



**NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA**

Enquiries: Ismail Momoniat Tel: 012-315 5165 Cell: 083 378 0333 e-mail: ismail.momoniat@treasury.gov.za

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**2004/05 Provincial Budgets
3rd Quarter Year to Date Provincial Budget Report**

SUMMARY

1. The 3rd quarter provincial budget report covers spending after nine months of the 2004/05 financial year, from 1 April 2004 until 31 December 2004.
2. Provinces have spent 70,6 per cent of their adjusted budget, or R136,7 billion of R193,6 billion, for the first nine months of the financial year. This compares with the 71,4 per cent, or R107,3 billion of R150,3 billion, spent by national government for the same period.
3. The greatest spending pressure facing provinces continues to be in social development departments, where in spite of the R3,3 billion increase through the adjustments budget, provinces spent 73,4 per cent or R37,2 billion of their R50,7 billion adjusted budget. This represents a massive increase of R6,4 billion or 20,9 per cent over the same period last year.
4. A few provinces also face some risks from their personnel expenditure in education and health. Total personnel expenditure in all nine provinces is R65,7 billion or 73,6 per cent of the R89,3 billion personnel budget.
5. The biggest underspending problem in provinces continues to be the slow rate of spending on capital, as provinces spent 46,4 per cent or R5,6 billion of their combined R12 billion adjusted capital budgets. This is significantly lower than the 67 per cent spent by national departments, but R2,1 billion more in absolute terms given the smaller national budget.
6. The projected aggregated provincial budget deficit is projected to be just below R2,5 billion. For most provinces, this deficit will be funded from last year's provincial rollovers and cash balances (R3,1 billion).
7. Other key highlights include:
 - Education expenditure totalled R47,8 billion or 72,6 per cent of the R65,7 billion total adjusted budget for education. The spending pattern reflects a R4,3 billion or 9,9 per cent increase compared with spending during the same period in 2003/04. Capital

spending in education is relatively slow at 42,9 per cent or R1,3 billion up to the end of December 2004. Personnel expenditure is high at 74,5 per cent.

- Health expenditure totalled R28,7 billion (70,2 per cent), which is R2,5 billion higher compared with the same period last year. Capital expenditure in health is relatively slow at 45,4 per cent or R1,3 billion.
- The highest share (39,3 per cent) of provincial capital budgets is for roads, transport and public works departments, which spent R2,6 billion or 54,3 per cent against its total R4,7 billion adjusted budget.
- Provincial own revenue collected is R4,4 billion or 83,9 percent of the total own revenue budget of R5,3 billion. National government transferred R123,2 billion of the equitable share, and R15,8 billion in conditional grants, after nine months of 2004/05.

DETAILED ANALYSIS OF THE FIRST NINE MONTHS OF 2004/05 PROVINCIAL BUDGETS

8. The figures in this 3rd quarter report includes the additional funds totalling R4,3 billion allocated to provinces on 26 October 2004 through the adjustments budget. Provincial budget figures are also updated for their adjustments, including any roll-overs from the previous financial year.
9. This analysis is based on the statement of receipts and payments published by the National Treasury on 28 January 2005, and is available on the treasury website www.treasury.gov.za. The information is based on the section 40(4) PFMA reports submitted (and signed) by each head of provincial department to their provincial treasury by 15 January 2005, and submitted to the National Treasury by 21 January 2005. Queries on any spending or budget numbers should therefore, in the first instance, be referred to the relevant head of the provincial department, and in the second instance to the head of the provincial treasury. Provincial heads of department failing to sign and confirm their section 40(4) PFMA monthly reports will be in breach of the Public Financial Management Act (PFMA). Queries on conditional grants should be referred to the relevant head of the administering national department.
10. The information presented here is restricted to financial information only, but provincial departments should be in a position to provide complementary non-financial performance information at least up to the second quarter (as such information comes with a lag of 2 to 4 months). Such information is necessary to measure outputs and performance thus enabling managers to assess value for money. It is hoped that provincial legislatures will request performance related information from relevant provincial departments when discussing this section 32 PFMA report on the budget after nine months of the 2004/05 financial year, from 1 April 2004 to 31 December 2004. This 3rd quarterly report provides a valuable basis for identifying potential overspending and underspending by departments, and in the process highlighting budgetary and spending pressures and problems.

Total Expenditure

11. Table 1 below indicates that provinces have spent 70,6 per cent or R136,7 billion of their adjusted budgeted expenditure after nine months into the 2004/05 financial year. Though almost identical to the 70,9 percentage spent in 2003/04 (for the same nine month period), spending increased by 12,6 per cent or R15,3 billion compared to last year as provinces spent R121,4 billion. Between provinces, average spending ranges from the lowest share of 69,1 per cent in North West to the highest at 72,6 per cent in KwaZulu-Natal.

Table 1: Provincial Budgets: Payments as at 31 December 2004

R thousand	Annual Adjusted budget 2004/05				Payments as at 31 December 2004				Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total		
Eastern Cape	18 051 283	11 465 020	1 761 198	31 277 501	13 294 259	7 939 356	1 359 914	22 593 529	72.2%	21 008 394
Free State	8 385 433	4 444 107	659 547	13 489 087	5 911 811	3 163 327	276 837	9 351 976	69.3%	8 317 477
Gauteng	19 298 689	9 752 052	2 156 031	31 206 772	14 246 523	6 959 796	412 934	21 619 254	69.3%	19 847 275
Kw aZulu-Natal	24 063 930	12 217 539	2 712 575	38 994 044	17 304 325	9 695 206	1 308 904	28 308 435	72.6%	24 072 157
Limpopo	16 230 993	7 909 477	1 475 545	25 616 015	11 509 933	5 640 320	806 208	17 956 460	70.1%	15 370 875
Mpumalanga	8 812 550	3 967 106	1 008 032	13 787 688	6 153 087	3 120 388	355 751	9 629 226	69.8%	8 419 150
Northern Cape	2 811 767	1 548 940	281 061	4 641 768	2 038 157	1 121 610	149 337	3 309 104	71.3%	2 967 531
North West	9 738 012	5 282 679	860 538	15 881 229	6 834 479	3 742 785	401 136	10 978 400	69.1%	9 577 531
Western Cape	11 785 957	5 763 754	1 121 284	18 670 995	8 328 802	4 067 584	518 538	12 914 924	69.2%	11 783 061
Total	119 178 614	62 350 674	12 035 811	193 565 099	85 621 376	45 450 372	5 589 558	136 661 307	70.6%	121 363 452

Social Services

12. Social services adjusted budgets total R157,2 billion, and comprise 81,2 per cent of the total R193,6 billion provincial budget. Table 2 indicates that provinces spent R113,6 billion or 72,3 per cent of budgeted R157,2 billion for the three social services departments (education, health and social development). This is R13,3 billion or 13,2 per cent more than spending during the same period in 2003/04.

Table 2: Provincial Social Services Expenditure

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Education	65 744 907	47 761 323	72.6%	43 451 323	9.9%
Health	40 849 417	28 694 864	70.2%	26 164 799	9.7%
Social Development	50 652 364	37 167 639	73.4%	30 741 004	20.9%
Total	157 246 688	113 623 827	72.3%	100 357 126	13.2%

Social Development

13. Social development adjusted budgets total R50,7 billion, increasing significantly through the adjustments budgets by R3,3 billion compared to the original 2004/05 budget of R47,3 billion. The adjusted budget comprises 26,2 per cent of the total provincial adjusted budgets.
14. In spite of the large social grants adjustments allocation, the third-quarter year to date spending trends (Table 3) indicate that provinces continue to face great pressure from social development budgets, which registered spending of 73,4 per cent or R37,2 billion of their R50,7 billion adjusted budget. This represents a 20,9 per cent increase of R6,4 billion over the R30,7 billion spent over the same period last year.
15. The pressure is derived from sharp growth in beneficiary numbers for disability and foster care grants, which is beyond budgeted projections (unlike the high growth in the child support grant, which is largely budgeted for).

Table 3: Provincial Social Development Expenditure

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	9 687 860	6 660 730	68.8%	6 140 178	8.5%
Free State	3 632 596	2 637 104	72.6%	2 005 046	31.5%
Gauteng	6 342 534	4 675 026	73.7%	3 890 312	20.2%
KwaZulu-Natal	10 950 554	8 617 471	78.7%	6 447 745	33.7%
Limpopo	6 712 055	4 749 914	70.8%	3 927 918	20.9%
Mpumalanga	3 368 928	2 580 891	76.6%	1 961 041	31.6%
Northern Cape	1 317 875	935 085	71.0%	844 896	10.7%
North West	4 313 458	3 201 225	74.2%	2 729 841	17.3%
Western Cape	4 326 504	3 110 194	71.9%	2 794 027	11.3%
Total	50 652 364	37 167 640	73.4%	30 741 004	20.9%

16. Given that the number of beneficiaries is highest in the last quarter of a financial year (as compared to the first quarter), provinces are still at some risk of overspending their budgets, particularly in KwaZulu-Natal (78,7 per cent), and Mpumalanga (76,6 per cent).
17. The risk of overspending on social grants is indicated more strongly in table 4 below, which focuses only on the social assistance grant programme (programme 2 under the social development vote). The risk of overspending their budgets appears to be in KwaZulu-Natal (80 per cent), Mpumalanga (77,5 per cent) and to a lesser extent in Gauteng (75,3 per cent), North West (74,9 per cent) and Free State (74,5 per cent).

Table 4: Provincial Social Grants expenditure (Programme 2)

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	9 192 525	6 335 954	68,9%	5 860 696	8,1%
Free State	3 274 413	2 438 187	74,5%	1 834 031	32,9%
Gauteng	5 514 534	4 149 998	75,3%	3 417 418	21,4%
KwaZulu-Natal	10 273 837	8 219 602	80,0%	6 095 290	34,9%
Limpopo	6 320 858	4 588 511	72,6%	3 767 480	21,8%
Mpumalanga	3 140 705	2 433 410	77,5%	1 842 695	32,1%
Northern Cape	1 161 632	836 168	72,0%	755 703	10,6%
North West	4 025 756	3 015 683	74,9%	2 489 139	21,2%
Western Cape	3 675 632	2 699 028	73,4%	2 409 354	12,0%
Total	46 579 892	34 716 541	74,5%	28 471 806	21,9%

Education

18. Education adjusted budgets of R65,7 billion comprise 34 per cent of total provincial adjusted budgets. Table 5 below indicates that education expenditure at R47,8 billion is 72,6 per cent of the total adjusted education budget, an increase of R4,3 billion or 9,9 per cent compared to the R43,5 billion spent over the same period in 2003/04. Spending between provinces for education ranges from the lowest share of adjusted budget in Free State at 68,5 per cent, to the highest in Northern Cape (77,5 per cent) and Gauteng (74,8 per cent).

Table 5: Provincial Education Expenditure

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	10 795 266	7 946 951	73,6%	7 281 221	9,1%
Free State	4 617 650	3 162 295	68,5%	2 969 169	6,5%
Gauteng	10 027 349	7 504 735	74,8%	7 055 152	6,4%
KwaZulu-Natal	13 068 714	9 518 297	72,8%	8 547 035	11,4%
Limpopo	9 689 857	7 013 229	72,4%	5 874 575	19,4%
Mpumalanga	5 206 947	3 595 256	69,0%	3 371 691	6,6%
Northern Cape	1 398 132	1 083 601	77,5%	926 368	17,0%
North West	5 424 608	3 896 408	71,8%	3 602 569	8,2%
Western Cape	5 516 384	4 040 551	73,2%	3 823 543	5,7%
Total	65 744 907	47 761 323	72,6%	43 451 323	9,9%

19. The bulk of education expenditure is for personnel, spending R40,1 billion or 74,5 per cent of the personnel adjusted budget of R53,9 billion. Spending on goods and services (mostly learner support material) is recorded at R3,8 billion or 62,2 per cent of its R6,1 billion adjusted budget.
20. Personnel expenditure in provincial education departments pose the biggest spending risk to provincial education budgets, and squeeze out spending on capital and learner-support material in the process. The biggest risks appear to be in Northern Cape (76,7 per cent) and Limpopo (76,4 per cent), followed by Eastern Cape (75,4 per cent) and KwaZulu-Natal (75,2 per cent).

Table 6: Provincial Personnel Expenditure: Education

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	9 340 462	7 041 507	75,4%	6 515 505	8,1%
Free State	3 688 587	2 701 258	73,2%	2 546 553	6,1%
Gauteng	7 789 501	5 764 963	74,0%	5 364 831	7,5%
KwaZulu-Natal	10 821 932	8 139 982	75,2%	7 512 394	8,4%
Limpopo	7 768 053	5 931 908	76,4%	5 333 734	11,2%
Mpumalanga	4 053 584	2 906 542	71,7%	2 670 712	8,8%
Northern Cape	1 136 387	872 125	76,7%	757 052	15,2%
North West	4 618 658	3 369 545	73,0%	3 174 878	6,1%
Western Cape	4 656 454	3 412 206	73,3%	3 244 811	5,2%
Total	53 873 618	40 140 036	74,5%	37 120 470	8,1%

21. Education departments have spent relatively low on capital at 42,9 per cent or 1, 3 billion of their total adjusted capital budgets (Table 7 below). This is slightly lower (R44 million) than the spending on capital over the same period last year. Spending between provinces ranges from the lowest in KwaZulu-Natal (13,5 per cent), Western Cape (25,8 per cent), Gauteng (36,6 per cent) to the highest in Eastern Cape (76,6 per cent) and Northern Cape (72,2 per cent).

Table 7: Provincial Capital Expenditure: Education (Payments for Capital Assets)

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	301 502	230 843	76,6%	11 531	1901,9%
Free State	172 963	72 877	42,1%	102 199	-28,7%
Gauteng	805 845	295 246	36,6%	438 765	-32,7%
KwaZulu-Natal	710 353	95 854	13,5%	248 337	-61,4%
Limpopo	510 437	328 056	64,3%	200 230	63,8%
Mpumalanga	224 983	98 473	43,8%	169 661	-42,0%
Northern Cape	14 975	10 815	72,2%	23 441	-53,9%
North West	204 714	135 640	66,3%	99 887	35,8%
Western Cape	30 039	7 743	25,8%	25 641	-69,8%
Total	2 975 811	1 275 547	42,9%	1 319 692	-3,3%

Health

22. Health adjusted budgets totalling R40,8 billion comprise 21,1 per cent of the total provincial adjusted budget. Table 8 indicates that health expenditure is R28,7 billion or 70,2 per cent of the total health adjusted budget, representing an increase of R2,5 billion or 9,7 per cent compared to the spending after nine months of the 2003/04 financial year.

Table 8: Provincial Health Expenditure

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	5 221 266	3 963 872	75,9%	3 653 969	8,5%
Free State	2 757 267	2 024 257	73,4%	1 835 268	10,3%
Gauteng	8 943 840	5 856 157	65,5%	5 567 352	5,2%
KwaZulu-Natal	8 875 985	6 435 717	72,5%	5 947 494	8,2%
Limpopo	4 239 622	2 959 007	69,8%	2 488 839	18,9%
Mpumalanga	2 393 885	1 560 220	65,2%	1 325 098	17,7%
Northern Cape	874 839	602 021	68,8%	589 534	2,1%
North West	2 664 370	1 830 426	68,7%	1 529 585	19,7%
Western Cape	4 878 343	3 463 187	71,0%	3 227 660	7,3%
Total	40 849 417	28 694 864	70,2%	26 164 799	9,7%

23. The Mpumalanga health department has spent the lowest share of its budget after the first nine months at 65,2 per cent with Gauteng at 65,5 per cent. The highest share spent is recorded in Eastern Cape (75,9 per cent) and Free State (73,4 per cent).

24. Table 9 below indicates that health personnel expenditure is at R17,4 billion or 73,4 per cent of the adjusted health personnel budget, an increase of R2,2 billion or 14,6 per cent compared to the R15,1 billion spent over the same period in 2003/04. Given the relatively large share of personnel budgets in health, there is some risk of overspending on personnel in Eastern Cape (78,2 per cent), North West (74,8 per cent), Mpumalanga (74,7 per cent), KwaZulu-Natal (74,5 per cent). Such overspending impacts negatively on non-personnel expenditure.

Table 9: Provincial Personnel Expenditure: Health

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	3 087 550	2 414 053	78,2%	2 050 272	17,7%
Free State	1 814 179	1 250 332	68,9%	1 094 989	14,2%
Gauteng	4 590 577	3 268 141	71,2%	3 115 646	4,9%
KwaZulu-Natal	5 339 893	3 979 480	74,5%	3 376 067	17,9%
Limpopo	2 664 453	1 917 882	72,0%	1 559 598	23,0%
Mpumalanga	1 240 047	926 778	74,7%	752 721	23,1%
Northern Cape	475 055	348 220	73,3%	310 548	12,1%
North West	1 564 366	1 169 849	74,8%	1 020 240	14,7%
Western Cape	2 880 511	2 090 883	72,6%	1 868 721	11,9%
Total	23 656 631	17 365 618	73,4%	15 148 802	14,6%

25. Capital expenditure in the health sector is relatively slow at 45,4 per cent or R1,3 billion, marginally lower than the R1,4 billion spent for the same period last year (Table 10 below). Between provinces, the lowest rate of spending is in Gauteng (14,4 per cent), Mpumalanga (15,3 per cent) and Northern Cape (29,3 per cent) with Eastern Cape and Limpopo recording the highest share at 70,9 per cent and 62,7 per cent respectively.

Table 10: Provincial Capital Expenditure: Health (Payments for Capital Assets)

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	444 583	315 068	70,9%	377 312	-16,5%
Free State	207 196	123 224	59,5%	21 721	467,3%
Gauteng	495 940	71 619	14,4%	88 724	-19,3%
KwaZulu-Natal	569 197	318 366	55,9%	469 237	-32,2%
Limpopo	396 039	248 293	62,7%	229 858	8,0%
Mpumalanga	252 491	38 629	15,3%	63 316	-39,0%
Northern Cape	125 292	36 659	29,3%	29 790	23,1%
North West	266 346	111 878	42,0%	65 099	71,9%
Western Cape	105 160	35 110	33,4%	50 614	-30,6%
Total	2 862 244	1 298 846	45,4%	1 395 671	-6,9%

Capital

26. Provinces have spent 46,4 per cent or R5,6 billion of their R12 billion adjusted capital budgets ("payments for capital assets"). This is slightly lower than the rate of spending in both absolute and percentage terms for the same period last year.

27. Table 11 below provides capital spending information by province, which indicates significantly slow spending in Gauteng at 19,2 per cent, Mpumalanga (35,3 per cent) and highest in Eastern Cape at 77,2 per cent. In absolute terms, Eastern Cape has spent the most at R1,4 billion, followed by KwaZulu-Natal at R1,3 billion and Limpopo at R806,2 million.

Table 11: Provincial Capital Expenditure (Payments for Capital Assets)

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	1 761 198	1 359 914	77,2%	1 089 999	24,8%
Free State	659 547	276 837	42,0%	280 095	-1,2%
Gauteng	2 156 031	412 934	19,2%	973 582	-57,6%
KwaZulu-Natal	2 712 575	1 308 904	48,3%	1 407 503	-7,0%
Limpopo	1 475 545	806 208	54,6%	517 830	55,7%
Mpumalanga	1 008 032	355 751	35,3%	445 081	-20,1%
Northern Cape	281 061	149 337	53,1%	124 502	19,9%
North West	860 538	401 136	46,6%	365 864	9,6%
Western Cape	1 121 284	518 538	46,2%	548 710	-5,5%
Total	12 035 811	5 589 558	46,4%	5 753 167	-2,8%

28. It should be noted that reclassification changes due to the *New Economic Reporting Format* has lowered capital spending and budget figures. For example, the housing subsidy grant is now classified under transfers and subsidies, and not capital.

Table 12: Provincial Capital Expenditure: Public Works, Roads and Transport

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	929 316	787 641	84,8%	637 197	23,6%
Free State	161 577	46 819	29,0%	114 495	-59,1%
Gauteng	698 640	6 697	1,0%	411 406	-98,4%
KwaZulu-Natal	1 162 554	819 591	70,5%	592 549	38,3%
Limpopo	122 565	57 205	46,7%	34 797	64,4%
Mpumalanga	410 775	201 174	49,0%	191 099	5,3%
Northern Cape	108 032	86 551	80,1%	56 943	52,0%
North West	276 048	114 137	41,3%	174 019	-34,4%
Western Cape	856 932	448 659	52,4%	419 911	6,8%
Total	4 726 439	2 568 474	54,3%	2 632 416	-2,4%

29. The biggest capital budgets in provinces are in roads, transport and public works departments (Table 12 above) at R4,7 billion, or 39,3 per cent of the total provincial capital budget of R12 billion. Spending for these departments is relatively faster than other sectors at 54,3 per cent or R2,6 billion of the R4,7 billion adjusted budget. This rate of spending is still lower (2,4 per cent) compared to the R2,6 billion spent last year over the same period.

30. The rate of spending, however, varies greatly between provinces, with Gauteng recording almost no spending at 1 per cent, Free State at 29 per cent, whilst Eastern Cape and Northern Cape record the highest at 84,8 per cent and 80,1 per cent respectively.

Housing and other conditional grants

31. As noted above, housing subsidy expenditure is no longer classified as capital. Table 13 below indicates that provinces spent R3,3 billion or 73,8 per cent of their R4,5 billion Housing Subsidy conditional grant. These spending figures are a significant improvement compared to the last three financial years, though it is not clear to what extent some of the transfers reflects actual spending by municipalities and entities.
32. Provincial housing departments do not link actual output information on housing (e.g. complete houses built, complete foundations or serviced plots provided) to their spending figures. Such information is required to assess the extent of housing delivery.

Table 13: Provincial Housing Subsidy Grant

R thousand	Annual Adjusted budget (Division of Revenue Act, 2004)	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	598 900	498 553	83,2%	451 688	10,4%
Free State	385 641	343 689	89,1%	310 093	10,8%
Gauteng	1 117 463	797 388	71,4%	390 514	104,2%
KwaZulu-Natal	748 463	558 505	74,6%	619 847	-9,9%
Limpopo	369 818	214 511	58,0%	271 835	-21,1%
Mpumalanga	296 457	288 243	97,2%	241 928	19,1%
Northern Cape	89 442	89 300	99,8%	62 560	42,7%
North West	421 378	188 651	44,8%	80 325	134,9%
Western Cape	446 035	320 543	71,9%	167 210	91,7%
Total	4 473 597	3 299 383	73,8%	2 596 000	27,1%

33. Table 14 reflects spending on 2004/05 conditional grant allocations as at 31 December 2004 for all provinces. It excludes rollovers from conditional grants from the 2003/04 financial year. It also excludes general conditional grants like National Tertiary Services, Hospital Professions Training and Development, and the Provincial Infrastructure grants, as reporting against these grants cannot be separated from the province's health and capital budgets.
34. The rate of conditional grants spending is slower than total provincial expenditure with provinces having spent R8 billion or 66,1 per cent of the total adjusted budget of R12,1 billion, which excludes general conditional grants as mentioned above.
35. Specific grants reporting very slow spending include Food Emergency Relief (16,3 per cent), Land Care Poverty Relief (24,6 per cent), Integrated Nutrition Programme (Health) (36,9 per cent) and Human Settlement and Redevelopment (43,9 per cent).
36. Funds have been transferred for the Agricultural Disaster Management and Malaria and Cholera Prevention grants during the last day of the 2003/04 financial year and is included in table 14 to register spending on these two grants. Gauteng has included a new allocation of R6,3 million for the Alexandra Urban Renewal Project programme as tabled in their November 2004 adjusted estimates.

Table 14: Summary of provincial conditional grant payments as at 31 December 2004

R thousand	Division of Revenue Act, No. 5 of 2004	Government Gazette, 8 December 2004	Total available 2004/05	Transferred from National to province	Provincial actual payments as at 31 Dec 2004	Actual payments as % of budget (excl rollovers)
Agriculture	227 100	116 700	343 800	108 450	10 794	7,5%
Agricultural Disaster Management	–	100 000	100 000	–	–	0,0%
Land Care Programme: Poverty Relief and Infrastructure	27 100	16 700	43 800	8 450	10 794	24,6%
Comprehensive Agriculture Support Programme ¹	200 000	–	200 000	100 000		
Education	960 779	29 725	990 504	720 588	701 632	70,8%
HIV and Aids (Life Skills Education)	128 579	5 572	134 151	96 438	200 148	149,2%
Primary School Nutrition Programme	832 200	–	832 200	624 150	501 484	60,3%
Early Childhood Development	–	2 470	2 470	–	–	0,0%
Financial Management and Quality Enhancement	–	21 683	21 683	–	–	0,0%
Health	7 654 655	–	7 654 655	5 740 973	1 054 310	54,1%
Comprehensive HIV and Aids	781 612	–	781 612	586 210	425 714	54,5%
Hospital Management and Quality Improvement	141 832	–	141 832	106 374	75 861	53,5%
Hospital Revitalisation	911 856	–	911 856	683 889	506 265	55,5%
Integrated Nutrition Programme	112 218	–	112 218	84 160	41 415	36,9%
Malaria and Cholera Prevention	–	–	–	–	5 055	–
Health Professions Training and Development ¹	1 434 132	–	1 434 132	1 075 591		
National Tertiary Services ¹	4 273 005	–	4 273 005	3 204 749		
Housing	4 589 137	–	4 589 137	3 703 243	3 350 109	73,0%
Housing Subsidy	4 473 597	–	4 473 597	3 623 771	3 299 383	73,8%
Human Settlement and Redevelopment	115 540	–	115 540	79 472	50 726	43,9%
Provincial and Local Government	261 192	–	261 192	189 202	138 276	52,9%
Local Government Capacity Building Fund	220 459	–	220 459	165 356	108 362	49,2%
Provincial Project Management Capacity for Municipalities	40 733	–	40 733	23 846	29 914	73,4%
Land Affairs	–	6 250	6 250	–	–	0,0%
Land Distribution: Alexandra Urban Renewal Project	–	6 250	6 250	–	–	0,0%
National Treasury	3 348 362	–	3 348 362	2 511 273		
Provincial Infrastructure ¹	3 348 362	–	3 348 362	2 511 273		
Social Development	4 108 180	–	4 108 180	2 795 591	2 711 464	66,0%
Child Support Extension	3 650 000	–	3 650 000	2 372 501	2 605 168	71,4%
Food Emergency Relief	388 000	–	388 000	388 000	63 084	16,3%
HIV and Aids (Community-Based Care)	70 180	–	70 180	35 090	43 213	61,6%
Sport and Recreation South Africa	9 000	–	9 000	6 540	4 633	51,5%
Mass Sport and Recreation Participation Programme	9 000	–	9 000	6 540	4 633	51,5%
Total	21 158 405	152 675	21 311 080	15 775 861	7 971 218	66,1%

1) Spending of these grants is subsumed in the spending of a range of programmes across provincial departments and therefore no reporting is required on these grants.

37. The total available for spending on conditional grants increases by R697,5 million if provincial roll-overs are included, like Housing Subsidy (R374,8 million), Human Settlement (R116,4 million), Local Government Capacity Building Fund (R59,7 million), Child Support Extension (R31,9 million), and Food Emergency Relief (R22,8 million).

38. Table 15 indicates the variance in spending of selected conditional grants between provinces, particularly for the Land Care Programme (Agriculture), Integrated Nutrition Programme (Health) and Food Emergency Relief (Social Development), where at least 5 provinces have spent less than 40 per cent of these grants (including adjustments and excluding rollovers).

Table 15: Summary of provincial spending rate on Conditional Grants as at 31 December 2004

R thousand	Number of provinces spent less than 40%	Number of provinces spent between 40% and 60%	Number of provinces spent more than 60%
Agriculture			
Comprehensive Agriculture Support Programme	7 EC, FS, GT, KZN, LIM, MPU, NC	1 NW	1 WC
Land Care Programme	7 EC, FS, GT, KZN, LIM, NC, NW	2 MPU, WC	
Education			
HIV and Aids (Life Skills Education)	2 KZN, NW	1 EC	6 FS, GT, LIM, MPU, NC, WC
Primary School Nutrition Programme	1 EC	1 GT	7 FS, KZN, LIM, MPU, NC, NW, WC
Health			
Comprehensive HIV and Aids	3 FS, LIM, NC	2 MPU, NW	4 EC, GT, KZN, WC
Health Professional Training and Development	1 LIM	1 EC	7 FS, GT, KZN, MPU, NC, NW, WC
Hospital Revitalisation	2 GT, KZN	2 MPU, NC	5 EC, FS, LIM, NW, WC
Integrated Nutrition Programme	5 EC, GT, LIM, MPU, WC	3 FS, KZN, NW	1 NC
National Tertiary Services		1 NW	8 EC, FS, GT, KZN, LIM, MPU, NC, WC
Hospital Management and Quality Improvement	1 KZN	5 EC, FS, LIM, NW, WC	3 GT, MPU, NC
Housing			
Housing Subsidy		2 LIM, NW	7 EC, FS, GT, KZN, MPU, NC, WC
Human Settlement and Redevelopment	4 EC, GT, KZN, LIM	1 MPU	4 FS, NC, NW, WC
Provincial and Local Government			
Local Government Capacity Building Fund	2 GT, NC	4 EC, FS, NW, WC	3 KZN, LIM, MPU
Provincial Project Management Capacity Building Fund	2 MPU, NW	4 GT, LIM, NC, WC	3 EC, FS, KZN
Social Development			
Child Support Extension		3 EC, FS, NW	6 GT, KZN, LIM, MPU, NC, WC
Food Emergency Relief	7 EC, FS, KZN, LIM, MPU, NC, WC	2 GT, NW	
HIV and Aids (Community-Based Care)	3 EC, KZN, NW	1 FS	5 GT, LIM, MPU, NC, WC
Sport and Recreation South Africa			
Mass Sport and Recreation Participation Programme	2 GT, MPU	4 EC, FS, LIM, NC	3 KZN, NW, WC

39. However, the number of provinces spending at higher levels (greater than 60 per cent of their adjusted budgets) has dramatically increased since the last quarter with eight grants namely HIV and Aids (Education), Primary School Nutrition programme, Hospital revitalisation, Housing Subsidy, Child Support Extension and HIV and Aids (Social Development) performing the best.

Personnel Expenditure

40. Personnel expenditure ("compensation of employees") is R65,7 billion or 73,6 per cent of the R89,3 billion adjusted personnel budget (Table 16). Eastern Cape (R10,8 billion or 75,6 per cent), Limpopo (R9,4 billion or 74,9 per cent) and Northern Cape (R1,5 billion or 74,9 per cent) have the highest rate of personnel expenditure, with Free State the lowest at 71,2 per cent.
41. The spending numbers on personnel includes the latest salary increases, which were backdated to 1 July 2004 and implemented during October 2004. Note that part of the additional adjustments allocation provides for provinces to increase their personnel budgets, particularly in education and health, which employ over 87 per cent of all provincial personnel.
42. Some provinces are at risk of overspending their personnel budgets, particularly in Eastern Cape (75,6 per cent), Northern Cape, (74,9 per cent), Limpopo (74,9 per cent) and KwaZulu-Natal (74,5 per cent).

Table 16: Provincial Personnel Expenditure

R thousand	Annual Adjusted budget	Actual payments as at 31 December 2004	Actual payments as % of annual adjusted budget	2003/04: Payments as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	14 320 633	10 821 219	75,6%	9 887 740	9,4%
Free State	6 559 704	4 668 037	71,2%	4 261 021	9,6%
Gauteng	13 701 035	9 937 613	72,5%	9 313 487	6,7%
KwaZulu-Natal	17 978 813	13 388 602	74,5%	11 902 084	12,5%
Limpopo	12 514 574	9 371 967	74,9%	8 363 204	12,1%
Mpumalanga	6 264 060	4 473 446	71,4%	4 032 732	10,9%
Northern Cape	1 965 768	1 472 300	74,9%	1 286 843	14,4%
North West	7 501 914	5 450 700	72,7%	5 099 577	6,9%
Western Cape	8 469 509	6 129 159	72,4%	5 668 825	8,1%
Total	89 276 010	65 713 043	73,6%	59 815 513	9,9%

Provincial Revenue

43. Provincial Revenue includes adjusted budgeted equitable share allocations of R164,1 billion, conditional grants of R21,3 billion and own revenue of R5,3 billion.
44. National government transferred R123,2 billion or 75,1 per cent of the equitable share, and R15,8 billion or 74,2 per cent in conditional grants, to provinces after nine months of the current financial year.
45. After nine months, provinces have collected R4,4 billion or 83,9 per cent of adjusted budgeted own revenue of R5,3 billion. The total provincial revenue received and collected to date was recorded at R143,5 billion or 75,2 per cent of adjusted budgeted total revenue.
46. The adjusted budgeted R5,3 billion (adjusted from R5,4 billion) amount is significantly lower than the R6,6 billion collected in the previous year (2003/04). However, the R4,4 billion collected thus far is 2,2 per cent less than what was collected by the end of December for the previous financial year. The collection rate varies from 58,4 per cent in Northern Cape and 67 per cent in Mpumalanga, to a high of 92,8 per cent and 88,1 per cent in KwaZulu-Natal and North West respectively.

Table 17: Summary of provincial own revenue as at 31 December 2004

R thousand	Annual Adjusted Budget	Actual collection as at 31 December 2004	<i>Actual receipts as % of adj appropriation</i>	Estimated outcome	Potential under(-)/ over collection	Collection as at 31 December 2003	Year-on-year growth (as at December)
Eastern Cape	307 861	225 617	73,3%	293 295	-14 566	458 669	-50,8%
Free State	380 000	290 957	76,6%	375 987	-4 013	527 299	-44,8%
Gauteng	1 405 194	1 189 635	84,7%	1 539 244	134 050	1 145 130	3,9%
KwaZulu-Natal	901 275	836 491	92,8%	1 096 383	195 108	644 500	29,8%
Limpopo	350 988	419 481	119,5%	486 581	135 593	381 447	10,0%
Mpumalanga	315 740	211 465	67,0%	287 607	-28 133	228 533	-7,5%
Northern Cape	94 305	55 115	58,4%	68 199	-26 106	61 663	-10,6%
North West	356 275	313 931	88,1%	396 194	39 919	225 385	39,3%
Western Cape	1 180 891	897 846	76,0%	1 337 694	156 803	868 393	3,4%
Total	5 292 529	4 440 539	83,9%	5 881 183	588 654	4 541 019	-2,2%