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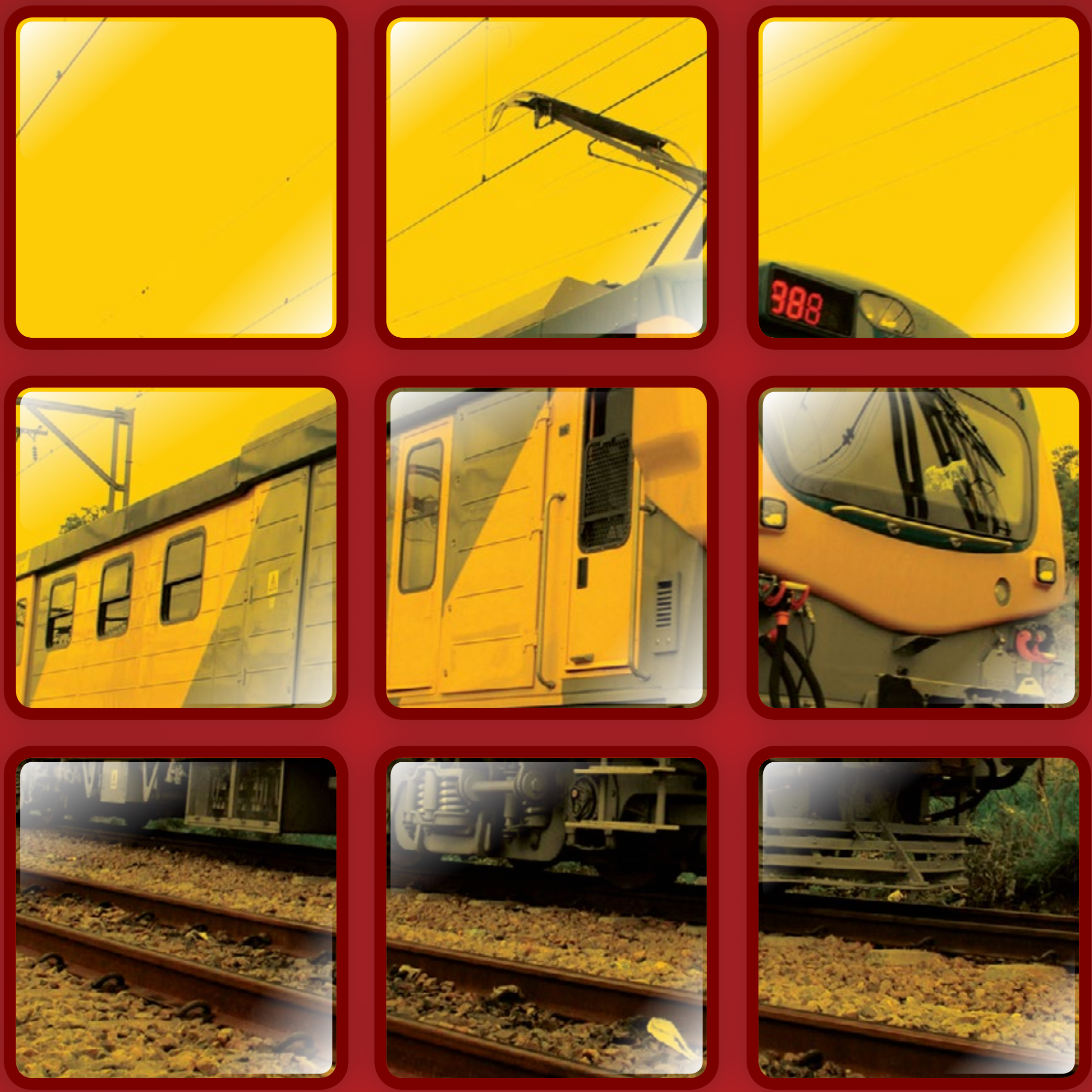

BUDGET 2015

ESTIMATES OF NATIONAL EXPENDITURE VOTE 9

PUBLIC ENTERPRISES

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Estimates of National Expenditure

2015

National Treasury

Republic of South Africa

25 February 2015

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The 2015 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 2015 ENE, the 2015 ENE e-publications provide more detailed information, including on goods and services, transfers and subsidies, as well as on programme specific personnel expenditure. 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 summaries of expenditure on conditional allocations to provinces and municipalities; departmental public private partnerships; and donor funding. Budget information is also provided for the public entities that are not shown in detail in the abridged publication. In some e-publications more detailed information at the level of site service delivery is included.

Foreword

Some of the tough economic conditions occasioned by the 2008 to 2009 global financial crisis continue to plague most parts of the world: Economic growth remains sluggish, unemployment and inequality levels are elevated, while financial markets tend to reposition themselves substantially at the slightest sign of unsettling news. As an open economy, South Africa is highly susceptible to global economic developments, often disproportionately so. In the face of all of this, the 2015 Medium Term Expenditure Framework (MTEF) response provides for positive real growth in expenditure averaging 2.1 per cent per year. The annual budget reaches R1.6 trillion by 2017/18.

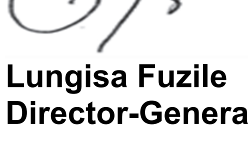
True to the commitment government made in the Medium Term Budget Policy Statement (MTBPS) in October 2014, the budget framework sets out departmental programmes and plans that fit within the broad expenditure envelope published last year. To keep our fiscal accounts firmly on a sustainable path, the MTBPS proposed a fiscal policy package that has trimmed overall spending by R25 billion, which is the combined amount for 2015/16 and 2016/17. Government spending does continue to surpass inflation after these adjustments in both years, but growth is marginally slower. In addition, for 2017/18, R45 billion is placed in an unallocated reserve to cushion our plans against unforeseeable eventualities. Further, to achieve our fiscal objectives, government has had to institute carefully selected tax measures too. These are implemented within the framework of a progressive tax system and have been informed by the work of the Davies Tax Committee. The tax proposals are set out in detail in chapter 4 of the Budget Review.

The process of realigning expenditure in response to the closing of the fiscal space is being actively managed, in the context of government's 2014-2019 medium term strategic framework. Some of our aspirations might take longer to realise. Within government's institutions, more urgent and essential existing programmes are being prioritised above other programmes that are reduced. The implementation of some newly proposed programmes will either be phased in over a longer period or, in some cases, possibly even delayed. Social sector spending and key infrastructure spending, as well as other key areas of spending, continue to grow in real terms.

In addition to the reprioritisation of government programmes, the policy frameworks and implementation methodology of programmes are being re-evaluated, with a focus on service delivery of programmes. In line with the 2013/14 National Treasury instruction on cost containment measures, financing programmes must entail a greater share of goods and services budgets being devoted towards core areas of service delivery. The focus of government programmes is being sharpened, both in terms of spatial distribution, and in terms of their nature and emphasis. Effectiveness and efficiency of expenditure is our guiding mantra.

The spending plans contained in the 2015 Budget do respond to our short term needs for economic growth. However, to achieve our ambition of faster growth, which we unquestionably need for pushing back the frontiers of unemployment, poverty and inequality, we must continue to strive towards shifting the composition of expenditure more towards investment, away from consumption. Institutional spending, as always, is being closely monitored, and the ongoing process of realignment continues. The details of the spending of national government departments and its entities are encompassed in the chapters of this publication.

All the expenditure and service delivery information contained in the chapters of this publication result from a wide ranging intergovernmental consultative process, leading to executive approval of reprioritised and realigned spending allocations. Many people have contributed to making this publication possible, particularly my colleagues in national departments and agencies. Their collaboration and understanding during the budget allocation and document drafting processes has been invaluable. Appreciation is also due to the dedicated team at National Treasury for the publication of this highly valuable resource.



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 budget resources are generated, how institutions have spent their budgets in previous years, and how institutions plan to spend the resources allocated to them over the MTEF period. Key performance indicators are included for each national government vote and entity showing what the institutions aim to achieve by spending their budget allocations in a particular manner. This information provides Parliament and the public with the necessary tools to hold government accountable against the 14 outcomes set out in the 2014-2019 medium term strategic framework.

The 2015 ENE publications largely retain the scope of information presented in previous years' publications. For ease of comprehension, however, in the 2015 publications information is presented in a more succinct and concise manner in data tables and their accompanying explanatory narratives. The reader can thus more readily understand what each institution is planning to spend its budget on and what it aims to achieve. Each chapter in the abridged 2015 ENE publication relates to a specific budget vote. A separate, more detailed, e-publication is also available for each vote.

Compared to the abridged version of the 2015 ENE, the 2015 ENE e-publications provide more detailed information, including on goods and services, transfers and subsidies, as well as on programme specific personnel expenditure. 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 summaries of expenditure on conditional allocations to provinces and municipalities; departmental public private partnerships; and donor funding. Budget information is also provided for the public entities that are not shown in detail in the abridged publication. In some e-publications more detailed information at the level of site service delivery is included.

A separate 2015 ENE Overview e-publication is also available, which contains a description at the main budget non-interest spending level, summarising the ENE publication information across votes. The 2015 ENE Overview contains this narrative explanation and summary tables; a description of the budgeting approach; and 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

Contents

Vote 9

Public Enterprises

Budget summary

R million	2015/16 Total	2015/16 Current payments	2015/16 Transfers and subsidies	2015/16 Payments for capital assets	2016/17 Total	2017/18 Total
MTEF allocation						
Administration	158.6	154.9	0.1	3.6	155.5	164.1
Legal and Governance	23.8	23.8	–	–	26.2	27.6
Portfolio Management and Strategic Partnerships	85.1	85.1	–	–	92.6	98.2
Total expenditure estimates	**267.5**	**263.8**	**0.1**	**3.6**	**274.3**	**289.8**

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, public entities, donor funding, public private partnerships, conditional allocations 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 within 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 enhancing equity and transformation.

The state owned companies within 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 2011/12	Past 2012/13	Past 2013/14	Current 2014/15	Projections 2015/16	Projections 2016/17	Projections 2017/18
Number of shareholder compacts[1] signed per year	Portfolio Management and Strategic Partnerships	Outcome 6: An efficient, competitive and responsive economic infrastructure network	7	7[1]	7	7	6	6	6
Number of corporate plans[2] reviewed per year	Portfolio Management and Strategic Partnerships		8	5[2]	8	7	6	6	6
Number of quarterly financial reviews per year	Portfolio Management and Strategic Partnerships		31	32	32	28	24	24	24
Number of departmental projects provided with technical and financial support per year[3]	Portfolio Management and Strategic Partnerships		6	–[3]	–[3]	–[3]	–[3]	–[3]	–[3]

1. *Shareholder compacts: The targets for the South African Airways shareholder compact for 2012/13 could not be agreed 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 earlier as the basis for the fleet renewal programme, due to changes in the operating economic environment.*
2. *Corporate plans: Alexkor's corporate plan was not assessed due to the board being given an opportunity to revise key performance indicators in line with the shareholder compact, which took longer than anticipated; South African Express's corporate plan was not signed due to the withdrawal of financial statements for 2010/11, which had an effect on the setting of targets; and Transnet's corporate plan was not signed by the department due to the need for further engagement on the market demand strategy, which was a completely new strategy.*
3. *This process ceased to exist in 2012/13, when the department realigned its programmes.*

Expenditure analysis

The mandate of the Department of Public Enterprises is to provide oversight of state owned companies so that they serve government's strategic objectives. Through this mandate, the department contributes to the national development plan's objectives for the economy and the state, and to outcome 4 (decent employment through inclusive economic growth) and outcome 6 (an efficient, competitive and responsive economic infrastructure network) of government's 2014-2019 medium term strategic framework. Over the medium term, the department has oversight of Alexkor, Denel, Eskom, the South African Forestry Company, South African Express Airways and Transnet. Its oversight function of South African Airways has shifted to National Treasury, and of Broadband Infraco to the Department of Telecommunications and Postal Services.

The department's medium term focus will be on facilitating a conducive environment for repositioning state owned companies to advance their developmental mandate. It will also prioritise enhancing the efficiency of strategic transport corridors and the implementation of government's support package to Eskom.

The department's core functions require significant administrative support, and a substantial portion (57.5 per cent over the medium term) of the department's budget is in the *Administration* programme, which has cross-cutting subprogrammes providing for intergovernmental and international relations, strategic planning, monitoring and evaluation, and communications. Oversight functions are specialised and labour intensive, hence the majority of the department's spending (55.9 per cent over the medium term) is on compensation of employees. Over the medium term, the number of personnel is expected to remain constant at 223, excluding interns and graduates.

Oversight also requires significant travel. Over the medium term, spending on travel and subsistence is set to decrease as a result of Cabinet approved budget reductions, but remains one of the largest spending items, with consultants, in goods and services. The department requires consultants to conduct highly technical research. To manage the impact of the R23.6 million Cabinet approved reduction over the medium term, the department intends to rationalise the use of consultants, as well as draw on internal capacity. Other reductions to the budget are the result of the transfer of the shareholder oversight function of Broadband Infraco to the Department of Telecommunications and Postal Services.

The department underspent its allocation by R21.7 million in 2013/14, largely on goods and services and compensation of employees. Underspending on compensation of employees was as a result of unfilled vacancies due to a scarcity of specialist skills. Underspending on goods and services arose partly due to delays in projects, such as the telecommunications benchmarking study. Different projects have been prioritised so as not to affect the department's overall performance, and the department has put measures in place to deal with future underspending, such as consequence management from the level of deputy director general downwards.

Facilitating a conducive environment for state owned companies

Over the medium term, the department will focus on facilitating a conducive environment to reposition state owned companies to advance their developmental mandate, and enhance their financial stability.

The department will oversee the implementation of catalytic projects that form part of strategic integrated projects, and it will oversee the competitive supplier development programme as part of deepening industrial capabilities. These activities are funded in the *Portfolio Management and Strategic Partnerships* programme. Spending in this programme is expected to decline by 11 per cent over the medium term, as no capital injections into state owned companies are currently contemplated, but it remains the department's most significant programme, with a budget of R275.9 million over the medium term. While state finances remain constrained, the department will support government's build programme and the overall strengthening of the state owned companies' balance sheet by developing innovative funding structures and designing the associated compacts with state owned companies. The department will also support the industrial policy action plan by enhancing the competitive supplier development programme as part of government's localisation scheme. In addition, the department, in consultation with the Department of Transport and Transnet, will review the impact of pricing in freight logistics. The department is also introducing new measures to strengthen its oversight function, and will continue this function through quarterly financial reviews and shareholder compacts, among other activities.

Enhancing the efficiency of transport corridors

Over the medium term, the department will prioritise enhancing the efficiency of strategic transport corridors, including monitoring Transnet's market demand strategy to expand rail and pipeline capacity and improve ports' productivity. The department will continue to enter into compacts with Transnet on improving efficiency and on capital projects aimed at creating capacity. In addition, the department has developed the national corridor performance measurement, which will allow for the assessment of transport corridors and provide a platform for engaging with Transnet. Improved efficiency and capacity will increase the freight transported by rail and contribute to lowering the cost of doing business. Freight transported by rail is targeted to increase from 207 million tonnes in 2013 to 331 million tonnes by 2019.

Further, the department will continue its quarterly monitoring of cost escalations on the new multi-product pipeline, with the aim of delivering the project on time and within an appropriate cost structure.

The Transnet oversight function is funded through the *Portfolio Management and Strategic Partnership* programme's *Transport Enterprises* subprogramme, which is allocated R72.9 million over the medium term.

Enhancing electricity supply

Government's support package to Eskom is intended to both improve Eskom's financial sustainability and ensure that the build programme, started in 2005, is delivered within the timeframes specified in government's 2014-2019 medium term strategic framework. Additional power stations and major power lines are being built on a massive scale to meet rising electricity demand in South Africa. The department's oversight is critical for increasing Eskom's current reserve margin from 1 per cent to 19 per cent by 2019. The Eskom oversight function is funded through the *Portfolio Management and Strategic Partnership* programme's *Energy Enterprises* subprogramme, which is allocated R52.4 million over the medium term. With the Department of Energy, the Department of Public Enterprises will also be coordinating the implementation of government's 5-point plan, announced in December 2014, to stabilise the electricity generating system in the short and medium term.

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	2011/12			2012/13			2013/14			2014/15			2011/12 - 2014/15	
Programme 1	94.9	101.5	108.6	104.4	108.5	115.4	127.1	131.0	133.3	152.1	156.9	156.9	107.4%	103.3%
Programme 2	22.3	23.7	19.5	26.9	26.2	23.5	23.8	22.3	23.2	24.0	24.3	24.3	93.2%	93.7%
Programme 3	110.6	225.7	215.5	1 115.0	1 239.2	1 225.5	82.8	137.7	112.9	80.3	138.4	138.4	121.9%	97.2%
Total	**227.8**	**350.9**	**343.7**	**1 246.3**	**1 374.0**	**1 364.3**	**233.8**	**291.1**	**269.4**	**256.4**	**319.5**	**319.5**	**116.9%**	**98.3%**
Change to 2014 Budget estimate											63.1			
Economic classification														
Current payments	**185.6**	**191.7**	**182.6**	**194.8**	**203.4**	**192.9**	**231.4**	**231.2**	**208.4**	**252.2**	**252.1**	**252.1**	**96.8%**	**95.2%**
Compensation of employees	94.2	97.7	93.9	103.2	108.6	102.7	127.8	129.0	124.9	146.4	147.1	147.1	99.4%	97.1%
Goods and services	91.4	94.0	88.8	91.6	94.8	90.2	103.6	102.2	83.6	105.9	105.0	105.0	93.6%	92.8%
of which:														
Administrative fees	*0.0*	*0.1*	*0.1*	*0.0*	*0.7*	*0.9*	*0.1*	*1.1*	*0.5*	*0.8*	*0.8*	*0.8*	*246.2%*	*89.4%*
Advertising	*1.1*	*1.1*	*1.8*	*1.1*	*1.1*	*2.0*	*3.6*	*3.6*	*4.7*	*2.5*	*2.5*	*2.5*	*132.1%*	*131.4%*
Assets less than the capitalisation threshold	*0.8*	*0.8*	*0.4*	*1.1*	*1.1*	*0.4*	*1.0*	*1.0*	*0.4*	*1.1*	*1.1*	*1.1*	*56.8%*	*57.0%*
Audit costs: External	*1.2*	*2.7*	*4.1*	*1.6*	*1.3*	*1.9*	*1.6*	*1.3*	*2.1*	*2.2*	*2.2*	*2.2*	*159.2%*	*137.1%*
Bursaries: Employees	*1.0*	*0.9*	*0.6*	*0.7*	*0.7*	*0.4*	*1.0*	*1.0*	*0.5*	*1.0*	*1.4*	*1.4*	*79.0%*	*72.9%*
Catering: Departmental activities	*1.7*	*2.1*	*1.1*	*1.7*	*1.8*	*1.3*	*1.6*	*1.9*	*1.6*	*0.9*	*0.7*	*0.7*	*80.9%*	*74.6%*
Communication	*2.7*	*3.1*	*3.3*	*3.0*	*3.6*	*3.7*	*3.4*	*3.4*	*3.7*	*3.6*	*3.6*	*3.6*	*113.2%*	*104.4%*
Computer services	*3.0*	*2.5*	*2.7*	*3.1*	*2.5*	*3.1*	*3.1*	*3.1*	*4.1*	*4.0*	*4.0*	*4.0*	*105.4%*	*115.2%*

Table 9.2 Vote expenditure trends by programme and economic classification

Economic classification	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	2011/12			2012/13			2013/14			2014/15			2011/12 - 2014/15	
Consultants and professional services: Business and advisory services	*35.1*	*36.3*	*26.7*	*26.4*	*33.5*	*22.8*	*32.1*	*29.8*	*12.7*	*37.4*	*35.3*	*35.5*	*74.7%*	*72.4%*
Consultants and professional services: Legal costs	*5.8*	*6.0*	*2.4*	*4.9*	*1.7*	*0.4*	*3.0*	*2.0*	*1.9*	*3.2*	*3.1*	*3.1*	*46.1%*	*60.9%*
Contractors	*1.9*	*2.1*	*1.0*	*2.1*	*1.9*	*2.3*	*2.3*	*2.3*	*0.9*	*1.5*	*1.9*	*1.9*	*78.2%*	*73.9%*
Agency and support / outsourced services	*2.8*	*2.7*	*2.5*	*4.3*	*3.6*	*4.1*	*4.9*	*3.6*	*2.6*	*4.0*	*3.5*	*3.5*	*80.0%*	*95.0%*
Entertainment	*0.3*	*0.2*	*0.1*	*0.3*	*0.2*	*0.0*	*0.4*	*0.4*	*0.0*	*0.3*	*0.3*	*0.3*	*32.9%*	*37.7%*
Fleet services (including government motor transport)	*0.9*	*0.6*	*0.8*	*0.8*	*0.9*	*0.8*	*0.8*	*1.3*	*1.2*	*1.1*	*1.1*	*1.1*	*107.9%*	*98.5%*
Inventory: Food and food supplies	*0.2*	*0.2*	*0.1*	*0.2*	*0.1*	*0.1*	*0.2*	*0.2*	*–*	*–*	*–*	*–*	*38.0%*	*42.3%*
Inventory: Learner and teacher support material	*0.1*	*0.1*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Inventory: Materials and supplies	*–*	*0.0*	*0.1*	*0.0*	*0.1*	*0.1*	*0.0*	*0.1*	*0.0*	*–*	*–*	*–*	*503.3%*	*95.6%*
Inventory: Other supplies	*–*	*–*	*0.0*	*–*	*0.1*	*0.0*	*0.0*	*0.0*	*–*	*–*	*–*	*–*	*257.9%*	*53.8%*
Consumable supplies	*0.0*	*0.0*	*–*	*0.1*	*–*	*0.0*	*–*	*0.0*	*0.8*	*0.7*	*0.7*	*0.7*	*183.4%*	*212.2%*
Consumables: Stationery, printing and office supplies	*2.5*	*2.5*	*2.0*	*2.6*	*2.4*	*2.7*	*3.2*	*3.2*	*2.4*	*1.4*	*1.4*	*1.4*	*87.7%*	*89.3%*
Operating leases	*1.3*	*1.6*	*1.7*	*1.2*	*1.3*	*1.8*	*0.5*	*0.7*	*1.3*	*1.8*	*1.8*	*1.8*	*136.2%*	*124.5%*
Property payments	*7.1*	*7.1*	*6.9*	*7.7*	*7.7*	*9.1*	*8.1*	*8.1*	*7.5*	*8.5*	*8.5*	*8.5*	*101.9%*	*101.9%*
Travel and subsistence	*16.1*	*15.7*	*24.3*	*21.9*	*20.2*	*23.5*	*25.0*	*26.4*	*24.0*	*25.0*	*24.9*	*24.8*	*109.9%*	*110.8%*
Training and development	*1.9*	*2.1*	*2.4*	*2.3*	*2.4*	*1.6*	*2.3*	*2.2*	*1.9*	*2.0*	*2.6*	*2.6*	*98.7%*	*91.1%*
Operating payments	*1.9*	*1.4*	*1.7*	*2.1*	*3.1*	*3.6*	*3.1*	*2.0*	*1.1*	*1.5*	*1.5*	*1.5*	*91.2%*	*98.7%*
Venues and facilities	*1.9*	*2.1*	*1.9*	*2.5*	*2.8*	*3.3*	*2.3*	*3.6*	*7.5*	*1.5*	*2.1*	*2.1*	*180.1%*	*141.0%*
Transfers and subsidies	**40.8**	**157.0**	**157.0**	**0.1**	**118.5**	**118.6**	**0.1**	**57.4**	**57.6**	**0.1**	**63.4**	**63.4**	**966.1%**	**100.1%**
Public corporations and private enterprises	40.0	156.3	156.3	–	118.3	118.3	–	57.3	57.3	–	63.1	63.1	987.4%	100.0%
Households	0.8	0.8	0.7	0.1	0.2	0.3	0.1	0.2	0.4	0.1	0.3	0.3	157.5%	124.3%
Payments for capital assets	**1.4**	**2.2**	**4.1**	**1.5**	**2.1**	**2.7**	**2.3**	**2.5**	**3.3**	**4.1**	**4.1**	**4.1**	**153.4%**	**130.7%**
Machinery and equipment	1.4	2.0	3.9	1.5	2.1	2.6	2.3	2.3	2.8	4.1	4.1	4.1	*146.2%*	*129.2%*
Software and other intangible assets	–	0.2	0.1	–	0.0	0.1	–	0.2	0.5	–	–	(0.1)	–	*169.6%*
Payments for financial assets	**–**	**–**	**0.0**	**1 050.0**	**1 050.0**	**1 050.0**	**–**	**–**	**0.1**	**–**	**–**	**–**	**100.0%**	**100.0%**
Total	**227.8**	**350.9**	**343.7**	**1 246.3**	**1 374.0**	**1 364.3**	**233.8**	**291.1**	**269.4**	**256.4**	**319.5**	**319.5**	**116.9%**	**98.3%**

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 (%)
R million	2014/15	2011/12 - 2014/15		2015/16	2016/17	2017/18	2014/15 - 2017/18	
Programme 1	156.9	15.6%	22.4%	158.6	155.5	164.1	1.5%	55.2%
Programme 2	24.3	0.9%	3.9%	23.8	26.2	27.6	4.3%	8.9%
Programme 3	138.4	-15.1%	73.7%	85.1	92.6	98.2	-10.8%	36.0%
Total	**319.5**	**-3.1%**	**100.0%**	**267.5**	**274.3**	**289.8**	**-3.2%**	**100.0%**
Change to 2014 Budget estimate				(8.1)	(7.4)	(8.1)		

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 (%)
R million	2014/15	2011/12 - 2014/15		2015/16	2016/17	2017/18	2014/15 - 2017/18	
Current payments	**252.1**	**9.6%**	**36.4%**	**263.8**	**270.5**	**285.8**	**4.3%**	**93.1%**
Compensation of employees	147.1	14.6%	20.4%	152.3	166.2	176.7	6.3%	55.8%
Goods and services	105.0	3.8%	16.0%	111.5	104.3	109.1	1.3%	37.4%
of which:								
Administrative fees	*0.8*	*153.0%*	*0.1%*	*0.8*	*0.8*	*0.9*	*4.3%*	*0.3%*
Advertising	*2.5*	*32.6%*	*0.5%*	*2.7*	*2.5*	*2.5*	*–*	*0.9%*
Assets less than the capitalisation threshold	*1.1*	*10.0%*	*0.1%*	*1.1*	*1.0*	*1.1*	*2.6%*	*0.4%*
Audit costs: External	*2.2*	*-6.8%*	*0.4%*	*2.2*	*2.2*	*2.3*	*0.9%*	*0.8%*
Bursaries: Employees	*1.4*	*15.4%*	*0.1%*	*1.0*	*1.1*	*1.1*	*-7.4%*	*0.4%*
Catering: Departmental activities	*0.7*	*-28.8%*	*0.2%*	*1.3*	*1.2*	*1.2*	*15.5%*	*0.4%*
Communication	*3.6*	*5.8%*	*0.6%*	*4.6*	*4.4*	*4.9*	*10.8%*	*1.5%*
Computer services	*4.0*	*17.3%*	*0.6%*	*4.9*	*4.7*	*5.5*	*11.7%*	*1.7%*
Consultants and professional services: Business and advisory services	*35.5*	*-0.7%*	*4.3%*	*38.1*	*32.7*	*37.9*	*2.2%*	*12.5%*
Consultants and professional services: Legal costs	*3.1*	*-20.2%*	*0.3%*	*3.3*	*3.4*	*3.7*	*6.5%*	*1.2%*
Contractors	*1.9*	*-3.9%*	*0.3%*	*2.0*	*1.7*	*1.8*	*-0.9%*	*0.7%*
Agency and support / outsourced services	*3.5*	*8.2%*	*0.6%*	*0.8*	*1.5*	*0.8*	*-38.7%*	*0.6%*
Entertainment	*0.3*	*24.7%*	*0.0%*	*0.3*	*0.3*	*0.3*	*1.2%*	*0.1%*
Fleet services (including government motor transport)	*1.1*	*21.2%*	*0.2%*	*1.5*	*1.2*	*1.6*	*12.7%*	*0.5%*
Consumable supplies	*0.7*	*197.1%*	*0.1%*	*0.8*	*1.2*	*1.0*	*11.2%*	*0.3%*
Consumables: Stationery, printing and office supplies	*1.4*	*-18.2%*	*0.4%*	*1.6*	*1.5*	*1.5*	*4.1%*	*0.5%*
Operating leases	*1.8*	*4.8%*	*0.3%*	*3.4*	*3.2*	*2.1*	*5.2%*	*0.9%*
Property payments	*8.5*	*6.0%*	*1.4%*	*8.9*	*9.4*	*9.9*	*5.2%*	*3.2%*
Travel and subsistence	*24.8*	*16.5%*	*4.2%*	*25.9*	*25.0*	*23.1*	*-2.3%*	*8.6%*
Training and development	*2.6*	*8.1%*	*0.4%*	*2.1*	*2.0*	*2.1*	*-7.0%*	*0.8%*
Operating payments	*1.5*	*1.4%*	*0.3%*	*1.3*	*1.1*	*1.4*	*-2.7%*	*0.5%*
Venues and facilities	*2.1*	*-0.2%*	*0.6%*	*2.6*	*2.0*	*2.1*	*-0.2%*	*0.8%*
Rental and hiring	*–*	*–*	*–*	*0.3*	*0.2*	*0.3*	*–*	*0.1%*
Transfers and subsidies	**63.4**	**-26.1%**	**17.3%**	**0.1**	**0.1**	**0.1**	**-87.7%**	**5.5%**
Public corporations and private enterprises	63.1	-26.1%	17.2%	–	–	–	-100.0%	5.5%
Households	0.3	-30.7%	0.1%	0.1	0.1	0.1	-22.5%	0.1%
Payments for capital assets	**4.1**	**22.8%**	**0.6%**	**3.6**	**3.7**	**3.9**	**-1.4%**	**1.3%**
Machinery and equipment	4.1	27.1%	0.6%	3.5	3.6	3.8	-2.8%	1.3%
Software and other intangible assets	(0.1)	-168.1%	0.0%	0.1	0.1	0.1	-220.9%	0.0%
Total	**319.5**	**-3.1%**	**100.0%**	**267.5**	**274.3**	**289.8**	**-3.2%**	**100.0%**

Personnel information

Table 9.4 Vote personnel numbers and cost by salary level and programme[1]

Programmes
1. Administration
2. Legal and Governance
3. Portfolio Management and Strategic Partnerships

	Number of posts estimated for 31 March 2015		Number and cost[2] 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 (%)
			2013/14			2014/15			2015/16			2016/17			2017/18			2014/15 - 2017/18	
Public Enterprises			Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost		
Salary level	**284**	**–**	**237**	**124.9**	**0.5**	**259**	**147.1**	**0.6**	**258**	**152.3**	**0.6**	**258**	**166.2**	**0.6**	**260**	**176.7**	**0.7**	**0.1%**	**100.0%**
1 – 6	45	–	41	2.6	0.1	43	3.6	0.1	43	4.6	0.1	43	5.1	0.1	43	6.4	0.1	–	16.6%
7 – 10	89	–	79	22.2	0.3	84	25.4	0.3	84	27.7	0.3	84	32.0	0.4	84	34.5	0.4	–	32.5%
11 – 12	48	–	40	22.9	0.6	44	26.6	0.6	43	29.0	0.7	43	28.9	0.7	43	30.6	0.7	-0.8%	16.7%
13 – 16	100	–	75	73.6	1.0	86	86.3	1.0	86	85.9	1.0	86	94.0	1.1	88	99.8	1.1	0.8%	33.4%
Other	2	–	2	3.6	1.8	2	5.2	2.6	2	5.1	2.5	2	6.2	3.1	2	5.3	2.6	–	0.8%
Programme	**284**	**–**	**237**	**124.9**	**0.5**	**259**	**147.1**	**0.6**	**258**	**152.3**	**0.6**	**258**	**166.2**	**0.6**	**260**	**176.7**	**0.7**	**0.1%**	**100.0%**
Programme 1	171	–	151	66.7	0.4	161	74.7	0.5	161	74.5	0.5	161	79.3	0.5	163	87.8	0.5	0.4%	62.4%
Programme 2	22	–	18	15.2	0.8	20	17.5	0.9	20	18.8	0.9	20	20.5	1.0	20	20.4	1.0	–	7.7%
Programme 3	91	–	68	43.0	0.6	78	54.9	0.7	77	59.0	0.8	77	66.4	0.9	77	68.5	0.9	-0.4%	29.9%

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

Departmental receipts

Table 9.5 Departmental receipts by economic classification

R thousand	Audited outcome 2011/12	2012/13	2013/14	Adjusted estimate 2014/15	Revised estimate 2014/15	Average growth rate (%) 2011/12 - 2014/15	Receipt item/ total: Average (%) 2011/12 - 2014/15	Medium-term receipts estimate 2015/16	2016/17	2017/18	Average growth rate (%) 2014/15 - 2017/18	Receipt item/ total: Average (%) 2014/15 - 2017/18
Departmental receipts	**66**	**537**	**373**	**202**	**102**	**15.6%**	**100.0%**	**107**	**109**	**112**	**3.2%**	**100.0%**
Sales of goods and services produced by department	**51**	**56**	**57**	**66**	**50**	**-0.7%**	**19.9%**	**52**	**54**	**54**	**2.6%**	**48.8%**
Other sales	51	56	57	66	50	-0.7%	19.9%	52	54	54	2.6%	48.8%
of which:												
Garage rent	*35*	*36*	*35*	*38*	*36*	*0.9%*	*13.2%*	*37*	*38*	*38*	*1.8%*	*34.7%*
Commission insurance	*16*	*20*	*13*	*28*	*14*	*-4.4%*	*5.8%*	*15*	*16*	*16*	*4.6%*	*14.2%*
Replacement of security cards	*–*	*–*	*9*	*–*	*–*	*–*	*0.8%*	*–*	*–*	*–*	*–*	*–*
Sales of scrap, waste, arms and other used current goods	**2**	**2**	**3**	**4**	**4**	**26.0%**	**1.0%**	**5**	**5**	**6**	**14.5%**	**4.7%**
of which:												
Sales of scrap paper	*2*	*2*	*3*	*4*	*4*	*26.0%*	*1.0%*	*5*	*5*	*6*	*14.5%*	*4.7%*
Interest, dividends and rent on land	**5**	**12**	**31**	**20**	**20**	**58.7%**	**6.3%**	**21**	**21**	**22**	**3.2%**	**19.5%**
Interest	5	12	31	20	20	58.7%	6.3%	21	21	22	3.2%	19.5%
Sales of capital assets	**8**	**–**	**–**	**–**	**–**	**-100.0%**	**0.7%**	**–**	**–**	**–**	**–**	**–**
Transactions in financial assets and liabilities	**–**	**467**	**282**	**112**	**28**	**–**	**72.1%**	**29**	**29**	**30**	**2.3%**	**27.0%**
Total	**66**	**537**	**373**	**202**	**102**	**15.6%**	**100.0%**	**107**	**109**	**112**	**3.2%**	**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 R thousand	Audited outcome 2011/12	2012/13	2013/14	Adjusted appropriation 2014/15	Average growth rate (%) 2011/12 - 2014/15	Expen-diture/ Total: Average (%) 2011/12 - 2014/15	Medium-term expenditure estimate 2015/16	2016/17	2017/18	Average growth rate (%) 2014/15 - 2017/18	Expen-diture/ Total: Average (%) 2014/15 - 2017/18
Ministry	31 861	30 036	31 342	34 283	2.5%	24.8%	35 963	38 062	36 265	1.9%	22.8%
Management	8 240	4 173	9 269	17 298	28.0%	7.6%	24 238	15 187	15 881	-2.8%	11.4%
Corporate Services	23 920	28 334	27 056	29 100	6.8%	21.1%	26 996	28 740	34 317	5.7%	18.8%
Chief Financial Officer	11 171	10 074	11 281	12 125	2.8%	8.7%	12 283	12 738	13 466	3.6%	8.0%
Human Resources	9 499	12 698	17 618	25 153	38.3%	12.6%	20 854	21 025	22 177	-4.1%	14.0%
Communications	13 050	12 840	14 227	11 453	-4.3%	10.0%	9 953	10 369	10 989	-1.4%	6.7%
Strategic Planning, Monitoring and Evaluation	–	3 379	4 807	7 553	–	3.1%	6 729	6 717	7 089	-2.1%	4.4%
Intergovernmental Relations	–	1 772	6 711	7 157	–	3.0%	8 077	8 475	8 961	7.8%	5.1%
Internal Audit	4 285	3 276	3 743	4 655	2.8%	3.1%	4 976	5 202	5 494	5.7%	3.2%
Office Accommodation	6 609	8 785	7 240	8 082	6.9%	6.0%	8 518	8 970	9 419	5.2%	5.5%
Total	**108 635**	**115 367**	**133 294**	**156 859**	**13.0%**	**100.0%**	**158 587**	**155 485**	**164 058**	**1.5%**	**100.0%**
Change to 2014 Budget estimate				4 736			(1 941)	(2 801)	(3 174)		
Economic classification											
Current payments	**103 835**	**112 390**	**129 632**	**152 590**	**13.7%**	**96.9%**	**154 916**	**151 656**	**160 040**	**1.6%**	**97.5%**
Compensation of employees	51 287	56 714	66 659	74 664	13.3%	48.5%	74 502	79 333	87 761	5.5%	49.8%
Goods and services	52 548	55 676	62 973	77 926	14.0%	48.5%	80 414	72 323	72 279	-2.5%	47.7%
of which:											
Administrative fees	*131*	*718*	*527*	*810*	*83.5%*	*0.4%*	*793*	*830*	*919*	*4.3%*	*0.5%*
Advertising	*1 771*	*1 883*	*4 221*	*2 515*	*12.4%*	*2.0%*	*2 667*	*2 517*	*2 515*	*–*	*1.6%*
Assets less than the capitalisation threshold	*362*	*442*	*354*	*1 055*	*42.8%*	*0.4%*	*1 053*	*1 031*	*1 139*	*2.6%*	*0.7%*
Audit costs: External	*4 117*	*1 908*	*2 087*	*2 200*	*-18.9%*	*2.0%*	*2 213*	*2 204*	*2 261*	*0.9%*	*1.4%*
Bursaries: Employees	*629*	*393*	*463*	*1 400*	*30.6%*	*0.6%*	*1 007*	*1 054*	*1 111*	*-7.4%*	*0.7%*
Catering: Departmental activities	*974*	*1 147*	*1 309*	*635*	*-13.3%*	*0.8%*	*1 110*	*1 023*	*1 016*	*17.0%*	*0.6%*
Communication	*2 864*	*3 344*	*3 220*	*2 759*	*-1.2%*	*2.4%*	*3 447*	*3 191*	*3 667*	*9.9%*	*2.1%*

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

Economic classification	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expen-diture/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ Total: Average (%)
R thousand	2011/12	2012/13	2013/14	2014/15	2011/12 - 2014/15		2015/16	2016/17	2017/18	2014/15 - 2017/18	
Computer services	*2 726*	*3 078*	*4 125*	*3 974*	*13.4%*	*2.7%*	*4 884*	*4 730*	*5 542*	*11.7%*	*3.0%*
Consultants and professional services: Business and advisory services	*3 237*	*2 325*	*7 887*	*20 623*	*85.4%*	*6.6%*	*19 135*	*12 754*	*13 168*	*-13.9%*	*10.3%*
Consultants and professional services: Legal costs	*96*	*–*	*–*	*893*	*110.3%*	*0.2%*	*1 000*	*1 000*	*1 117*	*7.7%*	*0.6%*
Contractors	*983*	*2 130*	*809*	*1 898*	*24.5%*	*1.1%*	*2 032*	*1 738*	*1 847*	*-0.9%*	*1.2%*
Agency and support / outsourced services	*2 199*	*3 558*	*1 361*	*3 479*	*16.5%*	*2.1%*	*840*	*1 476*	*800*	*-38.7%*	*1.0%*
Entertainment	*57*	*30*	*19*	*252*	*64.1%*	*0.1%*	*247*	*243*	*254*	*0.3%*	*0.2%*
Fleet services (including government motor transport)	*765*	*805*	*1 149*	*1 108*	*13.1%*	*0.7%*	*1 538*	*1 175*	*1 587*	*12.7%*	*0.9%*
Inventory: Clothing material and accessories	*–*	*–*	*25*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Inventory: Food and food supplies	*122*	*113*	*–*	*–*	*-100.0%*	*–*	*–*	*–*	*–*	*–*	*–*
Inventory: Fuel, oil and gas	*–*	*21*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*	*–*
Inventory: Materials and supplies	*61*	*63*	*1*	*–*	*-100.0%*	*–*	*2*	*3*	*4*	*–*	*–*
Inventory: Medical supplies	*1*	*3*	*–*	*–*	*-100.0%*	*–*	*–*	*–*	*–*	*–*	*–*
Inventory: Other supplies	*24*	*25*	*–*	*–*	*-100.0%*	*–*	*–*	*–*	*21*	*–*	*–*
Consumable supplies	*–*	*34*	*624*	*708*	*–*	*0.3%*	*839*	*1 172*	*974*	*11.2%*	*0.6%*
Consumables: Stationery, printing and office supplies	*2 021*	*2 616*	*2 248*	*1 361*	*-12.3%*	*1.6%*	*1 572*	*1 507*	*1 533*	*4.0%*	*0.9%*
Operating leases	*1 720*	*1 814*	*1 292*	*1 790*	*1.3%*	*1.3%*	*3 412*	*3 248*	*2 086*	*5.2%*	*1.7%*
Property payments	*6 884*	*9 137*	*7 504*	*8 472*	*7.2%*	*6.2%*	*8 918*	*9 380*	*9 850*	*5.2%*	*5.8%*
Travel and subsistence	*16 418*	*14 838*	*14 951*	*16 385*	*-0.1%*	*12.2%*	*18 441*	*17 742*	*16 077*	*-0.6%*	*10.8%*
Training and development	*1 932*	*1 068*	*1 650*	*2 604*	*10.5%*	*1.4%*	*2 112*	*2 004*	*2 093*	*-7.0%*	*1.4%*
Operating payments	*1 078*	*2 352*	*1 076*	*1 491*	*11.4%*	*1.2%*	*1 326*	*1 093*	*1 374*	*-2.7%*	*0.8%*
Venues and facilities	*1 376*	*1 831*	*6 071*	*1 514*	*3.2%*	*2.1%*	*1 630*	*1 003*	*1 058*	*-11.3%*	*0.8%*
Rental and hiring	*–*	*–*	*–*	*–*	*–*	*–*	*196*	*205*	*266*	*–*	*0.1%*
Transfers and subsidies	**723**	**227**	**318**	**200**	**-34.8%**	**0.3%**	**105**	**111**	**117**	**-16.4%**	**0.1%**
Provinces and municipalities	–	–	2	–	–	–	–	–	–	–	–
Households	723	227	316	200	-34.8%	0.3%	105	111	117	-16.4%	0.1%
Payments for capital assets	**4 071**	**2 742**	**3 249**	**4 069**	**–**	**2.7%**	**3 566**	**3 718**	**3 901**	**-1.4%**	**2.4%**
Machinery and equipment	3 922	2 649	2 768	4 129	1.7%	2.6%	3 464	3 614	3 795	-2.8%	2.4%
Software and other intangible assets	149	93	481	(60)	-173.8%	0.1%	102	104	106	-220.9%	–
Payments for financial assets	**6**	**8**	**95**	**–**	**-100.0%**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**108 635**	**115 367**	**133 294**	**156 859**	**13.0%**	**100.0%**	**158 587**	**155 485**	**164 058**	**1.5%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**31.6%**	**8.5%**	**49.5%**	**49.1%**	**–**	**–**	**59.3%**	**56.7%**	**56.6%**	**–**	**–**
Details of transfers and subsidies											
Provinces and municipalities											
Municipalities											
Municipal bank accounts											
Current	**–**	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Fines and penalties	–	–	2	–	–	–	–	–	–	–	–
Households											
Social benefits											
Current	**–**	**13**	**269**	**145**	**–**	**0.1%**	**–**	**–**	**–**	**-100.0%**	**–**
Employee social benefits	–	13	269	145	–	0.1%	–	–	–	-100.0%	–
Households											
Other transfers to households											
Current	**723**	**214**	**47**	**55**	**-57.6%**	**0.2%**	**105**	**111**	**117**	**28.6%**	**0.1%**
Employee social benefits	–	121	–	–	–	–	–	–	–	–	–
Gifts and donations	723	93	47	55	-57.6%	0.2%	105	111	117	28.6%	0.1%

Personnel information

Table 9.7 Administration personnel numbers and cost by salary level[1]

	Number of posts estimated for 31 March 2015		Number and cost[2] 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 (%)
			2013/14			2014/15			2015/16			2016/17			2017/18			2014/15 - 2017/18	
Administration			Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost		
Salary level	**171**	**–**	**151**	**66.7**	**0.4**	**161**	**74.7**	**0.5**	**161**	**74.5**	**0.5**	**161**	**79.3**	**0.5**	**163**	**87.8**	**0.5**	**0.4%**	**100.0%**
1 – 6	45	–	41	2.6	0.1	43	3.6	0.1	43	4.6	0.1	43	5.1	0.1	43	6.4	0.1	–	26.6%
7 – 10	62	–	56	14.7	0.3	59	17.0	0.3	59	18.6	0.3	59	21.8	0.4	59	24.2	0.4	–	36.5%
11 – 12	27	–	25	14.1	0.6	26	16.5	0.6	26	16.1	0.6	26	16.0	0.6	26	17.2	0.7	–	16.1%
13 – 16	35	–	27	31.7	1.2	31	34.3	1.1	31	32.1	1.0	31	32.0	1.0	33	35.2	1.1	2.1%	19.5%
Other	2	–	2	3.6	1.8	2	3.2	1.6	2	3.1	1.6	2	4.4	2.2	2	4.7	2.3	–	1.2%

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

2. 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 on an ongoing basis by:
  – providing legal services and coordinated governance systems
  – implementing all legal aspects of transactions that are strategically important to the department and state owned companies
  – ensuring that financial and operational risk management processes are embedded throughout the department
  – addressing constraints on state owned companies' contract negotiations and management to improve commercial competence
  – negotiating the shareholder compact framework annually in terms of the Public Finance Management Act (1999)
  – providing guidance on appropriate delegation frameworks between the state owned company boards and executive management
  – advising the minister regularly on the appointment of boards of directors, preparation for annual general meetings, annual reviews of ownership policies, governance, appointments, remuneration, 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 to the programme's 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.
- Governance develops, monitors and advises on legislative, corporate governance and shareholder management systems for the department and its portfolio of state owned companies. The risk management unit 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 (%)	Expen-diture/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ Total: Average (%)
R thousand	2011/12	2012/13	2013/14	2014/15	2011/12 - 2014/15		2015/16	2016/17	2017/18	2014/15 - 2017/18	
Management	1 822	2 252	3 021	2 826	15.8%	11.0%	2 956	3 067	3 244	4.7%	11.9%
Legal	12 775	13 370	12 704	12 335	-1.2%	56.6%	13 127	14 461	15 329	7.5%	54.2%
Governance	4 921	7 855	7 434	9 150	23.0%	32.5%	7 746	8 707	8 985	-0.6%	33.9%
Total	**19 518**	**23 477**	**23 159**	**24 311**	**7.6%**	**100.0%**	**23 829**	**26 235**	**27 558**	**4.3%**	**100.0%**
Change to 2014 Budget estimate				344			(1 707)	(650)	(937)		

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

Economic classification	Audited outcome			Adjusted appropriation	Average growth rate (%)	Expen-diture/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ Total: Average (%)
R thousand	2011/12	2012/13	2013/14	2014/15	2011/12 - 2014/15		2015/16	2016/17	2017/18	2014/15 - 2017/18	
Current payments	**19 518**	**23 450**	**23 146**	**24 311**	**7.6%**	**100.0%**	**23 829**	**26 235**	**27 558**	**4.3%**	**100.0%**
Compensation of employees	13 206	14 111	15 178	17 542	9.9%	66.4%	18 773	20 486	20 443	5.2%	75.8%
Goods and services	6 312	9 339	7 968	6 769	2.4%	33.6%	5 056	5 749	7 115	1.7%	24.2%
of which:											
Administrative fees	–	*148*	–	–	–	*0.2%*	–	–	–	–	–
Advertising	–	*41*	–	–	–	–	–	–	–	–	–
Assets less than the capitalisation threshold	–	*2*	–	–	–	–	–	–	–	–	–
Catering: Departmental activities	*54*	*74*	*46*	*24*	*-23.7%*	*0.2%*	*28*	*28*	*31*	*8.9%*	*0.1%*
Communication	*78*	*124*	*139*	*204*	*37.8%*	*0.6%*	*544*	*572*	*600*	*43.3%*	*1.9%*
Consultants and professional services: Business and advisory services	*422*	*4 322*	*2 458*	*2 450*	*79.7%*	*10.7%*	*655*	*1 287*	*2 442*	*-0.1%*	*6.7%*
Consultants and professional services: Legal costs	*2 300*	*430*	*1 878*	*2 166*	*-2.0%*	*7.5%*	*2 282*	*2 402*	*2 581*	*6.0%*	*9.3%*
Contractors	*28*	*84*	*98*	–	*-100.0%*	*0.2%*	–	–	–	–	–
Agency and support / outsourced services	*343*	*552*	*1 197*	–	*-100.0%*	*2.3%*	–	–	–	–	–
Entertainment	*1*	*2*	–	*14*	*141.0%*	–	*13*	*13*	*14*	–	*0.1%*
Inventory: Materials and supplies	*24*	–	–	–	*-100.0%*	–	–	–	–	–	–
Inventory: Medical supplies	–	*2*	–	–	–	–	–	–	–	–	–
Consumable supplies	–	–	*3*	–	–	–	–	–	–	–	–
Consumables: Stationery, printing and office supplies	*2*	*74*	*1*	–	*-100.0%*	*0.1%*	–	–	*3*	–	–
Operating leases	–	–	*4*	–	–	–	–	–	–	–	–
Travel and subsistence	*2 547*	*2 753*	*1 723*	*1 831*	*-10.4%*	*9.8%*	*1 358*	*1 266*	*1 255*	*-11.8%*	*5.6%*
Training and development	*120*	*170*	*156*	–	*-100.0%*	*0.5%*	–	–	–	–	–
Operating payments	*275*	*325*	*34*	–	*-100.0%*	*0.7%*	–	–	–	–	–
Venues and facilities	*118*	*236*	*231*	*80*	*-12.2%*	*0.7%*	*176*	*181*	*189*	*33.2%*	*0.6%*
Transfers and subsidies	**–**	**27**	**13**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Households	–	27	13	–	–	–	–	–	–	–	–
Total	**19 518**	**23 477**	**23 159**	**24 311**	**7.6%**	**100.0%**	**23 829**	**26 235**	**27 558**	**4.3%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**5.7%**	**1.7%**	**8.6%**	**7.6%**	**–**	**–**	**8.9%**	**9.6%**	**9.5%**	**–**	**–**
Details of transfers and subsidies											
Households											
Other transfers to households											
Current	**–**	**27**	**13**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Employee social benefits	–	27	13	–	–	–	–	–	–	–	–

Personnel information

Table 9.9 Legal and Governance personnel numbers and cost by salary level[1]

	Number of posts estimated for 31 March 2015		Number and cost[2] 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 (%)
			2013/14			2014/15			2015/16			2016/17			2017/18			2014/15 - 2017/18	
Legal and Governance			Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost		
Salary level	**22**	**–**	**18**	**15.2**	**0.8**	**20**	**17.5**	**0.9**	**20**	**18.8**	**0.9**	**20**	**20.5**	**1.0**	**20**	**20.4**	**1.0**	**–**	**100.0%**
7 – 10	4	–	4	1.2	0.3	4	1.3	0.3	4	1.5	0.4	4	1.6	0.4	4	1.6	0.4	–	20.0%
11 – 12	3	–	1	0.5	0.5	2	1.1	0.5	2	1.2	0.6	2	1.3	0.6	2	1.3	0.7	–	10.0%
13 – 16	15	–	13	13.4	1.0	14	13.2	0.9	14	14.2	1.0	14	15.9	1.1	14	16.9	1.2	–	70.0%
Other	–	–	–	–	–	–	1.9	–	–	1.9	–	–	1.8	–	–	0.6	–	–	–

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

2. 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 state owned companies' performance 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 quarterly and advising boards on areas of concern.

Energy enterprises

- Strengthen the department's oversight role by ensuring the alignment of shareholder strategic intent in relation to the state owned companies' role in achieving government objectives in the energy sector, on an ongoing basis.

Eskom SOC limited

- Support the security of electricity supply by:
  - examining Eskom's maintenance plans, operational practices, electricity generation and distribution efficiency, and its reserve margins, on an ongoing basis, as part of government's 5-point plan approved by Cabinet in December 2014, which seeks to restore an electricity supply demand balance
  - ensuring that Eskom supplies electricity through monitoring and evaluation, and engaging with Eskom on system security and the new build programme to alleviate constraints, on an ongoing basis
  - monitoring the rollout of the capital investment programme to ensure it is delivered on time, is of appropriate quality, and is within budget
  - ensuring the legal and regulatory compliance of Eskom by regularly engaging with affected parties, such as the departments of energy, environmental affairs, and water and sanitation, and with the National Energy Regulator of South Africa
  - supporting Eskom's funding initiatives through engagement with various key stakeholders to provide them with assurance of government support to Eskom in addition to a guarantee framework agreement, with the aim of reducing Eskom's dependence on the fiscus
  - monitoring, on a quarterly basis, cost escalations for Eskom's capital investment programme and operations in order to roll out the build programme in a cost-effective manner
  - monitoring, on a quarterly basis, Eskom's capital investment to ensure that it supports local industries through the implementation of the competitive supplier development commitments and other targets for transformational procurement
  - ensuring the care and maintenance of the Pebble Bed Modular Reactor Company in accordance with the Cabinet decision that Eskom is to host the company, through providing oversight using Eskom's quarterly reports sent to the department.

Manufacturing enterprises

- Ensure the continuous alignment between shareholder strategic intent and the objective of state owned companies in the defence, mining and forestry sectors by annually reviewing their enterprise strategies and mandates in the context of industry and sectoral policy shifts, and alert their boards to material deviations.
- Support state owned companies in delivering on their outcomes as set out in the 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 to achieving the national development plan's economic objectives.

Denel SOC limited

- Contribute towards achieving the financial stability and growth of manufactured export products by overseeing the development of a long term growth strategy for Denel.
- Leverage off the company's advanced manufacturing capability by securing work packages in support of the industrialisation drive aligned with the industrial policy action plan.

- Ensure Denel's ongoing sustainability by monitoring the implementation of the multi-year turnaround plan over the medium term.
- Ensure the proper balance between the need to develop indigenous capabilities in response to national defence equipment requirements and the need to cooperate and collaborate with international armaments companies in the context of high development costs and the importance of having access to selected markets.

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 consolidation 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 with the departments of mineral resources, and rural development and land reform, to stabilise the Richtersveld region and make use of revenues.

South African Forestry Company SOC limited

- Ensure that meaningful benefits are provided to successful land claimants by overseeing the implementation of the land restitution strategy for claims through the Komatiland Forests land claims settlement model, over the medium term.
- Engage with the Department of Rural Development and Land Reform to warehouse the shares of the South African Forestry Company in privatised plantations, in terms of the company strategy, over the medium term.
- Reduce the reliance on the sawlog market by supporting the development of the new business strategy over the medium term.

Transport enterprises

- Ensure the alignment of the corporate strategies of Transnet and South African Express Airways with government's strategic intent and ensure that these state owned transport companies remain competitive and financially sustainable and deliver an optimal service to the economy, on an ongoing basis by:
  - issuing statements of strategic intent and negotiating shareholder compacts in line with the objectives of government's 2014-2019 medium term strategic framework
  - assessing the state owned companies' corporate plans to ensure that they are aligned with the statements of strategic intent and shareholder compacts and providing feedback to the state owned companies for further alignment, where required
  - monitoring the performance of the state owned companies on a quarterly and annual basis to assess whether the objectives have been achieved and recommend corrective measures to address failures
  - contributing to the development of national transport policies to ensure that government provides an enabling policy environment for the state owned companies to deliver on their mandate.
- Assess the performance of freight national corridors through the national corridor performance measurement system with the aim of contextualising Transnet's rail and port operational performance and to identify possible capacity and policy interventions.

Transnet SOC limited

- Increase Transnet's capacity to meet market demand by providing oversight of 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.
- Ensure that Transnet operates an efficient, competitive and responsive transport and logistics system by:
  - reviewing the logistics cost 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
- – overseeing the introduction of multiple rail operators on the branch line network to revitalise the rail network, and quantifying the operational efficiency of freight corridors to realise socioeconomic benefits, by March 2017.

South African Express Airways SOC limited

- Ensure the long term sustainability of South African Express Airways by monitoring the implementation of the airline's long term strategy and providing strategic guidance to strengthen its financial position.
- Ensure the alignment of strategies between state owned airlines by:
  - – reviewing the current business structure of the state owned airlines
  - – facilitating the cooperation between South African Airways, South African Express Airways and Denel in establishing a South African hub of maintenance, repair and overhaul
  - – engaging with the policy departments to establish an integrated state policy in relation to the aviation sector
  - – 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 processes to ensure that state owned companies comply with environmental laws and optimise the contribution of state owned companies to the reduction of carbon emissions and the development of a green economy, while supporting their business needs.
- Ensure policy alignment and oversee the mainstreaming and implementation of state owned companies' sustainability, economic and social transformation agenda with a specific focus on skills development, job creation, procurement/broad based black economic empowerment and corporate social investments targeted at designated groups, as well as optimal property disposals.
- Develop the capability for macroeconomic modelling and research. and conduct economic impact assessments of state owned companies.

Strategic partnerships

- Oversee the implementation of catalytic projects from pre-feasibility to completion, including the design of relevant compacts, on an ongoing basis.
- Oversee the implementation of innovative funding structures and the design of associated compacts with relevant partners, by 2016/17.
- Oversee Eskom's and Transnet's implementation of the competitive supplier development programme and Transnet's locomotive fleet procurement, on an annual basis.
- Support the coordination of the strategic infrastructure projects led by the state owned companies within the department's portfolio.

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	Average growth rate (%)	Expen-diture/ Total: Average (%)	Medium-term expenditure estimate			Average growth rate (%)	Expen-diture/ Total: Average (%)
R thousand	2011/12	2012/13	2013/14	2014/15	2011/12 - 2014/15		2015/16	2016/17	2017/18	2014/15 - 2017/18	
Energy Enterprises	54 050	11 189	12 919	14 103	-36.1%	5.5%	17 376	17 007	17 982	8.4%	16.0%
Manufacturing Enterprises	123 423	1 178 268	68 096	80 392	-13.3%	85.7%	16 215	18 145	18 958	-38.2%	32.3%
Transport Enterprises	18 752	20 030	14 985	23 051	7.1%	4.5%	23 417	23 464	25 951	4.0%	23.1%
Economic Impact and Policy Alignment	11 744	9 990	9 687	11 570	-0.5%	2.5%	12 946	13 903	14 887	8.8%	12.9%
Strategic Partnerships	7 555	5 973	7 256	9 252	7.0%	1.8%	15 111	20 075	20 401	30.2%	15.7%
Total	**215 524**	**1 225 450**	**112 943**	**138 368**	**-13.7%**	**100.0%**	**85 065**	**92 594**	**98 179**	**-10.8%**	**100.0%**
Change to 2014 Budget estimate				58 061			(4 489)	(3 916)	(4 005)		
Economic classification											
Current payments	**59 269**	**57 066**	**55 662**	**75 176**	**8.2%**	**14.6%**	**85 065**	**92 594**	**98 179**	**9.3%**	**84.7%**
Compensation of employees	29 374	31 905	43 031	54 859	23.1%	9.4%	58 990	66 387	68 458	7.7%	60.0%
Goods and services	29 895	25 161	12 631	20 317	-12.1%	5.2%	26 075	26 207	29 721	13.5%	24.7%
of which:											
Administrative fees	–	–	*343*	–	–	–	–	–	–	–	–
Advertising	*7*	*38*	*140*	–	*-100.0%*	–	–	–	–	–	–
Assets less than the capitalisation threshold	–	–	*3*	–	–	–	–	–	–	–	–
Catering: Departmental activities	*108*	*120*	*267*	*90*	*-5.9%*	–	*178*	*101*	*106*	*5.6%*	*0.1%*
Communication	*298*	*253*	*355*	*652*	*29.8%*	*0.1%*	*650*	*630*	*646*	*-0.3%*	*0.6%*
Consultants and professional services: Business and advisory services	*23 156*	*16 348*	*2 565*	*12 456*	*-18.7%*	*3.2%*	*18 293*	*18 641*	*22 314*	*21.5%*	*17.3%*
Contractors	*1*	*36*	*2*	–	*-100.0%*	–	–	–	–	–	–
Agency and support / outsourced services	–	–	*67*	–	–	–	–	–	–	–	–
Entertainment	*2*	–	–	*46*	*184.4%*	–	*50*	*55*	*55*	*6.1%*	–
Fleet services (including government motor transport)	–	–	*41*	–	–	–	–	–	–	–	–
Inventory: Materials and supplies	–	*1*	*4*	–	–	–	–	–	–	–	–
Inventory: Medical supplies	–	*3*	*1*	–	–	–	–	–	–	–	–
Inventory: Medicine	–	*2*	–	–	–	–	–	–	–	–	–
Consumable supplies	–	–	*196*	–	–	–	–	–	–	–	–
Consumables: Stationery, printing and office supplies	*5*	*3*	*127*	–	*-100.0%*	–	–	–	–	–	–
Operating leases	–	–	*992*	–	–	*0.1%*	–	–	–	–	–
Travel and subsistence	*5 237*	*5 770*	*6 205*	*6 553*	*7.8%*	*1.4%*	*6 056*	*5 959*	*5 743*	*-4.3%*	*5.9%*
Training and development	*334*	*386*	*53*	–	*-100.0%*	–	–	–	–	–	–
Operating payments	*302*	*941*	*395*	–	*-100.0%*	*0.1%*	–	–	–	–	–
Venues and facilities	*445*	*1 260*	*875*	*520*	*5.3%*	*0.2%*	*758*	*821*	*857*	*18.1%*	*0.7%*
Rental and hiring	–	–	–	–	–	–	*90*	–	–	–	–
Transfers and subsidies	**156 255**	**118 384**	**57 281**	**63 192**	**-26.0%**	**23.3%**	**–**	**–**	**–**	**-100.0%**	**15.3%**
Public corporations and private enterprises	156 255	118 313	57 250	63 141	-26.1%	23.3%	–	–	–	-100.0%	15.2%
Households	–	71	31	51	–	–	–	–	–	-100.0%	–
Payments for financial assets	**–**	**1 050 000**	**–**	**–**	**–**	**62.0%**	**–**	**–**	**–**	**–**	**–**
Total	**215 524**	**1 225 450**	**112 943**	**138 368**	**-13.7%**	**100.0%**	**85 065**	**92 594**	**98 179**	**-10.8%**	**100.0%**
Proportion of total programme expenditure to vote expenditure	**62.7%**	**89.8%**	**41.9%**	**43.3%**	**–**	**–**	**31.8%**	**33.8%**	**33.9%**	**–**	**–**
Details of transfers and subsidies											
Households											
Social benefits											
Current	**–**	**71**	**31**	**51**	**–**	**–**	**–**	**–**	**–**	**-100.0%**	**–**
Employee social benefits	–	71	31	51	–	–	–	–	–	-100.0%	–
Public corporations and private enterprises											
Public corporations											
Other transfers to public corporations											
Current	**156 255**	**118 313**	**57 250**	**63 141**	**-26.1%**	**23.3%**	**–**	**–**	**–**	**-100.0%**	**15.2%**
Denel	116 255	118 313	57 250	63 141	-18.4%	21.0%	–	–	–	-100.0%	15.2%
Pebble Bed Modular Reactor	40 000	–	–	–	-100.0%	2.4%	–	–	–	–	–

Personnel information

Table 9.11 Portfolio Management and Strategic Partnerships personnel numbers and cost by salary level[1]

	Number of posts estimated for 31 March 2015		Number and cost[2] 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 (%)
			2013/14			2014/15			2015/16			2016/17			2017/18			2014/15 - 2017/18	
Portfolio Management and Strategic Partnerships			Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost	Number	Cost	Unit Cost		
Salary level	**91**	**–**	**68**	**43.0**	**0.6**	**78**	**54.9**	**0.7**	**77**	**59.0**	**0.8**	**77**	**66.4**	**0.9**	**77**	**68.5**	**0.9**	**-0.4%**	**100.0%**
7 – 10	23	–	19	6.3	0.3	21	7.2	0.3	21	7.6	0.4	21	8.6	0.4	21	8.6	0.4	–	27.2%
11 – 12	18	–	14	8.4	0.6	16	9.0	0.6	15	11.7	0.8	15	11.6	0.8	15	12.1	0.8	-2.1%	19.7%
13 – 16	50	–	35	28.4	0.8	41	38.7	0.9	41	39.6	1.0	41	46.2	1.1	41	47.8	1.2	–	53.1%

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

Public entities and other agencies

Alexkor SOC limited

Alexkor was established in terms of the Alexkor Limited Act (1992) to mine marine and land diamonds in Alexander Bay. The organisation is exploring energy opportunities in line with the energy security objectives of outcome 6 of government's 2014-2019 medium term strategic framework (an efficient, competitive and responsive economic infrastructure network) through coal and limestone mining opportunities, which will require Alexkor to expand its operations beyond Northern Cape.

Alexkor has commissioned a study into non-mining activities in Northern Cape that the Richtersveld community could possibly pursue from the proceeds of the pooling and sharing joint venture. In 2007, government and the Richtersveld community reached a settlement for the establishment of a joint venture that controlled marine and land mining rights, as agreed by Alexkor and the Richtersveld Mining Company, on behalf of the community.

Since April 2011, all diamond sales were for the account of the pooling and sharing joint venture. Alexkor generates no other income from operations apart from its 51 per cent share in the joint venture. The company posted a profit of R29.7 million in 2013/14, compared with a loss of R14 million in 2012/13. Alexkor was recapitalised by R350 million in 2012/13, which had a positive impact on the company's financial statements and, as a result, its profitability improved significantly. Part of the R350 million was used to invest in a diamond beneficiation plant, which assisted in creating more than 200 direct and indirect jobs. Additional economic opportunities for the community are expected as mining operations will expand over the medium term.

Alexkor has met its financial obligations in terms of the 2007 deed of settlement obligations. The deed of settlement 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 of a formal township, Alexander Bay. As a result, the town was promulgated in November 2013 and now forms part of the Richtersveld municipality. The settling of the rehabilitation liability will give rise to 200 jobs over the 15-year life of the project. 40 jobs have been created to date. The project intends to ensure that the land is environmentally safe and economically exploitable for the community.

Denel SOC limited

Denel is the largest manufacturer of aerospace and defence equipment in South Africa. It was incorporated as a private company in 1992 in terms of the South African Companies Act (1973), and its sole shareholder is the South African government. In terms of the 2014 Defence Review, Denel is deemed a strategic national asset in support of national security.

Denel has made progress in ensuring its sustainability, reporting a return to operating profit in 2013/14. Denel's revenues are expected to increase from less than R5 billion to more than R8 billion over the medium term, thereby improving the organisation's overall net profit position. This turnaround is based on revenue growth through export contracts, maximised opportunities from local clients, cost containment and risk sharing partnerships with global clients and suppliers, and strengthened stakeholder relations. The consolidation of the gains made to date will be informed by a long term growth strategy approved by the Minister of Public Enterprises in November 2013. This strategy projects revenue growth through exports by growing existing capabilities and acquiring new ones, which will see the business concentrating on electronics and integration capabilities across platforms.

Denel Aerostructures, which has been negatively affecting Denel's performance due to inadequate cost recovery on existing contracts, continues to reduce its losses on its course to sustainability. The organisation has managed to secure additional contracts and continues to explore additional work packages.

Eskom SOC limited

Governed by the Eskom Conversion Act (2001), Eskom's mandate is to generate, transmit and distribute electricity. According to the national development plan, South Africa will need to meet about 29 000 megawatts (MW) of new power demand between 2012 and 2030. As a result, more than 40 000MW of new power capacity needs to be built. In line with this vision, Eskom's focus for 2014/15 has been on finalising the response to the third multi-year price determination; securing the balance of the required funding to complete the new build programme, which aims to expand the company's generation and transmission capacity to meet the country's growing demand for energy; improving the rollout of the new build programme; improving operational performance and maintaining assets to ensure security of supply; contracting independent power producers in line with government procurement processes; and assessing the company's role in the implementation of the integrated resource plan for electricity 2010-2030.

Eskom generates 95 per cent of the electricity used in South Africa and 45 per cent of the electricity used in Africa. The company's reserve margin has been steadily declining since 1999, due to a lack of significant investment in generation capacity. In recent years, Eskom has had to rely on deferring the maintenance of power plants 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.

Eskom has had to reprioritise and respond to a shortfall in revenue following the decision to increase the electricity price by 8 per cent instead of 16 per cent annually over 5 years. This means that the borrowing plan will also need to be revised to cover its liabilities and operational costs. The new funding gap until 2017 is now estimated at R200 billion. Over the 5-year period until 2019/20, Eskom's build programme is estimated to cost R280 billion.

Working closely with government, Eskom introduced a recovery plan in 2011/12. This plan included securing enough primary energy (coal stockpile to a level of more than 48 days) to avoid a repeat of the 2008 incident that led to widespread load shedding; resuming the servicing and maintenance of power stations that were previously mothballed; and increasing maintenance done at power stations. This has resulted in the average capacity reserve margin increasing and the maintenance outage backlog reducing significantly from levels seen in previous years.

In addition, since 2004, Eskom has undertaken a capacity expansion programme to ensure the secure and reliable supply of electricity. Completed projects between 2005/06 and 2013/14 include the Komati, Camden and Grootvlei power stations that were once not operational but have now returned to service, and the finalisation of 2 open cycle gas turbines. As a result, Eskom has cumulatively installed and commissioned 6 137MW of additional generating capacity into the system, and installed 5 498km of transmission networks, increasing its transmission substation capacity by 27 565 megavolt amperes.

Eskom plans to deliver an additional 11 126MW of capacity into the system by 2020 through the build programme, which will help to address the current constraints on the power system. The company also continues to play a key role in demand side management with the successful implementation and execution of a comprehensive suite of integrated demand management solutions to exceed the targets set by the National Energy Regulator of South Africa and shareholders.

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 on the continent, including regional routes to Botswana, Namibia, the Democratic Republic of the Congo, Zimbabwe and Zambia. It also provides feeder air services that connect with the network of South African Airways.

The airline has experienced challenges with regards to operational and financial performance, as well as maintaining proper systems of internal control. As a result, the 2010/11 financial statements were withdrawn in November 2011 due to an overstatement of assets on the balance sheet. The statements were restated in August 2012, resulting in a reduction of the airline's equity position from R1.2 billion to R400 million.

Following the restatement of the 2010/11 financial statements, the airline received a qualified opinion for the 2011/12 financial statements and another qualified audit opinion for the 2012/13 financial statements. Weak internal controls and losses in recent years have affected the airline's ability to raise funds without government support. To address the weak performance and the breach of covenants that resulted from the reduction of equity, a guarantee of R539 million was granted in March 2013.

The organisation's focus over the medium term will be on expanding operations in the African market and partnering with South African Airways to establish other hubs in Africa, thereby increasing inter-regional trade in line with the vision of the national development plan. Furthermore, South African Express Airways intends to strengthen its balance sheet to restore confidence in its financial position and performance over the MTEF period and beyond, through the implementation of the airline's long term turnaround strategy.

South African Express Airways has acknowledged the need to address its poor performance and reliance on government for financial support, and in 2013 developed a long term turnaround strategy called 20:20 Vision. The main priority of 20:20 Vision is to assess, review and define a new business model that will improve the sustainability of the organisation going into the next 20 years. The vision is aligned with South African Airways' long term turnaround strategy. The objective is to ensure the alignment of the strategic direction of these two state owned airlines as to derive maximum value for government as the shareholder. This will be achieved through collaboration, cooperation and coordination between the airlines.

The implementation of 20:20 Vision has been slow, and as a result it has not yet yielded the expected outcomes of a positive turnaround. Due to the deteriorating position of South African Express Airways, the airline has had to develop a recovery plan to address the cash drain and to put the airline back on the path to recovery. The Department of Public Enterprises, through the shareholder compact, will ensure the initiatives outlined in 20:20 Vision and the recovery plan are agreed upon, and performance against these targets will be monitored on a monthly and quarterly basis. The three main issues the airline plans to address with 20:20 Vision are its relationship with South African Airways, the feeder model conflict, and the growth of the business to maximise economies of scale.

South African Forestry Company SOC limited

The South African Forestry Company's mandate is to ensure the management of sustainable forests and play a catalytic role in the realisation of the state's afforestation, rural development and transformation goals.

The company's operating performance over the past 3 years has been worsening as a result of a slow recovery in its primary market, the residential construction sector, as well as rigid business structures. Despite this, the company's profit increased from R74 million in 2012/13 to R510 million in 2013/14 as a result of fair value adjustments. Cash generation from operations has been under strain due to increasing logistical and labour costs, and an inelastic pricing environment. The performance has constrained the business in investing in downstream operations, which is critical in sustaining forestry operations and reducing dependence on sawlog customers.

The company's solvency, however, remains sufficiently solid for it to ensure that it continues to trade as a going concern. This will be critical when it starts with its capital investment programme, in line with the envisaged future role by the Department of Public Enterprises, which sees increased investment in value adding activities.

The company has expanded its contribution to rural development, in line with the national development plan's vision, and is implementing the social compacts agreed with rural communities within its operations. These compacts will ensure that communities are involved in the company's operations through enterprise and skills development opportunities. Additional corporate social investment programmes concentrate on education, recreational centres, and health care through donations of timber framed structures.

Transnet SOC limited

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

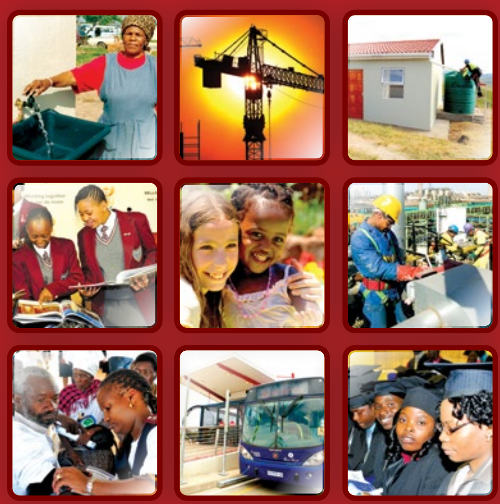
In March 2014, Transnet announced its largest ever procurement transaction, when it signed a R50 billion contract with 4 original equipment manufacturers to acquire 1 064 locomotives over the following 4 years. This was an affirmation of Transnet's commitment to infrastructure investment in the country in spite of the weak economic climate. The procurement of 1 064 locomotives is part of a market demand strategy that is underwritten by a R300 billion rolling capital investment programme over 7 years. At least two thirds of the market demand strategy investment programme will be allocated to rail projects to address ageing infrastructure and rolling stock. The remaining third of the programme has been allocated to ports and pipeline infrastructure and equipment so as to ensure that complementary capacity is created and sustained.

Since the inception of the strategy in 2011/12, Transnet has spent more than R80 billion, of which R31.8 billion was spent in 2013/14, in line with the market demand strategy. Most of the expenditure in the past 3 years has concentrated on rail infrastructure maintenance and revitalisation, as well as the acquisition and refurbishment of rolling stock. Further spending has been on the new multiproduct pipeline from Durban to Johannesburg and the acquisition of ports equipment. The investment programme complements Transnet's role and participation in a number of strategic integrated projects, particularly as a coordinator that focuses on a logistics and industrial corridor between Durban, Free State and Gauteng.

Due to this investment drive, the level of Transnet's debt related to its equity capital will come under pressure as the organisation continues to increase borrowings to fund development and the maintenance of infrastructure. However, Transnet is still expected to raise funding on the strength of its balance sheet and maintain a gearing ratio of less than 50 per cent.

In 2013/14, Transnet's revenue increased by 12.8 per cent, from R50.3 billion in 2012/13 to R56 billion in 2013/14, mainly due to tariff increases across various service lines, as well as volume growth in certain components of the business. The increase in revenue has enabled Transnet to remain committed to the market demand strategy. Over the past 5 years, rail volumes have increased at an average growth rate of 4 per cent, resulting in a total tonnage increase of 32 million tonnes. The volume of growth in automotive and containers on rail in 2013/14 was 25.2 per cent, which shows that migration from road to rail is beginning to gain momentum, in alignment with the government objectives, and this trend is expected to continue over the MTEF period.

Photos provided by GCIS.



BUDGET 2015

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national treasury

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