

# Summary of 2014/15 Adjustments Estimate

## 1. Introduction

Table 1 below provides a summary of the 2014/15 Adjustments Estimate. The 2014/15 main appropriation, appropriated by the KwaZulu-Natal Legislature, amounted to R96.718 billion, including a statutory amount of R108.468 million allocated under Vote 2: Provincial Legislature. The province continued to budget for a surplus in 2014/15, as it has since 2009/10. This budgeted surplus or contingency reserve was initially provided for to start repaying the provincial overdraft, which arose from high provincial over-expenditure in 2007/08, 2008/09 and 2009/10. The province continues to budget for a surplus, despite the fact that the provincial overdraft was fully repaid in 2010/11. This is done to protect the province from any fiscal shocks which may arise. The original surplus budgeted for in 2014/15 was R707.635 million.

**Table 1: Provincial budget summary**

R thousand	Main appropriation	Additional appropriation				Total additional appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts		
Current payments	77 689 281	121 666	-	444 710	(113 776)	(130 400)	78 011 481
Transfers and subsidies	10 884 345	18 383	-	101 445	96 005	263 812	11 363 990
Payment of capital assets	8 142 008	15 473	-	(546 928)	17 771	234 831	7 863 155
Payment of financial assets	2 500	-	-	773	-	-	3 273
Total expenses	96 718 134	155 522	-	-	-	368 243	97 241 899
Total receipts	96 863 569	9 727	-	-	-	200 000	97 073 296
<b>Surplus/(Deficit) before financing</b>	<b>145 435</b>	<b>(145 795)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(168 243)</b>	<b>(168 603)</b>
<b>Financing of which:</b>							
Provincial roll-overs		145 795					145 795
Allocations from provincial cash resources	562 200					322 967	885 167
<b>Surplus/(Deficit) after financing</b>	<b>707 635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>154 724</b>	<b>862 359</b>

The 2014/15 main appropriation is increased by R523.765 million, growing the total budget for the 2014/15 financial year to R97.242 billion – an increase of some 0.4 per cent. On the other hand, provincial receipts increase by only R209.727 million. The province funded various conditional grant roll-overs and a number of commitments (both of which are discussed in Section 6 of this Summary) from its own provincial cash resources. This resulted in an increase of the provincial budgeted surplus, which is now at R862.359 million. However, it must be noted that this surplus does not take into account the fact that departments are anticipating to over-collect own revenue at the end of 2014/15, which will add to the funds available and any possible over-spending which will reduce the net financial position.

The various Cabinet-approved financial controls (cost-cutting measures), which were first introduced in 2009/10, remain in place in 2014/15, and a circular in this regard was re-issued to all departments and public entities. Provincial Treasury continues to monitor the departments' spending levels and reports any known contraventions of the financial controls circular to Cabinet.

A few positive and some negative indicators have emerged since the 2014/15 MTEF budget was tabled in the Legislature on 11 March 2014. The most important of these is that the province continues to remain cash positive, continuing a trend which first started in May 2010, although, with the introduction of cash blocking, some departments have experienced challenges due to spending pressures, such as Education which remains in overdraft. The province was able to fund most of the provincial commitments (which are discussed in detail later) from the provincial net surplus of R898.023 million realised at the end of 2013/14, which resulted from the over-expenditure of R64.952 million, over-collection of own revenue of R283.867 million and the balance of the budgeted surplus of R333.516 million in that year. Mitigating these factors was the withholding of R12.148 million of conditional grant funding. On the other hand, the province reflected a significant projected over-expenditure in its 2014/15 mid-year report, resulting mainly from spending pressures in Education relating to personnel spending pressures and Health relating to previous year's commitments. Also included were spending pressures in respect of the Public Transport Operations grant and the unfunded shortfall of the higher than budgeted 2014 wage agreement, among others.

The positive indicators allowed some flexibility in terms of allocating additional funds to various departments. As can be seen in Table 1 above, the province had roll-overs of R145.795 million from 2013/14, relating to conditional grant and equitable share roll-overs. National Treasury approved the roll-over of the conditional grant funds from 2013/14, where there was sufficient proof provided that these funds were committed in 2013/14 and would be paid in 2014/15. As most of the actual cash related to these conditional grants had already been transferred to the province in 2013/14, the approved conditional grant roll-overs were treated as provincial roll-overs and had no net effect on the budgeted surplus of the province. National Treasury also granted approval for a roll-over of R9.727 million, being funds that were withheld in 2013/14, relating to the HIV and AIDS (Life-Skills Education) grant. The province is liable to surrender an amount of R71.682 million of unspent conditional grant funding that was transferred to the province, though.

In terms of the equitable share roll-overs that were approved from 2013/14, amounting to R71.312 million, these were only approved where departments provided sufficient motivation that these funds were committed. It should be noted that provincial departments had requested roll-overs amounting to R160.470 million.

In addition, the province allocated funding from the 2013/14 net surplus to a number of provincial priorities, such as provision of water and electricity, the hosting of various strategic events in the province, rural development under the Small Town Rehabilitation programme, among others.

## **2. Sources of funding**

The funding of additional expenditure of departments through the 2014/15 Provincial Adjustments Estimate is derived from additional transfers from national, provincial roll-overs, provincial cash resources, budgeted surplus and the reprioritisation of provincial funds appropriated in the 2014/15 main appropriation, such as the Strategic Cabinet Initiatives Fund and the Rural Development Fund.

### **2.1 Transfers from National**

Table 2 below provides details of the adjusted provincial receipts for the 2014/15 financial year, which indicates the additional conditional grant funding. The additional conditional grant funding is indicated per grant.

The province receives an additional R209.727 million as its share of additional funding made available through the National Adjustments Estimate. The only additional funding KZN receives is for two conditional grants, as follows:

- R200 million is added to the Health Facility Revitalisation grant to assist with pressures in health infrastructure projects. This amount was taken from the indirect National Health grant and allocated to the province as a direct grant.
- R9.727 million was rolled over to Education in respect of the HIV and AIDS (Life-Skills Education) grant. These are funds that were withheld by National Treasury in 2013/14, but were approved for roll-over following proof of commitment of these funds.

The provincial own receipts estimate remains unchanged at R2.784 billion.

It must be noted that the province did not receive any funding from National Treasury for the 1 per cent shortfall in the budgeted wage agreement for 2014. The province calculated the shortfall caused by the wage agreement with this totalling R505.829 million. This therefore meant the departments had to fund the shortfall from within their existing baselines through reprioritisation. This is unprecedented, though, as National Treasury has always funded at least a portion of the shortfall. National Treasury indicated that this is part of the fiscal consolidation announced by the Minister of Finance in his Medium-Term Budget Policy Statement speech.

**Table 2: Summary of provincial receipts**

R thousand	Main appropriation	Additional appropriation				Total additional appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts			Other adjustments
<b>Transfer receipts from National</b>	<b>94 079 925</b>	<b>9 727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200 000</b>	<b>209 727</b>	<b>94 289 652</b>
Equitable share	78 138 477						-	78 138 477
Conditional grants	15 941 448	9 727	-	-	-	200 000	209 727	16 151 175
<b>Vote 3: Agriculture and Rural Development</b>	<b>296 760</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>296 760</b>
Land Care Programme grant	10 854						-	10 854
Comprehensive Agricultural Support Programme	212 632						-	212 632
Ilima/Letsema Projects grant	69 093						-	69 093
EPWP Integrated Grant for Provinces	4 181						-	4 181
<b>Vote 4 - Economic Dev., Tourism &amp; Enviro Affairs</b>	<b>16 827</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16 827</b>
EPWP Integrated Grant for Provinces	16 827						-	16 827
<b>Vote 5: Education</b>	<b>3 138 130</b>	<b>9 727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 727</b>	<b>3 147 857</b>
Educator Infrastructure grant	1 385 781						-	1 385 781
HIV and AIDS (Life-Skills Education) grant	52 261	9 727					9 727	61 988
National School Nutrition Programme (NSNP) grant	1 237 534						-	1 237 534
FET Colleges Sector grant	351 475						-	351 475
Technical Secondary Schools Recap. grant	45 280						-	45 280
Dinaledi Schools grant	19 568						-	19 568
OSD for Education Therapists	41 581						-	41 581
EPWP Integrated Grant for Provinces	2 070						-	2 070
Social Sector EPWP Incentive Grant for Provinces	2 580						-	2 580
<b>Vote 7: Health</b>	<b>6 228 886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200 000</b>	<b>200 000</b>	<b>6 428 886</b>
Health Professions Training and Development grant	292 837						-	292 837
Health Facility Revitalisation grant	1 162 469					200 000	200 000	1 362 469
National Tertiary Services grant	1 496 427						-	1 496 427
Comprehensive HIV and AIDS grant	3 257 992						-	3 257 992
National Health Insurance grant	14 000						-	14 000
Social Sector EPWP Incentive Grant for Provinces	2 581						-	2 581
EPWP Integrated Grant for Provinces	2 580						-	2 580
<b>Vote 8: Human Settlements</b>	<b>3 273 045</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 273 045</b>
Human Settlements Development grant	3 273 045						-	3 273 045
<b>Vote 9: Community Safety and Liaison</b>	<b>2 580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 580</b>
Social Sector EPWP Incentive Grant for Provinces	2 580						-	2 580
<b>Vote 11: COGTA</b>	<b>3 471</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 471</b>
EPWP Integrated Grant for Provinces	3 471						-	3 471
<b>Vote 12: Transport</b>	<b>2 752 384</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 752 384</b>
Public Transport Operations grant	904 783						-	904 783
Provincial Roads Maintenance grant	1 788 158						-	1 788 158
EPWP Integrated Grant for Provinces	59 443						-	59 443
<b>Vote 13: Social Development</b>	<b>5 746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 746</b>
Social Sector EPWP Incentive Grant for Provinces	3 746						-	3 746
EPWP Integrated Grant for Provinces	2 000						-	2 000
<b>Vote 14: Public Works</b>	<b>3 168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 168</b>
EPWP Integrated Grant for Provinces	3 168						-	3 168
<b>Vote 15: Arts and Culture</b>	<b>124 856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124 856</b>
Community Library Services grant	122 754						-	122 754
EPWP Integrated Grant for Provinces	2 102						-	2 102
<b>Vote 16: Sport and Recreation</b>	<b>95 595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95 595</b>
Mass Participation and Sport Development grant	85 435						-	85 435
EPWP Integrated Grant for Provinces	2 102						-	2 102
Social Sector EPWP Incentive Grant for Provinces	8 058						-	8 058
<b>Provincial own receipts</b>	<b>2 783 644</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2 783 644</b>
<b>Total</b>	<b>96 863 569</b>	<b>9 727</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200 000</b>	<b>209 727</b>	<b>97 073 296</b>
<b>Total new receipts</b>								<b>209 727</b>

### 3. 2013/14 Net financial position

The province started to budget for a surplus from 2009/10 to start repaying the provincial overdraft and to protect itself against any unforeseen fiscal shocks. There is no doubt that these measures have assisted the province tremendously – to such an extent, that the province has been able to stay stable over the past few years and also able to deal with spending pressures that have arisen. While this is good news, in the current financial year, the province has been forced to make some tough calls with regard to departments with spending pressures. This resulted in Provincial Treasury instructing departments, such as Education, Health and Arts and Culture to develop and implement drastic cost containment plans to curb the spending pressures that they were showing in-year. All departments have been instructed to manage their spending so that they remain within their allocated budgets.

The province did not have to finance any overdraft from the net surplus realised in 2013/14 and this surplus could therefore be used to fund various provincial commitments and roll-overs.

After providing for the national conditional grant unspent funds, the approval of a number of provincial roll-overs and the allocation toward a number of provincial commitments, the province is left with a positive net financial position of R303.202 million, when taking into account funding set aside for commitments over the MTEF, surrendered funds, the unauthorised expenditure and irregular expenditure. This therefore means that the 2013/14 unauthorised expenditure in respect of Health, Social Development, Provincial Legislature, Economic Development, Tourism and Environmental Affairs, Transport and Arts and Culture can be funded from the budgeted surplus if it is authorised by the Standing Committee on Public Accounts (SCOPA). The final budgeted surplus which appears in Table 1 differs from this amount as it also takes into account the budgeted surplus for 2014/15, as well as the impact of the possible projected over-expenditure in 2014/15. Further it must be noted that funding allocated from the 2013/14 net financial position which will be appropriated in 2015/16 has not been taken into account in Table 1.

Details of other provincial commitments are provided under each departmental chapter.

#### **4. 2014 wage agreement**

The 2014 public wage agreement resulted in a general salary adjustment of 7.4 per cent (including 0.2 per cent shortfall from the 2013 wage agreement), compared to the budgeted increase of 6.4 per cent, resulting in a fairly small, but significant (in monetary value) difference of 1 per cent. The unbudgeted portion of this increase resulted in spending pressures against various departments, especially Education and Health. As mentioned above, no funding was provided by National Treasury for this shortfall and the departments therefore have to fund this from within their existing baselines.

As mentioned above, all departments will have to absorb the shortfall in funding relating to the 2014 wage agreement. This is largely possible due to delays in filling vacant funded posts, which has resulted in some savings being realised against *Compensation of employees*. However, for the departments such as Education, some difficult decisions have had to be made, with this department moving funds from its infrastructure budget to cover the shortfall in its *Compensation of employees*' budget.

It is noted that, at the time of going to print, confirmation had not been received regarding the 2014 increase in the remuneration of Members (inclusive of MECs). As a result, no adjustments in this regard are included in this document. With regard to the Legislature, should there be any over-spending at year-end in respect of the Members' remuneration, this will be funded as a direct charge on the Provincial Revenue Fund.

#### **5. 2013/14 unspent conditional grants**

In aggregate, the province recorded a net under-expenditure of R96.484 million on the conditional grants received for the 2013/14 financial year. These funds cannot be used for any other purpose and, if not rolled over, then the unspent portion must be surrendered to the National Revenue Fund. Of this amount, roll-overs of R74.483 million were approved. This full amount relates to the roll-over of Schedule 5 conditional grants. The balance of the under-spent conditional grant allocation, amounting to R71.682 million, had to be repaid to the National Revenue Fund.

Most of the conditional grant amounts were retained in the Provincial Revenue Fund and are therefore treated as provincial roll-overs of conditional grants and will be funded from provincial cash resources. The conditional grant roll-overs are R23 million for the Ilima/Letsema Projects grant, R1.890 million for the Dinaledi Schools grant, R19.559 million for the HIV and AIDS (Life-Skills Education) grant, R15.766 million for the National School Nutrition Programme (NSNP) grant, R7.553 million for the Technical Secondary Schools Recapitalisation grant, R5.848 million for the National Health Insurance grant and R867 000 for the EPWP Integrated Grant to Provinces. An amount of R9.727 million was withheld by National Treasury in respect of the HIV and AIDS (Life-Skills Education) grant and rolled over to 2014/15, as mentioned.

## 6. Summary of adjustments allocations

Table 3 below provides a summary of the additional funds allocated to the various provincial departments, and forms the basis of the 2014/15 Adjustments Estimate.

Further details of these adjustments, which resulted in an overall increase of R523.765 million, are provided under the specific departments' chapter. These adjustments include roll-overs, additional funding provided to departments, as well as any shifts between departments. It must be noted that the increased amount to be voted is R545.992 million (Table 4 below) as savings were reprioritised from the *Statutory payments* to fund operational costs of the Provincial Legislature.

**Table 3: Summary of Roll-overs, Shifts and Additional Funding for 2014/15**

R thousand	Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments	Total adjustment
<b>Vote 1: Office of the Premier</b>	<b>12 994</b>	-	-	-	<b>(26 378)</b>	<b>(13 384)</b>
Surplus funds paid into PRF returned to Amafa					3 136	3 136
Crown Gospel Awards (Strategic Cabinet Initiatives Fund)					5 000	5 000
Music Unites and Have We Been Heard (Strategic Cabinet Initiatives Fund)					6 100	6 100
Provincial 20 years of democracy celebration					7 800	7 800
Roll-over from 2013/14 for RTI Commission and Africa Expansion Summit	12 994					12 994
Re-allocation of DARD's communication budget erroneously centralised					(6 377)	(6 377)
Surrender of funding for the strengthening of security during elections					(5 000)	(5 000)
Additional funding for the Denis Hurley Centre					4 226	4 226
Suspension of Luwamba Wellness Centre funding to 2015/16					(15 000)	(15 000)
Suspension of Operation Sukuma Sakhe (war rooms) funds to 2015/16					(14 000)	(14 000)
Suspension of bursary over-provision to Vote 3: DARD					(1 823)	(1 823)
Suspension of bursary funds from Vote 13: Social Development to OTP					231	231
First charge relating to irregular expenditure					(2 871)	(2 871)
Suspension of funds from OTP to The Royal Household for spending pressures					(7 800)	(7 800)
<b>Vote 2: Provincial Legislature</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7 596)</b>	<b>(7 596)</b>
Shift to Provincial Treasury to cater for ex-MECs exit package					(974)	(974)
Suspension of funds to 2015/16 for strengthening oversight					(9 500)	(9 500)
Additional funds for the Political Parties' Fund					2 998	2 998
Funding for various spending pressures					1 957	1 957
Allocation of surplus revenue collected in 2013/14					263	263
First charge relating to irregular expenditure					(2 340)	(2 340)
<b>Vote 3: Agriculture and Rural Development</b>	<b>31 800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5 020</b>	<b>36 820</b>
Roll-over from 2013/14 for sheds for mechanisation equipment	8 800					8 800
Roll-over from 2013/14 for Ilima/Letsema Projects grant	23 000					23 000
Return of communication budget erroneously centralised under OTP					6 377	6 377
Return of external bursaries budget erroneously centralised under OTP					1 823	1 823
First charge relating to irregular expenditure					(1 205)	(1 205)
Remainder of Enviro function shift from DARD to DEDTEA					(1 975)	(1 975)
<b>Vote 4: Economic Dev., Tourism &amp; Enviro Affairs</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>129 486</b>	<b>129 486</b>
SA Women's Golf Tournament (Strategic Cabinet Initiatives Fund)					9 000	9 000
Nelson Mandela Golf Tournament (Strategic Cabinet Initiatives Fund)					5 000	5 000
World Amateur Golf Tournament (Strategic Cabinet Initiatives Fund)					9 070	9 070
World Club Pro-am Golfers (Strategic Cabinet Initiatives Fund)					9 070	9 070
Metro FM Awards (Strategic Cabinet Initiatives Fund)					10 527	10 527
Africa Bike Week (Strategic Cabinet Initiatives Fund)					5 000	5 000
Shifting of Pmb Bike City to Sport and Recreation					(6 733)	(6 733)
Shifting remainder of Pmb Bike City to Sport and Recreation					(2 348)	(2 348)
Shifting of KZN Music House to Arts and Culture					(12 000)	(12 000)
Re-allocation of funds paid into the PRF from Ithala for various priorities					101 800	101 800
Remainder of Enviro function shift from DARD to DEDTEA					1 975	1 975
First charge relating to irregular expenditure					(875)	(875)
<b>Vote 5: Education</b>	<b>55 362</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92 649</b>	<b>148 011</b>
Roll-over from 2013/14 - Dinaledi Schools grant	1 890					1 890
Roll-over from 2013/14 - HIV and AIDS (Life-Skills Education) grant	29 286					29 286
Roll-over from 2013/14 - National School Nutrition Programme grant	15 766					15 766
Roll-over from 2013/14 - Technical Secondary Schools Recapitalisation grant	7 553					7 553
Roll-over from 2013/14 - EPWP Integrated Grant for Provinces	867					867
First charge relating to irregular expenditure					(6 351)	(6 351)
Additional funding for spending pressures					99 000	99 000

**Table 3: Summary of Roll-overs, Shifts and Additional Funding for 2014/15**

R thousand	Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments	Total adjustment
<b>Vote 6: Provincial Treasury</b>	<b>24 765</b>	-	-	-	<b>(194 608)</b>	<b>(169 843)</b>
Roll-over from 2013/14 - Strategic Cabinet Initiatives Fund	6 382					6 382
Susp. from Strat. Cab. Initiatives fund to Vote 1: Crown Gospel Awards					(5 000)	(5 000)
Susp. from Strat. Cab. Initiat. fund to Vote 1: Music Unites & Have We Been Heard					(6 100)	(6 100)
Susp from Strat Cab Initiat fund to Vote 4: SA Women's Golf Tournament					(9 000)	(9 000)
Susp from Strat Cab Initiat fund to Vote 4: Nelson Mandela Golf Tournament					(5 000)	(5 000)
Susp from Strat Cab Initiat fund to Vote 4: World Amateur Golf Tournament					(9 070)	(9 070)
Susp from Strat Cab Initiat fund to Vote 4: World Pro-am Golfers					(9 070)	(9 070)
Susp from Strat Cab Initiat fund to Vote 4: Metro FM Awards					(10 527)	(10 527)
Susp from Strat Cab Initiat fund to Vote 4: Africa Bike Week					(5 000)	(5 000)
Susp from Strat Cab Initiat fund to Vote 11: Nelson Mandela Marathon					(12 000)	(12 000)
Susp from Strat Cab Initiat fund to Vote 15: Amambazo: The Musical					(1 000)	(1 000)
Susp from Strat Cab Initiat fund to Vote 15: National Choral Music Awards					(5 000)	(5 000)
Susp from Strat Cab Initiat fund to Vote 15: Royal Soapie Awards					(5 000)	(5 000)
Susp from Strat Cab Initiat fund to Vote 16: Under 19 International Football					(3 420)	(3 420)
Susp from Strat Cab Initiat fund to Vote 16: Hosting of the AIMS congress					(1 000)	(1 000)
Susp from Strat Cab Initiat fund to Vote 16: Pmb Bike City					(4 867)	(4 867)
Susp from Strat Cab Initiat fund to Vote 16: Duzi Canoe Marathon					(3 810)	(3 810)
Susp from Strat Cab Initiat fund to Vote 16: Soccerex Africa Forum					(5 700)	(5 700)
Susp from Strat Cab Initiat fund to Vote 16: MTN8 Cup Final					(4 250)	(4 250)
Susp from Strat Cab Initiat fund to Vote 16: IKO Karate World Cup					(1 568)	(1 568)
Roll-over from 2013/14 - Shayamoya and Bhongweni infrastructure	18 383					18 383
Shift from Provincial Legislature for ex-MEC's exit package					974	974
Suspension of Rural Development funds to Vote 11 for Small Town Rehabilitation					(50 000)	(50 000)
Surrender of savings to the Provincial Revenue Fund					(39 200)	(39 200)
<b>Vote 7: Health</b>	<b>5 848</b>	-	-	-	<b>199 421</b>	<b>205 269</b>
Roll-over from 2013/14 - National Health Insurance grant	5 848					5 848
Re-allocation of McCord debtors book revenue					1 190	1 190
Conversion of National Health grant to Health Facility Revitalisation grant					200 000	200 000
First charge relating to irregular expenditure					(1 769)	(1 769)
<b>Vote 8: Human Settlements</b>	-	-	-	-	<b>22 161</b>	<b>22 161</b>
Re-allocation of funds paid into the PRF from Meadowlands Social Housing					22 436	22 436
First charge relating to irregular expenditure					(275)	(275)
<b>Vote 9: Community Safety and Liaison</b>	-	-	-	-	<b>(1 603)</b>	<b>(1 603)</b>
First charge relating to irregular expenditure					(1 603)	(1 603)
<b>Vote 10: The Royal Household</b>	-	-	-	-	<b>7 126</b>	<b>7 126</b>
Suspension of funds from OTP to The Royal Household for spending pressures					7 800	7 800
First charge relating to irregular expenditure					(674)	(674)
<b>Vote 11: Co-operative Governance and Traditional Affairs</b>	<b>3 472</b>	-	-	-	<b>135 146</b>	<b>138 618</b>
Nelson Mandela Marathon (Strategic Cabinet Initiatives Fund)					12 000	12 000
Roll-over from 2013/14 - Provincial Disaster Management Centre	3 472					3 472
Re-allocation of revenue collected in 2013/14 for animal pound in Ingwe					1 000	1 000
Electrification projects - Ofafa, Emahehle, Mhunya, Maphumulo, eDumbe, Nquthu, etc					40 000	40 000
Small Town Rehabilitation Programme					35 000	35 000
Suspension of Rural Development funds from Vote 6 for Small Town Rehabilitation					50 000	50 000
First charge relating to irregular expenditure					(2 854)	(2 854)
<b>Vote 12: Transport</b>	-	-	-	-	<b>(9 710)</b>	<b>(9 710)</b>
Provision for RTI Commission - payment to affected families					290	290
Suspension of part of Learner Transport to 2015/16					(10 000)	(10 000)
<b>Vote 13: Social Development</b>	-	-	-	-	<b>(8 192)</b>	<b>(8 192)</b>
Suspension of bursary funds from Vote 13: Social Development to OTP					(231)	(231)
First charge relating to irregular expenditure					(7 961)	(7 961)
<b>Vote 14: Public Works</b>	<b>20 268</b>	-	-	-	<b>2 134</b>	<b>22 402</b>
Renovations to His Majesty, the King's Ulundi palace					1 093	1 093
Refurbishment of His Majesty, the King's Nyokeni palace					1 041	1 041
Roll-over from 2013/14 - Richmond Comm. Development Programme	20 268					20 268
<b>Vote 15: Arts and Culture</b>	-	-	-	-	<b>25 008</b>	<b>25 008</b>
Amambazo: The Musical (Strategic Cabinet Initiatives Fund)					1 000	1 000
National Choral Music Awards (Strategic Cabinet Initiatives Fund)					5 000	5 000
Royal Soapie Awards (Strategic Cabinet Initiatives Fund)					5 000	5 000
Shifting of KZN Music House from Vote 4					12 000	12 000
Shifting balance of shared Ministry budget from Vote 16					2 008	2 008

**Table 3: Summary of Roll-overs, Shifts and Additional Funding for 2014/15**

R thousand	Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments	Total adjustment
<b>Vote 16: Sport and Recreation</b>	<b>1 013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 821)</b>	<b>(808)</b>
Under 19 International Football (Strategic Cabinet Initiatives Fund)					3 420	3 420
Hosting of the AIMS congress (Strategic Cabinet Initiatives Fund)					1 000	1 000
Pmb Bike City (Strategic Cabinet Initiatives Fund)					4 867	4 867
Duzi Canoe Marathon (Strategic Cabinet Initiatives Fund)					3 810	3 810
Soccerex Africa Forum (Strategic Cabinet Initiatives Fund)					5 700	5 700
MTN8 Cup Final (Strategic Cabinet Initiatives Fund)					4 250	4 250
IKO Karate World Cup (Strategic Cabinet Initiatives Fund)					1 568	1 568
Shifting of Pmb Bike City from DEDTEA					6 733	6 733
Shifting remainder of Pmb Bike City funds from DEDTEA					2 348	2 348
Shifting of balance of shared Ministry funds to Arts and Culture					(2 008)	(2 008)
Roll-over from 2013/14 in respect of Umgungundlovu Academy of Sport	1 013					1 013
First charge relating to irregular expenditure					(3 509)	(3 509)
Suspension of Hoy Park Sports Development Centre to 2015/16					(30 000)	(30 000)
<b>Total</b>	<b>155 522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368 243</b>	<b>523 765</b>

The largest share of the additional allocations was given to the Departments of Health (R205.269 million), followed by Education (R148.011 million), Co-operative Governance and Traditional Affairs (R138.618 million) and Economic Development, Tourism and Environmental Affairs (R129.486 million).

As a new measure to minimise irregular expenditure by departments, Cabinet approved a first charge on all departments that incurred irregular expenditure and could not provide sufficient justification. These departments are Office of the Premier, Provincial Legislature, Agriculture and Rural Development, Economic Development, Tourism and Environmental Affairs, Education, Health, Human Settlements, Community Safety and Liaison, The Royal Household, Co-operative Governance and Traditional Affairs, Social Development and Sport and Recreation. As such, some of the additional allocations mentioned below were offset by the first charge relating to the irregular expenditure.

**Health** received additional funding in respect of the Health Facility Revitalisation grant (R200 million) to assist with spending pressures in health infrastructure projects. This amount was taken from the indirect National Health grant and allocated to the province as a direct grant. The department also received additional funding of R1.190 million, being the re-allocation of revenue collected from the sale of the debtors' book of McCord Hospital. The budget of the department was reduced by R1.769 million relating to the Cabinet-approved irregular expenditure first charge imposed on the departments that could not provide sufficient justification of the irregular expenditure incurred. Details of these and other adjustments are provided under the department's chapter.

**Education** received additional funding in respect of conditional grant roll-overs totalling R55.362 million and R99 million from provincial cash resources to assist the department in dealing with its spending pressures. Mitigating these was a reduction of R6.351 million in respect of the Cabinet-approved irregular expenditure first charge imposed on the departments that could not provide sufficient justification of the irregular expenditure incurred.

**Co-operative Governance and Traditional Affairs** received substantial additional funding of R138.618 million in the 2014/15 Adjustments Estimate. The bulk of the additional funding relates to the Small Town Rehabilitation programme and electrification projects. Under the Small Town Rehabilitation, the department will implement various rural development projects in various rural areas, in partnership with municipalities. The department will implement electrification in areas such as Ofafa, Emahehle, Mhunya, Nquthu, Umvoti, Dumbe, Maphumulo, Dannhauser, Ndwedwe and Ubuhlebezwe. The department also received funding from the Strategic Cabinet Initiatives Fund for the co-ordination of the Nelson Mandela Marathon. Mitigating these was a reduction of R2.854 million in respect of the Cabinet-approved irregular expenditure first charge imposed on the departments that could not provide sufficient justification of the irregular expenditure incurred.

**Economic Development, Tourism and Environmental Affairs** received substantial additional funding of R129.486 million in the 2014/15 Adjustments Estimate. The bulk of this additional funding relates to additional funding of R101.800 million returned by Ithala in respect of the 2013/14 unallocated balance of the Equity Fund, held by Ithala Development Finance Corporation (IDFC). Of this amount,

R50 million is added for transfer to Ithala Limited to ensure that the bank maintains a certain minimum Capital Adequacy Ratio percentage. In addition, the department reprioritised R14 million of the Equity Fund towards costs of the World Routes 2015 strategy.

The department also received additional funding in respect of various provincial strategic events funded through the Strategic Cabinet Initiatives Fund, totalling R47.667 million. These include R9 million for the SA Women's Golf Championship, R5 million for the Nelson Mandela Golf Tournament, R10.527 million for the Metro FM Awards, R9.070 million for the World Amateur Golf Tournament, R9.070 million for the World Pro-am Golfers and R5 million for the Africa Bike Week. On the other hand, an amount of R21.081 million was shifted to Sport and Recreation (R9.081 million) in respect of the Pietermaritzburg Bike City function shift and R12 million to Arts and Culture in respect of the KZN Music House function shift. The budget of the department was reduced by R875 000 relating to the Cabinet-approved irregular expenditure first charge imposed on the departments that could not provide sufficient justification. Details of these and other adjustments are provided under the department's chapter.

The main adjustments per category are as follows:

*Roll-overs:* The total amount rolled over from 2013/14 is R155.522 million, of which the conditional grant roll-overs amounted to R84.210 million, leaving R71.312 million as provincial roll-overs. It should be noted that most conditional grant roll-overs are treated as provincial roll-overs, as the amounts which were approved for roll-over were not paid back to the National Revenue Fund. However, an amount of R9.727 million which was withheld by National Treasury in 2013/14 is treated as a national roll-over. As such, the amounts that remained in the Provincial Revenue Fund are rolled over using provincial cash resources. The provincial roll-overs of R71.312 million relate to various commitments arising from 2013/14, under Office of the Premier for the RTI Commission and the hosting of the Africa Expansion Summit, and Agriculture and Rural Development relating to the construction of sheds for mechanisation (funds will now be used to fund the Rural Development co-ordination function). Provincial Treasury received roll-overs for the construction of the Shayamoya eco-complex and the light industrial park, and Co-operative Governance and Traditional Affairs for the construction of the Provincial Disaster Management Centre. Public Works received a roll-over for the implementation of the Richmond Community Development programme and Sport and Recreation for funding the uMgungundlovu Academy of Sport.

*Other adjustments:* A net amount of R368.243 million was allocated for various priorities. Also included in *Other adjustments* is an increase of R200 million in respect of the Health Facility Revitalisation grant, as mentioned above. These funds were allocated by National Treasury and from provincial cash resources. Apart from additional funding, a number of departments suspended funds to 2015/16 due to delays in the implementation of projects and others surrendered funds due to savings realised.

Apart from the additional allocations mentioned above, the province had to also fund a number of commitments from its provincial cash resources, and allocated the following:

- *Office of the Premier:* The department received R7.800 million relating to the provincial 20 years of democracy celebrations and R4.226 million toward the province's contribution to the construction of the Denis Hurley Centre in Durban.
- *Human Settlements:* The department received R22.436 million, being funds returned to the department from the Social Housing Regulatory Authority (SHRA) in respect of the Meadowlands social housing project in Newcastle, to be used for the Westgate-Grange Social Housing project.
- *Public Works:* The department received additional funding of R2.134 million in respect of the renovations required to His Majesty's Ulundi Palace, the Legislative Assembly (LA) Building, Ministerial Houses and temporary residential units for a Royal Household event (His Majesty's wedding ceremony) and refurbishment done at the Nyokeni Palace which needed to be completed before the Reed Dance took place in September 2014.



Several departments surrendered savings to the Provincial Revenue Fund and suspended funding to 2015/16, as follows:

- *Office of the Premier:* The department surrendered R5 million in respect of funding allocated for strengthening security during the elections, suspended R15 million and R14 million to 2015/16 in respect of the Luwamba Wellness Centre and equipping war-rooms (Operation *Sukuma Sakhe*), respectively.
- *Provincial Treasury* surrendered savings amounting to R39.200 million relating to various projects.
- *Transport:* The department suspended R10 million to 2015/16 in respect of the learner transport services. These funds were not used in 2014/15 due to the fact that learner transport contracts, that needed to be in place for the department to fully spend the entire additional allocation, were not awarded due to delays experienced with the appointment of service providers.
- *Sport and Recreation:* The department suspended R30 million, in respect of the construction of an international sport development centre in Durban, to 2015/16 as the funds were not going to be used in 2014/15 due to challenges experienced with identifying a suitable site for construction.

## 7. Expenditure

Tables 4 and 5 below present a summary of the adjusted appropriation by vote and economic classification.

Further to the additional allocation received by departments, as highlighted in the above sections, departments have moved funds between programmes, sub-programmes and economic classifications. In most instances, these movements are within the prescripts governing the limitations to which Accounting Officers and Provincial Treasury may approve the movement of funds to utilise savings in one area to offset excess expenditure in another area. In cases where these limitations are exceeded, the approval of the Legislature is required and is therefore highlighted in this Adjustments Estimate. These movements are fully explained under each Vote in Section 2 of this document.

It is noted that the following definitions/guidelines are applicable to determine the type/category of adjustments reflected under the various columns in all Expenditure tables in this document:

- Roll-overs:* Funds from 2013/14 that were committed but not spent in that year, and are to be re-appropriated in 2014/15.
- Unforeseeable/unavoidable:* Expenditure that could not be anticipated at the time of finalising the 2014/15 main budget.
- Virement:* The utilisation of savings or under-spending under one main division/ sub-division/ economic classification of a vote toward the defrayment of excess expenditure under another main division/ sub-division/ economic classification of the same vote. That is, the original purpose of the funds has changed.
- Shifts:* The re-allocation of funds incorrectly allocated during the 2014/15 *EPRE* budget process, or where the funds are shifted due to the re-classification of expenditure (e.g. in line with SCOA definitions). This also includes functions shifted within a vote to follow the internal transfer of functions (e.g. from one programme to another). That is, the original purpose of the funds remains the same.
- Other adjustments:* Any additional funding that is allocated to the department during the year, other than roll-overs. This also includes funds shifted between votes to follow the transfer of functions (i.e. function shifts between departments), funds suspended to other financial years and surrendered funds.

The amount reflected against *Statutory payments* is the remuneration of the Members of the Legislature.

**Table 4: Expenditure summary by vote**

R thousand	Main appropriation	Additional appropriation					Total additional appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
1. Office of the Premier	697 159	12 994	-	-	-	(26 378)	(13 384)	683 775
2. Provincial Legislature	382 718	-	-	-	-	14 631	14 631	397 349
3. Agriculture and Rural Development	2 133 126	31 800	-	-	-	5 020	36 820	2 169 946
4. Economic Dev., Tourism and Enviro Affairs	2 883 969	-	-	-	-	129 486	129 486	3 013 455
5. Education	39 446 920	55 362	-	-	-	92 649	148 011	39 594 931
6. Provincial Treasury	878 315	24 765	-	-	-	(194 608)	(169 843)	708 472
7. Health	30 914 196	5 848	-	-	-	199 421	205 269	31 119 465
8. Human Settlements	3 600 282	-	-	-	-	22 161	22 161	3 622 443
9. Community Safety and Liaison	181 295	-	-	-	-	(1 603)	(1 603)	179 692
10. The Royal Household	54 211	-	-	-	-	7 126	7 126	61 337
11. Co-operative Governance and Traditional Affairs	1 348 076	3 472	-	-	-	135 146	138 618	1 486 694
12. Transport	9 060 595	-	-	-	-	(9 710)	(9 710)	9 050 885
13. Social Development	2 497 952	-	-	-	-	(8 192)	(8 192)	2 489 760
14. Public Works	1 369 361	20 268	-	-	-	2 134	22 402	1 391 763
15. Arts and Culture	705 112	-	-	-	-	25 008	25 008	730 120
16. Sport and Recreation	456 379	1 013	-	-	-	(1 821)	(808)	455 571
<b>Sub-total</b>	<b>96 609 666</b>	<b>155 522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>390 470</b>	<b>545 992</b>	<b>97 155 658</b>
Statutory payments	108 468	-	-	-	-	(22 227)	(22 227)	86 241
<b>Total: Provincial departments</b>	<b>96 718 134</b>	<b>155 522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368 243</b>	<b>523 765</b>	<b>97 241 899</b>
<b>Amount to be voted</b>								<b>545 992</b>

**Table 5: Expenditure summary by economic classification**

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
<b>Current payments</b>	<b>77 580 813</b>	<b>121 666</b>	<b>-</b>	<b>444 210</b>	<b>(113 276)</b>	<b>(108 173)</b>	<b>344 427</b>	<b>77 925 240</b>
Compensation of employees	58 348 963	867	-	567 291	(74 819)	3 545	496 884	58 845 847
Goods and services	19 224 082	120 799	-	(116 318)	(38 457)	(111 718)	(145 694)	19 078 388
Interest and rent on land	7 768	-	-	(6 763)	-	-	(6 763)	1 005
<b>Transfers and subsidies to:</b>	<b>10 884 345</b>	<b>18 383</b>	<b>-</b>	<b>101 445</b>	<b>96 005</b>	<b>263 812</b>	<b>479 645</b>	<b>11 363 990</b>
Provinces and municipalities	1 225 106	18 383	-	(2 095)	(84 238)	71 200	3 250	1 228 356
Departmental agencies and accounts	1 892 288	-	-	(99 872)	122 482	7 136	29 746	1 922 034
Higher education institutions	-	-	-	-	250	-	250	250
Foreign governments and international organisations	198	-	-	-	-	-	-	198
Public corporations and private enterprises	1 243 730	-	-	154 896	94 223	123 467	372 586	1 616 316
Non-profit institutions	3 121 422	-	-	4 044	(43 716)	39 901	229	3 121 651
Households	3 401 601	-	-	44 472	7 004	22 108	73 584	3 475 185
<b>Payments for capital assets</b>	<b>8 142 008</b>	<b>15 473</b>	<b>-</b>	<b>(546 428)</b>	<b>17 271</b>	<b>234 831</b>	<b>(278 853)</b>	<b>7 863 155</b>
Buildings and other fixed structures	7 393 372	3 472	-	(600 876)	18 035	234 831	(344 538)	7 048 834
Machinery and equipment	730 902	12 001	-	50 411	(844)	-	61 568	792 470
Heritage assets	5 000	-	-	3 000	80	-	3 080	8 080
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	586	-	-	-	-	-	-	586
Land and subsoil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	12 148	-	-	1 037	-	-	1 037	13 185
<b>Payments for financial assets</b>	<b>2 500</b>	<b>-</b>	<b>-</b>	<b>773</b>	<b>-</b>	<b>-</b>	<b>773</b>	<b>3 273</b>
<b>Sub-total</b>	<b>96 609 666</b>	<b>155 522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>390 470</b>	<b>545 992</b>	<b>97 155 658</b>
Statutory payments	108 468	-	-	-	-	(22 227)	(22 227)	86 241
<b>Total: Economic classification</b>	<b>96 718 134</b>	<b>155 522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>368 243</b>	<b>523 765</b>	<b>97 241 899</b>
<b>Amount to be voted</b>								<b>545 992</b>

## 8. Infrastructure

Tables 6 and 7 below show the summary of the adjusted infrastructure budgets by vote and main category. Further details are provided under each Vote in Section 2.

In aggregate, infrastructure spending is set to decrease to R11.374 billion from the original budget of R12.442 billion, a substantial decrease of R1.068 billion. This is mainly due to reprioritisation of infrastructure budget by Education (R860 million) to fund carry-through personnel spending pressures.

Other departments, such as DARD, DEDTEA, Human Settlements, Transport, Arts and Culture and Sport and Recreation are decreasing their infrastructure allocation, with more detail provided below. It must be noted that, for some departments, such as Transport, the reduction is against *Maintenance and repairs: Current*. Any decrease in *Capital* requires Legislature approval.

**Table 6: Summary of infrastructure expenditure by vote**

R thousand	Main appropriation	Additional appropriation					Total additional appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Office of the Premier	17 097	-	-	-	-	-	-	17 097
2. Provincial Legislature	4 685	-	-	-	-	-	-	4 685
3. Agriculture and Rural Development	164 886	-	-	(8 500)	-	-	(8 500)	156 386
4. Economic Dev., Tourism and Enviro Affairs	655 747	-	-	(115 000)	-	-	(115 000)	540 747
5. Education	2 722 349	-	-	(860 000)	-	-	(860 000)	1 862 349
6. Provincial Treasury	8 000	18 383	-	-	-	5 500	23 883	31 883
7. Health	1 541 776	-	-	(110 111)	-	201 190	91 079	1 632 855
8. Human Settlements	166 067	-	-	7 361	(64 708)	-	(57 347)	108 720
9. Community Safety and Liaison	-	-	-	-	-	-	-	-
10. The Royal Household	1 063	-	-	-	-	7 800	7 800	8 863
11. Co-operative Governance and Traditional Affairs	59 903	3 472	-	(3 023)	-	24 800	25 249	85 152
12. Transport	6 706 878	-	-	(124 427)	(30 000)	-	(154 427)	6 552 451
13. Social Development	122 312	-	-	12 821	-	-	12 821	135 133
14. Public Works	87 034	-	-	-	20 000	2 134	22 134	109 168
15. Arts and Culture	94 012	-	-	(25 857)	2 102	-	(23 755)	70 257
16. Sport and Recreation	90 378	-	-	(2 000)	-	(30 000)	(32 000)	58 378
<b>Total: Provincial departments</b>	<b>12 442 187</b>	<b>21 855</b>	<b>-</b>	<b>(1 228 736)</b>	<b>(72 606)</b>	<b>211 424</b>	<b>(1 068 063)</b>	<b>11 374 124</b>
<b>Amount to be voted</b>								<b>(1 068 063)</b>

**Table 7: Summary of infrastructure expenditure by category**

R thousand	Main appropriation	Additional appropriation					Total additional appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
<b>Existing infrastructure assets</b>	<b>9 335 646</b>	<b>-</b>	<b>-</b>	<b>(1 132 776)</b>	<b>(116 746)</b>	<b>211 124</b>	<b>(1 038 398)</b>	<b>8 297 248</b>
Maintenance and repair: Current	4 205 127	-	-	(543 080)	(40 051)	1 093	(582 038)	3 623 089
Upgrades and additions: Capital	3 341 865	-	-	(101 665)	-	116 785	15 120	3 356 985
Refurbishment and rehabilitation: Capital	1 788 653	-	-	(488 031)	(76 695)	93 246	(471 480)	1 317 173
<b>New infrastructure assets: Capital</b>	<b>2 322 663</b>	<b>3 472</b>	<b>-</b>	<b>25 218</b>	<b>58 332</b>	<b>24 800</b>	<b>111 822</b>	<b>2 434 485</b>
<b>Infrastructure transfers</b>	<b>783 878</b>	<b>18 383</b>	<b>-</b>	<b>(121 178)</b>	<b>(14 192)</b>	<b>(24 500)</b>	<b>(141 487)</b>	<b>642 391</b>
Infrastructure transfers: Capital	729 697	18 383	-	(121 178)	36 689	(24 500)	(90 606)	639 091
Infrastructure transfers: Current	54 181	-	-	-	(50 881)	-	(50 881)	3 300
<b>Infrastructure: Payments for fin assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Infrastructure: Leases</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Capital infrastructure	8 182 879	21 855	-	(685 656)	18 326	210 331	(435 144)	7 747 735
Current infrastructure	4 259 308	-	-	(543 080)	(90 932)	1 093	(632 919)	3 626 389
<b>Total</b>	<b>12 442 187</b>	<b>21 855</b>	<b>-</b>	<b>(1 228 736)</b>	<b>(72 606)</b>	<b>211 424</b>	<b>(1 068 063)</b>	<b>11 374 124</b>
<b>Amount to be voted</b>								<b>(1 068 063)</b>

DARD has decreased their infrastructure budget by R8.500 million relating to funding set aside for the construction of sheds for mechanisation equipment which were reprioritised to fund the Rural Development co-ordination function. Provincial Treasury approval was obtained in this regard.

DEDTEA's infrastructure budget was reduced by R115 million in respect of the allocation to DTPC due to the entity's healthy positive cash balance. Of this, R55 million was moved to provide for Ithala's turn-around strategy, R25 million to fund the Industrial Economic Hubs project and R35 million was utilised to offset pressures relating to the KZN Film Commission, a newly established public entity, aimed at providing superior, specialised information on the KZN film industry.

Human Settlements reduced their infrastructure budget by R57.347 million due to the department centralising all funding in respect of the KZN Housing Fund under *Transfers and subsidies* as per the Auditor-General's instruction. This relates to all activities relating to the management and maintenance of housing properties. Details of this are provided under the vote's chapter.

Transport decreased its infrastructure budget by R154.427 million due to savings realised as a result of slow progress with regard to road maintenance work. These savings will be utilised to fast-track the upgrading of gravel roads to surfaced roads, complete some construction projects carried over from 2013/14, to offset spending pressures in respect of the Public Transport Operations grant and the higher than anticipated expenditure relating to consultation services relating to programme management for maintenance and construction projects.

Arts and Culture has reduced its infrastructure allocation by R23.755 million, mainly due to delays in finding a suitable site for the construction of the Umzumbe library, as well as delays by DOPW in appointing contractors for the renovations of the Dundee and Pinetown depots. Also contributing was

the withholding of transfers to the eThekweni Metro in respect of the department's contribution to the construction of the mega-library.

Sport and Recreation reduced its infrastructure allocation by R32 million, mainly due to challenges in finding a suitable site for the construction of the international sport development centre in Durban.

Health, on the other hand, increased their infrastructure budget substantially and this is discussed in more detail here:

- Health's infrastructure allocation was increased by a net amount of R91.079 million, largely as a result of additional funding to assist with the health infrastructure pressures.
- These include an additional allocation of R200 million in respect of the Health Facility Revitalisation grant from National Treasury, as mentioned previously.

Table 7 above also reflects that departments have made adjustments against the various categories. From this, it can be seen that the reductions have been effected mainly against *Maintenance and repairs: Current, Refurbishment and rehabilitation: Capital* and *Infrastructure transfers* (largely under DEDTEA and Human Settlements relating to the DTPC transfers and the provision for the Housing Fund, respectively), with *Upgrades and additions: Capital* and *New infrastructure assets: Capital* showing a substantial increase relating mainly to additional funding allocated to Health, in respect of health infrastructure projects.

## 9. Transfers to local government

Table 8 below gives a summary of the transfers to local government. Details of these transfers are provided under each Vote in Section 2.

Transfers to municipalities are set to decrease by R10.828 million, being the net effect after taking into account increases and decreases in various departments. The bulk of these transfers are administered by COGTA (R249.160 million), Public Works (R485.110 million) and Arts and Culture (R222.973 million).

For COGTA, the transfers undertaken to municipalities relate mainly to the Corridor Development, Massification and the Small Town Rehabilitation programmes. These have increased substantially due to additional funding allocated for rural development under the Small Town Rehabilitation programme and electrification projects under the Massification programme.

Public Works' allocation to *Transfers and subsidies to: Provinces and municipalities* relates entirely to the payment of property rates.

Arts and Culture reduced its allocation by R48.633 million relating mainly to transfers amounting to R46.178 million which were withdrawn from the eThekweni Metro relating to the department's contribution to the construction of the mega-library (R10.002 million) and R36.178 million withheld due to the department's decision to reprioritise funds for spending pressures resulting from commitments from the previous year, as well as events/projects that were under-budgeted for.

Sport and Recreation reduced its allocation for transfers to municipalities by R30 million as a result of challenges experienced with finding a suitable site for the construction of an international sport development centre in Durban. These funds were allocated for transfer to the eThekweni Metro and have been suspended to 2015/16 for the same purpose.

Table 8: Summary of transfers to local government

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments			
A	KZN2000 eThekweni	648 546	-	-	(91 983)	(60 121)	(30 000)	(182 104)	466 442
<b>Total: Ugu Municipalities</b>		<b>40 966</b>	-	-	<b>5 970</b>	<b>(427)</b>	-	<b>5 543</b>	<b>46 509</b>
B	KZN211 Vulamehlo	1 472	-	-	160	-	-	160	1 632
B	KZN212 Umdoni	5 067	-	-	979	(65)	-	914	5 981
B	KZN213 Umzumbe	4 350	-	-	1 475	4 000	-	5 475	9 825
B	KZN214 uMuziwabantu	2 983	-	-	-	-	-	-	2 983
B	KZN215 Ezinqoleni	932	-	-	1 109	(126)	-	983	1 915
B	KZN216 Hibiscus Coast	12 852	-	-	2 247	4 764	-	7 011	19 863
C	DC21 Ugu District Municipality	13 310	-	-	-	(9 000)	-	(9 000)	4 310
<b>Total: uMgungundlovu Municipalities</b>		<b>162 080</b>	-	-	<b>6 786</b>	<b>(4 500)</b>	-	<b>2 286</b>	<b>164 366</b>
B	KZN221 uMshwathi	11 022	-	-	5 678	-	-	5 678	16 700
B	KZN222 uMngeni	14 488	-	-	(3 765)	14 763	-	10 998	25 486
B	KZN223 Mpošana	1 961	-	-	(701)	(148)	-	(849)	1 112
B	KZN224 Impendle	826	-	-	85	-	-	85	911
B	KZN225 Msunduzi	99 837	-	-	7 786	3 885	-	11 671	111 508
B	KZN226 Mkhambathini	1 478	-	-	(197)	-	-	(197)	1 281
B	KZN227 Richmond	3 114	-	-	(2 100)	-	-	(2 100)	1 014
C	DC22 uMgungundlovu District Municipality	29 354	-	-	-	(23 000)	-	(23 000)	6 354
<b>Total: Uthukela Municipalities</b>		<b>39 521</b>	-	-	<b>20 316</b>	<b>855</b>	<b>7 000</b>	<b>28 171</b>	<b>67 692</b>
B	KZN232 Emnambithi/Ladysmith	20 545	-	-	1 844	(148)	-	1 696	22 241
B	KZN233 Indaka	2 277	-	-	51	(146)	-	(95)	2 182
B	KZN234 Umtshezi	6 808	-	-	9 541	(496)	3 000	12 045	18 853
B	KZN235 Okhahlamba	2 021	-	-	12 789	1 645	4 000	18 434	20 455
B	KZN236 Imbabazane	2 020	-	-	1 691	-	-	1 691	3 711
C	DC23 Uthukela District Municipality	5 850	-	-	(5 600)	-	-	(5 600)	250
<b>Total: Umzinyathi Municipalities</b>		<b>37 347</b>	-	-	<b>1 914</b>	<b>(26)</b>	<b>9 185</b>	<b>11 073</b>	<b>48 420</b>
B	KZN241 Endumeni	13 057	-	-	(2 112)	104	-	(2 008)	11 049
B	KZN242 Nqutu	8 896	-	-	1 517	18	3 970	5 505	14 401
B	KZN244 Msinga	3 442	-	-	1 836	-	-	1 836	5 278
B	KZN245 Umvoti	4 402	-	-	1 973	(148)	5 215	7 040	11 442
C	DC24 Umzinyathi District Municipality	7 550	-	-	(1 300)	-	-	(1 300)	6 250
<b>Total: Amajuba Municipalities</b>		<b>29 977</b>	-	-	<b>3 617</b>	<b>(296)</b>	<b>28 000</b>	<b>31 321</b>	<b>61 298</b>
B	KZN252 Newcastle	15 225	-	-	(2 100)	4 704	-	2 604	17 829
B	KZN253 eMadlangeni	2 043	-	-	2 943	-	-	2 943	4 986
B	KZN254 Dannhauser	1 709	-	-	2 774	5 000	28 000	35 774	37 483
C	DC25 Amajuba District Municipality	11 000	-	-	-	(10 000)	-	(10 000)	1 000
<b>Total: Zululand Municipalities</b>		<b>42 347</b>	-	-	<b>14 804</b>	<b>(164)</b>	<b>10 500</b>	<b>25 140</b>	<b>67 487</b>
B	KZN261 eDumbe	5 427	-	-	2 704	-	3 000	5 704	11 131
B	KZN262 uPhongolo	4 405	-	-	525	4 994	-	5 519	9 924
B	KZN263 Abaqulusi	10 101	-	-	2 475	(148)	7 500	9 827	19 928
B	KZN265 Nongoma	3 821	-	-	2 000	-	-	2 000	5 821
B	KZN266 Ulundi	11 614	-	-	7 100	(10)	-	7 090	18 704
C	DC26 Zululand District Municipality	6 979	-	-	-	(5 000)	-	(5 000)	1 979
<b>Total: Umkhanyakude Municipalities</b>		<b>20 200</b>	-	-	<b>12 213</b>	<b>630</b>	-	<b>12 843</b>	<b>33 043</b>
B	KZN271 Umhlabyalingana	8 096	-	-	4 612	126	-	4 738	12 834
B	KZN272 Jozini	2 984	-	-	3 266	126	-	3 392	6 376
B	KZN273 The Big 5 False Bay	1 620	-	-	1 035	-	-	1 035	2 655
B	KZN274 Hlabisa	1 950	-	-	2 525	126	-	2 651	4 601
B	KZN275 Mtubatuba	5 300	-	-	775	252	-	1 027	6 327
C	DC27 Umkhanyakude District Municipality	250	-	-	-	-	-	-	250
<b>Total: uThungulu Municipalities</b>		<b>98 101</b>	-	-	<b>2 228</b>	<b>(21 141)</b>	-	<b>(18 913)</b>	<b>79 188</b>
B	KZN281 Umfolozi	6 522	-	-	(502)	(4)	-	(506)	6 016
B	KZN282 uMhlathuze	64 161	-	-	6 780	(21 298)	-	(14 518)	49 643
B	KZN283 Ntambanana	3 411	-	-	(225)	-	-	(225)	3 186
B	KZN284 uMlalazi	7 661	-	-	675	161	-	836	8 497
B	KZN285 Mthonjaneni	3 161	-	-	500	-	-	500	3 661
B	KZN286 Nkandla	2 485	-	-	3 700	-	-	3 700	6 185
C	DC28 uThungulu District Municipality	10 700	-	-	(8 700)	-	-	(8 700)	2 000
<b>Total: Ilembe Municipalities</b>		<b>55 682</b>	-	-	<b>2 067</b>	<b>452</b>	<b>12 000</b>	<b>14 519</b>	<b>70 201</b>
B	KZN291 Mandeni	4 583	-	-	(1 435)	600	-	(835)	3 748
B	KZN292 KwaDukuza	11 850	-	-	2 514	4 852	3 000	10 366	22 216
B	KZN293 Ndwedwe	10 116	-	-	(1 135)	4 700	6 000	9 565	19 681
B	KZN294 Maphumulo	8 502	-	-	2 123	-	3 000	5 123	13 625
C	DC29 Ilembe District Municipality	20 631	-	-	-	(9 700)	-	(9 700)	10 931
<b>Total: Harry Gwala Municipalities</b>		<b>38 656</b>	<b>18 383</b>	-	<b>5 883</b>	<b>500</b>	<b>34 515</b>	<b>59 281</b>	<b>97 937</b>
B	KZN431 Ingwe	2 142	-	-	1 714	-	1 000	2 714	4 856
B	KZN432 Kwa Sani	1 265	-	-	291	-	-	291	1 556
B	KZN433 Greater Kokstad	18 129	18 383	-	(2 457)	3 000	5 000	23 926	42 055
B	KZN434 Ubuhlebezwe	1 346	-	-	1 835	8 000	20 515	30 350	31 696
B	KZN435 Umzimkulu	4 524	-	-	4 500	-	8 000	12 500	17 024
C	DC43 Harry Gwala District Municipality	11 250	-	-	-	(10 500)	-	(10 500)	750
<b>Unallocated</b>		<b>1 084</b>	-	-	<b>12</b>	-	-	<b>12</b>	<b>1 096</b>
<b>Total</b>		<b>1 214 507</b>	<b>18 383</b>	-	<b>(16 173)</b>	<b>(84 238)</b>	<b>71 200</b>	<b>(10 828)</b>	<b>1 203 679</b>
<b>Amount to be voted</b>								<b>(10 828)</b>	

## 10. Actual expenditure and revised spending projections for the rest of 2014/15

Tables 9 and 10 below provide a summary of the actual expenditure as at the end of September 2014, projected expenditure for the rest of the financial year and total revised spending per department and economic classification. Details per department are provided in Section 2 of this document. The aggregated actual expenditure after six months of the year was largely on track, at 50 per cent of the adjusted budget when compared to the straight-line benchmark of 50 per cent after six months.

All departments are projecting to spend within budget, mainly due to additional funding and roll-overs approved, which has eliminated the spending pressures. Departments also undertook to spend within budget by reprioritising savings to fund spending pressures.

**Table 9: Actual payments and revised spending projections by programme**

R thousand	2013/14 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '14 - September 2014	% of budget	October '14 - March 2015	% of budget	
1. Office of the Premier	762 405	683 775	270 532	39.6	413 243	60.4	683 775
2. Provincial Legislature	460 929	483 590	218 096	45.1	265 494	54.9	483 590
3. Agriculture and Rural Development	1 988 473	2 169 946	825 646	38.0	1 344 300	62.0	2 169 946
4. Economic Development, Tourism and Environmental Affairs	3 348 529	3 013 455	1 325 039	44.0	1 688 416	56.0	3 013 455
5. Education	37 587 146	39 594 931	20 092 659	50.7	19 502 272	49.3	39 594 931
6. Provincial Treasury	577 541	708 472	303 375	42.8	405 097	57.2	708 472
7. Health	27 390 533	31 119 465	15 779 020	50.7	15 340 445	49.3	31 119 465
8. Human Settlements	3 617 002	3 622 443	2 151 177	59.4	1 471 266	40.6	3 622 443
9. Community Safety and Liaison	171 922	179 692	74 672	41.6	105 020	58.4	179 692
10. The Royal Household	67 896	61 337	43 665	71.2	17 672	28.8	61 337
11. Co-operative Governance and Traditional Affairs	1 242 496	1 486 694	649 228	43.7	837 466	56.3	1 486 694
12. Transport	8 055 187	9 050 885	4 481 180	49.5	4 569 705	50.5	9 050 885
13. Social Development	2 330 244	2 489 760	1 165 500	46.8	1 324 260	53.2	2 489 760
14. Public Works	1 270 253	1 391 763	795 638	57.2	596 125	42.8	1 391 763
15. Arts and Culture	698 686	730 120	299 905	41.1	430 215	58.9	730 120
16. Sport and Recreation	406 268	455 571	176 463	38.7	279 108	61.3	455 571
<b>Total</b>	<b>89 975 510</b>	<b>97 241 899</b>	<b>48 651 795</b>	<b>50.0</b>	<b>48 590 104</b>	<b>50.0</b>	<b>97 241 899</b>

**Table 10: Actual payments and revised spending projections by economic classification**

R thousand	2013/14 Audited outcome	Adjusted appropriation	Actual payments		Projected payments		Projected actual
			April '14 - September 2014	% of budget	October '14 - March 2015	% of budget	
<b>Current payments</b>	<b>70 308 261</b>	<b>78 002 853</b>	<b>37 863 443</b>	<b>48.5</b>	<b>40 124 351</b>	<b>51.4</b>	<b>77 987 794</b>
Compensation of employees	52 728 267	58 923 460	29 099 071	49.4	29 824 389	50.6	58 923 460
Goods and services	17 573 734	19 078 388	8 762 574	45.9	10 298 994	54.0	19 061 568
Interest and rent on land	6 260	1 005	1 798	178.9	968	96.3	2 766
<b>Transfers and subsidies to:</b>	<b>11 180 013</b>	<b>11 372 618</b>	<b>6 418 818</b>	<b>56.4</b>	<b>4 968 451</b>	<b>43.7</b>	<b>11 387 269</b>
Provinces and municipalities	1 087 331	1 228 356	742 672	60.5	485 684	39.5	1 228 356
Departmental agencies and accounts	1 839 627	1 922 034	1 032 198	53.7	889 836	46.3	1 922 034
Higher education institutions	57	250	16	6.4	250	100.0	266
Foreign governments and international organisations	221	198	70	35.4	194	98.0	264
Public corporations and private enterprises	1 394 553	1 616 316	658 230	40.7	958 086	59.3	1 616 316
Non-profit institutions	3 380 741	3 121 651	1 867 837	59.8	1 253 814	40.2	3 121 651
Households	3 477 483	3 483 813	2 117 795	60.8	1 380 587	39.6	3 498 382
<b>Payments for capital assets</b>	<b>8 483 458</b>	<b>7 863 155</b>	<b>4 366 300</b>	<b>55.5</b>	<b>3 496 855</b>	<b>44.5</b>	<b>7 863 155</b>
Buildings and other fixed structures	7 657 903	7 048 834	4 094 741	58.1	2 954 093	41.9	7 048 834
Machinery and equipment	788 254	792 470	269 231	34.0	523 239	66.0	792 470
Heritage assets	9 127	8 080	327	4.0	7 753	96.0	8 080
Specialised military assets	-	-	-	-	-	-	-
Biological assets	517	586	48	8.2	538	91.8	586
Land and subsoil assets	-	-	-	-	-	-	-
Software and other intangible assets	27 657	13 185	1 953	14.8	11 232	85.2	13 185
<b>Payments for financial assets</b>	<b>3 778</b>	<b>3 273</b>	<b>3 234</b>	<b>98.8</b>	<b>447</b>	<b>13.7</b>	<b>3 681</b>
<b>Total</b>	<b>89 975 510</b>	<b>97 241 899</b>	<b>48 651 795</b>	<b>50.0</b>	<b>48 590 104</b>	<b>50.0</b>	<b>97 241 899</b>