincial Capital Expenditure: Education as at 31 March 2008**

	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Education Capital to total Capital expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
<b>R thousand</b>					
Eastern Cape	590 423	429 336	72.7%	19.3%	524 371
Free State	252 609	233 898	92.6%	18.0%	198 864
Gauteng	760 520	542 765	71.4%	20.0%	747 892
KwaZulu-Natal	1 034 377	996 879	96.4%	23.4%	747 458
Limpopo	403 962	420 208	104.0%	30.1%	480 286
Mpumalanga	429 201	261 514	60.9%	19.3%	301 184
Northern Cape	44 638	53 863	120.7%	8.6%	22 488
North West	199 333	163 236	81.9%	12.8%	373 061
Western Cape	194 372	153 143	78.8%	9.0%	234 885
<b>Total</b>	<b>3 909 435</b>	<b>3 254 842</b>	<b>83.3%</b>	<b>19.3%</b>	<b>3 630 489</b>

### Health

12. Health expenditure is at R62.4 billion or 102.3 per cent against the total provincial health adjusted budget of R61 billion, representing an increase of 16.3 per cent or R8.8 billion compared to the spending of the previous financial year. The original health budget, in aggregate, has been increased by R1.7 billion during the provincial adjusted estimates process.

**Table 6: Provincial Health Expenditure as at 31 March 2008**

	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Health to total provincial expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
<b>R thousand</b>					
Eastern Cape	8 068 697	8 017 385	99.4%	26.5%	7 257 118
Free State	3 744 400	3 835 752	102.4%	28.9%	3 461 337
Gauteng	12 445 630	12 964 823	104.2%	31.2%	11 114 978
KwaZulu-Natal	13 925 428	14 902 563	107.0%	33.3%	11 663 951
Limpopo	6 171 270	6 132 856	99.4%	24.9%	5 831 895
Mpumalanga	3 717 636	3 666 857	98.6%	22.5%	3 013 249
Northern Cape	1 579 993	1 557 294	98.6%	26.3%	1 407 236
North West	3 916 628	3 848 808	98.3%	25.3%	3 479 307
Western Cape	7 427 305	7 482 834	100.7%	34.8%	6 419 515
<b>Total</b>	<b>60 996 987</b>	<b>62 409 172</b>	<b>102.3%</b>	<b>29.2%</b>	<b>53 648 586</b>

13. North West and both Northern Cape and Mpumalanga have spent the lowest share of their health adjusted budgets at 98.3 per cent and 98.6 per cent respectively.
14. Health personnel expenditure is at R35.1 billion or 105 per cent of the health personnel adjusted budget of R33.4 billion, an increase of 22 per cent or R6.3 billion more compared to the R28.7 billion spent in 2006/07.
15. This could be attributed to the 'Occupation-specific dispensations' (OSD) agreement that has been concluded for nurses. This agreement covers two phases: Phase One provides for a general increase for nursing staff and Phase Two provides for the identification and increased remuneration of nurses in specialist positions.

**Table 7: Provincial Personnel Expenditure: Health as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Health Personnel to total personnel expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	4 171 711	4 561 550	109.3%	24.5%	3 860 060
Free State	2 251 816	2 351 757	104.4%	29.2%	2 012 009
Gauteng	6 213 280	6 515 836	104.9%	34.3%	5 347 243
KwaZulu-Natal	7 913 564	8 648 859	109.3%	33.3%	6 628 826
Limpopo	3 974 735	4 045 560	101.8%	25.0%	3 310 633
Mpumalanga	2 031 153	2 044 791	100.7%	21.7%	1 627 812
Northern Cape	794 513	786 939	99.0%	24.6%	620 972
North West	1 996 435	1 981 846	99.3%	23.6%	1 913 654
Western Cape	4 055 297	4 135 685	102.0%	36.7%	3 419 042
<b>Total</b>	<b>33 402 504</b>	<b>35 072 823</b>	<b>105.0%</b>	<b>29.2%</b>	<b>28 740 251</b>

16. Spending on non-personnel non-capital items (NPNC) in health, which includes medicines, drugs and other current expenditure is recorded at R22.3 billion or 103.1 per cent of the R21.6 billion adjusted budget, an increase of 10.3 per cent or R2.1 billion compared to the R20.2 billion spent in 2006/07.

**Table 8: Provincial Capital Expenditure: Health as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Health Capital to total Capital expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	838 528	824 836	98.4%	37.0%	562 231
Free State	292 470	302 722	103.5%	23.2%	245 981
Gauteng	1 196 713	1 011 011	84.5%	37.2%	920 906
KwaZulu-Natal	1 388 863	1 012 039	72.9%	23.8%	938 208
Limpopo	522 163	515 987	98.8%	36.9%	741 652
Mpumalanga	389 248	223 674	57.5%	16.5%	244 877
Northern Cape	310 428	185 729	59.8%	29.5%	298 315
North West	511 953	474 250	92.6%	37.3%	319 323
Western Cape	512 843	474 047	92.4%	27.7%	413 938
<b>Total</b>	<b>5 963 209</b>	<b>5 024 295</b>	<b>84.3%</b>	<b>29.8%</b>	<b>4 685 431</b>

17. Capital expenditure in the health sector at R5 billion or 84.3 per cent of the almost R6 billion health capital adjusted budget, is lower than the overall capital expenditure share of 88.5 per cent. However, this is higher by 7.2 per cent or R338.9 million more than the R4.7 billion spent for the same period last year. Between provinces, the lowest rate of spending is in Mpumalanga at 57.5 per cent and Northern Cape at 59.8 per cent

with Free State and Limpopo recording the highest rate of spending at 103.5 per cent and 98.8 per cent respectively.

*Social welfare services (Social development)*

18. Provinces have spent R6.2 billion or 97.3 per cent of the total provincial social development adjusted budget of R6.4 billion. This represents an increase of 20.7 per cent or R1.1 billion above the R5.2 billion spent last year.

**Table 9: Provincial Social Welfare Services Expenditure as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Soc welfare to total provincial expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	882 794	880 958	99.8%	2.9%	730 319
Free State	453 092	425 953	94.0%	3.2%	442 985
Gauteng	1 369 957	1 358 862	99.2%	3.3%	1 011 634
KwaZulu-Natal	1 065 223	1 036 460	97.3%	2.3%	941 579
Limpopo	417 077	416 119	99.8%	1.7%	401 924
Mpumalanga	497 517	459 292	92.3%	2.8%	319 218
Northern Cape	310 214	304 137	98.0%	5.1%	217 643
North West	490 675	435 222	88.7%	2.9%	368 432
Western Cape	901 564	901 430	100.0%	4.2%	719 516
<b>Total</b>	<b>6 388 113</b>	<b>6 218 433</b>	<b>97.3%</b>	<b>2.9%</b>	<b>5 153 250</b>

19. Between provinces, there are varying degrees of spending with the lowest being in North West at 88.7 per cent and Mpumalanga at 92.3 per cent while the highest being Western Cape at 100 per cent and both Eastern Cape and Limpopo at 99.8 per cent.

*Housing and local government*

20. Housing and local government adjusted budgets at R12.6 billion comprise 5.8 per cent of total provincial adjusted budgets.
21. The preliminary outcome for the housing and local government sector is recorded at R12 billion or 95.2 per cent of the housing and local government adjusted budgets. This represents an increase of 22.3 per cent or R2.2 billion more than the R9.8 billion audited outcome in 2006/07.

**Table 10: Provincial Housing and Local Government Expenditure as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Local Gov &amp; Housing to total provincial expenditure</b>	<b>% share of Housing Grant to total LG &amp; Housing expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	1 234 055	1 059 417	85.8%	3.5%	36.9%	1 093 747
Free State	806 074	703 064	87.2%	5.3%	67.5%	722 488
Gauteng	3 258 374	3 286 787	100.9%	7.9%	79.5%	2 340 604
KwaZulu-Natal	2 305 155	2 266 692	98.3%	5.1%	57.8%	1 907 053
Limpopo	1 049 562	1 004 325	95.7%	4.1%	63.1%	1 041 827
Mpumalanga	1 006 023	920 474	91.5%	5.7%	70.9%	555 769
Northern Cape	397 500	393 507	99.0%	6.6%	58.7%	261 314
North West	1 113 079	1 008 983	90.6%	6.6%	77.9%	849 856
Western Cape	1 431 861	1 350 625	94.3%	6.3%	81.8%	1 035 711
<b>Total</b>	<b>12 601 683</b>	<b>11 993 874</b>	<b>95.2%</b>	<b>5.6%</b>	<b>68.3%</b>	<b>9 808 369</b>



22. Spending varies between provinces with the lowest being in Eastern Cape at 85.8 per cent and Free State at 87.2 per cent while the highest are Gauteng at 100.9 per cent and Northern Cape at 99 per cent.

*Housing conditional grant*

23. Most of the housing and local government expenditure is on the Integrated Housing and Human Settlement Development conditional grant. Table 11 indicates that provinces spent R8.2 billion or 95.6 per cent of their R8.6 billion housing conditional grant adjusted budget. These spending figures are higher by 26 per cent or R1.7 billion more than the audited outcome in 2006/07.

**Table 11: Provincial Integrated Housing and Human Settlement Development Grant Expenditure as at 31 March 2008**

	Adjusted budget	Preliminary outcome as at 31 March 2008	Preliminary outcome as % of adjusted budget	% share of grant to total provincial expenditure	2006/07: Audited outcome as at 31 March 2007
<b>R thousand</b>					
Eastern Cape	552 554	391 295	70.8%	1.3%	637 381
Free State	553 508	474 446	85.7%	3.6%	528 400
Gauteng	2 547 223	2 612 566	102.6%	6.3%	1 759 822
KwaZulu-Natal	1 310 555	1 311 040	100.0%	2.9%	1 074 515
Limpopo	651 705	633 237	97.2%	2.6%	605 307
Mpumalanga	676 286	652 178	96.4%	4.0%	329 949
Northern Cape	231 036	231 021	100.0%	3.9%	104 714
North West	875 178	785 516	89.8%	5.2%	696 543
Western Cape	1 177 770	1 105 135	93.8%	5.1%	768 921
<b>Total</b>	<b>8 575 815</b>	<b>8 196 434</b>	<b>95.6%</b>	<b>3.8%</b>	<b>6 505 552</b>

24. However, a total of R600 million of the Integrated Housing and Human Settlement Development grant has been stopped by the national Department of Housing due to a lack of spending capacity, with Eastern Cape (R500 million) and Free State (R100 million) being the affected provinces.
25. The national department of Housing, after the stopping of transfers, has re-allocated funds to the value of R450 million in terms of the Integrated Housing and Human Settlement Development grant towards Gauteng and Northern Cape. These provinces' allocations have been revised upwards by R350 million and R100 million respectively.

*Personnel expenditure*

26. The preliminary outcome for personnel (compensation of employees) is at R120.1 billion or 100.9 per cent of the R119.1 billion provincial personnel adjusted budget.
27. The preliminary outcome is 15.2 per cent or R15.8 billion higher than the R104.3 billion spent last year mainly due to the 'Occupation-specific dispensations' (OSD) agreement that has been concluded for nurses. R1.2 billion was added to the provincial equitable share through the national adjusted estimates process to cover the shortfall of the wage agreement which is 1.5 percentage points higher than what provinces planned for when they tabled their 2007 Budgets.
28. Both Mpumalanga and Western Cape and Gauteng recorded the lowest rates of personnel spending at 99.9 per cent and 100.1 per cent respectively while KwaZulu-Natal and Northern Cape recorded the highest rates at 102.3 per cent and 101.7 per cent, respectively.

**Table 12: Provincial Personnel Expenditure as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Personnel to total provincial expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	18 429 518	18 614 089	101.0%	61.5%	16 527 614
Free State	7 988 932	8 065 905	101.0%	60.8%	7 212 234
Gauteng	18 971 553	18 988 876	100.1%	45.6%	15 876 531
KwaZulu-Natal	25 405 292	25 991 877	102.3%	58.1%	21 625 700
Limpopo	16 112 810	16 152 802	100.2%	65.5%	14 818 047
Mpumalanga	9 426 662	9 417 185	99.9%	57.9%	7 478 053
Northern Cape	3 148 861	3 201 083	101.7%	54.0%	2 408 259
North West	8 286 984	8 409 193	101.5%	55.2%	8 593 411
Western Cape	11 275 919	11 264 604	99.9%	52.4%	9 726 212
<b>Total</b>	<b>119 046 531</b>	<b>120 105 615</b>	<b>100.9%</b>	<b>56.2%</b>	<b>104 266 061</b>

*Overall capital budgets and expenditure*

29. The preliminary outcome for the “payments for capital assets” category (capital) is at R16.9 billion or 88.5 per cent of the R19.1 billion provincial payments for capital assets adjusted budget. It is higher by 8.2 per cent or R1.3 billion more than the R15.6 billion spent in 2006/07.

**Table 13: Provincial Capital (Payments for Capital Assets) Expenditure as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of Capital to total provincial expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	2 376 882	2 229 971	93.8%	7.4%	1 873 417
Free State	1 400 212	1 302 586	93.0%	9.8%	1 074 444
Gauteng	3 139 328	2 714 454	86.5%	6.5%	2 493 816
KwaZulu-Natal	4 923 743	4 257 398	86.5%	9.5%	3 448 985
Limpopo	1 504 572	1 396 610	92.8%	5.7%	1 856 530
Mpumalanga	1 759 830	1 355 457	77.0%	8.3%	1 069 572
Northern Cape	750 855	629 518	83.8%	10.6%	570 147
North West	1 385 337	1 271 167	91.8%	8.3%	1 489 994
Western Cape	1 825 223	1 709 747	93.7%	8.0%	1 705 332
<b>Total</b>	<b>19 065 982</b>	<b>16 866 907</b>	<b>88.5%</b>	<b>7.9%</b>	<b>15 582 237</b>

30. Table 13 provides total capital spending information by province, which indicates low rates of spending in Mpumalanga at 77 per cent and Northern Cape at 83.8 per cent to the highest in Eastern Cape at 93.8 per cent and Western Cape at 93.7 per cent. In absolute terms, KwaZulu-Natal has spent the most at R4.3 billion followed by Gauteng and Eastern Cape at R2.7 billion and R2.2 billion respectively.
31. The biggest capital adjusted budgets in provinces are in public works, roads and transport departments at 38 per cent or R7.3 billion of the total provincial capital adjusted budget of R19.1 billion. Spending for these departments is at R7.1 billion or 97.8 per cent which is 23.7 per cent or R1.4 billion more than the R5.7 billion spent last year.

**Table 14: Provincial Capital Expenditure: Public Works, Roads and Transport as at 31 March 2008**

<b>R thousand</b>	<b>Adjusted budget</b>	<b>Preliminary outcome as at 31 March 2008</b>	<b>Preliminary outcome as % of adjusted budget</b>	<b>% share of PWRT Capital to total Capital expenditure</b>	<b>2006/07: Audited outcome as at 31 March 2007</b>
Eastern Cape	824 376	869 078	105.4%	39.0%	710 342
Free State	735 658	628 689	85.5%	48.3%	517 497
Gauteng	777 737	802 952	103.2%	29.6%	607 955
KwaZulu-Natal	2 105 756	2 053 575	97.5%	48.2%	1 557 251
Limpopo	133 272	114 020	85.6%	8.2%	174 292
Mpumalanga	767 937	767 296	99.9%	56.6%	422 447
Northern Cape	301 480	295 111	97.9%	46.9%	158 920
North West	533 351	535 444	100.4%	42.1%	571 756
Western Cape	1 072 302	1 027 951	95.9%	60.1%	1 016 422
<b>Total</b>	<b>7 251 869</b>	<b>7 094 116</b>	<b>97.8%</b>	<b>42.1%</b>	<b>5 736 882</b>

32. Between provinces, the lowest rate of spending is recorded in Free State at 85.5 per cent and Limpopo at 85.6 per cent, while Eastern Cape and Gauteng recorded the highest rates of spending at 105.4 per cent and 103.2 per cent respectively.

#### *Conditional grants*

33. The total conditional grant adjusted allocation for all grants is R33.3 billion (including Schedule 4 grants and provincial roll-overs) with health making up the bulk at R11.9 billion.
34. Table 15 reflects the preliminary outcome on conditional grants for all provinces. It excludes spending on general purpose conditional grants (Schedule 4 grants) like the National Tertiary Services, Health Professions Training and Development and the Infrastructure grant to provinces, as reporting against these grants cannot be separated from the provinces' health and capital budgets.
35. 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, 2007 (Act No. 1 of 2007).
36. Against the total adjusted allocation of R19.5 billion (including provincial roll-overs), this excludes Schedule 4 grants, the rate of conditional grants spending amounts to R19.2 billion or 98.7 per cent.
37. However, when excluding the Gautrain Rapid Rail Link grant, the preliminary outcome amounts to R15.1 billion or 92.2 per cent. The reported higher expenditure amount for the Gautrain Rapid Rail Link grant is inclusive of expenditure in respect of the Gautrain provincial allocation. The expenditure level being higher than the national conditional grant allocation implies that all the national funding has been fully spent.
38. Specific grants that show low rates of spending include Agricultural Disaster Management (34 per cent), Forensic Pathology Services (77.6 per cent), Land Care Programme (83.2 per cent), HIV and Aids (Life Skills Education) (83.3 per cent) and Community Library Services (83.8 per cent).

**Table 15: Provincial Conditional Grants Expenditure as at 31 March 2008**

R thousand	Division of Revenue Act, 2007 (Act No. 1 of 2007)	Other Gazetted Amounts	Provincial roll-overs	Total available 2007/08	Transferred from National to province	Preliminary outcome as at 31 March 2008	Preliminary outcome as % of total available (excluding Schedule 4 grants)
<b>Agriculture</b>	<b>461 725</b>	<b>300 000</b>	<b>40 893</b>	<b>802 618</b>	<b>761 522</b>	<b>155 752</b>	<b>41.6%</b>
1. Agriculture disaster management grant	–	300 000	16 034	316 034	300 000	107 493	34.0%
1. Comprehensive agricultural support programme grant	415 000	–	13 583	428 583	415 000		
Land care programme grant: poverty relief and infrastr	46 725	–	11 276	58 001	46 522	48 259	83.2%
<b>Arts and Culture</b>	<b>180 000</b>	<b>–</b>	<b>–</b>	<b>180 000</b>	<b>163 215</b>	<b>150 808</b>	<b>83.8%</b>
Community library services grant	180 000	–	–	180 000	163 215	150 808	83.8%
<b>Education</b>	<b>1 905 633</b>	<b>111 140</b>	<b>90 516</b>	<b>2 107 289</b>	<b>2 007 950</b>	<b>1 935 115</b>	<b>91.8%</b>
Further education and training college sector recapital	595 000	36 090	8 213	639 303	631 090	617 844	96.6%
HIV and Aids (life skills education) grant	157 695	8 699	–	166 394	157 571	138 560	83.3%
National school nutrition programme grant	1 152 938	66 351	82 303	1 301 592	1 219 289	1 178 711	90.6%
<b>Health</b>	<b>11 320 982</b>	<b>415 696</b>	<b>171 996</b>	<b>11 908 674</b>	<b>11 552 732</b>	<b>4 514 944</b>	<b>90.5%</b>
Comprehensive HIV and Aids grant	1 945 575	60 648	–	2 006 223	2 006 223	2 052 558	102.3%
Forensic pathology services grant	551 383	121 037	135 877	808 297	507 644	626 852	77.6%
1. Health professions training and development grant	1 596 189	–	–	1 596 189	1 596 189		
Hospital revitalisation grant	1 906 629	234 011	36 119	2 176 759	2 121 470	1 835 534	84.3%
1. National tertiary services grant	5 321 206	–	–	5 321 206	5 321 206		
<b>Housing</b>	<b>8 237 946</b>	<b>-45 000</b>	<b>382 869</b>	<b>8 575 815</b>	<b>8 149 869</b>	<b>8 196 434</b>	<b>95.6%</b>
Integrated housing and human settlement developme	8 237 946	-45 000	382 869	8 575 815	8 149 869	8 196 434	95.6%
<b>National Treasury</b>	<b>6 164 025</b>	<b>250 000</b>	<b>110 272</b>	<b>6 524 297</b>	<b>6 276 244</b>		
1. Infrastructure grant to provinces	6 164 025	–	110 272	6 274 297	6 026 244		
1. Transitional grant: North West	–	250 000	–	250 000	250 000		
<b>Sport and Recreation South Africa</b>	<b>194 000</b>	<b>–</b>	<b>3 927</b>	<b>197 927</b>	<b>193 662</b>	<b>191 512</b>	<b>96.8%</b>
Mass sport and recreation participation programme gr	194 000	–	3 927	197 927	193 662	191 512	96.8%
<b>Transport</b>	<b>3 029 411</b>	<b>–</b>	<b>–</b>	<b>3 029 411</b>	<b>3 029 411</b>	<b>4 053 508</b>	<b>133.8%</b>
Gautrain rapid rail link grant	3 029 411	–	–	3 029 411	3 029 411	4 053 508	133.8%
<b>Total excluding Schedule 4 grants and Gautrain</b>	<b>31 493 722</b>	<b>1 031 836</b>	<b>800 473</b>	<b>33 326 031</b>	<b>32 134 605</b>	<b>15 144 565</b>	<b>92.2%</b>
<b>Total excluding Schedule 4 grants expenditure</b>	<b>31 493 722</b>	<b>1 031 836</b>	<b>800 473</b>	<b>33 326 031</b>	<b>32 134 605</b>	<b>19 198 073</b>	<b>98.7%</b>

<sup>1.</sup> 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.

39. Table 16 indicates selected conditional grant spending rates as at 31 March 2008 (preliminary outcome). It further indicates that four or more provinces have spent less than 90 per cent of their grant adjusted budget at the end of the financial year for the following grants: Forensic Pathology Services and Hospital Revitalisation.

40. The table also indicates the number of provinces spending at slightly higher levels between 90 and 100 per cent and greater than 100 per cent of their conditional grant adjusted budgets.

**Table 16: Selected Conditional Grants Spending Rate as at 31 March 2008**

	Number of provinces spent less than 90%	Number of provinces spent between 90% and 100% (inclusive)	Number of provinces spent more than 100%
<b>Agriculture</b>			
Land Care Programme: Poverty Relief and Infra	3 KZN, LIM, MPU	5 EC, FS, GT, NW, WC	1 NC
<b>Arts and Culture</b>			
Community Library Services Grant	3 EC, LIM, NW	3 FS, GT, NC	3 KZN, MPU, WC
<b>Education</b>			
Further Education And Training College Sector	1 GT	7 EC, FS, KZN, LIM, MPU, NW, WC	1 NC
HIV and Aids (Life Skills Education)	2 KZN, LIM	7 EC, FS, GT, MPU, NC, NW, WC	
National School Nutrition Programme	3 EC, KZN, MPU	4 FS, LIM, NW, WC	2 GT, NC
<b>Health</b>			
Comprehensive HIV and Aids		4 FS, KZN, NW, WC	5 EC, GT, LIM, MPU, NC
Forensic Pathology Services	5 KZN, LIM, MPU, NC, NW	3 EC, GT, WC	1 FS
Hospital Revitalisation	4 EC, GT, MPU, NC	5 FS, KZN, LIM, NW, WC	
<b>Housing</b>			
Integrated Housing and Human Settlement Dev	3 EC, FS, NW	4 LIM, MPU, NC, WC	2 GT, KZN
<b>Sport and Recreation South Africa</b>			
Mass Sport and Recreation Participation Progr	1 GT	5 KZN, LIM, NC, NW, WC	3 EC, FS, MPU
<b>Transport</b>			
Gautrain Rapid Rail Link			1 GT

Percentages represent actual expenditure of adjusted budget as published in the Division or Revenue Act, 2007 (Act No.1 of 2007) and subsequent gazettes.

### Provincial revenue

41. Provincial revenue includes budgeted equitable share adjusted allocations of R172.9 billion, adjusted conditional grants of R32.5 billion and adjusted own revenue of R8.2 billion. The total provincial revenue received and collected for the 2007/08 financial year is recorded at R214.3 billion or 100.3 per cent of total revenue adjusted budgets of R213.5 billion.

**Table 17: Provincial Own Revenue Collection as at 31 March 2008**

	Adjusted budget	Preliminary outcome as at 31 March 2008	Preliminary outcome as % of adjusted budget	% share of Own Revenue to total provincial revenue	2006/07: Audited outcome as at 31 March 2007
<b>R thousand</b>					
Eastern Cape	829 825	1 020 496	123.0%	3.2%	800 450
Free State	503 555	547 682	108.8%	4.1%	490 035
Gauteng	2 327 794	2 631 611	113.1%	6.4%	2 188 065
KwaZulu-Natal	1 423 141	1 524 873	107.1%	3.5%	1 293 547
Limpopo	444 122	438 613	98.8%	1.7%	462 591
Mpumalanga	337 855	395 336	117.0%	2.4%	381 582
Northern Cape	138 684	136 397	98.4%	2.3%	126 989
North West	438 869	587 097	133.8%	3.9%	528 171
Western Cape	1 707 335	1 978 063	115.9%	9.4%	1 713 594
<b>Total</b>	<b>8 151 180</b>	<b>9 260 169</b>	<b>113.6%</b>	<b>4.3%</b>	<b>7 985 024</b>

42. National government transferred the entire equitable share (R172.9 billion) and R32.1 billion or 98.8 per cent in conditional grants to provinces for the 2007/08 financial year.

43. The preliminary outcome on provincial own revenue suggests that provinces have collected R9.3 billion or 113.6 per cent of their own revenue adjusted budgets of R8.2 billion, which is 16 per cent or R1.3 billion more than what was collected for the previous financial year.
44. The collection rate varies from 98.4 per cent in Northern Cape and 98.8 per cent in Limpopo, to a high of 133.8 per cent in North West and 123 per cent in Eastern Cape.