

2016 BUDGET

ESTIMATES OF NATIONAL EXPENDITURE

PUBLIC ENTERPRISES



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VOTE 9



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Estimates of National Expenditure

2016

National Treasury

Republic of South Africa

24 February 2016



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The 2016 Estimates of National Expenditure e-publications are compiled with the latest available information from departmental and other sources. Some of this information is unaudited or subject to revision.

The Estimates of National Expenditure e-publications for individual votes are available on www.treasury.gov.za.

Compared to the abridged version of the 2016 ENE, the 2016 ENE e-publications contain more comprehensive coverage of goods and services, transfers and subsidies, and programme specific personnel expenditure. Budget information is also provided for the public entities that are not shown in detail in the abridged publication. The abridged version of the ENE contains one additional table at the end of a chapter that shows expenditure on infrastructure, whereas the vote ENE e-publications' additional tables also contain information on conditional grants to provinces and municipalities, public private partnerships and donor funding. Expenditure information at the level of service delivery is also included, where appropriate.

Foreword

The 2016 Budget is tabled at a time when both global and domestic economic conditions continue to be difficult. Government is unwavering in its commitment to stay the course of sound fiscal management in the face of this challenging environment. The approach of using the expenditure ceiling as a fiscal anchor, which was adopted in 2012, serves us well. To achieve the fiscal adjustment necessary, the expenditure level has been reduced and further revenue enhancement measures are introduced in the 2016 MTEF period.

Over the 2016 MTEF period expenditure is R3.73 trillion and will grow at an average annual rate of 7.5 per cent. Spending growth is slower than prior to 2008, but it still remains above the projected inflation rate. During consultations in the budget preparation process trade-offs in financing different policy objectives were carefully examined and culminated in recommendations on how institutional policies, practices and organisational arrangements would be adjusted in line with the national development plan and the 2014-2019 medium term strategic framework on the one hand, and in a manner consistent with fiscal consolidation, on the other hand.

For the 2016 MTEF period, budget amendments were effected through the reprioritisation of existing funding within the lowered expenditure ceiling, with movements away from areas of lower priority to key priorities. Labour-intensive departments received substantial funding for compensation of employees, owing to spending pressures related to the 2015 public sector wage agreement. In the case of departments which historically underspend on their wage bill, the budgets for compensation of employees have been reduced accordingly. A ceiling is put on compensation of employees budgets of national departments through the 2016 Appropriation Act. Resources cannot be diverted from frontline services for the wage bill.

Further reductions have been effected on goods and services budgets. In some cases departments have been asked to provide evidence of service delivery performance before funding can be appropriated to programmes under their specific votes. These provisional allocations, pending programme viability and verifiable record of good performance, total R17.8 billion in 2018/19. Given these measures, government service delivery will not be negatively affected even as spending growth is curtailed.

The financial information and key performance indicators in the institutional budget plans set out in the Estimates of National Expenditure, provide Parliament and the public with the information to hold government accountable against its 14 outcomes, set out in its medium term strategic framework.

The budget process is ably directed by the Ministers' Committee on the Budget, supported by a devoted Medium Term Expenditure Committee of Directors-General in central government departments. As the National Treasury team we are eternally grateful for their guidance and hard work. We are also indebted to the Budget Council, the Budget Forum and our national and provincial counterparts for making what is otherwise an impossible task, seem easier. The presentation of this budget is the product of all their collective efforts.



Lungisa Fuzile
Director-General: National Treasury

Introduction

The Estimates of National Expenditure publications

The Estimates of National Expenditure (ENE) publications provide comprehensive information on how institutions have spent their budgets in previous years, and how institutions plan to spend the resources allocated to them over the upcoming three-year medium term expenditure framework (MTEF) period. Key performance indicators are included for each national government vote and entity reporting to the same executive authority, showing what institutions aim to achieve by spending their budget allocations in a particular manner. This information is based on government's 2014-2019 medium term strategic framework (MTSF), particularly as it is expressed in institutional strategic and annual performance plans, and in annual reports. Coupled with financial information, performance information provides Parliament and the public with the necessary facts to hold government accountable against the 14 outcomes set out in the 2014-2019 medium term strategic framework.

Each chapter in the abridged 2016 ENE publication relates to a specific budget vote. A separate, more detailed, e-publication is also available for each vote. These e-publications provide more detailed information than the relevant chapter in the abridged ENE, including on goods and services, transfers and subsidies, as well as on programme specific personnel expenditure. Budget information is also provided for the public entities that are not shown in detail in the abridged publication. Each chapter in the abridged ENE publication has a summary table showing expenditure on infrastructure, whereas the vote ENE e-publications' additional tables also contain summaries of expenditure on conditional grants to provinces and municipalities, departmental public private partnerships and information on donor funding. In some e-publications more detailed information at the level of site service delivery is also included.

In addition, a separate 2016 ENE Overview e-publication is also available summarising the ENE information across votes. The 2016 ENE Overview contains a narrative explanation and summary tables; a description of the budgeting approach; and it also has a write-up on how to interpret the information that is contained in each section of the publications.

Public Enterprises

**National Treasury
Republic of South Africa**



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Vote 9

Public Enterprises

Budget summary

R million	2016/17				2017/18	2018/19
	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total	Total
MTEF allocation						
Administration	158.0	154.2	0.1	3.7	161.4	168.2
Legal and Governance	26.0	26.0	–	–	26.7	27.9
Portfolio Management and Strategic Partnerships	90.0	90.0	–	–	91.4	93.9
Total expenditure estimates	274.0	270.1	0.1	3.7	279.5	289.9
Executive authority	Minister of Public Enterprises					
Accounting officer	Director General of Public Enterprises					
Website address	www.dpe.gov.za					

The Estimates of National Expenditure e-publications for individual votes are available on www.treasury.gov.za. These publications provide more comprehensive coverage of vote specific information, particularly about goods and services, transfers and subsidies, personnel, entities, donor funding, public private partnerships, conditional grants to provinces and municipalities and expenditure information at the level of service delivery, where appropriate.

Vote purpose

Drive investment, productivity and transformation in the department's portfolio of state owned companies to unlock growth, drive industrialisation, create jobs and develop skills.

Mandate

The mandate of the Department of Public Enterprises is to ensure that the state owned companies in its portfolio are directed to serve government's strategic objectives, as articulated in the national development plan, the new growth path and the industrial policy action plan. In the current economic climate, state owned companies have emerged as key instruments for the state to drive its developmental objectives of creating jobs, and for enhancing equity and transformation.

The state owned companies in the department's portfolio form the cornerstone of the economy and their capacity must be strategically utilised to support the delivery of the national development plan's outcomes, making the strengthening of oversight tools for the state owned companies crucial to socioeconomic transformation. The department does not directly execute programmes but seeks to leverage off state ownership in the economy to support the delivery of key outcomes outlined in the national development plan and government's 2014-2019 medium term strategic framework.

Selected performance indicators

Table 9.1 Performance indicators by programme and related outcome

Indicator	Programme	Outcome	Past			Current	Projections		
			2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Number of shareholder compacts signed per year ¹	Portfolio Management and Strategic Partnerships	Outcome 6: An efficient, competitive and responsive economic infrastructure network	7	7	7	6	6	6	6
Number of corporate plans reviewed per year ²	Portfolio Management and Strategic Partnerships		5	8	7	6	6	6	6
Number of quarterly financial reviews per year	Portfolio Management and Strategic Partnerships		32	32	28	24	24	24	24

1. Shareholder compacts: The targets for the South African Airways shareholder compact for 2012/13 could not be agreed on at the beginning of the financial year due to the department not accepting South African Airways' proposal to budget for a loss. South African Express Airways requested a downward revision of the targets for the 2012/13 shareholder compact from the targets that were agreed on earlier as the basis for the fleet renewal programme due to changes in the operating economic environment.

2. Corporate plans: South African Express Airways' corporate plan was not finalised due to the withdrawal of financial statements for 2010/11, which affected setting targets. Alexkor's corporate plan was not finalised due to the board being given an opportunity to revise key performance indicators in line with the shareholder compact, which took longer than anticipated. Transnet's corporate plan was not signed by the department due to the need for further engagement on the new market demand strategy.

Expenditure analysis

The Department of Public Enterprises oversees the 6 state owned companies in its portfolio: Alexkor, Denel, Eskom, the South African Forestry Company, South African Express Airways and Transnet. The department aims to ensure that they are financially sound and pursuing government's national development objectives, in particular outcome 6 (an efficient, competitive and responsive economic infrastructure network) of the 2014-2019 medium term strategic framework. Over the medium term, the department will focus on strengthening its oversight functions, increasing the public sector's investment in the economy, reducing state owned companies' reliance on the fiscus, and ensuring the financial sustainability of state owned companies.

Strengthening the department's oversight functions

The role of state owned companies has expanded in recent years, particularly in the electricity and freight logistics sector due to major infrastructure investment programmes, particularly by Eskom and Transnet. These mega projects require the department to strengthen its oversight functions. Over the medium term, the department will capacitate itself to oversee large and complex infrastructure projects by reorganising and carefully managing its existing human resources. It will strengthen intergovernmental relations to improve coordination with policy departments and provincial and municipal structures. And it will continue to ensure that companies' plans are aligned to government priorities and deliverables, and improve companies' accountability to the state by signing annual shareholder compacts with each of the companies, among other oversight processes.

These oversight activities require specialised, highly skilled personnel, and personnel costs are the key driver of spending in the department. Compensation of employees accounts for the bulk of the department's operational spending, reaching R173.5 million in 2018/19. The Cabinet approved reductions decrease the department's compensation of employees budget by R15.4 million in 2017/18 and R25.5 million in 2018/19 as part of Cabinet's decision to lower the national aggregate expenditure ceiling. In consultation with the Department of Public Service and Administration and National Treasury, the department will develop a plan to manage its personnel expenditure within its reduced personnel budget.

The department's core function, namely oversight, requires significant administrative support, and the department is exploring new ways of ensuring that core programmes have the support they need. It will prioritise the filling of critical posts in core programmes and shift vacancies from the *Administration* programme to the *Portfolio Management and Strategic Partnerships* programme. Oversight also requires significant travel, and expenditure on travel and subsistence remains significant over the medium term. In addition, the department uses consultants with specialised skills for highly technical research. The Cabinet approved reductions also affect the department's goods and services budget, which is set to decrease by R8.2 million over the medium term. Spending on consultants, in particular, will be reduced, as the department seeks to implement cost containment measures and reprioritise spending.

In 2014/15, the department underspent its allocation by R24.5 million or 7.6 per cent of the total budget, largely on goods and services and compensation of employees. Underspending on goods and services arose partly due to delays in projects. To mitigate any impact on the department's performance of its mandated oversight role, the department has prioritised which delayed projects to finalise over the medium term in terms of the importance of their deliverables. Underspending on compensation of employees was as a result of unfilled vacancies due to the scarcity of the specialist skills the department needs.

Increasing the public sector's investment in the economy

Government's 2014-2019 medium term strategic framework has set a target of increasing investment as a share of GDP to 25 per cent. Given the current slowdown in investment by the private sector, the public sector is crucial for driving investment in the economy. State owned companies such as Eskom and Transnet will play a leading role in shifting South Africa's economic growth trajectory from consumption towards production, through capital expenditure in infrastructure build programmes. This also stimulates sustainable economic growth and job creation.

The delivery of Eskom's current build programme, a key example of public sector infrastructure investment, is critical for creating the necessary power for supporting a growing economy. The current build programme

includes the Medupi, Kusile and Ingula power stations, and over the medium term the department will continue to monitor these projects so that risks that may result in delays are averted.

Transnet's significant investment to expand and modernise South African ports, rails and pipeline infrastructure is the main pillar of its 2012 7-year market demand strategy. Improving this infrastructure is expected to significantly reduce the cost of transporting freight, especially for commodities such as iron ore, coal and manganese. Constrained mining output has necessitated a review of the strategy, resulting in delays in certain infrastructure projects over the medium term and beyond. The department will assess the impact of such delays on government's industrialisation programme in consultation with departments in the economic cluster.

While the levels of current investment in relation to GDP need to be increased, state owned companies need to rely less on the fiscus for such investment. The department will examine funding arrangements for private sector investment in state owned companies that will augment the companies' capacity while retaining their developmental impact, and facilitate an increase in significant partnerships with the private sector to drive government's investment programme. Further, in consultation with the relevant departments, the department will identify non-core assets for disposal in order to strengthen the balance sheets of the state owned companies.

Ensuring the financial sustainability of Eskom and Transnet

The financial sustainability of Eskom is essential for South Africa. The department will continue to assess Eskom's key financial indicators to improve the company's financial health. This will include monitoring the implementation of the Special Appropriation Act (2015), which provided Eskom a further R23 billion allocation and outlines the conditions that Eskom needs to meet. This special once-off appropriation is in the *Energy Enterprises* subprogramme in the *Portfolio Management and Strategic Partnerships* programme, and accounts for the significant increase in spending in the programme in 2015/16. Spending in the programme is set to decline by 84 per cent over the medium term, as no funding injections to state owned companies from the fiscus are currently contemplated.

The department will also undertake an assessment of the strength of Transnet's balance sheet to ensure its financial sustainability. This oversight work is budgeted for in the *Transport Enterprises* subprogramme in the *Portfolio Management and Strategic Partnerships* programme.

Expenditure trends

Table 9.2 Vote expenditure trends by programme and economic classification

Programmes														
1. Administration														
2. Legal and Governance														
3. Portfolio Management and Strategic Partnerships														
Programme	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Revised estimate	Outcome/Annual budget Average (%)	Outcome/Adjusted appropriation Average (%)
R million	2012/13			2013/14			2014/15			2015/16			2012/13 - 2015/16	
Programme 1	104.4	108.5	115.4	127.1	131.0	133.3	152.1	156.9	145.6	158.6	161.9	151.9	100.7%	97.8%
Programme 2	26.9	26.2	23.5	23.8	22.3	23.2	24.0	24.3	20.3	23.8	23.5	23.5	91.8%	93.8%
Programme 3	1 115.0	1 239.2	1 225.5	82.8	137.7	112.9	80.3	138.4	130.2	85.1	23 117.2	23 107.2	1 802.8%	99.8%
Total	1 246.3	1 374.0	1 364.3	233.8	291.1	269.4	256.4	319.5	296.1	267.5	23 302.6	23 282.6	1 258.1%	99.7%
Change to 2015 Budget estimate											23 035.1			
Economic classification														
Current payments	194.8	203.4	192.9	231.4	231.2	208.4	252.2	252.1	227.9	263.8	264.6	244.6	92.7%	91.9%
Compensation of employees	103.2	109.2	102.7	127.8	129.0	124.9	146.4	147.1	141.2	152.3	153.1	153.1	98.5%	97.0%
Goods and services	91.6	94.2	90.2	103.6	102.2	83.6	105.9	105.0	86.7	111.5	111.5	91.5	85.3%	85.2%
of which:														
Administrative fees	0.0	0.7	0.9	0.1	1.1	0.9	0.8	0.8	0.8	0.8	0.8	0.8	194.4%	99.6%
Advertising	1.1	1.1	2.0	3.6	3.6	4.4	2.5	2.5	2.5	2.7	2.0	2.0	109.0%	117.1%
Minor assets	1.1	1.1	0.4	1.0	1.0	0.4	1.1	1.1	1.1	1.1	0.9	0.9	67.0%	69.3%
Audit costs: External	1.6	1.3	1.9	1.6	1.3	2.1	2.2	2.2	2.2	2.2	3.1	3.1	123.6%	117.6%
Bursaries: Employees	0.7	0.7	0.4	1.0	1.0	0.5	1.0	1.4	1.4	1.0	1.0	1.0	88.3%	80.3%
Catering: Departmental activities	1.7	1.8	1.3	1.6	1.9	1.6	1.0	0.7	0.7	1.3	1.6	1.6	94.7%	88.9%
Communication	2.9	3.6	3.7	3.4	3.4	3.7	3.6	3.6	3.6	4.6	4.8	4.8	108.5%	102.7%

Table 9.2 Vote expenditure trends by programme and economic classification

Economic classification	2012/13			2013/14			2014/15			2015/16			2012/13 - 2015/16	
	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Audited outcome	Annual budget	Adjusted appropriation	Revised estimate	Outcome/Annual budget Average (%)	Outcome/Adjusted appropriation Average (%)
R million														
Computer services	3.1	2.5	3.1	3.1	3.1	4.1	4.0	4.0	4.0	4.9	8.1	7.1	121.6%	103.2%
Consultants: Business and advisory services	26.8	33.4	23.0	32.2	30.0	12.9	37.5	35.5	26.4	38.1	34.8	18.8	60.2%	60.7%
Legal services	4.9	1.7	0.4	3.0	2.0	1.9	3.2	-	3.1	3.3	3.1	3.1	58.8%	125.3%
Science and technological services	-	-	-	-	-	-	-	3.1	-	-	-	-	-	-
Contractors	2.1	1.9	2.3	2.3	2.3	0.9	1.3	1.9	1.9	2.0	3.2	3.2	107.8%	89.1%
Agency and support/outourced services	4.3	3.7	4.1	4.9	3.6	2.6	4.1	3.5	3.5	0.8	1.2	1.2	81.1%	96.1%
Entertainment	0.3	0.2	0.0	0.4	0.4	0.0	0.3	0.3	0.3	0.3	0.3	0.3	49.9%	53.0%
Fleet services (including government motor transport)	0.8	0.9	0.8	0.9	1.3	1.2	1.1	1.1	1.1	1.5	1.4	1.4	102.6%	95.7%
Inventory: Food and food supplies	0.2	0.1	0.1	-	0.2	-	-	-	-	-	-	-	55.4%	33.2%
Inventory: Materials and supplies	0.0	0.1	0.1	0.0	0.1	0.0	-	-	-	0.0	0.0	0.0	266.7%	55.0%
Consumable supplies	-	-	0.0	0.4	0.0	0.8	0.7	0.7	0.7	0.8	0.8	0.8	123.2%	155.0%
Consumables: Stationery, printing and office supplies	2.6	2.4	2.7	3.1	3.5	2.4	1.4	1.4	1.4	1.6	2.0	2.0	97.8%	90.7%
Operating leases	1.2	1.3	1.8	0.5	0.4	2.3	1.8	1.8	1.8	3.4	2.7	2.7	123.6%	139.8%
Rental and hiring	-	-	-	-	-	-	-	8.5	-	0.3	1.1	1.1	374.1%	11.2%
Property payments	7.7	7.7	9.1	8.1	8.1	7.5	8.5	-	8.5	8.9	9.0	9.0	102.9%	137.4%
Transport provided: Departmental activity	-	-	-	-	-	-	-	24.9	-	-	0.3	0.3	-	1.1%
Travel and subsistence	21.5	19.7	23.4	25.8	26.2	22.9	24.8	2.5	15.6	25.9	22.3	19.3	82.8%	114.7%
Training and development	2.3	2.5	1.6	2.5	2.2	1.9	2.0	1.5	2.6	2.1	1.8	1.8	88.3%	98.1%
Operating payments	2.1	3.1	3.6	1.8	2.0	1.5	1.4	2.1	1.5	1.3	3.5	3.5	153.3%	94.6%
Venues and facilities	2.5	2.8	3.3	2.3	3.6	7.2	1.7	-	2.1	2.6	1.7	1.7	157.4%	177.8%
Transfers and subsidies	0.1	118.5	118.6	0.1	57.4	57.6	0.1	63.4	63.8	0.1	34.4	34.4	67 770.9%	100.3%
Public corporations and private enterprises	-	118.3	118.3	-	57.3	57.3	-	63.1	63.1	-	33.1	33.1	-	100.0%
Households	0.1	0.2	0.3	0.1	0.2	0.4	0.1	0.3	0.7	0.1	1.3	1.3	656.8%	143.8%
Payments for capital assets	1.5	2.1	2.7	2.3	2.5	3.2	4.1	4.1	4.3	3.6	3.6	3.6	121.7%	113.5%
Machinery and equipment	1.5	2.1	2.6	2.3	2.3	2.8	4.1	4.1	4.2	3.5	3.5	3.5	116.5%	110.0%
Software and other intangible assets	-	0.0	0.1	-	0.2	0.5	-	-	0.1	0.1	0.1	0.1	694.1%	279.8%
Payments for financial assets	1 050.0	1 050.0	1 050.0	-	-	0.1	-	-	0.0	-	23 000.0	23 000.0	2 290.5%	100.0%
Total	1 246.3	1 374.0	1 364.3	233.8	291.1	269.4	256.4	319.5	296.1	267.5	23 302.6	23 282.6	1 258.1%	99.7%

Expenditure estimates

Table 9.3 Vote expenditure estimates by programme and economic classification

Programmes									
1. Administration									
2. Legal and Governance									
3. Portfolio Management and Strategic Partnerships									
Programme	Revised estimate	Average growth rate (%)	Expenditure/Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure/Total: Average (%)	
				2015/16	2016/17	2017/18			2018/19
R million	2015/16	2012/13 - 2015/16	2012/13 - 2015/16	2016/17	2017/18	2018/19	2015/16 - 2018/19	2015/16 - 2018/19	
Programme 1	151.9	11.8%	2.2%	158.0	161.4	168.2	3.5%	2.7%	
Programme 2	23.5	-3.6%	0.4%	26.0	26.7	27.9	5.8%	0.4%	
Programme 3	23 107.2	165.2%	97.5%	90.0	91.4	93.9	-84.0%	96.9%	
Total	23 282.6	156.9%	100.0%	274.0	279.5	289.9	-76.8%	100.0%	
Change to 2015				(0.3)	(10.3)	(16.7)			
Budget estimate									
Economic classification									
Current payments	244.6	6.3%	3.5%	270.1	275.5	285.7	5.3%	4.5%	
Compensation of employees	153.1	11.9%	2.1%	168.4	168.8	173.5	4.2%	2.8%	
Goods and services	91.5	-1.0%	1.4%	101.8	106.7	112.2	7.0%	1.7%	
of which:									
Administrative fees	0.8	5.2%	0.0%	1.2	1.1	1.2	13.9%	0.0%	

Table 9.3 Vote expenditure estimates by programme and economic classification

Economic classification	Revised estimate	Average growth rate (%)	Expenditure/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure/ Total: Average (%)
				2015/16	2012/13 - 2015/16	2016/17		
R million								
Advertising	2.0	21.0%	0.0%	1.9	2.3	2.4	7.3%	0.0%
Minor assets	0.9	-3.7%	0.0%	0.2	0.4	0.4	-24.1%	0.0%
Audit costs: External	3.1	33.2%	0.0%	2.8	2.8	3.0	-1.1%	0.0%
Bursaries: Employees	1.0	14.4%	0.0%	1.0	0.8	0.8	-6.1%	0.0%
Catering: Departmental activities	1.6	-3.1%	0.0%	2.0	1.7	1.8	5.0%	0.0%
Communication	4.8	9.4%	0.1%	4.0	4.1	4.3	-3.2%	0.1%
Computer services	7.1	41.1%	0.1%	6.4	5.5	5.9	-6.2%	0.1%
Consultants: Business and advisory services	18.8	-17.4%	0.3%	29.7	34.4	35.7	23.8%	0.5%
Legal services	3.1	22.4%	0.0%	3.2	3.4	3.6	6.1%	0.1%
Contractors	3.2	19.9%	0.0%	2.7	2.4	2.5	-7.6%	0.0%
Agency and support/outsourced services	1.2	-30.4%	0.0%	1.1	0.8	0.8	-11.7%	0.0%
Entertainment	0.3	10.1%	0.0%	0.2	0.3	0.4	4.9%	0.0%
Fleet services (including government motor transport)	1.4	15.5%	0.0%	1.7	1.6	1.6	6.1%	0.0%
Inventory: Materials and supplies	0.0	-66.2%	0.0%	0.1	0.0	0.0	10.1%	0.0%
Consumable supplies	0.8	-	0.0%	1.1	1.0	1.1	8.5%	0.0%
Consumables: Stationery, printing and office supplies	2.0	-5.8%	0.0%	1.0	1.2	1.3	-14.6%	0.0%
Operating leases	2.7	28.1%	0.0%	1.6	2.1	2.2	-6.6%	0.0%
Rental and hiring	1.1	-	0.0%	0.6	0.3	0.3	-36.1%	0.0%
Property payments	9.0	5.3%	0.1%	9.6	9.9	10.5	5.1%	0.2%
Transport provided: Departmental activity	0.3	-	0.0%	0.1	-	-	-100.0%	0.0%
Travel and subsistence	19.3	-0.8%	0.3%	22.5	23.8	25.2	9.3%	0.4%
Training and development	1.8	-10.9%	0.0%	1.8	1.9	2.0	3.9%	0.0%
Operating payments	3.5	4.5%	0.0%	3.0	2.7	2.8	-6.7%	0.0%
Venues and facilities	1.7	-14.6%	0.1%	2.4	2.1	2.2	9.1%	0.0%
Transfers and subsidies	34.4	-33.8%	1.1%	0.1	0.1	0.1	-84.7%	0.1%
Public corporations and private enterprises	33.1	-34.6%	1.1%	-	-	-	-100.0%	0.1%
Households	1.3	93.1%	0.0%	0.1	0.1	0.1	-53.9%	0.0%
Payments for capital assets	3.6	19.7%	0.1%	3.7	3.9	4.1	4.8%	0.1%
Machinery and equipment	3.5	19.7%	0.1%	3.6	3.8	4.0	4.3%	0.1%
Software and other intangible assets	0.1	17.6%	0.0%	0.1	0.1	0.1	29.1%	0.0%
Payments for financial assets	23 000.0	179.8%	95.4%	-	-	-	-100.0%	95.3%
Total	23 282.6	156.9%	100.0%	274.0	279.5	289.9	-76.8%	100.0%

Personnel information

Table 9.4 Vote personnel numbers and cost by salary level and programme¹ prior to Cabinet approved reduction, effective from 2017/18²; budget reductions and aggregate baseline total

Programmes		Number and cost ³ of personnel posts filled / planned for on funded establishment												Number					
Number of posts estimated for 31 March 2016														Average growth rate (%)	Salary level/Total: Average (%)				
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate						2015/16 - 2018/19					
		2014/15		Unit Cost	2015/16		Unit Cost	2016/17		2017/18		2018/19							
		Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost			
Public Enterprises																			
Salary level	284	-	259	141.2	0.5	226	153.1	0.7	226	168.4	0.7	226	184.2	0.8	226	199.0	0.9	-	100.0%
1 – 6	45	-	43	3.6	0.1	16	3.8	0.2	16	4.0	0.2	16	4.4	0.3	16	4.7	0.3	-	7.1%
7 – 10	89	-	84	25.4	0.3	79	27.2	0.3	79	29.4	0.4	79	32.3	0.4	79	35.0	0.4	-	35.0%
11 – 12	48	-	44	25.2	0.6	44	29.1	0.7	44	31.5	0.7	44	35.0	0.8	44	38.1	0.9	-	19.5%
13 – 16	100	-	86	81.8	1.0	87	93.1	1.1	87	103.4	1.2	87	112.5	1.3	87	121.2	1.4	-	38.5%
Other	2	-	2	5.2	2.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Programme	284	-	259	141.2	0.5	226	153.1	0.7	226	168.4	0.7	226	184.2	0.8	226	199.0	0.9	-	100.0%
Programme 1	171	-	161	73.8	0.5	127	77.2	0.6	127	82.2	0.6	127	93.1	0.7	127	100.6	0.8	-	56.2%
Programme 2	22	-	20	16.8	0.8	20	18.5	0.9	20	20.3	1.0	20	21.4	1.1	20	23.4	1.2	-	8.8%
Programme 3	91	-	78	50.6	0.6	79	57.5	0.7	79	66.0	0.8	79	69.7	0.9	79	74.9	0.9	-	35.0%
Reduction	-	-	-	-	-	-	-	-	-	-	-	-	(15.4)	-	-	(25.5)	-	-	-
Total	284	-	259	141.2	0.5	226	153.1	0.7	226	168.4	0.7	226	184.2	0.8	226	199.0	0.9	-	-

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. The department's compensation of employees budget has been reduced by R40.9 million for 2017/18 and 2018/19. After consultation with the Department of Public Service and Administration and National Treasury, the department will finalise, develop and implement a plan to manage its personnel expenditure within this reduced expenditure ceiling.

3. Rand million.

Departmental receipts

Table 9.5 Departmental receipts by economic classification

	Audited outcome			Adjusted estimate	Revised estimate	Average growth rate (%)	Receipt item/ Total: Average (%)	Medium-term receipts estimate			Average growth rate (%)	Receipt item/ Total: Average (%)
	2012/13	2013/14	2014/15					2015/16	2016/17	2017/18		
R thousand												
Departmental receipts	537	373	203	1 161	1 161	29.3%	100.0%	109	112	116	-53.6%	100.0%
Sales of goods and services produced by department	58	57	68	366	366	84.8%	24.1%	54	54	56	-46.5%	35.4%
Sales by market establishments	-	-	41	234	234	-	12.1%	-	-	-	-100.0%	15.6%
of which:												
Sales by market establishments	-	-	41	234	234	-	12.1%	-	-	-	-100.0%	15.6%
Administrative fees	-	-	-	1	1	-	-	-	-	-	-100.0%	0.1%
of which:												
Licence agency fees	-	-	-	1	1	-	-	-	-	-	-100.0%	0.1%
Other sales	58	57	27	131	131	31.2%	12.0%	54	54	56	-24.7%	19.7%
of which:												
Garage rent	37	35	-	116	116	46.4%	8.3%	38	38	39	-30.5%	15.4%
Commission on insurance	21	13	25	15	15	-10.6%	3.3%	16	16	17	4.3%	4.3%
Replacement of security cards	-	9	2	-	-	-	0.5%	-	-	-	-	-
Sales of scrap, waste, arms and other used current goods	-	3	-	-	-	-	0.1%	5	6	6	-	1.1%
of which:												
Sales of scrap paper	-	3	-	-	-	-	0.1%	5	6	6	-	1.1%
Transfers received	-	-	-	244	244	-	10.7%	-	-	-	-100.0%	16.3%
Interest, dividends and rent on land	12	31	3	11	11	-2.9%	2.5%	21	22	23	27.9%	5.1%
Interest	12	31	3	11	11	-2.9%	2.5%	21	22	23	27.9%	5.1%
Sales of capital assets	-	-	130	300	300	-	18.9%	-	-	-	-100.0%	20.0%
Transactions in financial assets and liabilities	467	282	2	240	240	-19.9%	43.6%	29	30	31	-49.5%	22.0%
Total	537	373	203	1 161	1 161	29.3%	100.0%	109	112	116	-53.6%	100.0%

Programme 1: Administration

Programme purpose

Provide strategic leadership, management and support services to the department.

Expenditure trends and estimates

Table 9.6 Administration expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expenditure/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure/ Total: Average (%)
	2012/13	2013/14	2014/15				2015/16	2016/17	2017/18		
R thousand											
Ministry	30 036	31 342	28 411	32 278	2.4%	22.0%	34 478	34 612	35 754	3.5%	21.1%
Management	4 173	9 269	15 152	22 738	76.0%	9.2%	12 867	14 357	14 984	-13.0%	10.0%
Corporate Services	28 334	27 056	28 075	30 301	2.3%	20.5%	31 509	33 391	34 850	4.8%	20.0%
Chief Financial Officer	10 074	11 281	12 578	12 123	6.4%	8.3%	13 363	13 152	13 703	4.2%	8.1%
Human Resources	12 698	17 618	23 396	25 591	26.3%	14.3%	23 854	23 103	23 762	-2.4%	14.8%
Communications	12 840	14 227	16 072	12 588	-0.7%	10.0%	13 946	12 698	13 273	1.8%	8.1%
Strategic Planning, Monitoring and Evaluation	3 379	4 807	4 377	4 884	13.1%	3.1%	6 638	7 062	7 480	15.3%	4.0%
Intergovernmental Relations	1 772	6 711	5 830	8 077	65.8%	4.0%	6 975	7 835	8 235	0.6%	4.8%
Internal Audit	3 276	3 743	3 565	4 776	13.4%	2.8%	5 392	5 740	6 198	9.1%	3.4%
Office Accommodation	8 785	7 240	8 101	8 518	-1.0%	5.9%	8 970	9 419	9 965	5.4%	5.7%
Total	115 367	133 294	145 557	161 874	12.0%	100.0%	157 992	161 369	168 204	1.3%	100.0%
Change to 2015 Budget estimate				3 287			2 507	(2 689)	(5 370)		

Table 9.6 Administration expenditure trends and estimates by subprogramme and economic classification

Economic classification	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expenditure/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expenditure/ Total: Average (%)
	2012/13	2013/14	2014/15				2016/17	2017/18	2018/19		
R thousand	2012/13	2013/14	2014/15	2015/16	2012/13	2015/16	2016/17	2017/18	2018/19	2015/16	2018/19
Current payments	112 390	129 632	140 959	157 568	11.9%	97.2%	154 163	157 351	163 953	1.3%	97.5%
Compensation of employees	56 714	66 659	73 805	77 174	10.8%	49.3%	82 151	85 377	87 886	4.4%	51.2%
Goods and services	55 676	62 973	67 154	80 394	13.0%	47.9%	72 012	71 974	76 067	-1.8%	46.3%
of which:											
Administrative fees	718	527	1 949	798	3.6%	0.7%	1 222	1 117	1 180	13.9%	0.7%
Advertising	1 883	4 221	1 207	1 952	1.2%	1.7%	1 879	2 275	2 411	7.3%	1.3%
Minor assets	442	354	73	946	28.9%	0.3%	164	405	413	-24.1%	0.3%
Audit costs: External	1 908	2 087	2 822	3 093	17.5%	1.8%	2 750	2 824	2 988	-1.1%	1.8%
Bursaries: Employees	393	463	271	972	35.2%	0.4%	960	762	806	-6.1%	0.5%
Catering: Departmental activities	1 147	1 309	713	1 421	7.4%	0.8%	1 812	1 597	1 689	5.9%	1.0%
Communication	3 344	3 220	4 053	3 995	6.1%	2.6%	3 201	3 185	3 377	-5.4%	2.1%
Computer services	3 078	4 125	4 573	5 589	22.0%	3.1%	6 417	5 542	5 863	1.6%	3.6%
Consultants: Business and advisory services	2 325	7 887	16 248	17 058	94.3%	7.8%	11 509	10 833	11 381	-12.6%	7.8%
Legal services	–	–	673	1 000	–	0.3%	1 000	1 117	1 182	5.7%	0.7%
Contractors	2 130	809	2 471	3 201	14.5%	1.5%	2 737	2 402	2 541	-7.4%	1.7%
Agency and support/outsourced services	3 558	1 361	924	1 230	-29.8%	1.3%	1 080	800	846	-11.7%	0.6%
Entertainment	30	19	4	247	101.9%	0.1%	166	252	266	2.5%	0.1%
Fleet services (including government motor transport)	805	1 149	974	1 378	19.6%	0.8%	1 654	1 557	1 647	6.1%	1.0%
Inventory: Clothing material and accessories	–	25	–	–	–	–	–	–	–	–	–
Inventory: Food and food supplies	113	–	–	–	-100.0%	–	–	–	–	–	–
Inventory: Fuel, oil and gas	21	–	–	–	-100.0%	–	–	–	–	–	–
Inventory: Materials and supplies	63	1	45	3	-63.8%	–	50	4	4	10.1%	–
Inventory: Medical supplies	3	–	–	3	–	–	–	–	–	-100.0%	–
Inventory: Other supplies	25	–	–	20	-7.2%	–	–	21	22	3.2%	–
Consumable supplies	34	624	725	845	191.8%	0.4%	1 120	1 020	1 078	8.5%	0.6%
Consumables: Stationery, printing and office supplies	2 616	2 248	1 482	2 039	-8.0%	1.5%	1 038	1 196	1 266	-14.7%	0.9%
Operating leases	1 814	1 292	1 196	2 705	14.2%	1.3%	1 619	2 086	2 207	-6.6%	1.3%
Rental and hiring	–	–	245	980	–	0.2%	568	264	279	-34.2%	0.3%
Property payments	9 137	7 504	8 441	9 023	-0.4%	6.1%	9 626	9 902	10 476	5.1%	6.0%
Transport provided: Departmental activity	–	–	69	280	–	0.1%	100	–	–	-100.0%	0.1%
Travel and subsistence	14 838	14 951	11 695	15 847	2.2%	10.3%	15 085	17 199	18 196	4.7%	10.2%
Training and development	1 068	1 650	2 602	1 638	15.3%	1.3%	1 800	1 880	1 989	6.7%	1.1%
Operating payments	2 352	1 076	1 977	3 501	14.2%	1.6%	2 955	2 676	2 841	-6.7%	1.8%
Venues and facilities	1 831	6 071	1 722	630	-29.9%	1.8%	1 500	1 058	1 119	21.1%	0.7%
Transfers and subsidies	227	318	317	720	46.9%	0.3%	111	117	124	-44.4%	0.2%
Provinces and municipalities	–	2	–	–	–	–	–	–	–	–	–
Households	227	316	317	720	46.9%	0.3%	111	117	124	-44.4%	0.2%
Payments for capital assets	2 742	3 249	4 274	3 586	9.4%	2.5%	3 718	3 901	4 127	4.8%	2.4%
Machinery and equipment	2 649	2 768	4 192	3 534	10.1%	2.4%	3 614	3 795	4 015	4.3%	2.3%
Software and other intangible assets	93	481	82	52	-17.6%	0.1%	104	106	112	29.1%	0.1%
Payments for financial assets	8	95	7	–	-100.0%	–	–	–	–	–	–
Total	115 367	133 294	145 557	161 874	12.0%	100.0%	157 992	161 369	168 204	1.3%	100.0%
Proportion of total programme expenditure to vote expenditure	8.5%	49.5%	49.2%	0.7%	–	–	57.7%	57.7%	58.0%	–	–
Details of transfers and subsidies											
Households											
Other transfers to households											
Current	214	47	96	305	12.5%	0.1%	111	117	124	-25.9%	0.1%
Employee social benefits	121	–	–	200	18.2%	0.1%	–	–	–	-100.0%	–
Gifts and donations	93	47	96	105	4.1%	0.1%	111	117	124	5.7%	0.1%
Provinces and municipalities											
Municipalities											
Municipal bank accounts											
Current	–	2	–	–	–	–	–	–	–	–	–
Municipality bank account: Fines and penalties	–	2	–	–	–	–	–	–	–	–	–
Households											
Social benefits											
Current	13	269	221	415	217.2%	0.2%	–	–	–	-100.0%	0.1%
Employee social benefits	13	269	221	415	217.2%	0.2%	–	–	–	-100.0%	0.1%

Personnel information

Table 9.7 Administration personnel numbers and cost by salary level¹ prior to Cabinet approved reduction, effective from 2017/18²; budget reductions and aggregate baseline total

Number of posts estimated for 31 March 2016		Number and cost ³ of personnel posts filled / planned for on funded establishment															Number		
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%)	Salary level/Total: Average (%)				
		2014/15			2015/16			2016/17		2017/18		2018/19				2015/16 - 2018/19			
		Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost			
Administration																			
Salary level	171	-	161	73.8	0.5	127	77.2	0.6	127	82.2	0.6	127	93.1	0.7	127	100.6	0.8	-	100.0%
1 – 6	45	-	43	3.6	0.1	16	3.8	0.2	16	4.0	0.2	16	4.4	0.3	16	4.7	0.3	-	12.6%
7 – 10	62	-	59	17.0	0.3	55	20.5	0.4	55	21.8	0.4	55	24.3	0.4	55	26.3	0.5	-	43.3%
11 – 12	27	-	26	16.5	0.6	25	17.9	0.7	25	19.1	0.8	25	21.5	0.9	25	23.3	0.9	-	19.7%
13 – 16	35	-	31	33.5	1.1	31	35.0	1.1	31	37.3	1.2	31	42.9	1.4	31	46.3	1.5	-	24.4%
Other	2	-	2	3.2	1.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reduction	-	-	-	-	-	-	-	-	-	-	-	-	(7.7)	-	-	(12.7)	-	-	-
Total	171	-	161	73.8	0.5	127	77.2	0.6	127	82.2	0.6	-	85.4	-	-	87.9	-	-	-

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. This programme's compensation of employees budget has been reduced by R20.4 million for 2017/18 and 2018/19. After consultation with the Department of Public Service and Administration and National Treasury, the department will finalise, develop and implement a plan to manage its personnel expenditure within this reduced expenditure ceiling.

3. Rand million.

Programme 2: Legal and Governance

Programme purpose

Provide legal services and corporate governance systems, and facilitate the implementation of all legal aspects of transactions that are strategically important to the department and state owned companies. Ensure alignment with government's strategic intent by, among others, monitoring the performance indicators of state owned companies.

Objectives

- Ensure effective shareholder oversight of state owned companies by:
 - providing legal services and coordinated governance systems on an ongoing basis
 - facilitating the implementation of all legal aspects of transactions that are strategically important to the department and state owned companies on an ongoing basis
 - ensuring that financial and operational risk management processes are embedded throughout the department as and when required over the medium term
 - addressing constraints on state owned companies' contract negotiations and management to improve commercial competence and contribute to economic growth and development on an ongoing basis
 - providing assistance for developing and negotiating shareholder compact frameworks annually in terms of the Public Finance Management Act (1999)
 - providing guidance on appropriate delegation frameworks between the boards of state owned companies and executive management on an ongoing basis
 - advising the Minister of Public Enterprises on an ongoing basis on the appointments of boards of directors including remuneration; preparations for annual general meetings; and conducting annual reviews of ownership policies, governance, appointments and the performance of the boards and executive management.

Subprogrammes

- *Management* comprises the office of the deputy director general, which provides strategic leadership and management of the programme personnel.

- *Legal* provides internal legal services and support to sector teams. This entails providing legal services, including transaction and contract management support, as well as work specifically related to the commercial activities of the state owned companies within their portfolios.
- *Governance* develops, monitors and advises on legislative, corporate governance and shareholder management systems for the department and its portfolio of state owned companies. Risk and compliance management is a unit within this subprogramme and is responsible for developing and implementing risk and compliance management guidelines and systems. The risk management unit also identifies both operational and shareholder risk.

Expenditure trends and estimates

Table 9.8 Legal and Governance expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome			Adjusted appropriation	Average growth rate (%)		Expenditure/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	
	2012/13	2013/14	2014/15		2015/16	2012/13 - 2015/16		2016/17	2017/18	2018/19	2015/16 - 2018/19	
R thousand												
Management	2 252	3 021	2 879	2 593	4.8%	11.9%	3 157	3 476	3 794	13.5%	12.5%	
Legal	13 370	12 704	11 703	12 231	-2.9%	55.3%	14 222	14 564	15 077	7.2%	53.9%	
Governance	7 855	7 434	5 731	8 685	3.4%	32.8%	8 628	8 667	9 004	1.2%	33.6%	
Total	23 477	23 159	20 313	23 509	-	100.0%	26 007	26 707	27 875	5.8%	100.0%	
Change to 2015 Budget estimate				(320)			(228)	(851)	(1 281)			
Economic classification												
Current payments	23 450	23 146	20 313	23 509	0.1%	100.0%	26 007	26 707	27 875	5.8%	100.0%	
Compensation of employees	14 111	15 178	16 834	18 453	9.4%	71.4%	20 258	19 592	20 347	3.3%	75.6%	
Goods and services	9 339	7 968	3 479	5 056	-18.5%	28.6%	5 749	7 115	7 528	14.2%	24.4%	
of which:												
Administrative fees	148	-	-	-	-100.0%	0.2%	-	-	-	-	-	
Advertising	41	-	-	-	-100.0%	-	-	-	-	-	-	
Minor assets	2	-	-	-	-100.0%	-	-	-	-	-	-	
Catering: Departmental activities	74	46	4	8	-52.4%	0.1%	26	29	32	58.7%	0.1%	
Communication	124	139	124	169	10.9%	0.6%	169	179	189	3.8%	0.7%	
Consultants: Business and advisory services	4 322	2 458	393	1 696	-26.8%	9.8%	1 887	3 070	3 248	24.2%	9.5%	
Legal services	430	1 878	1 435	2 056	68.5%	6.4%	2 162	2 330	2 465	6.2%	8.7%	
Contractors	84	98	-	-	-100.0%	0.2%	-	-	-	-	-	
Agency and support/outsourced services	552	1 197	61	-	-100.0%	2.0%	-	-	-	-	-	
Entertainment	2	-	-	4	26.0%	-	13	14	14	51.8%	-	
Inventory: Medical supplies	2	-	-	-	-100.0%	-	-	-	-	-	-	
Consumable supplies	-	3	-	-	-	-	-	-	-	-	-	
Consumables: Stationery, printing and office supplies	74	1	-	-	-100.0%	0.1%	-	3	3	-	-	
Operating leases	-	4	-	-	-	-	-	-	-	-	-	
Travel and subsistence	2 753	1 723	1 394	1 047	-27.5%	7.6%	1 377	1 371	1 451	11.5%	5.0%	
Training and development	170	156	-	-	-100.0%	0.4%	-	-	-	-	-	
Operating payments	325	34	2	-	-100.0%	0.4%	-	-	-	-	-	
Venues and facilities	236	231	66	76	-31.5%	0.7%	115	119	126	18.4%	0.4%	
Transfers and subsidies	27	13	-	-	-100.0%	-	-	-	-	-	-	
Households	27	13	-	-	-100.0%	-	-	-	-	-	-	
Total	23 477	23 159	20 313	23 509	-	100.0%	26 007	26 707	27 875	5.8%	100.0%	
Proportion of total programme expenditure to vote expenditure	1.7%	8.6%	6.9%	0.1%	-	-	9.5%	9.6%	9.6%	-	-	
Details of transfers and subsidies												
Households												
Other transfers to households												
Current	27	13	-	-	-100.0%	-	-	-	-	-	-	
Employee social benefits	27	13	-	-	-100.0%	-	-	-	-	-	-	

Personnel information

Table 9.9 Legal and Governance personnel numbers and cost by salary level¹ prior to Cabinet approved reduction, effective from 2017/18²; budget reductions and aggregate baseline total

Number of posts estimated for 31 March 2016		Number and cost ³ of personnel posts filled / planned for on funded establishment															Number		
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate									Average growth rate (%)	Salary level/total: Average (%)	
		2014/15			2015/16			2016/17			2017/18			2018/19					2015/16 - 2018/19
		Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost			
Legal and Governance																			
Salary level	22																		
		20	16.8	0.8	20	18.5	0.9	20	20.3	1.0	20	21.4	1.1	20	23.4	1.2	-	100.0%	
7 – 10	4	4	1.3	0.3	3	1.0	0.3	3	1.1	0.4	3	1.2	0.4	3	1.3	0.4	-	15.0%	
11 – 12	3	2	1.1	0.5	3	2.0	0.7	3	2.2	0.7	3	2.5	0.8	3	2.7	0.9	-	15.0%	
13 – 16	15	14	12.5	0.9	14	15.4	1.1	14	17.0	1.2	14	17.8	1.3	14	19.4	1.4	-	70.0%	
Other	-	-	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reduction												(1.8)			(3.1)				
Total	22											19.6			20.3				

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. This programme's compensation of employees budget has been reduced by R4.9 million for 2017/18 and 2018/19. After consultation with the Department of Public Service and Administration and National Treasury, the department will finalise, develop and implement a plan to manage its personnel expenditure within this reduced expenditure ceiling.

3. Rand million.

Programme 3: Portfolio Management and Strategic Partnerships

Programme purpose

Align the strategies of the state owned companies with government policy and strategy, and monitor and benchmark their financial and operational performance and capital investment plans. Align shareholder oversight with overarching government economic, social and environmental policies, and build focused strategic partnerships between the state owned companies, strategic customers, suppliers and financial institutions.

Objectives

- Contribute to the enhancement of the performance of state owned companies by:
 - approving and evaluating corporate plans to determine whether the performance of state owned companies aligns with agreed key performance indicators, and provide advice and guidance to their boards, on an ongoing basis
 - monitoring the implementation of corporate plans and shareholder compact targets, quarterly
 - assessing shareholder and enterprise risks, and advising boards on areas of concern, quarterly.

Energy enterprises

- Strengthen the department's oversight role by ensuring the alignment of strategic intent in relation to the role of state owned companies in achieving government objectives in the energy sector on an ongoing basis.
- Provide shareholder management and oversight of the Eskom business, including the generation, transmission and distribution of electricity, with particular emphasis on ensuring the security of supply over the medium term.
- Provide strategic financial and transactional analysis of Eskom businesses as well as the monitoring of its capital investment programme on a quarterly basis.
- Provide oversight of the implementation of the Pebble Bed Modular Reactor Company care and maintenance programme to preserve intellectual property and assets on an ongoing basis.
- Ensure the legal regulatory compliance of Eskom by engaging on an ongoing basis with relevant stakeholders such as the Department of Energy, the Department of Environmental Affairs, the Department of Water and Sanitation and the National Energy Regulator of South Africa regarding policies and regulations affecting Eskom.

- Reduce Eskom's dependence on funding from the fiscus by monitoring cost escalations for its capital investment programme and operations in order to roll out the build programme in a cost effective manner on a quarterly basis.
- Exercise oversight to ensure that Eskom's capital investments support local suppliers by monitoring the implementation of the competitive supplier development programme and assessing progress in the company's quarterly report.

Eskom SOC Limited

- Support the security of electricity supply by:
 - examining Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, and reserve margin on an ongoing basis
 - ensuring that Eskom supplies electricity by monitoring, evaluating and engaging with the company on system security matters and the new build programme to alleviate constraints on an ongoing basis
 - monitoring the rollout of the capital investment programme to ensure that it is delivered on time, is of appropriate quality and is within budget on an ongoing basis.

Manufacturing enterprises

- Ensure continuous alignment between shareholder strategic intent and the objectives of state owned companies in the defence, mining and forestry sector by annually reviewing their enterprise strategies and mandates in the context of industry and sectoral policy shifts, and alert their boards and enterprises to material deviations, if any.
- Support state owned companies in delivering on their objectives, as set out in shareholder compacts and corporate plans, by benchmarking key performance measures annually and analysing quarterly and annual reports in order to assess the extent of progress.
- Collaborate with other state owned companies to contribute towards achieving national economic development objectives on an ongoing basis.

Denel SOC Limited

- Oversee the development of a long term growth strategy to achieve financial stability and the growth of manufacturing export products on an ongoing basis.
- Leverage off the company's advances in manufacturing capability through securing work packages in support of the industrialisation drive aligned with the industrial policy action plan over the medium term.
- Ensure Denel's ongoing sustainability by monitoring the implementation of the multi-year turnaround plan over the medium term.
- Ensure a balance between the need to develop indigenous capabilities in response to national defence equipment requirements and strategic partnerships in order to manage the development costs of strategic projects on an ongoing basis.

Alexkor SOC Limited

- Ensure increased production and promote the financial stability of the joint venture by monitoring the implementation of Alexkor's strategy to promote financial sustainability, and monitoring the pooling and sharing joint venture turnaround strategy, on a quarterly basis.
- Ensure collaboration and alignment of the two state owned mining companies to provide a clear indication to the market by developing a collaborative model with the African Exploration Mining and Finance Corporation over the medium term.
- Contribute to developing sustainable economic activities linked to the agricultural sector by continuously supporting and coordinating the joint efforts of the Department of Public Enterprises with the Department of Mineral Resources and the Department of Rural Development and Land Reform to stabilise the Richtersveld region and make use of revenues.

South African Forestry Company SOC Limited

- Oversee the implementation of the land restitution strategy for claims over the Komatiland Forests land claims settlement model to ensure meaningful benefit to successful land claimants over the medium term.
- Oversee the implementation of the South African Forestry Company's corporate strategy over the medium term.
- Engage with the Departments of Rural Development and Land Reform, Agriculture, Forestry and Fisheries, and Trade and Industry to ensure the warehousing of the shares held by the South African Forestry Company shares in the 4 privatised forestry companies.
- Reduce reliance on the sawlog market by supporting the development of the new business strategy over the medium term.

Transport enterprises

- Align the corporate strategies of Transnet and South African Express Airways with government's strategic intent, and monitor and benchmark their financial and operational performance by:
 - ensuring the alignment of the corporate strategies of Transnet and South African Express Airways with government's strategic intent and ensuring that these companies remain competitive, financially sustainable and deliver an optimal service to the economy, on an ongoing basis
 - supporting Transnet and South African Express Airways in delivering on their objectives by identifying appropriate benchmarks and key performance measures for their respective shareholder compacts and corporate plans, on an ongoing basis
 - creating an enabling environment for transport enterprises and ensuring an appropriate balance between the enterprises' interests, stability and developmental objectives by engaging with policy departments and relevant regulators on an ongoing basis
 - implementing the national corridor performance management system, which will identify inefficiencies in the logistics system in South Africa; contributing to increased competitiveness; and ensuring an appropriate modal split between road, rail and pipeline services, over the medium term
 - ensuring the effective utilisation of existing logistics infrastructure, and identifying those areas that legitimately qualify for investment and upgrade, on an ongoing basis
 - contributing to and facilitating the national transport policy formulation, as and when required, to achieve improvements in passenger and cargo movements.

Transnet SOC Limited

- Provide oversight on Transnet's implementation of the market demand strategy to optimise the economic impact of infrastructure investment on the economy by monitoring the rollout of Transnet's capital expenditure programme, quarterly and annually, to assess any significant deviations from corporate plans, and potential cost overruns and time delays on major capital projects.
- Ensuring that Transnet operates an efficient, competitive and responsive transport and logistics system by:
 - reviewing logistics costs in the economy and finalising the methodology to measure Transnet's contribution to transport costs as a percentage of GDP by March 2016
 - monitoring the implementation of the competitive supplier development programme to leverage off Transnet's locomotive fleet procurement for the development of local railway supplier industries by evaluating progress towards achieving localisation targets in Transnet's quarterly and annual reports.
- Increase Transnet's capacity to meet market demand by overseeing Transnet's implementation of the market demand strategy on an ongoing basis.
- Optimise the impact of infrastructure investment on the economy by monitoring the rollout of Transnet's capital expenditure programme on a quarterly basis.

South African Express Airways SOC Limited

- Monitor and assist with the implementation of South African Express Airways' 20/20 Vision on an ongoing basis.

- Facilitate strategic interventions with National Treasury regarding the resolution of the network feeder model, the holding structure of the state owned airlines and the review of commercial arrangements with South African Airways to ensure the long term financial and commercial sustainability of South African Express Airways over the medium term.
- Provide strategic guidance as and when required to strengthen the financial position of the company to ensure its long term sustainability.
- Ensure the alignment of strategies between state owned airlines, on an ongoing basis, by:
 - assessing the airline’s fleet renewal programme and ensuring compliance with the national industrial participation programme
 - reviewing the airline’s funding plan and ensuring that the airline considers alternative sources of funding in addition to financial support from government.

Economic impact and policy alignment

- Oversee and supervise processes to conduct macroeconomic modelling, research and impact evaluation to ensure that state owned companies contribute to economic growth on an ongoing basis.
- Enhance alignment with national industrial policy, macroeconomic policy and the role of state owned companies, as well as monitor implementation, for the 2016/17 financial year.
- Oversee processes to ensure that state owned companies comply with environmental laws, and optimise the impact of state owned companies on the reduction of carbon emissions and the development of a green economy, while supporting the business needs of state owned companies on an ongoing basis.
- Oversee alignment with and the implementation of state owned companies’ economic and social transformation agendas in support of national policies and economic growth, with specific focus on skills development, job creation, procurement/broad based black economic empowerment (B-BEE) and corporate social investments targeted at designated groups on an ongoing basis.

Strategic partnerships

- Oversee catalytic project implementation from the pre-feasibility stage to completion, including the design of relevant compacts, on an ongoing basis.
- Implement innovative funding structures and the design of associated compacts with relevant partners over the medium term.
- Oversee Eskom and Transnet’s implementation of the competitive supplier development programme, and oversee Transnet’s locomotive fleet procurement design and implementation, and the development and implementation of its executive leadership programme on an ongoing basis.

Subprogrammes

- *Energy Enterprises* exercises shareholder oversight over Eskom.
- *Manufacturing Enterprises* exercises shareholder oversight over Denel, Alexkor and the South African Forestry Company.
- *Transport Enterprises* exercises shareholder oversight over Transnet and South African Express Airways.
- *Economic Impact and Policy Alignment* aligns state owned companies with overarching government economic, social and environmental policies.
- *Strategic Partnerships* ensures that state owned companies maintain commercial sustainability, and attain desired strategic outcomes and objectives.

Expenditure trends and estimates

Table 9.10 Portfolio Management and Strategic Partnerships expenditure trends and estimates by subprogramme and economic classification

Subprogramme	Audited outcome			Adjusted appropriation 2015/16	Average growth rate (%) 2012/13 - 2015/16	Expenditure/Total: Average (%) 2015/16	Medium-term expenditure estimate			Average growth rate (%) 2015/16 - 2018/19	Expenditure/Total: Average (%) 2018/19
	2012/13	2013/14	2014/15				2016/17	2017/18	2018/19		
R thousand											
Energy Enterprises	11 189	12 919	13 113	23 017 145	1171.8%	93.8%	18 016	17 950	18 355	-90.7%	98.6%
Manufacturing Enterprises	1 178 268	68 096	77 541	52 659	-64.5%	5.6%	20 682	21 137	21 658	-25.6%	0.5%
Transport Enterprises	20 030	14 985	20 598	23 097	4.9%	0.3%	25 018	24 393	25 051	2.7%	0.4%
Economic Impact and Policy Alignment	9 990	9 687	10 677	14 300	12.7%	0.2%	13 580	14 854	15 262	2.2%	0.2%
Strategic Partnerships	5 973	7 256	8 253	10 010	18.8%	0.1%	12 681	13 073	13 533	10.6%	0.2%
Total	1 225 450	112 943	130 182	23 117 211	166.2%	100.0%	89 977	91 407	93 859	-84.0%	100.0%
Change to 2015 Budget estimate				23 032 146			(2 617)	(6 772)	(10 012)		
Economic classification											
Current payments	57 066	55 662	66 651	83 557	13.6%	1.1%	89 977	91 407	93 859	4.0%	1.5%
Compensation of employees	31 905	43 031	50 570	57 482	21.7%	0.7%	65 952	63 828	65 231	4.3%	1.1%
Goods and services	25 161	12 631	16 081	26 075	1.2%	0.3%	24 025	27 579	28 628	3.2%	0.5%
of which:											
Administrative fees	-	343	206	-	-	-	-	-	-	-	-
Advertising	38	140	214	-	-100.0%	-	-	-	-	-	-
Minor assets	-	3	-	-	-	-	-	-	-	-	-
Catering: Departmental activities	120	267	46	167	11.6%	-	168	119	125	-9.2%	-
Communication	311	355	366	608	25.0%	-	621	727	768	8.1%	-
Computer services	-	-	1 556	2 525	-	-	-	-	-	-100.0%	-
Consultants: Business and advisory services	16 290	2 565	8 440	16 068	-0.5%	0.2%	16 315	20 471	21 111	9.5%	0.3%
Contractors	36	2	156	20	-17.8%	-	-	-	-	-100.0%	-
Agency and support/outourced services	-	67	-	-	-	-	-	-	-	-	-
Entertainment	-	-	-	56	-	-	27	70	74	9.7%	-
Fleet services (including government motor transport)	-	41	1	-	-	-	1	-	-	-	-
Inventory: Materials and supplies	1	4	-	-	-100.0%	-	-	-	-	-	-
Inventory: Medical supplies	3	1	-	-	-100.0%	-	-	-	-	-	-
Inventory: Medicine	2	-	1	2	-	-	-	-	-	-100.0%	-
Consumable supplies	-	196	-	-	-	-	-	-	-	-	-
Consumables: Stationery, printing and office supplies	3	127	44	-	-100.0%	-	-	-	-	-	-
Operating leases	-	992	-	-	-	-	-	-	-	-	-
Rental and hiring	-	-	61	90	-	-	-	-	-	-100.0%	-
Travel and subsistence	5 770	6 205	4 556	5 394	-2.2%	0.1%	6 071	5 260	5 565	1.0%	0.1%
Training and development	386	53	-	134	-29.7%	-	-	-	-	-100.0%	-
Operating payments	941	395	4	-	-100.0%	-	-	-	-	-	-
Venues and facilities	1 260	875	430	1 011	-7.1%	-	822	932	985	-0.9%	-
Transfers and subsidies	118 384	57 281	63 531	33 654	-34.2%	1.1%	-	-	-	-100.0%	0.1%
Public corporations and private enterprises	118 313	57 250	63 141	33 106	-34.6%	1.1%	-	-	-	-100.0%	0.1%
Households	71	31	390	548	97.6%	-	-	-	-	-100.0%	-
Payments for financial assets	1 050 000	-	-	23 000 000	179.8%	97.8%	-	-	-	-100.0%	98.3%
Total	1 225 450	112 943	130 182	23 117 211	166.2%	100.0%	89 977	91 407	93 859	-84.0%	100.0%
Proportion of total programme expenditure to vote expenditure	89.8%	41.9%	44.0%	99.2%	-	-	32.8%	32.7%	32.4%	-	-
Details of transfers and subsidies											
Households											
Social benefits											
Current	71	31	390	548	97.6%	-	-	-	-	-100.0%	-
Employee social benefits	71	31	390	548	97.6%	-	-	-	-	-100.0%	-
Public corporations and private enterprises											
Public corporations											
Other transfers to public corporations											
Current	118 313	57 250	63 141	33 106	-34.6%	1.1%	-	-	-	-100.0%	0.1%
Denel	118 313	57 250	63 141	33 106	-34.6%	1.1%	-	-	-	-100.0%	0.1%

Personnel information

Table 9.11 Portfolio Management and Strategic Partnerships personnel numbers and cost by salary level¹ prior to Cabinet approved reduction, effective from 2017/18² budget reductions and aggregate baseline total

Number of posts estimated for 31 March 2016		Number and cost ³ of personnel posts filled / planned for on funded establishment												Number					
Number of funded posts	Number of posts additional to the establishment	Actual			Revised estimate			Medium-term expenditure estimate						Average growth rate (%)	Salary level/total: Average (%)				
		2014/15			2015/16			2016/17		2017/18		2018/19				2015/16 - 2018/19			
		Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost		Unit Cost		
Portfolio Management and Strategic Partnerships																			
Salary level	91	-	78	50.6	0.6	79	57.5	0.7	79	66.0	0.8	79	69.7	0.9	79	74.9	0.9	-	100.0%
7 – 10	23	-	21	7.2	0.3	21	5.6	0.3	21	6.6	0.3	21	6.8	0.3	21	7.4	0.4	-	26.6%
11 – 12	18	-	16	7.7	0.5	16	9.1	0.6	16	10.3	0.6	16	11.1	0.7	16	12.1	0.8	-	20.3%
13 – 16	50	-	41	35.8	0.9	42	42.7	1.0	42	49.1	1.2	42	51.8	1.2	42	55.4	1.3	-	53.2%
Reduction	-	-	-	-	-	-	-	-	-	-	-	-	(5.8)	-	-	(9.7)	-	-	-
Total	91	-	78	50.6	0.6	79	57.5	0.7	79	66.0	0.8	79	63.8	-	-	65.2	-	-	-

1. Data has been provided by the department and may not necessarily reconcile with official government personnel data.

2. This programme's compensation of employees budget has been reduced by R15.5 million for 2017/18 and 2018/19. After consultation with the Department of Public Service and Administration and National Treasury, the department will finalise, develop and implement a plan to manage its personnel expenditure within this reduced expenditure ceiling.

3. Rand million.

Entities

Alexkor SOC limited

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay. In line with outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium term strategic framework, the company is exploring opportunities in energy through coal and limestone mining opportunities, which will require the organisation to expand its operations beyond Northern Cape. Alexkor has further commissioned and started a study into non-mining activities in Northern Cape that the Richtersveld community could pursue from the proceeds of the pooling and sharing joint venture.

The land mining rights and 49 per cent of the mining operations were ceded to the Richtersveld community following the conclusion of the land restitution agreement with government in 2007. Alexkor remains the owner of the sea mining rights and 51 per cent of the mining operations. The mining operations with the land and sea mining rights have been pooled into an unincorporated entity called the Alexkor Pooling and Sharing Joint Venture. The mining operations employ 250 people.

The settlement agreement included, among other things, the restoration of land and mineral rights, the formation of the pooling and sharing joint venture, environmental rehabilitation, and the establishment and development of the town at Alexander Bay. As a result, since November 2013, the town has been made official and now forms part of the Richtersveld municipality. Progress to date includes the upgrade of residential properties' electrical and water reticulation systems, and the transfer of the mine operations restored with the land mining rights to the Richtersveld Mining Company. The implementation of the plan to rehabilitate mining areas has also begun.

Alexkor made a total comprehensive income of R71 million in 2014/15 compared to R49 million in 2013/14. The company has also undertaken an initial study to explore alternative revenue streams to improve its financial position. Alexkor will continue to work towards improved sustainability over the medium term.

Denel SOC limited

Denel was incorporated as a private company in 1992 in terms of South African Companies Act (1973). Its sole shareholder is the South African government. Denel is classified in the 2014 Defence Review as a strategic national asset, and is the largest manufacturer of defence equipment in South Africa. It operates in the military aerospace and landward defence environment, and provides strategic defence equipment. Denel's advanced industrial capabilities support outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium term strategic framework and the industrial policy action plan.

Denel is the largest and most diversified company in the local defence and aerospace industrial complex, which has an important role to play in the reindustrialisation of the South African economy, as envisaged in the industrial policy action plan. The defence and aerospace sector has strong upstream and downstream linkages with industries that supply products such as aluminium, steel, composite material, tooling, machinery, automotive parts. Innovation and advanced technologies are likely to drive manufacturing competitiveness in the coming years, contributing to increased industrial capacity within South Africa.

Denel has made progress in ensuring its sustainability. The company has posted positive results despite tough market conditions, including cuts in defence spending due to the global economic downturn. Revenue reached R5.8 billion in 2014/15, and exports represent 50 per cent of revenue, which has resulted in improved profitability. Investment in technological innovation and research and development are critical for global competitiveness. The advanced manufacturing sector is resilient, and has the potential to withstand economic shocks.

Denel's growing order book presents a significant opportunity to grow and transform the local defence and aerospace industry, and to generate high end engineering skills and export earnings over the medium term.

South African Forestry Company SOC limited

The South African Forestry Company was established in 1992 in terms of the Management of State Forests Act (1992). The company's mandate is to ensure the sustainable management of plantation forests, increase downstream timber processing, and play a catalytic role in rural economic development and transformation. The company's contribution to socioeconomic development is aligned with outcome 7 (comprehensive rural development and land reform) of government's 2014-2019 medium term strategic framework. The company also contributes to education and health care infrastructure through maintaining its commitment to support the growth and transformation of the communities in which it operates and promoting socioeconomic development.

Over the medium term, the company's focus will be on investing in major capital programmes, either to upgrade current plant or start new product lines. Examples of these are the planned upgrading of the Timbadola sawmill in Limpopo's Vhembe district, and the establishment of a new sawmill in Sabie, Mpumalanga.

The company's operating performance over the past 3 financial years has been declining, reflecting losses of R32 million in 2012/13, R49 million in 2013/14 and R4 million in 2014/15. This is a result of slow recovery in its primary market and the residential construction sector. Revenue has also been under pressure, due to marginal growth in sales volumes, and cash generation from operations has been under strain due to increasing logistical and labour costs, and an inflexible pricing environment. This has made it difficult for the business to invest in downstream operations that are critical to sustaining forestry operations and reducing dependence on sawlog customers. Despite these challenges, the company's financial position reflects a competitive equity position that is valued at R3.7 billion.

Eskom SOC limited

Governed by the Eskom Conversion Act (2001), Eskom's mandate is to generate, transmit and distribute electricity to industrial, mining, commercial, agricultural and residential customers and redistributors. In doing this, it contributes to the realisation of outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium term strategic framework.

Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. However, the company's reserve margin has been steadily declining since 1999. This is due to both a lack of significant investment in generation capacity and an increase in economic growth, which in turn has led to an increase in electricity demand. In recent years, Eskom deferred the maintenance of power stations to meet demand and address the constrained power system to avoid load shedding. The consequence of this has been an increase in maintenance backlogs and a decline in the performance of power stations.

In September 2014, Cabinet approved a support package to ensure that Eskom remains financially sustainable, shows operational improvement, and delivers on the capital build programme. Cabinet established an Eskom War Room in December 2014 to implement a 5-point plan to address power system constraints and assist in finding solutions to electricity challenges. The turnaround of Eskom focuses on 4 key areas: financial sustainability, operational sustainability, revenue and customer sustainability, and sustainable asset creation.

Eskom's revenue increased by 7 per cent from R138 billion in 2013/14 to R147 billion in 2014/15 reflecting the impact of the 8 per cent tariff increase as well as lost sales, although net profit declined from R7.1 billion to R3.6 billion over the same period. The decline was driven mainly by the 19 per cent increase in the primary cost of energy, as well as a decline in sales. The company's liquidity position declined from R27 billion in 2013/14 to R12.8 billion in 2014/15. To stabilise the business, Eskom is working to improve productivity and reduce costs. To stabilise the company's liquidity, Cabinet approved a R23 billion equity injection to Eskom in 2015 which was enabled through the Eskom Special Appropriation Act (2015), and converted a R60 billion subordinated loan into equity to strengthen the company's balance sheet. This will enable Eskom to borrow in financial markets to fund its infrastructure build programme. The first R10 billion tranche of funding was transferred to Eskom in July 2015 and a further R5 billion was transferred in December 2015. Although government has already raised the funds required to make the transfer, as a result of Eskom having failed to meet some of the conditions attached to the equity allocation, the Minister of Finance decided to only approve the transfer of R5 billion of the second R10 billion tranche scheduled for December 2015. The remaining allocation will be transferred in March 2016 on condition that Eskom complies with outstanding equity conditions.

Since 2004, Eskom has undertaken a capacity expansion programme to ensure a secure and reliable supply of electricity. In 2014/15, the Eskom capital expenditure programme added 100 megawatts (MW) of additional capacity to the national grid, built 319km of transmission lines, and installed 2 090 megavolt amperes of transformation capacity to improve the performance of substations. The entity connected 144 558 homes to electricity in 2012/13/14 and 201 788 in 2013/14.

In support of its commitment to introduce independent power producers, at the end of March 2015 Eskom had contracted capacity of 5 701 MW from independent power producers. It plans to deliver an additional 11 126 MW of capacity into the system, which will go a long way towards addressing the current constraints. Medupi unit 6 achieved a full load of 800 MW following its first synchronisation in March 2015, and became commercially operational in August 2015. The synchronisation of the first 2 units of the Ingula pumped storage scheme is anticipated to take place in 2016, as this is the key delivery milestone for the build programme in 2016/17. Once completed, Medupi and Kusile will contribute 9 564 MW of base load power to the grid, and Ingula will provide 1 332 MW of peaking capacity.

South African Express Airways SOC limited

South African Express Airways was established in 1994 as a regional carrier operating domestic and regional flights, serving secondary routes in South Africa and the continent, including regional routes to Botswana, Namibia, Democratic Republic of the Congo, Zimbabwe and Zambia. It also provides feeder air services that connect with the South African Airways network.

South African Express Airways has experienced challenges with regards to its operational and financial performance, as well as the maintenance of proper systems of internal control. As a result, the company was issued with a qualified audit opinion on its 2014/15 annual financial statements as it was unable to provide sufficient appropriate audit evidence because of its inability to maintain adequate accounting records. This represented the fourth consecutive year it had been issued with such an opinion.

The airline has, however, made significant progress in addressing the reasons for receiving qualified audit reports, and the appointment of a chief financial officer and the strengthening the capacity of its finance department have helped to address some of the challenges pertaining to internal controls and financial statements.

South African Express Airways has acknowledged the need to address its poor performance and reliance on government for financial support. In 2013, it developed a long term strategy called 20:20 Vision, to assess, review and define a new business model to improve the sustainability of the organisation going into the next 20 years. The vision is aligned with South African Airways' long term turnaround strategy, and aims to derive maximum shareholder value through collaboration, cooperation and coordination between the state owned airlines. However, the airline did not implement the strategy as envisaged, which required the imposition of short term austerity measures in September 2014. Some of these initiatives included renegotiating contracts and agreements, optimising the network schedule, and reducing labour costs in an attempt to make the airline sustainable again. The austerity measures are expected to lead to a saving of R579 million over a period of

3 years, until 2016/17. By the end of March 2015, the airline had already managed to save R97 million. These savings are projected to lead the airline towards profitability, thus improving its sustainability and reducing its reliance on government for financial support.

The Department of Public Enterprises continues to assist the airline in addressing some of its challenges through collaboration, cooperation and coordination between the state owned airlines. Through its shareholder compact, the department ensures that there is alignment between the targets set for South African Airways and South African Airways Express, that the initiatives outlined in 20:20 Vision are in agreement, and that performance towards these targets is monitored.

The organisation's focus over the medium term will be on stabilising the airline to ensure that it achieves its profit targets. This will ensure that the airline strengthens its balance sheet through generating profit and cash flows.

Transnet SOC limited

Transnet's mandate is to contribute to lowering the cost of doing business in South Africa, enable economic growth, and ensure security of supply through providing appropriate port, rail and pipeline infrastructure in a cost effective and efficient manner. This is in line with outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium term strategic framework.

In the context of the continued economic downturn and deteriorating market conditions, especially in the mining sector, Transnet remains a strong entity. Revenue grew by 8 per cent from R56.6 billion in 2013/14 to R61.2 billion in 2014/15, and profit grew from R5.2 billion to R5.3 billion over the same period. Transnet transported a total of 228 million tonnes in 2014/15, but it appears unlikely that it will reach the target of 330 million tonnes per year by 2018/19 in the current economic climate. A process is under way to discuss the envisaged rail volume targets with the relevant stakeholders.

Also aligned with outcome 6 is Transnet's expected increase in ports productivity and container handling efficiency from the current average gross crane moves per hour of 28 to 35 by 2018/19. The Department of Public Enterprises continues to work closely with Transnet to ensure that this deliverable is prioritised, and initiatives to improve ports productivity are identified and monitored.

Considering the economic climate, the company is reviewing its investment programme to ensure that it is optimised and remains affordable, which may necessitate an extension in planned capital programme expenditure from 7 to 10 years, due to a decrease in export demand for commodities. Notwithstanding these challenges, over the medium term and beyond, Transnet will continue with a number of key infrastructure and equipment projects. These include the rollout of the manganese expansion project, the berth deepening and reconstruction of Durban Container Terminal Pier 2, the doubling in size of the Overvaal Tunnel, the delivery of the 1 064 locomotives, and delivery on Operation Phakisa initiatives, which relate to the oceans economy.

2016 BUDGET

ESTIMATES OF NATIONAL EXPENDITURE

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national treasury

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