



PROVINCE OF KWAZULU-NATAL

**ESTIMATES
OF
PROVINCIAL REVENUE AND
EXPENDITURE**

2016/17

**for the
financial year ending 31 March 2017**

**Presented to Provincial Legislature
10 March 2016**

Quantity Printed 680

ISBN: 1-920041-04-4

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FOREWORD

The 2016/17 Medium-Term Expenditure Framework (MTEF) budget is tabled within an extremely constrained fiscal environment, largely due to the South Africa's weak economic growth, deterioration of the R/\$ exchange rate, and volatile Chinese economic activity which has had a negative impact on the export of commodity goods. Government has responded by tightening its fiscal consolidation programme, in order to deal with the country's looming debt crisis and widening structural deficit between actual revenue and expenditure. As a result, Round 1 and 2 cuts have been effected against all spheres of government.

The first round of cuts for provinces is envisioned to target inefficiencies in the system, while the second round of cuts was an implementation of an expenditure ceiling, in order to address the unsustainable government wage bill and debt service cost. The total baseline cuts as a result of Round 1 and 2 cuts are R319.107 million in 2016/17, R1.232 billion in 2017/18 and R1.611 billion in 2018/19. Compounding the equitable share budget cuts, is the budget cut that was effected against the provincial baseline as a result of the 2011 Census data. In addition, provinces were mandated to protect Health's baseline in view of the pressure placed on the department due to the weakening exchange rate, and to make provision for the ongoing drought.

In order to finance these cuts, the National and Provincial Cabinet ordered that expenditure reductions in the following areas be implemented:

- a. Provinces must lower their expenditure on *Compensation of employees* by freezing ALL vacant non-OSD posts (excluding Provincial legislature, Education and Health).
- b. Departments' equitable share-funded *Goods and services* budgets to be cut by 2 per cent.
- c. Departments' and public entities' hosting of events budgets should be cut.
- d. Other baseline cuts are effected against the Office of the Premier and the Department of Economic Development, Tourism and Environmental Affairs in line with a directive from national in this regard.
- e. Provinces must effect the closure or rationalisation of provincial public entities, particularly Development Finance Institutions (DFIs)/Development Agencies.

These were very difficult decisions, but Cabinet had to take them, to deal with this difficult situation. Over the 2016/17 MTEF, the province will continue to exercise fiscal discipline through the implementation of fiscal austerity measures that were first approved in 2009/10.

It is my honour to present the 2016/17 *Estimates of Provincial Revenue and Expenditure (EPRE)* which gives details of the provincial fiscal framework to the people of KwaZulu-Natal and beyond. These estimates are presented in two parts, the first being aggregates of revenue and expenditure, including the budget strategy adopted and the fiscal framework in general. Part two provides a detailed account of budget allocations per department. These estimates provide an opportunity for the Legislature and citizens to hold the provincial government departments and public entities accountable for the public funds they spend.



Belinda Scott
MEC: KwaZulu-Natal Provincial Treasury

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LIST OF ABBREVIATIONS

Abbreviation	Full description
AACL	Animal Anti-Cruelty League
AARTO	Administrative Adjudication of Road Traffic Offences
ADA	Agri-business Development Agency
AEPRE	Adjustments Estimate of Provincial Revenue and Expenditure
AET	Adult Education and Training
AFCON	Africa Cup of Nations
AFS	Annual Financial Statements
A-G	Auditor-General
ANA	Annual National Assessments
AOP	Annual Oversight Plan
APP	Annual Performance Plan
AQM	Air Quality Management
ARRUP	African Renaissance Roads Upgrading Programme
ART	Anti-retroviral Therapy
ARV	Anti-retroviral
ATM	Africa Television Market
AWGs	Action Work Groups
BAS	Basic Accounting System
B-BBEE	Broad-Based Black Economic Empowerment
BCP	Business Continuity Plan
BIM	Building Information Modelling
BPM	Business Process Mapping
BRICS	Brazil, Russia, India, China and South Africa
C-AMP	Custodian-Asset Management Plan
CANE	Protocol for Management of Child Abuse, Neglect and Exploitation
CAPS	Curriculum and Assessment Policy Statements
CARA	Conservation of Agricultural Resources Act
CASP	Comprehensive Agricultural Support Programme
CBD	Central Business District
CBOs	Community-Based Organisations
CCA	Custom Controlled Area
CCC	Community Care Centre
CCGs	Community Care-Givers
CDC	Community Day Centre
CDW	Community Development Worker
CEO	Chief Executive Officer
CETA	Construction Education Training Authority
CFO	Chief Financial Officer
CHC	Community Health Centre
ciDP	Communities-in-Dialogue Programme
CMP	Contract Management Project
CNDC	Community Nutrition and Development Centre
COGTA	Co-operative Governance and Traditional Affairs
CPA	Commonwealth Parliamentary Association
CPF	Community Policing Forum
CPI	Consumer Price Index
CRSC	Community Road Safety Councils
CRU	Community Residential Unit
CSC	Community Service Centre
CSFs	Community Safety Forums
CWP	Community Work Programme
CYCC	Child and Youth Care Centres
CYCW	Child and Youth Care Workers
DAC	Department of Arts and Culture
DAFF	Department of Agriculture, Forestry and Fisheries
DARD	Department of Agriculture and Rural Development

List of Abbreviations

Abbreviation	Full description
DBE	Department of Basic Education
DBSA	Development Bank of South Africa
DCSL	Department of Community Safety and Liaison
DDA	District Development Agencies
DDMC	District Disaster Management Centre
DEDTEA	Department of Economic Development, Tourism and Environmental Affairs
DFI	Development Finance Institution
DHA	Department of Home Affairs
DHET	Department of Higher Education and Training
DHIS	District Health Information System
DHS	District Health Services
DIFF	Durban International Film Festival
DIRCO	Department of International Relations and Co-operation
DIS	Development Information Services
DOE	Department of Education
DOH	Department of Health
DOHS	Department of Human Settlements
DOPW	Department of Public Works
DORA	Division of Revenue Act
DOSR	Department of Sport and Recreation
DOT	Department of Transport
DPLG	Department of Provincial and Local Government
DPME	Department of Performance, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
DRH	Department of Royal Household
DRP	Disaster Recovery Plan
DSD	Department of Social Development
DTPC	Dube TradePort Corporation
DVA	Domestic Violence Act
DVD	Digital Video Disc
DWS	Department of Water and Sanitation
ECD	Early Childhood Development
ECM	Enterprise Content Management
EE	Employment Equity
EEDBS	Extended Enhanced Discount Benefit Scheme
EGD	Engineering, Graphics and Design
EIAs	Environmental Impact Assessments
EIG	Education Infrastructure grant
EKZNW	Ezemvelo KZN Wildlife
ELRC	Education Labour Relations Council
EMF	Environmental Management Framework
EMIS	Education Management Information System
EMS	Emergency Medical Services
EPHP	Enhanced People's Housing Process
EPRE	Estimates of Provincial Revenue and Expenditure
EPWP	Expanded Public Works Programme
ERP	Enterprise Resource Planning
ETDP	Education, Training and Development Practice
EU	European Union
EXCO	Executive Committee
FBO	Faith-based Organisation
FCEM	Foster Care Electronic Monitoring
FDI	Foreign Direct Investments
FET	Further Education and Training
FFC	Financial and Fiscal Commission
FFW	Food For Waste
FLA	Financial Literacy Association
FLISP	Finance Linked Individual Subsidy Programme
FMCM	Financial Management Capability Maturity Model
FMD	Foot and Mouth Disease
FMPAA	Financial Management of Parliament Amendment Act

Abbreviation	Full description
FPC	Finance Portfolio Committee
FTE	Full-time Equivalent
FY	Financial Year
GAMS	General Algebraic Modelling System
GBS	General Budget Support
GCBS	Government Capacity Building Support programme
GDCSC	Gender, Disability, Children and Senior Citizens
GDP	Gross Domestic Product
GEMS	Government Employees Medical Scheme
GEPF	Government Employees Pension Fund
GET	General Education and Training
GHS	General Household Survey
GIAMA	Government Immoveable Asset Management Act
GIS	Geographical Information System
GRAP	Generally Recognised Accounting Practice
GROW	Guiding Recovery of Women
GWEA	Government Wide Enterprise Architecture
HCBC	Home Community-Based Care
HDA	Housing Development Agency
HDI	Human Development Index
HEARD	HIV and AIDS Research Division
HET	Higher Education and Training
HIP	Hluhluwe Imfolozi Park
HIV and AIDS	Human Immuno-deficiency Virus and Acquired Immuno Deficiency Syndrome
HOD	Head of Department
HPV	Human Papillomavirus
HQ	Head Quarters
HRD	Human Resource Development
HSDG	Human Settlements Development grant
HWSETA	Health and Welfare Sector Education Training Authority
IA	Implementing Agent
IALCH	Inkosi Albert Luthuli Central Hospital
IASP	Invasive Alien Species Programme
IBT	Innovative Building Technology
ICC	International Convention Centre
ICRM	Ideal Clinic Realisation and Maintenance
ICT	Information Communication Technology
ICU	Intensive Care Unit
IDIP	Infrastructure Delivery Improvement Programme
IDMS	Infrastructure Delivery Management System
IDP	Integrated Development Plan
IDT	Independent Development Trust
IDZ	Industrial Development Zone
IEC	Independent Electoral Commission
IGCC	Inter-Governmental Cash Co-ordination
IGR	Inter-Governmental Relations
IMDP	Integrated Master Development Plan
IMF	International Monetary Fund
IMP	Infrastructure Master Plan
IPDI	Integrated Provincial Development and Investment framework
IPID	Independent Police Investigative Directive
IPMP	Infrastructure Programme Management Plan
IPTN	Integrated Public Transport Networks
IRDPA	Integrated Residential Development Programme
IRM	Infrastructure Reporting Model
ISO	International Organisation for Standardisation
ISU	Informal Settlements Upgrade
IT	Information Technology
IYM	In-Year Monitoring
JCPS	Justice Crime Prevention Strategy
JE	Job Evaluation

List of Abbreviations

Abbreviation	Full description
JOCs	Joint Operating Committees
KSIA	King Shaka International Airport
KZN	KwaZulu-Natal
KZNCCPA	KwaZulu-Natal Community Crime Prevention Association
KZNGBB	KwaZulu-Natal Gaming and Betting Board
KZNGFT	KwaZulu-Natal Growth Fund Trust
KZNLA	KwaZulu-Natal Liquor Authority
KZNSB	KwaZulu-Natal Sharks Board
L:E	Learner: Educator
LAN	Local Area Network
LED	Local Economic Development
LexCo	Legislature Executive Committee
LG	Local Government
LGSETA	Local Government Sector Education and Training Authority
LIV	Lungisisa Indlela Village
LPM	Limited Payout Machines
LTAD	Long Term Athlete Development
LTSM	Learner Teacher Support Material
LUWM	Lower Umfolozi War Memorial (Hospital)
MANCO	Management Committee
MBAT	Municipal Bid Appeals Tribunal
MBRR	Municipal Budget and Reporting Relations
MCOE	Maritime Centre of Excellence
MDP	Municipal Development Programme
MDR/XDR	Multi-Drug Resistant/Extreme Drug Resistant
MEC	Member of Executive Council
MERSETA	Manufacturing, Engineering and Related Services Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure grant
MinComBud	Ministers' Committee on the Budget
MKI	Moses Kotane Institute
MOA	Memorandum of Agreement
MOU	Memorandum of Understanding
MPAC	Municipal Public Accounts Committee
MPAT	Monitoring Performance Assessment Tool
MPCC	Multi-Purpose Community Centre
MPP	Mass Participation Programme
MPRA	Municipal Property Rates Act
MPSD	Mass Participation and Sport Development
MSA	Municipal Structures Act
MSP	Municipal Support Programme
MST	Mathematics, Science and Technology
MTEC	Medium-Term Expenditure Committee
MTEF	Medium-Term Expenditure Framework
MTSF	Medium-Term Strategic Framework
MTV	Music Television
MuniMEC	Municipalities and Members of the Executive Council
NCNC	Non-compensation non-capital
NCOP	National Council of Provinces
NCS	National Curriculum Statement
NDA	National Development Agency
NDHS	National Department of Human Settlements
NDOH	National Department of Health
NDOPW	National Department of Public Works
NDOSR	National Department of Sport and Recreation
NDP	National Development Plan
NEMA	National Environmental Management Act
NEPA	National Education Policy Act
NGO	Non-Government Organisation
NHFC	National Housing Finance Corporation
NHI	National Health Insurance

Abbreviation	Full description
NHLS	National Health Laboratory Service
NPI	Non-Profit Institution
NPOs	Non-Profit Organisations
NSC	National Senior Certificate
NSF	National Skills Fund
NSNP	National School Nutrition Programme
NT	National Treasury
NURCHA	National Urban Reconstruction and Housing Agency
NYSP	National Youth Service Programme
OPRE	Overview of Provincial Revenue and Expenditure
OPSCAP	Operational Capital
OSCA	Owen Sithole College of Agriculture
OSD	Occupational Specific Dispensation
OSS	Operation Sukuma Sakhe
OTP	Office of the Premier
OVC	Orphans and Vulnerable Children project
PABX	Private Automatic Branch Exchange
PAC	Planning Africa Conference
PARMED	Parliamentary Medical Aid
PAYE	Pay as you earn
PCR	Polymerase Chain Reaction
PDA	Planning and Development Act
PDE	Patient-day Equivalent
PDMC	Provincial Disaster Management Centre
PEIP	Prevention and Early Intervention programme
PEMP	Poverty Eradication Master Plan
PEPFAR	President's Emergency Plan for AIDS Relief
PERO	Provincial Economic Review and Outlook
PERSAL	Personnel and Salary system
PES	Provincial Equitable Share
PET	Participatory Education Techniques
PFMA	Public Finance Management Act
PGDP	Provincial Growth and Development Plan
PGDS	Provincial Growth and Development Strategy
PHC	Primary Health Care
PHP	Private Hospital Patient
PICC	Presidential Infrastructure Co-ordinating Committee
PILIR	Policy on Incapacity Leave and Ill Health Retirement
PILO	KZN Programme for the Improvement of Learning Outcomes
PIP	Provincial Infrastructure Plan
PLGESC	Provincial Local Government Election Steering Committee
Pmb	Pietermaritzburg
PMG	Pay Master-General
PMSC	Provincial Medical Supply Centre
PMU	Project Management Unit
PPC	Provincial Planning Commission
PPF	Political Parties' Fund
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PRE	Provincial Regulatory Entity
PREMIS	Professional Real Estate Management Information System
PRF	Provincial Revenue Fund
PSC	Provincial Steering Committee
PSCBC	Public Service Co-ordinating Bargaining Council
PSETA	Public Sector Education and Training Authority
PT	Provincial Treasury
PTOG	Public Transport Operations grant
PTPAs	Public Transport Passenger Associations
Pty (Ltd)	Proprietary (Limited)
QLTC	Quality Learning and Teaching Committees
QPR	Quarterly Performance Report

List of Abbreviations

Abbreviation	Full description
RAF	Road Accident Fund
RAMS	Road Asset Management System
RBIDZ	Richards Bay Industrial Development Zone
RFID	Radio Frequency Identification
RHT	Royal Household Trust
RIA	Regulatory Impact Analysis
RLED	Regional and Local Economic Development
RRTF	Rural Road Transport Forum
RTI	Road Traffic Inspectorate
RTMC	Road Traffic Management Corporation
SA	South Africa
SAAMBR	SA Association for Marine Biological Research
SABC	South African Broadcasting Corporation
SACE	South African Council for Educators Act
SADC	Southern African Development Community
SANDF	South African National Defence Force
SANRAL	South African National Roads Agency Limited
SAP	Systems, Applications and Products
SAPI	South African Planning Institute
SAPS	South African Police Service
SAQA	South African Qualifications Authority
SARB	South African Reserve Bank
SARS	South African Revenue Service
SAS	Statistical Analysis Software
SASA	South African Schools Act
SA-SAMS	South African-Schools Administration Management System
SASCOC	South African Sport Confederation and Olympic Committee
SASSA	South African Social Security Agency
SBGE	Small Business Growth Enterprise
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SCOPA	Standing Committee on Public Accounts
SDF	Spatial Development Framework
SDFs	State Domestic Facilities
SEAs	Strategic Environmental Assessments
SECO	Swiss Economic Co-operation Affairs Department
SEDA	Small Enterprise Development Agency
SERO	Socio-economic Review and Outlook
SETA	Sector Education and Training Authority
SEZ	Special Economic Zones
SGB	School Governing Body
SGM	Senior General Manager
SHRA	Social Housing Regulatory Authority
SIPs	Strategic Infrastructure Projects/Programmes
SITA	State Information Technology Agency
SIU	Special Investigation Unit
SLA	Service Level Agreement
SLIMS	SITA Library Information Management System
SMME	Small, Medium and Micro Enterprise
SMS	Senior Management Service
SOC Ltd	State-owned company
SP	Strategic Plan
SPCA	Society for the Prevention of Cruelty against Animals
SPLUMA	Spatial Planning and Land Use Management Act
SSETA	Services Sector Education and Training Authority
STACOV	Standing Committee on Oversight
StatsSA	Statistics South Africa
STEM	Science, Technology, Engineering and Mathematics
STI	Sexually Transmitted Infection
TAC	Traditional Administrative Centre
TAF	Technical Assistance Fund

Abbreviation	Full description
TAFI	Travel Agencies Federation of India
TB	Tuberculosis
TC	Traditional Council
TETA	Transport Education and Training Authority
THETA	Tourism, Hospitality, Education and Training Authority
TIK	Trade and Investment KwaZulu-Natal
TKZN	KwaZulu-Natal Tourism Authority
TLTP	Taking Legislature to the People
TSC	Thusong Service Centres
TSMPS	Traditional Settlement Master Plans
TV	Television
TVET	Technical and Vocational Education and Training
UAE	United Arab Emirates
U-AMP	User-Asset Management Plan
UAS	uMgungundlovu Academy of Sport
UISP	Upgrade of Informal Settlements Programme
UKZN	University of KwaZulu-Natal
UNFPA	United Nations Population Fund
UNIZULU	University of Zululand
UPFS	Uniform Patient Fee Structure
USA	United States of America
VAT	Value-added Tax
VDA	Vulindlela Development Agency
VECA	Vukuzakhe Emerging Contractors Association
VEPOPER	Victim Empowerment Programme Older Persons Electronic Register
VSCPP	Volunteer Social Crime Prevention Programme
WESSA	Wildlife and Environmental Society of South Africa
WHEAT	Women Hope, Education and Training
WHO	World Health Organisation
WISN	Workload Indicator of Staffing Need
WSA	Water Services Authority
WTO	World Trade Organisation
WULA	Water Use License Application
XDR	Extreme Drug Resistance
YDA	Youth Development Academy
YDC	Youth Development Centre

List of Abbreviations

Zulu words	English translation
Amabutho (pl.)	A group of traditional warriors (regiment)
Amadelakufa	Stalwarts
Amaganu	Amarula
Amafa	Heritage
Amakhosi (pl.)	Traditional leaders or chiefs
Amazwi abesifazane	Voices of women
Ezomnotho	Economic affairs (DEDTEA Publication)
Hlasela	Invade
Isibindi	Courage
I(zi)mbizo	Public meeting(s) called by government involving a large number of people
I(zi)nduna (pl.)	Traditional leaders
Imizi yesizwe	Houses for Amakhosi
Induku	Stick fighting
Indaba	Forum
Inkululeko	Freedom
Izandla Ziyagezana	People helping one another
Khuz'umhlola	Condemning shameful behavior
Kushunquthuli	Getting dust off the ground
Lungisisa Indlela	Prepare the way
Lwisana Nobugebengu	Fight against crime
Omama Bezintombi	Mothers of maidens
S'fundisimvelo	We are teaching about nature
S'hamba Sonke	Moving together
Sakhisizwe	Building a nation
Siyadlala	We are playing
Sukuma Sakhe	Stand up and build
Thathulwazi	Gaining knowledge
Umbimbi	A coalition of people working towards the same goal
Umkhonto Wesizwe	The spear of the nation
Umkhosi Wezithungo	Ritual information sharing session
Umkhosi Womhlanga	Reed Dance
Umkhosi Woselwa	First Fruit ceremony
Vukuzakhe	Wake up and build
Vulindlela	Open the way
Vuselela	Restore
Zibambeke	Do it yourself
Zimele	Stand up for yourself
Other words	English translation
Batho Pele	People First
Lekgotla	Cabinet Forum
Phakisa	Accelerate

**OVERVIEW
OF
PROVINCIAL REVENUE
AND
EXPENDITURE**

1. SOCIO-ECONOMIC OUTLOOK

1.1. Introduction

Global economic performance remained subdued relative to South Africa's (SA's) macro-economic performance, which has largely remained fragile, with gross domestic product (GDP) in KwaZulu-Natal (KZN) estimated at approximately 1.1 per cent in 2015. This is significantly below the targeted level of 5 per cent required to achieve job creation as outlined in the National Development Plan (NDP) and KZN's Provincial Growth and Development Plan (PGDP). During quarter three of 2015, the province's unemployment rate was estimated at 20.5 per cent which is less than the national average of 25.5 per cent. Furthermore, the national and provincial outlook is constrained by the continued depreciation of the rand, which has fallen by an estimated 45 per cent against the US dollar from January 2015 to January 2016, this being driven largely by a contraction in international demand, especially in respect of raw materials.

Although the province's level of unemployment is less than the national average, development indicators reveal that the province has the lowest Human Development Index¹ (HDI), which is an indication of relatively lower levels of education and health, which ultimately leads to a lower life expectancy. Statistics released by the South African Social Services Agency (SASSA, 2015), reveal that more people live on government grants in KZN compared to other provinces. The province is also faced with lower levels of income, where most households earn less than R50 000 per annum.

When one considers the relationship between unemployment and poverty, there seems to be a contradiction between KZN's estimated low unemployment rate of 20.5 per cent, and the high ratio of people living in poverty in the province. This could be attributable to the fact that the employment rate percentage does not take into account discouraged job seekers, but also the lower rate of unemployment in KZN could be attributed to high levels of economic participation in the eThekweni Metro, which is the largest employer in the province.

1.2 Provincial population dynamics

The population dynamics are of paramount importance in addressing developmental needs in a society. Any changes in the population structure have an influence in ensuring universal access to social services such as health, education, sanitation, water, food and energy. Proper planning for population dynamics will therefore ensure that the wellbeing of both the current and the future generation is promoted with the motive of improving sustainable development.

In analysing the population dynamics, it is essential to focus on factors such as urbanisation, fertility, mortality, life expectancy, as well as the age structure of the population. These factors will provide an indication with regard to the estimated number of people who are dependent on government for transfers, as well as the number of people who are economically active. These factors also play an essential role in the efficient allocation of resources in all spheres of government.

1.2.1 Total population

The 2015 mid-year population estimates by Statistics South Africa (Stats SA)² show that the country's population is currently estimated at 55 million. KZN is home to an estimated 10.919 million people which accounts for an estimated 19.9 per cent of the country's population. KZN is the second most populated province after Gauteng, which has an estimated 13.200 million people constituting 24 per cent of the total national population (Table 1).

¹ HDI is the measure of standard of living in respect of health, education and life expectancy.

² Stats SA (2015). Mid-year population estimates 2015. Statistical Release P0302 (31 July 2015). Pretoria, Government Printer, available from www.statssa.gov.za, accessed on 22/01/2016.

Table 1 : South African population by province in 2006, 2011 and 2015

	2006		2011		2015	
	Population	% Share of national population	Population	% Share of national population	Population	% Share of national population
South Africa	47 390 900	100	50 586 757	100	54 956 920	100
Eastern Cape	6 894 300	14.5	6 829 958	13.5	6 916 185	12.6
Free State	2 958 800	6.2	2 759 644	5.5	2 817 941	5.1
Gauteng	9 526 200	20.1	11 328 203	22.4	13 200 349	24.0
KwaZulu-Natal	9 924 000	20.9	10 819 130	21.4	10 919 077	19.9
Limpopo	5 365 400	11.3	5 554 657	11.0	5 726 792	10.4
Mpumalanga	3 508 000	7.4	3 657 181	7.2	4 283 888	7.8
North West	3 374 200	7.1	3 253 390	6.4	3 706 962	6.7
Northern Cape	1 094 500	2.3	1 096 731	2.2	1 185 628	2.2
Western Cape	4 745 500	10.0	5 287 863	10.5	6 200 098	11.3

Source: Stats SA, 2006, 2011 and 2015

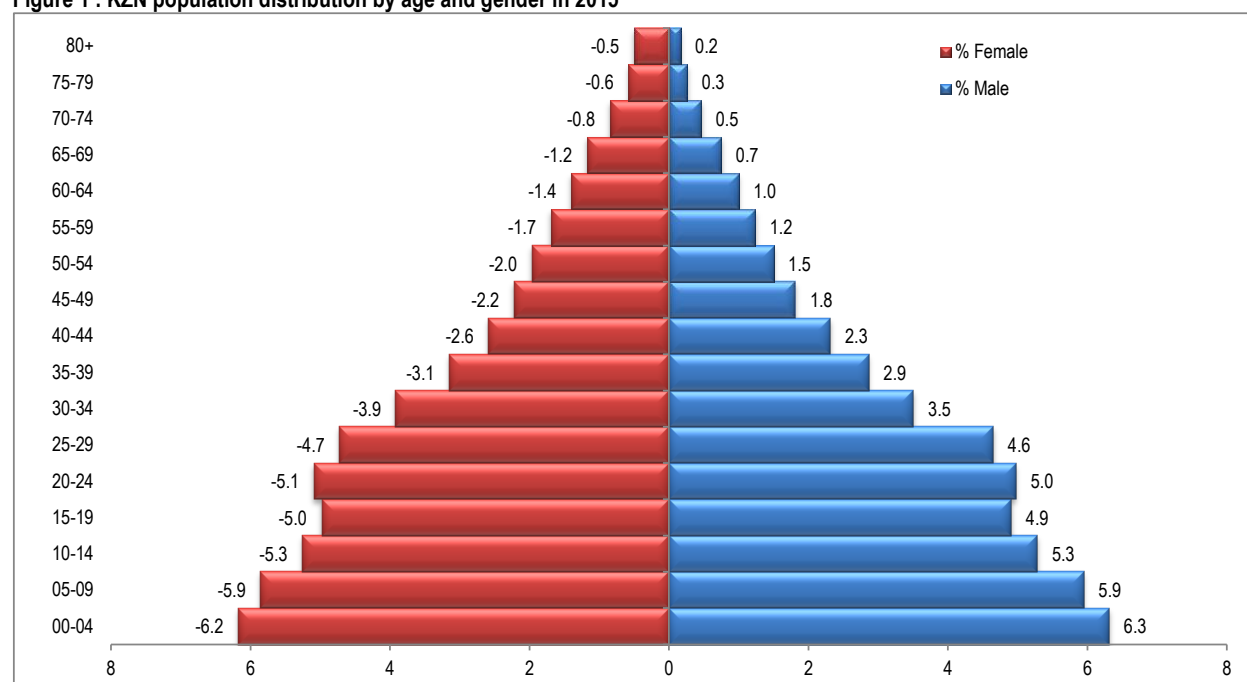
Although there had been an increase in the size of the population of KZN, the period 2006 to 2011 reveals that inter-provincial migration has taken place across the country. As a result, this migration has affected KZN negatively, where out-migration exceeded in-migration by 15 446 people in the same period. It is also projected that out-migration between the year 2011 and 2016 will exceed in-migration by 7 032 people (Stats SA, 2015). The major determinants of a declining population growth are the migration rate, a high mortality rate coupled with a low fertility rate and a high morbidity rate in the province.

1.2.2 Population distribution by age and gender

Figure 1 shows the population distribution of KZN by age and gender for the year 2015.

The population distribution of KZN indicates that the largest population in 2015 ranges between the ages of 00-04 to 25-29, which accounts for approximately 64.1 per cent of the total population (Figure 1). An estimated 35 per cent of the population are children between 00 and 14 and about 37 per cent are youth that are economically active (15-34). Collectively, children and young people account for an estimated 72 per cent of the total provincial population.

Figure 1 : KZN population distribution by age and gender in 2015



Source: Stats SA, 2015

The total provincial dependent population is estimated at 4 318 416, while the economically active population is estimated at 6 600 665. The implication of these estimates is a high dependency ratio of 65.4 per cent³. It has to be noted that the dependency ratio is not totally reflective of the situation in the economy, since some of the people in the economically active population are not actively involved in the labour market.

1.3 Global, national and provincial economic outlook

The global economic growth continued to perform lower than expected in 2015, thereby slowing down to an estimated 3.1 per cent compared to 3.4 per cent posted in 2014 (Table 2). The International Monetary Fund (IMF, 2016)⁴ expects this rate to improve slightly to 3.4 per cent in 2016. The slight upward trend in the global economy is mainly due to the moderate recovery in advanced economies, activity stabilisation among major commodity exporters, weaker capital flows and subdued global trade. The moderate growth rate in advanced economies is projected to remain the same at 2.1 per cent in 2016 and 2017, partly in light of the effect of the US dollar appreciation and the impact on Japan of Asia's slowing trade (World Bank, 2016)⁵.

Table 2 : World economic estimates and projections, 2013 to 2017

	Estimates			Projections			
				IMF		World Bank	
	2013	2014	2015	2016	2017	2016	2017
World	3.2	3.4	3.1	3.4	3.6	2.9	3.1
Advanced Economies	1.1	1.8	1.9	2.1	2.1	2.1	2.1
United States of America	1.5	2.4	2.5	2.6	2.6	2.7	2.4
Euro Area	-0.3	0.9	1.5	1.7	1.7	1.7	1.7
Japan	1.6	0	0.6	1.0	0.3	1.3	0.9
Emerging Market and Developing Economies	5.0	4.6	4.0	4.3	4.7	4.8	5.3
Russia	1.3	0.6	-3.7	-1	1.0	-0.7	1.3
China	7.7	7.3	6.9	6.3	6.0	6.7	6.5
India	6.9	7.3	7.3	7.5	7.5	7.8	7.9
Brazil	2.9	0.1	-3.8	-3.5	0.0	-2.5	1.4
Sub-Saharan Africa	5.4	5.0	3.5	4.0	4.7	4.2	4.7
South Africa	2.2	1.5	1.3	0.7	1.8	1.4	1.6

Source: IMF and World Bank, 2016

Economic growth in the Eurozone continues on the positive trajectory, thereby posting an estimated growth rate of 1.5 per cent in 2015, largely due to the improved performance in Germany and Spain. The strengthening growth rate in the Eurozone is partly induced by the ongoing regional economic recovery. The moderate economic recovery in the Eurozone is largely due to stronger private consumption supported by lower oil prices (IMF, 2016).

Economic performance in emerging markets is expected to pick-up modestly to 4 per cent and 4.3 per cent in 2015 and 2016, respectively. India continues to make a robust contribution, which is expected to remain the same at 7.5 per cent in 2016 and 2017, while China continues to decelerate.

The Sub-Saharan Africa region is projected to accelerate to 4 per cent in 2016, up from 3.5 per cent estimated in 2015 (Table 2). The World Bank cites a combination of external and domestic factors as responsible for the slowdown. External factors include lower commodity prices, a slowdown in major trading partners, and tightening borrowing conditions. Domestic factors, on the other hand, include political instability and conflict, electricity shortages and others.

³ Dependency Ratio = [(Number of people under 15 years) + (Number of people aged 65 and over) ÷ (Number of people between 15 and 64)] × 100 = (4 318 416 ÷ 6 600 665) × 100 = 65.4 per cent. The dependency ratio is an age population ratio of those not in the labour force.

⁴ IMF (2016): *World Economic Outlook Update*, an update of the key WEO projections, available from www.imf.org, accessed on 19/01/2016.

⁵ World Bank (2016): *Global Economic Prospects*, Spillovers amid Weak Growth, available from <http://www.worldbank.org/en/publication/global-economic>, accessed on 12/01/2016.

Following the global trends, economic growth continued to slow down in SA and recorded an estimated downward revised rate of 1.3 per cent in 2015. The national economic outlook for 2016 and 2017 is uncertain and likely to remain subdued at a projected 0.7 per cent and 1.8 per cent, respectively. This is the weakest performance since the global financial crisis in 2009. It must be re-emphasised that, inherently, lower economic growth implies, among others, lower revenue collection, increase in personal income taxes, rising inflation and interest rates, lower real personal disposable income, pressure on consumer spending, currency depreciation, limited export demand, particularly for manufactured goods and fewer employment prospects.

The Rating and Investment Information, Inc. (R&I, 2016)⁶ has since affirmed the national sovereign credit rating at BBB+⁷. The agency has, however, revised the outlook from stable to negative, thereby raising concerns such as the pressure from weaker demand, electricity rate hikes, an increase in food prices caused by severe drought and effects from the weaker rand.

This rating follows similar conclusions by other agencies (December 2015), namely Moody's, Fitch and Standard & Poor (S&P). The rating implies that economic growth in the country might be lower than anticipated. The sluggish economic performance clearly does not bode well for the unemployment rate, which is estimated at 25.4 per cent as at the end of the third quarter of 2015 (Stats SA, 2015b)⁸.

The national economic outlook is further constrained by the continued depreciation of the Rand. Data from the South African Reserve Bank (SARB)⁹ shows that the Rand has depreciated by close to 45 per cent against the US dollar between January 2015 and January 2016. The loss was further extended to record low in January 2016 when global markets fell, as a result of fears about China's economic growth outlook and the devaluation of its currency.

Speculation is rife that the Rand could fall by around 20 per cent against the US Dollar, should SA's credit rating be cut to junk status¹⁰. The ailing Rand is one of the contributing factors that prompted the SARB to raise the interest rate twice in 2015 by 25 basis points, a trend that is expected to persist in 2016. Though this may be considered favourable in supporting the sharp depreciation of the Rand, it could further damage the economy, particularly the prices of imported goods. This is already evident in the consumer inflation rate which is estimated at 6.2 per cent as at the end of 2015. This situation is further compounded by the worst drought experienced in the country over the past two decades, which is driving food prices higher and is likely to push the agricultural sector into recession.

Collectively, the Rand depreciation, the effect of the drought on food prices and electricity tariff increases are outweighing the benefits of the current lower oil price. Ideally, the weaker currency is expected to benefit a country in terms of export earnings, but unfortunately this is not the case in SA, particularly given the persisting economic structural constraints.

Similar to the national performance, the provincial economic outlook is also subdued. The growth rate in 2015 is estimated at 1.1 per cent and projected at 0.6 per cent and 1.3 per cent in 2016 and 2017, respectively. These growth rates are, however, below the targeted 5 per cent required to achieve job creation as outlined in both the NDP and the PGDP. This therefore signals a steeper trajectory ahead in terms of addressing poverty, unemployment, inequality and other socio-economic challenges facing KZN.

⁶ See Rating and Investment Information, Inc. (R&I, 2016), available from <https://www.r-i.co.jp/eng/body/cfp/news-release-A/2016/01/news-release-2016-A-0014-01>, accessed on 18/01/2016.

⁷ According to <http://multiple-markets.com>, BBB+ is the lower medium investment grade weighting 6.5 of the possible 10 points rating related to AAA or prime and maximum safety ranking. The risk of owning a security increases for a country if it is ranked more towards the tail end of the rating scale or along on the downward trend of the rating scale, (accessed on 20/01/2016).

⁸ Stats SA (2015b): *Quarterly Labour Force Survey*, Quarter three 2015, Statistical release number P0211, available Online: <http://www.statssa.gov.za/publications>, accessed on 2/11/2015.

⁹ See the SARB, available from: [https://www.resbank.co.za/Research/Rates/Pages/Selected Historical Exchange and Interest Rates](https://www.resbank.co.za/Research/Rates/Pages/Selected%20Historical%20Exchange%20and%20Interest%20Rates), accessed on 21/01/2016.

¹⁰ Junk status refers to bonds with Standard & Poor's ratings below BBB or Moody's ratings below BAA. These bonds are called "junk" because of their higher default risk (<http://mockingbird.creighton.edu/english/fajardo/teaching/SRP435/junkbond>), accessed on 21/01/2016.

1.4 Provincial labour market

The SA economy continues to battle with a high rate of unemployment, specifically structural unemployment which is the result of a mismatch between qualifications and the type of skills required by the market. Further to the above and similar to other economies, the South African economy is susceptible to global economic trends. This is specifically evident when one looks at the impact of the ailing Chinese economy, which has shown a declining trend in its economic growth over the past years over the SA economy. As mentioned, China's growth has fallen to 6.9 per cent in 2015, the lowest in 25 years. Given the fact that China is one of SA's largest trading partners, this has since forced some of the country's firms to lay off workers, particularly in the mining industry, due to a lack of export demand by the Chinese market.

High unemployment is also exacerbated by high costs of production. Labour costs have been rising consistently at rates higher than the inflation rate, which has led to the depletion of profit margins for employers. This phenomenon is likely to result in a lower productivity index, thereby hindering economic growth. KZN is no exception to the country's trend of high unemployment rate. In the third quarter of 2015, the official unemployment rate in KZN stood at about 20.5 per cent, which is marginally higher than the 20.4 per cent recorded in the second quarter of the same year.

1.5 Development Indicators

1.5.1 Poverty and human development

Poverty levels in KZN have been on a gradual decline over the years. Since 2011, however, the declining trend appears to have hit a plateau, declining only marginally in the advent of subdued economic growth following the economic crisis of 2009.

The percentage share of people living below the food poverty line (FPL)¹¹ stood at 28.9 per cent in 2014, while the proportion of those living below the lower poverty line (LBPL)¹² was 41.3 per cent and about 53.3 per cent were living below the upper poverty line (UBPL)¹³.

High poverty levels impact negatively on the level of human development within the province as more people are unable to access quality services in the health and education sectors for a better quality of life. The human development index (HDI) in KZN is estimated at 0.56 in 2014, which is the lowest across provinces and against the average national of 0.63.

Table 3 : Key socio-economic and development indicators in SA and KZN in 2006, 2011 and 2014

	South Africa			KwaZulu-Natal		
	2006	2011	2014	2006	2011	2014
Unemployment rate, official definition (%)	25.3%	24.8%	25.3%	25.7%	22.4%	22.0%
Functional literacy: age 15+, completed grade 7 or higher	75.9%	81.9%	83.2%	73.1%	79.2%	80.4%
Share below the food poverty line	32.4%	22.9%	22.8%	39.2%	29.5%	28.9%
Share below the lower poverty line	44.8%	33.8%	33.8%	52.6%	42.0%	41.3%
Share below the upper poverty line	56.7%	45.6%	45.4%	64.4%	54.4%	53.3%
Human Development Index (HDI)	0.56	0.60	0.63	0.50	0.54	0.56
Gini coefficient	0.65	0.64	0.64	0.64	0.62	0.63

Source: Stats SA, 2015 and Global Insight, 2015

¹¹ The FPL is the Rand value below which individuals are unable to purchase or consume enough food to supply them with minimum per-capita-per-day energy requirement for good health (which is about 2 100 kilocalories).

¹² Individuals at the LBPL do not have command over enough resources to consume or purchase both adequate food and non-food items and are therefore forced to sacrifice food to obtain essential non-food items.

¹³ The UBPL group are still considered in poverty, but can generally purchase both food and non-food items.

1.5.2 Household income and income inequality

In 2014, 44.8 per cent of all KZN households were categorised as being *lower income* households, where the annual income was between R0 and R54 000. About 20 per cent were categorised as being *low emerging middle income* households earning between R54 000 and R96 000 per annum (p.a.), and roughly 25.1 per cent were *emerging middle class* (R96 000 – R360 000 p.a.). A small proportion of the province's households earned between R360 000 and R600 000 (5.5 per cent) as the *realised middle class*, and about 3.4 per cent were *upper middle class* households earning between R600 000 and R1.200 million. About 1.2 per cent of the total KZN population was considered to be *affluent*, earning in excess of R1.200 million per annum.

Much still needs to be done in addressing the stark reality that an estimated 44.8 per cent of the households residing in KZN were still categorised as low income earners in 2014. This observation is further supported by KZN's Gini coefficient of 0.63, which is the second highest across all provinces after Gauteng (0.65).

1.5.3 Grant beneficiaries

As it has become the norm in social grant trend analysis, KZN had the highest number of social grant beneficiaries as at 31 December 2015 on a national scale, with a total number of 3 919 193 beneficiaries. This amount equates to 23.2 per cent of the total national number of social grant beneficiaries. The province had the highest share of recipients of the Old Age Grant (644 069 beneficiaries, 20.4 per cent), Disability Grant (270 310 beneficiaries, 24.6 per cent), Grant-in-Aid (45 342 beneficiaries, 34.2 per cent), Care Dependency Grant (37 301 beneficiaries, 28.4 per cent), Foster Child Grant (102 494 beneficiaries, 24 per cent) and the Child Support Grant (2 819 646 beneficiaries, 23.6 per cent).

In terms of growth in beneficiary numbers since 31 December 2014, only the war veterans' grant, disability grant and the foster child grant experienced declines of 29.5 per cent, 7.3 per cent and 9.3 per cent, respectively, while other grant types experienced an increase in numbers. The most notable increase was in the number of grant-in-aid beneficiaries (23.9 per cent), followed by old age grant beneficiaries (2.8 per cent).

2. BUDGET STRATEGY AND AGGREGATES

2.1 Introduction: Budget strategy – An overview

KZN was significantly negatively affected by the update of the equitable share formula using the 2011 Census data, which resulted in substantial reductions in the province's equitable share allocations over 2013/14 MTEF, as well as further equitable share formula amendments in 2014/15 that were not in the province's favour, resulting in further budget cuts. This meant that the province was not in a position to introduce new projects and programmes which have carry-through costs, unless existing projects and programmes are stopped or delayed.

Compounding this situation are further cuts effected on the provincial equitable share (PES), as well as conditional grants by National Treasury (NT) over the 2016/17 MTEF. Provinces were informed of a threat posed by the country's debt, widening structural deficit between actual revenue and expenditure, and risk posed by poor credit rating and its implication on government's ability to borrow. These threats compelled government to tighten its economic consolidation programme, with cuts effected across all three spheres of government in order to rein in government spending. Furthermore, the Presidency and NT instructed that the baseline of provincial Departments of Health (DOH) be protected in view of the impact that the exchange rate has had on the affordability of medicines, which are largely imported.

In terms of this, the country had to undertake some reprioritisation to fund various priorities that have recently arisen, with examples being the 0 per cent increase in Higher Education fees, the payment that is due to the BRICS bank, among others. This reprioritisation exercise required NT to look at all spheres of government in effecting budget cuts and this is referred to as Round 1 cuts. Also, as a result of the need to lower the country's expenditure ceiling to fall in line with lower revenue projections, a second round of cuts was effected against the three spheres of government, with this being referred to as Round 2 cuts. As such, the province had to undertake a major reprioritisation exercise in order to finance the Round 1 and 2 budget cuts. In addition, the reprioritisation exercise was needed to fund the exchange rate pressures in Health (as mandated by NT), the NHLS pressures arising from the province paying these fees at the higher fee-for-service rate as opposed to the flat-fee previously paid, as well as to provide drought relief, with the latter being provided in 2016/17 only. The province also allocated R80 million in 2016/17 to Health for the procurement of new hospital linen.

In view of these reductions and the provincial reprioritisation exercise, instead of allocating funds to departments, KZN had to find ways to deal with these reductions. If the reductions and reprioritisations are summed up, the provincial fiscus needed to find R2.350 billion, R1.469 billion and R1.361 billion from within its baseline to be able to deal with these matters. In order to finance this, National and Provincial Cabinet ordered that expenditure reductions be implemented in the following areas:

- Combating wasteful and inefficient spending.
- A decrease in the cost of *Compensation of employees* (while ensuring that critical posts are not impacted on by this decision). In KZN, departments and entities are permitted to fill critical vacant posts, as long as they remain within their reduced baselines and receive permission to fill these posts from the Premier and the MEC for Finance.
- Closing down under-performing programmes that are not delivering the desired outcomes.
- A general 'haircut' across all departments and activities, including events.
- No new programmes, and a slowdown on the rate of growth on existing programmes. This item would include sponsorships made and events held.
- A rescheduling or postponement on capital spending.
- Decreasing the transfers to DFIs.
- Rationalisation and possible closure of non-regulatory entities.

- Cutting the budgets of the provincial Offices of the Premier, as well as the Departments of Economic Development, Tourism and Environmental Affairs.
- KZN continues to budget for a Contingency Reserve which is set at R750 million per year over the MTEF. The Contingency Reserve is being kept for a number of reasons, but mainly to protect the province against the impact of unforeseen expenditure pressures when they arise. In view of the fact that the current wage agreement is a 3-year agreement with the wage increments being linked to inflation plus 1 per cent, some pressures may arise in this spending area, as inflation has increased since the agreement was signed.

To fund these budget cuts and the provincial reprioritisation, while maintaining a Contingency Reserve of R750 million per annum, and following the directive from the Presidency and NT, the provincial Executive Council agreed to the following:

- Carrying forward to 2016/17 the amount that was left unallocated in the province's Net Financial Position when the 2015/16 Adjustments Estimate was tabled (this includes the Contingency Reserve of R750 million from that year).
- Combating wasteful and inefficient spending through the continued implementation of the cost-cutting measures.
- Freezing all non-OSD posts that were vacant on the PERSAL system as at 31 January 2016 (excluding Education (DOE) and DOH). It was agreed, though, that departments may be given the flexibility to fill critical vacant posts as long as they remain within their reduced baseline.
- Cutting the events budgets of departments and public entities, with only direct service delivery events permitted to be budgeted for over the MTEF. This would include curtailing sponsorships and new programmes.
- A general budget cut against the Office of the Premier, including cutting the funds that had previously been provided for the construction of a new Training Academy in Durban, as well as a general budget cut against the Department of Economic Development, Tourism and Environmental Affairs (DEDTEA).
- A 2 per cent budget cut against all equitable share-funded *Goods and services* budgets (excluding Education and Health).

In total, departments' baselines were cut by R1.422 billion, R1.469 billion and R1.361 billion over the MTEF, with the balance of the amount for 2016/17 being the Contingency Reserve from 2015/16 carried forward into that year. It should be noted that DOE, DOH and the Provincial Legislature were not cut during this process. The amounts cut per department are detailed in Table 3.4 of this *OPRE*.

2.2 Aligning provincial budgets to achieve government's prescribed outcomes

In preparing the 2016/17 budget, departments were requested to focus on the national outcomes, the NDP, PGDS and PGDP, as in previous budget processes. The 14 national outcomes are listed below:

1. Quality basic education.
2. A long and healthy life for all South Africans.
3. All people in South Africa are and feel safe.
4. Decent employment through inclusive economic growth.
5. A skilled and capable workforce to support an inclusive growth path.
6. An efficient, competitive and responsive economic infrastructure network.
7. Comprehensive rural development and land reform.
8. Sustainable human settlements and improved quality of household life.
9. A responsive, accountable, effective and efficient local government system.
10. Environmental assets and natural resources that are well protected and continually enhanced.

11. Create a better South Africa and contribute to a better and safer Africa and World.
12. An efficient, effective and development oriented public service.
13. An inclusive and responsive social protection system.
14. Nation building and social cohesion.

2.3 Summary of budget aggregates

Table 2.1 provides an analysis of the overall provincial budget performance by comparing total receipts against total payments, resulting in a surplus or deficit before financing over the seven-year period. The table also provides the details of the financing items and amounts to provide the net position after financing for each financial year.

The data for 2012/13 to 2014/15 is based on audited receipts and payments, while the 2015/16 figures provide a revised estimate position as at the end of December 2015. The 2016/17 to 2018/19 data reflects the budgeted receipts and payments for the MTEF.

The detailed analysis of provincial total receipts and payments is given in Sections 4 and 5 of this *Overview of Provincial Revenue and Expenditure (OPRE)*.

Table 2.1 : Provincial budget summary

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Provincial receipts									
Transfer receipts from national	82 590 160	88 230 571	94 195 075	99 134 621	100 012 826	100 012 949	105 386 733	113 083 767	120 065 693
Equitable share	68 638 663	73 926 587	78 138 477	82 253 946	83 131 565	83 131 565	87 897 580	94 051 218	99 449 582
Conditional grants	13 951 497	14 303 984	16 056 598	16 880 675	16 881 261	16 881 384	17 489 153	19 032 549	20 616 111
Provincial own receipts	2 669 540	2 772 190	3 148 995	2 995 146	2 995 146	3 237 347	3 031 768	3 183 572	3 338 439
Total provincial receipts	85 259 700	91 002 761	97 344 070	102 129 767	103 007 972	103 250 296	108 418 501	116 267 339	123 404 132
Provincial payments*									
Current payments	66 314 557	71 965 078	76 555 901	83 026 013	84 512 797	83 823 550	90 254 597	95 682 631	101 911 632
Transfers and subsidies	9 764 582	11 420 899	12 054 854	11 049 595	11 986 342	11 937 111	10 820 225	12 004 799	12 667 527
Payments for capital assets	8 520 531	8 186 603	8 229 669	7 728 031	8 034 729	9 069 610	7 771 970	7 887 531	8 129 804
Payments for financial assets	11 012	38 511	5 983	157 598	158 041	160 676	159 249	139 501	252
Total provincial payments	84 610 682	91 611 090	96 846 407	101 961 237	104 691 909	104 990 947	109 006 041	115 714 462	122 709 214
Lending									
Surplus/(deficit) before financing	649 018	(608 329)	497 663	168 530	(1 683 937)	(1 740 651)	(587 540)	552 877	694 918
Financing	1 504 889	2 234 102	1 235 152	581 470	2 098 874	2 098 874	1 337 540	197 123	55 082
Provincial roll-overs	180 803	207 370	145 541	-	94 193	94 193	-	-	-
Provincial cash resources	1 324 835	2 028 291	1 091 595	581 470	2 002 434	2 002 434	1 337 540	197 123	55 082
Surplus Own Revenue surrendered	(1 702)	(3 261)	(2 247)	-	-	-	-	-	-
Suspension to ensuing year	953	1 702	263	-	2 247	2 247	-	-	-
Surplus/(deficit) after financing	2 153 907	1 625 773	1 732 815	750 000	414 937	358 223	750 000	750 000	750 000

* Estimated actual expenditure for 2015/16 is as at 31 December 2015

In aggregate, KZN recorded a surplus after financing in 2012/13, 2013/14 and 2014/15. The surplus is widely due to the success of the Provincial Recovery Plan which was first implemented in the province in 2009/10, as well as the fluctuating personnel numbers in DOE due to unprecedented staff exits. Careful cash and budget management has meant that the province has spent very close to on-budget for the past few years, and has remained cash positive in terms of the provincial bank balance.

The 2015/16 Revised Estimate in Table 2.1, which is based on December 2015 IYM, indicates that the provincial surplus will be R358.223 million, if the spending patterns and projections by departments remain as they are. This was due to the fact that the province budgeted for a surplus of R750 million, and projected to over-collect revenue, while projecting over-spending by some departments.

KZN continues to budget for a Contingency Reserve over the 2016/17 MTEF which is set at R750 million per year over the MTEF. The Contingency Reserve is being kept for a number of reasons, but mainly to protect the province against the impact of unforeseen expenditure pressures when they arise. In view of the fact that the current wage agreement is a 3-year agreement with the wage increments being linked to inflation plus 1 per cent, some pressures may arise in this spending area as inflation has increased since the agreement was signed. The surplus is kept in place to protect the province from going into overdraft again, in the event that departments find it difficult to remain within their reduced baselines.

2.4 Financing

Contingency Reserve

The total provincial receipts exceed the total provincial payments over the 2016/17 MTEF, thereby reflecting a surplus budget before and after financing. This indicates that not all financial resources available to the province have been allocated to the 15 provincial Votes for spending. This is purposely done, and this Contingency Reserve is kept to protect the province against any fiscal shocks that may occur, and to act as a buffer for various contingent liabilities that exist.

Implementation of Section 34(2) of the PFMA (First charge rule)

The province implemented the first charge rule (in terms of Section 34(2) of the PFMA) for the first time in 2009/10. This meant that the affected departments saw a reduction in their budgets available for spending, in order to pay back the over-expenditure they had incurred in prior years. Important to note and understand, though, is that these amounts are not removed from their budgets as such, but are allocated to *Payments for financial assets* to allow the necessary accounting treatment thereof.

Cost-cutting measures

Cost-cutting has been in place in KZN since 2009/10. The aim of cost-cutting is to reduce expenditure on “frills” and “nice to haves” and rather re-direct these funds into service delivery areas. These cost-cutting measures, which are listed below, are updated and re-issued to departments each year and will remain in place as they are critical elements of good governance, rather than a once-off initiative to contain costs. In addition to the provincial cost-cutting measures, NT issued Instruction 01 of 2013/14: Cost containment measures which all levels of government must adhere to. The provincial cost-cutting measures were updated during 2015/16 following the decision by NT to only partially fund provinces for the above-budget 2015 wage agreement, with the province receiving only approximately half the amount required to fully implement this wage agreement. As such, the first nine cost-cutting measures listed below were newly introduced in 2015/16 and were added to the existing list of cost-cutting measures. It should also be noted that the first two measures listed below were amended after a directive from NT that government must lower its expenditure on *Compensation of employees* and directed that provinces freeze vacant non-OSD posts with immediate effect. The latest provincial cost-cutting measures, which will be re-issued to all departments and public entities in 2016/17, read as follows:

1. Vacant non-OSD posts to be frozen with immediate effect for both departments and public entities. This cut does not affect Education or Health as these are to be protected in this process. Both departments are required to review their vacant administration staff posts and to decrease the numbers in this area with the savings from this exercise to be redirected within the votes to service delivery spending. In KZN, departments and entities are permitted to fill critical vacant posts, as long as they remain within their reduced baselines and receive permission to fill these posts from the Premier and the MEC for Finance.
2. Where posts become vacant after 31 January 2016 through natural attrition, or where departments and entities elect to fill critical posts from within their reduced baselines, these may not be filled without receiving approval from the Premier and MEC for Finance.
3. Any revised organograms which have the effect of increasing a department's or entity's total staff number may not be implemented. Any revisions to organograms must be approved by the Premier and MEC for Finance.
4. A detailed assessment must be done of each department's and each entity's personnel in order to move non-productive staff to productive, critical service delivery posts. PERSAL should only reflect the number of posts that the department can afford to fill, i.e. budgeted posts.
5. Departments and public entities must ensure total enforcement of the current cost-cutting measures. Lavish and expensive events will not be approved by Provincial Treasury (PT). Furthermore, events should be limited to service delivery events or campaigns only and the costs associated with such events should be rationalised. In line with this, the budgets for events were cut from departments' and public entities' baselines.

6. Procurement and/or hiring of VIP services and facilities such as marquees, toilets and catering, etc. for events is strictly prohibited.
7. Donations and sponsorships made by departments and public entities towards events must be submitted to PT prior to making such donations or sponsorships. The submission must indicate what value for money will be achieved and what aspects of the proposed events are being sponsored.
8. New expenditure items/projects/mandates will be permitted only if they are funded through internal reprioritisation by the department and/or entity. Motivation for items/projects/mandates that require new funding from the provincial fiscus must be submitted to PT who will assess these critically.
9. All requests for equitable share roll-overs will be critically assessed by PT prior to being submitted to Cabinet for approval.

Compensation of employees related:

1. As mentioned, there is a moratorium on the filling of non-critical posts. Accounting Officer and CFO to determine which posts are critical and may be filled.
2. Departments to ensure that only funded vacant posts appear on PERSAL.
3. No leave conversion payments (leave to be taken) – this does not apply to leave pay-outs when staff are exiting the public service.
4. Strict control of overtime.

Procurement related:

5. Budgets for non-essential goods and services to be kept at 2015/16 levels.
6. Furniture and equipment purchases to be approved by the Accounting Officer and the CFO. All furniture and equipment to be purchased should be standardised according to staff designations.
7. Energy saving projects to be explored with an aim of reducing electricity and water usage.
8. Timeous planning to be undertaken to ensure market related prices are charged by service providers.
9. Database of local service providers per municipality and fixed prices per commodity to be compiled to ensure exorbitant prices are not charged.
10. Cell phone, landline and data bundle costs to be reviewed and limitations in respect of usage and approval of these services to be effected. Stricter cell phone limits to be introduced.
11. Hiring of offices: government-owned properties to be utilised as far as possible to avoid costs.
12. Transversal contracts to be used for inventory items such as stationery, nappies, baby food, medication, etc.
13. Essential training to be done in-house (exceptions to be approved by the HOD).
14. Catering for meetings to be stopped (exceptions to be approved by the HOD, but there should be no catering for internal meetings).
15. When printing APPs, SPs, Annual Reports, etc., the use of colour pages to be minimised and lighter weight of pages and covers to be used. Feasibility of using electronic distribution (e.g. compact discs) to be looked at to reduce costs. Gold and silver embossed letterheads may not be used.
16. No bottled water may be procured for meetings, etc.
17. All newspapers and other publications purchased for employees must be discontinued. Such purchases must be limited to Accounting Officers, Senior General Managers; and departmental libraries.

Travelling related:

18. S&T – only essential trips to be undertaken. Allowances for all categories of S&T to be reviewed.
19. Monthly mileage restrictions to be adhered to and officials to use one hired car for meetings outside KZN (synergy between departments attending same meetings).
20. Responsibility managers to ensure co-ordinated travel to reduce costs, and officials to travel together unless absolutely unavoidable.

21. Meetings and workshops to be held where the majority of the officials reside/work (50 per cent + 1).
22. Departments and public entities to develop an integrated annual calendar so that meetings and workshops are properly co-ordinated to reduce travel costs.
23. Meetings need to start at reasonable time to reduce need to sleep over. Unnecessary overnight accommodation needs to be cut down.
24. Assessment to be done between road travel to end destination vs distance to airport (e.g. cheaper for a person from Newcastle to travel to Jhb by road than to drive to Dbn to take flight to Jhb).
25. Overseas trips to be rationalised with the number of delegates being kept to a minimum.
26. Business class travel only for MECs and HODs (and MPLs, where applicable).
27. Car hire bookings – class of vehicle to be lowered.
28. Kilometre controls to be implemented on travelling (average of 2 500 kilometres per month per official unless there are exceptional circumstances – exceptions to be approved by the HOD).
29. Departments and public entities to plan meetings carefully and rationalise the number of meetings held (it seems that staff from regions/districts are sometimes called to head office meetings organised by different units on various different days, requiring them to travel to and from the regions/districts frequently. These meetings must be co-ordinated and planned between the various units to reduce the wastage of time and money).
30. Where there are one-day meetings in other provinces, officials to travel there and back on the same day (where possible).

Events related (including workshops/meetings, etc.):

31. No. of service delivery events held by departments and public entities must be strictly kept at no more than 24 per annum, as approved by Cabinet (for an event with 3 500 community members, this event should not cost more than R1 million to host. For events where 1 500 to 2 000 community members attend, these events may not cost more than R500 000 – R700 000 per event). The cost per event to be adhered to, as per guidelines given. Requests for events must reach PT five (5) working days before the event is planned to take place to allow sufficient time for PT to assess the requests, and should be accompanied by the following:
 - Three quotations.
 - Date of the event.
 - Venue of the event.Total cost of the event – with the breakdown cost of each item. The submission should be reviewed by the CFO's office before forwarding to PT for approval.
32. Musicians and other performing artists to be sourced from a database administered by the Department of Arts and Culture (DAC). The Arts Development unit can be contacted on 033 – 341 3608/09 in this regard. DAC will ensure that the rate charged by the musicians and performing artists falls in line with the rates set out in Provincial Government's "Departmental Honoraria and Special Payment Policy". While the artists will be selected by DAC, the payment to these artists is the responsibility of the department or public entity requesting the services of the artist/s. PT will ensure that the amount to be paid to the artist/s falls in line with the policy when departments submit the request for an event to be held to PT.
33. No tracksuits, t-shirts, caps, bags or other promotional materials to be purchased or handed out at events (exceptions to be approved by PT).
34. Departments and public entities to provide listing of events to be held in 2015/16 for synergies and sharing of costs to be realised between departments.
35. Departments to share databases for government and community venues to minimise use of private venues.
36. Marquees and catering costs for events to be reduced through timeous procurement (departments should end fixed contracts with just one service provider – look at panel of event co-ordinators instead). Refer to point 32, price guideline will be issued by PT.

37. Proper planning of events to be undertaken to reduce costs. Core planning team to co-ordinate all events in the department to ensure value for money.
38. Events – current standardised specifications to be reviewed to reduce costs.
39. Number of departmental/public entity officials attending events to be kept at an absolute minimum.
40. Internal meetings, strategic planning sessions and workshops to be held in departments' and public entities' offices instead of private venues (exceptions to be approved by PT). Where PT approval is requested, proof must be given that all other avenues have been exhausted before a private venue will be approved.
41. External meetings, workshops and events to be held in government facilities instead of private venues (exceptions to be approved by PT). Use of marquees to only be considered where such events could not be held in municipal halls, school halls, FET College facilities, etc. Where PT approval is being requested, proof must be provided that all other avenues have been exhausted before a private venue will be approved.
42. No team building exercises or year-end/Christmas functions to be held (only permitted if paid for by the staff themselves).

Sources of financing

The paragraphs below aim to provide an explanation of some of the terms contained in Table 2.1. In essence, the province has three sources of financing available, namely provincial roll-overs, provincial cash resources, and suspensions to the ensuing financial year.

Provincial roll-overs refer to funds that were appropriated and committed but not spent in that financial year. These commitments are in respect of once-off expenditure such as acquisition of machinery and equipment, completion of infrastructure projects, etc., as well as unspent conditional grants. These unspent funds are then re-allocated to the relevant department during the Adjustments Estimate in the following year.

Provincial cash resources refer to surplus funds in the provincial revenue fund, after taking into account all commitments and subsequent roll-overs. This includes unspent appropriated funds in departments that were not rolled over to the ensuing financial year, as well as surplus provincial own revenue that was collected in prior financial years. This category also includes unspent funds which were surrendered in one financial year and allocated back to the same department in ensuing years. This source of financing also relates to any internal provincial reprioritisation that is undertaken to finance provincial commitments.

Suspensions to ensuing years in Table 2.1 relates only to the Provincial Legislature and occurs when the Legislature, in terms of Section 22(1) of the PFMA, as well as the Financial Management of Parliament Amendment Act (FMPAA), retains its own revenue.

3. BUDGET PROCESS AND MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF)

3.1 The 2016/17 MTEF budget process in brief

3.1.1 Treasury Guidelines circular

The preparation and distribution of the *Treasury Guidelines* document marked the start of the 2016/17 MTEF budget process. This document explains the policy framework and format that departments must use to prepare the 2016/17 MTEF budget submissions.

The 2016/17 budget process focuses on the compilation of reprioritised budgets and service delivery that is aligned to the 14 national outcomes, the NDP, the PGDP and the PGDS. As in the previous three MTEF cycles, departments were asked to continue implementing the expanded cost-containment measures first introduced as part of the Provincial Recovery Plan in 2009/10, and to redirect any savings realised from this into service delivery. Departments were requested to try and fund any new priorities through reprioritisation. Departments were also directed to consider the budget proposals received from public entities. The social sector departments, i.e. DOH, DOE and the Department of Social Development (DSD), were requested to cost the agreed to national priorities which require additional funding, as well as to cost a maximum of two provincial ‘initiatives’. The other departments were requested to identify and cost a maximum of two ‘initiatives’. Public entities were also given the opportunity to cost two ‘initiatives’. It was also emphasised that, due to the 2011 Census budget cuts and further cuts to the province’s equitable share in 2015/16, ‘initiatives’ were to be ‘once-off’ in nature, as the fiscus would likely not be able to accommodate any carry-through costs. It was only after NT indicated further fiscal consolidation cuts for the 2016/17 MTEF, that it became clear that the province would not be able to fund any new spending areas, except for protecting DOH’s baseline against exchange rate pressures, the National Health Laboratory Services (NHLS) higher fee-for-service payment mechanism, as well as the drought (with these funds made available through a provincial reprioritisation exercise).

As such, the province had to undertake a major reprioritisation exercise in order to finance the Round 1 and 2 budget cuts, as mentioned, as well as to fund mainly the exchange rate pressures in Health, the NHLS pressures and to provide drought relief, with the latter being provided in 2016/17 only.

3.1.2 Initiative measurement criteria

The measurement tool used in prior budget processes was again used to assess requests for additional funding, and this was used as an indication of whether requests for additional funding should be supported in principle, or not. Each initiative was therefore rated against the following seven criteria:

- Evidence that the initiative contributes to government policy priorities, as well as being clearly aligned to the PGDP.
- Credible service delivery information.
- Alignment of the initiative to the core functions of the department/public entity.
- Evidence of financial controls and/or reprioritisation of savings to service delivery.
- Evidence that the department/public entity underwent thorough reprioritisation with a view to fund part of the initiative from within its budget.
- Is the costing/initiative realistic?
- Was there adequate political involvement in the budget formulation process?

In terms of the rating exercise, each of the first four criteria translated to ‘2’ points if complied with, and a ‘0’ if not. A higher score was accorded to the first four criteria, simply because they were seen as being essential. An initiative therefore could score a maximum of 11 points or 100 per cent. The Medium-Term Expenditure Committee (MTEC) then reviewed each and every funding request and made proposals to the Ministers’ Committee on the Budget (MinComBud) and Cabinet. At this stage of the budget process, the province had not yet been informed by NT of the fiscal consolidation cuts.

3.1.3 Allocation process

Except for the Legislature, MTEC met 13 provincial departments and six public entities in September 2015. These were the departments and entities who had submitted initiatives for funding, which had no carry-through costs. In terms of the FMPAA, which is applicable from 1 April 2015, the Legislature is no longer required to submit additional funding requests to PT *via* the MTEC process as the provincial departments and public entities do. Instead, the Legislature's additional funding requirements were discussed between the Speaker and the MEC for Finance. This meeting was informed by inputs provided by both Legislature and Treasury officials. As was the case in the previous cycle, the MTEC for the 2016/17 MTEF cycle indicated that the meetings were taking place during difficult times as SA's debt service-costs were rising faster than any other expenditure item in the national fiscal framework. The reason is that public spending is rising faster than revenue collection and the country is not financing capital investments from borrowing, but current government consumption spending. Also, KZN was significantly negatively affected by the update of the equitable share formula using the 2011 Census data which resulted in substantial reductions in the province's equitable share, as well as further equitable share formula amendments that were not in the province's favour, resulting in further budget cuts. This meant that the province was not in a position to introduce new projects and programmes which have carry-through costs unless existing projects and programmes were stopped or delayed.

When MTEC met, NT indicated that there would be no additional funding allocated to provinces except for the above-budget 2015 wage agreement carry-through costs and that, as mentioned, cuts were possible. NT was attempting to reduce all levels of government's consumption spending in view of the country's high debt-service costs. By January 2016, NT and National Cabinet's intentions were clear. Provinces were informed of the threat posed by the country's debt, widening structural deficit between actual revenue and expenditure, and risks posed by the country's poor credit rating and its implication on government's ability to borrow. These threats compelled government to tighten its economic consolidation programme, with cuts effected across all three spheres of government in order to rein in government spending.

Table 3.1 indicates the departments' requests for additional funding as they were submitted as part of the 2016/17 MTEF process.

Table 3.1 : Summary of additional funding requested by departments and public entities

R thousand	Amounts requested			
	2016/17	2017/18	2018/19	Total
1. Office of the Premier	16 769	12 500	13 000	42 269
2. Provincial Legislature	260 190	272 074	288 126	820 390
3. Agriculture and Rural Development	233 104	217 750	227 513	678 367
4. Economic Development, Tourism & Enviro. Affairs	973 434	101 096	107 706	1 182 236
5. Education	100 000	52 000	-	152 000
6. Provincial Treasury	29 911	5 884	8 011	43 806
7. Health	173 127	-	-	173 127
8. Human Settlements	-	-	-	-
9. Community Safety and Liaison	53 190	42 400	44 944	140 534
10. Sport and Recreation	71 000	74 000	76 000	221 000
11. Co-operative Governance and Traditional Affairs	23 300	36 300	37 300	96 900
12. Transport	395 135	454 915	508 300	1 358 350
13. Social Development	284 545	295 045	309 395	888 985
14. Public Works	-	-	-	-
15. Arts and Culture	44 318	52 571	177 570	274 459
Total	2 658 023	1 616 535	1 797 865	6 072 423

Note: The public entities' requests are included in their parent departments' totals

With the exception of the Departments of Human Settlements (DOHS) and Public Works (DOPW), all departments submitted requests for additional funds, with the largest coming from the entities falling under DEDTEA, Department of Transport (DOT), the Legislature, DSD and the Department of Agriculture and Rural Development (DARD). The departments requested additional amounts of R2.658 billion, R1.617 billion, R1.798 billion, respectively, over the 2016/17 MTEF. DOT requested additional funds to reduce the construction backlog of the road networks. While DEDTEA did not request additional funding, its entities requested funds for various issues, including the acquisition of land by the Richards Bay Industrial Development Zone (RBIDZ) and turn-around funding for Ithala Development Finance Corporation (Ithala), while Ezemvelo KZN Wildlife (EKZNW) requested funds for rhino

security and infrastructure improvements. DARD requested additional funds for farmer support and capacity building programmes, while DSD requested funding for infrastructure and community care-givers' stipends. Many of the requests for additional funding were based on sound principles and fared well when assessed in terms of the criteria mentioned above. However, the budget cuts imposed by NT, as well as the provincial reprioritisation exercise undertaken, did not allow most of these requests to be funded.

MinComBud and Cabinet reviewed the MTEC recommendations taking into account the above context, and agreed to fund the following:

- DOH receives R80 million in 2016/17 for the procurement of hospital linen.
- R200 million is allocated for drought relief. Of this, R150 million is allocated to COGTA and R50 million to DARD.
- DOH receives an allocation over the MTEF to close the gap between the flat-fee payment relating to the NHLS versus the more expensive fee-for-service which they are currently paying.
- DOH receives additional funding to assist with the exchange rate pressures relating to the procurement of medicines, as mentioned.
- It was also agreed to keep budgeting for a Contingency Reserve as KZN has done in the past few MTEFs, as these funds assist greatly when unfunded mandates arise which would otherwise threaten the fiscal stability of the province.

Furthermore, the following are various provincial priorities that were allocated additional funding when the 2015/16 Adjustments Estimate was tabled, but with the understanding that these would receive the additional funds over the 2016/17 MTEF:

- OTP receives funds for the establishment of an operations centre for the Poverty Eradication Master Plan (PEMP).
- DEDTEA receives funds for transfer to EKZNW for its rhino anti-poaching efforts. These funds are specifically and exclusively appropriated.
- The Legislature receives R95.522 million over three years for the zero-based budget adjustment (continued in its baseline), as well as a once-off amount of R5.500 million for allocation in 2016/17 for hosting the Commonwealth Parliamentary Association Conference (CPAC). Funds are also allocated for the replacement of a lift in the Legislature building for an amount of R1.500 million.
- DOE receives R150 million, allocated in 2016/17 and 2017/18 for sanitation at schools. There is currently a backlog of 741 schools that do not have adequate toilet facilities and 500 schools that require water supply in the province.
- PT receives R12 million in 2016/17 for purchasing biometric scanners for all provincial departments to provide an additional layer of security for the BAS accounting system and the PERSAL payroll system. PT also receives R3 million in 2016/17 to finalise the floor repairs at the Inkosi Albert Luthuli Central Hospital (IALCH).
- Community Safety and Liaison (DCSL) receives R5 million in 2016/17 for local government election monitoring.
- Department of Social Development (DSD) receives money in 2016/17 and in 2017/18 to provide for a 6 per cent increase in transfers to NGOs with this increase first provided for in the 2015/16 Adjustments Estimate. It appears that the department had introduced new transfers in 2013/14 to NGOs without providing sufficient budget in their baseline to ensure the continued inflationary growth in transfers to their existing NGOs. While provision is made for this 6 per cent increase from 2015/16 to 2017/18, the department will have to put processes in place to ensure that they are in a position to carry these increases through beyond 2017/18. The department also receives additional funds in 2016/17 and 2017/18 for capital developments relating to the Inkululeko Programme. These funds provide for the development of an Elderly Day Care Centre.

Details of the additional allocations over the 2016/17 MTEF, per department, are provided in Table 3.4.

3.2. Provincial fiscal framework

Table 3.2 summarises the provincial fiscal framework for the 2016/17 MTEF budget.

The difference between the baseline and the revised allocations (Section 1 of the table) yields the additional resource made available to KZN, or the reductions affecting the province where this movement is negative.

Table 3.2 : Summary of provincial fiscal framework

R thousand	2016/17	2017/18	2018/19
1. Receipts			
Baseline Allocation	107 458 878	113 489 883	118 756 899
Transfer receipts from national	104 269 522	110 147 510	115 220 668
Equitable share	86 885 446	91 429 978	96 503 136
Conditional grants	17 384 076	18 717 532	18 717 532
Provincial own receipts	3 189 356	3 342 373	3 536 231
Increase / (Decrease) in allocation	959 623	2 777 456	4 647 233
Transfer receipts from national	1 117 211	2 936 257	4 845 025
Equitable share	1 012 134	2 621 240	2 946 446
Conditional grants	105 077	315 017	1 898 579
Provincial own receipts	(157 588)	(158 801)	(197 792)
Revised allocation	109 756 041	116 464 462	123 459 214
Transfer receipts from national	105 386 733	113 083 767	120 065 693
Equitable share (after update of formula data & fiscal consolidation cuts)	87 897 580	94 051 218	99 449 582
Conditional grants	17 489 153	19 032 549	20 616 111
Provincial own receipts	3 031 768	3 183 572	3 338 439
Provincial cash resources	1 337 540	197 123	55 082
2. Planned spending by departments	109 006 041	115 714 462	122 709 214
3. Contingency Reserve	750 000	750 000	750 000

The PES formula has been updated with new data and is informed by the data from the Census 2011 age cohorts, 2015 mid-year population estimates, 2015 School Realities Survey (SNAP Survey), the 2013 GDP-R, District Health Information System for patient load data (2013/14 - 2014/15), risk adjusted index (risk equalisation fund), insured population (2014 GHS), and the 2010 Income and Expenditure Survey. In addition, NT is effecting budget cuts against all three spheres of government, as detailed previously. As such, the provincial baseline has decreased due to data updates, as well as the equitable share Round 1 and 2 cuts. Furthermore, provinces were directed to reprioritise within their baselines in order to protect DOH's baseline from exchange rate pressures, NHLS higher fee-for-service, as well as to provide for drought relief in the province.

As previously mentioned, Round 1 and 2 cuts were effected against all three spheres of government, resulting in the province losing R319.107 million in the first year of the MTEF, followed by R1.232 billion in 2017/18 and R1.611 billion in 2018/19. In order to finance the cuts effected against the provincial baseline, the National and Provincial Cabinet ordered that expenditure reductions be implemented in various areas, as detailed in the *Budget Strategy and Aggregates* section of this *OPRE*.

Also as mentioned, over the 2016/17 MTEF, the province will continue to exercise fiscal discipline through the implementation of fiscal austerity measures that were first approved in 2009/10.

MinComBud and Cabinet meetings were convened from September 2015 to February 2016 to consider the 2016/17 provincial fiscal framework, with these forums providing direction in terms of the provincial fiscus each step of the way. The budget cuts were implemented against both the equitable share, as well as the conditional grant allocation of the province.

The commitment made by government to maintain the expenditure ceiling requires that the conditional grant allocations in aggregate for all nine provinces be cut by R2.100 billion in 2016/17, R649 million in 2017/18 and R809 million in 2018/19. These cuts are not proportionately applied across all grants, though, as the reductions are effected in a manner that attempts to protect essential service delivery programmes. As such, as far as possible, grants that address key social service delivery have been protected with the baselines of the **National School Nutrition Programme (NSNP) grant** and the **EPWP grants** (EPWP Integrated Grant for Provinces and the Social Sector EPWP Incentive Grant for Provinces) being left unchanged when compared with the 2015/16 MTEF baseline.

At a high level, KZN's conditional grant allocation when comparing the 2015/16 MTEF baseline with the 2016/17 MTEF allocation, increases by R105.077 million in 2016/17, R315.017 million in 2017/18 and R1.899 billion in 2018/19. While the aggregate position shows an increase, some grants see a reduction in their allocations. Contributing significantly to the growth in 2018/19 is a significant increase in the **Comprehensive HIV, AIDS and TB grant**, as well as the **Human Settlements Development grant (HSDG)**. The following amendments are made to the conditional grant allocation:

The **Comprehensive Agriculture Support Programme (CASP) grant** reduces by R8.189 million and R10.111 million in 2016/17 and 2017/18, respectively, while increasing by R3.649 million in 2018/19. The allocation letter from NT indicates that the reduction is as a result of an Agriculture Task Team which was sanctioned by TCF and Budget Council, where relevant provincial and national stakeholders met and a resolution was taken to top-slice the CASP grant for the Department of Forestry and Fisheries to be able to provide an oversight and monitoring function on the grant in order to realise the outcomes envisioned in the NDP and the Agricultural Policy Action Plan. As such, the CASP grant sees a reduction over the 2016/17 MTEF. The **Ilima/Letsema Projects grant** receives an inflationary increase of R3.907 million in 2018/19. The department also receives additional funding of R3.840 million in 2016/17 with regard to the **EPWP Integrated Grant for Provinces**.

The **Education Infrastructure grant** was initially increased by R133.309 million in 2016/17 and this relates to the fact that this grant has become an incentive-based grant. Departments needed to obtain a minimum score of 60 per cent to qualify for an additional incentive allocation. DOE attained a final score of 64 per cent and therefore received an incentive allocation of R133.309 million. This increase was offset by the fiscal consolidation cuts, though, and the net increase in 2016/17 is therefore R100.673 million, with the grant declining by R106.550 million in 2017/18 and R1.643 million in 2018/19.

The **HIV and AIDS (Life-Skills Education) grant** and the **Maths, Science and Technology grant** show inflationary growth in the outer year. The department receives additional funds in 2016/17 relating to the **EPWP Integrated Grant for Provinces** (R2.790 million), and the **Social Sector EPWP Incentive grant** (R27.318 million).

The allocation letter from NT also indicated that the **NSNP grant** is amended due to updated poverty distribution tables and that these changes will be phased-in over the 2016/17 MTEF, but this is not visible in KZN's allocation which simply seems to show inflationary growth.

With regard to the **Comprehensive HIV and AIDS grant**, this grant's focus is extended to now include TB. As such, the name of the grant is amended to take this into account (**Comprehensive HIV, AIDS and TB grant**) and a sizeable additional allocation is received, particularly in the outer year where R714.127 million is added to the baseline of this grant. The increase in the baseline is for the continued expansion of the Anti-retroviral (ARV) Treatment Programme, HIV prevention and to cater for TB screening and treatment (in the outer years). This grant is affected by budget cuts, though, with a decrease of R48.853 million in 2016/17.

The **Human Papillomavirus (HPV) Vaccine grant**, which was scheduled to end in 2015/16, continues as an indirect grant for the first two years of the 2016/17 MTEF, before changing to a direct grant in 2018/19. These funds are shifted from DOH's equitable share allocation with R44.976 million added to the province in 2018/19.

With regard to the **Health Facility Revitalisation grant**, this is also an incentive grant similar to the **Education Infrastructure grant**. As such, the department needed to obtain a minimum score of 60 per cent to qualify for an additional incentive allocation. DOH attained a final score of 67 per cent and therefore received an incentive allocation of R109.454 million. Since then, though, this grant is impacted by budget cuts and the allocation in the first year therefore only increases by R67.172 million as opposed to the R109.454 million initially communicated by NT. The grant declines by R3.988 million in 2017/18, while showing inflation-related growth in 2018/19 of R53.809 million.

The **National Health Insurance grant** sees a minor reduction of R3 000 in 2016/17, while being removed from the province's baseline from 2017/18 onward. NT explains this by saying that the grant

stops being a direct grant to provinces as the effectiveness of this grant in preparing for the roll-out of NHI has been poor. The grant is therefore moved to the national DOH for a more targeted approach.

The department also receives additional funds in 2016/17 relating to the **EPWP Integrated Grant for Provinces** (R7.122 million), and the **Social Sector EPWP Incentive grant** (R13 million).

The **HSDG** sees a reduction in 2016/17 of R290.255 million, while increasing in 2017/18 and in 2018/19 by R211.122 million and R460.118 million, respectively. The department receives additional funding of R15.194 million in 2016/17 with regard to the **EPWP Integrated Grant for Provinces**.

DCSL receives additional funding of R11.043 million in 2016/17 with regard to the **Social Sector EPWP Incentive Grant for Provinces**, while Co-operative Governance and Traditional Affairs (COGTA) receives an allocation of R3.667 million with respect to the **EPWP Integrated Grant for Provinces**.

The **Provincial Roads Maintenance grant** increases over the 2016/17 MTEF. These funds move to the incentive portion of the grant to reward provinces that make efficient investments in road asset management information databases. For 2016/17, provinces and DOT will be tasked with collecting data that is needed to inform an efficiency indicator which will be used from 2017/18 as a tool to encourage provinces to make efficient investments. The grant increases by R74.213 million, R55.241 million and R173.516 million over the 2016/17 MTEF.

Funds are also added to the **Public Transport Operations grant** over the 2016/17 MTEF, with R46.804 million being added in 2016/17, R46.805 million in 2017/18 and R96.872 million in 2018/19. The department also receives additional funding of R56.055 million in 2016/17 with regard to the **EPWP Integrated Grant for Provinces**.

The Department of Public Works (DOPW) receives an allocation of R4.471 million in 2016/17 with respect to the **EPWP Integrated Grant for Provinces**.

DSD receives an allocation of R3.958 million in 2016/17 with regards to the **Social Sector EPWP Incentive grant**. The department also receives funding for a new grant, namely the **Early Childhood Development (ECD) grant** with this funding stream commencing in 2017/18. In line with this, R92.380 million is allocated in 2017/18 increasing to R144.948 million in 2018/19.

The Department of Arts and Culture's (DAC) **Community Library Services grant** is reduced in 2016/17 and 2017/18 by R1.111 million and R1.333 million, respectively, while showing inflationary growth of R8.585 million in the outer year. The department receives an allocation of R2 million in 2016/17 with respect to the **EPWP Integrated Grant for Provinces**.

The **Mass Participation and Sport Development grant** is reduced in 2016/17 and 2017/18 by R469 000 and R952 000, respectively, while showing inflationary growth of R4.413 million in the outer year. Sport and Recreation (DSR) receives funding in 2016/17 with respect to the **EPWP Integrated Grant for Provinces** (R2 million) and the **Social Sector EPWP Incentive Grant for Provinces** (R6.234 million).

The provincial own receipts decrease by R157.588 million in 2016/17, R158.801 million in 2016/17, and by R197.792 million in 2017/18. The main contributor to this reduction is PT because of lower revenue anticipated to be collected against *Casino* and *Horse racing taxes* due to the decline in disposable income leading to subdued gaming activity.

Section 2 of Table 3.2 gives the planned spending of departments, based on their MTEF allocations, as well cuts effected against their baselines.

After reducing the provincial baseline by the Round 1 and 2 cuts, KZN remains with a Contingency Reserve of R750 million in each of the three MTEF years (see Section 3). Table 3.4 in Section 3.3.2 then indicates the changes being made to departments' equitable share allocations.

3.3 Summary of additional allocations for the 2016/17 MTEF

3.3.1 Existing growth in the 2015/16 MTEF baseline allocation

Table 3.3 shows the baseline budgets for the 2015/16 MTEF before any changes made as part of the 2016/17 budget process. This serves as a reminder that all departments' baselines for the MTEF showed positive rates of growth, although this may differ in terms of level.

Table 3.3 : Existing growth rates in 2015/16 MTEF baseline budgets

R thousand	Main Appropriation	Medium-term baseline budgets			Ann. % growth 15/16-18/19
	2015/16	2016/17	2017/18	2018/19	
1. Office of the Premier	743 214	658 644	697 499	829 769	3.7
2. Provincial Legislature	465 494	518 652	538 851	533 623	4.7
3. Agriculture and Rural Development	2 203 074	2 170 644	2 224 422	2 530 354	4.7
4. Economic Development, Tourism & Enviro. Affairs	2 973 459	2 702 992	2 844 613	3 022 744	0.5
5. Education	42 142 355	45 464 373	47 528 559	48 981 749	5.1
6. Provincial Treasury	712 151	675 280	659 029	741 135	1.3
7. Health	32 981 786	36 578 637	39 541 537	42 183 872	8.5
8. Human Settlements	3 584 685	3 485 112	4 205 672	4 042 547	4.1
9. Community Safety and Liaison	187 069	210 123	195 948	211 902	4.2
10. Sport and Recreation	454 389	426 479	438 628	484 785	2.2
11. Co-operative Governance and Traditional Affairs	1 368 043	1 545 923	1 461 452	1 596 274	5.3
12. Transport	9 341 457	9 571 940	10 012 734	10 740 643	4.8
13. Social Development	2 630 481	2 778 162	3 004 633	3 074 482	5.3
14. Public Works	1 389 666	1 432 608	1 503 706	1 637 441	5.6
15. Arts and Culture	783 914	786 472	857 179	870 986	3.6
Total	101 961 237	109 006 041	115 714 462	121 482 306	6.0

3.3.2 Summary of changes to baselines

The additional allocations and their respective purposes are summarised in Table 3.4. Note that Table 3.4 reflects only the provincial additional allocations, and excludes changes in respect of conditional grants.

The detail of the additional allocations can be found under each Vote's chapter in the *EPRE*.

Table 3.4 : Summary of changes to allocations, 2016/17 MTEF

	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
	R thousand			Percentage share		
Vote 1 : Office of the Premier	(88 290)	(86 782)	(86 865)	(4.4)	(3.3)	(3.3)
Above-budget 2015 wage agreement	4 597	4 923	5 272	0.2	0.2	0.2
Poverty Eradication Master Plan operations centre	11 775	12 218	12 919	0.6	0.5	0.5
Freezing all vacant non-OSD posts	(25 138)	(26 847)	(28 673)	(1.2)	(1.0)	(1.1)
Cutting events' budgets	(39 723)	(39 722)	(39 722)	(2.0)	(1.5)	(1.5)
Cutting Training Academy budget	(16 522)	(17 348)	(18 354)	(0.8)	(0.7)	(0.7)
General baseline cut	(15 866)	(12 125)	(9 968)	(0.8)	(0.5)	(0.4)
2% Goods and services cut	(7 413)	(7 881)	(8 339)	(0.4)	(0.3)	(0.3)
Vote 2 : Provincial Legislature	38 300	34 481	35 505	1.9	1.3	1.4
Above-budget 2015 wage agreement	2 264	2 418	2 582	0.1	0.1	0.1
Zero-base budget baseline adjustment	30 536	32 063	32 923	1.5	1.2	1.3
Commonwealth Parliamentary Association conference	4 000	-	-	0.2	-	-
Procurement of a lift for Legislature building	1 500	-	-	0.1	-	-
Vote 3 : Agriculture and Rural Development	(115 159)	(174 440)	(184 276)	(5.7)	(6.6)	(7.0)
Above-budget 2015 wage agreement	29 420	31 546	33 931	1.5	1.2	1.3
Freezing all vacant non-OSD posts	(176 941)	(188 972)	(201 823)	(8.8)	(7.2)	(7.7)
Drought relief - scooping of dams and winter fodder	50 000	-	-	2.5	-	-
Cutting events' budgets	(4 650)	(4 650)	(4 650)	(0.2)	(0.2)	(0.2)
2% Goods and services cut	(12 988)	(12 364)	(11 734)	(0.6)	(0.5)	(0.4)
Vote 4 : Economic Development, Tourism & Enviro. Affairs	(384 463)	(375 121)	(383 735)	(19.0)	(14.3)	(14.6)
Above-budget 2015 wage agreement	6 798	7 279	7 817	0.3	0.3	0.3
Above-budget 2015 wage agreement - EKZNW	3 116	3 328	3 555	0.2	0.1	0.1
EKZNW - Rhino anti-poaching	9 240	9 240	9 240	0.5	0.4	0.4
Vote 4 baseline reduction	(403 617)	(394 968)	(404 347)	(20.0)	(15.0)	(15.4)
Vote 5 : Education	1 123 500	1 147 042	1 179 478	55.7	43.7	44.9
Above-budget 2015 wage agreement	1 023 500	1 097 042	1 179 478	50.7	41.8	44.9
Water and sanitation at schools	100 000	50 000	-	5.0	1.9	-

Table 3.4 : Summary of changes to allocations, 2016/17 MTEF

	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
	R thousand			Percentage share		
Vote 6 : Provincial Treasury	(32 488)	(49 477)	(52 627)	(1.6)	(1.9)	(2.0)
Freezing all vacant non-OSD posts	(44 037)	(47 032)	(50 230)	(2.2)	(1.8)	(1.9)
Cutting events' budgets	(340)	(340)	(340)	(0.0)	(0.0)	(0.0)
2% Goods and services cut	(7 365)	(6 660)	(6 945)	(0.4)	(0.3)	(0.3)
Above-budget 2015 wage agreement	4 254	4 555	4 888	0.2	0.2	0.2
Replacement of biometric scanners	12 000	-	-	0.6	-	-
IALCH floor repairs	3 000	-	-	0.1	-	-
Vote 7 : Health	1 798 534	2 639 093	2 720 278	89.1	100.5	103.6
Above-budget 2015 wage agreement	664 889	712 135	765 440	32.9	27.1	29.1
HPV Vaccine grant reduction	(42 548)	(42 477)	(42 406)	(2.1)	(1.6)	(1.6)
Hospital linen	80 000	-	-	4.0	-	-
NHLS fee-for-service pressures	310 497	329 124	348 872	15.4	12.5	13.3
Exchange rate pressures - medicines, equipment & supplies	785 696	1 640 311	1 648 372	38.9	62.5	62.8
Vote 8 : Human Settlements	(15 907)	(16 734)	(17 658)	(0.8)	(0.6)	(0.7)
Above-budget 2015 wage agreement	8 053	8 628	9 271	0.4	0.3	0.4
Freezing all vacant non-OSD posts	(20 180)	(21 552)	(23 017)	(1.0)	(0.8)	(0.9)
Cutting events' budgets	(2 053)	(2 054)	(2 054)	(0.1)	(0.1)	(0.1)
2% Goods and services cut	(1 727)	(1 756)	(1 858)	(0.1)	(0.1)	(0.1)
Vote 9 : Community Safety and Liaison	610	(4 337)	(4 605)	0.0	(0.2)	(0.2)
Above-budget 2015 wage agreement	1 583	1 695	1 819	0.1	0.1	0.1
LG election monitoring	5 000	-	-	0.2	-	-
Freezing all vacant non-OSD posts	(3 843)	(4 104)	(4 384)	(0.2)	(0.2)	(0.2)
2% Goods and services cut	(2 130)	(1 928)	(2 040)	(0.1)	(0.1)	(0.1)
Vote 10 : Sport and Recreation	(21 857)	(23 932)	(36 182)	(1.1)	(0.9)	(1.4)
Above-budget 2015 wage agreement	2 196	2 354	2 531	0.1	0.1	0.1
Suspension of Sport Development Centre funds from 15/16	10 000	10 000	-	0.5	0.4	-
Freezing all vacant non-OSD posts	(31 413)	(33 548)	(35 830)	(1.6)	(1.3)	(1.4)
2% Goods and services cut	(2 640)	(2 738)	(2 883)	(0.1)	(0.1)	(0.1)
Vote 11 : Co-operative Governance and Traditional Affairs	105 336	(47 314)	(49 799)	5.2	(1.8)	(1.9)
Above-budget 2015 wage agreement	15 718	16 842	18 103	0.8	0.6	0.7
Freezing all vacant non-OSD posts	(48 650)	(51 959)	(55 492)	(2.4)	(2.0)	(2.1)
Drought relief - boreholes, mobile packaged plants, water tankers, etc	150 000	-	-	7.4	-	-
2% Goods and services cut	(11 732)	(12 197)	(12 410)	(0.6)	(0.5)	(0.5)
Vote 12 : Transport	(340 791)	(363 923)	(385 914)	(16.9)	(13.9)	(14.7)
Above-budget 2015 wage agreement	38 649	41 442	44 589	1.9	1.6	1.7
Freezing all vacant non-OSD posts	(328 789)	(351 147)	(375 025)	(16.3)	(13.4)	(14.3)
Cutting events' budgets	(19 000)	(19 000)	(19 000)	(0.9)	(0.7)	(0.7)
2% Goods and services cut	(31 651)	(35 218)	(36 478)	(1.6)	(1.3)	(1.4)
Vote 13 : Social Development	6 644	6 315	(45 322)	0.3	0.2	(1.7)
Above-budget 2015 wage agreement	40 889	43 866	47 203	2.0	1.7	1.8
6% increase in trfs to NGOs	46 410	49 102	-	2.3	1.9	-
Inkululeko Elderly Day Care Centre	2 523	1 000	-	0.1	0.0	-
Freezing all vacant non-OSD posts	(60 162)	(64 253)	(68 623)	(3.0)	(2.4)	(2.6)
Cutting events' budgets	(15 000)	(15 000)	(15 000)	(0.7)	(0.6)	(0.6)
2% Goods and services cut	(8 016)	(8 400)	(8 902)	(0.4)	(0.3)	(0.3)
Vote 14 : Public Works	(21 645)	(22 877)	(24 130)	(1.1)	(0.9)	(0.9)
Above-budget 2015 wage agreement	19 329	20 736	22 316	1.0	0.8	0.8
Freezing all vacant non-OSD posts	(36 347)	(38 819)	(41 458)	(1.8)	(1.5)	(1.6)
Cutting events' budgets	(106)	(106)	(106)	(0.0)	(0.0)	(0.0)
2% Goods and services cut	(4 521)	(4 688)	(4 882)	(0.2)	(0.2)	(0.2)
Vote 15 : Arts and Culture	(33 816)	(35 932)	(38 227)	(1.7)	(1.4)	(1.5)
Above-budget 2015 wage agreement	5 357	5 741	6 172	0.3	0.2	0.2
Freezing all vacant non-OSD posts	(35 999)	(38 447)	(41 061)	(1.8)	(1.5)	(1.6)
Cutting events' budgets	(50)	(50)	(50)	(0.0)	(0.0)	(0.0)
2% Goods and services cut	(3 124)	(3 176)	(3 288)	(0.2)	(0.1)	(0.1)
Total	2 018 508	2 626 062	2 625 921	100.0	100.0	100.0

Table 3.5 shows the revised budgets of departments for the 2016/17 MTEF, after taking into account all of the adjustments to the baseline allocations mentioned above, as well as changes in respect of national conditional grants. A number of departments show negative growth in 2016/17 due to budget cuts, except for the Legislature, DOE, DOH, DCSL, COGTA, DSD, DOT, DOPW and DAC. DOE's baseline reflects growth due to the fact that it was protected against the budget cuts and an additional allocation was provided to the department for carry-through costs of the above-budget 2015 wage agreement, as well as funding for water and sanitation infrastructure in schools. DOH's baseline reflects positive growth over MTEF due to the fact that its baseline was protected against cuts, while additional funding was provided for the exchange rate pressures and the NHLS higher fee-for-service payment mechanism. While DCSL, COGTA, DSD, DOT, DOPW, and DAC show positive growth in 2016/17, these departments were

subject to the budget cuts similar to the rest of the departments, but additional allocations and, in some instances, conditional grant increases have offset the budget cuts. These additional allocations were provincial priorities, e.g., COGTA was allocated R150 million for drought relief, DSD was allocated an additional allocation for a 6 per cent increase in transfers to NGOs and funding for the Inkululeko Day Care Centre. DSCL's overall baseline increase is due to an increase in the Social Sector EPWP Incentive Grant for Provinces, as well as once-off funding for the local government election monitoring project. It must be noted that Round 1 and 2 budget cuts mentioned above were not effected against the Legislature's baseline, due to the fact that a proposal is currently being considered for the top slicing of Provincial Legislatures' baselines from the provincial equitable share allocations and elevated to NT, in order to relieve pressure from the equitable share. Should this proposal not be accepted, the Legislature will need to effect these cuts in the 2016/17 Adjustments Budget.

The provincial budget grows by 6.9 per cent in 2016/17 from the 2015/16 Main Appropriation, largely due to the once-off provision of funds for various provincial priorities, and despite the budget cuts, as mentioned above.

Table 3.5 : Summary of revised budgets by department, 2016/17 MTEF

R thousand/ percentage	Main Appropriation	Medium-term Estimates			Annual Percentage Growth		
	2015/16	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
1. Office of the Premier	743 214	658 644	697 499	742 904	(11.4)	5.9	6.5
2. Provincial Legislature	465 494	518 652	538 851	569 128	11.4	3.9	5.6
3. Agriculture and Rural Development	2 203 074	2 170 644	2 224 422	2 353 838	(1.5)	2.5	5.8
4. Economic Development, Tourism and Environmental Affairs	2 973 459	2 702 992	2 844 613	3 022 744	(9.1)	5.2	6.3
5. Education	42 142 355	45 464 373	47 528 559	50 249 078	7.9	4.5	5.7
6. Provincial Treasury	712 151	675 280	659 029	688 508	(5.2)	(2.4)	4.5
7. Health	32 981 786	36 578 637	39 541 537	42 183 873	10.9	8.1	6.7
8. Human Settlements	3 584 685	3 485 112	4 205 672	4 475 736	(2.8)	20.7	6.4
9. Community Safety and Liaison	187 069	210 123	195 948	207 297	12.3	(6.7)	5.8
10. Sport and Recreation	454 389	426 479	438 628	453 016	(6.1)	2.8	3.3
11. Co-operative Governance and Traditional Affairs	1 368 043	1 545 923	1 461 452	1 546 475	13.0	(5.5)	5.8
12. Transport	9 341 457	9 571 940	10 012 734	10 580 528	2.5	4.6	5.7
13. Social Development	2 630 481	2 778 162	3 004 633	3 174 108	5.6	8.2	5.6
14. Public Works	1 389 666	1 432 608	1 503 706	1 590 995	3.1	5.0	5.8
15. Arts and Culture	783 914	786 472	857 179	870 986	0.3	9.0	1.6
Total	101 961 237	109 006 041	115 714 462	122 709 214	6.9	6.2	6.0

4. RECEIPTS

4.1 National Fiscal Framework and Division of Revenue for the 2016/17 MTEF

4.1.1 Background

The Division of Revenue (DOR) Bill provides for the division of nationally raised revenue between and among the three spheres of government on an annual basis, as per Section 214(1) of the Constitution. In terms of Section 10 of the Inter-governmental Fiscal Relations (IGFR) Act, (Act 97 of 1997), which promotes co-operative governance of fiscal, budgetary and financial matters, the Bill must be tabled when the annual budget is tabled in the National Assembly.

In terms of Section 214 of the Constitution, an equitable system of vertical and horizontal division of centrally collected revenue is essential for the creation of a balance between the three spheres of government. Several factors are taken into consideration in the division of revenue process, including national interest, debt provision, flexibility in responding to emergencies, resource allocation for basic services and developmental needs, fiscal capacity and efficiency of government, economic disparities, stability and predictability, among others.

The vertical division of revenue among the three spheres of government – national, provincial and local – is based on a value judgement and not on any predetermined formula. This division of revenue is determined through an annual consultative process involving the Budget Council, the Financial and Fiscal Commission (FFC) and NT, as required by Section 9(1) of the IGFR Act. However, the horizontal division of revenue among provinces is formula-based, and this is explained in Section 4.1.3.

4.1.2 Division of revenue and fiscal framework

4.1.2.1 Fiscal policy and trends

The 2016/17 MTEF budget is prepared in the context of an uncertain world economic outlook and domestic constraints. As such, government's central fiscal objective is to stabilise debt levels and to adhere to the expenditure ceiling introduced in the 2015 MTBPS, while supporting the NDP priorities and improving efficiencies in spending. The massive decline in SA's growth forecast from the 2015 MTBPS, declining emerging market growth patterns, deterioration of the Rand/Dollar exchange rate, volatility in currency and stock markets, etc., present a challenging environment for the 2016/17 MTEF budget.

The most important public spending programmes that help poor South Africans, contribute to growth and generate employment have been protected from major reductions. The 2016 division of revenue reprioritises existing funds to ensure these objectives are met despite the lower expenditure ceiling. Priorities over the 2016/17 MTEF period that are funded through reprioritisation in the division of revenue include:

- Introducing appropriate incentives to upgrade and maintain provincial and municipal infrastructure.
- Extending HIV and AIDS intervention spending to include tuberculosis.
- Completing the eradication of bucket sanitation systems in formal residential areas.
- Extending access to early childhood development centres through a new grant.

4.1.2.2 Division of revenue

The 2016/17 MTEF division of revenue was done in the context of the global and domestic economic forecasts, rising debt costs, declining revenue projections, and the need to fund new national policy priorities. The MTEF proposes continued support for the economy with the need for fiscal consolidation. The budget framework sets explicit ceilings for public expenditure, which allows for sustained but moderate real growth in spending and a gradually declining deficit. Over the 2016/17 MTEF, government

will finance priorities and respond to spending pressures largely by reprioritising existing allocations and eliminating wasteful and inefficient expenditure, and decreasing the cost of compensation of employment.

In order to achieve a lower spending ceiling, government had to reduce both the PES and conditional grants. The PES carries the largest share of the reduction, as it comprises 82.2 per cent of the provincial fiscal framework. As the PES is used to determine each province's share of nationally raised revenue, this tool was also used to determine each province's share of the provincial PES baseline cuts. Excluding debt-service costs and the Contingency Reserve, allocated expenditure shared between the three spheres amounts to R1.165 trillion, R1.250 trillion and R1.346 trillion over each of the MTEF years.

Table 4.1 sets out the division of nationally raised revenue between the three spheres of government.

Table 4.1 : Division of revenue between spheres of government, 2012/13 – 2018/19

R million	Audited Outcome			Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
National departments	420 246	453 406	490 039	546 788	559 849	594 090	637 755
Indirect transfers to provinces	2 315	2 693	5 808	3 150	3 636	1 663	1 765
Indirect transfers to local government	5 050	5 945	8 895	10 525	7 773	7 401	7 679
Provinces	380 929	410 572	439 544	471 768	499 844	542 344	582 913
Equitable share ¹	310 741	336 495	359 922	386 500	410 699	441 831	474 852
Conditional grants	70 188	74 077	79 623	85 268	89 146	100 513	108 061
Local government	76 200	82 595	87 656	99 650	104 924	113 340	125 811
Equitable share	37 139	38 964	41 592	50 507	52 569	57 012	61 732
Conditional grants ²	30 021	34 018	35 874	38 485	41 132	44 543	51 611
General fuel levy sharing with metros	9 040	9 613	10 190	10 659	11 224	11 785	12 469
Total	877 374	946 574	1 017 239	1 118 206	1 164 617	1 249 774	1 346 479
Percentage shares							
National departments	47.9%	47.9%	48.2%	48.9%	48.1%	47.5%	47.4%
Provinces	43.4%	43.4%	43.2%	42.2%	42.9%	43.4%	43.3%
Local government	8.7%	8.7%	8.6%	8.9%	9.0%	9.1%	9.3%

1. Includes unallocated amounts

2. Includes unallocated amounts

Source: National Treasury

In 2016/17, national departments receive 48.1 per cent of available funds, provinces receive 42.9 per cent and local government 9 per cent. At R559.849 billion in 2016/17, and increasing to R637.755 billion in 2018/19, national departments continue to receive the largest share of funding to support sustained real growth in social grant provisions, public infrastructure and employment programmes. The provincial share fluctuates around 42.9 per cent in 2016/17 to 43.3 per cent in 2018/19, while the local government share increases from 9 per cent in 2016/17 to 9.3 per cent in 2018/19.

Table 4.2 shows how changes to the baseline are spread across the three spheres of government. The new focus areas and baseline reductions are accommodated by shifting savings toward priorities.

Table 4.2 : Changes to baselines¹, 2016/17 – 2017/18

R million	2016/17	2017/18	Total	% Share
National departments	(6 071)	(8 003)	(14 073)	37.1
Provinces	(3 585)	(15 962)	(19 547)	51.5
Local government	(989)	(3 323)	(4 312)	11.4
Total reduction	(10 645)	(27 287)	(37 932)	-

1. Excludes shifting of savings towards priorities over the MTEF

The combined baseline decreases by R10.645 billion in 2016/17 and R27.287 billion in 2017/18, compared to indicative figures published in the 2015 MTBPS. Over 2016/17 and 2017/18, the provincial baseline decreases by R19.547 billion, which accounts for 51.5 per cent of the total reduction. To protect basic services funded by the PES share, such as health and education, only 40 per cent (R1.500 billion) of this reduction was taken from the equitable share, despite it accounting for more than 80 per cent of transfers to provinces. The remaining 60 per cent (R2.100 billion) of this reduction comes from provincial conditional grants. National departments lose R14.073 billion over the next two years and local government baselines decline by R4.312 billion, in line with fiscal consolidation.

4.1.3 Provincial equitable share (PES)

Provincial revenue is made up of the PES, conditional grants and own revenue. Whereas the division of revenue between the spheres of government is based on a value judgment, the PES allocation of nationally raised revenue is formula-driven. The equitable share formula is designed to ensure fair, stable and predictable revenue shares, and to address economic and fiscal disparities.

In terms of S214 of the Constitution, the equitable division of revenue raised nationally among the three spheres of government, is unconditional. Although the division is based on the equitable shares as outlined in Table 4.3 below, provinces have a prerogative to allocate funds in line with their specific provincial priorities. The PES formula is reviewed and updated with new data annually. For the 2016/17 MTEF, the formula has been updated with data from the 2015 mid-year population estimates, 2015 School Realities survey (SNAP survey) preliminary data, data on people without medical insurance from the 2014 General Household Survey (GHS) and patient load data output data from the health sectors from the District Health Information System (DHIS) for 2013/14 to 2014/15.

The formula is largely population-driven, hence the allocations capture shifts in population across provinces, which lead to changes in the relative demand for public services and expenditure assignments across these areas.

Table 4.3 : Equitable share components and weighting

Component	Share (weighting) %
Education share - based on the size of the school-age population (ages 5 - 17) and the number of learners (Grade R to 12) enrolled in public ordinary schools	48
Health share - based on estimated demand for health services according to age and gender, as well as data obtained from District Health Information System	27
Basic share - derived from each province's share of the total population of the country	16
Institutional component - divided equally among the provinces	5
Poverty component - used to reinforce the redistributive bias of the formula	3
Economic activity component - based on the final Gross Domestic Product by Region (province) data	1

The impact of these updates on the PES is phased-in over three years (2016/17 to 2018/19). The data updates impacted as follows:

Education component (48 per cent)

The education component uses the school-age population (5 to 17 years), based on the 2011 Census age cohorts, and preliminary enrolment data drawn from the 2015 SNAP Survey. Each of these elements is assigned a weight of 50 per cent. From 2014 to 2015, the school enrolment in KZN decreased by 9 090, resulting in the weighted average for KZN being revised downward by 0.08 per cent.

Health (27 per cent)

The health component uses a risk-adjusted capitation index based on the Council of Medical Aids Scheme's Risk Equalisation Fund. The percentage of the population with medical aid, as per the 2014 GHS, is deducted from the 2015 mid-year population estimates to estimate the uninsured population.

The risk-adjusted index estimates the risk health profile of each province, which is applied to the uninsured population to estimate the weighted population, which in turn, is used to estimate the province's share of the risk-adjusted sub-component. The KZN share of the risk-adjusted component, which accounts for 75 per cent of the health component, increased from 20.8 per cent to 20.9 per cent.

The output sub-component uses patient load data from the DHIS. The average number of visits at primary healthcare clinics in 2013/14 and 2014/15 is calculated. Each province's average is used to estimate their share of this part of the output component, making up 5 per cent of the health component. For hospitals, each province's share of the total patient-day equivalents from public hospitals in 2013/14 and 2014/15 are used to estimate the provinces' shares of this part of the output sub-component, which makes up 20 per cent of the health component. In total, the output component is 25 per cent of the health component. The updated data shows that the province's output share for primary health care visits is 24.4 per cent and the share of the hospital workload patient-day is 24.6 per cent.

The composite result of data updates applied to the health component result in an unchanged weighted share of 21.8 per cent from 2015 to 2016.

Basic component (16 per cent)

The basic component constitutes 16 per cent of the PES and is derived from the proportion of each province's share of the national population. For the 2016/17 MTEF, population data is drawn from the 2015 mid-year population estimates. The updated data shows that the province's population increased by 224 700, with a resultant increase in the basic component share of 0.06 per cent.

Institutional component (5 per cent)

The institutional component is distributed equally between provinces.

Poverty component (3 per cent)

The poverty component introduces a redistributive element to the formula and is assigned a weight of 3 per cent. The estimated size of the poor population in each province is calculated by multiplying the proportion in that province that fall into the poorest 40 per cent of South African households by the population figure for the province from the 2015 mid-year population estimates. The proportion of poor households in KZN from the IES is 45.3 per cent. Based on the 2015 mid-year population estimates of 10 694, the poor population is equal to 4 229 households, which represents a weighted share of 22.3 per cent, resulting in an increase of 0.08 per cent.

Economic activity component (1 per cent)

The economic activity component is a proxy for provincial tax capacity and expenditure assignments, and assigned a weight of 1 per cent. For the 2016/17 MTEF, 2012 GDP-R data is used. KZN's weighted share of the economic activity component increases by 0.18 per cent, from 15.8 per cent to 16 per cent.

Phasing in of changes to the data updates

Table 4.4 shows the full impact of the data updates on the PES per province. It compares the target shares for the 2015/16 and 2016/17 MTEF periods.

Table 4.4 : Full impact of data updates on the equitable share

	2015 MTEF weighted	2016 MTEF weighted	Difference
Eastern Cape	14.0%	14.0%	0.00%
Free State	5.6%	5.6%	-0.05%
Gauteng	19.5%	19.7%	0.14%
KwaZulu-Natal	21.3%	21.2%	-0.06%
Limpopo	11.8%	11.8%	0.00%
Mpumalanga	8.2%	8.2%	0.02%
Northern Cape	2.7%	2.6%	0.00%
North West	6.9%	6.9%	0.00%
Western Cape	10.1%	10.0%	-0.04%
Total	100.0%	100.0%	-

Due to changes in the data used in the PES formula, the weighted average share of KZN decreased by 0.06 per cent from the 2015/16 to 2016/17 MTEF. To mitigate the impact of annual data updates on the PES, the new shares are phased-in over the 2016/17 MTEF. The phase-in mechanism provides for a smoother path towards achieving the weighted shares by 2018/19. As reflected in Table 4.5, KZN receives 21.2 per cent of the PES in 2018/19, down from the 21.4 per cent shown in the 2015/16 MTEF.

Table 4.5 : Implementation of the equitable share weights, 2016/17 – 2018/19

	2016/17 Weighted shares	2016/17 2017/18 2018/19 2016 MTEF weighted shares 3-year phasing		
Percentage				
Eastern Cape	14.1%	14.1%	14.1%	14.0%
Free State	5.6%	5.6%	5.6%	5.6%
Gauteng	19.4%	19.5%	19.6%	19.7%
KwaZulu-Natal	21.3%	21.3%	21.2%	21.2%
Limpopo	11.8%	11.8%	11.8%	11.8%
Mpumalanga	8.2%	8.2%	8.2%	8.2%
Northern Cape	2.7%	2.7%	2.7%	2.6%
North West	6.9%	6.9%	6.9%	6.9%
Western Cape	10.0%	10.0%	10.0%	10.0%
Total	100.0%	100.0%	100.0%	100.0%

Table 4.6 reflects the weighted share distribution of each of the PES formula's components, given the weighted average share of 21.2 per cent for KZN when the data updates are implemented fully over the 2016/17 MTEF. The phase-in mechanism provides a smooth path to achieving these new weighted shares by the third year of the MTEF period. It takes the difference between the target weighted share for each province at the end of the MTEF period and the indicative allocation for 2016/17 that was published in the 2015/16 MTEF, and closes the gap between these shares by a third in each year of the 2016/17 MTEF.

Table 4.6 : Distributing the equitable shares by province, 2016/17 MTEF

	Education	Health	Basic share	Poverty	Economic activity	Institutional	Weighted average
	48%	27%	16%	3%	1%	5%	100%
Eastern Cape	15.1%	13.5%	12.6%	16.2%	7.7%	11.1%	14.0%
Free State	5.3%	5.3%	5.1%	5.3%	5.1%	11.1%	5.6%
Gauteng	17.8%	21.7%	24.0%	17.2%	33.8%	11.1%	19.7%
KwaZulu-Natal	22.4%	21.8%	19.9%	22.3%	16.0%	11.1%	21.2%
Limpopo	13.1%	10.3%	10.4%	13.6%	7.3%	11.1%	11.8%
Mpumalanga	8.5%	7.4%	7.8%	9.1%	7.6%	11.1%	8.2%
Northern Cape	2.3%	2.1%	2.2%	2.2%	2.0%	11.1%	2.6%
North West	6.5%	6.7%	6.7%	8.0%	6.8%	11.1%	6.9%
Western Cape	9.0%	11.1%	11.3%	6.1%	13.7%	11.1%	10.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4.7 depicts the revisions to the PES for the 2016/17 MTEF. The PES is revised downward by a total of R3.727 billion.

Table 4.7 : Revisions to the KZN Provincial Equitable Share (PES) - 2016/17 MTEF

R thousand	2016/17 MTEF			Total Revisions
	2016/17	2017/18	2018/19	
Provincial Equitable Share (PES) as per 2015/16 MTEF allocation letter	86 885 446	91 429 978	96 503 136	274 818 560
Adjustments to baseline due to new data updates in PES formula (phased-in from 2016/17 of 2016 MTEF)	(143 883)	(126 703)	(293 960)	(564 546)
Adjustments to PES baseline - Round 1 cuts	(319 107)	(212 384)	(169 623)	(701 114)
Adjustments to PES baseline - Round 2 cuts	-	(1 019 441)	(1 441 799)	(2 461 240)
Total PES adjustments impact	(462 990)	(1 358 528)	(1 905 382)	(3 726 900)
Improvement of conditions of service: above-budget 2015 wage agreement	1 517 671	4 022 245	4 894 234	10 434 150
Reduction in Human Papillomavirus Vaccine grant	(42 548)	(42 477)	(42 406)	(127 431)
Total PES for 2016/17 MTEF	87 897 580	94 051 219	99 449 583	281 398 380
Variance 2016/17 MTEF vs 2015/16 MTEF	1 012 134	2 621 241	2 946 447	6 579 820

Adjustment to baseline due to impact of new data updates in the PES formula (R564.546 million)

The data updates in the PES formula results in KZN's PES baseline decreasing by R143.883 million in 2016/17, R126.703 million in 2017/18 and R293.960 million in 2018/19.

Adjustment to baseline – Round 1 cuts (R701.114 million)

As part of the first round of cuts to find savings for new priorities, lackluster economy performance, decreasing revenue collection projections, and rising debt service costs, it was agreed by Cabinet that cuts will be affected through the PES. The cuts target inefficiencies in the system, especially non-core spending, while trying to protect *Compensation of employees* and front-line services to some extent.

Adjustment to baseline – Round 2 cuts (R2.461 billion)

In addition, Cabinet agreed to a further reduction in the fiscal framework to maintain the expenditure ceiling and achieve deficit targets set out in the MTBPS. As such, the budget requires a change to the composition of staff to deliver the required level of service, both at national and provincial level, in order to address the bloated government service that fuels an unsustainable government wage bill.

Improvement of conditions of service: above-budget 2015 wage agreement (R10.434 billion)

NT allocated amounts of R1.518 billion, R4.022 billion and R4.894 billion over the 2016/17 MTEF to mitigate against the impact of the above-budget 2015 wage agreement entered into in 2015.

Reduction in HPV Vaccine grant (R127.431 million)

The HPV Vaccine grant was removed from all nine provinces and will be centralised as an indirect grant under the NDOH for the first two years of the MTEF, after which it will become a conditional grant from 2018/19. The province's share of the reduction is deducted from Health's baseline, resulting in a net effect of R42.548 million, R42.477 million and R42.406 million, respectively, over the MTEF.

Total transfers to provinces

Table 4.8 reflects total transfers to the nine provinces for 2016/17, after the revisions. KZN receives the highest share of PES at R87.898 billion, whereas Gauteng receives the highest share of conditional grants. Overall, KZN is still the biggest recipient of transfer funding from national government, with a total of R105.387 billion in 2016/17.

Table 4.8 : Total transfers to provinces, 2016/17

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	58 060	10 243	68 304
Free State	22 995	6 816	29 811
Gauteng	79 600	18 839	98 439
KwaZulu-Natal	87 898	17 489	105 387
Limpopo	48 709	7 120	55 829
Mpumalanga	33 450	6 987	40 437
Northern Cape	10 863	3 751	14 614
North West	28 062	7 041	35 103
Western Cape	41 062	10 749	51 811
Unallocated	-	112	112
Total	410 699	89 146	499 844

4.1.4 Conditional grants to provinces

Table 4.9 reflects the conditional grant baseline allocations at a national level for 2016/17 to 2018/19.

Table 4.9 : Conditional grants to provinces 2015/16 – 2018/19

R million	Revised Est.	Medium-term Estimates			MTEF total
	2015/16	2016/17	2017/18	2018/19	
Agriculture, Forestry and Fisheries	2 171	2 202	2 334	2 464	7 001
Comprehensive Agricultural Support Programme grant	1 640	1 642	1 739	1 834	5 214
Ilima/Letsema Projects grant	467	491	522	552	1 566
Land Care Programme: Poverty Relief and Infrastructure Development grant	65	69	74	78	221
Arts and Culture	1 274	1 357	1 441	1 522	4 320
Community Library Services grant	1 274	1 357	1 441	1 522	4 320
Basic Education	15 632	16 213	19 717	20 851	56 781
Education Infrastructure grant	9 354	9 614	12 780	13 512	35 906
HIV and AIDS (Life Skills Education) grant	209	231	245	260	736
Maths, Science and Technology grant	317	362	385	407	1 155
National School Nutrition Programme grant	5 685	6 006	6 306	6 672	18 984
OSD for Education Sector Therapists grant	66	-	-	-	-
Co-operative Governance	103	112	123	131	366
Provincial Disaster grant	103	112	123	131	366
Health	31 905	33 972	37 588	41 247	112 808
Comprehensive HIV, AIDS and TB grant	13 671	15 291	17 660	20 032	52 983
Health Facility Revitalisation grant	5 417	5 273	5 770	6 036	17 079
Health Professions Training and Development grant	2 375	2 477	2 632	2 784	7 893
Human Papillomavirus Vaccine grant	-	-	-	200	200
National Tertiary Services grant	10 381	10 847	11 526	12 195	34 568
National Health Insurance grant	61	85	-	-	85
Human Settlements	18 303	18 284	21 060	22 282	61 626
Human Settlements Development grant	18 303	18 284	21 060	22 282	61 626
Public Works	552	762	809	856	2 427
EPWP Integrated Grant for Provinces	326	402	424	448	1 274
Social Sector EPWP Incentive Grant for Provinces	226	360	386	408	1 153
Social Development	48	86	377	564	1 026
Substance Abuse Treatment grant	48	86	57	71	213
Early Childhood Development grant	-	-	320	493	813
Sport and Recreation	533	556	586	618	1 760
Mass Participation and Sport Development grant	533	556	586	618	1 760
Transport	14 747	15 603	16 477	17 526	49 605
Provincial Roads Maintenance grant	9 807	10 203	10 754	11 536	32 492
Public Transport Operations grant	4 939	5 400	5 723	5 990	17 113
Total direct conditional allocations	85 268	89 146	100 513	108 061	297 720
Indirect transfers	3 150	3 636	1 663	1 765	7 064
Basic Education	2 047	2 375	-	-	2 375
School Infrastructure Backlogs grant	2 047	2 375	-	-	2 375
Health	1 103	1 261	1 663	1 765	4 689
National Health Insurance Indirect grant	1 103	1 261	1 663	1 765	4 689

Taking into account the sluggish economic outlook, low growth in developing countries, as well as the domestic structural deficit, fiscal consolidation cuts were effected to the baselines of a number of provincial conditional grants. In spite of the reductions to grants, it is important for provinces to focus on strengthening their capacity to roll-out priority programmes of government, in particular infrastructure.

However, changes to conditional grants are limited. Most changes reflect additions to the fiscal framework for priority programmes and conversions from indirect to direct grants, as provinces grow in their ability to deliver services, and infrastructure systems mature.

Agriculture

The Comprehensive Agricultural Support Programme (CASP) grant aims to support emerging farmers, in particular subsistence, smallholder and previously disadvantaged farmers. The CASP grant was top sliced by R60 million for the Department of Forestry and Fisheries to be able to provide an oversight and monitoring function on the grant in order to realise the outcomes envisioned in the NDP and the department's Agricultural Policy Action Plan. The grant includes a ring-fenced amount of R76.700 million over the MTEF toward flood-damaged agricultural infrastructure. The grant is allocated R5.214 billion over the medium term.

The Ilima/Letsema Projects grant aims to boost food production by helping previously disadvantaged farming communities. This grant is allocated R1.566 billion over the MTEF.

The Land Care grant aims to improve productivity and the sustainable use of natural resources. This grant is allocated R221 million over the MTEF.

Arts and Culture

The Community Library Services grant aims to help South Africans access knowledge and information to improve their socio-economic situation. The grant provides R4.320 billion over the MTEF. The baseline reduction on this grant in 2016/17 is R10 million.

Basic Education

The Education Infrastructure grant (EIG) and School Infrastructure Backlogs grant are merged from 2017/18, to provide for construction, maintenance and refurbishment of education infrastructure and schools. This is in response to the success of infrastructure delivery management reforms as observed by the performance of the EIG, and entrenched in its incentive system, which is in its first year of implementation. Under the requirements introduced in the 2013 DORA, provincial DOEs had to go through a two-year planning process to be eligible to receive incentive allocations in 2016/17. These reforms have improved delivery of school infrastructure. The reduction to the baseline over the MTEF amounts to R520 million. The grant totals R35.906 billion over the MTEF, which includes a ring-fenced amount of R112.900 million in 2016/17 to repair school infrastructure damaged by natural disasters.

The HIV and AIDS (Life-Skills Education) grant focuses on primary and secondary schools. It is fully integrated into the school system, with learner and teacher support materials provided for Grades 1 to 9. The grant's baseline is preserved and allocated R736 million over the MTEF period.

A new Maths, Science and Technology grant was created in 2015/16 by merging the Technical Secondary Schools Recapitalisation grant and the Dinaledi Schools grant. This grant provides targeted interventions to improve outcomes in maths and science learning, and grant administration has been streamlined. The baseline is maintained at R1.155 billion over the MTEF period.

The National School Nutrition Programme (NSNP) grant seeks to improve the nutrition of poor school children and enhance active learning capacity and increase school attendance. It provides a free daily meal to pupils in the poorest 60 per cent of schools (quintile 1 to 3). The grant is allocated R18.984 billion over the MTEF period.

The OSD for Education Sector Therapists grant provided funds for provinces to implement the occupation-specific dispensation agreement for therapists, counsellors and psychologists in the education sector. The grant was allocated for two years (2014/15 and 2015/16), while back-pay was funded and new remuneration levels were normalised. The grant no longer exists from 2016/17 onward.

Co-operative Governance

The Provincial Disaster grant is administered by the National Disaster Management Centre under the Department of Co-operative Governance. This grant is unallocated for provinces at the start of a financial year and is released when a disaster is declared. The reconstruction of infrastructure damaged by disasters is funded separately through ring-fenced allocations in sector grants. The grant has partly funded mitigation strategies to address the ongoing drought. Since the effects of the drought are likely to persist into 2016/17, the baseline is preserved, with an allocation of R366 million over the MTEF.

Health

The Comprehensive HIV, AIDS and TB grant supports prevention programmes and specific interventions, including voluntary counselling and testing, anti-retroviral treatment (ARV), etc. The Comprehensive HIV and AIDS grant is extended to include Tuberculosis (TB). In 2016/17, this grant is reduced by R176 million, partly due to effective programme delivery and fewer-than-budgeted patients added to the ARV treatment programme. However, due to the extended scope and additional priorities, R1.600 billion is added in 2018/19. The grant allocation is R52.983 billion over the MTEF.

The Health Facility Revitalisation grant funds a wide range of health infrastructure projects, including large projects to modernise hospital infrastructure and equipment, general maintenance and infrastructure projects at smaller hospitals, and the refurbishment and upgrading of nursing colleges and schools. This grant baseline is reduced by R200 million in 2016/17. A total of R17 million has been ring-fenced to repair clinics damaged by natural disasters.

The Health Professions Training and Development grant funds the training of health professionals, and the development and recruitment of medical specialists. It enables the shifting of teaching activities from central to regional and district hospitals. The grant's baseline is protected and it is allocated R7.893 billion over the medium term.

The HPV Vaccine grant, which was scheduled to end in 2015/16, continued as an indirect grant for the first two years of the 2016/17 MTEF before changing to a direct grant in 2018/19. To make provision for the continuation of the programme, R44.976 million was shifted from the equitable share in 2016/17 and 2017/18, as discussed in the section above dealing with the changes to the PES.

The National Tertiary Services grant provides strategic funding to enable provinces to plan, modernise and transform tertiary hospital service delivery in line with national policy objectives. This grant is allocated R34.568 billion over the MTEF period.

The National Health Insurance grant funds the national health insurance pilots introduced in 2012/13, which aim to strengthen primary healthcare for the implementation of national health insurance. Ten districts were selected as pilot sites to test interventions that aim to strengthen health systems and improve performance. The 2016/17 allocation amounts to R85 million, after which the grant will be concluded, due to poor performance. The National Health Insurance Indirect grant, introduced in 2013/14, is spent by the NDOH on behalf of provinces. The grant has five components, which target national health insurance scheme pilot sites in preparation for the eventual roll-out of national health insurance in the country.

Human Settlements

The HSDG seeks to establish habitable, stable and sustainable human settlements in which all citizens have access to social and economic amenities. The grant's baseline is reduced by R1.600 billion in 2016/17, but is protected for the remainder of the MTEF period and an amount of R61.626 billion is allocated, of which a total of R3.600 billion is ring-fenced to upgrade human settlements in mining towns in six provinces. A total of R329.300 million is also ring-fenced over the medium term to repair infrastructure damaged by natural disasters.

Public Works

Allocations in respect of the EPWP Integrated Grant for Provinces are made available upfront, based on meeting job targets in the preceding financial year, rather than using in-year performance measures. This grant is allocated R1.274 billion over the 2016/17 MTEF.

The Social Sector EPWP Incentive Grant for Provinces rewards provinces for creating jobs in the preceding year in home-based care, early childhood development, adult literacy and numeracy, community safety and security, and sports programmes. This grant is allocated R1.153 billion over the 2016/17 MTEF.

Social Development

A Substance Abuse Treatment grant provides for public substance abuse treatment facilities in the Eastern Cape, Free State, Northern Cape and North West. The grant will shift its focus from being a capital grant to supplement the operationalisation of the treatment centres. The baseline has not been reduced and the grant is allocated R213 million over the MTEF.

The ECD grant aims to improve basic maintenance of ECD facilities and it will start in 2017/18. This grant will support provinces to expand ECD services while broader issues of ECD financing and delivery are being addressed. It is important that existing ECD baselines are secured and the grant is allocated R320 million in 2017/18 and R493 million in 2018/19.

Sport and Recreation

The Mass Participation and Sport Development (MPSD) grant aims to increase and sustain mass participation in sport and recreational activities, with greater emphasis on provincial and district academies. The baseline reduction on this grant in 2016/17 is R10 million. It is allocated R1.760 billion over the MTEF period.

Transport

The Provincial Roads Maintenance grant enables provinces to expand their maintenance activities, repair roads damaged by floods and rehabilitate roads that are heavily used in support of electricity production. Grant allocations are determined using a formula based on provincial road networks, road traffic and weather conditions. The grant requires provinces to follow best practices for planning and to use and regularly update roads asset management systems. Vehicle operating costs and remaining asset lifespan will be used as performance indicators to inform future grant allocations. An amount of R10 million has been reprioritised within this grant for 2016/17 to fund preparations for the incentive measure. The total allocation for the MTEF period is R32.492 billion, including a ring-fenced allocation of R298 million in 2016/17 for the repair of infrastructure damaged by floods.

The Public Transport Operations grant subsidises commuter bus services. Given the pressures this sector faces, R700 million is added to the baseline over the medium term. The grant is allocated R5.400 billion in 2016/17, R5.723 billion in 2017/18 and R5.990 billion in 2018/19.

4.2 Provincial receipts

4.2.1 Overall provincial position

Table 4.10 shows the actual and projected total revenue for the seven-year period, 2012/13 to 2018/19, while *Annexure 1.A* provides more detail.

National transfers to the province, which include equitable share and conditional grants, make up 97.1 per cent of provincial revenue in 2015/16. Own revenue consists of revenue collected by provincial departments, and contributes 2.9 per cent of the total receipts in 2015/16.

The share of national transfers increased from R82.590 billion in 2012/13 to R100.013 billion in 2015/16, increasing to R120.066 billion in 2018/19. The equitable share is the most significant portion of national transfers amounting to R87.898 billion, R94.051 billion and R99.450 billion over the MTEF.

Conditional grant funding provides a further R17.489 billion, R19.033 billion and R20.616 billion over the MTEF. The balance of the total receipts emanates from provincial own revenue. It should be noted that the prior years' own revenue figures were restated in view of technical adjustments that were made. This grows from R3.032 billion to R3.338 billion over the MTEF.

Table 4.10 : Analysis of total receipts

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2012/13	2013/14	2014/15		2016/17	2017/18	2018/19	2012/13-2015/16	2015/16-2018/19
R thousand									
Transfers from national	82 590 160	88 230 571	94 195 075	100 012 826	105 386 733	113 083 767	120 065 693		
Equitable share	68 638 663	73 926 587	78 138 477	83 131 565	87 897 580	94 051 218	99 449 582		
Conditional grants	13 951 497	14 303 984	16 056 598	16 881 261	17 489 153	19 032 549	20 616 111		
Own revenue	2 669 540	2 772 190	3 148 995	2 995 146	3 031 768	3 183 572	3 338 439		
Total receipts	85 259 700	91 002 761	97 344 070	103 007 972	108 418 501	116 267 339	123 404 132		
% of total revenue									
Transfers from national	96.9	97.0	96.8	97.1	97.2	97.3	97.3		
Equitable share	80.5	81.2	80.3	80.7	81.1	80.9	80.6		
Conditional grants	16.4	15.7	16.5	16.4	16.1	16.4	16.7		
Own revenue	3.1	3.0	3.2	2.9	2.8	2.7	2.7		
Nominal growth (%)									
Transfers from national		6.8	6.8	6.2	5.4	7.3	6.2	6.6	6.3
Equitable share		7.7	5.7	6.4	5.7	7.0	5.7	6.6	6.2
Conditional grants		2.5	12.3	5.1	3.6	8.8	8.3	6.6	6.9
Own revenue		3.8	13.6	(4.9)	1.2	5.0	4.9	3.9	3.7
Total		6.7	7.0	5.8	5.3	7.2	6.1	6.5	6.2
Real growth (%)									
Transfers from national		1.0	1.1	0.8	(1.2)	1.1	0.2	0.9	0.0
Equitable share		1.8	0.1	1.0	(0.9)	0.8	(0.2)	0.9	(0.1)
Conditional grants		(3.1)	6.3	(0.2)	(2.9)	2.5	2.2	0.9	0.6
Own revenue		(1.9)	7.6	(9.7)	(5.1)	(1.1)	(1.0)	(1.6)	(2.4)
Total receipts		0.9	1.3	0.4	(1.3)	1.0	0.2	0.9	(0.0)

Table 4.10 also shows the analysis of total provincial receipts in terms of percentage shares, as well as nominal and real average annual growth rates over the seven-year period. In real terms, total provincial revenue growth is at 0.9 per cent between 2012/13 and 2015/16. Provincial own revenue shows a negative real average annual growth of growth of 1.6 per cent between 2012/13 and 2015/16, and negative 2.4 per cent from 2015/16 to 2018/19.

4.2.2 Provincial equitable share (PES)

The equitable share formula has evolved since its inception in 1998/99. The weighting of the various components is a policy decision that takes a number of factors into account, including the historical expenditure patterns and relative demand for particular services. The components of the formula are updated annually with the release of official data.

The equitable share allocation is based on demographic and economic statistics that attempt to capture the relative demand for public services. The largest portion of funds available to provinces is aimed at meeting Constitutional mandates, and at delivering a wide variety of public services. The 2011 Census data saw provinces such as Gauteng and Western Cape realising positive net migration, while KZN and Eastern Cape's population declined. The province was severely impacted on by the implementation of fiscal consolidation, and it therefore continues to look for ways of generating own revenue in an attempt to mitigate the impact of fiscal shocks.

4.2.3 National conditional grants

When national conditional grants were introduced in 1998/99, their objective was to promote national priorities and to compensate provinces for the provision of specialised services across provincial boundaries. Subsequent to this, several conditional grants were introduced with varying purposes, conditions and outcomes. A number of changes were made to the conditional grant framework over time and some grants were merged.

Relative to the equitable share, conditional grants are used for more specific purposes, *inter alia*, infrastructure provision, institutional capacity building, and the implementation of various national priorities (e.g. HIV and AIDS and school nutrition programmes).

As shown in Table 4.10, KZN's conditional grant allocation has grown steadily since 2012/13. As a share of total revenue, the conditional grant allocation remains fairly constant at around 16.4 per cent.

Table 4.11 summarises conditional grant transfers per vote.

Table 4.11 : Summary of national conditional grant transfers by vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16	2015/16	2015/16	2016/17	2017/18	2018/19
Vote 3 : Agriculture and Rural Development	262 968	287 036	319 760	308 525	308 525	308 525	300 503	314 398	332 751
CASP grant	183 726	202 522	212 632	226 161	226 161	226 161	222 155	235 712	249 472
Ilima/Letsema Projects grant	63 000	65 768	92 093	69 402	69 402	69 402	63 876	67 356	71 263
Land Care grant	16 242	18 746	10 854	10 666	10 666	10 666	10 632	11 330	12 016
EPWP Integrated Grant for Provinces	-	-	4 181	2 296	2 296	2 296	3 840	-	-
Vote 4 : Econ. Dev., Tourism and Environ. Affairs	10 708	550	16 827	8 162	9 599	9 599	6 927	-	-
EPWP Integrated Grant for Provinces	10 708	550	16 827	8 162	9 599	9 599	6 927	-	-
Vote 5 : Education	2 670 487	2 615 744	2 796 382	3 395 026	3 395 026	3 395 026	3 459 225	3 386 987	3 581 387
Education Infrastructure grant	1 413 001	1 306 421	1 385 781	1 978 683	1 978 683	1 978 683	1 958 321	1 843 980	1 948 887
HIV and AIDS (Life-Skills Education) grant	46 806	38 907	61 988	50 588	50 588	50 588	53 096	56 115	59 369
National School Nutrition Programme (NSNP) grant	1 151 644	1 206 190	1 237 534	1 287 034	1 287 034	1 287 034	1 355 247	1 423 009	1 505 544
Maths, Science and Technology grant	58 036	61 226	64 848	59 998	59 998	59 998	62 453	63 883	67 587
OSD for Education Sector Therapists grant	-	-	41 581	13 079	13 079	13 079	-	-	-
Social Sector EPWP Incentive Grant for Provinces	-	-	2 580	3 000	3 000	3 000	27 318	-	-
EPWP Integrated Grant for Provinces	1 000	3 000	2 070	2 644	2 644	2 644	2 790	-	-
Vote 7 : Health	5 023 849	5 429 296	6 428 886	6 903 719	6 903 596	6 903 719	7 302 804	8 013 983	8 899 603
Health Professions Training and Development grant	261 860	276 262	292 837	299 513	299 513	299 513	312 377	331 943	351 196
Health Facility Revitalisation grant	1 176 452	1 072 531	1 362 469	1 229 775	1 229 775	1 229 775	1 114 693	1 095 910	1 153 707
National Tertiary Services grant	1 323 114	1 415 731	1 496 427	1 530 246	1 530 246	1 530 246	1 596 286	1 696 266	1 794 649
Comprehensive HIV, AIDS and TB grant	2 225 423	2 652 072	3 257 992	3 813 094	3 812 972	3 813 094	4 244 243	4 889 864	5 555 075
Social Sector EPWP Incentive Grant for Provinces	-	-	2 580	13 000	13 000	13 000	13 000	-	-
EPWP Integrated Grant for Provinces	1 000	3 000	2 581	3 683	3 682	3 683	7 122	-	-
National Health Insurance grant	33 000	9 700	14 000	14 408	14 408	14 408	15 083	-	-
AFCON: Medical Services grant	3 000	-	-	-	-	-	-	-	-
Human Papillomavirus Vaccine grant	-	-	-	-	-	-	-	-	44 976
Vote 8 : Human Settlements	2 915 297	3 335 584	3 509 045	3 242 055	3 242 055	3 242 055	3 139 896	3 843 228	4 092 224
Human Settlements Development grant	2 915 297	3 332 584	3 509 045	3 235 475	3 235 475	3 235 475	3 124 702	3 843 228	4 092 224
EPWP Integrated Grant for Provinces	-	3 000	-	6 580	6 580	6 580	15 194	-	-
Vote 9 : Community Safety and Liaison	1 673	5 369	2 580	1 000	1 000	1 000	11 043	-	-
Social Sector EPWP Incentive Grant for Provinces	1 673	5 369	2 580	1 000	1 000	1 000	11 043	-	-
Vote 10 : Sport and Recreation	91 548	84 760	95 595	92 693	92 693	92 693	99 019	95 778	101 143
Mass Participation and Sport Development grant	90 548	79 883	85 435	89 191	89 191	89 191	90 785	95 778	101 143
EPWP Integrated Grant for Provinces	1 000	550	2 102	2 000	2 000	2 000	2 000	-	-
Social Sector EPWP Incentive Grant for Provinces	-	4 327	8 058	1 502	1 502	1 502	6 234	-	-
Vote 11 : Co-op. Governance and Traditional Affairs	-	-	3 471	4 119	4 119	4 119	3 667	-	-
EPWP Integrated Grant for Provinces	-	-	3 471	4 119	4 119	4 119	3 667	-	-
Vote 12 : Transport	2 373 740	2 464 340	2 752 384	2 759 623	2 759 623	2 759 623	2 992 478	3 110 391	3 278 733
Public Transport Operations grant	808 279	852 325	904 783	924 766	924 766	924 766	1 011 045	1 071 439	1 121 506
EPWP Integrated Grant for Provinces	64 290	88 487	59 443	55 602	55 602	55 602	56 055	-	-
Provincial Roads Maintenance grant	1 501 171	1 523 528	1 788 158	1 779 255	1 779 255	1 779 255	1 925 378	2 038 952	2 157 227
Vote 13 : Social Development	-	14 610	5 746	3 000	3 000	3 000	3 958	92 380	144 948
Social Sector EPWP Incentive grant	-	14 610	3 746	3 000	3 000	3 000	3 958	-	-
EPWP Integrated Grant for Provinces	-	-	2 000	-	-	-	-	-	-
Early Childhood Development grant	-	-	-	-	-	-	-	92 380	144 948
Vote 14 : Public Works	552 608	3 000	3 168	3 057	3 056	3 056	4 471	-	-
Devolution of Property Rate Funds grant	551 100	-	-	-	-	-	-	-	-
EPWP Integrated Grant for Provinces	1 508	3 000	3 168	3 057	3 056	3 056	4 471	-	-
Vote 15 : Arts and Culture	48 619	63 695	122 754	159 696	158 969	158 969	165 162	175 404	185 322
Community Library Services grant	48 619	63 145	122 754	157 696	157 569	157 569	163 162	175 404	185 322
EPWP Integrated Grant for Provinces	-	550	-	2 000	1 400	1 400	2 000	-	-
Total	13 951 497	14 303 984	16 056 598	16 880 675	16 881 261	16 881 384	17 489 153	19 032 549	20 616 111

Relative to other provincial departments, DOH is the largest recipient of conditional grant funds. The Comprehensive HIV, AIDS and TB grant increases steadily over the MTEF. This grant sees a significant increase in the outer year, with the budget growing to R5.555 billion in that year.

DOE is the second largest recipient of grant funding over the MTEF. This is largely due to the Education Infrastructure grant and the NSNP grant to address learning infrastructure and provide food to learners from highly impoverished communities, respectively. The fluctuation against the Education Infrastructure grant over the MTEF is due to this grant receiving an incentive allocation in 2016/17, but simultaneously being affected by budget cuts in that year, as well as over the outer years.

DOHS is the third largest recipient of grant allocation. The decrease in 2016/17 relates to the impact that the budget cuts have had on the HSDG in the first year of the MTEF. This explains the significant decrease in 2016/17. The grant shows a significant increase in the two outer years.

In the 2015/16 Adjusted Appropriation, DOT had an allocation of R2.760 billion which increases to R3.279 billion in 2018/19. Both the Public Transport Operations grant and the Provincial Roads Maintenance grants increase significantly over the 2016/17 MTEF.

The EPWP Integrated Grant for Provinces is allocated to provincial departments in line with schedules to the DORA. Allocations are made to departments based on historical performance. The 2016/17

allocations for this grant are made to DOT at R56.055 million, DOHS at R15.194 million, DOH at R7.122 million DEDTEA at R6.927 million, DOPW at R4.471 million, COGTA at R3.667 million, DOE at R2.790 million, DARD at R3.840 million, DAC and DOSR at R2 million each.

4.2.4 Total provincial own receipts (own revenue)

Table 4.12 summarises provincial own revenue by economic classification. The bulk of provincial own revenue is collected against *Tax receipts* which comprises of *Motor vehicle licences*, *Casino taxes*, *Horse racing taxes* and *Liquor licences*.

Table 4.12 : Summary of provincial own receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Tax receipts	1 771 278	1 889 687	2 045 246	2 149 313	2 149 313	2 044 452	2 120 649	2 217 213	2 320 531
Casino taxes	383 056	421 355	467 319	556 890	556 890	466 336	478 167	510 227	545 111
Horse racing taxes	64 674	66 899	71 205	91 337	91 337	77 030	79 171	80 925	83 796
Liquor licences	4 927	5 110	25 596	20 086	20 086	20 086	27 577	28 898	30 574
Motor vehicle licences	1 318 621	1 396 323	1 481 126	1 481 000	1 481 000	1 481 000	1 535 734	1 597 163	1 661 050
Sale of goods and services other than capital assets	416 664	447 633	460 875	449 170	449 170	457 088	487 238	516 229	545 865
Transfers received	1 060	-	-	-	-	1 405	-	-	-
Fines, penalties and forfeits	51 130	39 547	44 808	38 681	38 681	45 694	38 939	41 576	44 399
Interest, dividends and rent on land	274 164	262 846	313 851	284 874	284 874	359 080	303 280	318 457	336 938
Sale of capital assets	63 076	31 147	48 899	18 760	18 760	25 434	24 006	29 586	26 751
Transactions in financial assets and liabilities	92 168	101 330	235 316	54 348	54 348	304 194	57 656	60 511	63 956
Total receipts	2 669 540	2 772 190	3 148 995	2 995 146	2 995 146	3 237 347	3 031 768	3 183 572	3 338 439

Table 4.12 shows *Tax receipts* which exhibits significant growth from R1.771 billion to R2.044 billion between 2012/13 and 2015/16, respectively. The major revenue sources in this category are *Motor vehicle licences* and *Casino taxes*. Over the MTEF, this category is projected to rise from R2.121 billion in 2016/17 to R2.321 billion in 2018/19. The decline of *Casino taxes* from the 2015/16 Adjusted Appropriation is due to a decline in consumer activities, which cannot be accurately predicted.

Sale of goods and services other than capital assets increased from R416.664 million in 2012/13 to R545.865 million in 2018/19. The projected over-collection in the 2015/16 Revised Estimate can be ascribed to DOH, largely as a result of higher than anticipated collection against Health patient fees. Over the MTEF, the steady increase in this category is related to inflationary increments.

Interest, dividends and rent on land fluctuates over the seven-year period. This revenue largely accrues from the interest earned from the Inter-Governmental Cash Co-ordination (IGCC) and Pay Master-General (PMG) accounts. The budget grows gradually over the MTEF.

The volatility of *Transactions in financial assets and liabilities* over the seven year period is due to the uncertain nature of this category. The nature of collections against this category makes it difficult to budget for it accurately, hence the budget over the MTEF is fairly conservative.

Table 4.13 : Summary of provincial own receipts by vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
1. Office of the Premier	922	906	1 724	536	536	923	573	612	648
2. Provincial Legislature	2 331	3 924	2 950	735	735	3 061	774	813	860
3. Agriculture and Rural Development	19 376	17 882	32 267	23 292	23 292	25 902	24 720	26 287	27 812
4. Economic Development, Tourism and Enviro Affairs	13 182	9 555	135 161	22 852	22 852	53 537	30 356	31 816	33 661
5. Education	85 812	107 494	96 705	81 245	81 245	87 819	87 684	92 392	97 751
6. Provincial Treasury	718 176	738 992	850 967	932 322	932 322	900 767	859 860	908 780	964 957
7. Health	267 071	270 747	289 933	257 958	257 958	265 396	283 710	300 162	316 229
8. Human Settlements	13 573	9 431	28 920	2 052	2 052	163 262	4 198	4 308	4 557
9. Community Safety and Liaison	75	79	76	92	92	92	97	101	107
10. Sport and Recreation	512	737	399	300	300	755	317	332	351
11. Co-operative Governance and Traditional Affairs	7 578	7 470	23 471	3 653	3 653	13 807	3 829	4 067	4 320
12. Transport	1 502 265	1 577 298	1 656 407	1 653 507	1 653 507	1 701 974	1 717 978	1 790 831	1 866 865
13. Social Development	13 270	6 182	8 954	7 372	7 372	7 120	7 841	8 234	8 710
14. Public Works	23 642	18 258	19 486	8 426	8 426	11 989	8 967	13 920	10 630
15. Arts and Culture	1 755	3 235	1 575	805	805	943	865	917	980
Total provincial own receipts	2 669 540	2 772 190	3 148 995	2 995 146	2 995 146	3 237 347	3 031 768	3 183 572	3 338 439
Provincial Legislature receipts not surrendered to PRF	2 331	3 924	2 950	735	735	3 061	774	813	860
Total adjusted provincial own receipts	2 667 209	2 768 266	3 146 045	2 994 411	2 994 411	3 234 286	3 030 994	3 182 759	3 337 579

Table 4.13 provides a detailed analysis of revenue per vote. The most significant revenue contributors are DOT, PT, DOH and DOE.

Transport

DOT continues to be the main contributor to total provincial own revenue (mainly against *Motor vehicle licences*). The department's revenue rises from R1.502 billion in 2012/13 to R1.702 billion in the 2015/16 Revised Estimate. The increase over the seven-year period can be attributed to the growth in vehicle population and higher than anticipated application of new and the renewal of motor vehicle licences. The revenue budget increases gradually over the MTEF. Revenue generated from *Motor vehicle licences* increases from R1.319 billion in 2012/13 to R1.661 billion in 2018/19 (Table 4.12). The major reason for the slow growth in revenue is lower inflation of motor vehicle licence fees by the department as the province continues to lose revenue to cheaper provinces, such as Mpumalanga. The projected revenue growth includes the initiatives of DOT to improve service delivery at the various registering authorities, for the registration and licensing of motor vehicles.

Presently, the variances between motor vehicle licence fees charged across all provinces in the various fee categories are significant. This has been discussed at national and provincial levels for quite some time, with the view of standardising fees across provinces (as is the case with the Health patient fee structure). The rationale of uniform fees will be to avoid loss of revenue to cheaper provinces against an ever increasing cost (e.g. road maintenance costs), as those vehicles continue to use KZN's roads.

Provincial Treasury

The department's main sources of revenue are *Casino taxes* (in respect of the KZN Gaming and Betting Board (KZNGBB) and *Interest, dividends and rent on land*. The department's revenue collection increases from R718.176 million in 2012/13 to R900.767 million in the 2015/16 Revised Estimate, increasing to R964.957 million in 2018/19. The decline in revenue in the 2015/16 Revised Estimate is mainly on *Tax receipts* resulting from the lower than anticipated collection on *Casino* and *Horse racing* taxes. *Casino taxes*, which are largely derived from Casinos Limited Pay-out Machines and Bingo gaming revenue, accelerated markedly from 2012/13 onward, following the increase in tax rates.

PT generates a significant portion of own revenue through interest earned on positive cash balances in the IGCC and the PMG accounts, which is reflected against *Interest, dividends and rent on land*.

Health

The receipts of DOH increase from R267.071 million in 2012/13 to R265.396 million in the 2015/16 Revised Estimate. Over the MTEF, significant growth is expected from R283.710 million in 2016/17 to R316.229 million in 2018/19. DOH's largest proportion of revenue is from patient fees and boarding fees for staff accommodation.

The department is focusing on increasing efficiencies in patient billing and revenue collection together with PT. One of the major objectives is to eliminate leakages in the system, and to shorten patient payment intervals. Historically, patient fee collections have under-performed due to the lack of a concise strategy to enhance collections from medical aid schemes, Road Accident Fund (RAF) and other statutory accounts, such as SAPS and Correctional Services. More attention continues to be given to the assessment of patients' ability to pay, the correct billing of patients and the timeous recovery of debts from patients and other third parties, such as medical aids. DOH needs to continue to focus on clearing, *inter alia*, all medical aid and RAF invoices that accumulate in the institutions. Revenue collection processes remain sub-optimal as a consequence of continued reliance on manual billing systems.

Education

The prime source of own revenue for the department is *Sale of goods and services other than capital assets*. This includes commission earned on payroll deductions such as insurance and garnishees, examination and remarking fees, as well as fees for the viewing of scripts, and housing and parking rentals for staff members. *Transactions in financial assets and liabilities* is also a major source of revenue for the department which consists mainly of debts owed to the department, as well as refunds relating to previous years' expenditure. The substantial collection in 2013/14 and 2014/15 is due to the department's concerted effort to improve debt collection.

4.2.5 Donor funding and agency receipts

Table 4.14 indicates donor funding and agency receipts, per department, over the 2016/17 MTEF. More detail is provided in Table 1.G in the *Annexure* to this *OPRE*. Donor funding is not voted for, and is relatively small in value. This funding gives an indication of additional local and international resources available to the province. Each department receiving donor funding and/or agency receipts has tables in the departmental chapter in the *EPRE*, indicating how the donor funding and agency receipts have been spent over the seven-year period.

It is essential to monitor the quality and quantity of services being provided with regard to donor funding and agency receipts. To this extent, PT requires departments to report on donor funding and agency receipts on a quarterly basis. This is done because, in some instances, departments commit themselves to projects and, when the donor funding ceases, these commitments continue and have to be funded through voted funds in order to reach completion.

Table 4.14 : Donor funding and agency receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Donor Funding	26 768	30 874	40 300	57 244	57 265	38 961	87 268	55 397	6 600
Office of the Premier	24 079	24 079	38 020	12 894	12 894	21 700	26 798	6 800	6 600
Agriculture and Rural Development	1 805	2 291	-	2 874	2 895	2 895	-	-	-
Provincial Treasury	-	-	-	39 200	39 200	11 653	60 470	48 597	-
Health	884	3 677	927	960	960	960	-	-	-
Co-operative Governance and Traditional Affairs	-	827	1 353	1 316	1 316	1 753	-	-	-
Agency Receipt	7 585	-	58 536	3 792	3 792	47 345	3 792	3 792	3 792
Transport	7 585	-	58 536	3 792	3 792	47 345	3 792	3 792	3 792
Total	34 353	30 874	98 836	61 036	61 057	86 306	91 060	59 189	10 392

4.2.5.1 Donor funding

The total donor funding is at R38.961 million in the 2015/16 Revised Estimate, R87.268 million in 2016/17, R55.397 million in 2017/18 and R6.600 million in 2018/19. The recipients of the donor funding are shown in the table.

OTP receives funding from the National Skills Fund (NSF), MERSETA and Work Integrated Learning (SSETA and PSETA).

PT receives funding from the European Union (EU) through the General Budget Support initiative for the funding of KZN Science Parks.

DARD received funding from the World Health Organisation up until 2015/16 for human rabies prevention through dog rabies control. There are no further projections over the 2016/17 MTEF.

DOH received funding in 2015/16 from HWSETA related to learnership programmes in various hospitals. No donations are expected over the 2016/17 MTEF, at this stage.

COGTA receives R1.753 million in the 2015/16 Revised Estimate for the Department of Provincial and Local Government (DPLG) and from the Local Government Sector Education and Training Authority (LGSETA) for firefighting training, in respect of the fire and rescue operational learnership and the disaster risk management skill programme.

4.2.5.2 Agency receipts

DOT receives funding from the South African National Roads Agency Limited (SANRAL), Road Traffic Management Corporation (RTMC) and eThekweni Metro.

5. PAYMENTS

5.1 Overall position

Total provincial payments increased from R84.611 billion in 2012/13 to an estimated R109.006 billion in 2016/17. This positive growth is set to continue over the 2016/17 MTEF, with aggregated estimates of R115.714 billion in 2017/18 growing to R122.709 billion in 2018/19.

The additional funding over and above the existing (2015/16 MTEF) growth within the various departments' baselines caters for, among others:

- Carry-through costs of the above-budget 2015 wage agreement for all departments.
- The Legislature receives an additional allocation over three years for the zero-based budget adjustment.
- Additional funding was allocated to DOH, to relieve the exchange rate pressures arising from the procurement of medicines, equipment and supplies. DOH was also allocated funding for hospital linen and NHLS fee-for-service pressures.
- Additional funding was provided for drought relief to DARD (R50 million), as well as COGTA (R150 million) for 2016/17.
- DOE receives R150 million, allocated in 2016/17 and 2017/18 for sanitation at schools.
- DSD receives funds in 2016/17 and 2017/18 to provide for a 6 per cent increase in transfers to NGOs, as mentioned.

The 2016/17 MTEF is prepared against the backdrop of the nationally implemented fiscal consolidation programme, which resulted in cuts against the equitable share funding and conditional grant funding of provinces. As such, some departments' budgets show a decline from 2015/16 to 2016/17.

However, in accordance with a national directive, DOH and DOE's baseline were protected due to the fact that these are social services departments. It was also acknowledged that provincial DOH's baselines were inadequate and provinces needed to prioritise an additional budgetary allocation to counter the pressures arising from the costs of medicines, laboratory services and medical supplies which were negatively impacted on as a result of a steep decline in the Rand/Dollar exchange rate.

5.2 Payments by vote

Table 5.1 illustrates the summary of provincial payments by vote.

Table 5.1 : Summary of provincial payments and estimates by vote

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2012/13	2013/14	2014/15	Appropriation	Appropriation	Estimate	2016/17	2017/18	2018/19
				2015/16					
1. Office of the Premier	697 795	721 074	722 239	743 214	737 794	737 794	658 644	697 499	742 904
2. Provincial Legislature	431 718	460 929	476 027	465 494	479 262	479 262	518 652	538 851	569 128
3. Agriculture and Rural Development	2 109 591	2 005 528	2 003 044	2 203 074	2 292 480	2 292 480	2 170 644	2 224 422	2 353 838
4. Economic Development, Tourism and Enviro Affairs	2 421 869	3 311 354	2 955 803	2 973 459	2 997 119	2 997 119	2 702 992	2 844 613	3 022 744
5. Education	34 556 731	37 156 042	39 146 083	42 142 355	43 162 870	43 162 870	45 464 373	47 528 559	50 249 078
6. Provincial Treasury	557 733	624 333	673 962	712 151	717 869	663 853	675 280	659 029	688 508
7. Health	27 390 533	29 531 410	31 245 510	32 981 786	33 969 992	34 314 275	36 578 637	39 541 537	42 183 873
8. Human Settlements	3 377 771	3 617 002	3 873 178	3 584 685	3 822 970	3 822 970	3 485 112	4 205 672	4 475 736
9. Community Safety and Liaison	135 892	171 922	179 239	187 069	191 045	191 045	210 123	195 948	207 297
10. Sport and Recreation	367 751	414 968	451 245	454 389	437 827	437 827	426 479	438 628	453 016
11. Co-operative Governance and Traditional Affairs	1 314 550	1 242 496	1 482 587	1 368 043	1 581 163	1 581 163	1 545 923	1 461 452	1 546 475
12. Transport	7 650 308	8 055 187	9 051 949	9 341 457	9 366 560	9 366 560	9 571 940	10 012 734	10 580 528
13. Social Development	1 985 386	2 329 906	2 487 432	2 630 481	2 713 250	2 711 615	2 778 162	3 004 633	3 174 108
14. Public Works	1 133 311	1 270 253	1 388 082	1 389 666	1 412 938	1 423 344	1 432 608	1 503 706	1 590 995
15. Arts and Culture	479 744	698 686	710 027	783 914	808 770	808 770	786 472	857 179	870 986
Total	84 610 682	91 611 090	96 846 407	101 961 237	104 691 909	104 990 947	109 006 041	115 714 462	122 709 214

The allocation over the 2016/17 MTEF reflects an increase over the three years of the MTEF. However, a trend analysis reveals that a number of departments' budgets are set to decrease from the 2015/16

Adjusted Appropriation to 2016/17 against the backdrop of the fiscal consolidation plan. With the exception of the Legislature, DOE, PT, DOH, DCSL, DOT, DSD and DOPW, all other departments' baselines show a reduction when compared to the 2015/16 Adjusted Appropriation. As previously mentioned, acting on a national directive, DOH's baseline was protected against cuts effected on departments baselines and additional funding was allocated to the department for carry-through costs of the above-budget 2015 wage agreement, once-off purchase of hospital linen, additional funding to fully address pressures which have arisen from the change in payment mechanism for NHLS to a fee-for-service payment and additional funding for pressures related to the weakening exchange rate affecting imported medicines, medical equipment and supplies. DOE's baseline was also protected, due to the fact that this department is a social service department and approximately 85 per cent of its expenditure is on *Compensation of employees*.

In terms of the FMPPA, which is applicable from 1 April 2015, the Legislature is no longer required to submit additional funding requests to PT via the MTEC process as the provincial departments and public entities do. Instead, the Legislature's additional funding requirements were discussed between the Speaker and the MEC for Finance, resulting in baseline increase which comprises of additional funding resulting from the zero-based budget exercise to fund escalating costs relating to operating payments, property payments, as well travel and subsistence.

An upward trend is evident in DOE's baseline emanating from the ongoing spending pressures in *Compensation of employees* caused by the carry-through effects of the historical shortfall in funding for OSD for educators and various wage agreements. The 2015/16 Adjusted Appropriation reflects an increase as a result of the additional amount of R757 million which was allocated from both NT and provincial cash resources to assist the department with the pressures arising from the above-budget 2015 wage agreement. Also, an additional amount of R111 million was allocated against *Goods and services* to deal with the capital amount owed in terms of the Indiza LTSM litigation matter. Cuts were not effected against the department's baseline and, instead, the department receives an additional allocation in 2016/17 and 2017/18 to address the water and sanitation backlog in schools.

DCSL's budget shows a marginal increase due to the fact that additional funding was allocated for local government election monitoring and carry-through costs for the above-budget 2015 wage agreement, as well as a significant increase in the allocation of the Social Sector EPWP Incentive Grant for Provinces. The additional funding outweighed the budget cuts that were effected against the department's baseline.

DOPW's 2016/17 budget reflects a marginal increase mainly due to municipal property rates payments, the Government Immovable Asset Management Act (GIAMA) implementation projects, as well as the Fixed Asset Management Tool, for which the department received additional funding in previous MTEF periods. In the 2016/17 MTEF, provision is also made for the provincial EPWP co-ordination function and the improvement of infrastructure support to other departments.

Despite the fiscal consolidation cuts, DOT's allocations reflect healthy growth, mainly due to the substantial additional funding allocated in previous MTEFs for the construction of new roads, the enhancement of law enforcement and road safety campaigns, as well as for the maintenance of the provincial road network. Although there is a steady increase over the MTEF, this growth was mitigated by the budget cuts. The growth from 2015/16 to 2016/17 is also impacted by the fact that the Provincial Roads Maintenance grant and the Public Transport Operations grant increase over the 2016/17 MTEF.

As previously explained, departments were affected by the budget cuts and, as a result, while some departments would have received additional funding for various provincial priorities, there was an overall reduction of the provincial baseline due to the above-mentioned cuts. DOHS reflects a substantial reduction from the 2015/16 Adjusted Appropriation and Revised Estimate to 2016/17, followed by DEDTEA, DARD, PT, COGTA, OTP, DAC and DOSR.

Despite the reduction, DARD received R50 million from provincial cash-resources for drought relief and funding for the above-budget 2015 wage agreement. COGTA was also allocated R150 million for drought relief and carry-through funding for the above-budget 2015 wage agreement over the MTEF.

Table 5.2 shows an analysis of payments and estimates by major votes.

Table 5.2 : Analysis of payments and estimates by major vote

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2012/13	2013/14	2014/15		2016/17	2017/18	2018/19	2012/13-2015/16	2015/16-2018/19
R thousand									
Education	34 556 731	37 156 042	39 146 083	43 162 870	45 464 373	47 528 559	50 249 078		
Health	27 390 533	29 531 410	31 245 510	33 969 992	36 578 637	39 541 537	42 183 873		
Social Development	1 985 386	2 329 906	2 487 432	2 713 250	2 778 162	3 004 633	3 174 108		
Other Functions	20 678 033	22 593 732	23 967 382	24 845 797	24 184 869	25 639 733	27 102 155		
Total expenditure	84 610 682	91 611 090	96 846 407	104 691 909	109 006 041	115 714 462	122 709 214		
% of total expenditure									
Education	40.8	40.6	40.4	41.2	41.7	41.1	40.9		
Health	32.4	32.2	32.3	32.4	33.6	34.2	34.4		
Social Development	2.3	2.5	2.6	2.6	2.5	2.6	2.6		
Other Functions	24.4	24.7	24.7	23.7	22.2	22.2	22.1		
Nominal growth (%)									
Education		7.5	5.4	10.3	5.3	4.5	5.7	7.7	5.2
Health		7.8	5.8	8.7	7.7	8.1	6.7	7.4	7.5
Social Development		17.4	6.8	9.1	2.4	8.2	5.6	11.0	5.4
Other Functions		9.3	6.1	3.7	(2.7)	6.0	5.7	6.3	2.9
Total expenditure		8.3	5.7	8.1	4.1	6.2	6.0	7.4	5.4
Real growth (%)									
Education		1.6	(0.2)	4.6	(1.2)	(1.5)	(0.2)	2.0	(1.0)
Health		1.9	0.2	3.2	1.0	1.8	0.7	1.7	1.2
Social Development		10.9	1.1	3.5	(4.0)	1.9	(0.3)	5.1	(0.8)
Other Functions		3.3	0.4	(1.6)	(8.7)	(0.1)	(0.2)	0.7	(3.1)
Total expenditure		2.3	0.1	2.6	(2.4)	(0.0)	0.1	1.7	(0.8)

The Social Sector reflects steady average annual growth from 2012/13 to 2015/16 and also from 2015/16 to 2018/19 in nominal terms while, in real terms, there is fairly low growth in the first period and negative growth during the latter period. The share of total spending fluctuates over the seven years, with 2016/17 being high at 77.8 per cent, and staying at that average of 77.9 per cent in 2017/18 and 2018/19. Important to note is that the Social Sector's share of total expenditure has increased from 76.2 in 2015/16 to an average of approximately 78 per cent over the MTEF.

DOE remains the highest spending provincial department, at 41.2 per cent in 2015/16, increasing slightly to 41.7 per cent in 2016/17, and decreasing marginally to 40.9 per cent in 2018/19, attributable to the reduced allocation for the Education Infrastructure grant. DOE's budget increases by an average annual nominal (real) growth of 7.7 (2) per cent between 2012/13 and 2015/16, and 5.2 (-1) per cent between 2015/16 and 2018/19 influenced by the budget cuts and provincial reprioritisation undertaken.

DOH remains the second highest spending provincial department, with a generally steady share of 32.4 per cent in 2012/13, remaining fairly constant until 2015/16 and increasing over the 2016/17 MTEF to 34.4 per cent in 2018/19. The budget of the department reflects a healthy average annual nominal (real) growth of 7.4 (1.7) per cent between 2012/13 and 2015/16, and a steady average annual growth of 7.5 (1.2) per cent between 2015/16 and 2018/19. The healthy growth is due to the decision to protect DOH's baseline from cuts and provide additional funding for the exchange rate and NHLS pressures, as well as once-off funding in 2016/17 for hospital linen.

DSD reflects a steady share of total expenditure, at 2.3 per cent in 2012/13, which increases over the MTEF to a steady percentage of approximately 2.6 per cent. The department enjoys a healthy average nominal (real) growth of 11.0 (5.1) per cent between 2012/13 and 2015/16 due to additional funding for the absorption of social work graduates and support to the NGO sector. This growth declines to 5.4 (-0.8) per cent between 2015/16 and 2018/19. Additional funding was provided to the department for the 6 per cent increase in transfers to the NGO sector (from 2015/16 to 2017/18), Inkululeko Elderly Day Care centre (2015/16 to 2017/18) and for the carry through-costs of the above-budget 2015 wage agreement. However, the budget-cuts off-set these amounts.

Other Functions reflect a steady average annual nominal (real) growth of 6.3 (0.7) between 2012/13 and 2015/16, and it reduces between 2015/16 and 2018/19 to 2.9 (-3.1) per cent. The reduction is due to the budget cuts that were effected against all departments except DOH, DOE and the Legislature.

5.3 Payments by economic classification

5.3.1 Provincial summary of payments and estimates by economic classification

Table 5.3 presents a summary of payments and estimates by economic classification. Table 1.B in the *Annexure to the OPRE* provides more detail in this regard.

Table 5.3 : Summary of provincial payments and estimates by economic classification

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Current payments	66 247 397	71 893 983	76 473 807	82 943 692	84 438 476	83 749 229	90 176 807	95 602 288	101 826 629
Compensation of employees	49 255 854	54 022 777	57 911 298	62 289 398	63 401 994	63 460 454	67 799 512	72 106 316	76 548 068
Goods and services	16 990 860	17 864 660	18 558 514	20 644 062	21 035 345	20 286 141	22 373 950	23 492 663	25 275 636
Interest and rent on land	683	6 547	3 995	10 232	1 137	2 634	3 345	3 309	2 924
Transfers and subsidies to:	9 764 582	11 420 899	12 054 854	11 049 595	11 986 342	11 937 111	10 820 225	12 004 799	12 667 527
Provinces and municipalities	1 204 307	1 139 824	1 365 703	1 161 263	1 371 651	1 397 681	1 084 929	1 156 338	1 196 467
Departmental agencies and accounts	1 824 199	1 847 630	1 962 753	2 042 536	2 108 951	2 116 720	1 846 560	1 961 318	2 070 760
Higher education institutions	57	501	3 046	-	2 000	2 000	8 500	8 925	9 442
Foreign governments and international organisations	233	221	207	207	207	207	217	228	241
Public corporations and private enterprises	1 214 377	1 396 597	1 699 664	1 403 882	1 745 831	1 612 171	1 389 254	1 428 312	1 483 772
Non-profit institutions	2 487 457	3 324 185	3 021 878	3 101 029	3 101 757	3 099 926	3 232 372	3 451 256	3 620 303
Households	3 033 952	3 711 942	4 001 603	3 340 678	3 655 945	3 708 406	3 258 393	3 998 422	4 286 542
Payments for capital assets	8 520 531	8 186 603	8 229 669	7 728 031	8 034 729	9 069 610	7 771 970	7 887 531	8 129 804
Buildings and other fixed structures	7 508 265	7 523 677	7 524 475	6 977 955	7 161 766	8 280 602	6 819 032	6 737 546	6 910 101
Machinery and equipment	958 517	630 393	665 708	729 732	855 900	770 509	931 253	1 129 529	1 198 939
Heritage assets	10 794	4 659	2 608	4 200	2 659	2 659	4 500	4 555	4 819
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	9 542	474	145	606	42	42	636	668	707
Land and sub-soil assets	7 018	-	23 000	-	-	-	-	-	-
Software and other intangible assets	26 395	27 400	13 733	15 538	14 362	15 798	16 549	15 233	15 238
Payments for financial assets	11 012	38 511	5 983	157 598	158 041	160 676	159 249	139 501	252
Total	84 543 522	91 539 995	96 764 313	101 878 916	104 617 588	104 916 626	108 928 251	115 634 119	122 624 211
Statutory payments (Members' remuneration)	67 160	71 095	82 094	82 321	74 321	74 321	77 790	80 343	85 003
Total economic classification (incl. stat. payment)	84 610 682	91 611 090	96 846 407	101 961 237	104 691 909	104 990 947	109 006 041	115 714 462	122 709 214

The category *Current payments* consumes the bulk of the total provincial spending and is set to increase from R83.749 billion in the 2015/16 Revised Estimate to R101.827 billion in 2018/19. The largest portion of this category and the entire budget relates to *Compensation of employees*. The increase from the 2015/16 Revised Estimate to 2016/17 is mainly attributable to the carry-through costs of the 2015 wage agreement, which was above-budget, as well as some departments budgeting to fill critical vacant posts.

The bulk of the budget under *Compensation of employees* is allocated to DOE and DOH, due to the high number of employees in these departments. However, these departments have been requested to embark on a headcount decrease, particularly in administrative services.

Transfers and subsidies shows a fluctuating trend between 2012/13 and 2018/19. A substantial portion of this category is allocated against *Transfers and subsidies to: Households* and *Transfers and subsidies to: Non-profit institutions*, and a large portion thereof relates to transfers to public schools for norms and standards. Also included are transfers to various public entities, and transfers relating to the HSDG. It should be noted that a significant part of DEDTEA's budget cuts were effected against the transfers to its public entities.

Payments for capital assets reflects fluctuations over the seven-year period, with the 2016/17 allocation for the Education and Health infrastructure grants being impacted on by budget cuts, as mentioned earlier.

The spending against the category *Payments for financial assets* reflects the first charge amounts (in line with Section 34(2) of the PFMA) in respect of unauthorised expenditure. Also included, although to a lesser extent, are the write-offs of irrecoverable debts by various departments.

Table 5.4 provides an analysis of payments and estimates by economic classification, looking at average annual growth, and percentage share of various categories when compared to total expenditure.

Table 5.4 : Analysis of payments and estimates by economic classification

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2012/13	2013/14	2014/15		2016/17	2017/18	2018/19	2012/13-2015/16	2015/16-2018/19
R thousand									
Current	66 314 557	71 965 078	76 555 901	84 512 797	90 254 597	95 682 631	101 911 632		
Transfers	9 764 582	11 420 899	12 054 854	11 986 342	10 820 225	12 004 799	12 667 527		
Capital	8 520 531	8 186 603	8 229 669	8 034 729	7 771 970	7 887 531	8 129 804		
Financial assets	11 012	38 511	5 983	158 041	159 249	139 501	252		
Compensation	49 323 014	54 093 872	57 993 392	63 476 315	67 877 302	72 186 659	76 633 071		
Non-compensation	35 287 668	37 517 219	38 853 015	41 215 594	41 128 739	43 527 803	46 076 143		
Non-compensation (excl. transfers)	25 523 086	26 096 320	26 798 161	29 229 252	30 308 514	31 523 004	33 408 616		
Non-compensation non-capital (NCNC)	26 767 137	29 330 616	30 623 346	33 180 865	33 356 769	35 640 272	37 946 339		
NCNC (excl. transfers)	17 002 555	17 909 718	18 568 492	21 194 523	22 536 544	23 635 473	25 278 812		
Total expenditure	84 610 682	91 611 090	96 846 407	104 691 909	109 006 041	115 714 462	122 709 214		
% of total expenditure									
Current	78.4	78.6	79.0	80.7	82.8	82.7	83.1		
Transfers	11.5	12.5	12.4	11.4	9.9	10.4	10.3		
Capital	10.1	8.9	8.5	7.7	7.1	6.8	6.6		
Financial assets	0.0	0.0	0.0	0.2	0.1	0.1	0.0		
Compensation	58.3	59.0	59.9	60.6	62.3	62.4	62.5		
Non-compensation	41.7	41.0	40.1	39.4	37.7	37.6	37.5		
Non-compensation (excl. transfers)	30.2	28.5	27.7	27.9	27.8	27.2	27.2		
Non-compensation non-capital (NCNC)	31.6	32.0	31.6	31.7	30.6	30.8	30.9		
NCNC (excl. transfers)	20.1	19.5	19.2	20.2	20.7	20.4	20.6		
Nominal growth (%)									
Current		8.5	6.4	10.4	6.8	6.0	6.5	8.4	6.4
Transfers		17.0	5.6	(0.6)	(9.7)	10.9	5.5	7.1	1.9
Capital		(3.9)	0.5	(2.4)	(3.3)	1.5	3.1	(1.9)	0.4
Financial assets		249.7	(84.5)	2 541.5	0.8	(12.4)	(99.8)	143.0	(88.3)
Compensation		9.7	7.2	9.5	6.9	6.3	6.2	8.8	6.5
Non-compensation		6.3	3.6	6.1	(0.2)	5.8	5.9	5.3	3.8
Non-compensation (excl. transfers)		2.2	2.7	9.1	3.7	4.0	6.0	4.6	4.6
Non-compensation non-capital (NCNC)		9.6	4.4	8.4	0.5	6.8	6.5	7.4	4.6
NCNC (excl. transfers)		5.3	3.7	14.1	6.3	4.9	7.0	7.6	6.1
Real growth (%)									
Current		2.6	0.7	4.8	0.1	(0.1)	0.5	2.7	0.2
Transfers		10.5	(0.1)	(5.6)	(15.4)	4.5	(0.4)	1.4	(4.1)
Capital		(9.2)	(4.8)	(7.3)	(9.3)	(4.4)	(2.7)	(7.1)	(5.5)
Financial assets		230.5	(85.3)	2 407.0	(5.5)	(17.5)	(99.8)	130.1	(89.0)
Compensation		3.7	1.5	3.9	0.3	0.2	0.2	3.0	0.2
Non-compensation		0.5	(1.9)	0.7	(6.4)	(0.3)	(0.1)	(0.3)	(2.3)
Non-compensation (excl. transfers)		(3.4)	(2.8)	3.5	(2.8)	(2.0)	0.0	(0.9)	(1.6)
Non-compensation non-capital (NCNC)		3.6	(1.1)	2.8	(5.7)	0.6	0.5	1.7	(1.6)
NCNC (excl. transfers)		(0.4)	(1.8)	8.3	(0.3)	(1.2)	1.0	1.9	(0.2)

Current expenditure is the largest, as a percentage of total expenditure, growing from 78.4 per cent in 2012/13 to 83.1 per cent in 2018/19. This category reflects average annual nominal (real) growth of 8.4 (2.7) per cent between 2012/13 and 2015/16 and declines to 6.4 (0.2) per cent between 2015/16 and 2018/19. The increase is due to some departments budgeting to fill critical vacant posts, taking into account the freezing of non-OSD posts. Also, departments were told to budget for a 7.2 per cent, 6.8 per cent and 6.8 per cent wage increment over MTEF, and a 1.5 per cent pay progression. It therefore seems that some departments have under-budgeted for this increase, and this will have to be reviewed in-year.

The share of total expenditure for *Transfers* reflects a declining trend, from 11.5 per cent in 2012/13 to 10.3 per cent in 2018/19. This category is influenced by reduced allocations to the HSDG in 2016/17, as well as budget cuts against the transfers to DTPC and other entities.

The expenditure trend for *Capital* reflects fluctuations, as does its share of total expenditure, with its share being 10.1 per cent in 2012/13, before declining to 7.7 per cent in 2015/16 and further declining to 6.6 per cent in 2018/19. The decline in 2017/18 is attributable to the lower allocation of the infrastructure grants. This category reflects fluctuations in the annual nominal and real growth, with a declining trend, relating to the reprioritisation of infrastructure budgets to *Compensation of employees*, in order to cover the shortfall of the above-budget 2014 wage agreement, mainly by DOE.

The declining share of total expenditure for *Transfers* and *Capital* is indicative of the fact that the main increases have been in respect of *Compensation of employees* due to the various higher than anticipated wage agreements and OSDs.

5.3.2 Analysis of payments and estimates by economic classification – Education

Table 5.5 shows DOE's summary of payments and estimates by economic classification.

Table 5.5 : Analysis of payments and estimates summary by economic classification - Education

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2012/13	2013/14	2014/15		2016/17	2017/18	2018/19	2012/13-2015/16	2015/16-2018/19
R thousand									
Current	30 423 139	33 110 544	35 266 056	38 779 237	41 223 371	43 603 951	46 167 597		
Transfers	1 553 435	1 666 384	1 857 892	1 909 512	1 875 975	1 953 253	2 064 164		
Capital	2 580 157	2 379 114	2 022 135	2 442 229	2 333 135	1 939 462	2 017 317		
Financial assets	-	-	-	31 892	31 892	31 893	-		
Compensation	27 557 742	29 930 297	32 037 938	35 079 207	37 768 394	40 086 012	42 462 650		
Non-compensation	6 998 989	7 225 745	7 108 145	8 083 663	7 695 979	7 442 547	7 786 428		
Non-compensation (excl. transfers)	5 445 554	5 559 361	5 250 253	6 174 151	5 820 004	5 489 294	5 722 264		
Non-compensation non-capital (NCNC)	4 418 832	4 846 631	5 086 010	5 641 434	5 362 844	5 503 085	5 769 111		
NCNC (excl. transfers)	2 865 397	3 180 247	3 228 118	3 731 922	3 486 869	3 549 832	3 704 947		
Total expenditure	34 556 731	37 156 042	39 146 083	43 162 870	45 464 373	47 528 559	50 249 078		
% of total expenditure									
Current	88.0	89.1	90.1	89.8	90.7	91.7	91.9		
Transfers	4.5	4.5	4.7	4.4	4.1	4.1	4.1		
Capital	7.5	6.4	5.2	5.7	5.1	4.1	4.0		
Financial assets	-	-	-	0.1	0.1	0.1	-		
Compensation	79.7	80.6	81.8	81.3	83.1	84.3	84.5		
Non-compensation	20.3	19.4	18.2	18.7	16.9	15.7	15.5		
Non-compensation (excl. transfers)	15.8	15.0	13.4	14.3	12.8	11.5	11.4		
Non-compensation non-capital (NCNC)	12.8	13.0	13.0	13.1	11.8	11.6	11.5		
NCNC (excl. transfers)	8.3	8.6	8.2	8.6	7.7	7.5	7.4		
Nominal growth (%)									
Current		8.8	6.5	10.0	6.3	5.8	5.9	8.4	6.0
Transfers		7.3	11.5	2.8	(1.8)	4.1	5.7	7.1	2.6
Capital		(7.8)	(15.0)	20.8	(4.5)	(16.9)	4.0	(1.8)	(6.2)
Financial assets		-	-	-	-	0.0	(100.0)	-	(100.0)
Compensation		8.6	7.0	9.5	7.7	6.1	5.9	8.4	6.6
Non-compensation		3.2	(1.6)	13.7	(4.8)	(3.3)	4.6	4.9	(1.2)
Non-compensation (excl. transfers)		2.1	(5.6)	17.6	(5.7)	(5.7)	4.2	4.3	(2.5)
Non-compensation non-capital (NCNC)		9.7	4.9	10.9	(4.9)	2.6	4.8	8.5	0.7
NCNC (excl. transfers)		11.0	1.5	15.6	(6.6)	1.8	4.4	9.2	(0.2)
Real growth (%)									
Current		2.9	0.9	4.4	(0.3)	(0.4)	(0.1)	2.7	(0.2)
Transfers		1.4	5.6	(2.5)	(7.9)	(1.9)	(0.3)	1.4	(3.4)
Capital		(12.9)	(19.5)	14.6	(10.4)	(21.7)	(1.8)	(7.0)	(11.7)
Financial assets		(5.5)	(5.3)	(5.1)	(6.2)	(5.8)	(100.0)	-	(100.0)
Compensation		2.6	1.4	3.9	1.0	(0.0)	(0.0)	2.6	0.3
Non-compensation		(2.4)	(6.9)	7.9	(10.7)	(8.9)	(1.2)	(0.6)	(7.1)
Non-compensation (excl. transfers)		(3.5)	(10.6)	11.6	(11.6)	(11.2)	(1.6)	(1.2)	(8.2)
Non-compensation non-capital (NCNC)		3.7	(0.6)	5.3	(10.9)	(3.3)	(1.0)	2.7	(5.2)
NCNC (excl. transfers)		4.9	(3.9)	9.7	(12.4)	(4.1)	(1.5)	3.4	(6.1)

As illustrated in the table above, the largest proportion of DOE's budget in 2015/16 is allocated under *Current* at 89.8 per cent. The share of total expenditure for *Current* was low in 2012/13 at 88 per cent, as a result of financial controls effected against *Goods and services*. *Current* reflects real growth of 2.7 per cent for the period 2012/13 to 2015/16, mainly attributed to baseline reprioritisation against *Compensation of employees* which was carried through from 2015/16 to 2018/19. Furthermore, the negative real growth of 0.2 per cent over the period 2015/16 to 2018/19 is largely ascribed to the financial control measures implemented against *Goods and services* over the years.

The share of total expenditure under *Transfers* reflects a downward trend at around 4.5 to 4.1 per cent between 2012/13 to 2018/19, mainly due to the reduction relating to *Transfers and subsidies to: Non-profit institutions* allocations, which was due to in-year reprioritisation undertaken in order to purchase LTSM on behalf of schools who opted to utilise the services of the management agent instead of purchasing on their own. *Transfers* reflects negative real growth at 3.4 per cent from 2015/16 to 2018/19, which is mainly attributed to the fluctuating learner numbers which can only be determined at the beginning of a particular school year, anticipated non-compliance by some schools in respect of transfer requirements, as well as limited budget to undertake reprioritisation in order to increase the allocation for transfers to schools.

Capital as a share of total expenditure fluctuates between 2012/13 to 2015/16 and declines over the MTEF. In 2014/15, the department implemented enforced savings and reprioritisation of funds from *Buildings and other fixed structures* against the equitable share portion, in order to ease pressures against *Compensation of employees*. This reduction was carried through in the equitable share baseline from 2015/16 to 2018/19. Furthermore, the allocation for the Education Infrastructure grant has been reduced over the 2016/17 MTEF in line with the budget cuts.

The gradual decrease against *Financial assets* over the MTEF largely relates to the installments in respect of the first charge in terms of S34(2) of the PFMA. The last installment will be undertaken in 2017/18.

Compensation comprises the highest proportion of DOE's budget. The share of total expenditure reflects an increasing trend from 79.7 per cent in 2012/13 to 84.5 per cent in 2018/19. The increase in the share of total expenditure in 2014/15 reflects how personnel is crowding out other spending areas, while infrastructure is compromised. The 2016/17 MTEF allocations include carry-through of the above-budget 2015 wage agreement and, as such, the real growth percentage share is at 0.3 per cent from 2015/16 to 2018/19. This growth only makes provision for the filling of posts which arise through attrition.

Non-compensation's share of total expenditure declines from 20.3 per cent in 2012/13 to 15.5 per cent in 2018/19. The decrease in the share of total expenditure is an indication that other spending categories are increasing at a faster rate. *Non-compensation* shows negative real growth of 7.1 per cent from 2015/16 to 2018/19, which is ascribed to the reduction in *Capital* relating to the reprioritisation to *Compensation of employees*, as well as low growth against *Transfers and subsidies to: Non-profit institutions*.

Non-compensation (excluding transfers) fluctuates over the seven years. The share of total expenditure declines from 15.8 per cent in 2012/13 to 11.4 per cent in 2018/19 and reflects negative real growth of 8.2 per cent from 2015/16 to 2018/19. This is attributed to the baseline reduction against the infrastructure budget to cater for the shortfall in the carry-through costs of previous wage agreements.

5.3.3 Analysis of payments and estimates by economic classification – Health

Table 5.6 below shows DOH's expenditure by economic classification.

Table 5.6 : Analysis of payments and estimates summary by economic classification - Health

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2012/13	2013/14	2014/15		2016/17	2017/18	2018/19	2012/13-2015/16	2015/16-2018/19
R thousand									
Current	24 746 845	26 890 291	28 911 128	31 631 280	34 374 587	36 984 175	39 633 268		
Transfers	486 764	740 159	828 088	843 119	734 473	786 547	825 156		
Capital	2 156 923	1 867 332	1 505 879	1 387 977	1 361 970	1 663 207	1 725 449		
Financial assets	1	33 629	415	107 616	107 607	107 608	-		
Compensation	16 886 345	18 676 776	20 014 542	21 625 944	23 096 722	24 633 318	26 187 519		
Non-compensation	10 504 188	10 854 635	11 230 968	12 344 048	13 481 915	14 908 219	15 996 353		
Non-compensation (excl. transfers)	10 017 424	10 114 476	10 402 880	11 500 929	12 747 442	14 121 672	15 171 198		
Non-compensation non-capital (NCNC)	8 347 264	8 987 303	9 725 089	10 956 071	12 119 945	13 245 012	14 270 904		
NCNC (excl. transfers)	7 860 501	8 247 145	8 897 001	10 112 952	11 385 472	12 458 465	13 445 749		
Total expenditure	27 390 533	29 531 410	31 245 510	33 969 992	36 578 637	39 541 537	42 183 873		
% of total expenditure									
Current	90.3	91.1	92.5	93.1	94.0	93.5	94.0		
Transfers	1.8	2.5	2.7	2.5	2.0	2.0	2.0		
Capital	7.9	6.3	4.8	4.1	3.7	4.2	4.1		
Financial assets	0.0	0.1	0.0	0.3	0.3	0.3	-		
Compensation	61.7	63.2	64.1	63.7	63.1	62.3	62.1		
Non-compensation	38.3	36.8	35.9	36.3	36.9	37.7	37.9		
Non-compensation (excl. transfers)	36.6	34.2	33.3	33.9	34.8	35.7	36.0		
Non-compensation non-capital (NCNC)	30.5	30.4	31.1	32.3	33.1	33.5	33.8		
NCNC (excl. transfers)	28.7	27.9	28.5	29.8	31.1	31.5	31.9		
Nominal growth (%)									
Current		8.7	7.5	9.4	8.7	7.6	7.2	8.5	7.8
Transfers		52.1	11.9	1.8	(12.9)	7.1	4.9	20.1	(0.7)
Capital		(13.4)	(19.4)	(7.8)	(1.9)	22.1	3.7	(13.7)	7.5
Financial assets		3 362 800.0	(98.8)	25 831.6	(0.0)	0.0	(100.0)	4 656.6	(100.0)
Compensation		10.6	7.2	8.1	6.8	6.7	6.3	8.6	6.6
Non-compensation		3.3	3.5	9.9	9.2	10.6	7.3	5.5	9.0
Non-compensation (excl. transfers)		1.0	2.9	10.6	10.8	10.8	7.4	4.7	9.7
Non-compensation non-capital (NCNC)		7.7	8.2	12.7	10.6	9.3	7.7	9.5	9.2
NCNC (excl. transfers)		4.9	7.9	13.7	12.6	9.4	7.9	8.8	10.0
Real growth (%)									
Current		2.7	1.8	3.8	1.9	1.3	1.2	2.8	1.5
Transfers		43.7	5.9	(3.4)	(18.3)	0.9	(1.0)	13.7	(6.6)
Capital		(18.2)	(23.6)	(12.5)	(8.0)	15.0	(2.1)	(18.2)	1.2
Financial assets		3 178 234.1	(98.8)	24 511.4	(6.2)	(5.8)	(100.0)	4 404.6	(100.0)
Compensation		4.5	1.5	2.6	0.1	0.5	0.3	2.8	0.3
Non-compensation		(2.3)	(2.0)	4.3	2.4	4.2	1.3	(0.1)	2.6
Non-compensation (excl. transfers)		(4.6)	(2.6)	4.9	3.9	4.4	1.4	(0.8)	3.2
Non-compensation non-capital (NCNC)		1.8	2.5	6.9	3.7	2.9	1.7	3.7	2.8
NCNC (excl. transfers)		(0.8)	2.2	7.9	5.6	3.1	1.9	3.0	3.5

As was the case in previous years, the largest share of total expenditure is in respect of *Current* payments, where the percentage increases from 90.3 per cent in 2012/13 to 92.5 per cent in 2014/15. The share climbs to 94 per cent in 2018/19. The growing share is largely because the department has reduced funding for *Capital* due to the budget cuts resulting from the 2011 Census, as well as reprioritising funding away from *Capital* payments to *Maintenance and repair: Current*, thus boosting the share of *Current* payments to 94 per cent. Furthermore, the Health Facility Revitalisation grant funding decreases in 2017/18 and 2018/19 due to the reforms that were made to the provincial infrastructure grant system that are intended to institutionalise proper planning for infrastructure. This is discussed in more detail in the Vote 7 chapter in Part 2 of the *EPRE*. In addition, the carry-through costs of the various higher than anticipated wage agreements impact on the share of *Current* payments in the outer years of the MTEF. Also impacting on this category is additional funding allocated from 2016/17 for exchange rate pressures on imported medicines, medical supplies and medical equipment, NHLS pressures for the fee-for-service payment mechanism, as well as sharp growth in the HIV, AIDS and TB grant in 2018/19. The major share of *Current* payments is *Compensation of employees* which, although showing an erratic trend similar to *Current* payments, reflects a fairly stable level of around 62 per cent over the 2016/17 MTEF.

Compensation shows a positive trend from 2015/16 to 2018/19, with an average annual real growth of only 0.3 per cent. This means that the department has minimal room for additional appointments to grow services at this stage. Additional funding has been provided over the 2016/17 MTEF for the carry-through effects of the 2015 above-budget wage agreement, although the funding does not cover the full pressure. Note that the department will undertake a headcount exercise in 2016/17, which may result in savings that will assist in addressing pressures.

Although the share of *Transfers* fluctuates from 2012/13 to 2015/16, mainly due to delays with regard to transfers to municipal clinics caused by problems in finalising SLAs with municipalities, the share stabilises at around 2 per cent over the 2016/17 MTEF. This is mainly a result of municipal clinics and other institutions being transferred to the department, resulting in these costs now being catered for under *Current*, rather than as a transfer. The peaks in 2013/14 to 2015/16 are largely due to higher than expected medico-legal claims and an increase in the number of students in the Cuban Doctors' programme. The negative growth for *Transfers* from 2015/16 to 2018/19 relates to once-off costs for legal claims in 2015/16, as well as only eThekweni Metro clinics remaining as transfers from the department.

The share of total expenditure on *Capital* decreases over the seven-year period, largely as discussed under *Current* payments above. The negative real average annual growth in *Capital* from 2012/13 to 2015/16 is attributable to the previously mentioned baseline cuts, reprioritisation to *Current* payments (*Maintenance and repair: Current*), as well as reforms that were made to the provincial infrastructure grant system. The baseline stabilises from 2015/16 to 2018/19, with real growth of 1.2 per cent.

5.3.4 Analysis of payments and estimates by economic classification – Social Development

Table 5.7 below shows DSD's expenditure by economic classification.

As a share of total expenditure, *Current* increases from 59.7 per cent in 2012/13 to 62.7 per cent in 2015/16, before dropping to 60.2 per cent in 2018/19. The growth in percentage share up to 2015/16 is due to the above-budget wage agreements in 2014 and 2015, as well as the carry-through effect of absorbing social work graduates. The decrease in the outer years of the MTEF is mainly due to additional funding received in the form of a new conditional grant, namely the ECD grant, with funding commencing in 2017/18 and allocated to *Transfers* at this stage. The category *Current* shows real average annual growth of 6.8 per cent between 2012/13 and 2015/16, decreasing to negative 2.1 per cent between 2015/16 and 2018/19. The high percentage growth between 2012/13 and 2015/16 is largely due to above-budget wage agreements, additional funding for the absorption of social work graduates, support to the NGO sector, and provision of shelters for victims of gender-based violence. *Transfers* reflect a real average annual growth of 4.9 per cent from 2012/13 to 2015/16 due to additional funding added in the 2015/16 Adjusted Appropriation for a six per cent increase for subsidies to NGOs, with carry-through to 2017/18. Also, *Capital* reflects negative average annual real growth of 7 per cent from 2012/13 to

2015/16 due to the removal of additional funding for existing infrastructure development, which ended in 2013/14 in line with project requirements. The growth from 2015/16 to 2018/19 is a negative 5 per cent, but is in line with project requirements.

Table 5.7 : Analysis of payments and estimates summary by economic classification - Social Development

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2012/13	2013/14	2014/15		2016/17	2017/18	2018/19	2012/13-2015/16	2015/16-2018/19
R thousand									
Current	1 184 589	1 371 148	1 520 152	1 700 849	1 731 444	1 806 735	1 911 660		
Transfers	606 915	753 289	806 210	824 816	879 872	1 021 890	1 076 478		
Capital	190 439	205 469	161 070	180 605	159 867	176 008	185 970		
Financial assets	3 443	-	-	6 980	6 979	-	-		
Compensation	848 598	1 015 767	1 156 790	1 315 330	1 340 977	1 400 469	1 480 955		
Non-compensation	1 136 787	1 314 139	1 330 642	1 397 920	1 437 185	1 604 164	1 693 153		
Non-compensation (excl. transfers)	529 872	560 850	524 432	573 104	557 313	582 274	616 675		
Non-compensation non-capital (NCNC)	1 133 344	1 314 139	1 330 642	1 390 940	1 430 206	1 604 164	1 693 153		
NCNC (excl. transfers)	526 429	560 850	524 432	566 124	550 334	582 274	616 675		
Total expenditure	1 985 386	2 329 906	2 487 432	2 713 250	2 778 162	3 004 633	3 174 108		
% of total expenditure									
Current	59.7	58.8	61.1	62.7	62.3	60.1	60.2		
Transfers	30.6	32.3	32.4	30.4	31.7	34.0	33.9		
Capital	9.6	8.8	6.5	6.7	5.8	5.9	5.9		
Financial assets	0.2	-	-	0.3	0.3	-	-		
Compensation	42.7	43.6	46.5	48.5	48.3	46.6	46.7		
Non-compensation	57.3	56.4	53.5	51.5	51.7	53.4	53.3		
Non-compensation (excl. transfers)	26.7	24.1	21.1	21.1	20.1	19.4	19.4		
Non-compensation non-capital (NCNC)	57.1	56.4	53.5	51.3	51.5	53.4	53.3		
NCNC (excl. transfers)	26.5	24.1	21.1	20.9	19.8	19.4	19.4		
Nominal growth (%)									
Current		15.7	10.9	11.9	1.8	4.3	5.8	12.8	4.0
Transfers		24.1	7.0	2.3	6.7	16.1	5.3	10.8	9.3
Capital		7.9	(21.6)	12.1	(11.5)	10.1	5.7	(1.8)	1.0
Financial assets		(100.0)			(0.0)	(100.0)		26.6	(100.0)
Compensation		19.7	13.9	13.7	1.9	4.4	5.7	15.7	4.0
Non-compensation		15.6	1.3	5.1	2.8	11.6	5.5	7.1	6.6
Non-compensation (excl. transfers)		5.8	(6.5)	9.3	(2.8)	4.5	5.9	2.6	2.5
Non-compensation non-capital (NCNC)		16.0	1.3	4.5	2.8	12.2	5.5	7.1	6.8
NCNC (excl. transfers)		6.5	(6.5)	7.9	(2.8)	5.8	5.9	2.5	2.9
Real growth (%)									
Current		9.4	5.0	6.2	(4.5)	(1.7)	(0.1)	6.8	(2.1)
Transfers		17.3	1.3	(2.9)	0.0	9.4	(0.6)	4.9	2.9
Capital		2.0	(25.8)	6.4	(17.0)	3.7	(0.3)	(7.0)	(5.0)
Financial assets		(100.0)	(5.3)	(5.1)	(6.2)	(100.0)	(5.6)	19.9	(100.0)
Compensation		13.1	7.8	7.9	(4.4)	(1.6)	(0.2)	9.6	(2.1)
Non-compensation		9.3	(4.1)	(0.3)	(3.6)	5.1	(0.4)	1.5	0.3
Non-compensation (excl. transfers)		0.0	(11.5)	3.7	(8.8)	(1.6)	(0.0)	(2.8)	(3.6)
Non-compensation non-capital (NCNC)		9.6	(4.1)	(0.8)	(3.6)	5.7	(0.4)	1.4	0.5
NCNC (excl. transfers)		0.7	(11.5)	2.5	(8.8)	(0.3)	(0.0)	(3.0)	(3.2)

The share of total expenditure on *Transfers* increases from 30.6 per cent in 2012/13 to 32.4 per cent in 2014/15, and decreases to 30.4 per cent in 2015/16, increasing thereafter to 33.9 per cent in 2018/19. The reason for the fluctuating trend is the effect of the above-budget wage agreements in 2014 and 2015. The upward trend from 2015/16 to 2018/19 is ascribed to the previously mentioned new ECD grant. The trend is mitigated to some extent by the fact that carry-through costs for the previously mentioned six per cent increase for NGOs is only until 2017/18, with the department to undertake a rationalisation and reprioritisation exercise in 2016/17 and 2017/18 to fund the carry-through costs for 2018/19. Despite the variable trend in the earlier period, *Transfers* experiences real average annual growth of 4.9 per cent from 2012/13 to 2015/16 and real growth of 2.9 per cent from 2015/16 to 2018/19.

Capital spending as a percentage of total expenditure decreased from 9.6 per cent in 2012/13 to 5.9 per cent in 2018/19, due to the removal of the additional funding for existing infrastructure development, as well as the portion of the Isibindi model which was erroneously allocated against this category. The category shows a slight increase in 2015/16 due to additional funding received for the various Inkululeko projects in Umkhanyakude. The average annual real growth reflects negative growth of 7 per cent from 2012/13 to 2015/16, due to reasons mentioned.

Compensation shows a negative trend from 2015/16 to 2018/19, with an average annual real growth of negative 2.1 per cent. Although additional funding was received regarding the absorption of social work graduates and the above-budget 2015 wage agreement, it was insufficient for all the carry-through costs. The negative growth also reflects the impact of budget cuts in 2016/17 due to the need to lower the

expenditure ceiling across the country, with all non-critical posts frozen, with R60.162 million, R64.253 million and R68.623 million cut from this category over the three MTEF years.

Financial assets in 2012/13 relates to the write-off of irrecoverable staff debts, while the amounts in 2015/16 and 2016/17 relate to the first charge for over-spending in 2013/14.

5.3.5 Analysis of payments and estimates by economic classification – Other departments

Table 5.8 below shows the remaining departments' payments and estimates by economic classification (i.e. all departments excluding DOE, DOH and DSD).

Table 5.8 : Analysis of expenditure summary by classification - Other

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2012/13	2013/14	2014/15		2016/17	2017/18	2018/19	2012/13-2015/16	2015/16-2018/19
R thousand									
Current	9 959 985	10 593 095	10 858 565	12 401 431	12 925 195	13 287 770	14 199 106		
Transfers	7 117 468	8 261 067	8 562 664	8 408 895	7 329 905	8 243 109	8 701 729		
Capital	3 593 012	3 734 688	4 540 585	4 023 918	3 916 998	4 108 854	4 201 068		
Financial assets	7 568	4 882	5 568	11 553	12 771	-	252		
Compensation	4 030 329	4 471 032	4 784 122	5 455 834	5 671 209	6 066 860	6 501 947		
Non-compensation	16 647 704	18 122 700	19 183 260	19 389 963	18 513 660	19 572 873	20 600 208		
Non-compensation (excl. transfers)	9 530 236	9 861 633	10 620 596	10 981 068	11 183 755	11 329 764	11 898 479		
Non-compensation non-capital (NCNC)	16 640 136	18 117 818	19 177 692	19 378 410	18 500 889	19 572 873	20 599 956		
NCNC (excl. transfers)	9 522 668	9 856 751	10 615 028	10 969 515	11 170 984	11 329 764	11 898 227		
Total expenditure	20 678 033	22 593 732	23 967 382	24 845 797	24 184 869	25 639 733	27 102 155		
% of total expenditure									
Current	48.2	46.9	45.3	49.9	53.4	51.8	52.4		
Transfers	34.4	36.6	35.7	33.8	30.3	32.1	32.1		
Capital	17.4	16.5	18.9	16.2	16.2	16.0	15.5		
Financial assets	0.0	0.0	0.0	0.0	0.1	-	0.0		
Compensation	19.5	19.8	20.0	22.0	23.4	23.7	24.0		
Non-compensation	80.5	80.2	80.0	78.0	76.6	76.3	76.0		
Non-compensation (excl. transfers)	46.1	43.6	44.3	44.2	46.2	44.2	43.9		
Non-compensation non-capital (NCNC)	80.5	80.2	80.0	78.0	76.5	76.3	76.0		
NCNC (excl. transfers)	46.1	43.6	44.3	44.2	46.2	44.2	43.9		
Nominal growth (%)									
Current		6.4	2.5	14.2	4.2	2.8	6.9	7.6	4.6
Transfers		16.1	3.7	(1.8)	(12.8)	12.5	5.6	5.7	1.1
Capital		3.9	21.6	(11.4)	(2.7)	4.9	2.2	3.8	1.4
Financial assets		(35.5)	14.1	107.5	10.5	(100.0)	-	15.1	(72.1)
Compensation		10.9	7.0	14.0	3.9	7.0	7.2	10.6	6.0
Non-compensation		8.9	5.9	1.1	(4.5)	5.7	5.2	5.2	2.0
Non-compensation (excl. transfers)		3.5	7.7	3.4	1.8	1.3	5.0	4.8	2.7
Non-compensation non-capital (NCNC)		8.9	5.8	1.0	(4.5)	5.8	5.2	5.2	2.1
NCNC (excl. transfers)		3.5	7.7	3.3	1.8	1.4	5.0	4.8	2.7
Real growth (%)									
Current		0.5	(2.9)	8.4	(2.3)	(3.2)	0.9	1.9	(1.5)
Transfers		9.7	(1.9)	(6.8)	(18.3)	5.9	(0.4)	0.1	(4.8)
Capital		(1.8)	15.1	(15.9)	(8.7)	(1.2)	(3.5)	(1.7)	(4.5)
Financial assets		(39.0)	8.0	96.9	3.7	(100.0)	(5.6)	9.0	(73.7)
Compensation		4.8	1.3	8.2	(2.5)	0.8	1.2	4.8	(0.2)
Non-compensation		2.9	0.2	(4.1)	(10.5)	(0.4)	(0.7)	(0.4)	(4.0)
Non-compensation (excl. transfers)		(2.2)	2.0	(1.9)	(4.5)	(4.6)	(0.9)	(0.7)	(3.3)
Non-compensation non-capital (NCNC)		2.9	0.2	(4.1)	(10.5)	(0.3)	(0.7)	(0.4)	(3.9)
NCNC (excl. transfers)		(2.2)	2.0	(1.9)	(4.5)	(4.5)	(0.9)	(0.7)	(3.3)

The share of *Current* payments to total budget is set to increase from 48.2 per cent in 2012/13, to 52.4 per cent in 2018/19. The decreasing trend from 2013/14 to 2014/15 can be attributed to the continuation of cost-cutting which reduced spending related to *Goods and services*. In 2015/16, the Strategic Cabinet Initiatives fund was stopped from 2015/16 onward, but this was offset to some extent by the substantial increase in respect of the above-budget 2015 wage agreement. The growth over the 2016/17 MTEF is influenced by the budget cuts. In this regard, expenditure on *Compensation of employees* was lowered by freezing all vacant non-critical posts (while departments were given the flexibility to fill critical posts, as long as they remain within their reduced baseline), and departments' equitable share funded *Goods and services* budgets were cut by 2 per cent over the MTEF, as well as financial controls being implemented against *Goods and services*. This also explains the average annual real growth rate of negative 1.5 per cent against this category.

Transfers is expected to decrease from 34.4 per cent in 2012/13 to 32.1 per cent in 2018/19. In 2015/16, the KZNLA receives lower amounts for its operational costs compared to 2014/15 as that year included

significant once-off additional funding. The minimal growth over the 2016/17 MTEF is largely ascribed to the baselines of entities such as DTPC, EKZNW, Ithala and the KZNGFT under DEDTEA decreasing, in line with the budget cuts. It should be noted that the largest portion of DEDTEA's budget cut was implemented against the transfers to its entities. Furthermore, DAC was unable to effect the full cut against *Compensation of employees* as it needed to ensure adequate funding for currently filled posts, and hence the cut was effected against the eThekweni Metro in respect of the provincialisation funding. This accounts for the negative real growth of 4.8 per cent from 2015/16 to 2018/19.

Capital payments reflect negative average annual real growth of 4.5 per cent from 2015/16 to 2018/19, with the share of total expenditure declining from 17.4 per cent in 2012/13 to 15.5 per cent in 2018/19, mainly due to the budget cuts relating to the Training Academy where the funding to construct a new facility was cut from the department's baseline. As a result of the cut, OTP is in discussions with DOE for the Training Academy to continue operating from the current premises in an effort to ensure that operations continue unaffected. In 2016/17, the allocation under DARD for capital decreases as a result of a reprioritisation that was done to fund pressures under *Compensation of employees*. Also contributing to the decrease in growth is the completion of the Social and Economic Amenities programme under the DOHS which receives its last funding in 2016/17, and the construction and rehabilitation of CSCs and *Imizi Yesizwe* projects by COGTA that are being completed in line with the project plans.

The fluctuating trend against *Financial assets* was due to the implementation of the first charge against some departments' votes, in line with Section 34(2) of the PFMA. The category also provides for various losses that were written off by departments.

5.4 Payments and estimates by functional area

Table 5.9 shows the summary of payments and estimates by functional or policy area, details of which are shown in Table 1.F(a) and (b) of the *Annexure to OPRE*.

There is noticeable growth in the payments and estimates relating to the policy areas in KZN over the seven-year period. The level of provincial spending and budget reflects healthy growth from 2012/13 to 2018/19. This is despite the previous years' Census-based baseline cuts which commenced in the 2013/14 MTEF, and the NT fiscal consolidation cuts on the equitable share and conditional grant allocations of provinces implemented over the 2015/16 and 2016/17 MTEF periods.

With regard to the 2016/17 MTEF, due to data updates of the equitable share formula, a declining provincial own revenue, as well as cuts implemented by NT as a result of the need to lower the expenditure ceiling across the country and to reprioritise to fund various national priorities that have recently arisen, the funding available to the province was reduced or cut. In order to effect these cuts in the province, expenditure on *Compensation of employees* was lowered by freezing all vacant non-OSD posts (although departments are permitted to fill critical posts as long as they remain within their reduced baselines), departments' equitable share funded *Goods and services* budgets were cut by 2 per cent over the MTEF, as well as the hosting of events' budgets have been cut over the MTEF in some departments. Other cuts were also effected in line with a Cabinet decision.

Table 5.9 : Summary of payments and estimates by functional area

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
General Public Services	4 440 876	4 637 463	5 053 109	5 060 856	5 306 199	5 264 198	5 205 422	5 261 492	5 572 034
Public Order and Safety	135 892	171 922	179 239	187 069	191 045	191 045	210 123	195 948	207 297
Economic Affairs	10 985 088	12 151 587	12 717 125	13 170 368	13 315 624	13 314 081	12 870 784	13 445 890	14 247 026
Environmental Protection	814 595	823 604	933 738	923 847	917 008	916 874	983 427	1 012 711	1 066 495
Housing and Community Amenities	3 377 771	3 617 002	3 873 178	3 584 685	3 822 970	3 822 970	3 485 112	4 205 672	4 475 736
Health	26 468 226	28 515 048	30 209 743	31 908 347	32 896 553	33 241 481	35 609 908	38 518 296	41 086 500
Recreation, Culture and Religion	862 212	1 128 224	1 179 437	1 258 155	1 264 389	1 264 389	1 228 071	1 312 197	1 341 035
Education	35 554 307	38 248 902	40 224 370	43 254 247	44 278 215	44 278 215	46 646 162	48 768 921	51 550 919
Social Protection	1 971 715	2 316 453	2 476 468	2 613 663	2 699 906	2 697 694	2 767 032	2 993 335	3 162 172
Total	84 610 682	91 610 205	96 846 407	101 961 237	104 691 909	104 990 947	109 006 041	115 714 462	122 709 214

As reflected in Table 5.9, the highest expenditure is on *Education*, and is anticipated to grow from R46.646 billion in 2016/17 to R51.551 billion in 2018/19. The growth is an indication of the province's commitment to the development of human capability, and is ascribed to the increase in funding for the department to deal with personnel spending pressures (the cost driver in the department), re-grading of clerical staff, carry-through of various wage agreements and the OSD for Education therapists. The budget shows healthy growth over the 2016/17 MTEF, mainly due to additional funding to assist with carry-through costs of the above-budget 2015 wage agreement, with R1.024 billion allocated in 2016/17, R1.097 billion in 2017/18, and R1.179 billion in 2018/19. Furthermore, the department receives an amount of R150 million from provincial cash resources for the improvement of water and sanitation in schools, with R100 million allocated in 2016/17 and R50 million in 2017/18.

The second largest expenditure is on *Health*, and is expected to increase from R35.610 billion in 2016/17 to R41.087 billion in 2018/19. This reflects the province's commitment to provide effective and efficient health care services to the people of the province, and is mainly attributed to the carry-through costs of various wage agreements, the re-grading of clerical staff, among others. The growth over the 2016/17 MTEF is mainly ascribed to the carry-through costs of the above-budget 2015 wage agreement, funding provided in 2016/17, for the once-off purchase of hospital linen, additional funding to fully address pressures which have arisen from the change in payment mechanism for NHLS to a fee-for-service payment, as well as additional funding for pressures related to the weakening exchange rate affecting imported medicines, medical equipment and supplies.

Economic Affairs comprises DOT, DARD, DEDTEA and a portion of PT. This category shows an increasing trend over the seven-year period, with the exception of 2016/17, which can be attributed to the above-mentioned budget cuts affecting these departments. The overall growth, though, can be attributed to the carry-through costs of the above-budget wage agreements for these departments. In addition, the growth can be attributed to DOT's road maintenance and construction projects, and learner transport services. The increase from 2017/18 onward is mainly due to the carry-through costs of the above-budget 2015 wage agreement, and increases in DOT's Provincial Roads Maintenance grant and the Public Transport Operations grant.

The category *General Public Services* includes the Legislature and administrative departments such as Provincial Treasury, OTP, COGTA, DOPW, and a portion of DOT and DARD. The decrease in 2016/17 and 2017/18 in comparison to the 2015/16 Adjusted Appropriation is due to the budget cuts. The general growth over the period under review mainly relates to the carry-through costs of the above-budget wage agreements. The growth over the MTEF includes additional funding for the PEMP operations centres under OTP, once-off funding of R150 million in 2016/17 for drought relief interventions in COGTA, as well as the replacement of biometric scanners and IALCH floor repairs under PT. Also, the growth can be ascribed to the carry-through costs of the above-budget 2015 wage agreement.

The growth against *Housing and Community Amenities* (DOHS) from 2012/13 to the 2015/16 Adjusted Appropriation can mainly be attributed to the increase in the HSDG which is used to promote the provision of low income housing using different programmes, such as project linked subsidies, people's housing programmes, integrated residential development programmes, rural housing subsidies, informal settlement upgrades, social housing, etc. The low amount in 2016/17 is due to the budget cuts affecting the HSDG. The growth from 2017/18 onward is partly due to the carry-through costs of the above-budget 2015 wage agreements, the increase in the HSDG, as well as inflationary increments.

The growth against *Social Protection* (DSD) can mainly be attributed to the funding allocated for national priorities such as provision of shelters for victims of gender-based violence, carry-through costs of the above-budget wage agreements, 6 per cent increase in transfers to NGOs, as well as the provision for the Inkululeko Elderly Day Care Centre (with the latter two funding streams ending in 2017/18).

Environmental Protection relates to Environmental Affairs under DEDTEA and is made up of Environmental Affairs and transfers to EKZNW. There is an increasing trend from 2012/13 to 2014/15 partly due to the funding allocated for the Invasive Alien Species Programme (IASP), which is continued in the baseline. The increase in 2013/14 can be ascribed to the additional allocation for the Rhino Security Intervention plan under EKZNW. There is steady growth over the 2016/17 MTEF, largely to cater for the

Sakha Isibaya project, IASP and additional funding for the rhino anti-poaching campaign. Also, EKZNW was affected by the budget cuts, a portion of which DEDTEA effected against this entity.

Recreation, Culture and Religion falls under DOSR and DAC and the growth from 2012/13 onward was mainly due to the substantial additional allocation relating to the provincialisation of public libraries and museums in the province (DAC), and the MPSD grant comprising of school sport, community mass participation and club development, as well as the once-off funding for the construction of a sports development centre in Durban (DOSR), among others. The slight decrease in 2016/17 in comparison to the 2015/16 Adjusted Appropriation can be attributed to the previously mentioned budget cuts. Substantial funding has been allocated in 2017/18 under DAC for the Arts and Culture Academy. In addition, the growth is due to the carry-through costs of the above-budget 2015 wage agreement, as well as once-off funding in respect of the suspension of the Sports development centre funds from 2015/16.

The category *Public Order and Safety* (DCSL) reflects steady growth over the period. The peak in 2016/17 can partly be ascribed to the significant increase in the Social Sector EPWP Incentive Grant for Provinces, with no carry-through at this stage, contributing to the drop from 2016/17 to 2017/18. Also contributing to the peak in 2016/17 was the once-off R5 million received for strengthening departmental oversight during the 2016 local government elections, as well as the fact that the funding to assist with implementing the revised organisational structure comes to an end in 2016/17. The previously mentioned budget cuts are visible from 2017/18 onward.

5.5 Infrastructure payments and estimates

5.5.1 Infrastructure management

Infrastructure Delivery Management System (IDMS): This model describes the process that makes up public sector infrastructure delivery and procurement management as it applies to the construction industry. The implementation of IDMS in the province is being rolled out to all departments that have infrastructure projects to deliver, and also to some municipalities. IDMS has the objective to promote the effective and efficient delivery of infrastructure. This includes encouraging sector departments and implementing agents to implement efficient and effective construction procurement processes with clear delineation of accountability and responsibilities of the various role-players and the assurance of transparency. In adherence to the Constitution, monitoring and reporting to promote transparency is vital. The web-based IRM reporting will be mandatory in 2016/17 to all sector departments that have infrastructure budgets.

Maintaining existing infrastructure versus new infrastructure investment(s): Infrastructure development is important for a country's growth, but so is maintenance of the existing asset base. Attention is usually devoted to building new public infrastructure projects and therefore the maintenance of existing public infrastructure has been neglected or underfunded in favour of starting new highly visible projects.

Maximising value for money, balancing economic pressures and the social impact should always be the primary objective of public policy. In times of fiscal consolidation or scarce public resources, such as at the present time, the need to make the most impactful spending decisions is critical. KZN must therefore focus on maintenance of existing infrastructure.

The level of capital investment delivered in the last decade made up substantial ground in bridging the infrastructure deficit, particularly in the rural areas, which were left under-developed in the past. The rural areas and the majority of the population's access to essential services and other government services have increased substantively. It is therefore important for maintenance of infrastructure to be a priority.

In a challenging fiscal environment, the question must be asked as to what is more beneficial. Is it the upkeep of the existing assets within the sector departments' current asset register, or the planned new investment? The point has been debated internationally and has had a considerable degree of consensus on the importance of potential economic spin-offs (benefits) from maintenance expenditure.

Analysis has shown that a higher return can be expected from reducing expenditure on constructing new infrastructure and focus on financing the maintenance of existing infrastructure. There are clear benefits

from maintenance expenditure in terms of enhancing the productivity of both the public and private capital stock. Intuitively, it makes sense that, if the most beneficial projects are prioritised, at some point the return on new investment declines and maintenance of original infrastructure represents a better use of resources than new project development. The key focus of public capital investment over the coming period will therefore be to protect the value of the province's existing investments.

It is therefore indisputable that investment in infrastructure contributes to economic development and growth in the country and, hence, has to be made one of the priorities. Therefore, infrastructure is a priority in KZN, with the infrastructure budgets geared toward social and economic infrastructure. Infrastructure also improves rural access to earning opportunities, raises rural productivity, and provides access to basic services, thereby achieving inclusive development.

5.5.2 Trends in infrastructure payments and estimates

The payments and estimates on infrastructure are categorised in terms of *Existing infrastructure assets*, *New infrastructure assets: Capital*, *Infrastructure transfers* and *Infrastructure: Leases*. The category *Existing infrastructure assets* is divided into three sub-categories, namely *Maintenance and repair: Current*, *Upgrades and additions: Capital* and *Refurbishment and rehabilitation: Capital*. The *Infrastructure transfers* category refers to transfer of funding to municipalities and public entities for infrastructure projects.

Table 5.10 : Summary of infrastructure payments and estimates by category

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Existing infrastructure assets	8 741 114	9 049 188	9 425 207	9 394 066	9 421 057	9 352 289	9 603 629	9 692 172	10 245 453
Maintenance and repair: Current	3 413 945	3 290 201	3 445 411	4 195 326	3 907 822	3 014 147	4 361 572	4 368 136	4 778 594
Upgrades and additions: Capital	3 815 037	4 088 100	4 258 895	2 950 246	3 535 396	4 659 020	3 071 705	3 312 909	3 443 307
Refurbishment and rehabilitation: Capital	1 512 132	1 670 887	1 720 900	2 248 494	1 977 839	1 679 122	2 170 352	2 011 127	2 023 551
New infrastructure assets: Capital	2 408 248	1 865 053	1 638 042	1 776 005	1 744 519	2 018 719	1 776 975	1 863 510	1 913 843
Infrastructure transfers	615 401	668 611	656 531	890 127	843 657	842 857	576 483	610 596	637 597
Infrastructure transfers: Current	4 950	3 322	3 300	1 650	2 450	1 650	2 000	1 650	1 650
Infrastructure transfers: Capital	610 451	665 289	653 231	888 477	841 207	841 207	574 483	608 946	635 947
Infrastructure: Payments for financial assets	-	-	-	-	-	-	-	-	-
Infrastructure: Leases	17 684	19 151	20 000	-	21 390	21 390	21 285	22 301	23 542
Total	11 782 447	11 602 003	11 739 780	12 060 197	12 030 622	12 235 254	11 978 372	12 188 579	12 820 434
<i>Capital infrastructure</i>	<i>8 345 868</i>	<i>8 289 329</i>	<i>8 271 068</i>	<i>7 863 221</i>	<i>8 098 960</i>	<i>9 198 067</i>	<i>7 593 515</i>	<i>7 796 492</i>	<i>8 016 648</i>
<i>Current infrastructure</i>	<i>3 436 579</i>	<i>3 312 674</i>	<i>3 468 711</i>	<i>4 196 976</i>	<i>3 931 662</i>	<i>3 037 187</i>	<i>4 384 857</i>	<i>4 392 087</i>	<i>4 803 786</i>

Table 5.10 reflects a summary of infrastructure spending by category and shows a fluctuating trend over the period under review. The general increase from 2012/13 to 2018/19 can be ascribed to the province's investment in infrastructure, particularly the maintenance of existing infrastructure.

Maintenance and repair: Current shows a fluctuating trend over the period under review. The decrease in 2013/14 can be ascribed to DOH's poor performance relating to no-period contracts in place for the department and poor performance from contractors, as well as DOE due to some maintenance projects that were curtailed in order to fund personnel pressures. The decrease in the 2015/16 Adjusted Appropriation and the Revised Estimate is mainly in respect of DOT, and this can be ascribed to funds reprioritised as a result of slow progress with regard to road maintenance work due to tender appeals, unfavourable weather conditions, and the shortage of grader operators. These funds were moved to *Upgrades and additions: Capital* and *New infrastructure assets: Capital* in respect of various construction projects being fast-tracked. The healthy growth over the 2016/17 MTEF can be ascribed to the increase in the Provincial Roads Maintenance grant under DOT, the provision for maintenance of schools and administration buildings, including circuit and district offices under DOE, as well as inflationary increments. However, the growth was mitigated by cuts in 2016/17 and 2017/18 in the Health Facility Revitalisation grant related to the constrained economic outlook which were effected against this category over the 2016/17 MTEF.

Upgrades and additions: Capital reflects a steady increase from 2012/13 to 2014/15. The substantial decrease in the 2015/16 Main Appropriation can be ascribed to DOT, relating to the fast-tracking of the upgrading of gravel roads to surfaced roads, as well as the carry-over costs of some completed

construction projects from 2013/14, which were completed in 2014/15, hence accounting for the decrease in 2015/16. Also, DOE enforced savings which were implemented against this category in order to fund the shortfall against *Compensation of employees* and this contributed to the decrease in the 2015/16 Main Appropriation. As explained above, the increase in the 2015/16 Adjusted Appropriation and the Revised Estimate is mainly in respect of DOT, and this can be ascribed to various construction projects that are being fast-tracked. Also, the increase is in DOH, relating to pressures for replacement equipment, faster than anticipated progress on a number of projects including the KwaZulu Provincial Laundry, as well as the Stanger and Edendale Hospital projects. In addition, this category increases in DOE due to the in-year suspension of some projects in the previous year. The decrease over the MTEF compared to the 2015/16 Adjusted Appropriation can be attributed to reprioritisation undertaken over the 2015/16 MTEF to ease pressures against *Compensation of employees* in DOE, as well as the previously mentioned decrease in the Health Facility Revitalisation grant in DOH.

The category *Refurbishment and rehabilitation: Capital* shows generally steady growth. The decrease in the 2015/16 Adjusted Appropriation and the Revised Estimate is mainly in DOE, and is ascribed to the shifting of funds to ease pressures against *Upgrades and additions: Capital*, delays in the advertisement of tenders, as well as the slow progress in the implementation of projects attributed to previous year suspension of some projects. The 2016/17 MTEF reflects a gradual decline compared to the 2015/16 Main Appropriation due to reprioritisation undertaken in the 2015/16 MTEF to ease pressures against *Compensation of employees* in DOE. The 2016/17 amount is affected by the previously mentioned decrease in the Health Facility Revitalisation grant in DOH.

New infrastructure assets: Capital fluctuates over the period. The high 2012/13 amount can be ascribed to projects that were carried over from the prior year by DOE, faster than expected progress at the Pomeroy and Dannhauser CHCs, office and residential accommodation lease agreements being higher than initially forecast in DOH, the high expenditure for creating platforms for poultry and piggery structures in DARD, and the construction of one-stop development centres and new office accommodation in DSD. Most of these projects were once-off, accounting for the decrease from 2013/14. The increase in the 2015/16 Revised Estimate is mainly in respect of DOE and relates to projects which were previously categorised as *Goods and services* and have since been classified as capital due to the nature and scope of work undertaken.

Infrastructure transfers reflects a fluctuating trend. The bulk of this category is in respect of *Infrastructure transfers: Capital*. The growth in 2015/16 mainly relates to the CRU programme and operational costs for accredited municipalities in DOHS, the once-off additional funding allocated to RBIDZ for infrastructure projects in DEDTEA, as well as the suspension of funds from 2014/15 to 2015/16 in respect of the construction of the Sports development centre in DOSR. The decrease in the 2015/16 Adjusted Appropriation is due to the reduction in the DTPC transfer by DEDTEA due to the entity's healthy positive cash balance, as well as the suspension of R20 million for the construction of the sports development centre, with R10 million each being allocated in 2016/17 and 2017/18 in DOSR. The decrease over the MTEF in comparison to the 2015/16 Adjusted Appropriation can be ascribed to the cuts and reprioritisation exercise undertaken by DEDTEA, against the transfer to DTPC, which was reduced by R240.848 million, R241.158 million and R241.487 million over the MTEF, the equitable share and conditional grant cuts across all departments and the anticipated winding up of the CRU programme in the eThekweni Metro in DOHS, as well as the decrease in respect of the mega-library as a result of the slow progress of the construction of the mega-library in DAC. The amounts against *Infrastructure transfers: Current* are purely in DOSR, and relate to the maintenance grants that are paid to municipalities for the upkeep of sport facilities constructed by the department. The department allocates the EPWP Integrated Grant for Provinces for the maintenance of sport fields. The decrease in the outer years is attributed to the non-allocation of the EPWP Integrated Grant for Provinces, at this stage.

Infrastructure: Leases relates purely to DOHS and is in respect of the operational leases for offices leased by the department. The increasing trend over the seven-year period relates to inflationary increases, as well as the increase in district offices due to decentralisation.

Table 5.11 shows the infrastructure spending and budget by department. As previously explained, the category reflects a fluctuating trend over the period under review.

Table 5.11 : Summary of infrastructure payments and estimates by vote

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2012/13	2013/14	2014/15	Appropriation	Appropriation 2015/16	Estimate	2016/17	2017/18	2018/19
1. Office of the Premier	16 271	24 272	10 049	20 269	10 779	10 139	3 108	2 916	2 275
2. Provincial Legislature	4 796	11 338	8 587	4 900	6 400	6 400	4 490	5 110	4 995
3. Agriculture and Rural Development	176 722	162 293	209 013	140 756	184 687	184 687	162 844	138 563	146 504
4. Economic Dev, Tourism and Enviro Affairs	415 613	559 655	540 775	660 015	632 186	632 196	463 691	493 524	530 513
5. Education	2 716 925	2 553 784	2 212 374	2 504 035	2 485 931	2 496 547	2 452 129	2 120 705	2 194 343
6. Provincial Treasury	28 012	21 085	31 665	10 062	10 280	10 280	-	-	-
7. Health	2 349 724	1 976 758	1 654 845	1 504 206	1 510 747	1 517 626	1 536 515	1 773 683	1 873 537
8. Human Settlements	133 693	66 334	144 922	160 900	182 631	182 631	138 531	112 473	113 714
9. Community Safety and Liaison	-	312	-	-	500	500	-	-	-
10. Sport and Recreation	33 835	50 466	62 375	77 964	54 964	54 964	59 609	60 130	50 787
11. Co-operative Governance and Traditional Affairs	24 225	39 069	41 689	78 231	76 601	76 601	76 596	61 674	71 450
12. Transport	5 567 450	5 805 930	6 506 106	6 550 069	6 509 069	6 689 764	6 771 540	7 063 395	7 497 775
13. Social Development	173 546	203 739	152 152	152 938	159 139	165 540	137 701	152 751	161 364
14. Public Works	87 999	84 143	108 762	77 373	77 373	78 044	72 618	70 625	70 225
15. Arts and Culture	53 636	42 825	56 466	118 479	129 335	129 335	99 000	133 030	102 952
Total	11 782 447	11 602 003	11 739 780	12 060 197	12 030 622	12 235 254	11 978 372	12 188 579	12 820 434

The largest infrastructure budget is against DOT, which continues to show positive growth over the period under review. This is in respect of the increase in construction and maintenance activities in respect of infrastructure investment in the province and various increased allocations in this regard. The amounts in 2012/13 and 2013/14 are inflated due to over-expenditure. The decrease in the 2015/16 Adjusted Appropriation relates to reprioritisation to *Compensation of employees* by DOE to offset spending pressures. The increase in the 2015/16 Revised Estimate was in respect of various construction projects being fast-tracked. The increase over the 2016/17 MTEF, in comparison to the 2015/16 Main Appropriation, is attributed to a greater number of construction and rehabilitation projects that will be undertaken, as well as inflationary increments. Also, the increase is attributed to the growth in the Provincial Roads Maintenance grant. However, the growth was mitigated by the fact that budget cuts were effected against *Maintenance and repair: Current*.

The second highest budget is against DOE, and fluctuates over the period under review, largely due to the bidding process for funding in respect of the EIG, as well as baseline reprioritisation undertaken in 2015/16 to fully fund personnel pressures. The 2012/13 amount is high compared to 2013/14 mainly due to various projects, including upgrades and refurbishments, as well as construction of new schools. The low 2014/15 amount relates to enforced savings which were implemented against this category in order to fund the shortfall against *Compensation of employees*. The decrease in the 2015/16 Adjusted Appropriation is attributed to the reprioritisation undertaken to *Machinery and equipment* in order to provide for furniture for newly built schools. The high 2015/16 Revised Estimate relates to projects which were previously categorised as *Goods and services* and have since been classified as capital due to the nature and scope of work undertaken. The 2016/17 MTEF includes the carry-through of the reprioritisation that was undertaken against the equitable share portion of the infrastructure budget toward easing pressures against *Compensation of employees*. This reprioritisation or reduction in the baseline amounts to R1.107 billion in 2016/17, R1.370 billion in 2017/18 and R1.634 billion in 2018/19. The negative growth over the 2016/17 MTEF is mainly attributed to funds which were reprioritised, as previously explained. It should be noted that the EIG constitutes the largest share of the budget over the MTEF at 86 per cent in 2016/17, 97 per cent in 2017/18 and 98 per cent in 2018/19. Furthermore, it is noted that the department received an additional allocation of R150 million in the first two years of the MTEF (R100 million in 2016/17, and R50 million in 2017/18) in respect of improving water and sanitation in schools, in order to address the backlogs in the provision of sanitation infrastructure as previously explained.

The third largest budget is against DOH, and the high spending in 2012/13 and 2013/14 was due to the ongoing focus on improving physical facilities, including the provision of essential equipment. Much of this increase was attributable to significant increases in the Health Facility Revitalisation grant, as well as the development of forensic pathology services. The high 2012/13 amount was attributed to acceleration in a number of infrastructure projects on site that could not be stopped without incurring further costs to the department. These included the Dr Pixley ka Seme Hospital, the Pomeroy and Dannhauser CHCs, the King Dinuzulu Hospital TB Complex, alterations and additions to the LUWM Hospital, as well as the upgrade of electrical reticulation at the Ngwelezane District Hospital. From 2013/14, the trend reduces in

line with the availability of funds, and the reprioritisation of some of this funding from new projects to accelerate the day-to-day maintenance of existing infrastructure. The 2016/17 MTEF trend is affected by the previously mentioned reduction in the Health Facility Revitalisation grant from 2016/17.

Also worth mentioning is spending against DEDTEA. The department's infrastructure funding is mainly allocated against *Infrastructure transfers* and relates to the capital development projects of the DTPC and RBIDZ. The low spending in 2012/13 relates to the decreasing funding requirements of DTPC for the completion of the airport portion of the project and the development of the multi-nodal logistics hub at the airport site, and this explains the increase in 2013/14. The slight decrease in 2014/15 was attributed to a carried through reduction in the DTPC allocation, due to the entity's healthy positive cash balance. The increase in the 2015/16 Main Appropriation can be ascribed to once-off additional funding of R40 million allocated to RBIDZ for infrastructure projects. However, there was a substantial decrease in the 2015/16 Adjusted Appropriation driven by the reduction in the DTPC transfer due to the entity's healthy positive cash balance. On the other hand, RBIDZ received an increased transfer for the acquisition of land which forms part of the first phase of the proposed RBIDZ expansion area as defined in the 50-Year Master Plan. DEDTEA undertook a rigorous reprioritisation exercise while also taking cognisance of their budget cuts. As such, significant budget cuts were effected against the infrastructure transfer budget, whereby DTPC was reduced by R240.848 million, R241.158 million and R241.487 million over the MTEF. Despite a cut of R65.337 million, R67.837 million and R70.462 million over the MTEF against RBIDZ, this entity receives R117 million in each year. Therefore, the net increase is only R51.663 million, R49.163 million and R46.538 million over the MTEF. The two outer years of the MTEF reflect steady growth to cater for both DTPC and RBIDZ capital projects, in line with their Master Plans.

The remaining infrastructure budgets against the various departments is below R500 million. Some of the expenditure relates to agricultural projects, provision of office and residential accommodation for staff in rural areas, and construction of CDCs, ECD and secure care centres, the DOHS Social and Economic Amenities programme including the construction of houses, the construction of offices, construction of libraries and museums and the construction of the sports development centre, among others.

5.5.3 Maintenance of provincial infrastructure

The bulk of the infrastructure funding is reflected against *Existing infrastructure assets*, through *Maintenance and repair: Current*, *Upgrades and additions: Capital* and *Refurbishment and rehabilitation: Capital*.

Table 5.10 indicates that the proportion of funding allocated to *Existing infrastructure assets* increased substantially from R8.741 billion in 2012/13 to R10.245 billion in 2018/19, indicating the intention to improve existing infrastructure to prevent deterioration, as this can lead to more costly interventions at a later stage.

Maintenance and repair: Current caters for routine, preventative, mechanical servicing and other maintenance, and these include maintenance of roads, schools, hospitals, departmental buildings, among others. There is a decreasing trend between 2012/13 and 2015/16 and this is due to budget cuts and other provincial pressures. A decrease of 28 per cent between the 2015/16 Main Appropriation and the Revised Estimate is evident in Table 5.10. This is mainly due to reprioritisation to other categories such as *Upgrades and additions: Capital* for various projects experiencing spending pressures, as indicated previously. Between 2015/16 and 2016/17, there is a significant positive growth of 45 per cent in maintenance and repair. This is due to one of the provincial objectives being to focus on maintenance of existing infrastructure.

5.5.4 Provincial infrastructure transfers

The infrastructure transfer category in Table 5.10 refers to transfers to public entities and municipalities for infrastructure projects. The high growth in 2015/16 is ascribed to DOHS' capital transfer for the CRU programme, operational costs for accredited municipalities, as well as once-off additional funding allocated to RBIDZ *via* DEDTEA. The decreasing trend over the 2016/17 MTEF in comparison to the

2015/16 Adjusted Appropriation is largely due to the anticipated winding up of the CRU programme in the eThekweni Metro. Also, DAC and DOSR transfer funds to municipalities in respect of the construction of libraries and museums and the construction of the Sports development centre, respectively.

5.6 Public Private Partnerships (PPP)

The following gives an update on the PPPs in KZN.

KZN Provincial Government – New Office Park

The provincial government initiated a government office precinct project in 2009/10, which was aimed at reducing the shortage of office space in Pietermaritzburg for departments' head offices. In June 2013, KZN took a decision to resuscitate the project after it had previously been put on hold, and mandated DOPW and PT to update the feasibility study. The update of the feasibility study was completed by the end of June 2013. In preparation for Treasury Approval 1 (TA1) and taking into account the fiscal position of the country, the province had to assess various funding options to obtain optimum value for money for the project. In light of the fiscal consolidation cuts announced in 2014/15 that affected the provincial budget, the project was put on hold again. The Provincial Executive Committee then instructed both PT and DOPW to resuscitate the project in 2015. The feasibility study had to be updated and the outcome of the feasibility study was presented to Cabinet with instruction received to apply for TA1. The feasibility study has been submitted to NT, and PT is awaiting feedback in this regard.

PT and DOPW are managing the requirement to find an optimal and cost-effective solution to government's office accommodation challenges in view of the pressures facing both the national and provincial fiscus.

KZN Legislature

This project entails the design, finance, and construction of a new Legislature complex, comprising offices, assembly areas, auditoriums, meeting places, health care facilities, dining facilities, parking, etc., together with other related ancillary works. The project includes the operation and maintenance of all of the facilities. The project was once suspended due to the financial crisis the province was in at the time. It was subsequently revived and the previous Transaction Advisors were re-appointed. The consultants are currently updating the feasibility study with regard to the design of the project. Similar to the KZN Provincial Government – New Office Park project, this project is being managed in line with the current fiscal and economic circumstances facing the province and the country.

KwaDukuza Municipality – Solid Waste Management PPP project

The KwaDukuza Municipality identified the need to procure the most cost effective service delivery mechanism in respect of refuse removal. A team of Transaction Advisors was appointed to assist the municipality in undertaking Section 78 investigations. The feasibility study report is complete and, as required by the Municipal Systems Act, the municipality is finalising public participation and stakeholder consultation. It is expected that this project will proceed to procurement phase in 2016/17.

Ilembe District Municipality – Water and Sanitation

In January 1999, the Borough of Dolphin Coast (now Ilembe District Municipality) and Siza Water Company entered into a concession agreement whereby Siza Water Company would oversee, manage and implement the provision of water and sanitation services within the municipal boundary on a concession basis. This is a closed project, with a concession period of 30 years and a contract reviewable on a five-year basis. The municipality has finalised its third five-year review and five-year plan for 2014-2019 and have negotiated a third addendum of the contract.

Inkosi Albert Luthuli Central Hospital (IALCH)

DOH entered into a PPP transaction in terms of which a 15-year concession contract in respect of the IALCH was signed in December 2001 between DOH and Impilo Consortium (Pty) Ltd. Financial closure occurred in February 2002, with the hospital opening its doors on 28 June 2002. The project is now in its fourteenth year and only 11 months is left before the end of the concession period. As required by the

contract, the department has finalised the final works programme. The department has appointed specialist consultants to undertake a contract review and an assessment into the compliance of all parties in preparation for the exit strategy.

5.7 Transfers

5.7.1 Transfers to public entities listed in terms of Schedule 3 of the PFMA

In an attempt to mitigate against provincial budget cuts, the President and the Minister of Finance recommended that provinces rationalise provincial public entities, particularly the DFIs and/or development agencies. In line with this, the province has initiated a review of spending by entities in order to eliminate unnecessary costs, in particular with regard to events, board fees and senior management remuneration.

Table 5.12 shows the summary of provincial transfers to public entities by department, which are discussed below. Transfers to public entities reflect a fluctuating trend from 2012/13 to 2014/15, largely attributable to various once-off allocations, as well as reprioritisation by the transferring departments in line with strategic priorities and spending trends. These are discussed in greater detail in the transferring department's chapter.

Table 5.12 : Summary of provincial transfers to public entities by transferring department

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19
Vote 1 : Office of the Premier	36 960	44 395	53 311	58 392	62 392	62 392	45 195	48 764	52 029
Amafa aKwaZulu Natali	26 460	29 095	35 149	34 977	34 977	34 977	30 028	32 263	33 989
Royal Household Trust	10 500	15 300	18 162	23 415	27 415	27 415	15 167	16 501	18 040
Vote 3 : Agriculture and Rural Dev.	209 133	147 759	178 306	173 625	162 199	162 199	181 580	190 949	201 576
Agri-business Development Agency	140 734	101 152	106 410	123 119	99 500	99 500	128 397	134 948	142 775
Ithala Development Finance Corporation	-	-	11 080	-	12 193	12 193	-	-	-
Mjindi Farming (Pty) Ltd	68 399	46 607	60 816	50 506	50 506	50 506	53 183	56 001	58 801
Vote 4 : Economic Dev, Tourism and Enviro. Affairs	1 548 734	1 774 090	1 949 585	1 871 160	1 996 799	1 996 899	1 631 825	1 698 347	1 797 727
Dube TradePort Corporation	392 308	575 402	515 375	593 609	477 780	477 780	384 223	415 167	452 905
Ezemvelo KwaZulu-Natal Wildlife	549 893	588 522	703 395	651 319	718 966	718 966	604 227	624 280	661 372
Ithala Development Finance Corporation	249 500	300 000	278 800	149 700	192 100	192 200	121 600	120 298	118 915
KwaZulu-Natal Liquor Authority	55 699	43 920	77 282	67 008	70 008	70 008	73 753	75 990	80 189
KwaZulu-Natal Tourism Authority	118 292	99 983	109 297	101 512	116 445	116 445	101 846	116 980	124 017
KZN Sharks Board	55 371	59 985	57 109	56 678	63 178	63 178	69 175	66 079	69 597
Richards Bay Industrial Development Zone	62 618	25 164	68 170	110 947	198 947	198 947	126 370	127 605	129 530
Trade and Investment KwaZulu-Natal	65 053	75 084	81 476	80 207	96 195	96 195	82 420	80 105	84 935
KZN Film Commission	-	6 030	58 681	60 180	63 180	63 180	68 211	71 843	76 267
Vote 6 : Provincial Treasury	35 775	41 881	39 276	32 532	32 532	32 532	34 255	35 968	38 054
KwaZulu-Natal Gaming and Betting Board	35 775	41 881	39 276	32 532	32 532	32 532	34 255	35 968	38 054
Vote 8 : Human Settlements	134 477	-	932	-	18 000	18 000	18 000	14 000	-
Housing Development Agency	-	-	-	-	18 000	18 000	18 000	14 000	-
Social Housing Regulatory Authority	134 477	-	932	-	-	-	-	-	-
Vote 11 : COGTA	1 000	-	18 850	-	-	6 150	-	-	-
Agri-business Development Agency	-	-	18 850	-	-	6 150	-	-	-
KwaZulu-Natal Tourism Authority	1 000	-	-	-	-	-	-	-	-
Vote 15 : Arts and Culture	6 721	7 057	7 445	7 787	7 787	7 787	8 176	8 585	9 082
The Playhouse Company	6 721	7 057	7 445	7 787	7 787	7 787	8 176	8 585	9 082
Total	1 972 800	2 015 182	2 247 705	2 143 496	2 279 709	2 285 959	1 919 031	1 996 613	2 098 468

For the 2016/17 MTEF, the province is facing declining provincial own revenue, as well as cuts implemented by NT as a result of the need to lower the expenditure ceiling across the country and to reprioritise funding to various national priorities that have recently arisen. As a result of the reduction in the funding available to the province, transfers to public entities see a significant decline from 2016/17 onwards.

Vote 1: Office of the Premier

- Amafa aKwaZulu-Natali (Amafa) is responsible for administering heritage conservation and supporting cultural tourism in the province. The increase in 2014/15 was to enable Amafa to apply for World Heritage status in respect of the Emakhosini Valley, to upgrade its research and education facilities, as well as various heritage sites and to also purchase support equipment. In addition, Amafa received funds in respect of surplus funds which were surrendered by Amafa to the Provincial

Revenue Fund in 2012/13. These funds were allocated back to Amafa in 2014/15 to roll-out new projects. The decrease in 2016/17 is largely attributed to the budget cuts, part of which OTP effected against Amafa.

- The Royal Household Trust (RHT) was established in 2010/11. In the 2015/16 Adjusted Appropriation, RHT received an additional amount of R4 million to cater for an increase to the RHT in respect of outstanding invoices from 2014/15, as well as toward the purchase of official vehicles. The decrease in 2016/17 is attributed to the budget cuts implemented against departments, part of which OTP effected against the RHT.

Vote 3: Agriculture and Rural Development

- The Agri-business Development Agency (ADA) was established to support land reform farmers in KZN. As from 2013/14, the oversight of the entity was shifted from DEDTEA to DARD in terms of the ADA Bill (historical figures have been adjusted for comparative purposes). The decrease in the 2015/16 Adjusted Appropriation is due to the review of the entity's mandate to ensure that there is no duplication of functions with the department. The entity will, from 2016/17, focus on secondary agriculture with particular focus on the agro-processing sector, whereas the department will focus on primary agriculture aligned to the department's agrarian transformation strategy. The 2016/17 MTEF allocation is for projects to be implemented by ADA, as well as the operational costs for the entity. The department did not effect any budget cuts to the entity in the 2016/17 MTEF.
- As a 62 per cent shareholder of Ntingwe Tea Estate, the department made once-off allocations to Ithala in 2014/15 and 2015/16 to cater for a shortfall in wages of Ntingwe Tea Estate labourers during the off-season, pending a decision on the funding proposal submitted by Ntingwe Tea Estate to turn around the estate into a profitable entity. The department uses Ithala as the vehicle to channel the funding to Ntingwe Tea Estate.
- Mjindi is mandated to provide farming support to farmers in the Makhathini area. The once-off increase in 2014/15 provides for the purchase of irrigation equipment. The allocation from 2015/16 onward provides for the operational costs and maintenance of existing infrastructure over the MTEF. During 2015/16, the department undertook a mechanical review of the entity which may affect the future operations and mandate of this entity. The mechanical review has not yet been completed, and hence the future position of the entity is not clear at this stage. This review will also take into account the impact of the land claims which is discussed in more detail in the chapter dealing with DARD.

Vote 4: Economic Development, Tourism and Environmental Affairs

- DTPC is a public entity established for the strategic planning, establishment, design, construction, operation, management and control of DTP. The decline in 2014/15 and the 2015/16 Adjusted Appropriation was attributed to reprioritisation undertaken by the department and subsequently reducing transfers to DTPC due to the entity's positive cash balance. The further decrease in 2016/17 can be ascribed to the realignment of DEDTEA's budget whereby reprioritisation and budget cuts were effected against the transfer to DTPC in view of the fact that some of the entity's projects are delayed due to outstanding EIAs and water use licence applications.
- The transfers to EKZNW are largely to subsidise the entity's efforts in respect of nature conservation. The transfers show an increasing trend from 2012/13 to 2014/15. The 2012/13 and 2013/14 years include specific funding for protected area expansion and road maintenance and the Rhino Security Intervention plan. The peak in 2014/15 was due to the re-allocation of the unspent and uncommitted road maintenance funds which were suspended in 2013/14. In 2014/15, the entity also received once-off funding for the Sakha Isibaya project. The further increase in the 2015/16 Adjusted Appropriation is due to an agreement between the department and the entity to be the implementing agent for projects such as Sakha Isibaya, IASP, East3 Route Legacy and Parthenium Weed Clearing, as well as funding for the above-budget 2015 wage agreement.

Allocations of R4.500 million from 2014/15 to 2017/18 provide for the continuation of projects such as the Ntsikeni and May Lodge in the Ntsikeni Reserve, as well as the revitalisation of Bhambatha

Lodge. The entity receives additional funding of R9.240 million for each year of the 2016/17 MTEF toward the rhino anti-poaching effort. The decrease in 2016/17 is attributed to the budget cuts, part of which the department effected against this entity. This is slightly offset by an amount of R35 million allocated toward drought interventions in the game reserves.

- The department transfers funds to Ithala on a project-specific funding basis and Ithala then oversees the financing and control of the projects, as well as the recovery of loans. The 2012/13 transfer included transfers to the Enterprise Development Fund, combining the funding streams of the former Co-operatives and SMMEs funds, as well as the Growth Fund. The Growth Fund became a stand-alone entity from 2013/14 onward, and the transfers are therefore excluded from this table.

In 2013/14, 2014/15 and the 2015/16 Adjusted Appropriation, Ithala received substantial funding in respect of Ithala share capital, to assist the entity with its capital adequacy ratio, and for the Ndumo Regeneration programme, whereby the entity is commissioned to champion this integrated multi-purpose and multi-sectoral project to revitalise the Ndumo area, as well as funding for Royalty Soapie Awards, KZN Property Holdings SOC Ltd, and once-off funding for conducting the EIA in respect of the Drakensberg cable car. The decrease in 2016/17 is due to the decrease in the Enterprise Development Fund due to the budget cuts, parts of which the department effected against this entity.

- KZNLA was established in 2012/13 to issue liquor licences and administer the collection of liquor licence fees. The high allocation in 2012/13 can be ascribed to the once-off additional funding provided for its establishment costs. Further once-off additional funding for the entity's operational costs was allocated in 2014/15, including the carry-through allocation for the procurement of an IT system. In the 2015/16 Adjusted Appropriation, the entity's allocation was increased by R3 million for the appointment of additional liquor licence inspectors. KZNLA received budget cuts which were offset by an increase over the 2016/17 MTEF to cater for legislated inspections that are required to be undertaken by the entity, which resulted in an overall net increase over the MTEF.
- Tourism KwaZulu-Natal (TKZN) is responsible for the development, promotion and marketing of tourism into and within KZN. The 2012/13 transfer to TKZN included additional funds for the Tourism Indaba, East3 Route Legacy project and KZN is Summer Campaign, as well as the SAP and the VIP pay-roll system. This explains the decrease in 2013/14. The increase in 2014/15 was attributed to once-off costs incurred through participation in the 2014 Carnival International De Victoria at the Seychelles, promotion and marketing of the East3 Route and organising the KZN is Summer Campaign, accounting for the decline in the 2015/16 Main Appropriation. The significant increase in the 2015/16 Adjusted Appropriation can be ascribed to additional funding for the Tourism Indaba debt from previous years, Loeries Creative Week and 2015 Vodacom Durban July tourism related costs, which explains the decrease in 2016/17. This decrease was exacerbated by budget cuts, in view of the fact that the department implemented part of its budget cuts against the transfer to this entity.
- The core function of the KZNSB is the protection of bathers against shark attacks. The transfer to KZNSB reflects an increase in 2013/14 due to once-off additional funding for critical roof repairs at the entity's headquarters and the purchase and installation of a biometric access control system. In addition, the entity received funding to investigate more environmentally friendly shark repellent technology and to fill critical vacancies in its SCM unit. The entity also received additional funding to provide for activities of MCOE, including learning material, accreditation of courses, conversion of workshops to classrooms, etc., accounting for the decrease in 2014/15. The transfer in 2014/15 included once-off funding for hosting the Sharks International Conference in June 2014, to promote the organisation as an internationally acclaimed centre for shark research. The increase in the 2015/16 Adjusted Appropriation was attributed to funding for MCOE, as well as once-off funding for the hosting the 9th Western Indian Ocean Marine Science Association. In 2016/17, the entity receives budget cuts which were offset by an increase of R18 million for the MCOE as part of the implementation of the Maritime strategy and Operation Phakisa.
- RBIDZ is a Schedule 3D public entity established to undertake the development of industrial land in the Richards Bay area. The substantial decrease in 2013/14 is due to a reduction in allocation due to

the entity's positive cash balance. These funds were reprioritised to projects such as the Co-operatives Incubator programme and the Ndumo Regeneration programme, and this therefore explains the substantial increase in 2014/15. The significant growth in the 2015/16 Main Appropriation is due to once-off additional transfer for infrastructure relating to the entity's Master Plan. During the 2015/16 Adjusted Appropriation, the entity received once-off additional funding for the acquisition of land which forms part of the first phase of the proposed RBIDZ expansion area as defined in the 50-Year Master Plan. This explains the significant decrease in 2016/17. RBIDZ received additional funding for the strategic acquisition of land with these funds being allocated to the entity following a reprioritisation exercise undertaken by the department. This was offset by part of the department's budget cuts being implemented against the transfer to this entity.

- TIK is a trade and investment promotion agency, whose mandate it is to attract foreign and domestic investment and to generate exports and export capacity within KZN. There is an increasing trend under TIK from 2012/13 to 2014/15. The increase in 2013/14 relates to once-off additional funding for Makhaya Arts and Culture Development, and for investment seminars, assigned to be conducted by the entity. The entity also received once-off funding in 2014/15 for investment seminars associated with the East3 Route Legacy project. The entity was also responsible for the TAF for a Renewable Energy project, explaining the decrease in the 2015/16 Main Appropriation. The increase in the 2015/16 Adjusted Appropriation was due to once-off funding in respect of the East3 Route conference, as well as the Malaysian Investors Tour, accounting for the decline in 2016/17. The decreasing growth from 2016/17 to 2017/18 is linked to funding for the TAF and marketing which was allocated for a specific period from 2014/15 to 2016/17. These funds are not carried through beyond 2016/17, hence the significant decrease in 2017/18. In addition, the transfer to TIK was reduced in line with the budget cuts effected where the department effected part of its budget cuts against the transfer to TIK.
- The KwaZulu-Natal Film Commission (KZNFC) is a public entity with its purpose being to promote the film industry in KZN. This entity was established in 2013/14, hence the spending in this year related to set-up costs. The spike in 2014/15 is ascribed to funding allocated to assist the KZNFC with its operational costs and to cover the shortfall for the purchase of computer servers. The increase in the 2015/16 Adjusted Appropriation can be ascribed to additional funding for the KZN film hub. The reprioritisation was carried through over the 2016/17 MTEF to provide for operational costs. Allocations from 2015/16 include the Durban International Film Festival and Simon Mabunu Sabela Film Awards, which are hosted by this entity. The MTEF allocations increase and also provide for costs to setup a Film Fund which will co-fund the production of feature films. This increase in funding is also linked to the increase in the number of productions and associated markets and distribution channels. Mitigating this increase to some extent was a reduction relating to the budget cuts, parts of which the department effected against the transfer to this entity.

Vote 6: Provincial Treasury

- The KZNGBB was established in 2011/12 to ensure that all gambling authorised in terms of the KZN Gaming and Betting Act is conducted in a manner that promotes the integrity of the horse racing, betting and gaming industry. In 2013/14, there was a once-off additional funding of R4.450 million for a new IT system. The decrease from 2014/15 to 2015/16 is attributed to a review into the activities of the Board undertaken by Provincial Treasury, in terms of which potential areas of savings were identified, such as board fees, subsistence and travel and consultant costs, among others with the transfers to the entity being cut.

Vote 8: Human Settlements

- The allocation of R18 million to the Housing Development Agency (HDA) in the 2015/16 Adjusted Appropriation is to cater for operational costs of the support work being undertaken by HDA in the province. The department has entered into a three-year agreement with this national public entity to undertake various assigned functions, hence there is no allocation in 2018/19.
- The expenditure in 2012/13 relates to transfers made to the Social Housing Regulatory Authority (SHRA) for the implementation of the social housing programme. The non-allocation to SHRA from

2013/14 is a result of the fact that the entity had not fully spent the allocation that was transferred to them in 2012/13. The amount in 2014/15 relates to costs incurred by the SHRA after the return of unspent funds by the entity to the department. This expenditure is for costs incurred by the Strategic Programme Management (Booster) team appointed by SHRA, but which had not been paid.

Vote 11: Co-operative Governance and Traditional Affairs

- The department made a transfer to ADA in 2014/15 for the implementation of the Uthukela Amakhosi Programme and the Msinga Asisukume Co-operative, due to capacity constraints in the municipalities. The department undertook a post Adjustments Estimate shift in 2015/16, for ADA to pilot the Amakhosi Rural Economic Development programme in other districts. The department has indicated that it will reprioritise its budget in 2016/17 to complete the project.
- The once-off amount reflected in 2012/13 relates to a transfer to TKZN for the erection of tourism signage in municipalities.

Vote 15: Arts and Culture

- The Playhouse Company is a cultural institution whose primary mandate is to develop and promote artistic works that are representative of the diverse South African artistic and cultural heritage. The department funds projects which are linked to the mandate of the department. The increase over the 2016/17 MTEF is due to inflationary increments.

5.7.2 Transfers to other entities

Table 5.13 shows the summary of departmental transfers to other entities, other than public entities, by vote. Details of these are provided within each department's chapter in the *EPRE*. *Transfers to other entities* increases from R3.469 billion in 2012/13 to R4.963 billion in 2018/19. Some transfers to other entities were affected by the budget cuts, explaining the decrease from the 2015/16 Adjusted Appropriation to the 2016/17 budget.

Table 5.13 : Summary of departmental transfers to other entities by Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
1. Office of the Premier	8 030	-	4 226	-	-	-	-	-	-
2. Provincial Legislature	30 233	30 221	33 139	30 207	30 207	30 207	30 217	30 228	30 241
3. Agriculture and Rural Development	12 870	8 878	25 291	4 303	51 519	51 519	55 816	43 194	33 794
4. Economic Dev, Tourism and Enviro Affairs	58 522	744 900	314 403	154 743	276 030	275 500	228 398	204 761	208 595
5. Education	1 458 236	1 556 294	1 688 344	1 823 043	1 788 043	1 776 072	1 795 769	1 869 034	1 975 060
6. Provincial Treasury	-	893	1 468	3 383	4 383	4 735	3 370	3 370	244
7. Health	277 586	256 751	222 051	215 100	197 039	196 932	203 313	210 687	222 241
8. Human Settlements	185 091	167 940	143 688	168 980	239 237	239 237	182 455	221 885	230 313
9. Community Safety and Liaison	-	-	-	-	-	-	-	-	-
10. Sport and Recreation	12 709	28 128	35 275	29 061	30 953	30 953	33 737	34 612	36 737
11. Co-operative Governance and Traditional Affairs	658	-	33 254	12 100	45 100	45 100	-	-	-
12. Transport	808 877	915 867	985 852	1 063 000	1 063 000	929 766	1 016 045	1 076 439	1 126 506
13. Social Development	587 278	729 779	780 982	756 768	800 968	810 863	854 957	995 679	1 048 690
14. Public Works	-	-	-	-	-	-	-	-	-
15. Arts and Culture	29 105	33 450	63 399	47 478	49 235	49 235	44 303	49 846	50 686
Total	3 469 195	4 473 101	4 331 372	4 308 166	4 575 714	4 440 119	4 448 380	4 739 735	4 963 107

Vote 1: Office of the Premier

In 2012/13, an amount of R8 million was transferred to the LIV Orphanage for infrastructure requirements of the institution, and a donation of R30 000 was made to Khulani Production Artist Theatre for a graduation ceremony to honour students that completed the Arts and Skills courses.

In 2014/15, an amount of R4.226 million was transferred being the province's contribution to the construction of the Denis Hurley Centre in Durban, with no further allocations made over the MTEF.

Vote 2: Provincial Legislature

Payments are made to the Commonwealth Parliamentary Association (CPA) mainly for subscription fees and attendance costs relating to CPA conferences, as well as to the Political Parties' Fund (PPF), in terms of the KZN Funding of Political Parties' Act.

Vote 3: Agriculture and Rural Development

Transfers were made to the SA Sugarcane Research Institute to assist small-scale farmers affected by drought. The department also entered into a two-year partnership with the Pmb SPCA, relating to the KZN Outreach programme and a one-year partnership with the Animal Anti-Cruelty League in 2014/15 for the same KZN Outreach programme.

Transfers were also made relating to the soil conservation subsidy and toward Agricultural Show Societies (which are aimed at showcasing the latest developments in agriculture), People's Bio Oil (Pty) Ltd and the Zakhe Agricultural College, Lungisisa Indlela Village (LIV) in respect of a hydroponics projects at this institution supporting orphans, as well as Nyonende Hatchery to enable the hatchery to become economically viable. The transfer also provides for the Communal Estates for operational costs, such as fuel and tractor drivers in respect of the tractors and implements that the department has transferred to them, in line with its agricultural transformation strategy. The department, in partnership with DOE, is providing funding to improve the agricultural infrastructure at the agricultural schools in KZN through the agricultural school revitalisation programme. As such, R50 million was made available over the three-years commencing in 2015/16 for the improvement of agricultural facilities.

Vote 4: Economic Development, Tourism and Environmental Affairs

Over the 2016/17 MTEF, the department transfers funds to various entities, namely the KZN Growth Fund Trust (KZNGFT), Small Business Growth Enterprise (SBGE), Clothing Textile, Moses Kotane Institute (MKI), Ugu ICT incubator, Tourism Enterprise Partnership, Wildlife and Environmental Society of South Africa (WESSA) and the South African Association for Marine Biological Research (SAAMBR).

The MKI was established to enhance economic development through Science, Technology, Engineering and Mathematics skills. This entity was affected by the budget cuts. On the other hand, funds were reprioritised to MKI resulting in a net increase of R3.050 million in each year of the MTEF.

The KZNGFT was established to lend funds to commercially viable projects. In 2013/14, the Growth Fund was restructured, and the KZNGFT was established. Prior to the KZNGFT, the funding was routed *via* Ithala. The KZNGFT's unspent funding relating to previous years and the 2013/14 allocation were moved from Ithala, since the KZNGFT was in the process of being registered as a separate entity at the time. In 2014/15, a net amount of R40 million was reduced from the entity's transfer due to its healthy positive cash balance. Provision has been made for a transfer to this entity over the MTEF, with this transfer being affected by the reprioritisation undertaken by the department, as well as the budget cuts over the MTEF. The transfer to this entity remains constant over the MTEF.

The department reprioritised funds to cater for the SBGE over the MTEF, with this amount being higher than the R37 million previously allocated to this entity. The transfer to SBGE fluctuates over the MTEF, mainly due to budget cuts made against this entity.

Transfers to various entities were made relating to partnership funding and for major events. The increase in 2013/14 and in 2014/15 included the transfers paid to various private enterprises, mainly for events hosted by these enterprises in partnership with the department. During 2015/16, funding was allocated for KZN Tooling, KZN Craft Hub, continuation of Ugu ICT incubator, and Tourism Enterprise partnership. The increase in the 2015/16 Adjusted Appropriation is attributed to a number of events such as MTV Awards, Durban Vodacom July and Metro FM Awards, where the department appointed private enterprises as the events promoter. The budget over the MTEF includes transfers for a blue flag impact study, Ndumo Lodge upgrade, Simunye information centre, SAAMBR and WESSA.

Vote 5: Education

The largest portion of transfers is in respect of S21 schools, relating to the transfers of norms and standards funding. The allocation in 2016/17 for transfers to S21 and S20 schools is lower than the 2015/16 Revised Estimate due to budget pressures mainly related to carry-through costs of previous years' above-budget wage agreements. As such, this has limited the reprioritisation that could be undertaken within the vote in order to increase the allocation for transfers to schools. The allocation in the outer years of the MTEF increases, though not sufficiently to meet the sector norms and standards.

Public special schools reflects an upward trend from 2012/13 to 2018/19, as the department is focusing on learners with special needs, by making sure that schools are allocated funding that will enable them to assist the learners. There is healthy growth for these schools over the 2016/17 MTEF.

There are also other transfers in relation to ECD centres, HIV and AIDS transfers to schools for the procurement of uniforms and other additional needs for orphaned and vulnerable children, among others.

Vote 6: Provincial Treasury

In 2013/14 and from 2015/16 to 2017/18, funds are allocated by the department for transfers to the Financial Literacy Association (FLA), which is now an independent entity. This project was initiated by the MEC for Finance with the aim of educating the citizens of KZN about using their money wisely and also on various aspects such as encouraging savings and financial discipline. There is no budget in 2018/19 as the MOU with the FLA is for three years, starting from 2015/16 and ending in 2017/18.

As a result of a change in the MEC's approach to community outreach, from 2014/15 onward, donations are made available to co-operatives, old age homes, etc. Also, an amount of R1.227 million was paid to the uMgungundlovu Academy of Sport for the procurement of various sport equipment and activities, based on invoices provided by suppliers.

In 2015/16, a donation of R1 million was made to the Coastal Horse Care Unit to cater for the construction of a training facility, as this unit deals with rescue, education and rehabilitation of horses.

Vote 7: Health

The transfers include the provision of general clinic, HIV and AIDS, district hospital, general hospital and TB services. The varying trend across the seven years relates mainly to the inclusion/exclusion of entities, as well as to the implementation of OSD for doctors in certain institutions which qualify.

The decrease in 2014/15 is due to the ceasing of funding for McCord Hospital as it was taken over as a provincial hospital and funding is now from other categories. In addition, the funding for the KZN Children's Hospital Trust for the development and refurbishment of this hospital in the eThekweni Metro ceases, due to the completion of the contract. Over the MTEF, the baseline growth is inflationary only.

Vote 8: Human Settlements

The department is funding the KZN Housing Fund which has been dis-established and is no longer a listed public entity in terms of Section 47(2) of the PFMA. The increase in the 2015/16 Adjusted Appropriation relates to municipal services and rates and taxes for housing properties, as well as funds in respect of a Cabinet agreement to provide funding towards the rehabilitation of R293 and Ex-own Affairs townships. This entity was also affected by the budget cuts, hence the decrease in 2016/17.

Vote 10: Sport and Recreation

Transfers made by the department are largely in respect of sporting organisations from different sporting codes, for the promotion and development of sport and recreation in KZN. Funding is only allocated once the organisation has met all the requirements.

The substantial increase in 2014/15 is attributed to additional funding received for hosting of the 20th AIMS congress, Duzi Canoe Marathon and the suspension of Pietermaritzburg Bike City funding from DEDTEA. The increase in the 2015/16 Adjusted Appropriation is due to the reprioritisation of funds from *Compensation of employees* for the increase in transfers to various organisations, such as the KZN Aquatics Association and KZN Cricket Union. The MTEF allocation caters for continuous transfers to sporting federation and sporting bodies.

Vote 11: Co-operative Governance and Traditional Affairs

The department made once-off donations in 2012/13 to the KZN Top Business Portfolio with regard to the update of promotional DVDs to showcase successful growth in the province, and to the Sakhisizwe Organisation for the heritage month celebration.

A once-off amount in 2014/15 and 2015/16 to uMhlathuze water board was in respect of the 2014 general elections, where the Board was tasked to assist the department with providing voting stations with

infrastructure such as sanitation and water, as well as the provision of portable water delivery services to district municipalities, respectively.

A once-off amount in 2015/16 against Umgeni water board was in respect of water provision for Umkhanyakude for vehicle repairs, pump repairs, repairs to broken borehole shafts, borehole connections, relocation of bulk water, among others. The department is using Umgeni water board as the implementing agent because of the skills, expertise and equipment that the institution possesses.

Vote 12: Transport

The transfers under this vote relate to the PTOG for the payment of bus subsidies to bus operators. The expenditure and budget against bus operators increase steadily over the period under review. As of 2013/14, transfers are also made toward the Vukuzakhe Emerging Contractors Association (VECA), who monitors the Vukuzakhe emerging contractors for compliance to norms and standards.

Vote 13: Social Development

The department transfers funds to almost 2 000 entities in KZN, and a list of all these entities can be made available on request. The low amount in 2012/13 is due to strict application of Section 38(1) (j) of the PFMA, which largely affected ECD and partial care. The increased 2013/14 amount is attributed to the introduction of new services for NGOs and NPOs. The increase in 2014/15 is attributed to increases for ECD centres, in line with national priority funding.

The strong growth in 2017/18 and 2018/19 against ECD and Partial Care relates to the new ECD grant funding which commences in 2017/18.

Vote 15: Arts and Culture

The transfers under this vote relate mainly to arts and culture support, museum subsidies and community art centres.

5.7.3 Transfers to local government

Provincial government, as part of its Constitutional obligation, supports and strengthens the capacity of municipalities to manage their own affairs, exercise their powers and perform their functions. As a result, departments transfer funds to municipalities for various purposes. This section provides details of departmental transfers to local government, indicating transfers per department and per grant type to each municipality. A summary of this information is given in Table 5.14. Details are given in the *Annexure to OPRE* (Tables 1E and 1.H (i), (ii) and (iii)), and in the detailed departmental information in the *EPRE*.

Table 5.14 provides a summary of provincial transfers to local government by category, as defined in the Constitution. It should be noted that the amounts reflected in these tables are in terms of the provincial financial year running from 1 April to 31 March. The table does not include funding in respect of motor vehicle licences, as this funding is not transferred to any municipality. A summary of the transfers to individual local and district municipalities is provided in the *Annexure to OPRE*.

Table 5.14 : Summary of provincial transfers to local government by category

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
Category A	399 547	484 868	517 367	634 799	723 009	737 944	594 375	638 617	652 777
Category B	571 499	565 727	783 269	505 403	623 775	635 739	461 030	492 746	517 127
Category C	223 142	77 800	50 869	6 265	9 915	9 915	12 711	7 222	7 939
Unallocated	132	24	24	1 293	60	18	2 060	1 710	1 710
Total	1 194 320	1 128 419	1 351 529	1 147 760	1 356 759	1 383 616	1 070 176	1 140 295	1 179 553

The total provincial transfers to local government reflect a fluctuating trend over the period. There are three categories of municipalities in terms of the Constitution. Below is a brief description of each of the categories, and a summary of the provincial transfers to local government by municipal category as contained in Table 5.14 above:

Category A (metropolitan council) refers to municipalities that have exclusive municipal executive and legislative authority within their areas. KZN has only one metropolitan council, namely the eThekweni

Metro. As indicated in Table 5.14, the transfers to the Metro show a fluctuating trend, and relate to various transfers from OTP, DEDTEA, DOPW, DAC, COGTA, DOH, DOSR and DOHS mainly in respect of the following:

- Payments of property rates, the Community Library Services grant to assist at local level with the costs of cyber cadets and the acquisition of library material, and the Corridor Development programme.
- The subsidy for primary health care for services provided by local authorities/municipal clinics, the maintenance of R293 hostels, the EEDBS, the provincialisation of libraries and museums, as well as funding for the continuation of the mega-library.
- The decrease in 2016/17 is due to a reduction in the provincialisation of libraries funding by DAC as a result of budgets cuts. Also, the CRU programme under DOHS was affected by these budget cuts.

Category B (local municipality) refers to a municipality that shares municipal executive and legislative authority with a category C (defined below) municipality within whose area it falls. Departments transfer funds to these municipalities for the following, among others:

- Corridor Development, Massification and the Small Town Rehabilitation programmes.
- Provincialisation of municipal clinics (in 2012/13 to 2014/15 only).
- The provision for transfers in respect of the payment of property rates, the provincialisation of public libraries and museums, as well as building of libraries.
- The development of the Pietermaritzburg, Margate and Richards Bay airports, as well as the development of the Shayamoya eco-complex and the light industrial park at Bhongweni.
- The Greenest Municipality Competition, the construction of trading centres, as well as the Drakensberg cable car consultations in respect of various municipalities.

Category C (district municipality) refers to municipalities that have municipal executive and legislative authority in an area that includes more than one local municipality. These transfers provide for:

- Corridor development, Massification and the Small Town Rehabilitation programmes.
- Disaster Management.

The amounts against *Unallocated* are usually allocated to specific recipients during the course of the year, and are formalised annually during the Adjustments Estimate. The amounts in the 2015/16 Main Appropriation are in respect of the Greenest Municipality Competition undertaken by DEDTEA's Environmental Affairs component.

Table 5.15 presents a summary of provincial transfers to local government by vote and grant type from 2012/13 to 2018/19. It should be noted that a detailed analysis of these transfers to local government is provided in the individual votes in the *EPRE*.

- The significant transfers under DEDTEA from 2012/13 to 2014/15 included Joint Project Funding, the revitalisation of Alkantstrand Beach (uMhlathuze) and rehabilitation of South Port Beach (Hibiscus Coast), as well as the Drakensberg cable car. Also included in 2015/16 are transfers toward the Beaches Rehabilitation, the Greenest Municipality Competition and the Dundee July (horse racing event). In 2016/17, a transfer is made in respect of the Africa Bike Week event and no transfers are made for the remainder of the MTEF.
- The transfers under PT are mainly in respect of various upgrades of airports, i.e. the Pietermaritzburg, Richards Bay, Prince Mangosuthu Buthelezi and Margate airports. In addition, funds were transferred in respect of the development of a light industrial park in Bhongweni, as well as the Shayamoya eco-complex. There is also a once-off allocation in 2014/15 in respect of Msunduzi electricity-related developments, R218 000 of which was rolled over to 2015/16.

Table 5.15 : Summary of departmental transfers to local government by department and grant type

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Vote 1 : Office of the Premier	15 000	-	4 865	-	-	-	-	-	-
2013 AFCON Tournament	15 000	-	-	-	-	-	-	-	-
Indian Indentured Labourers	-	-	4 865	-	-	-	-	-	-
Vote 4 : Economic Dev., Tourism and Enviro. Affairs	4 244	11 076	17 005	2 250	1 250	1 250	6 000	-	-
Joint Project Funding	2 953	2 414	-	-	-	-	-	-	-
SMME Fair and Exhibition	-	-	992	-	-	-	-	-	-
Beaches Rehabilitation	-	3 400	900	1 000	1 000	1 000	-	-	-
Dundee July event	-	479	495	250	250	250	-	-	-
Sakhisizwe Manag. Agency	981	-	-	-	-	-	-	-	-
Richards Bay Breakfast	310	-	-	-	-	-	-	-	-
Drakensberg Cable Car	-	4 183	1 793	-	-	-	-	-	-
Tourism Route Strategy	-	-	500	-	-	-	-	-	-
Africa Bike Week event	-	-	6 000	-	-	-	6 000	-	-
Top Gear Festival	-	-	4 425	-	-	-	-	-	-
Dev of EMFs and SEAs	-	-	1 000	-	-	-	-	-	-
Greenest Munic. Comp	-	600	900	1 000	-	-	-	-	-
Vote 5: Education	-	-	-	-	-	-	-	-	-
Transfers to local government	-	-	-	-	-	-	-	-	-
Vote 6 : Provincial Treasury	28 012	21 970	31 665	10 295	10 280	10 280	-	-	-
Donations	-	-	-	233	-	-	-	-	-
Pietermaritzburg airport	574	17 071	-	-	-	-	-	-	-
Prince Mangosuthu Buthelezi airport	19 661	596	-	-	-	-	-	-	-
Richards Bay airport	7 777	-	-	-	-	-	-	-	-
Margate airport	-	2 009	-	-	-	-	-	-	-
Shayamoya eco-complex	-	615	9 552	8 000	5 571	5 571	-	-	-
Development of light industrial park	-	1 679	16 830	2 062	4 491	4 491	-	-	-
Msunduzi electricity-related dev	-	-	5 283	-	218	218	-	-	-
Vote 7 : Health	22 893	74 736	117 404	105 000	205 250	205 250	169 048	200 000	205 394
Subsidy: Municipal clinics	22 893	74 736	117 404	105 000	205 250	205 250	169 048	200 000	205 394
Vote 8 : Human Settlements	115 000	40 384	68 318	148 400	148 741	148 741	85 792	90 172	90 172
Accredited municipalities	-	33 421	57 460	48 400	48 741	48 741	26 792	30 172	30 172
CRU programme	115 000	6 963	-	100 000	100 000	100 000	59 000	60 000	60 000
Vote 10 : Sport and Recreation	18 600	21 465	22 200	41 650	21 650	21 650	12 000	11 650	1 650
Maintenance grant	4 950	3 300	3 300	1 650	1 650	1 650	2 000	1 650	1 650
Infrastructure	13 650	18 165	18 900	40 000	20 000	20 000	10 000	10 000	-
Vote 11 : COGTA	444 444	232 074	353 061	61 656	180 806	184 306	32 816	35 784	36 448
Construction of TSCs and CSCs	-	-	5 000	7 500	7 500	7 500	-	-	-
Operational Support for TSCs	1 600	250	5 250	-	3 000	3 000	-	-	-
Massification prog (incl. elec. projects)	145 800	54 827	119 455	49 956	160 956	160 956	28 016	30 584	30 648
Disaster Management	17 740	8 000	7 000	-	6 500	10 000	-	-	-
Community participation in IDPs	2 000	2 000	-	-	-	-	-	-	-
Dev. Planning and Shared Serv	2 000	2 000	4 750	4 200	2 850	2 850	4 800	5 200	5 800
Sustainable Living Exhibition	-	1 000	1 000	-	-	-	-	-	-
Various	32 199	-	-	-	-	-	-	-	-
Vote 13 : Social Development	-	-	-	-	-	-	-	-	-
ECD infrastructure development	-	-	-	-	-	-	-	-	-
Vote 14 : Public Works	395 743	466 799	512 510	507 062	515 356	538 713	533 931	561 873	594 455
Property rates	395 743	466 799	512 510	507 062	515 356	538 713	533 931	561 873	594 455
Vote 15 : Arts and Culture	150 384	259 915	224 501	271 447	273 426	273 426	230 589	240 816	251 434
Art Centres (Operational costs)	1 562	1 639	1 729	1 815	2 587	2 587	3 822	4 044	4 278
Museum subsidies	10 049	9 593	8 181	7 935	8 142	8 142	8 887	9 353	9 819
Provincialisation of libraries	116 004	225 111	198 182	212 586	212 586	212 586	180 805	189 197	197 965
Community Library Services grant	22 769	23 572	16 409	49 111	50 111	50 111	37 075	38 222	39 372
Total	1 194 320	1 128 419	1 351 529	1 147 760	1 356 759	1 383 616	1 070 176	1 140 295	1 179 553

- The transfers under DOH show a varying trend, due to the provincialisation of municipal clinics. The majority of the municipal clinics were taken over by the department in 2011/12. The increases from 2013/14 onward are largely due to the commitment to assist clinics with pressures in the treatment of HIV and AIDS, the extension of hours of service, as well as to cater for an increase in neonatal services. The increase in 2014/15 mainly relates to the decision to provide additional funding to meet the health funding requirements of the clinics in the Metro. The substantial increase in the 2015/16 Adjusted Appropriation relates to expenditure of R70.250 million that was carried over from 2014/15, as well as an additional R30 million that was allocated to municipal clinics to strengthen their HIV and AIDS programme. The 2016/17 MTEF provides for transfers to eThekweni only.
- The transfers under DOHS relate mainly to the maintenance of R293 hostels in eThekweni, the CRU programme and the payment of arrear rates and taxes. Provision is also made for the accreditation of municipalities, as well as municipal rates and taxes.
- The significant transfers made by COGTA relate to Umzimkhulu Support, as well as projects such as Corridor Development, Massification, Small Town Rehabilitation, among others. Over the MTEF,

provision is made for transfers in respect of the Massification programme, as well as the Development Planning and Shared Services.

- The transfer under DSD relates to a once-off transfer made to the Umkhanyakude District Municipality for the Ndumo Learner Support Centre in respect of ECD infrastructure development.
- DOPW's transfers relate to the payment of property rates on government-owned land and buildings.
- The transfers under DAC reflect provision made to municipalities for museum subsidies, provincialisation of public libraries, Community Library Services grant and the operational costs of the art centres.

5.8 Personnel numbers and costs

Table 5.16 provides personnel numbers, by vote, as well as the total personnel costs for KZN.

Due to data updates of the equitable share formula, a declining provincial own revenue, as well as cuts implemented by NT as a result of the need to lower the expenditure ceiling across the country and to reprioritise to fund various national priorities that have recently arisen, the funding available to the province has been reduced. Provinces were also instructed that the baselines of provincial DOHs be protected in view of the impact that the exchange rate has had on the affordability of medicines, which are largely imported. In order to effect these cuts in the province, expenditure on *Compensation of employees* has been lowered by freezing the budget for vacant non-OSD posts. This explains the constant personnel numbers over the MTEF for most departments. Having said this, though, departments were given the flexibility to fill critical vacant posts as long as they remain within their reduced baselines. As such, this will be reviewed by most departments in-year.

It must be noted that some departments made amendments to prior year personnel numbers, as a result of restating prior year information.

Table 5.16 : Summary of personnel numbers and costs by vote¹

Personnel numbers	As at 31 March 2013	As at 31 March 2014	As at 31 March 2015	As at 31 March 2016	As at 31 March 2017	As at 31 March 2018	As at 31 March 2019
1. Office of the Premier	3 457	2 401	488	511	511	511	511
2. Provincial Legislature	234	220	223	225	225	225	225
3. Agriculture and Rural Development	3 897	4 056	3 826	2 922	2 957	2 957	2 957
4. Economic Development, Tourism and Enviro Affairs	567	627	687	662	671	671	671
5. Education	105 071	107 568	105 340	107 433	107 433	107 433	107 433
6. Provincial Treasury	525	569	520	560	560	560	560
7. Health	74 726	81 606	82 146	82 872	82 372	82 372	82 372
8. Human Settlements	745	827	787	824	837	842	843
9. Community Safety and Liaison	126	143	156	171	171	171	171
10. Sport and Recreation	1 586	1 493	1 349	1 417	715	430	430
11. Co-operative Governance and Traditional Affairs	1 482	1 659	1 650	1 979	1 982	1 988	1 999
12. Transport	4 023	3 880	4 014	4 762	4 762	4 762	4 762
13. Social Development	6 082	7 421	9 250	9 055	9 074	7 954	7 459
14. Public Works	2 062	2 060	1 886	1 852	1 952	1 952	1 952
15. Arts and Culture	465	527	517	644	644	644	644
Total	205 048	215 057	212 839	215 889	214 866	213 472	212 989
Total personnel cost (R thousand)	49 255 854	54 022 777	57 911 298	63 401 994	67 799 512	72 106 316	76 548 068
Unit cost (R thousand)	240	251	272	294	316	338	359

¹. Full-time equivalent

The personnel numbers of OTP do not include youth ambassadors from 2014/15 onward due to the department's decision not to continue with the Youth Ambassadors programme, which accounts for the decrease in personnel numbers. However, the permanent personnel numbers increase as a result of the organisational increase of the department, as well as the amalgamation of Vote 1 and 10.

With respect to DOE, personnel numbers decreased to 105 340 in March 2015 due to significant number of resignations and retirements in that year. The department has estimated the personnel affordability at 107 433 over the MTEF. It would appear that the budget reprioritisation process that started in 2014/15 yielded some results in terms of ensuring that the *Compensation of employees* budget fully funds the employees on the establishment. However, the personnel budget does not cater for all the personnel numbers currently on the system (PERSAL). The headcount project, which was jointly undertaken by

DOE and PT, is reaching finality and it is hoped that savings from this exercise may relieve spending pressures in the department's *Compensation of employees* budget.

DOH's staff numbers includes nurses and CCGs on the payroll from March 2013/14. The increase is largely due to the department placing student nurses and CCGs on the payroll. The department's staff numbers do not include personnel working at the Provincial Pharmacy Supply Depot and staff occupying sub-vented (shared costs) posts. DOH's staff numbers decline over the MTEF due to a reduced in-take of student nurses.

For DOSR, the total personnel numbers decrease substantially from 31 March 2016 to 31 March 2018 mainly due to the decrease in volunteers employed as a result of NDOSR's directive to minimise the use of volunteers by training teachers.

The low personnel numbers against COGTA in March 2013 are due to the slower than anticipated filling of posts as a result of the difficulty in finding suitable candidates, as well as resignations. The department has made provision for the filling of some critical vacant posts over the MTEF.

The personnel numbers of DSD show an increase over the period, attributable to the revision of the departmental structure in an attempt to cope with policy changes, such as the implementation of SCM and the district management model to improve service delivery. Also contributing to the escalating personnel costs are the increased number of social work staff, the social worker retention strategy (salary upgrades) and the annual salary improvements.

5.9 Information on training

Table 5.17 below provides a summary of the amounts spent by department on training.

Table 5.17 : Summary of provincial payments and estimates on training by vote

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2012/13	2013/14	2014/15	Appropriation	Appropriation	Estimate	2016/17	2017/18	2018/19
					2015/16				
1. Office of the Premier	28 548	3 125	2 626	7 800	7 070	7 070	4 516	4 545	4 982
2. Provincial Legislature	3 576	4 484	3 654	5 084	5 084	5 084	4 184	5 454	5 770
3. Agriculture and Rural Development	11 939	10 430	8 040	14 742	11 200	11 202	9 951	10 641	11 381
4. Economic Development, Tourism and Enviro Affairs	15 174	2 258	2 362	3 917	3 198	3 079	2 895	2 883	3 051
5. Education	71 976	53 837	106 981	189 579	189 579	189 579	201 492	214 655	227 104
6. Provincial Treasury	1 572	2 022	2 595	2 564	2 534	2 379	2 571	2 571	2 879
7. Health	901 968	1 012 752	1 051 400	1 104 853	1 104 853	1 104 853	1 163 410	1 221 581	1 292 433
8. Human Settlements	437	861	1 602	3 390	3 331	3 331	2 072	2 368	3 729
9. Community Safety and Liaison	884	12 385	10 107	4 520	2 966	2 966	2 200	2 076	2 197
10. Sport and Recreation	3 442	3 279	6 633	7 043	7 043	4 834	8 902	10 352	11 143
11. Co-operative Governance and Traditional Affairs	1 783	1 300	1 528	2 600	1 600	1 600	1 700	1 800	1 900
12. Transport	8 151	8 296	3 444	6 660	9 792	8 974	9 500	10 049	10 626
13. Social Development	4 903	2 653	3 083	7 098	7 098	6 320	3 005	3 365	3 720
14. Public Works	4 788	3 868	2 935	6 465	4 868	3 520	6 562	7 003	7 286
15. Arts and Culture	890	2 256	649	3 404	3 505	3 573	2 760	2 898	3 036
Total	1 060 031	1 123 806	1 207 639	1 369 719	1 363 721	1 358 364	1 425 720	1 502 241	1 591 236

DOH caters for medical interns, nurses, emergency medical rescue and ambulance personnel and skills development for all occupational categories. The department has several training programmes aimed at developing and retaining skills. These include training at Nursing Colleges, the Cuban Doctors' programme, as well as registrar training programmes in respect of specialist medical training.

With regard to DEDTEA, the bulk of the training budget caters for external bursaries for the Post-graduate Diploma and Masters in LED courses, and Diplomas in Co-operative Management.

The peak in training costs of DOE in 2012/13 is due to the changes in the curriculum. The steady increase over the 2016/17 MTEF will address the educators' skills gaps and improve the quality of education, through the availability of the in-service training centre.

DOT's costs on training relate to the Traffic Training College and the Technical Training Centre. The training is also in respect of Zibambele contractors relating to maintenance of the provincial roads, and learnerships and mentorship for the Vukuzakhe projects. The department reduced its training budget in

2014/15 in order to undertake in-house training and capacity building. The increase from 2015/16 is in line with the training needs of the staff.

Spending on training against DOPW reflects a fluctuating trend from 2012/13 to 2014/15 due to training and staff development costs. The decrease in 2014/15 is attributed to the centralisation of the external bursaries budget under OTP which was decentralised to the department in 2015/16. This also accounts for the spike in 2015/16.

The number of staff illustrated on Table 5.18 is higher than the personnel numbers reflected in Table 5.16 from March 2014 to March 2018 due to the inclusion of Members of the Legislature. Table 5.18 provides the number of staff affected by the various training programmes and initiatives, at a provincially aggregated level. It also includes a gender breakdown, an indication of the types of training, as well as details of the number of bursaries and learnerships.

Table 5.18 : Information on training

	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Number of staff	205 117	215 126	212 908	218 308	215 900	215 958	214 935	213 541	213 058
Number of personnel trained	33 878	21 116	50 120	57 703	57 418	57 268	60 428	64 322	68 801
of which									
Male	10 622	7 611	25 001	27 692	27 300	27 300	29 008	30 781	32 856
Female	23 256	13 505	25 119	30 011	30 118	29 968	31 420	33 524	35 907
Number of training opportunities	18 580	17 888	53 274	66 464	66 381	66 522	65 850	68 137	71 953
of which	-	-	-	-	-	-	-	-	-
Tertiary	2 126	2 370	4 618	5 263	5 274	5 211	5 261	5 517	5 807
Workshops	3 760	3 613	4 069	4 919	4 953	5 077	4 294	3 899	4 086
Seminars	417	371	595	662	667	747	737	800	812
Other	12 277	11 534	43 992	55 620	55 487	55 487	55 558	57 922	61 248
Number of bursaries offered	1 601	2 405	17 476	8 656	8 595	8 326	9 528	10 614	11 229
Number of interns appointed	1 078	873	1 325	1 180	1 279	1 290	1 369	1 499	1 565
Number of learnerships appointed	290	732	477	571	397	447	436	460	502
Number of days spent on training	8 605	8 675	7 613	8 414	9 033	7 158	5 318	4 364	4 418

6. MEASURING PERFORMANCE IN GOVERNMENT

DPME is now the lead department regarding the measuring of government performance. From 2015/16, the responsibility of collecting and assessing departments' non-financial data at provincial level has devolved from PT to the OTP. In addition, OTP is also now the responsible department for the assessment of SPs and APPs. Due to human resource capacity constraints within OTP, a protocol agreement between PT and OTP was signed whereby PT remains the point of delivery for non-financial quarterly inputs (QPR) and is responsible for the collation and submission of this data to DPME. The capacitation of OTP staff began in 2015/16, and will conclude in 2016/17. The protocol agreement will remain in effect until such time as OTP is fully functional in this regard.

SPs and APPs provide a basis for evaluating the organisational performance of public institutions. The QPR provides for monitoring the overall progress made with the implementation of the departments' performance plan, both on a quarterly and an annual basis, with particular reference to monitoring delivery against quarterly performance targets. The report provides the Executive Authority, DPME, NT, OTPs and PTs with information on performance against plans, and acts as an enabling mechanism that allows the accounting officer to track progress against what has been planned and what is actually achieved in the form of service delivery outputs. The information contained in the QPR is ultimately consolidated into the performance section of the departments' annual reports. The quarterly performance reports for the second and third quarters provide information on the present year's performance to be taken into consideration in the development of the APP and annual budget for the following year. From 2013/14, the QPR data for DOH, DSD and DARD is published in a national gazette quarterly. The QPR data for the remaining sectors is currently published quarterly by OTP on its website (www.kznpremier.gov.za).

The uniform budget and programme structures for departments are gazetted each year, as NT fulfils its Constitutional obligation and that of the PFMA to propose uniform budget and programme structures across all nine provinces for approval by the HODs and subsequent political endorsement. The collectively agreed uniform budget and programme structures are a joint project, involving the relevant provincial and national line function departments, and national and provincial treasuries. The agreed uniform budget and programme structures and the development of customised quarterly and annual performance measures, for most sectors, are significant steps toward improving the alignment of planning and budgeting on the one hand, and ensuring uniform reporting and greater comparability of efficiency, effectiveness and value for money between provinces on the other hand.

Uniform budget and programme structures for 2016/17 are applicable to DOE, DOH, DSD, PT, Legislature, OTP, DARD, DOHS, DCSL, DEDTEA, COGTA, DOSR, DAC, DOPW and DOT. The budget and programme structures for these remain unchanged. Note that OTP, DEDTEA, PT, DOPW and DAC do not fully comply with the uniform structure at this stage. Apart from deviations currently under discussion with NT in this regard, it must be noted that Gaming and Betting falls under PT and not DEDTEA and Heritage falls under OTP and not DAC, as required in the uniform structure.

During 2011/12, the A-G conducted a performance audit of a number of departments' and public entities' non-financial measures in order to determine the state of readiness of the province to comply with audit standards. Since then, the A-G has provided findings on non-financial, as well as financial records for each department and public entity as part of the annual audit process, and this will be continued in the 2015/16 audit. Part of the findings was that many of the measures did not meet the SMART principles, namely being specific, measurable, attainable, realistic and timely. Departments and public entities are encouraged to revisit all their measures (even sectoral measures) to ensure that they comply, in order to avoid negative audit opinions going forward.

Another area that was found to be weak was the amount of technical support provided by oversight departments such as PT and the OTP. This was addressed with additional workshops for strategic planning and monitoring and evaluation staff within departments and public entities. From 2015/16 onward, this function fell under the OTP with a new component dedicated to coordinating the planning and monitoring functions within the province, supported by PT.

ANNEXURE – OVERVIEW OF PROVINCIAL REVENUE AND EXPENDITURE

Table 1.A : Details of provincial own receipts

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19
Tax receipts	1 771 278	1 889 687	2 045 246	2 149 313	2 149 313	2 044 452	2 120 649	2 217 213	2 320 531
Casino taxes	383 056	421 355	467 319	556 890	556 890	466 336	478 167	510 227	545 111
Horse racing taxes	64 674	66 899	71 205	91 337	91 337	77 030	79 171	80 925	83 796
Liquor licences	4 927	5 110	25 596	20 086	20 086	20 086	27 577	28 898	30 574
Motor vehicle licences	1 318 621	1 396 323	1 481 126	1 481 000	1 481 000	1 481 000	1 535 734	1 597 163	1 661 050
Sale of goods and services other than capital asset	416 664	447 633	460 875	449 170	449 170	457 088	487 238	516 229	545 865
Sale of goods and services produced by dept. (excl. capital assets)	415 503	446 921	459 832	448 296	448 296	455 946	486 305	515 242	544 819
Sales by market establishments	30 616	37 398	35 945	49 670	49 670	39 682	44 233	46 882	48 813
Administrative fees	4 812	122 945	121 164	117 301	117 301	119 194	126 341	133 915	141 944
Other sales	380 075	286 578	302 723	281 325	281 325	297 070	315 731	334 445	354 063
of which									
Health patient fees	125 730	145 608	156 079	138 741	138 741	145 320	166 888	176 568	186 810
Tuition fees	2 973	4 686	8 017	8 823	8 823	8 740	7 763	8 057	9 347
Other	908	917	1 353	1 190	1 190	1 165	1 227	1 293	1 364
Sale of scrap, waste, arms and other used current goods (excluding capital assets)	1 161	712	1 043	874	874	1 142	933	987	1 046
Transfers received from:	1 060	-	-	-	-	1 405	-	-	-
Other governmental units	1 000	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	60	-	-	-	-	1 405	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	51 130	39 547	44 808	38 681	38 681	45 694	38 939	41 576	44 399
Interest, dividends and rent on land	274 164	262 846	313 851	284 874	284 874	359 080	303 280	318 457	336 938
Interest	273 783	262 582	313 527	284 650	284 650	358 598	302 897	318 045	336 495
Dividends	293	24	23	28	28	25	27	29	31
Rent on land	88	240	301	196	196	457	356	383	412
Sale of capital assets	63 076	31 147	48 899	18 760	18 760	25 434	24 006	29 586	26 751
Land and subsoil assets	36 121	9 607	14 009	10 000	10 000	3 900	12 000	12 600	13 230
Other capital assets	26 955	21 540	34 890	8 760	8 760	21 534	12 006	16 986	13 521
Transactions in financial assets and liabilities	92 168	101 330	235 316	54 348	54 348	304 194	57 656	60 511	63 956
Total	2 669 540	2 772 190	3 148 995	2 995 146	2 995 146	3 237 347	3 031 768	3 183 572	3 338 439

Overview of Provincial Revenue and Expenditure

Table 1.B : Details of payments and estimates by economic classification

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16	2015/16	2015/16	2016/17	2017/18	2018/19
Current payments	66 247 397	71 893 983	76 473 807	82 943 692	84 438 476	83 749 229	90 176 807	95 602 288	101 826 629
Compensation of employees	49 255 854	54 022 777	57 911 298	62 289 398	63 401 994	63 460 454	67 799 512	72 106 316	76 548 068
Salaries and wages	42 569 033	44 901 210	50 447 334	51 297 095	52 274 889	54 189 590	55 573 289	59 268 007	62 845 581
Social contributions	6 686 821	9 121 567	7 463 964	10 992 303	11 127 105	9 270 864	12 226 223	12 838 309	13 702 487
Goods and services	16 990 860	17 864 660	18 558 514	20 644 062	21 035 345	20 286 141	22 373 950	23 492 663	25 275 636
Administrative fees	26 012	35 330	24 364	36 127	29 379	33 882	30 624	30 765	29 421
Advertising	148 083	194 433	140 474	148 108	172 947	175 073	170 805	176 552	185 221
Assets less than capitalisation threshold	271 041	110 120	122 455	162 502	161 870	167 720	209 769	188 698	202 975
Audit cost: External	62 982	87 220	195 426	74 917	88 486	159 762	92 564	96 968	106 120
Bursaries: Employees	38 447	73 031	79 373	123 431	120 929	144 244	78 578	89 609	96 142
Catering: Departmental activities	133 638	146 986	151 261	135 843	135 922	114 888	134 501	146 959	155 872
Communication (G&S)	292 575	309 176	313 811	279 174	266 528	286 344	281 482	293 759	312 580
Computer services	474 738	546 928	530 743	625 455	685 012	644 959	654 766	640 348	672 913
Cons & prof serv: Business and advisory services	734 212	864 071	755 779	1 071 483	967 955	928 586	922 386	1 011 471	1 148 164
Cons & prof serv: Infras and planning	179 161	226 676	184 578	222 435	165 186	171 489	232 081	289 246	310 272
Cons & prof serv: Laboratory services	539 951	587 884	913 617	939 611	1 209 590	1 358 303	1 631 910	1 646 412	1 709 421
Cons & prof serv: Scientific and tech services	-	-	-	-	-	250	-	-	-
Cons & prof serv: Legal costs	49 258	70 116	72 902	65 364	57 633	185 092	62 846	63 403	66 929
Contractors	1 698 979	1 938 528	1 854 706	2 325 152	2 295 529	1 534 505	2 853 277	2 665 623	2 960 278
Agency and support / outsourced services	2 288 719	2 425 634	2 477 211	2 514 595	2 429 384	2 557 297	2 590 115	2 758 592	2 877 620
Entertainment	819	2 567	740	1 945	1 850	987	1 633	2 263	2 356
Fleet services (incl. govt motor transport)	382 111	356 477	522 433	493 160	502 146	531 784	512 650	534 767	567 078
Housing	-	8 006	-	-	-	-	-	-	-
Inventory: Clothing material and accessories	-	14 496	23 189	24 752	37 197	37 158	45 758	47 079	49 508
Inventory: Farming supplies	-	147 592	145 546	145 897	315 479	315 487	178 443	160 161	146 316
Inventory: Food and food supplies	105 686	119 026	121 365	135 447	127 102	128 082	135 287	158 654	167 851
Inventory: Fuel, oil and gas	260 325	308 392	171 442	167 834	154 205	178 419	161 959	167 416	177 281
Inventory: Learner and teacher support material	490 941	492 090	455 957	602 358	771 003	650 507	566 677	562 676	595 319
Inventory: Materials and supplies	109 679	118 571	132 628	156 365	175 116	134 072	173 999	182 073	192 137
Inventory: Medical supplies	1 285 569	1 340 288	1 511 591	1 558 744	1 528 460	1 406 029	1 573 053	1 819 039	1 987 667
Inventory: Medicine	2 363 384	2 442 498	2 412 220	3 013 270	3 038 571	2 963 681	3 135 057	3 015 239	4 300 520
Medasas inventory interface	-	-	3	-	-	-	-	-	-
Inventory: Other supplies	60 916	53 308	165 983	185 289	192 684	194 302	195 213	202 751	214 418
Consumable supplies	528 645	313 124	348 813	425 964	451 174	427 460	586 090	535 923	562 733
Consumable: Stationery, printing and office supplies	252 421	227 587	239 136	239 808	269 420	291 126	264 619	239 330	257 614
Operating leases	635 960	391 047	454 823	510 659	506 238	443 119	486 633	515 798	541 666
Property payments	1 655 274	1 828 463	1 967 886	1 825 938	1 968 837	1 997 181	2 207 460	2 260 387	2 376 233
Transport provided: Departmental activity	184 102	268 131	290 530	417 780	401 074	381 543	403 213	443 859	461 335
Travel and subsistence	762 310	829 618	789 711	827 636	799 594	791 192	724 224	730 712	776 548
Training and development	190 545	123 043	150 910	300 523	276 383	259 053	309 549	330 291	349 795
Operating payments	200 170	162 763	215 410	293 760	332 576	318 037	334 076	325 685	335 031
Venues and facilities	199 163	201 397	189 601	137 157	185 267	182 831	127 893	138 472	145 329
Rental and hiring	385 044	400 044	431 897	455 579	214 979	191 698	304 760	221 683	234 973
Interest and rent on land	683	6 547	3 995	10 232	1 137	2 634	3 345	3 309	2 924
Interest	626	6 147	3 932	10 232	971	1 999	3 274	3 234	2 845
Rent on land	57	400	63	-	166	635	71	75	79
Transfers and subsidies to	9 764 582	11 420 899	12 054 854	11 049 595	11 986 342	11 937 111	10 820 225	12 004 799	12 667 527
Provinces and municipalities	1 204 307	1 139 824	1 365 703	1 161 263	1 371 651	1 397 681	1 084 929	1 156 338	1 196 467
Provinces	9 987	11 405	14 140	13 503	14 879	14 052	14 715	16 003	16 872
Provincial Revenue Funds	369	269	325	193	210	238	223	246	244
Provincial agencies and funds	9 618	11 136	13 815	13 310	14 669	13 814	14 492	15 757	16 628
Municipalities	1 194 320	1 128 419	1 351 563	1 147 760	1 356 772	1 383 629	1 070 214	1 140 335	1 179 595
Municipalities	1 175 076	1 117 943	1 330 559	1 146 277	1 355 509	1 382 366	1 064 176	1 140 295	1 179 593
Municipal agencies and funds	19 244	10 476	21 004	1 483	1 263	1 263	6 038	40	42
Departmental agencies and accounts	1 824 199	1 847 630	1 962 753	2 042 536	2 108 951	2 116 720	1 846 560	1 961 318	2 070 760
Social security funds	1	7	6	101	88	65	102	75	73
Entities receiving funds	1 824 198	1 847 623	1 962 747	2 042 435	2 108 863	2 116 655	1 846 458	1 961 243	2 070 687
Higher education institutions	57	501	3 046	-	2 000	2 000	8 500	8 925	9 442
Foreign governments and international organisations	233	221	207	207	207	207	217	228	241
Public corporations and private enterprises	1 214 377	1 396 597	1 699 664	1 403 882	1 745 831	1 612 171	1 389 254	1 428 312	1 483 772
Public corporations	1 190 564	1 306 881	1 438 987	1 390 556	1 556 710	1 423 480	1 321 172	1 384 547	1 438 181
Subsidies on production	808 877	914 416	984 952	1 058 000	1 058 000	924 766	1 011 045	1 071 439	1 121 506
Other transfers	381 687	392 465	454 035	332 556	498 710	498 714	310 127	313 108	316 675
Private enterprises	23 813	89 716	260 677	13 326	189 121	188 691	68 082	43 765	45 591
Subsidies on production	-	-	-	-	-	-	-	-	-
Other transfers	23 813	89 716	260 677	13 326	189 121	188 691	68 082	43 765	45 591
Non-profit institutions	2 487 457	3 324 185	3 021 878	3 101 029	3 101 757	3 099 926	3 232 372	3 451 256	3 620 303
Households	3 033 952	3 711 942	4 001 603	3 340 678	3 655 945	3 708 406	3 258 393	3 998 422	4 286 542
Social benefits	209 315	249 106	365 838	208 744	268 344	309 183	232 146	241 713	255 926
Other transfers to households	2 824 637	3 462 836	3 635 765	3 131 934	3 387 601	3 399 223	3 026 247	3 756 709	4 030 616
Payments for capital assets	8 520 531	8 186 603	8 229 669	7 728 031	8 034 729	9 069 610	7 771 970	7 887 531	8 129 804
Buildings and other fixed structures	7 508 265	7 523 677	7 524 475	6 977 955	7 161 766	8 280 602	6 819 032	6 737 546	6 910 101
Buildings	4 443 817	4 255 783	3 566 301	3 843 545	3 785 331	3 833 626	3 531 843	3 259 419	3 342 839
Other fixed structures	3 064 448	3 267 894	3 958 174	3 134 410	3 376 435	4 446 976	3 287 189	3 478 127	3 567 262
Machinery and equipment	958 517	630 393	665 708	729 732	855 900	770 509	931 253	1 129 529	1 198 939
Transport equipment	341 188	237 599	362 908	375 424	446 672	423 938	425 555	417 767	449 450
Other machinery and equipment	617 329	392 794	302 800	354 308	409 228	346 571	505 698	711 762	749 489
Heritage assets	10 794	4 659	2 608	4 200	2 659	2 659	4 500	4 555	4 819
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	9 542	474	145	606	42	42	636	668	707
Land and sub-soil assets	7 018	-	23 000	-	-	-	-	-	-
Software and other intangible assets	26 395	27 400	13 733	15 538	14 362	15 798	16 549	15 233	15 238
Payments for financial assets	11 012	38 511	5 983	157 598	158 041	160 676	159 249	139 501	252
Total	84 543 522	91 539 995	96 764 313	101 878 916	104 617 588	104 916 626	108 928 251	115 634 119	122 624 211
Statutory payments	67 160	71 095	82 094	82 321	74 321	74 321	77 790	80 343	85 003
Total (including statutory payments)	84 610 682	91 611 090	96 846 407	101 961 237	104 691 909	104 990 947	109 006 041	115 714 462	122 709 214
Unauth. Exp. (1st charge) not available for spending	(1 800)	(2 500)	(2 500)	(157 598)	(157 598)	(157 598)	(157 055)	(139 501)	-
Baseline available for spending after 1st charge	84 608 882	91 608 590	96 843 907	101 803 639	104 534 311	104 833 349	108 848 986	115 574 961	122 709 214

Table 1.C : Information relating to conditional grants

Vote and Grant	2012/13				2013/14				2014/15				2015/16				Medium-term Estimates			
	Adjusted Appropriation	Actual Transfer	Audited Expenditure	Adjusted Appropriation	Actual Transfer	Audited Expenditure	Adjusted Appropriation	Actual Transfer	Audited Expenditure	Adjusted Appropriation	Revised Transfer Estimate	Revised Exp Estimate	Adjusted Appropriation	Revised Transfer Estimate	Revised Exp Estimate	2016/17	2017/18	2018/19		
R thousand																				
Vote 3 : Agriculture and Rural Development																				
Comprehensive Agricultural Support Programme grant	268 440	263 673	272 480	287 036	287 036	264 586	342 760	342 760	319 760	308 525	308 525	308 525	308 525	308 525	308 525	300 503	314 398	332 751		
Ilmalletsema Projects grant	183 726	183 726	183 726	202 522	202 522	202 522	212 632	212 632	212 632	228 161	228 161	228 161	228 161	228 161	228 161	222 155	235 712	249 472		
Land Care Programme grant	63 000	63 000	63 000	65 768	65 768	42 768	115 093	115 093	92 093	69 402	69 402	69 402	69 402	69 402	69 402	71 263	67 356	71 263		
EPWP Integrated Grant for Provinces	21 714	16 947	9 708	18 746	18 746	18 746	4 181	4 181	4 181	2 286	2 286	2 286	2 286	2 286	2 286	3 840	11 330	12 016		
Vote 4 : Economic Development, Tourism and Enviro Affairs																				
EPWP Integrated Grant for Provinces	10 708	10 708	10 708	550	550	550	16 827	16 827	13 120	9 599	9 599	9 599	9 599	9 599	9 599	6 927	-	-		
Vote 5 : Education																				
Education Infrastructure grant	2 700 002	2 700 002	2 609 393	2 713 125	2 713 125	2 665 918	2 832 290	2 832 290	2 847 881	3 395 026	3 395 026	3 395 026	3 395 026	3 395 026	3 395 026	3 459 225	3 386 987	3 381 387		
HIV and AIDS (Life-Skills Education) grant	1 413 001	1 413 001	1 423 000	1 306 421	1 306 421	1 306 421	1 385 781	1 385 781	1 385 781	1 978 683	1 978 683	1 978 683	1 978 683	1 978 683	1 978 683	1 959 321	1 843 980	1 948 887		
National School Nutrition Programme (NSNP) grant	46 806	46 806	49 954	38 907	38 907	19 348	71 820	71 820	85 683	50 588	50 588	50 588	50 588	50 588	50 588	53 096	56 115	59 389		
Maths, Science and Technology grant	1 179 358	1 179 358	1 085 489	1 299 705	1 299 705	1 293 939	1 253 300	1 253 300	1 253 708	1 287 034	1 287 034	1 287 034	1 287 034	1 287 034	1 287 034	1 355 247	1 423 009	1 505 544		
OSD for Education Sector Therapists grant	59 837	59 837	50 055	65 092	65 092	54 870	74 291	74 291	75 610	59 988	59 988	59 988	59 988	59 988	59 988	62 453	63 883	67 587		
Social Sector EPWP Incentive Grant for Provinces	-	-	-	-	-	-	41 581	41 581	5 518	13 079	13 079	13 079	13 079	13 079	13 079	27 318	-	-		
EPWP Integrated Grant for Provinces	1 000	1 000	895	3 000	3 000	1 340	2 937	2 937	-	2 644	2 644	2 644	2 644	2 644	2 644	2 790	-	-		
Vote 7 : Health																				
Health Professions Training and Development grant	5 023 849	5 023 849	5 006 698	5 444 245	5 444 245	5 435 051	6 434 734	6 434 734	6 433 533	6 905 046	6 905 046	6 905 046	6 905 046	6 905 046	6 905 046	7 302 804	8 013 983	8 899 603		
Health Facility Revitalisation grant	261 860	261 860	261 860	276 262	276 262	276 262	292 837	292 837	292 847	293 513	293 513	293 513	293 513	293 513	293 513	312 377	331 943	351 196		
National Tertiary Services grant	1 176 452	1 176 452	1 176 514	1 072 531	1 072 531	1 072 529	1 362 469	1 362 469	1 362 469	1 239 775	1 239 775	1 239 775	1 239 775	1 239 775	1 239 775	1 114 683	1 095 910	1 153 707		
Comprehensive HIV, AIDS and TB grant	1 323 114	1 323 114	1 323 114	1 415 731	1 415 731	1 415 743	1 496 427	1 496 427	1 496 426	1 530 246	1 530 246	1 530 246	1 530 246	1 530 246	1 530 246	1 596 286	1 696 266	1 794 649		
Human Papillomavirus Vaccine grant	2 225 423	2 225 423	2 225 423	2 652 072	2 652 072	2 651 997	3 257 992	3 257 992	3 258 231	3 812 972	3 812 972	3 812 972	3 812 972	3 812 972	3 812 972	4 244 243	4 889 864	5 555 075		
Social Sector EPWP Incentive Grant for Provinces	-	-	-	-	-	-	2 580	2 580	2 580	13 000	13 000	13 000	13 000	13 000	13 000	-	-	-		
EPWP Integrated Grant for Provinces	1 000	1 000	1 000	3 000	3 000	3 000	2 581	2 581	2 581	3 682	3 682	3 682	3 682	3 682	3 682	7 122	-	-		
National Health Insurance grant	33 000	33 000	17 115	24 649	24 649	15 520	19 848	19 848	18 399	15 857	15 857	15 857	15 857	15 857	15 857	15 083	-	-		
AFCON: Medical Services grant	3 000	3 000	1 672	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Vote 8 : Human Settlements																				
Human Settlements Development grant	2 915 297	2 915 297	3 105 048	3 335 584	3 335 584	3 309 243	3 509 045	3 509 045	3 509 045	3 242 055	3 242 055	3 242 055	3 242 055	3 242 055	3 242 055	3 139 896	3 843 228	4 092 224		
Housing Disaster Relief grant	2 915 297	2 915 297	3 077 411	3 332 584	3 332 584	3 309 243	3 509 045	3 509 045	3 509 045	3 235 475	3 235 475	3 235 475	3 235 475	3 235 475	3 235 475	3 124 702	3 843 228	4 092 224		
EPWP Integrated Grant for Provinces	-	-	-	-	-	-	-	-	-	6 580	6 580	6 580	6 580	6 580	6 580	15 194	-	-		
Vote 9 : Community Safety and Liaison																				
Social Sector EPWP Incentive Grant for Provinces	1 673	1 673	792	5 369	5 369	3 758	2 580	2 580	2 580	1 000	1 000	1 000	1 000	1 000	1 000	11 043	-	-		
Vote 10 : Sport and Recreation																				
Mass Participation and Sport Development grant	91 548	91 548	91 548	84 760	84 760	84 760	96 354	96 354	93 665	93 633	93 633	93 633	93 633	93 633	93 633	99 019	95 778	101 143		
EPWP Integrated Grant for Provinces	90 548	90 548	90 548	79 883	79 883	79 883	86 194	86 194	83 505	90 131	90 131	90 131	90 131	90 131	90 131	90 785	95 778	101 143		
Social Sector EPWP Incentive Grant for Provinces	1 000	1 000	1 000	550	550	550	2 102	2 102	2 102	2 000	2 000	2 000	2 000	2 000	2 000	6 234	-	-		
Vote 11 : Co-op, Governance and Traditional Affairs																				
EPWP Integrated Grant for Provinces	-	-	-	-	-	-	3 471	3 471	3 471	4 119	4 119	4 119	4 119	4 119	4 119	3 667	-	-		
Vote 12 : Transport																				
Public Transport Operations grant	2 373 740	2 373 740	2 393 661	2 464 340	2 464 340	2 464 340	2 752 384	2 752 384	2 752 384	2 759 623	2 759 623	2 759 623	2 759 623	2 759 623	2 759 623	2 992 478	3 110 391	3 278 733		
EPWP Integrated Grant for Provinces	808 279	808 279	808 279	852 325	852 325	852 325	904 783	904 783	904 783	924 766	924 766	924 766	924 766	924 766	924 766	1 011 045	1 071 439	1 121 506		
Provincial Roads Maintenance grant	64 290	64 290	84 211	88 487	88 487	88 487	59 443	59 443	59 443	55 602	55 602	55 602	55 602	55 602	55 602	56 085	2 038 952	2 157 227		
Vote 13 : Social Development																				
Social Sector EPWP Incentive grant	-	-	674	14 610	14 610	14 610	5 746	5 746	5 746	3 000	3 000	3 000	3 000	3 000	3 000	3 958	92 380	144 948		
EPWP Integrated Grant for Provinces	-	-	-	-	-	-	3 746	3 746	3 746	3 000	3 000	3 000	3 000	3 000	3 000	3 958	-	-		
Early Childhood Development grant	-	-	-	-	-	-	2 000	2 000	2 000	-	-	-	-	-	-	-	92 380	144 948		
Vote 14 : Public Works																				
Devolution of Property Rate Funds Grant	552 608	552 608	407 735	3 000	3 000	3 000	3 168	3 168	3 167	3 056	3 056	3 056	3 056	3 056	3 056	4 471	-	-		
EPWP Integrated Grant for Provinces	551 700	551 700	402 443	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Vote 15 : Arts and Culture																				
Community Library Services grant	48 619	48 619	49 180	63 695	63 695	64 472	122 754	122 754	108 428	173 041	173 041	173 041	173 041	173 041	173 041	165 162	175 404	185 322		
EPWP Integrated Grant for Provinces	48 619	48 619	48 633	63 145	63 145	63 145	122 754	122 754	108 428	171 641	171 641	171 641	171 641	171 641	171 641	163 162	175 404	185 322		
Total																				
	13 986 484	13 981 717	13 947 917	14 416 314	14 416 314	14 310 288	16 122 113	16 122 113	16 092 780	16 897 722	16 897 723	16 897 723	16 897 723	16 897 723	16 897 723	17 489 153	19 032 549	20 616 111		

Table 1.D : Summary of provincial infrastructure payments and estimates by category and Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
Maintenance and repair: Current									
Vote 1: Office of the Premier	3 528	-	-	640	640	-	1 171	882	123
Vote 2: Provincial Legislature	1 943	7 157	6 532	4 050	4 050	4 050	4 095	4 170	4 000
Vote 3: Agriculture and Rural Development	21 639	22 829	24 199	25 312	25 312	25 312	26 654	28 067	29 696
Vote 4: Economic Dev, Tourism and Enviro Affairs	-	-	-	-	-	-	-	-	-
Vote 5: Education	253 554	194 530	194 504	214 383	214 383	177 194	220 526	235 000	235 000
Vote 6: Provincial Treasury	-	-	-	-	-	-	-	-	-
Vote 7: Health	439 636	325 401	354 977	363 758	317 202	338 410	440 294	356 002	413 809
Vote 8: Human Settlements	-	-	-	-	-	-	-	-	-
Vote 9: Community Safety and Liaison	-	-	-	-	-	-	-	-	-
Vote 10: Sport and Recreation	157	-	-	-	-	-	-	-	-
Vote 11: COGTA	-	-	-	-	-	-	-	-	-
Vote 12: Transport	2 666 236	2 709 259	2 830 486	3 564 126	3 323 126	2 438 927	3 644 108	3 720 355	4 071 705
Vote 13: Social Development	16 139	21 655	24 199	17 057	17 057	22 731	16 424	17 260	18 261
Vote 14: Public Works	11 113	9 370	10 514	6 000	6 052	6 723	6 300	4 400	4 000
Vote 15: Arts and Culture	-	-	-	-	-	800	2 000	2 000	2 000
Sub-total: Maintenance and repair: Current	3 413 945	3 290 201	3 445 411	4 195 326	3 907 822	3 014 147	4 361 572	4 368 136	4 778 594
Upgrades and additions: Capital									
Vote 1: Office of the Premier	-	-	-	3 212	9 112	9 412	-	-	-
Vote 2: Provincial Legislature	2 853	4 181	2 055	850	2 350	2 350	395	940	995
Vote 3: Agriculture and Rural Development	-	-	3 228	-	6 487	6 487	-	-	-
Vote 4: Economic Dev, Tourism and Enviro Affairs	-	-	-	-	-	-	-	-	-
Vote 5: Education	987 291	1 297 566	1 025 411	854 838	1 136 734	1 262 437	923 799	732 161	836 859
Vote 6: Provincial Treasury	-	-	-	-	-	-	-	-	-
Vote 7: Health	1 015 627	840 089	633 455	402 569	481 643	530 636	360 261	684 098	732 427
Vote 8: Human Settlements	-	-	-	-	-	-	-	-	-
Vote 9: Community Safety and Liaison	-	-	-	-	-	-	-	-	-
Vote 10: Sport and Recreation	-	-	-	-	-	-	-	-	-
Vote 11: COGTA	-	-	18	-	-	-	-	-	-
Vote 12: Transport	1 738 910	1 846 882	2 516 597	1 635 559	1 835 559	2 769 197	1 733 498	1 840 695	1 831 510
Vote 13: Social Development	8 861	37 327	15 839	13 781	27 074	28 907	14 746	15 483	16 381
Vote 14: Public Works	52 057	51 467	58 122	31 937	31 937	45 094	31 506	35 532	18 635
Vote 15: Arts and Culture	9 438	10 588	4 170	7 500	4 500	4 500	7 500	4 000	6 500
Sub-total: Upgrading and additions: Capital	3 815 037	4 088 100	4 258 895	2 950 246	3 535 396	4 659 020	3 071 705	3 312 909	3 443 307
Refurbishment and rehabilitation: Capital									
Vote 1: Office of the Premier	12 743	24 272	8 553	727	1 027	727	1 937	2 034	2 152
Vote 2: Provincial Legislature	-	-	-	-	-	-	-	-	-
Vote 3: Agriculture and Rural Development	59 978	65 272	26 991	75 413	55 976	55 976	81 351	52 905	55 453
Vote 4: Economic Dev, Tourism and Enviro Affairs	-	-	-	-	-	-	-	-	-
Vote 5: Education	444 754	412 699	590 756	982 776	682 776	408 415	920 686	747 139	670 657
Vote 6: Provincial Treasury	-	-	-	-	-	-	-	-	-
Vote 7: Health	220 027	315 337	271 159	158 958	184 771	164 598	154 800	153 782	166 447
Vote 8: Human Settlements	-	-	-	-	-	-	-	-	-
Vote 9: Community Safety and Liaison	-	-	-	-	-	-	-	-	-
Vote 10: Sport and Recreation	-	-	-	-	-	-	-	-	-
Vote 11: COGTA	5 955	13 560	4 665	11 431	21 274	21 274	21 596	22 674	23 450
Vote 12: Transport	736 296	798 697	760 940	981 867	981 867	981 867	948 079	995 490	1 053 240
Vote 13: Social Development	15 974	16 873	35 889	20 000	27 721	24 127	23 000	22 932	24 262
Vote 14: Public Works	11 442	19 012	18 116	16 043	15 991	15 702	18 903	14 171	20 390
Vote 15: Arts and Culture	4 963	5 165	3 831	1 279	6 436	6 436	-	-	7 500
Sub-total: Refurbishment and rehabilitation: Capital	1 512 132	1 670 887	1 720 900	2 248 494	1 977 839	1 679 122	2 170 352	2 011 127	2 023 551

Table 1.D : Summary of provincial infrastructure payments and estimates by category and Vote (continued)

Table 1.D : Summary of provincial infrastructure payments and estimates by category and vote (continued)									
R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15	2015/16			2016/17	2017/18	2018/19
New infrastructure assets: Capital									
Vote 1: Office of the Premier	-	-	1 496	15 690	-	-	-	-	-
Vote 2: Provincial Legislature	-	-	-	-	-	-	-	-	-
Vote 3: Agriculture and Rural Development	95 105	68 192	152 595	40 031	96 912	96 912	54 839	57 591	61 355
Vote 4: Economic Dev, Tourism and Enviro Affairs	-	-	28	-	-	10	-	-	-
Vote 5: Education	1 031 326	648 989	401 702	452 038	452 038	648 501	387 118	406 405	451 827
Vote 6: Provincial Treasury	-	-	-	-	-	-	-	-	-
Vote 7: Health	654 434	475 909	395 254	578 921	527 131	483 982	581 160	579 801	560 854
Vote 8: Human Settlements	1 009	6 799	67 455	12 500	12 500	12 500	31 454	-	-
Vote 9: Community Safety and Liaison	-	312	-	-	500	500	-	-	-
Vote 10: Sport and Recreation	15 078	29 001	40 175	36 314	33 314	33 314	47 609	48 480	49 137
Vote 11: COGTA	18 270	25 509	37 006	66 800	55 327	55 327	55 000	39 000	48 000
Vote 12: Transport	426 008	451 092	398 083	368 517	368 517	499 773	445 855	506 855	541 320
Vote 13: Social Development	132 572	127 884	76 225	102 100	87 287	89 775	83 531	97 076	102 460
Vote 14: Public Works	13 387	4 294	22 010	23 393	23 393	10 525	15 909	16 522	27 200
Vote 15: Arts and Culture	21 059	27 072	46 013	79 700	87 599	87 599	74 500	111 780	71 690
Sub-total: New infrastructure assets: Capital	2 408 248	1 865 053	1 638 042	1 776 005	1 744 519	2 018 719	1 776 975	1 863 510	1 913 843
Infrastructure transfers: Current									
Vote 1: Office of the Premier	-	-	-	-	-	-	-	-	-
Vote 2: Provincial Legislature	-	-	-	-	-	-	-	-	-
Vote 3: Agriculture and Rural Development	-	-	-	-	-	-	-	-	-
Vote 4: Economic Dev, Tourism and Enviro Affairs	-	-	-	-	-	-	-	-	-
Vote 5: Education	-	-	-	-	-	-	-	-	-
Vote 6: Provincial Treasury	-	-	-	-	-	-	-	-	-
Vote 7: Health	-	22	-	-	-	-	-	-	-
Vote 8: Human Settlements	-	-	-	-	-	-	-	-	-
Vote 9: Community Safety and Liaison	-	-	-	-	-	-	-	-	-
Vote 10: Sport and Recreation	4 950	3 300	3 300	1 650	1 650	1 650	2 000	1 650	1 650
Vote 11: Co-operative Governance and Traditional Affa	-	-	-	-	-	-	-	-	-
Vote 12: Transport	-	-	-	-	-	-	-	-	-
Vote 13: Social Development	-	-	-	-	-	-	-	-	-
Vote 14: Public Works	-	-	-	-	-	-	-	-	-
Vote 15: Arts and Culture	-	-	-	-	800	-	-	-	-
Sub-total: Infrastructure transfers: Current	4 950	3 322	3 300	1 650	2 450	1 650	2 000	1 650	1 650
Infrastructure transfers: Capital									
Vote 1: Office of the Premier	-	-	-	-	-	-	-	-	-
Vote 2: Provincial Legislature	-	-	-	-	-	-	-	-	-
Vote 3: Agriculture and Rural Development	-	6 000	2 000	-	-	-	-	-	-
Vote 4: Economic Dev, Tourism and Enviro Affairs	415 613	559 655	540 747	660 015	632 186	632 186	463 691	493 524	530 513
Vote 5: Education	-	-	-	-	-	-	-	-	-
Vote 6: Provincial Treasury	28 012	21 085	31 665	10 062	10 280	10 280	-	-	-
Vote 7: Health	20 000	20 000	-	-	-	-	-	-	-
Vote 8: Human Settlements	115 000	40 384	57 467	148 400	148 741	148 741	85 792	90 172	90 172
Vote 9: Community Safety and Liaison	-	-	-	-	-	-	-	-	-
Vote 10: Sport and Recreation	13 650	18 165	18 900	40 000	20 000	20 000	10 000	10 000	-
Vote 11: COGTA	-	-	-	-	-	-	-	-	-
Vote 12: Transport	-	-	-	-	-	-	-	-	-
Vote 13: Social Development	-	-	-	-	-	-	-	-	-
Vote 14: Public Works	-	-	-	-	-	-	-	-	-
Vote 15: Arts and Culture	18 176	-	2 452	30 000	30 000	30 000	15 000	15 250	15 262
Sub-total: Infrastructure transfers: Capital	610 451	665 289	653 231	888 477	841 207	841 207	574 483	608 946	635 947
Infrastructure transfers: Leases									
Vote 1: Office of the Premier	-	-	-	-	-	-	-	-	-
Vote 2: Provincial Legislature	-	-	-	-	-	-	-	-	-
Vote 3: Agriculture and Rural Development	-	-	-	-	-	-	-	-	-
Vote 4: Economic Dev, Tourism and Enviro Affairs	-	-	-	-	-	-	-	-	-
Vote 5: Education	-	-	-	-	-	-	-	-	-
Vote 6: Provincial Treasury	-	-	-	-	-	-	-	-	-
Vote 7: Health	-	-	-	-	-	-	-	-	-
Vote 8: Human Settlements	17 684	19 151	20 000	-	21 390	21 390	21 285	22 301	23 542
Vote 9: Community Safety and Liaison	-	-	-	-	-	-	-	-	-
Vote 10: Sport and Recreation	-	-	-	-	-	-	-	-	-
Vote 11: COGTA	-	-	-	-	-	-	-	-	-
Vote 12: Transport	-	-	-	-	-	-	-	-	-
Vote 13: Social Development	-	-	-	-	-	-	-	-	-
Vote 14: Public Works	-	-	-	-	-	-	-	-	-
Vote 15: Arts and Culture	-	-	-	-	-	-	-	-	-
Sub-total: Infrastructure transfers: Leases	17 684	19 151	20 000	-	21 390	21 390	21 285	22 301	23 542
Total	11 782 447	11 602 003	11 739 780	12 060 197	12 030 622	12 235 254	11 978 372	12 188 579	12 820 434

Table 1.E : Summary of transfers to municipalities

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2012/13	2013/14	2014/15	Appropriation	Appropriation	Estimate	2016/17	2017/18	2018/19
A KZN2000 eThekweni	399 547	484 868	517 367	634 799	723 009	737 944	594 375	638 617	652 777
Total: Ugu Municipalities	52 507	62 312	52 421	53 921	48 641	48 577	35 971	46 123	48 733
B KZN211 Vulamehlo	2 114	2 076	308	9 714	9 714	9 714	421	1 783	1 886
B KZN212 Umdoni	5 387	5 025	8 113	6 315	6 315	7 251	6 422	6 659	7 014
B KZN213 Umzumbe	1 932	2 752	9 457	11 894	11 894	11 894	3 075	11 115	12 121
B KZN214 uMuziwabantu	8 228	11 515	3 524	5 067	5 067	5 067	3 608	5 560	5 877
B KZN215 Ezingolweni	1 209	2 566	2 010	962	962	962	943	1 025	1 079
B KZN216 Hibiscus Coast	20 807	14 438	24 699	19 719	14 439	13 439	15 102	19 581	20 256
C DC21 Ugu District Municipality	12 830	23 940	4 310	250	250	250	6 400	400	500
Total: uMgungundlovu Municipalities	145 812	197 392	197 355	122 641	136 889	139 241	110 628	130 315	137 526
B KZN221 uMshwathi	5 978	7 303	9 155	17 560	17 560	17 560	6 532	19 678	20 812
B KZN222 uMngeni	12 529	25 001	51 020	10 492	10 492	10 492	9 146	11 438	12 079
B KZN223 Mpofana	1 373	1 259	6 111	1 199	1 199	1 604	1 225	1 279	1 345
B KZN224 Impendle	6 044	10 661	1 476	986	986	1 426	1 579	1 060	1 116
B KZN225 Msunduzi	92 390	117 208	111 163	89 697	103 695	104 807	88 685	93 497	98 566
B KZN226 Mkhambathini	977	1 244	681	1 374	1 874	1 874	1 654	1 973	2 068
B KZN227 Richmond	2 610	9 820	1 395	1 083	1 083	1 478	1 407	990	1 040
C DC22 uMgungundlovu District Municipality	23 911	24 896	16 354	250	-	-	400	400	500
Total: Uthukela Municipalities	97 607	66 339	70 168	52 582	70 865	65 118	62 877	57 400	60 427
B KZN232 Emnambithi/Ladysmith	34 194	36 018	28 348	23 704	21 487	19 336	25 891	25 922	27 184
B KZN233 Indaka	1 313	1 815	2 191	2 473	2 473	4 002	2 524	2 594	2 739
B KZN234 Umtshezi	15 821	14 470	18 334	16 117	16 117	13 171	16 849	17 674	18 682
B KZN235 Okhahlamba	14 452	12 076	17 434	6 116	26 116	22 782	12 413	6 710	7 091
B KZN236 Imbabazane	2 093	1 960	3 611	3 922	4 422	5 577	4 000	4 100	4 331
C DC23 Uthukela District Municipality	29 734	-	250	250	250	250	1 200	400	400
Total: Umzinyathi Municipalities	46 537	33 071	85 245	60 154	121 154	118 992	50 758	53 833	53 973
B KZN241 Endumeni	9 811	12 401	16 944	21 214	21 214	20 487	12 253	12 917	13 598
B KZN242 Nquthu	9 593	10 832	24 396	18 459	24 459	23 147	19 283	18 992	18 867
B KZN244 Msinga	4 241	4 271	5 307	5 413	5 413	4 661	5 523	5 653	5 976
B KZN245 Umvoti	6 487	5 088	31 353	14 568	64 568	65 197	13 299	15 271	14 932
C DC24 Umzinyathi District Municipality	16 405	479	7 245	500	5 500	5 500	400	1 000	600
Total: Amajuba Municipalities	79 205	19 719	63 053	24 039	21 477	23 241	23 819	25 412	26 531
B KZN252 Newcastle	31 159	14 119	19 740	15 450	12 888	13 716	14 944	16 106	16 725
B KZN253 eMadlangeni	2 340	3 855	4 859	3 603	3 603	2 802	3 523	3 611	3 815
B KZN254 Dannhauser	26 787	1 745	37 454	4 736	4 736	6 473	4 952	5 195	5 491
C DC25 Amajuba District Municipality	18 919	-	1 000	250	250	250	400	500	500
Total: Zululand Municipalities	94 944	50 865	81 339	46 070	56 820	57 704	55 613	53 608	56 651
B KZN261 eDumbe	5 331	3 370	9 602	4 352	4 352	4 352	3 573	4 395	4 644
B KZN262 uPhongolo	15 438	7 909	11 339	4 655	14 655	14 655	11 614	4 878	5 153
B KZN263 Abaqulusi	21 161	20 178	20 971	9 595	10 345	11 229	10 296	10 781	11 343
B KZN265 Nongoma	2 976	4 310	6 670	5 973	5 973	5 973	6 251	6 559	6 934
B KZN266 Ulundi	9 684	12 863	30 778	19 430	19 430	19 430	21 568	24 073	25 438
C DC26 Zululand District Municipality	40 354	2 235	1 979	2 065	2 065	2 065	2 311	2 922	3 139
Total: Umkhanyakude Municipalities	53 135	26 827	39 997	31 452	40 852	41 214	30 223	32 935	34 875
B KZN271 Umhlabyalingana	8 392	10 403	13 982	11 838	21 838	21 175	13 390	12 982	13 724
B KZN272 Jozini	8 255	4 934	7 375	6 562	7 062	7 097	6 692	6 849	7 240
B KZN273 The Big Five False Bay	1 797	2 547	2 510	2 777	2 777	2 777	3 006	3 086	3 259
B KZN274 Hlabisa	2 549	3 163	1 945	4 147	4 147	5 147	1 616	4 336	4 581
B KZN275 Mtubatuba	3 694	4 780	8 135	5 028	5 028	5 018	5 119	5 282	5 571
C DC27 Umkhanyakude District Municipality	28 448	1 000	6 050	1 100	-	-	400	400	500
Total: uThungulu Municipalities	96 458	85 193	68 863	39 596	42 573	53 242	48 566	44 367	46 746
B KZN281 Mbonambi	3 602	3 832	5 736	1 243	1 243	1 243	1 817	2 018	2 112
B KZN282 uMhlathuze	64 764	42 522	37 603	19 234	20 004	24 769	21 777	21 581	22 631
B KZN283 Ntambanana	4 049	3 509	3 003	1 713	1 713	1 713	1 595	1 645	1 735
B KZN284 Umlalazi	6 182	6 128	9 686	7 310	9 517	13 016	7 823	8 083	8 523
B KZN285 Mthonjaneni	5 419	2 864	3 287	3 348	3 348	3 348	3 416	3 502	3 699
B KZN286 Nkandla	3 542	4 588	7 548	6 498	6 498	8 903	11 738	7 138	7 546
C DC28 uThungulu District Municipality	8 900	21 750	2 000	250	250	250	400	400	500
Total: Ilembe Municipalities	60 874	41 322	61 217	35 374	33 580	30 306	32 989	36 830	39 340
B KZN291 Mandeni	8 707	19 238	5 036	10 842	10 842	10 887	3 270	10 628	11 566
B KZN292 KwaDukuza	23 449	11 899	18 221	13 866	12 072	9 789	16 554	14 420	14 951
B KZN293 Ndwedwe	6 005	2 679	15 560	2 096	2 096	1 144	7 265	2 726	2 865
B KZN294 Maphumulo	3 672	7 006	11 469	8 320	8 320	8 236	5 500	8 656	9 158
C DC29 Ilembe District Municipality	19 041	500	10 931	250	250	250	400	400	800
Total: Harry Gwala Municipalities	67 562	60 487	114 480	45 839	60 839	68 019	22 297	19 145	20 264
B KZN431 Ingwe	4 045	3 841	7 790	10 990	10 990	10 990	1 722	4 025	4 233
B KZN432 Kwa Sani	770	1 127	1 498	1 649	1 649	1 649	1 097	1 578	1 664
B KZ5a3 Matatiele	-	-	-	-	-	-	-	-	-
B KZN433 Greater Kokstad	8 493	19 946	42 949	12 682	12 682	18 962	9 887	2 608	2 748
B KZN434 Ubuhlebezwe	18 374	15 731	43 842	14 676	29 676	30 576	3 813	4 929	5 209
B KZN435 Umzimkhulu	11 280	16 842	17 651	4 742	4 742	4 742	5 378	5 605	5 910
C DC43 Harry Gwala District Municipality	24 600	3 000	750	1 100	1 100	1 100	400	400	500
Unallocated/unclassified	132	24	24	1 293	60	18	2 060	1 710	1 710
Total	1 194 320	1 128 419	1 351 529	1 147 760	1 356 759	1 383 616	1 070 176	1 140 295	1 179 553

Table 1.F(a) : Details of provincial payments and estimates by functional area

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15		2015/16		2016/17	2017/18	2018/19
General Public Services									
Executive and Legislature	648 256	716 855	729 046	747 588	741 773	736 017	748 368	779 965	822 388
Office of the Premier	34 619	58 532	52 815	43 906	46 250	46 250	37 411	39 784	41 604
Provincial Legislature	613 637	658 323	676 231	703 682	695 523	689 767	710 957	740 181	780 784
Financial and Fiscal Services	496 736	558 928	605 643	648 224	648 724	600 604	626 009	623 158	658 002
Provincial Treasury	496 736	558 928	605 643	648 224	648 724	600 604	626 009	623 158	658 002
General Services (Public Works, Local Government)	3 295 884	3 361 680	3 718 420	3 665 044	3 915 702	3 927 577	3 831 045	3 858 369	4 091 644
Total: General Public Services	4 440 876	4 637 463	5 053 109	5 060 856	5 306 199	5 264 198	5 205 422	5 261 492	5 572 034
Public Order and Safety									
Police Services	135 892	171 922	179 239	187 069	191 045	191 045	210 123	195 948	207 297
Community Safety and Liaison	135 892	171 922	179 239	187 069	191 045	191 045	210 123	195 948	207 297
Total: Public Order and Safety	135 892	171 922	179 239	187 069	191 045	191 045	210 123	195 948	207 297
Economic Affairs									
General Economic Affairs	1 622 126	2 499 020	2 036 752	2 050 627	2 098 855	2 095 082	1 568 925	1 653 365	1 777 833
Economic Dev, Tourism and Enviro Affairs	1 583 809	2 457 080	1 992 940	2 016 468	2 056 478	2 056 612	1 548 499	1 646 339	1 774 307
Provincial Treasury	38 317	41 940	43 812	34 159	42 377	38 470	20 426	7 026	3 526
Agriculture	1 963 311	1 855 569	1 887 396	2 074 515	2 165 429	2 165 429	2 040 111	2 099 623	2 231 346
Agriculture and Rural Development	1 963 311	1 855 569	1 887 396	2 074 515	2 165 429	2 165 429	2 040 111	2 099 623	2 231 346
Transport	7 399 651	7 797 883	8 792 977	9 045 226	9 051 340	9 053 226	9 261 748	9 692 902	10 237 847
Transport	7 399 651	7 797 883	8 792 977	9 045 226	9 051 340	9 053 226	9 261 748	9 692 902	10 237 847
Total: Economic Affairs	10 985 088	12 152 472	12 717 125	13 170 368	13 315 624	13 313 737	12 870 784	13 445 890	14 247 026
Environmental Protection									
Environmental Affairs and Conservation	814 595	823 604	933 738	923 847	917 008	916 874	983 427	1 012 711	1 066 495
Total: Environmental Protection	814 595	823 604	933 738	923 847	917 008	916 874	983 427	1 012 711	1 066 495
Housing and Community Amenities									
Housing Development	3 377 771	3 617 002	3 873 178	3 584 685	3 822 970	3 822 970	3 485 112	4 205 672	4 475 736
Human Settlements	3 377 771	3 617 002	3 873 178	3 584 685	3 822 970	3 822 970	3 485 112	4 205 672	4 475 736
Total: Housing and Community Amenities	3 377 771	3 617 002	3 873 178	3 584 685	3 822 970	3 822 970	3 485 112	4 205 672	4 475 736
Health									
Outpatient services	7 493 523	8 412 477	9 436 767	10 287 614	10 502 276	10 523 497	11 633 193	12 830 977	14 050 666
Hospital Services	18 974 703	20 102 571	20 772 976	21 620 733	22 394 277	22 717 984	23 976 715	25 687 319	27 035 834
Total: Health	26 468 226	28 515 048	30 209 743	31 908 347	32 896 553	33 241 481	35 609 908	38 518 296	41 086 500
Recreation, Culture and Religion									
Sporting and Recreational Affairs	862 212	1 128 224	1 179 437	1 258 155	1 264 389	1 264 389	1 228 071	1 312 197	1 341 035
Sport and Recreation	367 751	414 968	451 245	454 389	437 827	437 827	426 479	438 628	453 016
Arts and Culture	468 001	684 161	693 043	768 789	791 585	791 585	771 564	841 306	854 030
Office of the Premier	26 460	29 095	35 149	34 977	34 977	34 977	30 028	32 263	33 989
Total: Recreation, Culture and Religion	862 212	1 128 224	1 179 437	1 258 155	1 264 389	1 264 389	1 228 071	1 312 197	1 341 035
Education									
Pre-primary & Primary Phases	16 207 410	17 505 623	18 854 664	21 049 647	21 379 866	21 379 866	22 819 551	24 163 269	25 575 147
Secondary Education Phase	11 306 413	12 200 791	12 950 753	13 141 770	13 701 170	13 701 170	14 200 790	15 090 015	15 971 551
Subsidiary Services to Education	6 226 083	6 497 784	6 342 644	6 898 389	7 001 285	7 001 285	7 312 667	7 075 495	7 431 558
Education not defined by level	1 814 401	2 044 704	2 076 309	2 164 441	2 195 894	2 195 894	2 313 154	2 440 142	2 572 663
Total: Education	35 554 307	38 248 902	40 224 370	43 254 247	44 278 215	44 278 215	46 646 162	48 768 921	51 550 919
Social protection									
Social Services and Population Development	1 971 715	2 316 453	2 476 468	2 613 663	2 699 906	2 697 694	2 767 032	2 993 335	3 162 172
Total: Social protection	1 971 715	2 316 453	2 476 468	2 613 663	2 699 906	2 697 694	2 767 032	2 993 335	3 162 172
Total	84 610 682	91 611 090	96 846 407	101 961 237	104 691 909	104 990 603	109 006 041	115 714 462	122 709 214

Overview of Provincial Revenue and Expenditure

Table 1.F(b) : Details of function

Function	Category	Department	Programme
General Public Services	Legislative	Office of the Premier Provincial Legislature	Administration Administration Parliamentary Business Members Remuneration Office of the MEC
		All departments	
	General Services	Office of the Premier	Administration Institutional Development Policy and Governance
		Transport Public Works	Administration Administration Property Management Provision of Buildings, Structures & Equipmt.
	General Policy & Administration	Co-operative Governance and Traditional Affairs	Administration Local Governance Development and Planning Traditional Institutional Management
Public Order & Safety	Financial & Fiscal Services	Provincial Treasury	Administration Fiscal Resource Management Financial Management Internal Audit
	Police Services	Community Safety & Liaison	Administration Civilian Oversight
Economic Affairs	General Economic Affairs	Economic Dev, Tourism and Enviro Affairs	Administration Integrated Econ Dev Services Trade and Sector Development Business Regulation and Governance Economic Planning Growth and Development
	Agriculture	Provincial Treasury Agriculture and Rural Development	Administration Agriculture Rural Development
	Transport	Transport	Transport Infrastructure Transport Operations Transport Regulations Community Based Programme
Environmental Protection	Environmental Protection	Economic Dev, Tourism and Enviro Affairs	Environmental Affairs
Housing & Community Amenities	Housing Development	Human Settlements	Administration Housing Needs, Research and Planning Housing Development Housing Asset Management, Property Mgt.
Health	Outpatient services NEC	Health	District Health Services Health Facilities Management
	Hospital Services	Health	Administration District Health Services Emergency Medical Services Provincial Hospital Services Central Hospital Services Health Sciences & Training Health Care Support Services Health Facilities Management
Recreational, Culture and Religion	Sporting and recreational affairs services	Sport and Recreation	Administration Sport and Recreation
		Arts and Culture	Administration Cultural Affairs Libraries and Archive Services Institutional Development
		Office of the Premier	
	Pre-primary & Primary Levels	Education	Public Ordinary School Education Early Childhood Development
Education	Secondary Education Phase	Education	Public Ordinary School Education
	Education Services not defined by level	Education	Public Special School Education Independent School Subsidies Agriculture (Structured Agric Training) Health Sciences and Training
	Subsidiary services to education	Agriculture and Rural Development Health	Administration Public Ordinary School Education Public Special School Education Early Childhood Development Infrastructure Development Examination and Education Related Services
Social Protection	Social Security Services	Social Development	Administration Social Welfare Services Children and Families Restorative Services Development and Research
	Social Services and Population Development	Social Development	

Table 1.G : Donor funding and agency receipts

Name of Donor Organisation	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2012/13	2013/14	2014/15				2016/17	2017/18	2018/19
R thousand									
Donor funding	26 768	30 874	40 300	57 244	57 265	38 961	87 268	55 397	6 600
Office of the Premier	24 079	24 079	38 020	12 894	12 894	21 700	26 798	6 800	6 600
National Skills Fund	16 079	16 079	28 583	6 444	6 444	3 900	11 398	-	-
MERSETA (1st addendum)	8 000	8 000	9 437	6 450	6 450	6 700	6 800	-	-
MERSETA (2nd addendum)	-	-	-	-	-	4 500	6 800	6 800	6 600
Work Integrated Learning (SSETA)	-	-	-	-	-	5 800	-	-	-
Work Integrated Learning (PSETA)	-	-	-	-	-	800	1 800	-	-
Agriculture and Rural Development	1 805	2 291	-	2 874	2 895	2 895	-	-	-
World Health Organisation (Rabies project)	1 805	2 291	-	2 874	2 895	2 895	-	-	-
Provincial Treasury	-	-	-	39 200	39 200	11 653	60 470	48 597	-
Development of KwaZulu-Natal Science Parks	-	-	-	39 200	39 200	11 653	60 470	48 597	-
Health	884	3 677	927	960	960	960	-	-	-
European Union PHC project	-	2 000	-	-	-	-	-	-	-
HWSETA Learnership - Edendale Campus	126	-	-	-	-	-	-	-	-
HWSETA Learnership - Head Office	199	-	-	-	-	-	-	-	-
HWSETA Learnership - King Edward Sub-Campus	262	-	-	-	-	-	-	-	-
HWSETA Learnership - Ngwelezane	-	158	-	-	-	-	-	-	-
HWSETA Learnership - Nkandla	105	-	-	-	-	-	-	-	-
HWSETA Learnership - Pharmacy	-	28	-	-	-	-	-	-	-
HWSETA Learnership - Social & Aux	137	-	-	-	-	-	-	-	-
HWSETA	-	1 266	718	960	960	960	-	-	-
MRI Novartis Training	55	-	-	-	-	-	-	-	-
PSETA Learnership - Church of Scotland, Ekombe and Nkandla Hospitals	-	225	84	-	-	-	-	-	-
MASEA Awards	-	-	125	-	-	-	-	-	-
Co-operative Governance and Traditional Affairs	-	827	1 353	1 316	1 316	1 753	-	-	-
Development Bank of SA	-	452	-	-	-	-	-	-	-
Dept. of Prov. and Local Govt	-	375	1 353	1 316	1 316	763	-	-	-
LGSETA	-	-	-	-	-	990	-	-	-
Agency receipt	7 585	-	58 536	3 792	3 792	47 345	3 792	3 792	3 792
Transport	7 585	-	58 536	3 792	3 792	47 345	3 792	3 792	3 792
SANRAL	7 585	-	-	3 792	3 792	3 792	3 792	3 792	3 792
RTMC	-	-	40 000	-	-	35 312	-	-	-
eThekweni Metro	-	-	18 536	-	-	8 241	-	-	-
Total	34 353	30 874	98 836	61 036	61 057	86 306	91 060	59 189	10 392

Table 1.H(i) : Details of transfers to local government: 2016/17

Municipality	Vote 4 4.1	Vote 7 7.1	Vote 8 8.1 8.2	Vote 10 10.1 10.2	Vote 11 11.1 11.2	Vote 14 14.1	Vote 15 15.1 15.2 15.3 15.4	Total
eThekweni	-	169 048	-	-	-	242 000	4 623	594 375
Ugu Municipalities	6 000	-	3 378	59 000	400	11 459	334	35 971
Vulamehlo	-	-	-	-	-	421	-	421
Umdoni	-	-	-	-	-	1 403	-	6 422
Umzumbe	-	-	-	-	-	3 075	-	3 075
uMuziwabantu	-	-	-	-	-	2 870	-	3 608
Ezingoleni	-	-	-	-	-	205	-	943
Hibiscus Coast	-	-	3 378	-	-	3 485	334	15 102
Ugu District Municipality	6 000	-	-	-	400	-	-	6 400
uMgungundlovu Municipalities	-	-	10 389	-	400	71 430	750	110 628
uMshwathi	-	-	-	-	-	5 638	-	6 532
uMngeni	-	-	-	-	-	5 945	175	9 146
Mpofana	-	-	-	-	-	103	175	1 225
Impendle	-	-	-	-	-	841	179	1 579
Msunduzi	-	10 389	-	-	-	58 000	400	88 685
Mkhambathini	-	-	-	-	-	390	379	1 654
Richmond	-	-	-	-	-	513	179	1 407
uMgungundlovu District Municipality	-	-	-	-	400	-	-	400
Uthukela Municipalities	-	-	1 681	-	1 200	44 182	684	62 877
Ennambithi/Ladysmith	-	-	1 681	-	-	20 000	175	25 891
Indaka	-	-	-	-	-	1 764	-	2 524
Umtshezi	-	-	-	-	-	14 112	334	16 849
Okhahlamba	-	-	-	-	6 110	5 200	175	12 413
Imbabezane	-	-	-	-	-	3 106	179	4 000
Uthukela District Municipality	-	-	-	-	1 200	-	-	1 200
Umkhazanyatho Municipalities	-	-	-	-	400	27 723	575	50 758
Endumeni	-	-	-	-	-	8 170	400	12 253
Nquthu	-	-	-	-	8 611	9 151	402	19 283
Mzinga	-	-	-	-	6 434	4 763	201	5 523
Umvoti	-	-	-	-	-	5 639	175	13 299
Umkhazanyatho District Municipality	-	-	-	-	400	-	-	400
Amajuba Municipalities	-	-	4 077	-	400	11 300	334	23 819
Newcastle	-	-	4 077	-	-	4 301	537	14 944
eMahlangueni	-	-	-	-	-	2 785	179	3 523
Dannhauser	-	-	-	-	-	4 214	179	4 952
Amajuba District Municipality	-	-	-	-	400	-	-	400
Zululand Municipalities	-	-	-	-	400	37 647	175	55 613
eDunbe	-	-	-	-	-	2 500	-	3 573
uPhongolo	-	-	-	-	6 861	3 430	-	11 614
Abaqulusi	-	-	-	-	-	6 615	175	10 296
Nongoma	-	-	-	-	-	5 513	179	6 251
Ulundi	-	-	-	-	-	19 589	-	21 568
Zululand District Municipality	-	-	-	-	400	-	-	2 311
Umkhanyakude Municipalities	-	-	-	-	400	22 572	-	30 223
Umhlabyalingana	-	-	-	-	-	11 798	179	13 390
Jozini	-	-	-	-	-	5 676	179	6 692
The Big 5 False Bay	-	-	-	-	-	2 142	179	3 006
Hlabisa	-	-	-	-	-	600	179	1 616
Mthabuba	-	-	-	-	-	2 356	358	5 119
Umkhanyakude District Municipality	-	-	-	-	400	-	-	400

Table 1.H(i) : Details of transfers to local government: 2016/17 (continued)

Municipality	Vote 4		Vote 7		Vote 8		Vote 10		Vote 11		Vote 14		Vote 15				Total
	4.1		7.1		8.1	8.2	10.1	10.2	11.1	11.2	14.1		15.1	15.2	15.3	15.4	
R thousand																	
uThungulu Municipalities																	
Umfolozo	-		-		2 154	-	-	-	-	400	29 610		1 237	2 514	-	12 651	48 566
uMhlatuze	-		-		-	-	-	-	-	-	400		-	358	-	1 059	1 817
Namabana	-		-		2 154	-	-	-	-	-	11 248		175	1 253	-	6 947	21 777
uMlalazi	-		-		-	-	-	-	-	-	857		-	179	-	559	1 595
Mthonjaneni	-		-		-	-	-	-	-	-	3 427		1 062	366	-	2 968	7 823
Nkandla	-		-		-	-	-	-	-	-	2 678		-	179	-	559	3 416
uThungulu District Municipality	-		-		-	-	-	-	-	-	11 000		-	179	-	559	11 738
Ilembe Municipalities																	
Mandeni	-		-		5 113	-	-	-	-	-	20 057		175	1 633	-	5 611	32 989
KwaDukuza	-		-		-	-	-	-	-	-	757		-	716	-	1 797	3 270
Ndwedwe	-		-		5 113	-	-	-	-	-	7 800		175	537	-	2 929	16 554
Maphumulo	-		-		-	-	-	-	-	-	6 000		380	-	-	885	7 265
Ilembe District Municipality	-		-		-	-	-	-	-	-	5 500		-	-	-	-	5 500
Harry Gwala Municipalities																	
Ingwe	-		-		-	-	-	-	-	-	-		-	-	-	-	400
Kwa Sani	-		-		-	-	-	-	-	-	15 891		-	1 476	-	4 530	22 297
Greater Kokstad	-		-		-	-	-	-	-	-	144		-	380	-	1 198	1 722
Ubuhlebezwe	-		-		-	-	-	-	-	-	359		-	179	-	559	1 097
Umzimkhulu	-		-		-	-	-	-	-	-	8 200		-	358	-	1 329	9 887
Harry Gwala District Municipality	-		-		-	-	-	-	-	-	3 075		-	179	-	559	3 813
Unallocated/unclassified																	
	-		-		-	-	2 000	-	-	-	4 113		-	380	-	885	5 378
	-		-		-	-	-	-	-	-	-		-	-	-	-	400
	-		-		-	-	-	-	-	-	60		-	-	-	-	2 060
Total	6 000		169 048		26 792	59 000	2 000	10 000	28 016	4 800	533 931		8 887	37 075	3 822	180 805	1 070 176

Key	Grant Name	Key	Grant Name
4.1	Africa Bike Week	15.1	Museum subsidies
7.1	Subsidy: Municipal Clinics	15.2	Community Library Services grant
8.1	Operational costs for Accredited Municipalities	15.3	Art Centre (Operational costs)
8.2	CRU Programme	15.4	Provincialisation of libraries
10.1	Maintenance grant		
10.2	Infrastructure		
11.1	Massification Programme (incl. elec. Projects)		
11.2	Development Planning and Shared Services		
14.1	Property rates		

Table 1.H(ii) : Details of transfers to local government: 2017/18

Municipality	Vote 4	Vote 7	Vote 8		Vote 10		Vote 11		Vote 14		Vote 15				Total
	4.1	7.1	8.1	8.2	10.1	10.2	11.1	11.2	14.1	14.1	15.1	15.2	15.3	15.4	
eThekweni	-	200 000	-	60 000	-	10 000	-	-	249 018	-	4 868	21 376	2 022	91 333	638 617
Ugu Municipalities	-	-	7 086	-	-	-	7 220	400	16 061	-	352	2 023	-	12 981	46 123
Vulamehlo	-	-	-	-	-	-	-	-	1 783	-	-	-	-	-	1 783
Umdoni	-	-	-	-	-	-	-	-	1 432	-	-	565	-	4 662	6 659
Umzumbi	-	-	-	-	-	-	7 220	-	3 895	-	-	-	-	-	11 115
uMuziwabantu	-	-	-	-	-	-	-	-	4 789	-	-	188	-	583	5 560
Eziqoleni	-	-	-	-	-	-	-	-	254	-	-	188	-	583	1 025
Hibiscus Coast	-	-	7 086	-	-	-	-	-	3 908	-	352	1 082	-	7 153	19 581
Ugu District Municipality	-	-	-	-	-	-	-	400	-	-	-	-	-	-	400
uMgungundlovu Municipalities	-	-	8 715	-	-	-	-	400	91 606	-	789	2 139	-	26 666	130 315
uMshwathi	-	-	-	-	-	-	-	-	18 746	-	-	188	-	744	19 678
uMngeni	-	-	-	-	-	-	-	-	8 103	-	184	377	-	2 774	11 438
Mpofana	-	-	-	-	-	-	-	-	109	-	184	188	-	798	1 279
Impendle	-	-	-	-	-	-	-	-	289	-	-	188	-	583	1 060
Msunduzi	-	-	8 715	-	-	-	-	-	63 646	-	421	612	-	20 103	93 497
Mkhambathini	-	-	-	-	-	-	-	-	655	-	-	398	-	920	1 973
Richmond	-	-	-	-	-	-	-	-	58	-	-	188	-	744	990
uMgungundlovu District Municipality	-	-	-	-	-	-	-	400	-	-	-	-	-	-	400
Uthukela Municipalities	-	-	3 696	-	-	-	-	400	43 180	-	720	1 578	-	7 826	57 400
Emmamibithi/Ladysmith	-	-	3 696	-	-	-	-	-	17 838	-	184	589	-	3 615	25 922
Indaka	-	-	-	-	-	-	-	-	1 799	-	-	212	-	583	2 594
Umtshezi	-	-	-	-	-	-	-	-	14 818	-	352	377	-	2 127	17 674
Okhahlamba	-	-	-	-	-	-	-	-	5 557	-	184	212	-	757	6 710
Imbabazane	-	-	-	-	-	-	-	-	3 168	-	-	188	-	744	4 100
Uthukela District Municipality	-	-	-	-	-	-	-	400	-	-	-	-	-	-	400
Umkhazanyathi Municipalities	-	-	-	-	-	-	16 144	1 000	28 773	-	605	1 387	-	5 924	53 833
Endumeni	-	-	-	-	-	-	-	-	8 660	-	421	564	-	3 272	12 917
Nquthu	-	-	-	-	-	-	8 072	-	9 334	-	-	423	-	1 163	18 992
Msinga	-	-	-	-	-	-	-	-	4 858	-	-	212	-	583	5 653
Umvoti	-	-	-	-	-	-	8 072	-	5 921	-	184	188	-	906	15 271
Umkhazanyathi District Municipality	-	-	-	-	-	-	-	1 000	-	-	-	-	-	-	1 000
Amajuba Municipalities	-	-	4 750	-	-	-	-	500	11 780	-	352	941	-	7 089	25 412
Newcastle	-	-	4 750	-	-	-	-	-	4 516	-	352	565	-	5 923	16 106
eMadiangeni	-	-	-	-	-	-	-	-	2 840	-	-	188	-	583	3 611
Dannhauser	-	-	-	-	-	-	-	-	4 424	-	-	188	-	583	5 195
Amajuba District Municipality	-	-	-	-	-	-	-	500	-	-	-	-	-	-	500
Zululand Municipalities	-	-	-	-	-	-	-	900	41 519	-	184	1 740	2 022	7 243	53 608
eDumbe	-	-	-	-	-	-	-	-	3 277	-	-	212	-	906	4 395
uPhongolo	-	-	-	-	-	-	-	-	3 499	-	-	377	-	1 002	4 878
Abaqulusi	-	-	-	-	-	-	-	-	6 946	-	184	377	-	3 274	10 781
Nongoma	-	-	-	-	-	-	-	-	5 788	-	-	188	-	583	6 559
Ulundi	-	-	-	-	-	-	-	-	22 009	-	-	586	-	1 478	24 073
Zululand District Municipality	-	-	-	-	-	-	-	900	-	-	-	-	2 022	-	2 922
Umkhanyakude Municipalities	-	-	-	-	-	-	-	400	24 980	-	-	1 129	-	6 426	32 935
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	11 325	-	-	188	-	1 469	12 982
Jozini	-	-	-	-	-	-	-	-	5 790	-	-	188	-	871	6 849
The Big 5 False Bay	-	-	-	-	-	-	-	-	2 185	-	-	188	-	713	3 086
Hlabisa	-	-	-	-	-	-	-	-	3 277	-	-	188	-	871	4 336
Mtubatuba	-	-	-	-	-	-	-	-	2 403	-	-	377	-	2 502	5 282
Umkhanyakude District Municipality	-	-	-	-	-	-	-	400	-	-	-	-	-	-	400

Table 1.H(ii) : Details of transfers to local government: 2017/18 (continued)

Municipality	Vote 4	Vote 7	Vote 8		Vote 10		Vote 11		Vote 14	Vote 15				Total
	4.1	7.1	8.1	8.2	10.1	10.2	11.1	11.2	14.1	15.1	15.2	15.3	15.4	
uThungulu Municipalities	-	-	1 047	-	-	-	-	400	25 819	1 299	2 641	-	13 161	44 367
uMfolozi	-	-	-	-	-	-	-	-	541	-	376	-	1 101	2 018
uMhlatuze	-	-	1 047	-	-	-	-	-	11 810	184	1 316	-	7 224	21 581
Ntambanana	-	-	-	-	-	-	-	-	874	-	188	-	583	1 645
uMlalazi	-	-	-	-	-	-	-	-	3 496	1 115	385	-	3 087	8 083
Mthonjaneni	-	-	-	-	-	-	-	-	2 731	-	188	-	583	3 502
Nkandla	-	-	-	-	-	-	-	-	6 367	-	188	-	583	7 138
uThungulu District Municipality	-	-	-	-	-	-	-	400	-	-	-	-	-	400
Ilembe Municipalities	-	-	4 878	-	-	-	7 220	400	16 598	184	1 716	-	5 834	36 830
Mandeni	-	-	-	-	-	-	7 220	-	787	-	752	-	1 869	10 628
KwaDukuza	-	-	4 878	-	-	-	-	-	5 748	184	565	-	3 045	14 420
Ndwebwe	-	-	-	-	-	-	-	-	1 407	-	399	-	920	2 726
Maphumulo	-	-	-	-	-	-	-	-	8 656	-	-	-	-	8 656
Ilembe District Municipality	-	-	-	-	-	-	-	400	-	-	-	-	-	400
Harry Gwala Municipalities	-	-	-	-	-	-	-	400	12 479	-	1 552	-	4 714	19 145
Ingwe	-	-	-	-	-	-	-	-	2 380	-	399	-	1 246	4 025
Kwa Sani	-	-	-	-	-	-	-	-	807	-	188	-	583	1 578
Greater Kokstad	-	-	-	-	-	-	-	-	849	-	377	-	1 382	2 608
Ubuhlebezwe	-	-	-	-	-	-	-	-	4 158	-	188	-	583	4 929
Umzimkhulu	-	-	-	-	-	-	-	-	4 285	-	400	-	920	5 605
Harry Gwala District Municipality	-	-	-	-	-	-	-	400	-	-	-	-	-	400
Unallocated/unclassified	-	-	-	-	1 650	-	-	-	60	-	-	-	-	1 710
Total	-	200 000	30 172	60 000	1 650	10 000	30 584	5 200	561 873	9 353	38 222	4 044	189 197	1 140 295

Key	Grant Name	Key	Grant Name
4.1	Africa Bike Week	15.1	Museum subsidies
7.1	Subsidy: Municipal Clinics	15.2	Community Library Services grant
8.1	Operational costs for Accredited Municipalities	15.3	Art Centre (Operational costs)
8.2	CRU Programme	15.4	Provincialisation of libraries
10.1	Maintenance grant		
10.2	Infrastructure		
11.1	Massification Programme (incl. elec. Projects)		
11.2	Development Planning and Shared Services		
14.1	Property rates		

Table 1.H(iii) : Details of transfers to local government: 2018/19

Table 1: Summary of Results by Region																
Municipality	Vote 4		Vote 7	Vote 8		Vote 10			Vote 11		Vote 14		Vote 15			Total
	4.1			8.1	8.2	10.1	10.2	11.1	11.2	14.1	15.1	15.2	15.3	15.4		
Municipality																
R thousand																
eThekweni																
Ugu Municipalities																
Vulamehlo	-	205 394	7 086	60 000	-	-	-	8 000	500	263 458	5 111	21 695	2 139	94 980	652 777	
Umdoni	-	-	-	-	-	-	-	-	-	16 993	370	2 123	-	13 661	48 733	1 886
Umzumbe	-	-	-	-	-	-	-	-	-	1 886	-	-	-	-	7 014	
uMuziwabantu	-	-	-	-	-	-	-	-	-	1 515	-	593	-	4 906	12 121	
Ezingolweni	-	-	-	-	-	-	-	8 000	-	4 121	-	-	-	-	5 877	
Hibiscus Coast	-	-	-	-	-	-	-	-	-	5 067	-	197	-	613	587	
Ugu District Municipality	-	-	7 086	-	-	-	-	-	-	269	370	1 136	-	7 529	1 079	
uMgungundlovu Municipalities																
uMshwathi	-	-	8 715	-	-	-	-	-	500	4 135	-	-	-	-	500	
uMngeni	-	-	-	-	-	-	-	-	500	96 918	827	2 242	-	28 324	137 526	
Mpofana	-	-	-	-	-	-	-	-	-	19 833	193	394	-	2 919	12 079	
Impendle	-	-	-	-	-	-	-	-	-	8 573	193	197	-	840	1 345	
Mkhambathini	-	-	-	-	-	-	-	-	-	115	193	197	-	613	1 116	
Richmond	-	-	8 715	-	-	-	-	-	-	306	441	642	-	21 431	98 566	
uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	-	67 337	-	418	-	957	2 068	
Uthukela Municipalities																
Ermambithi/Ladysmith	-	-	-	-	-	-	-	-	-	693	-	197	-	782	1 040	
Indaka	-	-	-	-	-	-	-	-	500	61	-	-	-	-	500	
Umtshezi	-	-	3 696	-	-	-	-	-	400	-	-	-	-	-	60 427	
Okhahlamba	-	-	3 696	-	-	-	-	-	400	45 684	756	1 657	-	8 234	27 184	
Imbabazane	-	-	-	-	-	-	-	-	-	18 873	193	618	-	3 804	2 739	
Uthukela District Municipality	-	-	-	-	-	-	-	-	-	1 903	370	396	-	613	18 682	
Umninyathi Municipalities																
Endumeni	-	-	-	-	-	-	-	-	-	15 677	193	223	-	796	7 091	
Nquthu	-	-	-	-	-	-	-	-	-	5 879	-	197	-	782	4 331	
Msinga	-	-	-	-	-	-	-	-	400	3 352	-	-	-	-	400	
Umvoti	-	-	-	-	-	-	-	-	600	-	-	-	-	-	600	
Umninyathi District Municipality	-	-	-	-	-	-	-	-	500	-	-	-	-	-	26 531	
Amajuba Municipalities																
Newcastle	-	-	4 750	-	-	-	-	-	500	12 464	370	987	-	7 460	16 725	
eMadlangeni	-	-	4 750	-	-	-	-	-	-	4 778	370	593	-	6 234	3 815	
Dannhauser	-	-	-	-	-	-	-	-	-	3 005	-	197	-	613	5 491	
Amajuba District Municipality	-	-	-	-	-	-	-	-	500	4 681	-	197	-	613	500	
Zululand Municipalities																
eDumbe	-	-	-	-	-	-	-	-	1 000	43 928	193	1 827	2 139	7 564	56 651	
uPhongolo	-	-	-	-	-	-	-	-	-	3 467	-	223	-	954	4 644	
Abaqulusi	-	-	-	-	-	-	-	-	-	3 702	-	396	-	1 055	5 153	
Nongoma	-	-	-	-	-	-	-	-	-	7 349	193	396	-	3 405	11 343	
Ulundi	-	-	-	-	-	-	-	-	-	6 124	-	197	-	613	6 934	
Zululand District Municipality	-	-	-	-	-	-	-	-	1 000	23 286	-	615	-	1 537	25 438	
Umkhanyakude Municipalities																
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	500	26 429	-	1 184	-	6 762	34 875	
Jozini	-	-	-	-	-	-	-	-	-	11 982	-	197	-	1 545	13 724	
The Big 5 False Bay	-	-	-	-	-	-	-	-	-	6 126	-	197	-	917	7 240	
Hlabisa	-	-	-	-	-	-	-	-	-	2 312	-	197	-	750	3 259	
Mtubatuba	-	-	-	-	-	-	-	-	-	3 467	-	197	-	917	4 581	
Umkhanyakude District Municipality	-	-	-	-	-	-	-	-	500	2 542	-	396	-	2 633	5 571	

Table 1.H(iii) : Details of transfers to local government: 2018/19 (continued)

Municipality	Vote 4		Vote 7	Vote 8		Vote 10		Vote 11		Vote 14	Vote 15			Total	
	4.1			8.1	8.2	10.1	10.2	11.1	11.2		15.1	15.2	15.3		15.4
uThungulu Municipalities															
uMfolozi	-		-	1 047	-	-	-	-	500	27 316	1 364	2 772	-	13 747	46 746
uMhlatuze	-		-	-	-	-	-	-	-	572	-	395	-	1 145	2 112
Ntambanana	-		-	1 047	-	-	-	-	-	12 495	193	1 382	-	7 514	22 631
uMlalazi	-		-	-	-	-	-	-	-	925	-	197	-	613	1 735
Mthonjaneni	-		-	-	-	-	-	-	-	3 699	1 171	404	-	3 249	8 523
Nkandla	-		-	-	-	-	-	-	-	2 889	-	197	-	613	3 699
uThungulu District Municipality	-		-	-	-	-	-	-	-	6 736	-	197	-	613	7 546
Ilembe Municipalities															500
Mandeni	-		-	4 878	-	-	-	-	8 000	17 561	193	1 801	-	6 107	39 340
KwaDukuza	-		-	-	-	-	-	-	8 000	833	-	789	-	1 944	11 566
Ndwedwe	-		-	4 878	-	-	-	-	-	6 081	193	593	-	3 206	14 951
Maphumulo	-		-	-	-	-	-	-	-	1 489	-	419	-	957	2 865
Ilembe District Municipality	-		-	-	-	-	-	-	-	9 158	-	-	-	-	9 158
Harry Gwala Municipalities															800
Ingwe	-		-	-	-	-	-	-	-	-	-	-	-	-	-
Kwa Sani	-		-	-	-	-	-	-	-	13 203	-	1 628	-	4 933	20 264
Greater Kokstad	-		-	-	-	-	-	-	-	2 518	-	419	-	1 296	4 233
Ubuhebezwe	-		-	-	-	-	-	-	-	854	-	197	-	613	1 664
Umtzikhulu	-		-	-	-	-	-	-	-	898	-	396	-	1 454	2 748
Harry Gwala District Municipality	-		-	-	-	-	-	-	-	4 399	-	197	-	613	5 209
Unallocated/unclassified	-		-	-	-	-	-	-	-	4 534	-	419	-	957	5 910
															500
Total	-		205 394	30 172	60 000	1 650	-	30 648	5 800	594 455	9 819	39 372	4 278	197 965	1 179 553

Key	Grant Name	Key	Grant Name
4.1	Africa Bike Week	15.1	Museum subsidies
7.1	Subsidy: Municipal Clinics	15.2	Community Library Services grant
8.1	Operational costs for Accredited Municipalities	15.3	Art Centre (Operational costs)
8.2	CRU Programme	15.4	Provincialisation of libraries
10.1	Maintenance grant		
10.2	Infrastructure		
11.1	Massification Programme (incl. elec. Projects)		
11.2	Development Planning and Shared Services		
14.1	Property rates		

**ESTIMATES
OF
PROVINCIAL REVENUE
AND
EXPENDITURE**

