

Vote 4

Economic Development, Tourism and Environmental Affairs

R thousand	2014/15			
	Main appropriation	Adjusted appropriation	Decrease	Increase
Operational budget	2 882 234	3 011 720		129 486
MEC remuneration	1 735	1 735		
Total amount to be appropriated	2 883 969	3 013 455		129 486
<i>of which:</i>				
Current payments	829 173	822 992	(6 181)	
Transfers and subsidies	2 048 634	2 180 629		131 995
Payments for capital assets	6 162	9 834		3 672
Payments for financial assets	-	-		
Responsible MEC	Mr. M. Mabyakhulu, MEC for Economic Development, Tourism and Environmental Affairs			
Administering department	Economic Development, Tourism and Environmental Affairs			
Accounting Officer	Head: Economic Development, Tourism and Environmental Affairs			

1. Vision and mission

Vision

The vision of the Department of Economic Development, Tourism and Environmental Affairs (DEDTEA) is: *Leading the attainment of inclusive growth for job creation and economic sustenance.*

Mission

The department's mission is to: *Develop and implement strategies that drive economic growth, be a catalyst for economic transformation and development, provide leadership and facilitate integrated economic planning and development, and create a conducive environment for investment.*

2. Strategic objectives

Strategic policy direction: By focusing on driving the economic development strategies, the department seeks to facilitate strategies to enhance the competitiveness of priority sectors of the economy, in line with its industrial development strategy. It also seeks to promote the development of small business and social enterprises, to facilitate economic empowerment programmes, and manage the Enterprise Development and Growth Funds. In addition, it seeks to provide an effective and efficient consumer protection service and to ensure effective and prudent business regulation in the province.

The department has identified the following strategic goals and objectives:

Lead and co-ordinate integrated economic planning and development

- To facilitate the implementation of B-BBEE strategy and policies.
- To provide macro-economic analysis and develop provincial economic policies/strategies.
- To provide research on priority economic sectors.
- To champion Special Economic Zones (SEZs).
- To drive growth of the provincial economy.
- To facilitate implementation of local economic development strategies.

- To forge strategic partnerships for the development of the provincial economy (leverage resources).
- To develop and maintain an efficient regulatory and governance framework for sustained economic development.

Facilitate sustainable and inclusive economic growth to ensure job creation

- To promote SMME and entrepreneurial development (informal and social enterprises).
- To facilitate creation of new markets.
- To enhance sector and industrial development through trade, investment and exports logistics, Information Communication Technology (ICT), manufacturing, green economy, agri-business, tourism, creative industries, maritime, aerotropolis and aviation.
- To develop the knowledge base to enhance the knowledge economy.
- Development of ICT infrastructure.
- To investigate and develop viable alternative energy generation options.

Develop and transform the tourism sector to achieve destination competitiveness

- To develop and fund the implementation of tourism sector specific products.
- To enhance the contribution of tourism to the KZN economy.
- To implement interventions that drive transformation, diversification and service excellence in the tourism sector.
- To foster strategic linkages (tourism corridors, leverage infrastructure development strategy).
- To promote responsible tourism practices and champion tourism response to climate change.

Sustainable natural resource management

- To ensure environmentally sustainable development.
- To mitigate impact on and promote a safe, healthy environment.
- To ensure management of invasive alien species.
- To conserve the indigenous biodiversity of KZN

3. Summary of adjusted estimates for the 2014/15 financial year

The original budget appropriation of DEDTEA was R2.884 billion in 2014/15, as per the *Explanatory Memorandum in the EPRE*. During the year, the department received an overall increase of R129.486 million. This amount is made up of the following adjustments, details of which are given in Section 4 below:

- *Virement between programmes*: The following virements were undertaken between programmes:
 - Programme 1: Administration was increased by R5.293 million from savings which were identified in Programmes 2 and 7, as explained below:
 - R2.799 million was reprioritised from the Growth Fund Trust under *Transfers and subsidies to: Non-profit institutions* in Programme 2 as a result of the entity's healthy positive cash balance. These savings were moved to *Goods and services* in Programme 1 to fund payments in respect of the Growth Fund Trust restructuring feasibility study, an independent Ithala Development Finance Corporation (Ithala) repositioning analysis report, as well as a study to be undertaken into the rationalisation of the public entities that fall under the department.
 - Savings of R2.494 million identified under Programme 7: Environmental Affairs against *Goods and services*, as a result of financial controls implemented, were re-directed to Programme 1 under *Compensation of employees* toward the provision of support services to the Environmental Affairs function within the administration support staff, such as the finance and human resources directorates.

- o In Programme 2: Integrated Economic Development Services, the department reduced the transfer to the Growth Fund Trust by R50 million due to the entity's healthy positive cash balance. It should be noted that the allocation to the Growth Fund Trust was increased by R10 million to honor resolution 9/2014 of the Finance Portfolio Committee (FPC). This results in a net decrease of the Growth Fund Trust by R40 million. An amount of R34 million remained within Programme 2, and was moved from *Transfers and subsidies to: Non-profit institutions* to *Goods and services* to fund the establishment costs of the Small Business Development Agency (SBDA), which is aimed at being a one-stop shop for SMMEs in KZN. The objective of the SBDA is to strengthen existing institutional arrangements to meet the requirements and objectives of SMMEs. These funds were moved to *Goods and services*, as the department is incurring the set-up costs on behalf of this entity. The balance of R6 million and other savings in Programme 2 resulted in an increase of R40.877 million, as follows:
 - R55 million was moved from *Transfers and subsidies to: Departmental agencies and accounts* in Programme 3: Trade and Sector Development under the Dube TradePort Corporation (DTPC) to *Transfers and subsidies to: Public corporations and private enterprises* for Ithala's turn-around strategy, following the agreement signed by the National Minister of Finance and MEC for Finance.
 - R2.799 million was moved from *Transfers and subsidies to: Non-profit institutions* under the Growth Fund Trust to Programme 1 against *Goods and services* to fund the Growth Fund restructuring feasibility study, and an independent Ithala repositioning analysis report, as explained above.
 - R1.201 million was moved within *Transfers and subsidies to: Non-profit institutions* from the Growth Fund Trust in Programme 2 to Programme 3 to address spending pressures relating to the purchase of computer servers in respect of the KZN Film Commission, a newly established public entity (not yet listed), aimed at providing superior, specialised information on the KZN film industry, both to encourage international production activity and to stimulate the growth in the local film industry.
 - R2 million was moved from *Transfers and subsidies to: Non-profit institutions* to *Transfers and subsidies to: Departmental agencies and accounts* in Programme 6: Tourism. Of this amount, R1 million was to increase the transfer to the KZN Sharks Board (KZNSB) for hosting the Sharks International Conference in June 2014, to promote the organisation as an internationally acclaimed centre for shark research. Also, the KZN Tourism Authority (TKZN) received R1 million for the costs incurred through the participation in the 2014 Carnival International De Victoria at the Seychelles, which aims to promote relations with the Seychelles.
 - R8.123 million was reprioritised against *Goods and services* from various projects, such as the Co-operative Train-a-Trainer and Keates Drift building renovations, as these projects were put on hold in 2014/15. These savings were moved from Programme 2 to Programme 3, to fund pressures brought about by the KZN Music House function shift from DEDTEA to Vote 15: Arts and Culture.
 - R10 million to provide for the transfer to the Growth Fund Trust in line with Resolution 9/2014 of the FPC.
- o Programme 3 was decreased by a net amount of R40.827 million, as follows:
 - A virement was undertaken where the DTPC allocation was reduced by R115 million from *Transfers and subsidies to: Departmental agencies and accounts* due to the entity's healthy positive cash balance. Of this amount, R55 million was moved to Programme 2 against *Transfers and subsidies to: Public corporations and private enterprises* for the Ithala turn-around strategy. The balance was moved within Programme 3 to *Goods and services* to fund the Industrial Economic Hubs at R25 million and R35 million to *Transfers and subsidies to: Non-profit institutions* to fund the KZN Film Commission.

- R9.324 million savings identified in Programme 2, comprising R8.123 million from *Goods and services*, were initially budgeted for the Co-operative Train-a-Trainer and Keates Drift renovations, which were put on hold in 2014/15. These savings were used to offset pressure brought about by the KZN Music House shift to Vote 15 in Programme 3. The balance of R1.201 million relates to savings from the Growth Fund Trust, which were moved to *Transfers and subsidies to: Non-profit institutions* in Programme 3 toward the purchase of computer servers in respect of the KZN Film Commission.
- Savings of R2.471 million were moved from Programme 4: Business Regulation and Governance against *Compensation of employees* as a result of delays in filling of vacant posts, and *Goods and services* due to financial controls on items such as travel and subsistence, transport provided for departmental activity, as well as minor assets, of R599 000 and R1.872 million, respectively. An amount of R2.094 million was re-directed to fund the Industrial Economic Hubs, a new initiative which seek to enhance economic performance through collectively managed resources like energy, water and sewer reticulation services. The balance of R377 000 was moved to address pressures caused by the KZN Music House function shift from DEDTEA to Vote 15, both in Programme 3.
- R2.378 million savings were moved from Programme 5: Economic Planning against *Goods and services* due to reprioritisation of funds from various projects, including the Renewable Energy Transaction Advisor project, as well as implementation of financial controls. These savings were reprioritised to the Industrial Economic Hubs.
- o Programme 4 was decreased by R2.471 million due to savings under *Compensation of employees* and *Goods and services* resulting from delays in the filling of posts and financial controls on items such as travel and subsistence. These savings were moved to Programme 3 to fund the Industrial Economic Hubs and offset pressures caused by the KZN Music House function shift, as explained above.
- o Programme 5 was decreased by R5.634 million against *Goods and services* relating to various projects such as the Renewable Energy Transaction Advisor project, as well as financial controls on items such as travelling and subsistence. These savings were moved to *Goods and services* under Programmes 3 and 6 for the Industrial Economic Hubs and the uMthayi Marula Festival, respectively. Also, savings of R719 000 were identified from *Software and other intangible assets* and were moved to Programme 6 under *Goods and services* to offset spending pressures relating to the uMthayi Marula Festival, an annual cultural event that attracts participants from neighbouring countries like Mozambique and Swaziland.
- o Programme 6 was increased by R5.256 million to fund several tourism events. An amount of R3.256 million was moved from Programme 5 against *Goods and services* and *Software and other intangible assets* to Programme 6 against *Goods and services* to cater for the uMthayi Marula Festival. An amount of R2 million was moved from Programme 2 against *Transfers and subsidies to: Non-profit institutions* to *Transfers and subsidies to: Departmental agencies and accounts*, for transfer to TKZN (R1 million) for the costs incurred as a result of the participation in the 2014 Carnival International De Victoria in the Seychelles, and to KZNSB for hosting the Sharks International Conference (R1 million).
- o Programme 7 shows a net decrease of R2.494 million due to financial controls against *Goods and services*. These savings were re-directed to Programme 1 against *Compensation of employees* toward the provision of administrative support services to the Environmental Affairs function, particularly with regard to finance and human resources.
- o These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained, such as the increase in transfers to entities, as well as the introduction of several new transfers. However, the virements undertaken from Programme 5 exceed the 8 per cent limit permitted in terms of the PFMA, and therefore Legislature approval is required. Also, the reductions in the transfers to the Growth Fund Trust, the DTPC, and EKZNW (as an implementing agent for Bhambatha Lodge explained in detail under Section 4) require Legislature approval.

In addition to the above virements, the department undertook virements across sub-programmes and economic categories within programmes. These are discussed in more detail in Section 4.

- *Shifts:* The following shifting of funds between programmes were undertaken, where the original purpose of the funds remains unchanged. Besides this, the department undertook extensive shifts between economic classifications, and these are detailed in Section 4 of this report.
 - Programme 2 was increased by R2.800 million as a result of funds shifted from Programme 6, as follows:
 - R800 000 for the Drakensburg Cable Car Environmental Impact Assessment (EIA) was moved from Programme 6 under *Goods and services* to Programme 2 against *Transfers and subsidies to: Public corporations and private enterprises*, as this project will be conducted by Ithala.
 - R2 million for the entrepreneurship training programme to be conducted by the KZN Business Chambers Council, aimed at providing entrepreneurs and micro-business with a platform and to move their businesses to sustainable growth levels. These funds were incorrectly budgeted for in Programme 6 against *Goods and services*, and were moved to *Transfers and subsidies to: Public corporation and private enterprises* in Programme 2.
 - Programme 3 was increased by R1.250 million due to the re-classification of funds in respect of the technical assistant fund for renewable energy project which was re-classified from Programme 5 under *Goods and services* to Programme 3 against *Transfers and subsidies to: Departmental agencies and accounts*, since Trade and Investment KZN (TIK) has been assigned to implement this project. The purpose of the funds remains the same.
- *Other adjustments:* The budget allocation was increased by R129.486 million as explained below:
 - R1.975 million, being the remainder of funds relating to the administrative support portion of the Environmental Affairs function shift, was moved from Vote 3: Agriculture and Rural Development to the department. These funds were allocated to Programme 1 against *Compensation of employees* (R1.679 million) and *Goods and services* (R296 000).
 - R47.667 million was moved to the department from the Strategic Cabinet Initiatives Fund under Vote 6: Provincial Treasury. These funds were allocated for the following events in Programme 6 against *Transfers and subsidies to: Public corporations and private enterprises*:
 - R9 million for the SA Women's Golf Championship which was held in October 2014.
 - R5 million for the Nelson Mandela Golf Tournament, to be held on 14 December 2014.
 - R10.527 million for the Metro FM Awards, which are to be held in March 2015.
 - R5 million for Africa Bike Week, which was held in May 2014.
 - R9.070 million for the World Pro-am Golfers Championship to be held in February 2015.
 - R9.070 million for the World Amateur Golf Tournament, to be held in November 2014.
 - In addition, funding of R101.800 million was from Ithala's Equity Fund paid into the Provincial Revenue Fund. Of this amount, R64.800 million was allocated as follows:
 - R50 million was added for transfer to Ithala Limited in Programme 2 against *Transfers and subsidies to: Departmental agencies and accounts*. These funds were allocated to ensure Ithala Limited maintains a certain minimum Capital Adequacy Ratio percentage.
 - R14 million was allocated for the World Routes 2015 strategy allocated in Programme 6 against *Goods and services*.
 - In addition, surplus funds of R800 000, being interest from the unspent portion of the Growth Fund held by the IDFC, were allocated in Programme 2 against *Transfers and subsidies to: Departmental agencies and accounts* for consultant fees for the construction of the Ndumo taxi rank and informal stalls.

- The balance of R37 million relates to the SBDA allocation held by IDFC. Of this amount, R25 million was utilised toward funding the construction of the Ndumo retail centre and petrol filling station which was allocated in Programme 2 against *Transfers and subsidies to: Departmental agencies and accounts*. The balance of R12 million was for the World Routes 2015 strategy. An amount of R8 million was allocated in Programme 6 against *Goods and services*, and R4 million was to increase the allocation to TKZN against *Transfers and subsidies to: Departmental agencies and accounts*, since the entity will be responsible for promotion and marketing of this project.
- o Offsetting the above increase of R151.442 million were the following reductions:
 - R875 000 was deducted from the department's operational budget relating to previous years' irregular expenditure. Cabinet approved that, where departments were unable to provide sufficient justification for the irregular expenditure, it becomes a first charge against the vote. This amount was deducted from *Goods and services* in Programme 1.
 - R12 million relating to the KZN Music House was moved to Vote 15: Arts and Culture following the Premier's directive to move this organisation to fall under the latter department. This amount was reduced from Programme 3 against *Goods and services*.
 - R9.081 million, being a function shift from DEDTEA to Vote 16: Sport and Recreation in respect of UCI/ BMX Cycling (Pietermaritzburg Bike City). These funds were moved as this is a sport related event. This amount is reduced from Programme 6 against *Transfers and subsidies to: Non-profit institutions*.

Tables 4.1 and 4.2 below reflect a summary of the 2014/15 adjusted appropriation of the department, summarised according to programme and economic classification.

Table 4.1: Summary by programmes

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
1. Administration	194 876	-	-	5 293	-	1 100	6 393	201 269
2. Integrated Economic Development Services	441 576	-	-	40 877	2 800	75 800	119 477	561 053
3. Trade and Sector Development	882 294	-	-	(40 827)	1 250	(12 000)	(51 577)	830 717
4. Business Regulation and Governance	110 360	-	-	(2 471)	-	-	(2 471)	107 889
5. Economic Planning	31 161	-	-	(5 634)	(1 250)	-	(6 884)	24 277
6. Tourism	286 673	-	-	5 256	(2 800)	64 586	67 042	353 715
7. Environmental Affairs	937 029	-	-	(2 494)	-	-	(2 494)	934 535
Total	2 883 969	-	-	-	-	129 486	129 486	3 013 455
Amount to be voted							129 486	129 486

Table 4.2: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	829 173	-	-	49 764	(67 045)	11 100	(6 181)	822 992
Compensation of employees	278 208	-	-	(6 335)	-	1 679	(4 656)	273 552
Goods and services	550 965	-	-	56 099	(67 045)	9 421	(1 525)	549 440
Interest and rent on land	-	-	-	-	-	-	-	-
Transfers and subsidies to:	2 048 634	-	-	(53 436)	67 045	118 386	131 995	2 180 629
Provinces and municipalities	1 520	-	-	129	4 185	-	4 314	5 834
Departmental agencies and accounts	1 607 131	-	-	(109 947)	296	4 000	(105 651)	1 501 480
Higher education institutions	-	-	-	-	250	-	250	250
Foreign governments and international organisations	-	-	-	-	-	-	-	-
Public corporations and private enterprises	254 170	-	-	60 596	64 223	123 467	248 286	502 456
Non-profit institutions	171 408	-	-	(3 799)	(1 909)	(9 081)	(14 789)	156 619
Households	14 405	-	-	(415)	-	-	(415)	13 990
Payments for capital assets	6 162	-	-	3 672	-	-	3 672	9 834
Buildings and other fixed structures	-	-	-	-	-	-	-	-
Machinery and equipment	5 362	-	-	4 249	-	-	4 249	9 611
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-
Land and subsoil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	800	-	-	(577)	-	-	(577)	223
Payments for financial assets	-	-	-	-	-	-	-	-
Total	2 883 969	-	-	-	-	129 486	129 486	3 013 455
Amount to be voted							129 486	129 486

4. Changes to programme purposes and service delivery measures

The department has not changed the purpose of any of its programmes. It is noted, however, that there have been a few minor changes to service delivery measures to align the targets originally published in the 2014/15 EPRE with the department's Annual Performance Plan (APP), which was published after the 2014/15 EPRE.

4.1 Programme 1: Administration

The main purpose of Programme 1 is to provide for the overall management of the department, and to render a support service to the other programmes in respect of transversal functions.

Tables 4.3 and 4.4 below reflect a summary of the 2014/15 adjusted appropriation of Programme 1, summarised according to sub-programme and economic classification. Details of the main adjustments, which lead to an overall increase of R6.393 million, are given in the paragraphs following the tables.

Table 4.3: Programme 1: Administration

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Office of the MEC	29 096			(671)			(671)	28 425
Office of the HOD	31 576			4 623			4 623	36 199
Financial Management	28 246			2 887		125	3 012	31 258
Corporate Services	105 958			(1 546)		975	(571)	105 387
Total	194 876	-	-	5 293	-	1 100	6 393	201 269
Amount to be voted							6 393	6 393

Table 4.4: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	191 813	-	-	1 219	(546)	1 100	1 773	193 586
Compensation of employees	70 685			3 056		1 679	4 735	75 420
Goods and services	121 128			(1 837)	(546)	(579)	(2 962)	118 166
Interest and rent on land							-	-
Transfers and subsidies to:	20	-	-	785	546	-	1 331	1 351
Provinces and municipalities	20						-	20
Departmental agencies and accounts					546		546	546
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises				96			96	96
Non-profit institutions				129			129	129
Households				560			560	560
Payments for capital assets	3 043	-	-	3 289	-	-	3 289	6 332
Buildings and other fixed structures							-	-
Machinery and equipment	3 043			3 289			3 289	6 332
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets							-	-
Total	194 876	-	-	5 293	-	1 100	6 393	201 269
Amount to be voted							6 393	6 393

Virement – Programme 1: Administration: R5.293 million

The main appropriation of Programme 1 was increased by R5.293 million as a result of the following:

- R2.799 million was identified in Programme 2 under *Transfers and subsidies to: Non-profit institutions* from the Growth Fund Trust due to the entity's healthy positive cash balance. This amount was moved to the sub-programme: Office of the HOD against *Goods and services* to cater for the Growth Fund restructuring feasibility study, an independent Ithala repositioning analysis report, as well as a study to be undertaken into the rationalisation of the public entities that fall under the department.

- Savings of R2.494 million were identified in Programme 7, due to financial controls implemented. These savings were moved to the sub-programmes: Financial Management and Corporate Services against *Compensation of employees* to fund additional human resource capacity needed for administration support services relating to the Environmental Affairs function shift.

In addition to the above virements, the following virements were undertaken across economic categories within Programme 1.

- R88 000 savings identified moved from *Compensation of employees* to *Transfers and subsidies to: Households* to cater for higher than anticipated staff exit costs.
- R4.636 million was identified from *Goods and services* due to financial controls implemented on travel and subsistence. This amount was moved across sub-programmes as follows:
 - R650 000 was moved to *Compensation of employees* to cater for pressure from prior years' commitments in respect of the SMS pay progression from 2009/10, as well as the re-grading of posts in line with DPSA directive on salary levels 9 and 11 to 10 and 12, respectively.
 - R96 000 was moved to *Transfers and subsidies to: Public corporations and private enterprises* for a donation relating to "Stop Killing the Rhino campaign" which was conducted by the Sakhisizwe Management Agency, in Mtubatuba.
 - R129 000 was moved to *Transfers and subsidies to: Non-profit institutions* for donations made to the Destiny House (NGO), where the department purchased computers costing R32 000. The department also made donations for Grade 12 learners to be exposed in the tourism and hospitality field. As such, the department made payments for transport and meals costs of R90 000 in various districts. In addition, a donation of R7 000 was made in respect of the Durban SAPS widows and orphans fund toward fundraising for their golf day event.
 - R472 000 was moved to offset spending pressures against *Transfers and subsidies to: Households* relating to bursaries to non-employees. An amount of R400 000 relates to commitment of bursary funds for people with disabilities, which are transferred through the Indumezulu Trust. The balance of R72 000 was for donations in the form of bursaries to students who completed Grade 12 and did not have funds to pursue their studies at university. This was done in line with the poverty alleviation programme.
 - R3.289 million was moved to *Machinery and equipment* to provide for the upgrading of the department's servers.

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained for the virements, such as the increase in *Compensation of employees* and transfer payments. Legislature approval is required for decrease in transfer to the Growth Fund Trust.

Shifts – Programme 1: Administration

The following shifts were undertaken across economic categories, where the original purpose of funds remains unchanged:

- R546 000 was moved from *Goods and services* to *Transfer and subsidies to: Departmental agencies and accounts* within this programme, as follows:
 - R543 000 for training to be transferred to SETA was incorrectly budgeted and a shift was undertaken to re-classify these funds.
 - The balance of R3 000 budgeted for TV licences was reclassified, following changes in the Standard Chart of Accounts (SCOA).

Other adjustments – Programme 1: Administration: R1.100 million

This programme received a net amount of R1.100 million, as follows:

- R1.975 million relates to the remainder of funds relating to the administrative costs of the Environmental Affairs function shift from Vote 3 to the department under the Financial Management and Corporate Services sub-programmes. Of this amount, R1.679 million was allocated against *Compensation of employees* and R296 000 against *Goods and services*.
- R875 000 was deducted from the department's operational budget relating to previous years' irregular expenditure. Cabinet approved that, where departments were unable to provide sufficient justification for the irregular expenditure, it becomes a first charge against the vote. Accordingly, this amount was deducted from *Goods and services* in the Financial Management sub-programme.

4.2 Programme 2: Integrated Economic Development Services

The main purpose of this programme is the provision of strategic leadership, direction and co-ordination of economic empowerment initiatives in KZN.

Tables 4.5 and 4.6 below reflect a summary of the 2014/15 adjusted appropriation of Programme 2, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall increase of R119.477 million, are provided in the paragraphs following the tables.

Table 4.5: Programme 2: Integrated Economic Development Services

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
Enterprise Development	366 107			36 812	2 800	75 800	481 519
Regional and Local Economic Development	38 645			4 065			42 710
Economic Empowerment	36 824						36 824
Total	441 576	-	-	40 877	2 800	75 800	561 053
Amount to be voted							119 477

Table 4.6: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
Current payments	147 021	-	-	21 973	33 805	-	202 799
Compensation of employees	56 646			(3 434)			53 212
Goods and services	90 375			25 407	33 805		149 587
Interest and rent on land							-
Transfers and subsidies to:	294 405	-	-	18 808	(31 005)	75 800	358 008
Provinces and municipalities					992		992
Departmental agencies and accounts							-
Higher education institutions							-
Foreign governments and international organisations							-
Public corporations and private enterprises	185 000			60 500	(31 997)	75 800	289 303
Non-profit institutions	95 000			(40 000)			55 000
Households	14 405			(1 692)			12 713
Payments for capital assets	150	-	-	96	-	-	246
Buildings and other fixed structures							-
Machinery and equipment	150			96			246
Heritage assets							-
Specialised military assets							-
Biological assets							-
Land and subsoil assets							-
Software and other intangible assets							-
Payments for financial assets							-
Total	441 576	-	-	40 877	2 800	75 800	561 053
Amount to be voted							119 477

Virement – Programme 2: Integrated Economic Development Services: R40.877 million

The main appropriation of Programme 2 was increased by R40.877 million due to the following virements, which affected the Enterprise Development sub-programme and economic categories, and which are explained in further detail in Table 4.7 below:

- Savings of R55 million were moved from Programme 3 against *Transfers and subsidies to: Departmental agencies and accounts* under DTPC to fund the Ithala turn-around strategy. These funds were allocated against *Transfers and subsidies to: Public corporations and private enterprises*.
- R3.434 million savings were identified from *Compensation of employees* due to delays in the filling of vacant posts. Of this amount, R3.418 million was moved to the Regional and Local Development sub-programme under *Goods and services* to cater for the shortfall relating to the Mandela Exhibition Careers Expo. The balance of R16 000 was moved to *Transfers and subsidies to: Households* to cater for higher than anticipated staff exit costs.
- R8.219 million was reprioritised within *Goods and services* from projects, such as the Co-operation Train-a-Trainer (R5.311 million) and Keates Drifts renovations (R2.908 million) which were cancelled in 2014/15. These funds were moved to Programme 3 to address spending pressures caused by the KZN Music House function shift to Vote 15 (R8.123 million). The balance of R96 000 was moved to *Machinery and equipment* to provide for higher than anticipated costs of replacing computers within Programme 2.
- R5.500 million was reprioritised from the Youth/Women Training project under *Goods and services* to *Transfers and subsidies to: Public corporations and private enterprises* within Programme 2. This was allocated to cater for the transfer in respect of the Future Leaders Conference and Expo.
- R1.708 million savings were identified under *Transfers and subsidies to: Households* due to funds allocated for bursaries for students studying toward the Co-operative Management Diploma offered by the University of Zululand, as some students dropped out. These were moved to *Goods and services* to fund the Co-operative Day event aimed at increasing awareness of co-operatives.
- A net amount of R40 million was reduced from the Growth Fund Trust allocation against the sub-programme Enterprise Development against *Transfers and subsidies to: Non-profit institutions* due to the entity's healthy positive cash balance, as follows:
 - R10 million was added to the Growth Fund Trust in line with Resolution 9/2014 of the FPC, relating to the transfer to the Growth Fund Trust which was withheld by DEDTEA in 2013/14.
 - R34 million was moved within the Enterprise Development sub-programme to *Goods and services* to fund the establishment costs of the SBDA, which is aimed at being a one-stop shop for SMMEs in KZN. The objective of the SBDA is to strengthen and broad-base the existing institutional arrangements to meet the requirements and objectives of SMMEs.
 - R2 million was moved to Programme 6 under *Transfers and subsidies to: Departmental agencies and accounts*. An amount of R1 million was allocated to KZNSB for hosting the Sharks International Conference in June 2014, to promote the organisation as an internationally acclaimed centre for shark research, and R1 million to the TKZN for participation in the 2014 Carnival International De Victoria at the Seychelles.
 - R1.201 million was moved to Programme 3 under *Transfers and subsidies to: Non-profit institutions* for the KZN Film Commission to cover the shortfall for the purchase of computer servers.
 - R2.799 million was moved to Programme 1 against *Goods and services* for payments relating to the Growth Fund restructuring feasibility study, an independent Ithala repositioning analysis report, as well as a study to be undertaken into the rationalisation of the public entities under the department.

These virements are permissible in terms of the PFMA and Treasury Regulations. It should be noted that the reduction in the transfer to the Growth Fund Trust requires Legislature approval.

Table 4.7: Details on virement per economic classification

Programme by Economic Classification	Motivation	R thousand	Programme by Economic Classification	Motivation	R thousand
FROM: Programme 2: Integrated Economic Development Services			TO: Programme 1: Administration		
Current payments			Current payments		
Compensation of employees	Savings due to delays in filing of vacant posts moved within P2 to <i>Goods and services</i> to cater for pressures caused by Mandela Exhibition Career Expos	(3 434)	Compensation of employees		
Goods and services	Savings due to financial controls were moved to offset pressures in <i>Machinery and equipment</i> (R96 000), and R8.123m was moved to P3 for pressures brought about by KZN Music House shift. Savings from Youth/Women Training project were moved to cater for transfer i.r.o. Future Leaders Conference and Expo	(13 719)	Goods and services	Funds were reprioritised from Growth Fund Trust to fund Growth Fund restructuring feasibility study, independent Ithala repositioning analysis report, and a study into rationalisation of the dept's public entities	2 799
Transfers and subsidies to:			Transfers and subsidies to:		
Non-profit institutions	R40m savings from the Growth Fund Trust due to the entity's healthy positive cash, R34m was moved within P2 to <i>Goods and services</i> for establishment of the SBDA, and R6m to various progs	(41 708)	Non-profit institutions		-
Households	Savings relating to bursaries of students studying toward Co-operative Management Diploma, due to a number of students who dropped out. These funds were moved to P2 <i>Goods and services</i> to fund Co-operative Day event	(1 708)	Households		
Percentage of Programme budget		(13.3)	Percentage of Programme budget		1.4
			TO: Programme 2: Integrated Economic Development Services		
			Current payments		
			Goods and services	R34m savings identified for the establishment costs of SBDA. Savings of R3.418m moved from <i>Compensation of employees</i> to cater for shortfall i.r.o. Mandela Exhibition Careers Expos, and R1.708m for Co-operative Day event	39 126
			Transfers and subsidies to:		
			Households	Funds were moved from <i>Compensation of employees</i> for unanticipated staff exit costs	16
			Payments for capital assets		
			Machinery and equipment	Savings moved to cater for replacement of computers	96
Percentage of Programme budget			Percentage of Programme budget		8.9
			TO: Programme 3: Trade and Sector Development		
			Current payments		
			Goods and services	Savings from <i>Goods and services</i> to cater for pressures brought about by the function shift of KZN Music House	8 123
			Transfers and subsidies to:		
			Public corporations and private enterprises	Savings from Youth/Women Training project under <i>Goods and services</i> , moved to cater for transfer i.r.o. Future Leaders Conference and Expo	5 500
			Non-profit institutions	Funds were moved to fund KZN Film Commission shortfall for purchase of computers servers	1 201
Percentage of Programme budget			Percentage of Programme budget		1.7
			TO: Programme 6: Tourism		
			Transfers and subsidies to:		
			Departmental agencies and accounts	Funds reprioritised from Growth Fund Trust, R1m was moved to KZNSB for hosting Sharks International Conference in June 2014, and R1m to TKZN for costs incurred through participation in 2014 Carnival International De Victoria at the Seychelles	2 000
Percentage of Programme budget			Percentage of Programme budget		0.7

Shifts – Programme 2: Integrated Economic Development Services: R2.800 million

The following shifts of funds were undertaken between this programme and Programme 6, and the original purpose of the funds remains unchanged:

- R2 million for the entrepreneurship training programme was shifted from *Goods and services* in Programme 6 to *Transfers and subsidies to: Public corporations and private enterprises* in this programme, as the KZN Business Chambers Council will be conducting training of the SMMEs.

- R800 000 allocated for the Drakensburg Cable Car EIA was moved from Programme 6 against *Goods and services* to this programme under *Transfers and subsidies to: Public corporations and private enterprises*, for transfer to Ithala which has been assigned to conduct this assessment.

The shifts undertaken by the department within Programme 2 are as follows:

- R37 million allocated for SBDA was moved from *Transfers and subsidies to: Public corporations and private enterprises* to *Goods and services* to cater for the establishment costs of the SBDA that will be paid by the department on behalf of the entity.
- R992 000 allocation for the SMME Fair and Exhibition was moved from *Goods and services* to *Transfers and subsidies to: Provinces and municipalities*. The department hosts this event jointly with various district and local municipalities. The SMME Fair and Exhibition includes information sessions, flea markets and other relevant workshops.
- R2.203 million for Co-operative Funding was inadvertently classified against *Goods and services* instead of *Public corporations and private enterprises*. These funds are earmarked for the Sizani Piggery co-operative, as well as for purchasing of infrastructure for co-operatives, such as irrigation systems, and other assets for co-operatives.

Other adjustments – Programme 2: Integrated Economic Development Services: R75.800 million

An amount of R101.800 million was paid into the Provincial Revenue Fund by Ithala relating unallocated balance of the Equity Fund, etc. Of this amount, R75.800 million was allocated to Programme 2, as follows:

- R50 million was added for transfer to Ithala to ensure Ithala Limited maintains a certain minimum Capital Adequacy Ratio percentage. The Capital Adequacy Ratio broadly measures the ratio of Shareholders’ Equity to Assets to ensure, at a minimum, the shareholder takes on some of the risks that depositors take in the organisation.
- R800 000 was allocated to fund the construction of the Ndumo taxi rank and informal stalls.
- R25 million was added for the construction of the Ndumo retail centre and petrol filling station.

Service delivery measures – Programme 2: Integrated Economic Development Services

Table 4.8 shows the service delivery information for Programme 2 as per the department’s 2014/15 APP and the *EPRE*, as well as the actual achievements for the first six months of the year.

The outputs reflected as “n/a” indicate that the targets are no longer being used. To ensure full alignment, two changes have been made to the original targets as reflected in the “2014/15 Revised target” column in the table below. In addition, there are minor changes to the wording of performance indicator under Output 3.2, as reflected in bold italics.

Table 4.8: Service delivery measures: Programme 2: Integrated Economic Development Services

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1.1 Enterprise Development				
1.1.1 To promote small enterprises (SMMEs and co-operatives) and entrepreneurial development (informal and social enterprise)	<ul style="list-style-type: none"> • No. of existing SMMEs supported • No. of new SMMEs developed 	130 300	73 262	

Table 4.8: Service delivery measures: Programme 2: Integrated Economic Development Services

Outputs	Performance indicators	Performance targets			
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target	
1.1.2	Train and capacitate designated groups to manage and operate their businesses sustainably	<ul style="list-style-type: none"> No. of SMMEs registered in KZN that have been in operation for more than 2 years No. of new jobs created through establishment of SMMEs No. of SMMEs trained in various skills and business programmes No. of SMMEs trained in pre-finance and business support programmes 	240 130 823 130	81 185 - -	
1.1.3	Facilitate access to markets for designated groups	<ul style="list-style-type: none"> No. of small enterprises assisted to access loan finance 	100	48	
1.2 Co-operatives Development					
1.2.1	To promote the growth and socio-economic transformation of KZN economy that will enable creation of 1 million jobs by end of 2020	<ul style="list-style-type: none"> No. of co-operatives supported No. of new co-operatives developed 	100 50	143 24	
1.2.2	Train and capacitate designated groups to manage and operate their businesses sustainably	<ul style="list-style-type: none"> No. of primary co-operatives trained in business and co-operative management and technical skills No. of students enrolled for a Diploma in Co-operatives 	100	-	n/a 115
1.2.3	Facilitate access to markets for the designated groups	<ul style="list-style-type: none"> No. of co-operatives assisted to access loan finance 	50	20	
2. Regional and Local Economic Development (RLED)					
2.1	To promote a conducive environment for competitiveness and creation of jobs	<ul style="list-style-type: none"> No. of economic development projects supported at local and regional levels 	13	16	
2.2	To develop and fund implementation of sector specific projects	<ul style="list-style-type: none"> No. of sustainable local employment opportunities supported 	50	134	
2.3	To build the capacity of stakeholders to plan and manage the local economy	<ul style="list-style-type: none"> No. of capacity building interventions to municipalities No. of people trained No. of LED plans developed and reviewed 	1 140 10	1 164 -	
3. Economic Empowerment					
3.1	To facilitate and co-ordinate implementation of B-BBEE strategy	<ul style="list-style-type: none"> No. of target groups specific opportunities identified 	5	2	
3.2	To verify B-BBEE compliance by government departments	<ul style="list-style-type: none"> No. of target groups specific interventions implemented (No. of BBEE forums established) 	10	9	5
3.3	To co-ordinate key stakeholders / structures to comply with economic empowerment strategies and policies	<ul style="list-style-type: none"> No. of key stakeholders/structures or strategic partnership co-ordinated 	3	2	

4.3 Programme 3: Trade and Sector Development

The main purpose of this programme is to stimulate economic growth through industry development, trade and investment promotion.

Tables 4.9 and 4.10 below reflect a summary of the 2014/15 adjusted appropriation of Programme 3, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R51.577 million, are given in the paragraphs below the tables.

Table 4.9: Programme 3: Trade and Sector Development

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts		
Trade and Investment Promotion	721 073			(118 340)	1 250	(117 090)	603 983
Sector Development	93 051			77 513		65 513	158 564
Strategic Initiatives	68 170					-	68 170
Total	882 294	-	-	(40 827)	1 250	(51 577)	830 717
Amount to be voted							(51 577)

Table 4.10: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation	
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts			Other adjustments
Current payments	45 020	-	-	35 073	(8 791)	(12 000)	14 282	59 302
Compensation of employees	6 364			2 667			2 667	9 031
Goods and services	38 656			32 406	(8 791)	(12 000)	11 615	50 271
Interest and rent on land							-	-
Transfers and subsidies to:	837 274	-	-	(75 915)	10 041	-	(65 874)	771 400
Provinces and municipalities							-	-
Departmental agencies and accounts	707 717			(112 116)	1 250		(110 866)	596 851
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises	68 170				10 700		10 700	78 870
Non-profit institutions	61 387			36 201	(1 909)		34 292	95 679
Households							-	-
Payments for capital assets	-	-	-	15	-	-	15	15
Buildings and other fixed structures							-	-
Machinery and equipment				15			15	15
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	882 294	-	-	(40 827)	1 250	(12 000)	(51 577)	830 717
Amount to be voted								(51 577)

Virement – Programme 3: Trade and Sector Development: (R40.827 million)

The department undertook virements from Programme 3 to various other programmes, as summarised below.

- R115 million was reduced from the DTPC allocation against *Transfers and subsidies to: Departmental agencies and accounts* due to the entity's healthy positive cash balance. These identified savings were moved, as follows:
 - R55 million was moved to Programme 2 against *Transfers and subsidies to: Public corporations and private enterprises* to fund the Ithala turn-around strategy.
 - R25 million was moved within Programme 3 to *Goods and services* to fund the Industrial Economic Hubs within Programme 3.
 - R35 million was moved to fund the KZN Film Commission within Programme 3.
- Savings of R1.201 million were identified from Programme 2 relating to the reduction in transfer to the Growth Fund Trust due to the entity's healthy positive cash balance. The savings were moved to the sub-programme Sector Development against to the KZN Film Commission to cover the entity's shortfall in respect of the purchase of computers servers. This movement was within *Transfers and subsidies to: Non-profit institutions*.
- R2.471 million was identified from Programme 4, comprising R599 000, being savings from *Compensation of employees* due to delays in filling of vacant posts, and R1.872 million from *Goods and services* due to financial controls implemented on items such as travel and subsistence, transport provided for departmental activity, as well as minor assets. These funds were utilised to address pressures relating to Industrial Economic Hubs (R2.094 million) and the KZN Music House (R377 000).
- R8.123 million savings identified from *Goods and services* to offset pressures brought about by the function shift of KZN Music House.
- R2.378 million savings from Programme 5 were utilised to cater for the Industrial Economic Hubs.

In addition to the above virements from the various programmes, the following virements were undertaken across sub-programmes and economic categories:

- R5.566 million was reprioritised from *Goods and services* under the sub-programme: Sector Development as certain projects, such as projects relating to the Implementation of Maritime project (R2.500 million), Digital Community Hubs (R2 million), KZN Economic Council (R850 000) and Investment and Promotion (R216 000), were moved across economic categories within this programme, as follows:
 - R2.884 million was moved to the sub-programme: Trade and Investment against *Transfers and subsidies to: Departmental agencies and accounts* under TIK for investment seminars associated with the East 3 Route project to promote the trade and investment industry.
 - R2.667 million was moved to *Compensation of employees* to fund expenditure relating to prior years' commitments in respect of the SMS pay progression from 2009/10.
 - R15 000 was moved to *Machinery and equipment* to fund unanticipated costs of replacing computers.

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained for the virements, such as the increase in transfers to entities, as well as the introduction of several new transfers. However, the reduction in the transfer payments to the DTTC requires Legislature approval.

Shifts – Programme 3: Trade and Sector Development: R1.250 million

The department undertook shifts within Programme 3 and to other programmes and economic categories, as follows:

- R1.250 million allocated for the technical assistant fund for renewable energy project was shifted from Programme 5 under *Goods and services* to Programme 3 against *Transfers and subsidies to: Departmental agencies and accounts*, as TIK is responsible for this project. The purpose of the funds remains the same.
- R1.909 million was moved from *Transfers and subsidies to: Non-profit institutions* to *Goods and services* to provide for payments relating to rental costs which were paid by the department on behalf of the KZN Film Commission.
- R10.700 million was re-classified within Programme 3 from *Goods and services* to *Transfers and subsidies to: Public corporation and private enterprises*. The department entered into partnership with various private enterprises that will be hosting events. The funds will be transferred to private enterprises, as follows:
 - R3 million for the KZN Fashion Council.
 - R700 000 for the KZN Clothing Textile Cluster.
 - R1.500 million for the KZN Music Cluster.
 - R3.500 million for the Ugu ICT Incubator.
 - R2 million for the Maritime Cluster.

Other adjustments – Programme 3: Trade and Sector Development: (R12 million)

An amount of R12 million, relating to the KZN Music House, was suspended from DEDTEA to Vote 15 in line with the function shift, as previously mentioned.

Service delivery measures – Programme 3: Trade and Sector Development

Table 4.11 shows the service delivery information for Programme 3 as per the department's 2014/15 APP and the *EPRE*, as well as the actual achievements for the first six months of the year. To ensure full alignment, two changes have been made to the original targets as reflected in the "2014/15 Revised target" column in the table below.

Table 4.11: Service delivery measures – Programme 3: Trade and Sector Development

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1. Trade and Investment Promotion				
1.1 To facilitate access to markets for designated groups	• No. of businesses assisted with exports	100	-	
2. Sector Development				
2.1 To develop and fund the implementation of sector specific projects/programmes	• No. of jobs created • No. of feasibility studies/business plans completed	50 2	- -	
2.2 To identify and support priority sectors (infrastructure provision)	• No. of businesses assisted with proactive interventions (No. of parks initiated/established)	10	-	
2.3 Enhance the skills and capacity of specific sector industry institutions and stakeholders	• No. of people trained	265	-	
2.4 To establish and support institutions that promote economic growth	• No. of clusters supported • No. of institutions supported to promote economic growth	5 1	- -	6 3
3. Strategic Initiative				
3.1 To identify and support priority sectors	• No. of investment projects realised	5	-	
3.2 To develop and fund the implementation of sector specific projects/programmes	• No. of infrastructure projects supported	150	-	
3.3 Enhance skills and capacity of specific industry institutions and stakeholders	• No. of people trained	5	-	

4.4 Programme 4: Business Regulation and Governance

The aim of this programme is to enable an equitable and socially responsible business environment. Tables 4.12 and 4.13 summarise the 2014/15 adjusted appropriation of Programme 4, summarised according to sub-programme and economic classification. Details of the main adjustments, which resulted in an overall decrease of R2.471 million, are given in the paragraphs following the tables.

Table 4.12: Programme 4: Business Regulation and Governance

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
Regulation Services	7 317			(897)		(897)	6 420
Consumer Protection	25 761			(1 574)		(1 574)	24 187
Liquor Regulation	77 282					-	77 282
Total	110 360	-	-	(2 471)	-	(2 471)	107 889
Amount to be voted							(2 471)

Table 4.13: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
Current payments	32 955	-	-	(2 471)	-	(2 471)	30 484
Compensation of employees	17 248			(599)		(599)	16 649
Goods and services	15 707			(1 872)		(1 872)	13 835
Interest and rent on land						-	-
Transfers and subsidies to:	77 282	-	-	-	-	-	77 282
Provinces and municipalities						-	-
Departmental agencies and accounts	77 282					-	77 282
Higher education institutions						-	-
Foreign governments and international organisations						-	-
Public corporations and private enterprises						-	-
Non-profit institutions						-	-
Households						-	-
Payments for capital assets	123	-	-	-	-	-	123
Buildings and other fixed structures						-	-
Machinery and equipment	123					-	123
Heritage assets						-	-
Specialised military assets						-	-
Biological assets						-	-
Land and subsoil assets						-	-
Software and other intangible assets						-	-
Payments for financial assets						-	-
Total	110 360	-	-	(2 471)	-	(2 471)	107 889
Amount to be voted							(2 471)

Virement – Programme 4: Business Regulation and Governance: (R2.471 million)

The main appropriation of Programme 4 was reduced by R2.471 million due to savings of R599 000 identified from *Compensation of employees* because of delays in filling vacant posts, and R1.872 million from *Goods and services* as a result of financial controls implemented on items such as travel and subsistence, transport provided for departmental activity, as well as minor assets. These virements affected all sub-programmes, with the exception of the Liquor Regulation sub-programme. Savings were moved to Programme 3 to address pressures relating to Industrial Economic Hubs (R2.094 million) and the KZN Music House (R377 000).

All of these virements are permissible in terms of the PFMA and Treasury Regulations.

Service delivery measures – Programme 4: Business Regulation and Governance:

Table 4.14 shows the service delivery information for Programme 4 as per the department's 2014/15 APP and the *EPRE*, as well as the actual achievements for the first six months of the year.

To ensure full alignment, three changes have been made to the original targets as reflected in the "2014/15 Revised target" column in the table below.

Table 4.14: Service delivery measures – Programme 4: Business Regulation and Governance

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1. Regulation Services				
1.1 To establish and manage policy frameworks through municipalities to create an enabling environment that supports the informal sector	<ul style="list-style-type: none"> No. of barriers identified No. of barriers addressed No. of municipal informal economy policy alignment programmes facilitated 	1	1	
		1	-	
		15	16	
1.2 To establish and manage the implementation of a regulatory framework with municipalities which contributes to the monitoring of regulatory compliance within the formal business sector	<ul style="list-style-type: none"> No. of municipalities monitored and evaluated with implementation of regulations 	31	33	
2. Consumer Protection				
2.1 Educate and inform consumers of their rights	<ul style="list-style-type: none"> No. of consumer education programmes conducted 	1 400	771	1 333
2.2 To co-ordinate and ensure integrated relevant and effective planning (engagement of stakeholders)	<ul style="list-style-type: none"> No. of partnerships established and maintained with Regulators and other stakeholders No. of secondary investigations conducted 	384	312	
		-	33	16
2.3 Address consumer complaints and provide redress	<ul style="list-style-type: none"> No. of complaints received 	3 000	3 850	9 000
3. Liquor Regulation				
3.1 To promote and maintain an effective and efficient regulatory system for the liquor industry and consumer and regulation services	<ul style="list-style-type: none"> No. of KZNLA monitoring reports No. of reviews of the legislative framework relating to liquor, consumer and regulation services 	4	2	
		2	1	

4.5 Programme 5: Economic Planning

The purpose of this programme is to develop provincial economic policies and strategies to achieve and measure sustainable economic development.

Tables 4.15 and 4.16 below reflect a summary of the 2014/15 adjusted appropriation of Programme 5, summarised according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R6.884 million, are given in the paragraphs following the tables.

Table 4.15: Programme 5: Economic Planning

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Policy and Planning	8 421			(3 087)			(3 087)	5 334
Research and Development	12 325			(333)	(1 250)		(1 583)	10 742
Knowledge Management	4 516			(2 293)			(2 293)	2 223
Monitoring and Evaluation	5 899			79			79	5 978
Total	31 161	-	-	(5 634)	(1 250)	-	(6 884)	24 277
Amount to be voted								(6 884)

Table 4.16: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	30 361	-	-	(4 931)	(1 500)	-	(6 431)	23 930
Compensation of employees	13 252			(189)			(189)	13 063
Goods and services	17 109			(4 742)	(1 500)		(6 242)	10 867
Interest and rent on land							-	-
Transfers and subsidies to:	-	-	-	16	250	-	266	266
Provinces and municipalities							-	-
Departmental agencies and accounts							-	-
Higher education institutions					250		250	250
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions							-	-
Households				16			16	16
Payments for capital assets	800	-	-	(719)	-	-	(719)	81
Buildings and other fixed structures							-	-
Machinery and equipment							-	-
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets	800			(719)			(719)	81
Payments for financial assets	-	-	-	-	-	-	-	-
Total	31 161	-	-	(5 634)	(1 250)	-	(6 884)	24 277
Amount to be voted								(6 884)

Virement – Programme 5: Economic Planning: (R5.634 million)

The main appropriation for Programme 5 was reduced by R5.634 million due to the following virements, which affected all sub-programmes, with the exception of the Monitoring and Evaluation sub-programme:

- R189 000 was identified from *Compensation of employees* due to delays in filling of vacant posts. An amount of R173 000 was moved to *Goods and services* to address pressures relating to Industrial Economic Hubs in Programme 3. The balance of R16 000 was utilised to cater for higher than anticipated staff exit costs against *Transfers and subsidies to: Households* within Programme 5.
- R4.742 million savings were identified due to reprioritisation against *Goods and services* for the job verification exercise (R3 million), the Renewable Energy Transaction Advisor project (R1.500 million), as well as financial controls implemented on items such as travelling and subsistence, consumable supplies, stationery, printing and office supplies (R242 000). These savings were moved to Programme 3 and 6 against *Goods and services* to cater for the Industrial Economic Hubs (R2.205 million) and uMthayi Marula Festival (R2.537 million).
- Savings of R719 000 identified against *Software and other intangible assets* due to delays in acquiring knowledge management software was moved to Programme 6 against *Goods and services* to cater for the uMthayi Marula Festival.

All virements undertaken are permissible in terms of the PFMA and Treasury Regulations, and where applicable, were approved by Treasury. However, the virement from this programme exceeds the 8 per cent threshold and therefore requires Legislature approval.

Shifts – Programme 5: Economic Planning: (R1.250 million)

The following shift was undertaken between economic classification and to Programme 3, where the original purpose remains unchanged:

- R250 000 was moved from *Goods and services* to *Transfers and subsidies to: Higher education institutions* within Programme 5. These will be transferred to the University of KwaZulu-Natal to co-ordinate the Manufacturing Survey, which is a follow-up survey from a survey that was conducted in 2002/03 to profile the state of the manufacturing sector. This survey will be conducted to analyse the rate of survival within the sector, as well as challenges that the firms are facing.
- R1.250 million for the technical assistance fund for the renewable energy project was shifted from *Goods and services* to Programme 3 against *Transfers and subsidies to: Departmental agencies and accounts* under TIK because this entity has been assigned to implement this project.

Service delivery measures – Programme 5: Economic Planning:

Table 4.17 shows the service delivery information for Programme 5: Economic Planning as per the department's 2014/15 APP and the *EPRE*, as well as the actual achievements for the first six months of the year. The service delivery information for this programme, which contains both standardised and non-standardised measures, remains unchanged.

Table 4.17: Service delivery measures – Programme 5: Economic Planning

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1. Policy and Planning				
1.1 To develop provincial legislation, economic policies and strategies to achieve sustainable economic development	<ul style="list-style-type: none"> • No. of economic strategies developed • No. of strategies reviewed 	- 1	- -	- -
1.2 To be the central source of economic data and lead in provision of customised economic information to stakeholders in KZN	<ul style="list-style-type: none"> • No. of publications • No. of operational economic statistical portal 	6 1	3 -	
2. Research and Development				
2.1 To undertake research on identified priority economic sectors in KZN	<ul style="list-style-type: none"> • No. of research and development initiatives • No. of research reports 	5 8	2 3	
2.2 To enter into structural agreements with tertiary institutions on research	<ul style="list-style-type: none"> • No. of research and development initiatives supported 	4	2	
2.3 To ensure the alignment of the activities of the DEDT to the PGDP strategic goals	<ul style="list-style-type: none"> • Reports on the state of compliance of the province with the PGDP goals 	2	1	
3. Knowledge Management				
3.1 To access, store and disseminate information on the provincial economy	<ul style="list-style-type: none"> • No. of provincial economic intelligence reports produced 	1	-	
3.2 To compile regular strategic reports on all departmental projects currently being implemented for the year under review	<ul style="list-style-type: none"> • No. of project analysis reports produced • No. of PMIS reports submitted to senior management 	4 6	2 -	
4. Monitoring and Evaluation				
4.1 To undertake research on identified priority economic sectors in KZN To monitor and evaluate departmental projects and strategies	<ul style="list-style-type: none"> • No. of monitoring reports produced • No. of evaluation reports produced 	14 5	7 -	
4.2 To determine the effectiveness and impact of provincial economic development policies, strategies and programmes	<ul style="list-style-type: none"> • To monitor and evaluate departmental projects and strategies • Provide M&E capacity building for relevant stakeholders in the province 	21 120	- -	
4.3 To provide M&E capacity building for relevant stakeholders in KZN	<ul style="list-style-type: none"> • No. of stakeholders trained on M&E 	60	-	

4.6 Programme 6: Tourism

The main purpose of this programme is to stimulate economic growth through tourism development.

Tables 4.18 and 4.19 below reflect a summary of the 2014/15 adjusted appropriation of Programme 6, according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall increase of R67.042 million, are given in the paragraphs following the tables.

Table 4.18: Programme 6: Tourism

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Tourism Sector Transformation	9 476			(4 000)			(4 000)	5 476
Tourism Planning	13 645			(5 749)	1 000		(4 749)	8 896
Tourism Growth and Development	263 552			15 005	(3 800)	64 586	75 791	339 343
Total	286 673	-	-	5 256	(2 800)	64 586	67 042	353 715
Amount to be voted							67 042	

Table 4.19: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts	Other adjustments		
Current payments	111 855	-	-	3 087	(90 013)	22 000	(64 926)	46 929
Compensation of employees	16 715			(7 135)			(7 135)	9 580
Goods and services	95 140			10 222	(90 013)	22 000	(57 791)	37 349
Interest and rent on land							-	-
Transfers and subsidies to:	174 818	-	-	2 169	87 213	42 586	131 968	306 786
Provinces and municipalities	500				3 193		3 193	3 693
Departmental agencies and accounts	164 237			2 169	(1 500)	4 000	4 669	168 906
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises	1 000				85 520	47 667	133 187	134 187
Non-profit institutions	9 081					(9 081)	(9 081)	-
Households							-	-
Payments for capital assets	-	-	-	-	-	-	-	-
Buildings and other fixed structures							-	-
Machinery and equipment							-	-
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets							-	-
Payments for financial assets	-	-	-	-	-	-	-	-
Total	286 673	-	-	5 256	(2 800)	64 586	67 042	353 715
Amount to be voted							67 042	

Virement – Programme 6: Tourism: R5.256 million

The department undertook virements within and to other programmes and economic categories, as explained below:

The main appropriation of Programme 6 was increased by R5.256 million as a result of the following:

- R3.256 million was moved from Programme 5 to this programme against *Goods and services* to offset spending pressures relating to the uMthayi Marula Festival.
- R2 million was moved from Programme 2 against *Transfers and subsidies to: Non-profit institutions* to *Transfers and subsidies to: Departmental agencies and accounts*, as follows:
 - o R1 million for transfer to TKZN for the costs incurred through the participation in the 2014 Carnival International De Victoria at the Seychelles.
 - o R1 million to the KZNSB for hosting the Sharks International Conference.

The department also undertook virements between economic classifications, comprising the following:

- Savings of R7.135 million were moved from *Compensation of employees* due to delays in filling posts to *Goods and services* within this programme. These funds were utilised to offset spending pressures under *Goods and services* relating to projects/events, such as uMthayi Marula Festival

(R1.090 million), the Women's Business Summit (R1 million), the Newcastle Youth seminar (R1 million), the Vodacom July wrap-up (R600 000), KZN Winter Airshow (R300 000) and the Top Gear 2014 event (R3.145 million).

- R2.169 million was moved from *Goods and services* to *Transfers and subsidies to: Departmental agencies and accounts* for the East 3 Route project which will be implemented by TKZN.
- There was a reduction of R2 million for the development of the Bhambatha Lodge under EKZNW, due to delays in the implementation of projects. These funds were moved from *Transfers and subsidies to: Departmental agencies and accounts* to *Goods and services* to offset spending pressures relating to the Youth Economic Development Expo (R1 million) and Mqumeni Maskanda Festival (R1 million).

These virements are permissible in terms of the PFMA and Treasury Regulations. Where necessary, the required Treasury approval was obtained for the virements, such as the increase in transfers to entities, as well as the introduction of several new transfers. However, the reduction in the transfer payment to EKZNW requires Legislature approval.

Shifts – Programme 6: Tourism: (R2.800 million)

The department undertook the following shifts from Programme 6 to other programmes:

- R2.800 million was shifted from this programme to Programme 2, as follows:
 - R2 million for the Entrepreneurship training programme that will be implemented by the KwaZulu-Natal Business Chambers Council. Funds were moved from this programme against *Goods and services* to *Transfers and subsidies to: Public corporation and private enterprises* in Programme 2.
 - R800 000 for the Drakensburg Cable Car EIA that will be conducted by Ithala. These funds were moved to *Transfers and subsidies to: Public corporations and private enterprises* under Programme 2.
- R3.193 million was incorrectly classified against *Goods and services*, instead of *Transfers and subsidies to: Provinces and municipalities* within Programme 6, as follows:
 - R600 000 for the revitalisation of Dokodweni Beach in the Mandeni Municipality.
 - R300 000 for the rehabilitation of South Port Beach in the Hibiscus Coast Municipality.
 - R500 000 for the Tourism Route Strategy for the Harry Gwala Municipality.
 - R1.793 million for Drakensburg Cable Car Consultations in respect of the Okhahlamba District Municipality.
- R1.500 million was shifted within Programme 6 from *Transfers and subsidies to: Departmental agencies and accounts* to *Goods and services* for the KZN is Summer campaign.
- R94.520 million relating to partnership funding was incorrectly classified under *Goods and services* instead of *Transfers and subsidies to: Public corporations and private enterprises* within the programme. The funds will be transferred to these private enterprises, for this reason the department is to shifting these funds, as explained below:
 - R26 million for the MTV Awards.
 - R10 million for the X- Factor Production.
 - R12.500 million for the Take Me Out Production.
 - R1 million for Africa Bike Week.
 - R12 million for the SA India Film Awards.

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- o R120 000 for the SA Women’s Golf Championship.
- o R2 million for the Upward Thinking Women Conference.
- o R9 million for the Loliwe KZN Tourism Train.
- o R1 million for the Youth Hip-Hop Festival.
- o R900 000 for the Umlazi Festival and Expo.
- o R10.500 for the European Volvo Golf Tournament.
- o R500 000 for the Armcor Dam Festival.

Other adjustments – Programme 6: Tourism: R64.586 million

This programme received funds of R64.586 million in respect of the following:

- R47.667 million from the Strategic Cabinet Initiatives Fund was allocated to this programme against *Transfers and subsidies to: Public corporations and private enterprises* for the hosting of the following initiatives:
 - o R9 million for the SA Women’s Golf Championship.
 - o R5 million for the Nelson Mandela Golf Tournament.
 - o R10.527 million for the Metro FM Awards.
 - o R5 million for the Africa Bike Week.
 - o R9.070 million for the World Amateur Golf Tournament.
 - o R9.070 million for the World Pro-am Golfers Tournament.
- R26 million was added in Programme 6, relating to Ithala’s Equity Fund paid into the Provincial Revenue Fund. Of this amount, R22 million was allocated against *Goods and services*. The balance of R4 million for tourism related projects that will be conducted by TKZN was allocated against *Transfers and subsidies to: Departmental agencies and accounts*.
- This increase was reduced by R9.081 million, being a function shift from Vote 4: Economic Development, Tourism and Environmental Affairs to Vote 16: Sport and Recreation in respect of UCI/ BMX Cycling (Pietermaritzburg Bike City). These funds were moved from *Transfers and subsidies to: Non-profit institutions*.

Service delivery measures – Programme 6: Tourism

Table 4.20 shows the service delivery information for Programme 6: Tourism as per the department’s 2014/15 APP and the *EPRE*, as well as the actual achievements for the first six months of the year. The service delivery information for this programme, which contains both standardised and non-standardised measures, remains unchanged.

Table 4.20: Service delivery measures – Programme 6: Tourism

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1. Tourism Sector Transformation				
1.1 To transform the tourism industry and achieve high levels of sector compliance	• No. of tourism businesses complying with tourism sector codes	45	-	
1.2 To develop and implement integrated mechanism that ensures people development and service excellent in the tourism sector	• No. of service excellence initiatives designed and implemented	2	2	
1.3 To access, store and disseminate information on the provincial economy	• No. of people trained and developed in tourism	2 000	1 136	

Table 4.20: Service delivery measures – Programme 6: Tourism

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
2. Tourism Planning				
2.1 To create conducive conditions for sustainable growth and development	• No. of tourism collaborative structures established and sustained	8	13	
2.2 To promote responsible tourism practices and champion tourism's response to climate change	• No. of responsible tourism programmes initiated	6	-	
3. Tourism Growth and Development				
3.1 To develop and fund the implementation of sector specific project and niche products	• No. of tourism businesses complying with tourism sector codes • No. of strategic linkages facilitated	5 1	- -	
3.2 To promote planning and development that is sensitive to the environment and communities	• No. of service excellence initiatives designed and implemented	2	-	
3.3 To register tourism business and tourist guides in the province to ensure compliance	• No. of individuals/businesses complying with legislation	500	366	

4.7 Programme 7: Environmental Affairs

This programme aims to ensure effective compliance and governance in respect of environmental management.

The strategic objectives are as follows:

- To ensure integrated sustainable environmental planning.
- To mitigate the impact of and manage waste and pollutants.
- To empower communities with regard to sustainable resource utilisation.
- To prevent and control the spread of invasive alien species.

Tables 4.21 and 4.22 below reflect a summary of the 2014/15 adjusted appropriation of Programme 7, according to sub-programme and economic classification.

Details of the main adjustments, which resulted in an overall decrease of R2.494 million, are given in the paragraphs following the tables.

Table 4.21: Programme 7: Environmental Affairs

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts		
Environmental Policy Planning and Co-ordination							
Intergovt. Co-ordination, Spatial and Dev Planning	5 167			(1 774)		(1 774)	3 393
Climate Change Management	973			907		907	1 880
Compliance and Enforcement							
Enviro. Quality Man. Compliance and Enforcement	34 322			(4 546)		(4 546)	29 776
Environmental Quality Management							
Impact Management	21 757			142		142	21 899
Air Quality Management	3 571			268		268	3 839
Pollution and Waste Management	20 968			(1 327)		(1 327)	19 641
Biodiversity Management							
Biodiversity and Protected Area Plan. and Managemt	152 602			(7 818)		(7 818)	144 784
Conservation Agencies and Services	657 895						657 895
Coastal Management	9 399			(443)		(443)	8 956
Environmental Empowerment Services							
Environmental Capacity Development and Support	27 683			12 097		12 097	39 780
Environmental Services Support							
Environmental Services Administrative Support	2 692						2 692
Total	937 029			(2 494)		(2 494)	934 535
Amount to be voted							(2 494)

Table 4.22: Summary by economic classification

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
Current payments	270 148	-	-	(4 186)	-	-	(4 186)	265 962
Compensation of employees	97 298			(701)			(701)	96 597
Goods and services	172 850			(3 485)			(3 485)	169 365
Interest and rent on land							-	-
Transfers and subsidies to:	664 835	-	-	701	-	-	701	665 536
Provinces and municipalities	1 000						-	1 000
Departmental agencies and accounts	657 895						-	657 895
Higher education institutions							-	-
Foreign governments and international organisations							-	-
Public corporations and private enterprises							-	-
Non-profit institutions	5 940						-	5 940
Households				701			701	701
Payments for capital assets	2 046	-	-	991	-	-	991	3 037
Buildings and other fixed structures							-	-
Machinery and equipment	2 046			849			849	2 895
Heritage assets							-	-
Specialised military assets							-	-
Biological assets							-	-
Land and subsoil assets							-	-
Software and other intangible assets				142			142	142
Payments for financial assets							-	-
Total	937 029	-	-	(2 494)	-	-	(2 494)	934 535
Amount to be voted								(2 494)

Virement – Programme 7: Environmental Affairs: (R2.494 million)

The department undertook virements within and to other programmes and economic categories, as explained below:

- The net decrease of R2.494 million is a result of financial controls implemented against *Goods and services*, and these were re-directed to Programme 1 against *Goods and services* toward the provision of administrative support services to the Environmental Affairs function in respect of finance and human resources.
- The virement of R701 000 from *Compensation of employees* to *Transfers and subsidies to: Households* was to cater for staff exit costs, which are difficult to budget for. Also, an amount of R991 000 was moved from *Goods and services* to *Payments for capital assets* to cater for the higher than anticipated costs relating to *Machinery and equipment*, as well as *Software and other intangible assets*.

Service delivery measures – Programme 7: Environmental Affairs

Table 4.23 shows the service delivery information for Programme 7: Environmental Affairs as per the department's 2014/15 APP and the *EPRE*, as well as the actual achievements for the first six months of the year.

The service delivery information for this programme, which contains both standardised and non-standardised measures, remains unchanged.

Table 4.23: Service delivery measures – Programme 7: Environmental Affairs

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
1. Environmental Policy Planning and Co-ordination				
1.1 To create conducive conditions for sustainable growth and development	<ul style="list-style-type: none"> • No. of intergovernmental sector tools reviewed • No. of legislative tools developed • No. of environmental research projects undertaken • No. of functional environmental information management systems • No. of climate change response tools developed 	80 12 2 12 1	- - - - -	

Table 4.23: Service delivery measures – Programme 7: Environmental Affairs

Outputs	Performance indicators	Performance targets		
		2014/15 Original target	2014/15 Mid-year actual	2014/15 Revised target
2. Compliance and Enforcement				
2.1 Compliance and enforcement	<ul style="list-style-type: none"> No. of criminal enforcements actions finalised for non-compliance with environmental management legislation No. of administrative enforcement actions taken for non-compliance with environmental management legislation No. of compliance inspections conducted No. of received S24G applications finalised 	6	-	-
3. Environmental Quality Management				
3.1 Air Quality Management (AQM)	<ul style="list-style-type: none"> No. of designated state organs with approved AQM plans 	1	-	-
3.2 Impact management	<ul style="list-style-type: none"> No. of EIA finalised within legislated timeframes 	320	-	-
3.3 Pollution and waste management	<ul style="list-style-type: none"> No. of air emissions licence applications finalised in legislated timeframes No. of waste licence applications within legislated timeframes 	1 20	- -	- -
4. Biodiversity Management				
4.1 Air Quality Management (AQM)	<ul style="list-style-type: none"> No. of ha of land under conservation (both private and public) No. of provincial protection areas with approved management plans No. of biodiversity spatial (sector) plans published No. of coastal management programmes adopted 	852 275 36 8 2	- - - -	- - - -
5. Environmental Empowerment Services				
5.1 Capacity building and support	<ul style="list-style-type: none"> No. of job opportunities created through environmental programmes No. of environmental capacity building activities conducted No. of environmental awareness activities conducted 	16 000 44 1 000	- - -	- - -

5. Gifts, donations and sponsorships

The department is not envisaging any gifts, donations and sponsorships in excess of R100 000 during the current financial year.

6. Infrastructure

Table 4.24 shows the summary of infrastructure payments per main category. Details of the main adjustment, which resulted in a decrease of R115 million, are given in the paragraphs after the tables.

Table 4.24: Summary of infrastructure payments by category

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
Existing infrastructure assets	-	-	-	-	-	-	-	-
Maintenance and repair: Current							-	-
Upgrades and additions: Capital							-	-
Refurbishment and rehabilitation: Capital							-	-
New infrastructure assets: Capital							-	-
Infrastructure transfers	655 747	-	-	(115 000)	-	-	(115 000)	540 747
Infrastructure transfers: Capital	655 747			(115 000)			(115 000)	540 747
Infrastructure transfers: Current							-	-
Infrastructure: Payments for fin assets							-	-
Infrastructure: Leases							-	-
Capital infrastructure	655 747	-	-	(115 000)	-	-	(115 000)	540 747
Current infrastructure	-	-	-	-	-	-	-	-
Total	655 747	-	-	(115 000)	-	-	(115 000)	540 747
Amount to be voted								(115 000)

- Virement:** The infrastructure budget was reduced by R115 million, from *Infrastructure transfers: Capital* in respect of the DTPC allocation due to the entity's healthy positive cash balance. As

mentioned previously, R55 million was moved to provide for the Ithala turn-around strategy under *Transfers and subsidies to: Public corporations and private enterprises*, R25 million to fund the Industrial Economic Hubs project under *Goods and services*, and R35 million was utilised to offset pressures against *Transfers and subsidies to: Non-profit institutions* relating to the KZN Film Commission, a newly established public entity.

It should be noted that both the decrease in infrastructure transfers and the reduction in the transfer to DTPC require Legislature approval.

7. Conditional grants

Table 4.25 shows the summary of the conditional grant budget. There are no adjustments made to the conditional grant budget for the EPWP Integrated Grant for Provinces. The full amount is budgeted for under *Goods and services*. An amount of R2 million is allocated in Programme 1 for the Invasive Alien Species programme. The grant allocation under Programme 7 relates to the Environmental Affairs function shift from DARD, and is earmarked for the Greening Programme which is undertaken with the Wildlands Trust, as well as for other projects undertaken using EPWP principles.

Table 4.25: Summary of changes to conditional grants

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Unforeseeable/		Virement	Shifts	Other adjustments		
		Roll-overs	unavoidable					
1. Administration	2 000	-	-	-	-	-	2 000	
EPWP Integrated Grant for Provinces	2 000						2 000	
7. Environmental Affairs	14 827	-	-	-	-	-	14 827	
EPWP Integrated Grant for Provinces	14 827						14 827	
Total	16 827	-	-	-	-	-	16 827	
Amount to be voted								-

8. Transfers and subsidies

Table 4.26 summarises transfers and subsidies by programme and main category. Details of the main adjustments, which result in an increase of R131.995 million, are provided above and below the tables.

- *Virement*: The department undertook the following virements affecting transfers and subsidies, which resulted in a net decrease of R53.436 million, as follows:
 - o Savings of R697 000 were moved from *Goods and services* within Programme 1 to various transfers and subsidies category, as follows:
 - R96 000 was moved to *Public corporations and private enterprises* for a donation made to the Sakhisizwe Management Agency for the “Stop Killing the Rhino” campaign in Mtubatuba.
 - R129 000 was moved to *Non-profit institutions* for donations made to the Destiny House NGO, for the purchasing of computers costing R32 000. The department made donations for Grade 12 learners to be exposed in the tourism and hospitality field, as such the department made payments for transport and meal costs of R90 000 in various districts. In addition, a donation of R7 000 was made in respect of the Durban SAPS widows and orphans fund toward fundraising for the golf day event.
 - R472 000 was moved to offset pressures against *Households* relating to bursaries to non-employees. An amount of R400 000 relates to commitments of bursary funds for people with disabilities, which are transferred through the Indumezulu Trust. The balance of R72 000 was for donations in the form of bursaries to students who completed Grade 12 and did not have funds to pursue their studies at university. This was done in line with the poverty alleviation programme.
 - o R88 000 was moved within Programme 1 from *Compensation of employees* to *Households* to cater for unanticipated staff exit costs.

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Table 4.26: Summary of transfers and subsidies by programme and main category

R thousand	Main appropriation	Adjustments appropriation					Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/ unavoidable	Virement	Shifts	Other adjustments		
1. Administration	20	-	-	785	546	-	1 331	1 351
Provinces and municipalities	20	-	-	129	-	-	129	149
Motor vehicle licences	20	-	-	-	-	-	-	20
Municipal agencies and funds	-	-	-	129	-	-	129	129
Departmental agencies and accounts	-	-	-	-	546	-	546	546
PSETA	-	-	-	-	543	-	543	543
SABC	-	-	-	-	3	-	3	3
Public corporations and private enterprises	-	-	-	96	-	-	96	96
Donations	-	-	-	96	-	-	96	96
Households	-	-	-	560	-	-	560	560
Social benefit - Bursaries	-	-	-	472	-	-	472	472
Social benefit - Post retirement benefit	-	-	-	88	-	-	88	88
2. Integrated Development Services	294 405	-	-	18 808	(31 005)	75 800	63 603	358 008
Provinces and municipalities	-	-	-	-	992	-	992	992
Municipal agencies and funds	-	-	-	-	992	-	992	992
Public corporations and private enterprises	185 000	-	-	60 500	(31 997)	75 800	104 303	289 303
Enterprise Development Fund	148 000	-	-	-	-	-	-	148 000
SBDA	37 000	-	-	-	(37 000)	-	(37 000)	-
Co-operative funding	-	-	-	-	2 203	-	2 203	2 203
Ithala Limited	-	-	55 000	800	-	50 000	105 800	105 800
Ndumo regeneration (Ithala)	-	-	-	-	-	25 800	25 800	25 800
Enterprise Training programme	-	-	-	-	2 000	-	2 000	2 000
Future Leaders	-	-	-	5 500	-	-	5 500	5 500
Non-profit institutions	95 000	-	-	(40 000)	-	-	(40 000)	55 000
Growth Fund Trust	95 000	-	-	(40 000)	-	-	(40 000)	55 000
Households	14 405	-	-	(1 692)	-	-	(1 692)	12 713
Bursaries	14 405	-	-	(1 708)	-	-	(1 708)	12 697
Social benefit - Leave gratuities	-	-	-	16	-	-	16	16
3. Trade and Sector Development	837 274	-	-	(75 915)	10 041	-	(65 874)	771 400
Departmental agencies and accounts	707 717	-	-	(112 116)	1 250	-	(110 866)	596 851
Trade and Investment KZN (TIK)	77 342	-	-	2 884	1 250	-	4 134	81 476
Dube Tradeport Corporation (DTPC)	630 375	-	-	(115 000)	-	-	(115 000)	515 375
Public corporations and private enterprises	68 170	-	-	-	10 700	-	10 700	78 870
Richards Bay IDZ	68 170	-	-	-	-	-	-	68 170
KZN Fashion Council	-	-	-	-	3 000	-	3 000	3 000
KZN Clothing Textile Cluster	-	-	-	-	700	-	700	700
KZN Music Cluster	-	-	-	-	1 500	-	1 500	1 500
Ugu ICT Incubator	-	-	-	-	3 500	-	3 500	3 500
Maritime Cluster	-	-	-	-	2 000	-	2 000	2 000
Non-profit institutions	61 387	-	-	36 201	(1 909)	-	34 292	95 679
KZN Film Commission	22 909	-	-	36 201	(1 909)	-	34 292	57 201
Moses Kotane Institute	38 478	-	-	-	-	-	-	38 478
4. Business Regulation and Governance	77 282	-	-	-	-	-	-	77 282
Departmental agencies and accounts	77 282	-	-	-	-	-	-	77 282
KZN Liquor Authority	77 282	-	-	-	-	-	-	77 282
5. Economic Planning	-	-	-	16	250	-	266	266
Higher education institutions	-	-	-	-	250	-	250	250
Manufacturing survey	-	-	-	-	250	-	250	250
Households	-	-	-	16	-	-	16	16
Social benefit - cash resources	-	-	-	16	-	-	16	16
6. Tourism	174 818	-	-	2 169	87 213	42 586	131 968	306 786
Provinces and municipalities	500	-	-	-	3 193	-	3 193	3 693
Municipal agencies and funds	500	-	-	-	3 193	-	3 193	3 693
Departmental agencies and accounts	164 237	-	-	2 169	(1 500)	4 000	4 669	168 906
KZN Sharks Board (KZNSB)	56 109	-	-	1 000	-	-	1 000	57 109
KZN Tourism Authority (TKZN)	103 628	-	-	3 169	(1 500)	4 000	5 669	109 297
Ezemvelo KZN Wildlife (EKZNW)	4 500	-	-	(2 000)	-	-	(2 000)	2 500
Public corporations and private enterprises	1 000	-	-	-	85 520	47 667	133 187	134 187
Armcor Dam, Youth Hip-Hop Festivals, and Umlazi Festival and Expo	-	-	-	-	2 400	-	2 400	2 400
Metro FM Awards	-	-	-	-	-	10 527	10 527	10 527
Africa Bike Week	-	-	-	-	1 000	5 000	6 000	6 000
Tourism Enterprise partnership	1 000	-	-	-	-	-	-	1 000
Nelson Mandela Golf Tournament	-	-	-	-	-	5 000	5 000	5 000
SA India Film Awards	-	-	-	-	12 000	-	12 000	12 000
SA Women's Golf Championship	-	-	-	-	120	9 000	9 120	9 120
Loliwe KZN Tourism Train	-	-	-	-	9 000	-	9 000	9 000
Upward Thinking Women Conference	-	-	-	-	2 000	-	2 000	2 000
World Amateur Golf Tournament	-	-	-	-	-	9 070	9 070	9 070
World Pro-am Golfers	-	-	-	-	-	9 070	9 070	9 070
MTV Awards	-	-	-	-	26 000	-	26 000	26 000
X-Factor Production	-	-	-	-	10 000	-	10 000	10 000
Take Me Out Production	-	-	-	-	12 500	-	12 500	12 500
European Volvo Golf Tournament	-	-	-	-	10 500	-	10 500	10 500
Non-profit institutions	9 081	-	-	-	-	(9 081)	(9 081)	-
Cycling SA	9 081	-	-	-	-	(9 081)	(9 081)	-
7. Environmental Affairs	664 835	-	-	701	-	-	701	665 536
Provinces and municipalities	1 000	-	-	-	-	-	-	1 000
Greenest Municipality Competition	1 000	-	-	-	-	-	-	1 000
Departmental agencies and accounts	657 895	-	-	-	-	-	-	657 895
Ezemvelo KZN Wildlife (EKZNW)	657 895	-	-	-	-	-	-	657 895
Non-profit institutions	5 940	-	-	-	-	-	-	5 940
WESSA	400	-	-	-	-	-	-	400
SAAMBR	5 540	-	-	-	-	-	-	5 540
Households	-	-	-	701	-	-	701	701
Social benefit - Post retirement benefit	-	-	-	701	-	-	701	701
Total	2 048 634	-	-	(53 436)	67 045	118 386	131 995	2 180 629
Amount to be voted								131 995

- *Virement: (continued):*
 - R16 000 savings from Programme 2 against *Compensation of employees* was moved to *Households* to cater for higher than anticipated staff exit costs.
 - R5.500 million was reprioritised from the Youth/Women Training project under *Goods and services* and moved to *Public corporations and private enterprises* within Programme 2, to cater for the transfer payment in respect of the Future Leaders Conference and Expo.
 - A net amount of R40 million was reduced from the Growth Fund Trust allocation due to the entity's healthy positive balance. These funds were reprioritised from Programme 2 against *Non-profit institutions*, as follows:
 - R10 million was added by the department from its 2014/15 budget in line with Resolution 9/2014 of the FPC which required the department to identify savings from its 2014/15 budget, and increase the transfer to this entity.
 - R34 million was moved to Programme 2 under *Goods and services* to fund the establishment costs of the SBDA that will be paid by the department on behalf of the entity. The SBDA is aimed at being a one-stop shop for SMMEs in KZN.
 - R2 million was moved to Programme 6 under *Departmental agencies and accounts*, where an amount of R1 million was allocated to KZNSB for hosting the Sharks International Conference, and the remaining R1 million was allocated to the KZN Tourism Authority for the costs incurred through the participation in the 2014 Carnival International De Victoria at the Seychelles.
 - R1.201 million was moved to Programme 3 under *Non-profit institutions* to cover the shortfall for the purchase of computers servers for the KZN Film Commission.
 - R2.799 million was moved to Programme 1 against *Goods and services* relating to the Growth Fund restructuring feasibility study, an independent Ithala repositioning analysis report, as well as a study into the rationalisation of the department's public entities.
 - R1.708 million savings identified from funds allocated for bursaries for students studying toward the Co-operative Management Diploma offered by University of Zululand because some students dropped out. These savings were moved to *Goods and services* within Programme 2 to fund the Co-operative Day event.
 - R115 million savings from DTPC allocation due to the entity's healthy positive cash balances were moved from *Departmental agencies and accounts* within Programmes 3, as follows:
 - R55 million was moved to cater for the turn-around strategy in respect of Ithala against *Public corporations and private enterprises* in Programme 2.
 - R25 million was moved to *Goods and services* to fund the Industrial Economic Hubs.
 - R35 million was moved to *Non-profit institutions* to assist the KZN Film Commission with its operational costs.
 - R16 000 savings identified within Programme 5 were moved from *Compensation of employees* to *Households* to cater for higher than anticipated staff exit costs.
 - A net increase of R2.169 in Programme 6 against *Departmental agencies and accounts* was due to the following:
 - R1 million to TKZN for the costs incurred through the participation in the 2014 Carnival International De Victoria at the Seychelles.
 - R1 million to KZNSB for hosting the Sharks International Conference in June 2014, to promote the organisation as an international acclaimed centre for shark research.
 - The reduction of R2 million relates to Bhambatha Lodge allocated under EKZWN due to delays in implementation of the project. These savings were moved to *Goods and*

services to offset spending pressures relating to the Youth Economic Development Expo and Mgqumeni Maskanda Festival.

- R2.169 million savings identified from *Goods and services* to TKZN which is responsible for promotion and marketing the East 3 Route.
- The virement of R701 000 from *Compensation of employees* within Programme 7 under *Households* to cater for staff exit costs.
- *Shifts*: The following shifts were undertaken, which resulted in a net increase of R67.045 million, and the purpose of these funds remains the same:
 - R546 000 was moved from *Goods and services* to *Departmental agencies and accounts* within Programme 1, as follows
 - R543 000 for training was incorrectly classified and a shift was undertaken in this regard.
 - R3 000 allocated for TV licences was reclassified as a result of changes in the Standard Chart of Accounts.
 - R992 000 for the SMME Fair and Exhibition was reclassified from *Goods and services* to *Provinces and municipalities* within Programme 2. The department hosts this event jointly with various municipalities.
 - R2.203 million allocated for Co-operative Funding in Programme 2 was inadvertently classified against *Goods and services* instead of *Public corporations and private enterprises*. These funds are earmarked for the Sizani Piggery co-operative, as well as for purchasing infrastructure for co-operatives such as irrigation systems and other assets for co-operatives.
 - R800 000 for the Drakensburg Cable Car EIA from *Goods and services* to *Public corporations and private enterprises*, to increase the transfer to Ithala, which is responsible for conducting this assessment. These funds were incorrectly classified in the main appropriation.
 - R2 million for the entrepreneurship training programme was inadvertently budgeted in Programme 6 against *Goods and services*, and were shifted to Programme 2 against *Public corporations and private enterprises* for transfer to the KZN Business Chambers Council which is assigned to conduct the training.
 - R1.250 million, earmarked for the technical assistant fund for renewable energy project, was shifted from Programme 5 under *Goods and services* to Programme 3 against *Departmental agencies and accounts* under TIK who is responsible for this funding.
 - R10.700 million was re-classified within Programme 3 from *Goods and services* to *Public corporations and private enterprises*, because these funds will be transferred to various private enterprises that are assigned for these events/projects, listed below:
 - R3 million for the KZN Fashion Council.
 - R700 000 for the KZN Clothing Textile Cluster.
 - R1.500 million for the KZN Music Cluster.
 - R3.500 million for the Ugu ICT Incubator.
 - R2 million for Maritime Cluster.
 - R250 000 was moved from *Goods and services* to *Higher education institutions* within Programme 5, for the Manufacturing Survey that will be done to analyse the rate of survival within the sector, as well as challenges that firms are facing.
 - R3.193 million was re-classified within Programme 6 from *Goods and services* to *Provinces and municipalities*. The following transfers to various municipalities were incorrectly classified in the main appropriation:

Vote 4: Economic Development, Tourism and Environmental Affairs

- R600 000 for the revitalisation of Dokodweni Beach in the Mandeni Municipality.
- R300 000 for the rehabilitation of South Port Beach in the Hibiscus Coast Municipality.
- R500 000 for the Tourism Route Strategy for the Harry Gwala Municipality.
- R1.793 million for Drakensburg Cable Car Consultations in respect of Okhahlamba District Municipality.
- o R94.520 million relating to various events that will be hosted by various private enterprises was incorrectly classified against *Goods and services* instead of *Public corporation and private enterprises* within Programme 6, as listed below:
 - R26 million for MTV Awards.
 - R10 million for X- Factor Production.
 - R12.500 million for Take Me Out Production.
 - R1 million for Africa Bike Week.
 - R12 million for the SA India Film Awards.
 - R120 000 for the SA Women's Golf Championship.
 - R2 million for the Upward Thinking Women Conference.
 - R9 million for the Loliwe KZN Tourism Train.
 - R1 million for Youth Hip-Hop Festival.
 - R900 000 for Umlazi Festival and Expo.
 - R10.500 million for European Volvo Golf.
 - R500 000 for Armcor Dam Festival.
- o Mitigating the increase above was the following:
 - R37 million allocated for the SBDA was moved from *Public corporations and private enterprises* to *Goods and services* within Programme 2 to cater for the establishment costs of the SBDA.
 - R1.909 million was moved within Programme 3 to *Goods and services* as refund for rental costs which were paid by the department on behalf of the KZN Film Commission.
 - R1.500 million earmarked for the KZN is Summer campaign was incorrectly included under the transfer to TKZN allocated against *Departmental agencies and accounts* in Programme 6. These funds were reclassified as *Goods and services* because the campaign will be organised by the department not the entity.
- *Other adjustments: Transfers and subsidies* were increased by R118.386 million as follows:
 - o An amount of R79.800 million was paid into the Provincial Revenue Fund from Ithala relating to the unallocated balance of the Equity Fund, etc., as explained below:
 - R50 million is added for transfer to Ithala Limited in Programme 2 against *Transfers and subsidies to: Departmental agencies and accounts*. These funds were allocated to ensure Ithala maintains a certain minimum Capital Adequacy Ratio percentage.
 - R800 000 was allocated in Programme 2 against *Transfers and subsidies to: Departmental agencies and accounts* for consultant fees in respect of the construction of the Ndumo taxi rank and informal stalls.
 - R29 million for the construction of the Ndumo retail centre and petrol filling station which was allocated in Programme 2 against *Transfers and subsidies to: Departmental agencies and accounts*.

- The transfer to TKZN was increased by R4 million, allocated for promotion and marketing of the World Routes 2015 strategy. These funds were allocated in Programme 6 against *Transfers and subsidies to: Departmental agencies and accounts*.
- o In addition, the department received additional funding of R47.667 million from the Strategic Cabinet Initiatives Fund under Vote 6: Provincial Treasury. These funds, for the following events, were allocated in Programme 6 to *Transfers and subsidies to: Public corporations and private enterprises*:
 - R9 million for the SA Women's Golf Championship, held in October 2014.
 - R5 million for the Nelson Mandela Golf Tournament, to be held on 14 December 2014.
 - R10.527 million for the Metro FM Awards which will take place in March 2015.
 - R5 million for Africa Bike Week, which was held in May 2014.
 - R9.070 million for World Pro-am Golfers Championship to be held in February 2015.
 - R9.070 million for the World Amateur Golf Tournament, held in November 2014.
- o Offsetting the above increase of R127.467 million is a reduction of R9.081 million, relating to the function shift from DEDTEA to Vote 16 in respect of UCI/ BMX Cycling (Pietermaritzburg Bike City). This amount is reduced from Programme 6 against *Transfers and subsidies to: Non-profit institutions*.

9. Transfers to local government

Table 4.27 below shows the details of transfers to local government. It is noted that the amount against *Provinces and municipalities* (reflected in Table 4.27) for motor vehicle licences is excluded from the transfers to local government table, as these funds will not be transferred to any municipality.

Table 4.27: Summary of transfers to local government

R thousand	Main appropriation	Adjustments appropriation				Total adjustments appropriation	Adjusted appropriation
		Roll-overs	Unforeseeable/unavoidable	Virement	Shifts		
A	KZN2000 eThekweni	-	-	-	992	-	992
Total: Ugu municipalities		-	-	-	300	-	300
B	KZN216 Hibiscus Coast	-	-	-	300	-	300
Total: Uthukela municipalities		-	-	-	1 793	-	1 793
B	KZN235 Okhahlamba	-	-	-	1 793	-	1 793
Total: Umzinyathi municipalities		500	-	-	-	-	500
C	DC24 Umzinyathi District Municipality	500	-	-	-	-	500
Total: Ilembe municipalities		-	-	-	600	-	600
B	KZN291 Mandeni	-	-	-	600	-	600
Total: Harry Gwala municipalities		-	-	-	500	-	500
C	DC43 Harry Gwala District Municipality	-	-	-	500	-	500
Total		1 500	-	-	4 185	-	5 685
Amount to be voted							4 185

Details of the main adjustments, which result in an overall increase of R4.185 million, are as follows:

- *Shifts*: The department undertook shifts affecting *Provinces and municipalities* resulting in increase of R4.185 million, as follows:
 - o These projects were incorrectly allocated under *Goods and services* instead of *Provinces and municipalities*. Although the funds for the following projects were re-classified, the purpose of funds remains unchanged:
 - R992 000 for SMME Fair and Exhibition.
 - R300 000 for the rehabilitation of South Port Beach in the Hibiscus Coast Municipality.
 - R1.793 million for the Drakensburg Cable Car Consultations in respect of Okhahlamba District Municipality.

- R600 000 for the revitalisation of Dokodweni Beach in the Mandeni Municipality.
- R500 000 for the Tourism Route Strategy for the Harry Gwala Municipality.

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

Tables 4.28 and 4.29 reflect actual payments as at the end of September 2014, projected payments for the rest of the financial year and the total revised spending in rand value and as a percentage of the adjusted appropriation per programme and economic classification. The tables also show the 2013/14 audited outcome.

Mid-year expenditure for the vote as a whole was at 44 per cent of the budget for the year, which is slightly lower than the straight-line benchmark of 50 per cent. This was largely due to delays relating to the finalisation of SLAs, which resulted in the commencement of various projects being delayed, as well as the reprioritisation of projects undertaken by the department. The details are explained in the paragraphs following the tables.

Table 4.28: 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. Administration	226 097	201 269	86 261	42.9	115 008	57.1	201 269
2. Integrated Economic Development Services	1 073 731	561 053	54 250	9.7	506 803	90.3	561 053
3. Trade and Sector Development	772 748	830 717	504 831	60.8	325 886	39.2	830 717
4. Business Regulation and Governance	68 114	107 889	58 829	54.5	49 060	45.5	107 889
5. Economic Planning	20 566	24 277	10 398	42.8	13 879	57.2	24 277
6. Tourism	353 951	353 715	201 413	56.9	152 302	43.1	353 715
7. Environmental Affairs	833 322	934 535	409 057	43.8	525 478	56.2	934 535
Total	3 348 529	3 013 455	1 325 039	44.0	1 688 416	56.0	3 013 455

Table 4.29: 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	
Current payments	766 291	822 992	268 434	32.6	554 558	67.4	822 992
Compensation of employees	236 327	273 552	130 667	47.8	142 885	52.2	273 552
Goods and services	529 964	549 440	137 767	25.1	411 673	74.9	549 440
Interest and rent on land	-	-	-	-	-	-	-
Transfers and subsidies to:	2 569 865	2 180 629	1 055 659	48.4	1 124 970	51.6	2 180 629
Provinces and municipalities	11 483	5 705	442	7.7	5 263	92.3	5 705
Departmental agencies and accounts	1 442 896	1 501 480	895 181	59.6	606 299	40.4	1 501 480
Higher education institutions	-	250	-	-	250	100.0	250
Foreign governments and international organisations	-	-	-	-	-	-	-
Public corporations and private enterprises	406 836	502 456	107 462	21.4	394 994	78.6	502 456
Non-profit institutions	697 015	156 748	49 274	31.4	107 474	68.6	156 748
Households	11 635	13 990	3 300	23.6	10 690	76.4	13 990
Payments for capital assets	12 373	9 834	946	9.6	8 888	90.4	9 834
Buildings and other fixed structures	-	-	-	-	-	-	-
Machinery and equipment	5 987	9 611	946	9.8	8 665	90.2	9 611
Software and other intangible assets	6 386	223	-	-	223	100.0	223
Payments for financial assets	-	-	-	-	-	-	-
Total	3 348 529	3 013 455	1 325 039	44.0	1 688 416	56.0	3 013 455

As at the end of the second quarter, Programme 1 reflects spending of 42.9 per cent of budget, which is slightly below the straight-line benchmark of 50 per cent. This low spending is ascribed to savings relating to financial controls implemented against *Goods and services* on items such as communication, advertising, rentals and hiring, travel and subsistence, property payments and contractors.

Programme 2 shows extremely low spending of 9.7 per cent compared to the straight-line benchmark of 50 per cent. The bulk of the budget of this programme is for transfer to Ithala, and no transfer payments were made by mid-year. This was due to delays relating to changes made on the co-operatives investment policy document that are required to be attached to the SLA.

Spending against Programme 3 was higher than the straight-line benchmark of 50 per cent at 60.8 per cent. The high spending largely relate to prior year's commitments in respect of the payment of outstanding performance bonuses from 2009/10, as well as the SMS pay progression from 2009/10.

Spending against Programme 4 was largely on track at 54.5 per cent of the annual budget at the end of the second quarter. This was high compared to the straight-line benchmark of 50 per cent, mainly due to payments for office furniture and computer equipment purchased in the previous year, but only delivered in 2014/15. This spending was not catered for in 2014/15.

The low rate of spending against Programme 5, at 42.8 per cent of the annual budget is ascribed to projects such as the Renewable Transaction Advisor project and savings derived from financial controls implemented on items such as travel and subsistence, stationery other consumables, as well as minor assets.

Spending on Programme 6 was high at 56.9 per cent compared to the straight-line benchmark of 50 per cent. This was driven by the projects/events that the department has not provided sufficient budget including the World Route Conference, the Women's Business summit, the Newcastle Youth seminar, the Vodacom July wrap-up and the Youth Economic Development Expo.

Spending on Programme 7 was below the straight-line benchmark of 50 per cent, at 43.8 per cent. The low spending was caused by expenditure relating to the implementation of the Invasive Alien Species Programme which has been delayed due to the agreements with the contractors not being concluded at the beginning of the year. The contracts were concluded during September 2014. According to the department, the activities will be accelerated and it is anticipated that the contractors will be able to meet their targets by 31 March 2015 and hence the budget will be spent. Also contributing to the under-spending, is the function shift of Environmental Affairs and Conservation from DARD, which has delayed some of the processes.

With regard to economic category mid-year expenditure against *Compensation of employees* was marginally lower than the straight-line benchmark of 50 per cent, at 47.8 per cent, due to the difficulty in finding suitable candidates for posts at senior management level in Programmes 2, 4 and 6.

Spending against *Goods and services* was at 25.1 per cent, which is far below the straight-line benchmark of 50 per cent, due to the previously explained delays in respect of projects and events, as well as financial controls implemented on items such as communication, advertising, rentals and hiring, travel and subsistence, property payments and contractors.

With regard to transfer payments against *Transfers and subsidies to: Departmental agencies and accounts*, these were at 59.6 per cent which is high compared to the straight-line benchmark. This was due to an amendment to the amounts transferred to DTPC, KZNSB and EKZNW in line with the quarterly payment schedules, which were revised when the department and entities concluded their SLAs.

With regard to expenditure against *Transfers and subsidies to: Non-profit institutions* was fairly low at 31.4 per cent compared to the straight-line benchmark of 50 per cent. However, the transfer payments made against this category are in line with the quarterly payment schedules and the mid-year projected expenditure. This category is projecting to break-even at year-end.

With regard to *Payments for capital assets, Other (Software and other intangible assets)* caters for knowledge management database software and the department's resource centre software. There was no expenditure incurred by mid-year due to delays in SCM processes. However, this category is projected to break-even at year-end.

The department is projecting a balanced budget at year-end after the adjustments have been made.