Technical annexure

Introduction

This annexure presents the budget framework, expenditure outcomes for 2015/16, mid-year estimates of expenditure for 2016/17 and the division of revenue.

The budget framework consists of the fiscal framework, government spending priorities, the division of resources between national, provincial and local government, and a tabulation of the major conditional grants. The framework allows national departments, provinces and municipalities to prepare their detailed budgets for the following year. South Africa has a multi-year budgeting process, so the framework covers the present fiscal year and the three subsequent years.

Assumptions for the macroeconomic forecast

The macroeconomic forecast contained in this *Medium Term Budget Policy Statement* is underpinned by the set of assumptions contained in Table T.1. Assumptions related to the world economy are sourced from the International Monetary Fund (IMF). Commodity prices are informed by futures curves, and calculated as a moving monthly average as opposed to the spot contract price at a particular point in time. Domestic investment assumptions are based on approved infrastructure expenditure plans. Food inflation assumptions are informed by various high-frequency indicators and analysis of underlying fundamentals.

Table T.1 Assumptions underpinning the macroeconomic forecast, 2016 – 2019

Percentage change (unless otherwise indicated)	2014	2015	2016	2017	2018	2019
	Outcomes		Projections			
Global growth[1]	4.8	4.1	3.9	4.1	4.3	4.4
Commodity prices[2]						
Brent crude (US$ per barrel)	100	53	43	51	54	56
Gold (US$ per ounce)	1 266	1 160	1 272	1 337	1 352	1 366
Platinum (US$ per ounce)	1 385	1 055	1 015	1 078	1 086	1 093
Iron ore (US$ per ton)	97	55	54	47	42	35
Coal (US$ per ton)	72	57	60	63	62	61
Inflation[3]						
Food inflation	7.6	5.1	10.5	7.5	5.4	5.4
Investment[3]						
Real public corporation investment	0.7	3.5	0.4	0.5	2.1	2.3
Real government investment	8.5	14.6	4.6	5.3	4.2	5.0

1. Combined growth index of South Africa's top 15 trading partners (IMF World Economic Outlook, October 2016)
2. Source: Bloomberg futures prices on 9 September 2016
3. National Treasury estimates
Source: National Treasury

The fiscal framework

The fiscal framework sets out government's revenue projections, spending estimates, borrowing requirements and assumptions concerning debt-service costs. The consolidated fiscal framework comprises the main budget, as well as spending by provinces, social security funds and public entities financed from own revenue.

Difference between the main and consolidated budgets

Government's finances are presented in two ways that highlight different aspects of the budget. The **main budget** shows all expenditure financed from the National Revenue Fund. With the exception of direct charges mandated by specific legislation, all expenditure incurred against the National Revenue Fund needs parliamentary approval. The **consolidated budget** is a wider category of the public finances. It includes the main budget, as well as spending financed from the revenues raised directly by provinces, social security funds and public entities. These revenues are not deposited into the National Revenue Fund. Different aspects of the budget can be presented at either the main or consolidated level. For instance, the main budget indicates how much money central government has to borrow to finance its operations, while the consolidated budget provides a fuller picture of government's impact on the economy.

Revenue outcomes and revised estimates

The revenue outcome for 2015/16, revised estimates for 2016/17 and projections for 2017/18 are presented in Table T.2.

Table T.2 Total tax and consolidated budget revenue, 2015/16 – 2017/18

R billion	2015/16 Outcome	2016/17 Budget	2016/17 Revised	2016/17 Deviations	2017/18 Estimates
Persons and individuals	388.1	441.0	428.5	-12.5	471.7
Companies	191.2	198.3	200.8	2.5	211.9
Value-added tax	281.1	301.3	293.3	-7.9	315.2
Dividend withholding tax[1]	24.2	25.2	26.1	0.8	27.5
Specific excise duties	35.1	38.0	36.7	-1.3	38.9
Fuel levy	55.6	64.5	64.2	-0.3	68.0
Customs duties	46.3	54.0	51.9	-2.1	57.2
Other	48.5	52.4	50.5	-1.9	54.7
Revenue measures in 2017 Budget	–	–	–	–	28.0
Gross tax revenue	**1 070.0**	**1 174.8**	**1 152.0**	**-22.8**	**1 273.3**
Non-tax revenue	56.3	26.7	31.1	4.5	31.7
of which:					
Mineral royalties	*3.7*	*4.4*	*4.8*	*0.4*	*5.2*
Receipts from financial transactions [2]	*14.4*	*12.2*	*14.7*	*2.5*	*14.6*
Estimate of SACU payments[3]	-51.0	-39.4	-39.4	–	-56.0
Provinces, social security funds and selected public entities	145.7	162.3	157.3	-5.1	167.8
Consolidated budget revenue	**1 220.9**	**1 324.3**	**1 301.0**	**-23.3**	**1 416.9**

1. Includes interest witholding tax from 2015/16 onward
2. Consists mainly of premiums and revaluation profits on debt transactions
3. Southern African Customs Union agreement
Source: National Treasury

Gross tax revenue collections for 2015/16 amounted to R1.07 trillion, higher by R0.3 billion than the 2016 Budget estimate. Value-added tax (VAT) recorded an over-collection of R3.1 billion in 2015/16, mainly as a result of lower-than-anticipated VAT refunds in the latter part of the year. Corporate income tax (CIT) recorded an over-collection of R2.2 billion. Personal income tax (PIT) was the worst-performing category, with an under-collection of R3.9 billion, led by lower-than-expected pay-as-you-earn (PAYE) receipts.

Revenue collections for the first half of 2016/17 have fallen sharply below expectations, mostly due to shortfalls in PIT. VAT performance has also been sluggish, largely due to weak demand for domestic and imported goods. Other major tax categories have also shown signs of weakening, but corporate income tax performed better than expected.

Revisions to nominal GDP growth have been relatively small compared with the 2016 Budget estimates. However, the composition of GDP growth has changed: gross domestic expenditure has been revised down sharply, offset by a downward revision to imports. The overall effect of this has been significant reductions to all major tax bases. Without additional policy measures, gross tax revenue is projected to fall short of 2016 Budget targets by R22.8 billion in the current year, R36.2 billion in 2017/18, and R51.9 billion in 2018/19.

In response, the 2016 MTBPS proposes to raise an additional R13 billion in 2017/18. This adds to the tax increase of R15 billion in 2017/18 announced in the 2016 Budget. In total, therefore, the fiscal framework includes additional revenue measures to raise R28 billion in 2017/18 and R15 billion in 2018/19.

Table T.3 presents the outcomes and estimates of receipts and payments from financial transactions, which appear in the 2016 Adjusted Estimates of National Expenditure as part of departmental revenue.

Compared with the 2016 Budget estimates, total receipts from financial transactions in 2016/17 will increase by R2.5 billion to R14.7 billion. Higher receipts result from premiums on debt transactions of R3.5 billion, mainly from the issuances of inflation-linked bonds and bond-switch transactions. In addition, revaluation profits on foreign-currency transactions are R1 billion lower than budgeted due to a stronger-than-projected exchange rate. Over the medium term, receipts from financial transactions are set to increase to R14.6 billion in 2017/18 before decreasing to R10.1 billion in 2019/20. The upward revision is mainly due to the consolidation of government's foreign-currency investment accounts at the Reserve Bank, which results in an increase in revaluation profits on foreign-currency transactions. This is explained in greater detail in the section on financing the borrowing requirement below. In 2016/17, payments from financial transactions are R1.1 billion higher than the 2016 Budget estimate of R145 million, mainly due to premiums paid on foreign-currency switch transactions. Premiums on loan transactions and payments for financial transactions are not projected over the medium-term.

Revision in receipts for financial transactions

A change in the management of foreign-currency investment accounts results in higher projected National Revenue Fund receipts. These receipts are now estimated at R15 billion in 2017/18, R12 billion in 2018/19 and R10 billion in 2019/20. By using dollars purchased when the rand was stronger, revaluation profits are realised as cash flows into the National Revenue Fund, thereby reducing the borrowing requirement. The reserves are replenished by issuing foreign debt. Replenishing the dollars at the prevailing exchange rate increases the rand book value of government's foreign exchange holdings.

Table T.3 Financial transactions receipts and payments, 2015/16 – 2019/20

	2015/16	2016/17		2017/18	2018/19	2019/20
R million	Outcome	Budget	Revised	Medium-term estimates		
Receipts	**14 378**	**12 165**	**14 665**	**14 578**	**11 777**	**10 138**
Premiums on loan transactions[1]	5 439	–	3 500	–	–	–
Revaluation profits on foreign currency transactions[2]	8 869	12 165	11 155	14 578	11 777	10 138
Other[3]	70	–	10	–	–	–
Payments	**-682**	**-145**	**-1 221**	**–**	**–**	**–**
Premiums on loan transactions[1]	-529	–	-1 034	–	–	–
Defrayal of GFECRA losses[4]	-153	-145	-187	–	–	–
Total	**13 696**	**12 020**	**13 444**	**14 578**	**11 777**	**10 138**

1. Premiums received or incurred on new loan issues, bond switch and buy-back transactions
2. Revaluation profits or losses on government's foreign exchange deposits at the Reserve Bank
3. Mainly penalties on early withdrawal of retail bonds, refunds of fees paid on foreign loans and profits on script lending
4. Realised profits/losses on Gold and Foreign Exchange Contingency Reserve Account with the Reserve Bank
Source: National Treasury

Assumptions for revenue projections

At the aggregate level, tax revenue projections are calculated using tax buoyancy and projected increases in nominal GDP. Tax buoyancy is the ratio of the growth of a revenue stream to the growth of its underlying tax base, including the impact of announced tax policy measures. For example, the tax buoyancy for gross tax revenue of 1.07 in 2016/17 means that for each percentage point increase in nominal GDP, total gross tax revenue will grow by 1.07 per cent. The overall tax buoyancy for gross tax revenue is expected to increase to 1.43 by 2017/18, slowing to 1.10 by 2019/20.

Growth in the wage bill, the tax base for PIT, has been revised down by more than one percentage point on average over the medium term. Using the latest wage bill forecast, taking into account limited fiscal drag relief in 2016/17, and assuming a buoyancy of about 1.45, the shortfall on PIT collections is likely to amount to R12.5 billion in 2016/17. An economic contraction in the first quarter of 2016 led to lower PIT receipts and PIT collections for 2015/16 were R3.9 billion below the 2016 Budget estimates. In addition, the average year-on-year PIT growth in the first two quarters of 2016/17 was below the rate required to achieve the 2016 Budget target.

For the year to date, CIT has performed robustly, mainly driven by higher provisional tax from the mining and quarrying sector. Despite the significant downward revision to net operating surplus (NOS), the tax base for CIT, medium-sized companies are expected to continue driving the strong performance in CIT in 2016/17. The buoyancy of CIT against NOS remains relatively unchanged from the 2016 Budget and is assumed at 1.03 in 2016/17, and averaging 1.0 over the medium term.

Following lower-than-anticipated VAT refunds at the end of 2015/16, VAT refunds rebounded in the first two quarters of 2016/17, offsetting gross VAT collections. Both domestic and import VAT collections are also showing sluggish performance. Downward revisions to household consumption (the tax base for VAT) over the medium-term expenditure framework (MTEF) period reflects lower consumer confidence, high inflation and interest rates, slowing credit growth, and weak employment prospects. VAT buoyancy against final household consumption is anticipated at 0.71 in 2016/17, and is set to remain at about 1.10 between 2017/18 to 2019/20.

Table T.4 presents the assumptions underlying the revised revenue projections for 2016/17 to 2019/20.

Table T.4 Tax revenue outcomes, projections and assumptions, 2013/14 – 2019/20

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
R billion		Outcome		Estimate		Projections	
Personal Income tax	**310**	**353**	**388**	**429**	**472**	**522**	**577**
Wage bill [1]	1 654	1 786	1 931	2 070	2 230	2 411	2 616
Buoyancy	*1.23*	*1.74*	*1.23*	*1.45*	*1.30*	*1.30*	*1.25*
Corporate income tax	**177**	**185**	**191**	**201**	**212**	**225**	**243**
Net operating surplus	1 053	1 072	1 067	1 119	1 181	1 255	1 354
Buoyancy	*1.82*	*2.34*	*-6.89*	*1.03*	*1.00*	*1.00*	*1.00*
Value-added tax	**238**	**261**	**281**	**293**	**315**	**340**	**367**
Final household expenditure	2 179	2 313	2 457	2 608	2 785	2 980	3 197
Buoyancy	*1.36*	*1.62*	*1.22*	*0.71*	*1.10*	*1.10*	*1.10*
Gross tax revenue	**900**	**986**	**1 070**	**1 152**	**1 273**	**1 397**	**1 522**
Nominal GDP	3 624	3 863	4 087	4 381	4 702	5 078	5 490
Buoyancy	*1.17*	*1.46*	*1.47*	*1.07*	*1.43*	*1.22*	*1.10*

1. Remuneration in the formal non-agriculture sector, private and public
Source: National Treasury

Main budget expenditure ceiling

The National Treasury introduced the expenditure ceiling in the 2012 Budget. The allocations made over the MTEF period provide an agreed-upon upper limit from which departments prepare budgets. The expenditure ceiling allows government to manage departmental spending levels in the context of a constrained fiscal framework. The figures for the expenditure ceiling differ slightly from those for main budget non-interest expenditure, because since last year, the ceiling has excluded payments that are directly financed by dedicated revenue flows and others not subject to policy oversight. These include:

- Payments for financial assets financed by the sale of financial assets
- Payment transactions that are linked to the management of debt
- Direct charges that relate to specific payments made in terms of legislation, such as the skills development levy.

As Table T.5 shows, the expenditure ceiling has been revised down over the next two years.

Table T.5 Main budget expenditure ceiling,[1] 2013/14 – 2019/20

R million	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
2014 Budget Review	935 071	1 014 222	1 091 253	1 168 284			
2015 Budget Review		1 006 905	1 081 214	1 152 833	1 250 086		
2015 MTBPS		1 001 789	1 077 527	1 152 833	1 250 086	1 354 422	
2016 Budget Review		1 001 874	1 076 705	1 152 833	1 240 086	1 339 422	
2016 MTBPS			1 074 992	1 144 353	1 229 742	1 323 465	1 435 314

1. Non-interest spending financed from National Revenue Fund, excluding skills development levy, special appropriations in 2015/16 for Eskom and New Development Bank, debt management and Gold and Foreign Exchange Contingency Reserve Account transactions

Source: National Treasury

Consolidated framework

Table T.6 provides more details on the consolidated fiscal framework outlined in Chapter 3. Following revised nominal GDP estimates, lower tax revenue projections and projected underspending by national departments in 2016/17, the consolidated budget deficit is forecast at 3.4 per cent of GDP, against an estimate of 3.2 per cent of GDP in the 2016 Budget.

Over the MTEF period, the consolidated budget deficit narrows, reaching 2.5 per cent of GDP in 2019/20. The fiscal framework allows for moderate growth in consolidated non-interest spending over the next two years, averaging 7.1 per cent in nominal terms and increasing to 7.8 per cent in 2019/20. The fastest-growing expenditure item in the consolidated framework by economic classification continues to be interest payments. Nominal growth in interest and rent on land are expected to average 10 per cent over the MTEF period, slower than the 12.1 per cent recorded over the past three fiscal years.

Compensation accounts for the largest share of current spending. In 2016/17, compensation is expected to make up 40.3 per cent of total current spending. The consolidated wage bill increases at a nominal annual average of 6.9 per cent over the MTEF period. Goods and services budgets are expected to grow at a nominal rate of 6.9 per cent over the three-year spending period.

Current transfers and subsidies, which account for 31.5 per cent of consolidated current spending, are expected to grow by 7.4 per cent over the MTEF period. This nominal growth rate is slower than the 8.6 per cent recorded over the past three years.

The current balance shows the gap between revenue and operational spending. Since the budget is operated on a cash and not accrual basis, depreciation is not included in the current balance. A current surplus of R0.3 billion was achieved in 2015/16, compared to a projected current deficit of R7.1 billion at the time of the 2016 Budget. In 2016/17, a consolidated current surplus of R7.9 billion is expected, and improves to R73.5 billion, or 1.3 per cent of GDP in 2019/20. Capital payments and transfers are expected to grow by a nominal annual average of 5.8 per cent over the MTEF period. As the deficit narrows in line with fiscal objectives, the capital financing requirement will decline to 3.6 per cent of GDP in 2019/20, compared with 3.8 per cent of GDP in the current year.

Table T.6 Consolidated fiscal framework, 2013/14 – 2019/20

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
R billion		Outcome		Estimate		Medium-term estimates	
Operating account							
Revenue	**993.0**	**1 082.8**	**1 178.6**	**1 284.4**	**1 400.4**	**1 523.9**	**1 658.0**
Current payments	**1 006.5**	**1 085.2**	**1 178.2**	**1 276.6**	**1 376.7**	**1 474.4**	**1 584.5**
Compensation	408.2	437.0	472.8	515.0	549.4	587.0	629.7
Goods and services	174.2	187.1	190.9	204.5	219.7	234.6	249.9
Interest and rent on land	109.6	121.2	135.3	154.5	170.7	188.5	205.6
Transfers and subsidies	314.6	339.8	379.3	402.5	436.9	464.3	499.2
Current balance	**-13.5**	**-2.4**	**0.3**	**7.9**	**23.7**	**49.5**	**73.5**
Percentage of GDP	*-0.4%*	*-0.1%*	*0.0%*	*0.2%*	*0.5%*	*1.0%*	*1.3%*
Capital account							
Capital receipts	0.2	1.3	0.3	0.1	0.1	0.1	0.1
Capital payments and transfers	133.3	146.2	164.6	168.7	176.1	186.6	199.6
Capital financing requirement[1]	**-133.1**	**-144.9**	**-164.3**	**-168.6**	**-176.0**	**-186.5**	**-199.5**
Percentage of GDP	*-3.7%*	*-3.8%*	*-4.0%*	*-3.8%*	*-3.7%*	*-3.7%*	*-3.6%*
Financial transactions[2]	10.9	9.8	11.7	10.3	11.2	8.8	7.0
Contingency reserve	–	–	–	–	6.0	10.0	20.0
Budget balance	**-135.7**	**-137.5**	**-152.2**	**-150.5**	**-147.1**	**-138.2**	**-139.0**
Percentage of GDP	*-3.7%*	*-3.6%*	*-3.7%*	*-3.4%*	*-3.1%*	*-2.7%*	*-2.5%*
Revenue	**1 008.3**	**1 099.6**	**1 220.9**	**1 301.0**	**1 416.9**	**1 537.9**	**1 670.4**
Expenditure	**1 144.0**	**1 237.1**	**1 373.1**	**1 451.5**	**1 564.0**	**1 676.0**	**1 809.4**
Non-interest expenditure[3]	*1 034.4*	*1 115.8*	*1 237.8*	*1 297.0*	*1 393.3*	*1 487.5*	*1 603.8*
Interest payments[4]	*109.6*	*121.2*	*135.3*	*154.5*	*170.7*	*188.5*	*205.6*
Primary balance[5]	***-26.1***	***-16.3***	***-17.0***	***4.0***	***23.6***	***50.3***	***66.6***
Percentage of GDP	*-0.7%*	*-0.4%*	*-0.4%*	*0.1%*	*0.5%*	*1.0%*	*1.2%*

1. Includes payments for capital assets, receipts from sale of capital assets and capital transfers
2. Transactions in financial assets and liabilities including net receipts from financial transactions
3. All spending except for consolidated interest payments
4. Includes main budget debt-service costs and interest payments of other levels of government
5. Revenue less non-interest expenditure
Source: National Treasury

Spending on goods and services

In December 2013, government introduced cost-containment measures to curtail spending on non-essential goods and services, such as consultants, travel, catering, entertainment and venue hire. These measures, linked with procurement reforms and budget reductions introduced during the same period, have successfully reduced spending on a number of items.

Table T.7 provides details of spending on selected goods and services, and capital spending. Items of a similar nature have been grouped into summary categories for ease of presentation.

Total spending on goods and services has grown by 2 per cent in real terms since the introduction of the cost-containment measures, mainly driven by strong growth in spending on maintenance of government infrastructure and equipment. Growth is also driven by specific policy programmes like the Community Work Programme.

Spending on the main cost-containment items, including travel and subsistence, catering, entertainment, venue rental, stationery and printing and consultants, has declined in real terms since 2013. Spending on consultants fell by 12.6 per cent over the period.

Agency and outsourced services have increased broadly in line with inflation. This category includes spending on outsourced nutritional services, such as the National School Nutrition Programme, and nutrition services for inmates. It also includes medical and security personnel employed through agency arrangements.

Government spent R15.7 billion on contractors in 2015/16. This relates mainly to the maintenance of infrastructure assets, including roads, hospitals and schools. It includes payments for labour in the Community Work Programme, which has grown by 14.6 per cent over the period.

Property payments include spending related to government administrative buildings and maintenance of office accommodation. Real spending growth in this item of 3.6 per cent is mainly driven by municipal services and payments, as well as building maintenance.

Included in other goods and services are items such as food for soldiers in the Department of Defence, as well as cleaning materials, consumable supplies and clothing and uniforms in the departments of Defence, Police and Correctional Services.

Table T.7 Selected items of goods and services and capital spending: national and provincial government

R million	2012/13 Actual Expenditure	2015/16 Preliminary outcome	Average annual real growth 2012/13-2015/16
Travel and subsistence	**9 732**	**9 790**	**-5.1%**
Catering, entertainment and venue rental	**1 916**	**1 936**	**-5.0%**
Consultants	**6 900**	**5 422**	**-12.6%**
Stationery and printing	**2 772**	**3 060**	**-2.1%**
Administrative and operational payments	**13 478**	**17 288**	**2.9%**
of which:			
Leases of buildings and infrastructure	*7 378*	*11 340*	*9.3%*
Leases of machinery and equipment	*2 343*	*2 454*	*-3.8%*
Medicine and medical supplies	**14 983**	**18 836**	**2.2%**
Learner and teacher support material	**3 871**	**4 421**	**-1.0%**
Fuel, oil and gas	**6 617**	**8 562**	**3.2%**
Agency and outsourced services	**9 588**	**11 454**	**0.5%**
Contractors	**10 544**	**15 668**	**8.1%**
of which:			
Maintenance and repair infrastructure	*4 063*	*5 868*	*7.0%*
Maintenance and repair equipment	*4 032*	*4 909*	*1.1%*
Casual labourers	*801*	*2 279*	*34.2%*
Laboratory services	**3 770**	**4 775**	**2.5%**
Property payments	**14 085**	**18 438**	**3.6%**
of which:			
Municipal services and payments	*6 060*	*7 609*	*2.2%*
Contracted maintenance	*4 830*	*6 326*	*3.6%*
Guards and security	*3 046*	*3 888*	*2.7%*
Computer services	**7 511**	**10 554**	**6.1%**
Other goods and services	**19 468**	**26 441**	**4.9%**
Total	**125 236**	**156 642**	**2.0%**

Source: National Treasury

Financing the borrowing requirement and national debt outlook

The gross borrowing requirement consists of the main budget balance and maturing debt. Table T.8 shows the financing of the national government net borrowing requirement – the amount needed to finance the budget deficit for 2015/16, revised estimates for 2016/17 and projections over the MTEF period. The net borrowing requirement is projected to decrease from R165 billion in 2016/17 to R161 billion in 2017/18, before increasing to R169.6 billion in 2019/20.

Table T.8 Financing of national government borrowing requirement, 2015/16 – 2019/20

	2015/16	2016/17		2017/18	2018/19	2019/20
R million	Outcome	Budget	Revised	Medium-term estimates		
Main budget balance[1]	**-169 415**	**-156 342**	**-165 024**	**-160 956**	**-162 298**	**-169 556**
Financing						
Domestic short-term loans (net)	**13 075**	**25 000**	**40 000**	**25 000**	**25 000**	**26 000**
Treasury bills	7 252	25 000	40 000	25 000	25 000	26 000
Corporation for Public Deposits	5 823	–	–	–	–	–
Domestic long-term loans (net)	**146 172**	**116 200**	**116 266**	**131 503**	**130 130**	**129 372**
Market loans (gross)	176 795	174 000	174 000	181 000	180 500	185 500
Loans issued for switches[2]	-2 479	–	-718	–	–	–
Redemptions	-28 144	-57 800	-57 016	-49 497	-50 370	-56 128
Foreign loans (net)	**-3 879**	**7 811**	**36 264**	**25 744**	**28 379**	**-17 238**
Market loans (gross)	–	23 205	50 958	30 540	30 860	31 320
Loans issued for switches[2]	–	–	1 111	–	–	–
Redemptions (including revaluation of loans)	-3 879	-15 394	-15 805	-4 796	-2 481	-48 558
Change in cash and other balances[3]	**14 047**	**7 331**	**-27 506**	**-21 291**	**-21 211**	**31 422**
Total	**169 415**	**156 342**	**165 024**	**160 956**	**162 298**	**169 556**

1. A negative number reflects a deficit
2. Net of loans issued and redeemed in switch transactions
3. A negative change indicates an increase in cash balances
Source: National Treasury

In 2016/17, net issuance in short-term loans will increase by R15 billion to R40 billion to finance the higher budget deficit and to cover the lower opening cash balance. Over the medium-term, short-term loans will average R25 billion per fiscal year.

The bond-switch programme – exchanging short-term for longer-term debt – has progressed well and will continue to ease refinancing pressures on targeted areas of domestic and foreign loan redemptions.

In 2016/17, foreign-currency issuance will increase by US$2.1 billion (R29 billion) to US$3.6 billion (R52 billion) compared with the 2016 Budget estimate. A total of US$1.23 billion (R18 billion) was raised in April 2016 to cover the postponed 2015/16 issuance. Foreign loans of US$3 billion were issued in September 2016, made up of US$2.3 billion new money and US$710 million in bond exchanges. Of the US$2.3 billion, US$1.2 billion will be used to cover government's foreign-exchange commitments in 2016/17. The balance will be used as prefunding to manage foreign loan redemptions of US$3.3 billion in 2019/20. Over the medium term, US$6 billion will be issued in the international capital markets.

Table T.9 shows the trajectory of the growth in national government debt stock. The key drivers in the nominal increase in debt stock are the weaker fiscal position and the weaker rand. Lower economic growth and inflation also added to the weaker debt-to-GDP ratio.

Table T.9 Total national government debt, 2015/16 – 2019/20

As at 31 March	2015/16	2016/17		2017/18	2018/19	2019/20
R billion	Outcome	Budget	Revised	Medium-term estimates		
Domestic debt						
Gross loan debt[1]	1 819.3	2 003.7	2 008.1	2 194.8	2 386.8	2 580.3
Cash balances	-112.2	-112.2	-112.2	-112.2	-114.2	-112.2
Net loan debt[2]	1 707.1	1 891.5	1 895.9	2 082.6	2 272.6	2 468.1
Foreign debt						
Gross loan debt[1]	199.6	229.9	238.3	271.7	303.0	290.2
Cash balances[3]	-102.1	-118.0	-129.8	-145.1	-158.5	-125.9
Net loan debt[2]	97.5	111.9	108.5	126.6	144.5	164.3
Total gross loan debt	**2 018.9**	**2 233.6**	**2 246.4**	**2 466.5**	**2 689.8**	**2 870.5**
Total net loan debt	**1 804.6**	**2 003.4**	**2 004.4**	**2 209.2**	**2 417.1**	**2 632.4**
As percentage of GDP:						
Total gross loan debt	*49.4*	*50.9*	*51.3*	*52.5*	*53.0*	*52.3*
Total net loan debt	*44.2*	*45.7*	*45.8*	*47.0*	*47.6*	*47.9*
Foreign debt as percentage of gross loan debt	*9.9*	*10.3*	*10.6*	*11.0*	*11.3*	*10.1*

1. Forward estimates are based on projections of exchange and inflation rates
2. Net loan debt is calculated with due account of the cash balances of the National Revenue Fund (bank balances of government's account with the Reserve Bank and commercial banks)
3. Foreign currency deposits book value revalued at forward estimates of exchange rates
Source: National Treasury

Government debt exposure to short-term refinancing risk remains low. The share of Treasury bills as a percentage of total domestic debt has remained below 12 per cent since March 2016. This is due to continued issuance into longer-dated funding instruments. Funding through Treasury bills remained relatively constant. From March 2016 to September 2016, the stock of Treasury bills grew by 8.6 per cent. Inflation-linked debt grew by 9.1 per cent. Exposure to inflation risk remained fairly high during the period; even so, inflation-linked debt as percentage of total domestic debt remained below the 25 per cent mark. The rand appreciated from \$/R14.7 at the time of the 2016 Budget to \$/R13.9 in September, reducing government's foreign-currency exposure.

Table T.10 Performance against strategic portfolio risk benchmarks[1]

	Range or limits		
Benchmark description	**Benchmark**	**March 2016**	**September 2016**
Short-term debt maturing in 12 months (Treasury bills) as a share of total domestic debt[2]	15.0%	11.8%	11.2%
Long-term debt maturing in 5 years as a share of fixed-rate and inflation-linked bonds	25.0%	18.6%	14.9%
Inflation-linked bonds as a share of total domestic debt	20-25%	23.0%	23.8%
Foreign debt as a share of total government debt	15.0%	10.1%	9.3%
Weighted term-to-maturity of fixed-rate bonds plus Treasury bills (in years)	10-14	12.6	13.2
Weighted term-to-maturity of inflation-linked bonds (in years)	14-17	14.9	14.8
Weighted term-to-maturity of total government debt (in years)	–	14.2	14.6

1. Government uses the best-practice benchmarks of the World Bank
2. Excludes borrowing from the Corporation for Public Deposits
Source: National Treasury

2015/16 outcomes and 2016/17 mid-year estimates

Main budget expenditure was R1.24 trillion in 2015/16, R6.5 billion lower than the adjusted budget estimate. Underspending in 2015/16 included R2.3 billion in technical adjustments to transfer payments, such as the withholding of equitable share transfers to municipalities. If these are excluded from the analysis, underspending on core departmental allocations amounted to R4.7 billion, which is lower than levels of underspending recorded in each of the past five years. Even within the current tight fiscal environment, some departments and programmes underspend consistently. At national government level, the main areas of underspending were the capital programme and transfers to other levels of government. These mainly consisted of conditional grant transfers to provinces and refunds of conditional grants not spent by municipalities.

Provincial expenditure in 2015/16 was R486.2 billion, or 98.5 per cent of the 2015 adjusted estimate. Expenditure by provinces was R257.2 billion in the first six months of 2016/17, representing 49.7 per cent of the original budget for the year. Provinces have primary responsibility to deliver social services, including basic education and health. Compensation of employees is the largest category of expenditure in provincial budgets, accounting for 60.2 per cent of spending in the first half of 2016/17.

Table T.11 National and provincial expenditure: 2015/16 outcomes and 2016/17 mid-year estimates

	2015/16				2016/17		
R billion	Original budget	Adjusted estimate	Preliminary outcome	Over(-)/ under(+)	Original budget	Adjusted estimate[1]	Actual spending April to September
National Revenue Fund Expenditure	**1 217.3**	**1 251.1**	**1 244.6**	**6.5**	**1 312.1**	**1 312.9**	**643.7**
Debt-service costs	126.4	127.9	128.8	-0.9	147.7	147.7	71.7
Provincial equitable share	382.7	386.5	386.5	–	410.7	410.7	205.3
Other direct charges	28.7	30.4	29.6	0.8	32.5	31.4	12.5
National votes	**679.5**	**706.4**	**699.8**	**6.6**	**721.1**	**723.1**	**354.2**
of which:							
Compensation of employees	*137.6*	*138.0*	*136.4*	1.6	*148.5*	*148.3*	*72.3*
Transfers and subsidies	*872.6*	*876.5*	*870.8*	5.7	*933.0*	*930.7*	*459.7*
Payments for capital assets	*16.8*	*17.2*	*18.2*	-1.0	*14.4*	*14.6*	*5.6*
Provisional allocation not assigned to votes	–	–	–	–	*0.3*	–	–
Contingency reserve	*5.0*	–	–	–	*6.0*	–	–
National government projected underspending	–	*-3.0*	–	-3.0	–	*-3.0*	–
Local government repayment to the National Revenue Fund	–	*-1.2*	–	-1.2	–	*-1.2*	–
Provincial expenditure	**483.6**	**493.8**	**486.2**	**7.6**	**517.2**	**n/a**	**257.2**
of which:							
Compensation of employees	*291.7*	*292.5*	*288.8*	*3.7*	*313.4*	*n/a*	*154.8*
Transfers and subsidies	*66.0*	*70.1*	*69.2*	*0.9*	*69.5*	*n/a*	*38.8*
Payments for capital assets	*35.4*	*36.4*	*36.4*	*0.0*	*36.1*	*n/a*	*14.4*

1. Provinces will table adjusted estimates during November 2016
Source: National Treasury

Adjusted Estimates of National Expenditure

Details of the revised national spending allocations are set out in the 2016 Adjusted Estimates of National Expenditure, including rollovers of unspent funds from 2015/16; approved allocations for unforeseeable and unavoidable expenditure; the appropriation of expenditure earmarked in the 2016 Budget Speech for future allocation; other shifts and adjustments; and declared unspent funds. Revised provincial appropriations will be tabled in provincial legislatures before the end of the 2016/17.

Highlights of the adjusted estimates for 2016/17

- R1.3 billion in declared underspending by departments

- A further R3 billion in projected underspending
- R290.7 million for a packaged mobile desalination plant to be used in coastal areas and R50.6 million for water tankering and storage for drought-stricken areas
- R950 million for the Department of International Relations and Cooperation to compensate for the difference in forecast foreign-currency exchange rates and actual rates at time of payment
- R212 million to procure fodder for animal feed for drought-stricken areas
- R71.3 million for the Electoral Commission for salaries and equipment warehousing costs incurred due to the shifting of the date of the 2016 local government elections from May to August 2016
- R1.1 billion in self-financing expenditure by various departments.

Key revisions to provincial allocations

- KwaZulu-Natal is granted a rollover of R275.7 million on the *provincial roads maintenance grant.*
- Funds are allocated to the *education infrastructure grant* for the rehabilitation of schools damaged over the course of the year. In addition, funds are added to the *national school nutrition programme.* Some funds from the *school infrastructure backlogs grant* are converted to the direct *education infrastructure grant* for the Western Cape as the grant's implementing agent. Moreover, funds are reprioritised in-year from the *school infrastructure backlogs grant* to the *national school nutrition programme grant* to alleviate food inflation pressures.
- The direct *national health insurance grant* will be increased by R9 million to fund the strengthening of health information systems in KwaZulu-Natal and Western Cape. This is funded by the shifting of funds earmarked for the diagnostic related group on the National Department of Health's budget. A further R10 million will be reprioritised from the indirect *national health insurance grant*, human papilloma virus vaccines component to the health professionals contracting component.
- There is a R212 million addition to *comprehensive agriculture support programme grant* to provide drought relief to farmers. This drought relief addition will be indirectly administered on behalf of the provinces by the Department of Agriculture, Forestry and Fisheries.

Revisions to local government allocations

- To fund the provision of emergency water supplies to drought-affected communities, R50.6 million is added to the indirect *water services infrastructure grant*.

Division of revenue

The largest share of the consolidated fiscal framework is the main budget, made up of all spending financed from the National Revenue Fund. The main budget is shared between national, provincial and local government. This section outlines the proposed substantial adjustments to provincial and local government allocations not already discussed in Chapter 4.

Table T.12 Main budget framework, 2013/14 – 2019/20

R billion	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
		Outcome		Revised		Medium-term estimates	
Division of available funds							
National departments	**453.4**	**490.0**	**546.1**	**559.8**	**589.7**	**631.3**	**681.5**
Provinces	**410.6**	**439.5**	**471.4**	**500.5**	**538.1**	**578.6**	**621.0**
Equitable share	336.5	359.9	386.5	410.7	441.3	471.5	506.1
Conditional grants	74.1	79.6	84.9	89.8	96.8	107.1	114.9
Local government	**82.6**	**87.6**	**98.4**	**104.9**	**112.5**	**121.5**	**132.3**
Equitable share	39.0	41.6	49.4	52.6	57.0	62.7	69.3
General fuel levy sharing with metropolitan municipalities	9.6	10.2	10.7	11.2	11.8	12.5	13.2
Conditional grants	34.0	35.8	38.3	41.1	43.7	46.3	49.8
Total	**946.6**	**1 017.1**	**1 115.8**	**1 165.2**	**1 240.4**	**1 331.4**	**1 434.8**
Percentage shares							
National departments	47.9%	48.2%	48.9%	48.0%	47.5%	47.4%	47.5%
Provinces	43.4%	43.2%	42.2%	43.0%	43.4%	43.5%	43.3%
Local government	8.7%	8.6%	8.8%	9.0%	9.1%	9.1%	9.2%

Source: National Treasury

Over the MTEF period, national departments are allocated 47.5 per cent of available non-interest expenditure, provinces 43.4 per cent and local government 9.1 per cent. Medium-term allocations to national departments increase by an average annual rate of 5.3 per cent (excluding all indirect grants), provincial resources and local government allocations by 7.5 per cent and 8 per cent respectively. Faster growth in allocations to provincial and local government reflects the priority placed on front-line services such as health, education and basic services, as well as the rising cost of these services due to higher wages, and higher bulk electricity and water costs.

The proposed changes to the division of revenue are outlined in Table T.13.

Table T.13 Changes to division of revenue, 2016/17 – 2018/19

R billion	2016/17	2017/18	2018/19
	Revised	Medium-term	
Changes to baseline			
National allocations	**0.2**	**-0.8**	**5.2**
of which:			
Indirect grants to provinces [1]	*0.0*	*2.6*	*–*
Indirect grants to local government [1]	*0.2*	*-0.1*	*-0.1*
Provincial allocations	**0.7**	**-4.2**	**1.5**
Equitable share	–	-0.5	2.5
Conditional grants	0.7	-3.7	-0.9
Local government allocations	**0.0**	**-0.8**	**0.2**
Total	**0.9**	**-5.9**	**6.8**

1. Amounts may be shifted between direct and indirect grants to provinces and local government before 2017 Budget is tabled
Source: National Treasury

Changes to provincial allocations

Provinces continue to face funding challenges over the MTEF period that stem from higher compensation costs as a result of the 2015 public-sector wage settlement. To make resources available for fiscal consolidation and to fund urgent government priorities, reductions and reprioritisation are proposed to the provincial fiscal framework.

For the 2017 MTEF period, the data used in the provincial equitable share formula will be updated for population flows using Statistics South Africa's 2016 Mid-Year Population Estimates; regional GDP using Statistics South Africa's estimates; enrolment data supplied by the Department of Basic Education; patient load data from the Department of Health; and data on the number of people with medical aid cover using the Statistics South Africa's General Household Survey estimator.

The provincial equitable share is reduced by R500 million in 2017/18 as a contribution to fiscal consolidation. To address pressures in education and health, a net R7.2 billion is added in 2018/19 and 2019/20. This should enable the appointment of additional teachers to reduce class sizes, ensure delivery of learner and teacher support materials, and alleviate growing pressures in the health sector.

The *national school nutrition programme grant*, a special purpose grant to provide learners in quintile 1-3 schools a daily nutritious meal, has come under increasing pressure due to soaring cost of food. The grant receives additional amounts of R120 million, R130 million and R140 million over the three respective years of the spending period ahead. A new grant that will allow provinces to accede to the court order for the provision of education to learners with profound intellectual disabilities comes into effect in 2017/18.

A new grant for social workers comes to effect in 2017/18. This grant is funded through a reprioritisation from within the social development sector. In spite of improving numbers of trained social workers through a bursary scheme, there has been a gap in funding to ensure that trained social workers are employed where they are needed. In order to employ 861 social workers, allocations of R181.3 million, R196.8 million and R212.7 million are proposed over the MTEF years.

The *comprehensive HIV, AIDS and TB grant* is reduced by 0.57 per cent. The performance of this grant is unlikely to be impacted as it is one of the fastest-growing grants in the system and the number of tested and treated patients is below the target.

The *maths, science and technology grant* is reduced by R20 million in 2017/18 and R21 million in 2018/19, as it slowly gains traction in outcomes.

The *early childhood development grant* is reduced by R4.2 million and R4.3 million in 2017/18 and 2018/19 respectively. The funds are reallocated towards the management and monitoring of this new grant, which comes into effect in 2017/18. In the arts and culture sector, the *community library services grant* is reduced by R20.8 million in 2017/18, R23.4 million 2018/19. Spending on this grant has been sluggish.

A number of provincial infrastructure grants will also be reduced. The *education infrastructure grant* and the *health facility revitalisation grant* are reduced by similar amounts in 2017/18 and 2018/19.

For the 2016 MTEF, the *education infrastructure grant* was merged with the *school infrastructure backlogs grant*. However, there were a number of remnant projects in the pipeline. As a result, the latter grant has been extended for a year, with R2.6 billion redirected from the *education infrastructure grant*.

The *human settlements development grant* has a total amount of R660 million reprioritised over the 2017 MTEF. Of this amount, R600 million is reallocated to the Social Housing Regulatory Authority to promote consolidated subsidies for social housing. The balance will fund the Housing Development Agency's catalytic projects operations. As part of fiscal consolidation, the *human settlements development grant* will be reduced by R871 million in 2017/18 and by R946.6 million in 2018/19. This grant continues to underperform. Efficiency interventions will help to improve results.

Savings were found from the *comprehensive agriculture support programme grant* as some provinces failed to meet the grant conditions, and submit business plans, in order to access grant funds. Savings found from the grant amounted to R60 million in 2017/18 and R50 million in 2018/19. In addition, the grant is further reduced by R32.8 million in both 2017/18 and 2018/19, while the roles and responsibilities of key stakeholders in the sector are clarified for better outcomes. A small amount is reprioritised from the *expanded public works programme integrated grant* for 2017/18 and 2018/19.

Table T.14 shows the preliminary equitable share allocations to each province over the MTEF period. These numbers may change as revisions to data informing the formula have yet to be finalised.

Table T.14 Provincial equitable share, 2016/17 – 2019/20

R million	2016/17	2017/18	2018/19	2019/20
Eastern Cape	58 060	61 848	66 167	70 961
Free State	22 995	24 522	26 285	28 165
Gauteng	79 600	86 643	93 030	100 227
KwaZulu-Natal	87 898	93 757	99 741	106 841
Limpopo	48 709	51 960	55 386	59 371
Mpumalanga	33 450	36 082	38 489	41 214
Northern Cape	10 863	11 720	12 501	13 418
North West	28 062	30 330	32 473	34 857
Western Cape	41 062	44 470	47 452	51 049
Total	**410 699**	**441 331**	**471 522**	**506 104**

Source: National Treasury

Revisions to local government allocations

Allocations to local government support the delivery of free basic services for poor residents and the provision of infrastructure to eradicate backlogs. The 2016 Community Survey confirmed that access to services continues to expand thanks to these grant-funded programmes, but significant backlogs remain. The number of households continues to grow rapidly, with growth exceeding 3 per cent a year for each of the last five years. Growth in households has been fastest in cities and towns. The costs of bulk water and electricity purchases also continue to increase faster than inflation. To offset these cost pressures, funds will be added to the local government equitable share in 2018/19 and 2019/20 that will result in it growing at an average annual rate of above 9 per cent over the MTEF. The local government equitable share formula will also be updated with 2016 Community Survey data.

To make resources available for fiscal consolidation and to fund urgent priorities, reductions are proposed on four local government conditional grants: the *public transport network grant*, the *water services infrastructure grant*, the *municipal infrastructure grant* and the *urban settlements development grant*. This reflects a mix of urban and rural grants. After the proposed reductions, each of these grants continues to grow by at least 5 per cent per year over the 2017 MTEF period.

Three small adjustments are also proposed that affect local government conditional grants. Funds will be reprioritised from the *expanded public works programme integrated grant to municipalities* to fund the expanded mandate of the Commission for Conciliation, Mediation and Arbitration. Funds will also be reprioritised from the indirect *integrated national electrification programme (Eskom) grant*, mainly to fund the management of nuclear waste. In the outer two years of the MTEF, small amounts from the indirect *regional bulk infrastructure grant* will be reprioritised to augment funding for water catchment management agencies.

The National Treasury continues to lead a review of infrastructure conditional grants to local government. This review has already resulted in the merger of several conditional grants and the trend towards greater grant consolidation is expected to continue over the MTEF. A shift of funds from the *integrated national electrification programme (municipal) grant* for projects in metropolitan municipalities to the *urban settlements development grant* in 2017/18 is still being discussed with the departments involved. This shift could improve the coordination of the delivery of electrification with other basic services and make the co-funding of projects easier. The review is also working to introduce performance incentives for urban infrastructure grants, as well as a new dispensation for large, non-metropolitan cities that better respond to built environment challenges and growth opportunities. Grant rules have already been changed to allow grants to fund the refurbishment of infrastructure; the rules will be refined to encourage budgeting for routine maintenance.

Table T.15 Expenditure by vote, 2015/16 and 2016/17

R million	2015/16[1] Main budget	Adjusted budget	Preliminary outcome	Over(-)/ Under(+)	2016/17 Main budget	Adjusted budget	Actual spending April to September
1 The Presidency	510	476	467	9	500	490	239
2 Parliament[2]	1 567	1 594	1 694	-99	1 660	1 660	–
3 Communication	1 281	1 291	1 288	3	1 345	1 350	667
4 Cooperative Governance and Traditional Affairs	69 314	70 815	68 098	2 718	72 994	73 022	27 905
5 Home Affairs	6 451	7 349	7 346	3	7 167	8 156	4 483
6 International Relations and Cooperation	5 699	6 511	6 645	-134	5 889	6 839	3 153
7 National Treasury	26 957	28 726	28 691	35	28 471	28 471	15 620
8 Planning, Monitoring and Evaluation	718	754	749	5	828	798	434
9 Public Enterprises	267	23 303	23 260	43	274	268	118
10 Public Service and Administration	837	848	841	7	770	780	395
11 Public Works	6 411	6 312	6 281	31	6 529	6 513	3 256
12 Statistics South Africa	2 245	2 323	2 274	50	2 489	2 538	1 284
13 Women	187	189	188	1	197	197	96
14 Basic Education	21 511	21 286	20 796	490	22 270	22 413	11 712
15 Higher Education and Training	41 938	42 029	41 943	85	49 188	49 188	33 508
16 Health	36 468	36 199	35 985	214	38 563	38 597	18 912
17 Social Development	138 169	137 894	136 406	1 488	148 938	147 933	72 718
18 Correctional Services	20 618	20 589	20 589	–	21 577	21 580	10 994
19 Defence and Military Veterans	44 579	45 088	45 072	17	47 170	47 236	22 626
20 Independent Police Investigative Directorate	235	235	234	1	246	242	135
21 Justice and Constitutional Development	14 984	15 011	14 972	39	16 050	16 041	7 892
22 Office of the Chief Justice and Judicial Administration	742	783	768	16	865	874	390
23 Police	76 377	76 721	76 721	–	80 985	80 985	38 922
24 Agriculture, Forestry and Fisheries	6 383	6 409	6 401	8	6 333	6 515	3 370
25 Economic Development	886	886	884	2	675	675	341
26 Energy	7 482	7 268	7 142	126	7 545	7 551	4 667
27 Environmental Affairs	5 948	5 943	5 938	5	6 430	6 425	2 709
28 Labour	2 687	2 704	2 612	92	2 848	2 843	1 406
29 Mineral Resources	1 619	1 639	1 638	–	1 669	1 669	918
30 Science and Technology	7 482	7 466	7 437	29	7 429	7 429	5 102
31 Small Business Development	1 103	1 128	1 099	29	1 325	1 318	618
32 Telecommunications and Postal Services	1 413	1 405	1 300	105	2 417	2 417	1 379
33 Tourism	1 800	1 794	1 777	17	2 010	2 010	1 007
34 Trade and Industry	9 594	9 498	9 472	26	10 328	10 390	4 540
35 Transport	53 357	53 615	53 321	294	56 015	56 286	25 534
36 Water and Sanitation	16 447	15 747	15 557	190	15 245	15 525	7 371
37 Arts and Culture	3 920	3 826	3 762	64	4 071	4 063	1 976
38 Human Settlements	30 943	30 543	30 035	509	30 691	30 696	13 030
39 Rural Development and Land Reform	9 380	9 197	9 118	79	10 124	10 124	4 310
40 Sport and Recreation South Africa	989	981	980	1	1 029	1 027	486
Total appropriation by vote	**679 498**	**706 374**	**699 778**	**6 597**	**721 148**	**723 132**	**354 222**
Plus:							
Direct charges against the National Revenue Fund							
President and Deputy President salary (The Presidency)	6	6	6	–	6	6	3
Members' remuneration (Parliament)[2]	503	503	440	63	530	530	–
Debt-service costs (National Treasury)	126 440	127 902	128 796	-894	147 720	147 689	71 684
Provincial equitable share (National Treasury)	382 673	386 500	386 500	–	410 699	410 699	205 349
General fuel levy sharing with metropolitan municipalities (National Treasury)	10 659	10 659	10 659	–	11 224	11 224	3 741
National Revenue Fund payments (National Treasury)[3]	121	682	682	–	145	1 221	231
Skills levy and sector education and training authorities (Higher Education and Training)	14 690	15 800	15 156	644	17 640	15 462	7 128
Magistrates' salaries (Justice and Constitutional Development)	1 881	1 831	1 722	109	2 040	2 010	887
Judges' salaries (Office of the Chief Justice and Judicial Administration)	874	874	888	-14	920	950	477
International Oil Pollution Compensation Fund (Transport)	–	–	–	–	–	2	–
Total direct charges against the National Revenue Fund	**537 847**	**544 756**	**544 848**	**-92**	**590 923**	**589 793**	**289 500**
Provisional allocation not assigned to votes	–	–	–	–	267	–	–
Contingency reserve	5 000	–	–	–	6 000	–	–
National government projected underspending	–	-3 000	–	-3 000	–	-3 000	–
Local government repayment to the National Revenue Fund	–	-1 200	–	-1 200	–	-1 200	–
Total	**1 222 345**	**1 246 930**	**1 244 625**	**2 304**	**1 318 338**	**1 308 725**	**643 723**

1. The 2015/16 financial year numbers were adjusted to include function shifts

2. The audited outcome for Parliament is converted from accrual to cash. Amendments to Parliaments' budget are determined independently of the national government's budget processes in accordance with the Financial Management of Parliament and Provincial Legislatures Act, 2009 as amended

3. National Revenue Fund payments previously classified as extraordinary payments

Source: National Treasury

Table T.16 Expenditure by province, 2015/16 and 2016/17

R million	2015/16 Main budget	2015/16 Adjusted budget	2015/16 Preliminary outcome	2015/16 Over(-)/ Under(+)	2015/16 Deviation from adjusted budget	2016/17 Main budget	2016/17 Actual spending April to September
Eastern Cape	**64 995**	**66 311**	**65 172**	**1 139**	**1.7%**	**69 591**	**34 405**
Education	29 438	29 162	28 426	736	2.5%	31 003	14 772
Health	18 496	19 024	18 944	80	0.4%	20 244	10 297
Social Development	2 231	2 262	2 254	8	0.3%	2 384	1 221
Other functions	14 830	15 864	15 549	315	2.0%	15 960	8 115
Free State	**29 375**	**29 855**	**29 431**	**424**	**1.4%**	**30 829**	**15 829**
Education	11 538	11 815	11 487	328	2.8%	12 060	6 354
Health	8 675	8 728	8 694	34	0.4%	9 049	4 388
Social Development	1 020	1 018	1 003	15	1.5%	1 145	535
Other functions	8 141	8 294	8 247	47	0.6%	8 576	4 552
Gauteng	**95 391**	**97 042**	**94 799**	**2 243**	**2.3%**	**103 365**	**51 873**
Education	36 044	36 853	36 297	556	1.5%	39 069	19 445
Health	34 175	35 337	34 603	734	2.1%	37 408	19 579
Social Development	3 964	3 997	3 942	55	1.4%	4 235	2 092
Other functions	21 208	20 855	19 957	898	4.3%	22 653	10 757
KwaZulu-Natal	**101 961**	**105 000**	**104 351**	**650**	**0.6%**	**109 006**	**55 524**
Education	42 142	43 163	42 888	275	0.6%	45 464	23 488
Health	32 982	33 970	34 111	-141	-0.4%	36 579	19 374
Social Development	2 630	2 713	2 614	99	3.6%	2 778	1 259
Other functions	24 207	25 154	24 738	416	1.7%	24 185	11 403
Limpopo	**52 728**	**53 889**	**52 972**	**917**	**1.7%**	**56 969**	**27 929**
Education	25 285	25 265	25 118	147	0.6%	27 172	12 556
Health	14 754	15 502	15 432	70	0.4%	16 371	8 859
Social Development	1 538	1 609	1 586	23	1.5%	1 634	814
Other functions	11 152	11 514	10 836	678	5.9%	11 793	5 700
Mpumalanga	**38 702**	**39 691**	**39 290**	**401**	**1.0%**	**41 301**	**20 352**
Education	16 857	17 164	17 098	65	0.4%	17 917	8 903
Health	9 996	10 164	10 080	84	0.8%	10 642	5 420
Social Development	1 293	1 295	1 271	24	1.9%	1 455	644
Other functions	10 556	11 069	10 841	228	2.1%	11 288	5 386
Northern Cape	**14 161**	**14 688**	**14 503**	**185**	**1.3%**	**14 850**	**7 494**
Education	5 083	5 127	5 101	26	0.5%	5 439	2 767
Health	4 074	4 229	4 168	60	1.4%	4 198	2 140
Social Development	710	720	714	6	0.9%	774	353
Other functions	4 294	4 612	4 520	92	2.0%	4 440	2 233
North West	**34 224**	**34 983**	**34 162**	**820**	**2.3%**	**36 229**	**17 370**
Education	13 432	13 520	13 090	429	3.2%	14 331	6 733
Health	8 904	9 200	9 043	157	1.7%	9 461	4 954
Social Development	1 334	1 316	1 289	27	2.1%	1 415	615
Other functions	10 554	10 947	10 740	207	1.9%	11 022	5 067
Western Cape	**52 059**	**52 350**	**51 503**	**847**	**1.6%**	**55 048**	**26 452**
Education	17 745	17 899	17 637	262	1.5%	19 247	9 465
Health	18 813	19 041	18 737	304	1.6%	19 983	9 538
Social Development	1 898	1 899	1 892	7	0.4%	1 961	1 042
Other functions	13 604	13 511	13 237	274	2.0%	13 856	6 407
Total	**483 597**	**493 809**	**486 185**	**7 625**	**1.5%**	**517 189**	**257 228**
Education	197 565	199 967	197 143	2 824	1.4%	211 702	104 482
Health	150 869	155 194	153 812	1 381	0.9%	163 934	84 550
Social Development	16 618	16 829	16 564	264	1.6%	17 781	8 576
Other functions	118 544	121 820	118 665	3 156	2.6%	123 772	59 620

Source: National Treasury