



PROVINCE OF KWAZULU-NATAL

**ESTIMATES
OF
PROVINCIAL REVENUE AND
EXPENDITURE**

2017/18

**for the
financial year ending 31 March 2018**

**Presented to Provincial Legislature
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FOREWORD

The 2017/18 Medium-Term Expenditure Framework (MTEF) budget is tabled within a constrained fiscal environment. The 2017 budget continues to be informed by weak economic growth. Although a moderate recovery is projected over the 2017/18 MTEF, growth is expected to remain fragile. Muted short-term growth implies a subdued growth in tax revenue. Moreover, rising priorities that call for the expansion of social spending have necessitated the need for some fiscal consolidation alongside minor additions to the budget. Government has responded by further tightening its fiscal consolidation programme in order to stabilise the domestic debt portfolio and widening the structural deficit between actual revenue and expenditure.

As a result of this economic outlook, and the need to provide additional funding to new social spending priorities, it was necessary to continue with the fiscal consolidation programme. While the 2016/17 MTEF saw significant fiscal consolidation budgets cuts implemented against provinces, the 2017/18 MTEF sees the fiscal consolidation cuts being kept to a minimum for provinces.

While it is good news that the country was able to avoid a credit rating downgrade in December 2016, investor confidence remains low. Despite avoiding a cut to junk status in 2016, the risk still remains in 2017. There is a chance of a downgrade, either during the mid-year assessment or at year-end, due to slow economic growth.

Besides the fiscal consolidation programme being intensified, the provincial fiscus is significantly affected by Provincial Own Revenue downward revisions, as well as a substantial reprioritisation exercise that was undertaken to finally deal with the matter of the remuneration of *Izinduna*.

It is my honour to present the 2017/18 *Estimates of Provincial Revenue and Expenditure (EPRE)* which gives details of the provincial fiscal framework to the people of KwaZulu-Natal (KZN) 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 Provincial Legislature and citizens to hold the provincial government departments and public entities accountable for the public funds they spend.



Ms B.F. 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
ACFE	Association of Certified Forensic Examiners
ACTT	Anti-Corruption Task Team
ADA	Agri-business Development Agency
AEPRE	Adjustments Estimate of Provincial Revenue and Expenditure
AET	Adult Education and Training
AFS	Annual Financial Statements
A-G	Auditor-General
ANA	Annual National Assessments
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
BACS	Biometric Access Control System
BAS	Basic Accounting System
B-BBEE	Broad-Based Black Economic Empowerment
BCP	Business Continuity Plan
BI	Business Intelligence
BIM	Building Information Modelling
BPM	Business Process Mapping
BRICS	Brazil, Russia, India, China and South Africa
C-AMP	Custodian-Asset Management Plan
CAPS	Curriculum and Assessment Policy Statements
CARA	Conservation of Agricultural Resources Act
CASP	Comprehensive Agricultural Support Programme
CASS	Continuous Assessments
CBD	Central Business District
CBOs	Community-Based Organisations
CCC	Community Care Centre
CCGs	Community Care-Givers
CDC	Community Day Centre
CDW	Community Development Worker
CED	Civil Engineering Designer
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
COIDA	Compensation of Occupational Injuries and Diseases Act
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
CSIR	Council for Scientific and Industrial Research
CSFs	Community Safety Forums
CWP	Community Work Programme
CYCC	Child and Youth Care Centres

List of Abbreviations

Abbreviation	Full description
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
DBE	Department of Basic Education
DBSA	Development Bank of South Africa
DCSL	Department of Community Safety and Liaison
DDA	District Development Agencies
DDG	Deputy Director-General
DDMC	District Disaster Management Centre
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
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
EADP	Elite Athlete Development Programme
ECD	Early Childhood Development
ECM	Enterprise Content Management
EE	Employment Equity
EEDBS	Extended Enhanced Discount Benefit Scheme
EDTEA	Economic Development, Tourism and Environmental Affairs
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	Extension Recovery Plan
ETDP	Education, Training and Development Practice
EU	European Union
EXCO	Executive Committee
FAO	Food and Agricultural Organisation
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

Abbreviation	Full description
FITI	Film Industry Transformation Initiative
FLA	Financial Literacy Association
FLISP	Finance Linked Individual Subsidy Programme
FMCMM	Financial Management Capability Maturity Model
FMD	Foot and Mouth Disease
FMPPLA	Financial Management of Parliament and Provincial Legislatures Act
FPC	Finance Portfolio Committee
FTE	Full-time Equivalent
FY	Financial Year
GBS	General Budget Support
GBV	Gender Based Violence
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
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
IKS	Indigenous Knowledge System
IMDP	Integrated Master Development Plan
IMEDP	Informal and Micro Enterprises Development Programme
IMF	International Monetary Fund
IPDI	Integrated Provincial Development and Investment framework
IPID	Independent Police Investigative Directive
IPMP	Infrastructure Programme Management Plan
IPP	Independent Power Producers
IPTN	Integrated Public Transport Networks
IRDPA	Integrated Residential Development Programme

List of Abbreviations

Abbreviation	Full description
IRM	Infrastructure Reporting Model
ISOCARP	International Society of City and Regional Planners
ISO	International Organisation for Standardisation
ISU	Informal Settlements Upgrade
IT	Information Technology
IYM	In-Year Monitoring
JCPS	Justice Crime Prevention Strategy
JE	Job Evaluation
JMA	Joint Marketing Agreement
JME	Joint Medical Establishment
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
KZNFC	KwaZulu-Natal Film Commission
KZNGFT	KwaZulu-Natal Growth Fund Trust
KZNLA	KwaZulu-Natal Liquor Authority
KZNPDH	KZN Property Development Holdings SOC Ltd
KZNSB	KwaZulu-Natal Sharks Board
LA	Legislature Assembly
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
LURTTs	Learner Unit Record Information and Tracking System
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
MMC	Male Medical Circumcision
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

Abbreviation	Full description
MuniMEC	Municipalities and Members of the Executive Council
MUT	Mangosuthu University of Technology
NAEIS	National Atmospheric Emissions Inventory System
NCNC	Non-compensation non-capital
NCOP	National Council of Provinces
NCR	National Cancer Registry
NCS	National Curriculum Statement
NDA	National Development Agency
NHBRC	National Home Builders Registration Council
NDHS	National Department of Human Settlements
NDMP	National Drug Master Plan
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
NHLS	National Health Laboratory Service
NIOH	National Institute of Occupational Health
NMT	National Monitoring Tool
NPI	Non-Profit Institution
NPOs	Non-Profit Organisations
NSC	National Senior Certificate
NSF	National Skills Fund
NSNP	National School Nutrition Programme
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
OVCY	Orphans Vulnerable Children and Youth
PABX	Private Automatic Branch Exchange
PAC	Planning Africa Conference
PARMED	Parliamentary Medical Aid
PAYE	Pay as you earn
PDA	Planning and Development Act
PDE	Patient-day Equivalent
PDMC	Provincial Disaster Management Centre
PEIP	Prevention and Early Intervention Programmes
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	Programme for the Improvement of Learning Outcomes
PIMP	Provincial Infrastructure Master Plan
PIP	Provincial Infrastructure Plan

List of Abbreviations

Abbreviation	Full description
PLGESC	Provincial Local Government Election Steering Committee
Pmb	Pietermaritzburg
PMG	Pay Master-General
PMU	Project Management Unit
PPC	Provincial Planning Commission
PPF	Political Parties' Fund
PPM	Provincial Policy Management
PPN	Post Provision Norm
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PPSD	Provincial Pharmaceutical Supply Depot
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
PTOG	Public Transport Operations grant
PTPAs	Public Transport Passenger Associations
Pty (Ltd)	Proprietary (Limited)
PwC	PricewaterhouseCoopers
QLTC	Quality Learning and Teaching Committees
QPR	Quarterly Performance Report
RAF	Road Accident Fund
RAMS	Road Asset Management System
RASET	Radical Agrarian Socio-Economic Transformation
RBIDZ	Richards Bay Industrial Development Zone
RETSFP	Radical Economic Transformation Strategy Framework and Policy
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
SACPLAN	South African Council of Planners
SADC	Southern African Development Community
SANDF	South African National Defense 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
SASRI	South African Sugarcane Research Institute
SBC	Social Behavior Change
SBGE	Small Business Growth Enterprise
SCM	Supply Chain Management
SCOA	Standard Chart of Accounts
SCOPA	Standing Committee on Public Accounts
SCORE	Sustaining Competitive and Responsible Enterprises

Abbreviation	Full description
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
SHRA	Social Housing Regulatory Authority
SIAS	Screening Identification Assessment and Support
SIPs	Strategic Infrastructure Projects/Programmes
SIPDM	Standard for Infrastructure Procurement and Delivery Management
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
SMT	School Management Teams
SOC Ltd	State-owned company
SP	Strategic Plan
SPLUMA	Spatial Planning and Land Use Management Act
SSETA	Services Sector Education and Training Authority
STACOV	Standing Committee on Oversight
Stats SA	Statistics South Africa
STEM	Science, Technology, Engineering and Mathematics
STI	Sexually Transmitted Infection
TAC	Traditional Administrative Centre
TAF	Technical Assistance Fund
TAFI	Travel Agencies Federation of India
TB	Tuberculosis
TC	Traditional Council
TETA	Transport Education and Training Authority
THETA	Tourism, Hospitality, Education and Training Authority
TIA	Traffic Impact Assessment
TIK	Trade and Investment KwaZulu-Natal
TKZN	KwaZulu-Natal Tourism Authority
TLTP	Taking Legislature to the People
TSC	Thusong Service Centres
TSC	Traditional Service Centre
TSMPS	Traditional Settlement Master Plans
TV	Television
TVET	Technical and Vocational Education and Training
UAE	United Arab Emirates
U-AMP	User-Asset Management Plan
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
VCI	Visual Condition Indicator
VDA	Vulindlela Development Agency
VECA	Vukuzakhe Emerging Contractors Association
VIP	Ventilated Improved Pit
VSCPP	Volunteer Social Crime Prevention Programme
WESSA	Wildlife and Environmental Society of South Africa
WHO	World Health Organisation
WISN	Workload Indicator of Staffing Need

List of Abbreviations

Abbreviation	Full description
WSA	Water Services Authority
WTO	World Trade Organisation
WULA	Water Use Licence Application
XDR	Extreme Drug Resistance
YDA	Youth Development Academy
YDC	Youth Development Centre

Zulu words	English translation
Amabutho (pl.)	A group of traditional warriors (regiment)
Amadelakufa	Stalwarts
Amafa	Heritage
Amakhosi (pl.)	Traditional leaders or chiefs
Amazi abesifazane	Voices of women
Ezomnotho	Economic affairs (EDTEA publication)
Hlasela	Invade
Isibindi	Courage
I(zi)mbizo	Public meeting(s) called by government involving a large number of people
I(zi)nduna	Headmen
Imizi yesizwe	Houses for <i>Amakhosi</i>
Induku	Stick fighting
Indaba	Forum
Inkululeko	Freedom
Izandla Ziyagezana	People helping one another
Khuz'umhlola	Condemning shameful behaviour
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
Umkhozi Wamaganu/Umthayi	Amarula Festival
Umkhozi Wesivivane/Womama	Women Festival
Umkhozi Wezithungo	Ritual information sharing session
Umkhozi Womhlanga	Reed Dance
Umkhozi Woselwa	First Fruit ceremony
Usuku lwamaSiko nob Ciko	Heritage day
Vukuzakhe	Wake up and build
Vulindlela	Open the way
Vuselela	Restore
Zibambeke	Do it yourself
Zimele	Stand up for yourself
Ziqhenye Ngezwe Lakho	Be proud of your country

Other words	English translation
Batho Pele	People first
Lekgotla	Executive Council Forum
Phakisa	Accelerate

**OVERVIEW
OF
PROVINCIAL REVENUE
AND
EXPENDITURE**

1. SOCIO-ECONOMIC OUTLOOK

1.1. Introduction

The Overview of Provincial Revenue and Expenditure (*OPRE*) provides a review of the socio-economic landscape in which the Estimates of Provincial Revenue and Expenditure (*EPRE*) is set. It provides an analysis of the population dynamics, the economic outlook, the labour market, and development indicators in KZN. The demographic analysis focuses on the migration patterns among the provinces in South Africa (SA). In this regard, KZN has experienced a high level of out-migration, whereby a large proportion of the economically active population is leaving the province for better job opportunities in other provinces, especially Gauteng. Furthermore, the population distribution of KZN in 2016 indicated that the largest population group was that of children and youth, which accounts for approximately 71.5 per cent of the total population.

In respect of the global, national and provincial economic outlook, the global economic performance remained subdued at an estimated 3.1 per cent in 2016 relative to SA and KZN's performance, with the growth rates estimated at approximately 0.3 per cent and 0.6 per cent, respectively. This is significantly below the targeted growth rate of 5 per cent which is required to achieve job creation as outlined in the National Development Plan (NDP) and KZN's Provincial Growth and Development Plan (PGDP).

SA's economy continues to experience a high rate of unemployment, especially among the youth who lack essential skills required in the labour market. Although the unemployment rate in KZN is lower than the national average, it is relatively high by international standards, when compared with countries that SA and the province trade with.

Although KZN's level of unemployment is less than the national average, development indicators reveal that the province has a Human Development Index¹ (HDI) of 0.61 (lower than the national average of 0.65), which is an indication of relatively low levels of education and health. As indicated by Statistics South Africa (Stats SA, 2016), ultimately, low levels of education have a direct impact on the high unemployment rate. The province is also faced with lower levels of income, where most households earn less than R54 000 per annum. Despite this negative picture, it is positive to note that the number of people living below all three poverty lines has declined from 2014 to 2016. It is not surprising that KZN receives the highest equitable share allocation in 2016 at 21.2 per cent given the lower level of income, high number of school age population and the health status of its population. The province also has the highest number of social grant beneficiaries as at 30 November 2016 on a national scale.

1.2 Provincial population dynamics

The population dynamics (including changes in the population growth rate, age structure, migration and urbanisation) are at the centre of developmental challenges in every society. Recognising and planning for demographic change is an essential prerequisite for sustainable development. This will ensure that the welfare of both the current and the future generation is promoted.

In analysing the population dynamics, it is essential to focus on factors such as urbanisation, fertility, mortality, life expectancy, as well as the gender and age structure of the population. These factors provide an indication regarding the total estimated number of people who are dependent on government for transfers, as well as the number of people who are economically active. The analysis also plays a pivotal role in giving an indication of whether the country is predominantly comprised of youth or it has an ageing population, thus formulating and implementing relevant policies accordingly. These factors also play a critical role in the efficient allocation of resources in all spheres of government.

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

1.2.1 Total population

The 2016 mid-year population estimates by Stats SA² show that the country's population is currently estimated at 55.9 million. KZN is home to an estimated 11 million people which accounts for 19.8 per cent of the country's total population. KZN is the second most populated province after Gauteng, which has an estimated 13.5 million people constituting 24.1 per cent of the total national population, as is evident in Table 1.

Table 1 : South African population by province in 2006, 2011 and 2016

	2006		2011		2016	
	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	55 908 865	100
Eastern Cape	6 894 300	14.5	6 829 958	13.5	7 061 717	12.6
Free State	2 958 800	6.2	2 759 644	5.5	2 861 618	5.1
Gauteng	9 526 200	20.1	11 328 203	22.4	13 498 151	24.1
KwaZulu-Natal	9 924 000	20.9	10 819 130	21.4	11 079 717	19.8
Limpopo	5 365 400	11.3	5 554 657	11.0	5 803 941	10.4
Mpumalanga	3 508 000	7.4	3 657 181	7.2	4 328 256	7.7
North West	3 374 200	7.1	3 253 390	6.4	3 790 614	6.8
Northern Cape	1 094 500	2.3	1 096 731	2.2	1 191 651	2.1
Western Cape	4 745 500	10.0	5 287 863	10.5	6 293 200	11.3

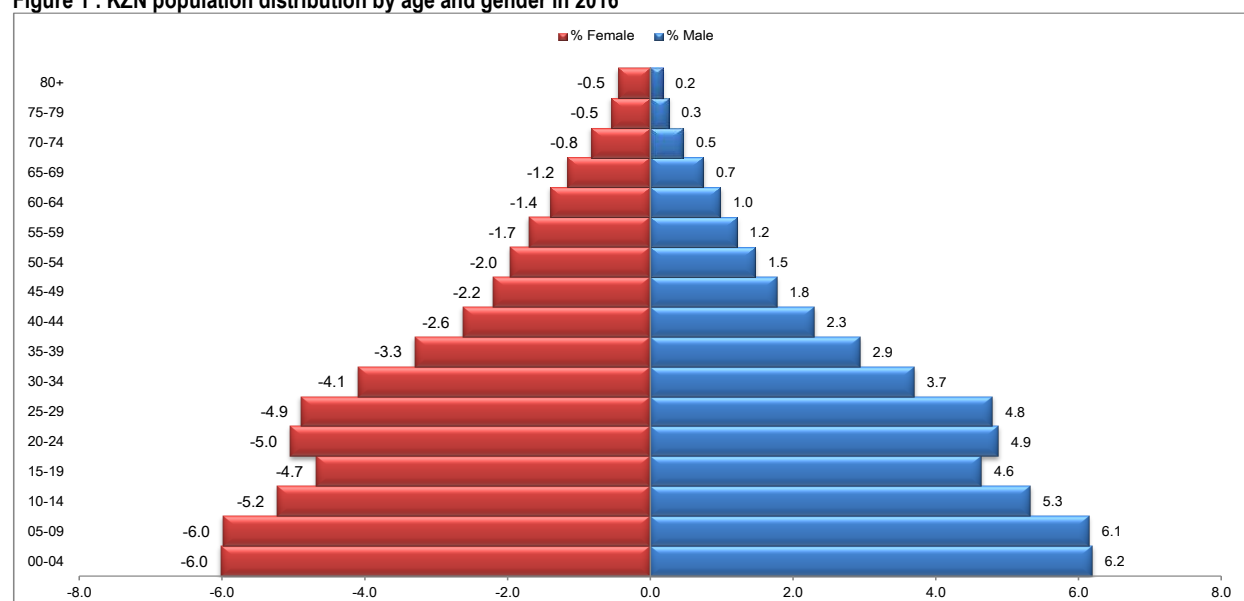
Source: Stats SA, 2006, 2011 and 2016

Although there has been an increase in the size of the population of KZN, the period 2006 to 2011 reveals that inter-provincial migration has taken place in the country. As a result, this migration has affected KZN negatively, where out-migration exceeded in-migration by 12 068 people over the same period. It is also projected that out-migration between the year 2011 and 2016 will exceed in-migration by 684 people (Stats SA, 2016). The major determinants of the 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 in 2016. An estimated 34.8 per cent of the population are children between 00 and 14 and about 36.7 per cent are youth that are economically active (15-34). Collectively, children and young people account for an estimated 71.5 per cent of the total provincial population.

Figure 1 : KZN population distribution by age and gender in 2016



Source: Stats SA, 2016

² Stats SA (2016): *Mid-year population estimates 2016*, Statistical Release P0302 (25 August 2016). Pretoria, Government Printer, available from www.statssa.gov.za, accessed on 10/01/2017.

The total provincial dependent population is estimated at 4 374 507, while the economically active population is estimated at 6 705 213. The implication of these estimates is a high dependency ratio of 65.2 per cent³. A high dependency ratio burdens the working age population as it bears the greater responsibility of paying for public services. Another implication is a reduction in productivity due to a rise in non-productive population, and this could lead to a low long-run trend of economic growth.

If government is unable to reduce the high dependency ratio, there could be pressures on the fiscus, thus leading to higher borrowing or increases in taxes which crowd out private sector investments and reduce consumers' disposable income.

1.3 Global, national and provincial economic outlook

The International Monetary Fund (IMF, 2017)⁴ expects global economic performance to remain subdued at 3.4 per cent and 3.6 per cent in 2017 and 2018, respectively. These projections are slightly higher than the 3.1 per cent estimated in 2016 (Table 2). The 2017 projections are confirmed by the Goldman Sachs⁵ report, which expects a growth rate of 3 to 3.5 per cent in 2017, largely driven by a positive impulse from financial conditions in the United States (US) and other parts of the emerging world.

According to the Organisation for Economic Co-operation and Development (OECD, 2016), around the world private investment has been weak, public investment has slowed, and global trade growth has collapsed. All these factors have limited the improvements in employment, labour productivity and wages needed to support sustainable gains in living standards.

Table 2 : Global economic performance measured in GDP, 2014 to 2018

	Estimates						Projections			
	IMF			World Bank			IMF		World Bank	
	2014	2015	2016	2014	2015	2016	2017	2018	2017	2018
World	3.4	3.2	3.1	2.7	2.7	2.3	3.4	3.6	2.7	2.9
Advanced Economies	1.8	2.1	1.6	1.9	2.1	1.6	1.9	2.0	1.8	1.8
United States of America	2.4	2.6	1.6	2.4	2.6	1.6	2.3	2.5	2.2	2.1
Euro Area	0.9	2.0	1.7	1.2	2.0	1.6	1.6	1.6	1.5	1.4
Japan	0	1.2	0.9	0.3	1.2	1.0	0.8	0.5	0.9	0.8
Emerging countries	4.6	4.1	4.1	4.3	3.5	3.4	4.5	4.8	4.2	4.6
Russia	0.6	-3.7	-0.6	0.7	-3.7	-0.6	1.1	1.2	1.5	1.7
China	7.3	6.9	6.7	7.3	6.9	6.7	6.5	6.0	6.5	6.3
India	7.3	7.6	6.6	7.2	7.6	7.0	7.2	7.7	7.6	7.8
Brazil	0.1	-3.8	-3.5	0.5	-3.8	-3.4	0.2	1.5	0.5	1.8
Sub-Saharan Africa	5.0	3.4	1.6	4.7	3.1	1.5	2.8	3.7	2.9	3.6
South Africa	1.5	1.3	0.3	1.6	1.3	0.4	0.8	1.6	1.1	1.8

Source: IMF and World Bank, 2017

Advanced economies

Similar to the subdued global economic outlook, major advanced economies are estimated to have recorded slow rate of growth at 1.6 per cent in 2016. This growth rate is, however, expected to moderate slightly to 1.9 per cent in 2017 and 2 per cent in 2018 (Table 2). The projected subdued outlook in advanced economies is severely sluggish, following the United Kingdom (UK) vote in June 2016 in favour of leaving the European Union (Brexit) and weaker-than-expected growth in the US. These developments have put further downward pressure on global interest rates, as monetary policy is now expected to remain accommodative for longer (IMF, 2016⁶ and 2017).

Economic growth in the US is estimated to have moderated at 1.6 per cent in 2016 but projected to gain momentum and record 2.3 per cent and 2.5 per cent in 2017 and 2018, respectively. This is due to the

³ Dependency Ratio = $[(\text{Number of people under 15 years}) + (\text{Number of people aged 65 and over}) \div (\text{Number of people between 15 and 64})] \times 100 = (4\,374\,507 \div 6\,705\,213) \times 100 = 65.2 \text{ per cent}$. The dependency ratio is an age population ratio of those not in the labour force.

⁴ IMF (2017): *World Economic Outlook*; a Shifting Global Economic Landscape, an update of the key WEO projections available online www.imf.org, accessed on 17/01/2017.

⁵ See Global Outlook by Goldman Sachs (2017), available from <http://www.goldmansachs.com/our-thinking/pages/outlook-2017/index>, accessed on 17/01/2017.

⁶ IMF (2016): *World Economic Outlook October 2016*; Subdued Demand, Symptoms and Remedies, available online www.imf.org, accessed on 21 October 2016.

assumed fiscal stimulus boosts to the economy and the effects of Dollar appreciation, declines in energy investment and a substantial inventory correction abate. The forecast for the US is, however, uncertain particularly in light of potential changes in the policy stance under the new administration (IMF, 2017)⁷. GDP growth in the eurozone is projected to remain subdued at 1.6 per cent in 2017 and 2018.

Emerging market and developing economies

Economic performance in emerging market and developing economies (EMDEs) is expected to pick up modestly from 4.1 per cent in 2016 to 4.5 per cent and 4.8 per cent in 2017 and 2018, respectively. However, according to the IMF (2016), the outlook for these economies is uneven and generally weaker. India not only remains the fastest growing economy in the EMDEs, but also in the G20⁸ countries. The IMF (2017) has, however, downwardly revised India's forecast to 7.2 per cent in 2017 and 7.7 per cent in 2018 due to the temporary negative consumption shock induced by cash shortages and payment disruptions associated with the last quarter of 2016 currency note withdrawal and exchange initiative. These growth rates are nonetheless still higher than the 6.6 per cent estimated in 2016.

Following a 3.7 per cent contraction in 2015, Russia is estimated to have suffered another negative growth rate of 0.6 per cent in 2016. The country is, however, projected to record positive growth rates of 1.1 per cent and 1.2 per cent in 2017 and 2018, respectively. Similar to Brazil, Russia continues to face a combination of external and domestic difficulties, which have resulted in deep recessions (World Bank, 2016)⁹.

Economic growth in China continued to slow down to 6.7 per cent in 2016 compared to 6.9 per cent in 2015, a trend that is expected to persist in 2017 and 2018. The World Bank (2017)¹⁰ maintains that growth in China in 2016 was supported by fiscal and credit-based stimulus measures, focusing on infrastructure investment and on efforts to stimulate household credit. Nonetheless, even though supported by stimulus, economic growth in China is projected to edge down further to 6 per cent in 2018. Brazil continues to face challenging macroeconomic conditions, but its outlook has strengthened somewhat from severe contractions of 3.8 per cent in 2015 and 3.5 per cent in 2016, to a projected moderate growth rate of 0.2 per cent and 1.5 per cent in 2017 and 2018, respectively.

Economic growth in the sub-Saharan Africa region declined from 5 per cent in 2014 to 3.4 per cent in 2015. The economy of the region is estimated to have further dropped to 1.6 per cent in 2016. This was the worst performance since 1994 (World Bank, 2017). The slowdown, particularly in 2016, was severe in oil exporting countries such as Angola and Nigeria due to lower oil prices.

South Africa

Similar to the global economic performance, the South African economic growth outlook remains subdued. The economy of the country is estimated to have slowed down to 0.3 per cent in 2016 which, according to the World Bank (2017), reflects the effects of low commodity prices and other factors. The OECD, 2016¹¹ cites falling investment and the persistent drought as major factors driving down growth. The report, however, maintains that economic growth in the country is projected to strengthen slightly to 0.8 per cent in 2017 and 1.6 per cent in 2018, driven largely by household consumption and investment.

⁷ See the same report as indicated in footnote number 4 above.

⁸ The G20 was originally a forum for finance ministers and central bank governors, whose meetings aimed to improve cooperation on issues relating to the international finance system. During the dramatic financial crisis of 2008, it became apparent that the crisis coordination required would have to take place at top political level. As a result, the existing meeting was lifted to the level of heads of state and government. The list of G20 countries include Brazil, China, India, Japan, Russia, SA, US, UK and others, 20https://www.g20.org/Webs/G20/EN/G20/_participants_node, accessed on 5 December 2016.

⁹ World Bank (2016): *Global Economic Prospects, Divergences and Risks*, available from <http://www.worldbank.org/en/publication/global-economic>, accessed on 25 October 2016

¹⁰ World Bank (2017): *Global Economic Prospects, Weak Investment in Uncertain Times*, available from <http://www.worldbank.org/en/publication/global-economic> [Accessed on 16 January 2017]

¹¹ See foot note number 4.

The projected subdued national growth rate is further confirmed by seasonally adjusted Barclays Purchasing Managers' Index (PMI)¹², which declined to 46.7 index points in December 2016, from 48.3 in November. The South African Reserve Bank (SARB) composite business cycle indicator¹³ improved marginally in 2016, confirming the subdued economic outlook. The sentiment about sluggish economic performance in SA is further resonated by the World Bank (2016)¹⁴, which maintains that the dire situation is exacerbated by weak investor sentiment amid policy uncertainty, and by the anticipated tightening of monetary and fiscal policies. The lacklustre economic performance is also reinforced by low consumer and business confidence¹⁵. This is obviously not boding well with the unemployment rate which is estimated at 27.1 per cent as at the end of the third quarter of 2016 (Stats SA, 2016a).¹⁶

Credit rating

In December 2016, Rating and Investment Information, Inc. (R&I) downgraded SA's credit rating to BBB from BBB+¹⁷. Similar to the other three agencies, R&I maintained a negative outlook. The primary factors for the agency's rating action were, among others, weaker economic growth due to both cyclical factors, including external and structural factors, and the fact that the country's economy remains vulnerable to volatilities in financial markets and political risk. R&I has indicated that the national credit ratings will come under additional downward pressure if economic growth forecasts continue to be revised downward and it becomes more likely that prospects for outstanding debt levels will worsen.

Debt-to-GDP ratio

In SA, government debt increased from an average of 37.9 per cent as a percentage of GDP in 2000 to a record of 50.1 per cent in 2015. The lowest record of 27.8 per cent was realised in 2008. It must be noted that a low debt-to-GDP ratio indicates an economy that produces and sells sufficient goods and services to pay back debts without incurring further debts. Hence a debt-to-GDP ratio of 50 per cent is detrimental to the economic performance of a country, particularly in SA, whereby unemployment, poverty and inequality levels are so high.¹⁸ Using data from Bloomberg, Gumede (2016)¹⁹ maintains that only six of 20 countries reduced below investment grade by S&P over the last 30 years have regained their previous status, and for those that did, it took from 13 months to more than 11 years to do so. He further argued that, should SA be downgraded to junk status, it could take between three to five years before it could possibly get upgraded again.

Inflation

Data by Stats SA (2017)²⁰ indicates that average annual consumer price inflation of 6.4 per cent (in urban areas) has remained uncomfortably above the 3 to 6 per cent target band in 2016. This was 1.8 percentage

¹² Barclays PMI is an indicator of activity in the manufacturing sector. The index provides leading indications of business conditions in the sector, where a level below 50 suggests a contraction in activity while one above 50 points suggests expansion (www.ber.ac.za) (accessed on 20/01/2017).

¹³ The composite business cycle leading indicator shows the direction of economic activity in the next 6 to 9 months, available online: <https://www.resbank.co.za/Publications>, accessed on 20/12/2016.

¹⁴ World Bank (2016): Global Economic Prospects, Divergences and Risks, available from <http://www.worldbank.org/en/publication/global-economic>, accessed on 25 October 2016.

¹⁵ For an in-depth analysis of both business and consumer confidence, see Trading Economics (2016): *South Africa Business / Consumer Confidence*, available online: <http://www.tradingeconomics.com/south-africa/business-confidence>, accessed on 15/12/2016.

¹⁶ Stats SA (2016b) *Quarterly Employment Survey*, Quarter three 2016, Statistical release P0277, available online: <http://www.statssa.gov.za/publications/P0277/P0277September2016.pdf>, accessed on 12 December 2016.

¹⁷ The other three Sovereign Credit Ratings agencies that maintained the country's negative economic outlook are Moody's, Fitch and Standard & Poor (S&P).

¹⁸ Government debt as a percentage of GDP is inherently used by investors to measure a country's ability to make future payments on its debt, thus affecting the country's borrowing costs and government bond yields. See *South Africa Government Debt to GDP* available online: www.tradingeconomics.com/south-africa/government-debt-to-gdp, accessed on 13 December 2016.

¹⁹ See Gumede, A. (2016): *Junk Rating for South Africa Might Be Hours Away and Last Years*, Bloomberg's newspaper article available online: <https://www.bloomberg.com/news/articles/2016-12-01/junk-rating-for-south-africa-might-be-hours-away-and-last-years>, accessed on 13/12/2016.²⁰ Stats SA (2017) Consumer Price Index, December 2016, Statistical Release P0141, Embargoed until 18 January 2017, available online: <http://www.statssa.gov.za/publications/P0141.pdf>, accessed on 18 January 2017.

²⁰ Stats SA (2017) Consumer Price Index, December 2016, Statistical Release P0141, Embargoed until 18 January 2017, available online: <http://www.statssa.gov.za/publications/P0141.pdf>, accessed on 18 January 2017.

points higher than the corresponding average of 4.6 per cent in 2015. The SARB (2017)²¹ projects annual inflation to average 6.2 per cent in 2017 before slowing down further to 5.5 per cent in 2018.

Disturbingly, CPI for rural areas has increased by 8.3 per cent when compared to December 2015. The key drivers of the higher inflation rate are food and non-alcoholic beverages which accelerated to 11.7 per cent, year-on-year. Similar to provinces such as Limpopo (8.4 per cent), Eastern Cape (7.8 per cent) and others, the inflation rate in KZN (7.6 per cent) was disappointingly above the national average headline inflation rate of 6.6 per cent in December 2016. The Northern Cape and Gauteng were the only two provinces to record inflation slightly below the national average rate at 5.6 per cent and 6.5 per cent, respectively.

KZN economic review and outlook

In line with both the global and national trends, the provincial economy is estimated to have recorded a seasonally adjusted increase of 0.6 per cent in 2016, compared to the -0.2 per cent contraction suffered in the third quarter of 2016. Similar to the national projections, the provincial economic outlook is in a subdued trajectory but expected to grow at 0.9 per cent in 2017 before moderating to 2.1 per cent in 2018. 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 the province.

1.4 Provincial labour market

The South African economy continues to experience a high rate of unemployment, especially among the youth, who lack essential skills required in the labour market. The shortages of skills result in structural unemployment²², emanating from various structural factors including weakening economic performance as shown in Section 1.3. Estimates from Stats SA (2016)²³ indicate that the national unemployment rate stood at 27.1 per cent in the third quarter of 2016, slightly higher than the 26.7 per cent observed in the second quarter.

Though the unemployment rate of 23.5 per cent in KZN is lower than the national average, it is relatively high by international standards, especially when compared with countries that SA and the province trade with. Nonetheless, KZN is among the provinces that recorded a moderate official unemployment rate after Limpopo at 21.9 per cent and the Western Cape at 21.7 per cent. The lower unemployment rate in KZN could be attributed to the eThekweni Metro which is the largest employer when compared to other district municipalities in the province.

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)²⁴ stood at 22.2 per cent in 2015 (slightly down from 28.9 per cent in 2014) while the proportion of those living below the lower poverty line (LBPL)²⁵ was 33.1 per cent. A proportion of about 44.7 per cent were living below the upper poverty

²¹ SARB (2017): *Statement of the Monetary Policy Committee*, Press statement delivered by the Governor of the SARB on 24 January 2017, available online: <https://www.resbank.co.za>, accessed, 25 December 2016.

²² Structural unemployment generally refers to a mismatch between skills on the labour force and the type of skills required by the employers.

²³ Stats SA (2016): *Quarterly Labour Force Survey*, Quarter three 2016, Statistical release P0211, available online: www.statssa.gov.za/publications/P0211/P02113rdQuarter2016.pdf, accessed on 2 December 2016.

²⁴ 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).

²⁵ 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.

line (UBPL)²⁶. The proportion of people living below all three poverty lines has declined since 2014, painting a hopeful picture about the state of poverty in the province. The Poverty headcount and Poverty intensity (which are measurements of multidimensional deprivation) for 2016 indicate that poverty in KZN is at higher than average levels in comparison to other provinces. 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 was estimated at 0.61 in 2015, which was lower than the national average of 0.65.

Table 3 : Key socio-economic and development indicators in SA and KZN in 2005, 2015 and 2016

Indicator	South Africa			KwaZulu-Natal		
	2005	2015	2016	2005	2015	2016
Unemployment rate, official definition (%)	26.6%	25.5%	27.1%	31.5%	22.0%	23.5%
Human Development Index (HDI)	0.54	0.65	-	0.48	0.61	-
Gini coefficient	0.65	0.63	-	0.64	0.63	-
Share below the food poverty line (StatsSA defined)	34.3%	22.2%	-	40.7%	28.0%	-
Share below the lower poverty line (StatsSA defined)	46.9%	33.1%	-	54.1%	40.2%	-
Share below the lower poverty line (StatsSA defined)	58.5%	44.7%	-	65.6%	52.1%	-
Functional literacy: age 15+, completed grade 7 or higher	74.0%	82.9%	-	70.9%	80.1%	-
Poverty headcount (StatsSA defined)	-	-	7.5%	-	-	7.7%
Poverty intensity (StatsSA defined)	-	-	42.4%	-	-	42.5%

Source: Global Insight and Stats SA, 2016

Note dashes (-) in the table represent unavailability of data

1.5.2 Household income and income inequality

In 2015, 40.7 per cent of all KZN households were categorised as being lower income households, where the annual income was between R0 and R54 000. This was a slight decrease from 44.8 per cent in 2014. About 20.7 per cent were categorised as being low emerging middle income households earning between R54 000 and R96 000 p.a., and roughly 27.3 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 (6 per cent, an increase from 5.5 per cent in 2014) categorised as the realised middle class, and about 3.9 per cent were upper middle class households earning between R600 000 and R1.200 million. About 1.5 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 47.8 per cent of African households in KZN were still categorised as low income earners in 2015, in contrast to only 21.6 per cent Coloured, 4.3 per cent Asian, and 1 per cent White households being categorised as lower income. This observation is further supported by KZN's Gini coefficient of 0.63 which is the second highest across all provinces after Gauteng (0.64).

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 30 November 2016 on a national scale, with a total number of 3 919 059 beneficiaries. This amount equates to 22.8 per cent of the total national number of social grant beneficiaries. The province had the highest share of recipients of the Old Age Grant (657 525 beneficiaries, 20.1 per cent), Disability Grant (249 864 beneficiaries, 23 per cent), Grant-in-Aid (51 330 beneficiaries, 32.6 per cent), Care Dependency Grant (40 050 beneficiaries, 27.8 per cent) and the Child Support Grant (2 804 231 beneficiaries, 23.3 per cent).

In terms of growth in beneficiary numbers since 30 November 2015, the Old Age Grant (2.2 per cent), Grant-in-Aid (12.4 per cent) and the Care Dependency Grant (8.2 per cent) experienced declines while other grant types experienced an increase in numbers. The most notable increase was in the number of War Veteran's Grant beneficiaries (14.8 per cent), followed by Foster Child Grant beneficiaries (12.4 per cent).

²⁶ The UBPL group are still considered in poverty, but can generally purchase both food and non-food items.

2. BUDGET STRATEGY AND AGGREGATES

2.1 Introduction: Budget strategy – An overview

KZN has suffered substantial budget cuts over the last few MTEF periods. Some of these cuts related to the annual data update of the Provincial Equitable Share (PES) formula, while others related to National Treasury's fiscal consolidation plan. Unfortunately, KZN is not spared from budget cuts over the 2017/18 MTEF although National Treasury has indicated that these cuts have been kept to a minimum for provinces. There are two types of budget cuts effected against the PES, while there are also reductions made in terms of the Provincial Own Revenue budgets. Besides this, there are also fiscal consolidation cuts being effected against the province's conditional grant allocation. The first PES cut relates to the data updates of the PES formula while the second PES cut relates to National Treasury's fiscal consolidation plan.

On the other hand, National Treasury is adding some funds for Education and Health, as well as an allocation in the outer year to compensate the province for the wage shortfall.

The other major impact on the provincial fiscus is the remuneration of *Izinduna* in this province. This is a matter that the province has grappled with over the past few years since the first Presidential proclamation was signed in February 2014 that *Izinduna* should be remunerated. While this proclamation was signed determining the amounts at which the *Izinduna* should be remunerated, there were no funds added to the provincial fiscus to pay for this and this is therefore an unfunded mandate. All efforts to secure funding for this unfunded mandate from the national fiscus have failed and it is therefore clear that KZN is expected to deal with this unfunded mandate from within the provincial fiscus. It was therefore agreed by the Executive Council that the Department of Co-operative Governance and Traditional Affairs (COGTA) will fund 50 per cent of the amount needed for the remuneration of the *Izinduna* from within their baseline through reprioritisation, while the balance of 50 per cent is being proportionately cut from all remaining Votes.

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. There are therefore only very limited additions being made to departments' budgets over the 2017/18 MTEF. The province also continues to budget for a Contingency Reserve, but with this now being set at a lower level when compared to the 2016/17 MTEF (except for the outer year). The Contingency Reserve amounts to R650 million in 2017/18 and 2018/19, while increasing to R1.287 billion in 2019/20. The Contingency Reserve for 2019/20 is largely made up of the R650 million Contingency Reserve, as well as a portion of the wage agreement funding which National Treasury has allocated to the province remaining unallocated at this stage. It is felt that this is a prudent approach as the outcome of the next round of wage negotiations is not known and this allows the province to add funding to departments in that year should the wage agreement be reached at an amount higher than budgeted.

2.2 Aligning provincial budgets to achieve government's prescribed outcomes

In preparing the 2017/18 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 on financing to provide the net position after financing for each year.

The data for 2013/14 to 2015/16 is based on audited receipts and payments, while the 2016/17 figures provide a revised estimate position as at the end of December 2016. The 2017/18 to 2019/20 data reflects the budgeted receipts and payments for the MTEF.

The detailed analysis of total provincial receipts and payments is given in Sections 4 and 5 of this *OPRE*.

Table 2.1 : Provincial budget summary

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17			2017/18	2018/19	2019/20
Provincial receipts									
Transfer receipts from national	88 230 571	94 195 075	100 318 136	105 386 733	105 406 575	105 406 575	112 580 183	119 719 335	128 320 824
Equitable share	73 926 587	78 138 477	83 131 565	87 897 580	87 897 580	87 897 580	93 756 530	99 740 600	106 840 842
Conditional grants	14 303 984	16 056 598	17 186 571	17 489 153	17 508 995	17 508 995	18 823 653	19 978 735	21 479 982
Provincial own receipts	2 772 190	3 148 995	3 260 603	3 031 768	3 031 768	3 125 276	3 038 628	3 193 034	3 309 028
Total provincial receipts	91 002 761	97 344 070	103 578 739	108 418 501	108 438 343	108 531 851	115 618 811	122 912 369	131 629 852
Provincial payments*									
Current payments	71 869 319	76 464 772	83 023 232	90 256 791	90 745 008	90 851 248	95 981 012	102 710 015	109 478 014
Transfers and subsidies	11 516 658	12 146 645	12 511 265	10 820 225	11 269 561	11 571 098	11 580 777	12 165 955	12 814 111
Payments for capital assets	8 186 603	8 229 007	8 640 102	7 771 970	7 654 263	7 587 705	7 557 177	7 503 743	8 179 719
Payments for financial assets	38 511	5 983	172 117	157 055	158 730	159 102	139 501	-	-
Total provincial payments	91 611 090	96 846 407	104 346 716	109 006 041	109 827 562	110 169 153	115 258 467	122 379 712	130 471 844
Lending									
Surplus/(deficit) before financing	(608 329)	497 663	(767 977)	(587 540)	(1 389 219)	(1 637 302)	360 344	532 657	1 158 008
Financing	2 238 552	1 235 152	2 099 338	1 337 540	2 134 358	2 134 358	289 656	117 343	128 992
Provincial roll-overs	207 370	145 541	97 260	-	152 234	152 234	-	-	-
Provincial cash resources	2 032 741	1 091 595	2 002 434	1 337 540	2 006 057	2 006 057	289 656	117 343	128 992
Surplus Own Revenue surrendered	(3 261)	(2 247)	(2 603)	-	-	-	-	-	-
Suspension to ensuing year	1 702	263	2 247	-	2 603	2 603	-	-	-
Allocations from the Contingency Reserve	-	-	-	-	(26 536)	(26 536)	-	-	-
Surplus/(deficit) after financing	1 630 223	1 732 815	1 331 361	750 000	745 139	497 056	650 000	650 000	1 287 000

* Estimated actual expenditure for 2016/17 is as at 31 December 2016

In aggregate, KZN recorded a surplus after financing in 2013/14, 2014/15 and 2015/16. The surplus is largely 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 the Department of Education (DOE) due to staff exits and non-filling of vacant posts due to budget pressures. 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 2016/17 Revised Estimate in Table 2.1, which is based on the December 2016 IYM, indicates that the province will end the year with a surplus of R497.056 million, however, this is after taking into account the R745.139 million Contingency Reserve. It thus means that departments are projecting to over-spend by R342.026 million.

As mentioned, KZN continues to budget for a Contingency Reserve over the 2017/18 MTEF which is set at R650 million per year in 2017/18 and 2018/19 and at R1.287 billion in 2019/20. 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.

2.4 Financing

Contingency Reserve

The total provincial receipts exceed the total provincial payments over the 2017/18 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 S34(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 for 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 to re-direct these funds into service delivery areas. These cost-cutting measures, which are listed below, are updated and re-issued to departments and public entities each year and will remain in place as they are critical elements of good governance, rather than a once-off initiative to contain costs. The latest provincial cost-cutting measures, which will be re-issued to all departments and public entities in 2017/18, read as follows:

1. Vacant non-OSD posts are frozen for both departments and public entities. Departments and entities are permitted to fill critical vacant posts, as long as they remain within their baselines and receive permission to fill these posts from the Premier and the MEC for Finance.
2. Where posts become vacant through natural attrition, or where departments and entities elect to fill critical posts from within their 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. Furthermore, events should be limited to service delivery events or campaigns only and the costs associated with such events should be rationalised.
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 Provincial Treasury 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 Provincial Treasury who will assess these critically.
9. All requests for equitable share roll-overs will be critically assessed by Provincial Treasury prior to being submitted to the Executive Council 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 2016/17 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. Where it is not practically possible to provide water in jugs, Provincial Treasury approval must be sought.
17. All newspapers and other publications purchased for employees must be discontinued. Such purchases must be limited to Accounting Officers, Deputy Director Generals, and departmental libraries.

Travelling related:

18. S&T – only essential trips to be undertaken.
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 the Executive Council (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 Provincial Treasury five working days before the event is planned to take place to allow sufficient time for Provincial Treasury 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 Provincial Treasury 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. Provincial Treasury 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 Provincial Treasury.
33. No tracksuits, t-shirts, caps, bags or other promotional materials to be purchased or handed out at events (exceptions to be approved by Provincial Treasury).
34. Departments to share databases for government and community venues to minimise use of private venues.
35. 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).
36. 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.
37. Number of departmental/public entity officials attending events to be kept at an absolute minimum.
38. 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 Provincial Treasury). Where Provincial Treasury approval is requested, proof must be given that all other avenues have been exhausted before a private venue will be approved.
39. External meetings, workshops and events to be held in government facilities instead of private venues (exceptions to be approved by Provincial Treasury). Use of marquees to only be considered where such events could not be held in municipal halls, school halls, FET College facilities, etc. Where Provincial Treasury approval is being requested, proof must be provided that all other avenues have been exhausted before a private venue will be approved.

40. 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 S22(1) of the PFMA, as well as the Financial Management of Parliament and Provincial Legislatures Act (FMPPLA), retains its own revenue.

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

3.1 The 2017/18 MTEF budget process in brief

3.1.1 Treasury Guidelines circular

The 2017/18 MTEF budget process began with the preparation and distribution of the *Treasury Guidelines* document. This document explains the policy framework and format that departments must use to prepare the 2017/18 MTEF budget submissions, and was workshopped on 7 June 2016 to all departments and public entities.

As in the previous three MTEF cycles, KZN was not spared from fiscal consolidation cuts effected by National Treasury, while there are also reductions made in terms of the Provincial Own Revenue budgets. Besides this, there are also fiscal consolidation cuts being effected against the province's conditional grant allocation. These cuts are explained in the previous chapter. The 2017/18 budget process therefore 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 within available budgets. Departments were asked to continue implementing the expanded cost-cutting 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 also requested to try and fund any new priorities through reprioritisation. As in previous budget processes, departments were directed to consider the budget proposals received from public entities. The social sector departments, being Health, Education and Social Development, 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'. The public entities were also given the opportunity to cost two 'initiatives'. It was also emphasised that, due to the budget cuts, 'initiatives' were to be once-off in nature, as the fiscus would likely not be able to accommodate any carry-through costs.

In addition, KZN has decided to deal with the long-outstanding issue of the remuneration of *Izinduna*. The President has signed various proclamations that determine the rates which *Izinduna* should be remunerated at, with the first such proclamation having been signed in February 2014, backdated to April 2013. The latest proclamation sets the annual remuneration rate at R91 000, whereas COGTA is currently remunerating *Izinduna* at R15 600 per annum. On 2 November 2016, the Executive Council determined that the province commence the remuneration of *Izinduna* in compliance with previously issued Presidential proclamations. The *Izinduna's* remuneration budget for 2017/18 MTEF is partly funded (50 per cent) through an internal reprioritisation by COGTA and the balance of 50 per cent funded through a proportional cut against all the remaining Votes. As a result, it became clear that the province will not be able to fund any new spending areas, but rather cuts were effected against the baselines of departments in respect of the PES and Provincial Own Revenue reductions, as well as the budget cut to fund the remuneration of *Izinduna*.

It should be noted, though, that National Treasury is adding some funds to the provincial baseline for Education and Health, as well as an allocation in the outer year, as mentioned.

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 six criteria:

- Evidence that the initiative contributes to government policy priorities, as well as being clearly aligned to the PGDP/Poverty Eradication Master Plan (PEMP).
- Alignment of the initiative to the core functions of the department/public entity.
- Evidence of credible service delivery information.
- Is the costing/initiative realistic?

- Was there adequate political involvement in the budget formulation process?
- Evidence that the department/public entity underwent thorough reprioritisation with a view to fund part of the initiative from within its budget.

In terms of the rating exercise, each of the criteria translated to ‘2’ points if complied with, and a ‘0’ if not. An initiative therefore could score a maximum of 12 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 the Executive Council. While many of these requests fared well in terms of Provincial Treasury’s evaluation thereof, the province was not able to fund these requests due to the budget cuts discussed above.

3.1.3 Allocation process

In September 2016, MTEC met with 9 out of the 10 provincial departments (a separate engagement with Health was held prior to the MTECs) and 5 public entities who had submitted initiatives for funding. In terms of the FMPPLA, which is applicable from 1 April 2015, the KZN Legislature is no longer required to submit additional funding requests to Provincial Treasury *via* the MTEC process as the provincial departments and public entities do. Instead, the KZN 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 Provincial Treasury officials. As was the case in the previous cycle, the MTEC for the 2017/18 MTEF cycle indicated that the meetings were taking place during difficult times as SA’s debt service-costs are rising faster than any other expenditure item in the national fiscal framework. KZN’s budget cuts are largely due to the 2017/18 budget being informed by weak economic growth, with a downward revision to the 2016 growth forecasts from 0.9 per cent at the time of the 2016/17 Budget to 0.5 per cent in the Medium Term Budget Policy Statement (MTBPS), as well as cuts as a result of the update to the PES formula. Furthermore, National Treasury intensified its fiscal consolidation programme, resulting in cuts being effected against the province’s conditional grant allocation and equitable share allocation.

National Treasury advised that they are adding some funds to the provincial baseline for Education and Health. In this regard, Education receives R634.605 million in 2018/19 and R686.110 million in 2019/20, with no additional funding given for the first year of the 2017/18 MTEF. These funds are allocated to provinces as budget pressures over the past few years have not allowed for the filling of some of the posts that have become vacant or to employ additional teachers to respond to increasing enrolment. This has resulted in an increase in class size over time in some instances. In this regard, though, Education was urged to undertake a study to see how many posts the department can afford to fill before allocating these funds to its various programmes, i.e. a comprehensive HR Management Plan. This allocation should not be used by Education to keep non-viable schools open.

National Treasury also advised that an allocation is made to Health with regard to the exchange rate pressures in the procurement of medicines and medical supplies. In this regard, an allocation of R211.111 million is made in the outer year of the 2017/18 MTEF (i.e. in 2019/20) with no funds given in the first two years of the 2017/18 MTEF.

National Treasury provides an amount of R1.498 billion in 2019/20 and this offsets the budget cuts in the outer year, however only R897.608 million is allocated to departments at this stage, with the balance of R600 million not allocated. The reason this is done is that 2017/18 is the third year of the current wage agreement, with negotiations for the next three-year period estimated to take place in 2018/19. It is therefore prudent to leave the R600 million unallocated at this stage and for it to be added to the province’s Contingency Reserve in 2019/20 in case the wage agreement is reached at an amount higher than the amount departments have budgeted for. This allows the province to add to departments’ budgets in the event that the wage adjustment is agreed to at an amount higher than currently budgeted, while it would be preferable, though, to allocate these funds to direct service delivery programmes.

Table 3.1 indicates the departments’ requests for additional funding as they were submitted as part of the 2017/18 MTEF process.

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

R thousand	Amounts requested			
	2017/18	2018/19	2019/20	Total
1. Office of the Premier	8 360	2 820	2 820	14 000
2. Provincial Legislature	8 700	-	-	8 700
3. Agriculture and Rural Development	200 000	200 000	200 000	600 000
4. Economic Development, Tourism & Enviro. Affairs	738 450	3 700	-	742 150
5. Education	51 515	49 263	47 766	148 544
6. Provincial Treasury	-	-	-	-
7. Health	269 360	138 500	121 000	528 860
8. Human Settlements	-	-	-	-
9. Community Safety and Liaison	4 725	4 999	5 289	15 013
10. Sport and Recreation	9 900	-	-	9 900
11. Co-operative Governance and Traditional Affairs	53 434	1 640	-	55 074
12. Transport	491 172	579 565	599 565	1 670 302
13. Social Development	20 120	-	-	20 120
14. Public Works	14 472	-	-	14 472
15. Arts and Culture	63 480	403 378	473 412	940 270
Total	1 933 688	1 383 865	1 449 852	4 767 405

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

With the exception of the OTP, the Department of Economic Development, Tourism and Environmental Affairs (EDTEA), Provincial Treasury and the Department of Human Settlements (DOHS), all departments submitted requests for additional funds, with the largest coming from the entities falling under EDTEA, the Department of Transport (DOT), Health, and the Department of Agriculture and Rural Development (DARD). While OTP and EDTEA did not submit initiatives, entities under these departments submitted requests for funding resulting in amounts reflected against these departments in Table 3.1. These departments requested additional amounts of R1.934 billion, R1.384 billion and R1.450 billion, respectively, over the 2017/18 MTEF. DOT requested additional funds to reduce the construction backlog of the road network, as well as for a traffic management centre and public transport infrastructure. Entities under EDTEA requested funds for various issues, including the acquisition of land by the Richards Bay Industrial Development Zone (RBIDZ) and upgrade and development of various retail centres for Ithala Development Finance Corporation (Ithala), while Ezemvelo KZN Wildlife (EKZNW) requested funds for infrastructure improvements and for drought interventions. DARD requested additional funds for farmer support and Makhathini infrastructure, while DOH requested funds for digitisation of radiology services and for major medical equipment for the ideal clinics programmes.

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 provincial baseline cuts imposed by National Treasury did not allow the province to fund any of these requests.

MinComBud and the Executive Council reviewed the MTEC recommendations taking into account the above context, and agreed not to fund any of these initiatives.

The following are various provincial priorities that were allocated additional funding when the 2016/17 Adjustments Estimate was tabled, but with the understanding that these would receive the additional funds over the 2017/18 MTEF:

- Provincial Legislature receives R34.569 million in 2019/20 being the carry-through amount relating to the zero-based budget adjustment that was undertaken in the 2016/17 MTEF. When the funds were allocated to the Legislature, it was for three years only (i.e. R30.536 million, R32.063 million and R32.923 million in 2016/17, 2017/18 and 2018/19, respectively), whereas this allocation now provides for a further year.
- The Department of Community Safety and Liaison (DCSL) receives R8.109 million, R8.515 million and R8.992 million over the 2017/18 MTEF. When the Civilian Secretariat for Police Services Act was enacted, it required that the department implement a revised organisational structure which included being visible in all districts in the province. As such, to assist with this expanded structure, funds were allocated to the department from 2013/14, but these funds did not carry-through beyond 2016/17. This allocation gives the department certainty of funding for another few years.
- The Department of Transport (DOT) receives R48 million for the cross-border crime fighting initiative and provides for a cross border crime fighting structure on the KZN/Mozambique border,

as resolved at the Executive Council Lekgotla held in September 2016. These funds are allocated to the department over two years, with R2 million allocated in 2016/17 and R48 million in 2017/8, but with the understanding that a MOA be entered into with the Department of Home Affairs who is responsible for border infrastructure so that the funds can be recouped. Similarly, a MOA with the SANDF will be entered into, that the border will be patrolled.

- The Department of Public Works (DOPW) receives R4.776 million in 2017/18 for the Mayville Conference Centre to sound-proof the main facility, and to convert an existing building on the premises into a dining facility. Currently when conferences are held at the facility, it is often required to hire a marquee to provide the space required for a dining facility, and this comes at an added cost.
- The Department of Sport and Recreation (DOSR) requested to suspend R10 million from their 2016/17 budget relating to the construction of a sports development centre in Durban. The eThekweni Metro has had some legal issues with regard to the site identified for this centre and the funds are therefore only required in 2017/18. These funds are therefore formally appropriated back to the department as part of the 2017/18 MTEF process.
- The Department of Arts and Culture (DAC) receives R169.350 million over four years (i.e. R2 million in 2016/17, R20.881 million in 2017/18, R52.925 million in 2018/19 and R93.544 million in 2019/20) for the construction of an Archive Repository in Pietermaritzburg at a total cost of R300 million, with the planning for this project commencing in 2016/17 and construction expected to be finalised in 2022/23. This facility is required so that the heritage of the province is preserved. The repository will store and care for documents of unique and enduring cultural, historical and evidentiary value. Currently, KZN's archives are stored between three repositories in Pietermaritzburg, Durban and Ulundi. Both the Pietermaritzburg and Durban repositories are full to capacity and the Ulundi Archives accommodation does not comply with any minimal standards in which valuable documents may be housed. These funds are specifically and exclusively appropriated to ensure that they are not used for any other purpose. Funds will have to be added to this project in future years as the construction end-date is in 2022/23.

Details of the additional allocations over the 2017/18 MTEF, per department, are provided in Table 3.4.

3.2. Provincial fiscal framework

Table 3.2 summarises the provincial fiscal framework for the 2017/18 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.

The PES formula has been updated with new data and is informed by the data from the Census 2011 age cohorts, 2016 mid-year population estimates, 2016 School Realities Survey (SNAP Survey), the 2014 GDP-R, District Health Information Services for patient load data (2014/15-2015/16), risk adjusted index (risk equalisation fund), insured population (2015 GHS), and the 2010 Income and Expenditure Survey. The new shares are phased in over three years, as is normal practice in this regard. The impact of this is a 0.22 per cent reduction of KZN's share of the PES. The province loses R188.708 million, R231.760 million and R454.884 million over the 2017/18 MTEF due to these data updates.

In addition, against the background of slow economic growth, rising debt and higher interest rates, National Treasury indicated that they are implementing a further round of fiscal consolidation cuts termed Fiscal Framework reductions. These cuts though, have been kept to a minimum for provinces over the 2017/18 MTEF. The cuts are largely due to the 2017/18 budget being informed by weak economic growth, with a downward revision to the 2016 growth forecasts from 0.9 per cent at the time of the 2016/17 budget to 0.5 per cent in the Medium Term Budget Policy Statement (MTBPS). A subdued economic growth implies the same for tax revenue growth. New priorities requiring further additions for social spending has necessitated fiscal consolidation alongside additions to the budget (discussed in more detail shortly). The Fiscal Framework reductions amount to R105.980 million, R111.828 million and R117.862 million over the MTEF. In spite of all of this, the PES continues to grow over the 2017/18 MTEF, thus not compromising the stability of the provincial fiscus.

Table 3.2 : Summary of provincial fiscal framework

R thousand	2017/18	2018/19	2019/20
1. Receipts			
Baseline Allocation	116 267 339	123 404 132	129 160 259
Transfer receipts from national	113 083 767	120 065 693	125 634 867
Equitable share	94 051 218	99 449 582	105 018 756
Conditional grants	19 032 549	20 616 111	20 616 111
Provincial own receipts	3 183 572	3 338 439	3 525 392
Increase / (Decrease) in allocation	(648 528)	(491 763)	2 469 593
Transfer receipts from national	(503 584)	(346 358)	2 685 957
Equitable share	(294 688)	291 018	1 822 086
Conditional grants	(208 896)	(637 376)	863 871
Provincial own receipts	(144 944)	(145 405)	(216 364)
Revised allocation	115 908 467	123 029 712	131 758 844
Transfer receipts from national	112 580 183	119 719 335	128 320 824
Equitable share (after update of formula data & fiscal consolidation cuts)	93 756 530	99 740 600	106 840 842
Conditional grants	18 823 653	19 978 735	21 479 982
Provincial own receipts	3 038 628	3 193 034	3 309 028
Provincial cash resources	289 656	117 343	128 992
2. Planned spending by departments	115 258 467	122 379 712	130 471 844
3. Contingency Reserve	650 000	650 000	1 287 000

Meetings were convened with MinComBud and the Executive Council from November 2016 to February 2017 to consider the 2017/18 provincial fiscal framework, with these forums providing direction in terms of the provincial fiscus each step of the way.

National Treasury advised that some changes were also being made to the conditional grant allocations, but these changes were kept to a minimum. Some reductions had to be made against the conditional grant allocation in support of the government-wide fiscal consolidation efforts, while a number of grants benefit from additions, and two new grants are incorporated into the fiscal framework as part of the expansion of social spending. Reductions to conditional grants over the 2017/18 MTEF, compared to previous fiscal consolidation efforts, have focused on poor performing grants, as well as grants which have higher than average growth rates.

At a high level, the province's conditional grant allocation, when comparing the 2016/17 MTEF baseline with the 2017/18 MTEF allocation, shows a decrease of R208.896 million in 2017/18, a decrease of R637.376 million in 2018/19 and an increase of R863.871 million in 2019/20. While the aggregate position shows a decrease in 2017/18 and 2018/19, some grants see an increase in their allocations. The following amendments are made to the conditional grant allocation:

The **Land Care grant** sees an increase of R682 000 in 2017/18 and R1.387 million in 2019/20, with no additions or reductions in 2018/19.

The **Comprehensive Agriculture Support Programme (CASP)** grant reduces by R26.114 million in 2017/18, R25.497 million in 2018/19 and R6.354 million in 2019/20. A part of this budget cut relates to fiscal consolidation, as well as to capacitate the National Department of Agriculture, Forestry and Fisheries (DAFF) to conduct an agriculture and rural census. The endeavor will also contribute to ongoing efforts to define rurality, and the extent of rurality across provinces. The cut also relates to the fact that disaster funding intended for the Northern Cape was inadvertently allocated to all 9 provinces, and this is being rectified.

The **Ilima/Letsema Projects grant** receives an inflationary increase of R3.990 million in 2019/20. DARD also receives additional funding of R8.466 million in 2017/18 with regard to the **EPWP Integrated Grant for Provinces**.

EDTEA receives additional funding of R6.149 million in 2017/18 with regard to the **EPWP Integrated Grant for Provinces**.

The **Education Infrastructure grant (EIG)** shows an increase of R149.166 million in 2017/18, a reduction of R24.585 million in 2018/19 and an increase of R83.176 million in 2019/20. The allocation letter from National Treasury explains that the reduction against this grant is due to some funds being redirected to the School Infrastructure grant (held by the National Department of Basic Education (DBE)). This allows for the completion of existing School Infrastructure Backlogs projects. There are

also some fiscal consolidation cuts against this grant. On the other hand, KZN benefits from the incentive nature of this grant in 2017/18 having scored 76 per cent in the assessment, and this contributes to the increase shown in 2017/18.

The **HIV and AIDS (Life-Skills Education) grant** shows inflationary growth in the outer year of R3.325 million.

The allocation letter from National Treasury indicated that the **National School Nutrition Programme (NSNP) grant** receives an addition over the MTEF to provide for inflationary pressures related to food prices. The additions are made to alleviate this pressure and to ensure that the programme continues to provide a nutritious meal to qualifying learners on school days. As such, the grant increases by R27.078 million, R29.334 million and R106.078 million over the 2017/18 MTEF.

The **Maths, Science and Technology (MST) grant** is reduced by R2.223 million, R4.607 million and R1.060 million over the 2017/18 MTEF due to slow spending against this grant.

A new grant is introduced over the 2017/18 MTEF, namely the **Learners with Profound Intellectual Disabilities grant** and the department receives R5.558 million, R14.739 million and R17.545 million over the 2017/18 MTEF in this regard. The purpose of the grant is to provide educational opportunities to learners with severe and profound intellectual disabilities. DOE receives additional funds in 2017/18 relating to the **EPWP Integrated Grant for Provinces** (R2 million), and the **Social Sector EPWP Incentive grant** (R4.808 million).

The **Health Professions Training and Development grant** sees an increase of R1 000 in 2017/18 and 2018/19, while increasing by R19.667 million in the outer year.

The **Health Facility Revitalisation grant** sees some reductions over the MTEF due to fiscal consolidation. National Treasury indicated in their allocation letter that this reduction should not impact on the implementation of current projects, but rather new projects, where possible, will need to be rescheduled to commence later in the future. On the other hand, KZN benefits from the incentive nature of this grant in 2017/18, having scored 72 per cent in the assessment. As such, this grant increases by R53.445 million in 2017/18, decreases by R25.689 million in 2018/19 and increases by R37.479 million in 2019/20.

The direct **National Health Insurance (NHI) grant** is discontinued starting from 2017/18, while the **National Tertiary Services grant** and the **Human Papillomavirus Vaccine (HPV) grant** see inflationary increases of R100.500 million and R2.519 million in 2019/20, respectively.

Although the **Comprehensive HIV, AIDS and TB grant** is reduced over the MTEF due to fiscal consolidation, the grant still shows good growth. This growth rate preserves the capacity of the grant to deliver treatment services to the same number of patients. To make provision for the continued expansion of ARV coverage in response to the national universal test-and-treat policy, substantial additional funds are added to the grant in 2019/20. As such, this grant reduces by R37.369 million in 2017/18 and by R69.194 million in 2018/19, while increasing substantially by R556.599 million in 2019/20.

DOH also receives additional funds in 2017/18 relating to the **EPWP Integrated Grant for Provinces** (R8.400 million), and the **Social Sector EPWP Incentive grant** (R47.058 million).

The **Human Settlements Development grant** (HSDG) sees a reduction over the 2017/18 MTEF. Of this, some funding is reprioritised to the Social Housing Regulatory Authority (SHRA) to promote subsidies for social housing, and some funds are reprioritised to assist the Housing Development Agency (HDA) in operationalising catalytic projects. Part of the reduction relates to fiscal consolidation. As such, this grant reduces by R365.661 million in 2017/18, R361.193 million in 2018/19 and R118.213 million in 2019/20.

DOHS receives additional funding of R5.625 million in 2017/18 with regard to the **EPWP Integrated Grant for Provinces**.

DCSL receives additional funding of R1.487 million in 2017/18 with regard to the **Social Sector EPWP Incentive grant**.

The **Mass Participation and Sport Development (MPSD) grant** is increased over the 2017/18 MTEF with R2.649 million added in 2017/18, R30.888 million in 2018/19 and R37.296 million in 2019/20.

DOSR also receives an allocation in 2017/18 with respect to the **EPWP Integrated Grant for Provinces** (R2 million) and the **Social Sector EPWP Incentive grant** (R12.165 million).

COGTA receives an allocation in 2017/18 of R3.338 million with respect to the **EPWP Integrated Grant for Provinces**.

The **Provincial Road Maintenance grant (PRMG)** decreases by R209.982 million in 2017/18, R224.228 million in 2018/19 and R86.444 million in 2019/20. The formula used to allocate this grant to provinces includes a visual condition indicator (VCI), which measures the percentage of a province's road network that is in good condition or not, and this increases from 45 per cent in the 2016/17 MTEF to 55 per cent for the 2017/18 MTEF. It is necessary to change this criterion in order to ensure a progressive improvement in the condition of the entire road network. Although the National Department of Transport (NDOT) had signaled this pending change, the shift to the higher VCI threshold destabilised provincial allocations in terms of this grant. Through consultation with NDOT, it was agreed that the new VCI threshold will be phased in at 45, 50 and 55 per cent over the 2017/18 MTEF. In addition, the grant transitions to using actual traffic volumes instead of projected traffic volumes to match actual road usage patterns.

The **Public Transport Operations grant (PTOG)** sees a minor increase of R1 000 in 2018/19, and an increase in 2019/20 of R62.805 million.

DOT receives additional funding of R33.645 million in 2017/18 with regard to the **EPWP Integrated Grant for Provinces**.

The **Early Childhood Development (ECD) grant** comes into effect from 2017/18 and seeks to address both the access of young children to early childhood education, while also ensuring the adequacy of facilities that house these young minds during these crucial education years. This grant allocation specifies a subsidy component and a maintenance component. The grant sees a fiscal consolidation reduction over the MTEF with R20.501 million, R32.601 million and R26.319 million cut from this grant over the 2017/18 MTEF.

A new grant, called the **Social Worker Employment grant** is introduced in the Social Development sector. The aim of the grant is to address the need of social workers in the sector and reduce the backlog in the number of social worker graduates that remain unemployed after completion of their government subsidised education. The department receives R53.459 million, R58.855 million and R62.522 million over the 2017/18 MTEF with regard to this new grant.

The Department of Social Development (DSD) receives an allocation of R19.498 million in 2017/18 with regard to the **Social Sector EPWP Incentive grant**.

DOPW receives an allocation of R6.588 million in 2017/18 with respect to the **EPWP Integrated Grant for Provinces**.

The **Community Library Services grant** is reduced in 2017/18 and 2018/19 by R2.311 million and R2.600 million, respectively, while showing inflationary growth of R7.373 million in the outer year. Due to slow spending on this grant across the sector, this grant has been reduced.

DAC receives an allocation of R2 million in 2017/18 with respect to the **EPWP Integrated Grant for Provinces**.

The province also saw a reduction in Provincial Own Revenue projections, as mentioned. The main contributors to this reduction are Provincial Treasury and DOH. For Provincial Treasury, the reduction relates to the fact that the department has reviewed the daily cash balances held in the provincial bank account and has noted a decline in the balances held compared to the same time last year. As such, it is felt prudent to decrease the interest revenue budget that was anticipated to be earned. For DOH, the

decrease relates to the widening of income scales for free services by the National Department of Health (NDOH) translating into an increased number of patients who qualify for free public health care.

Table 3.4 in Section 3.3.2 then indicates the amounts allocated to departments in addition to their baseline allocations, from provincial cash resources, as well as funds from the national fiscus. The table also shows the budget cuts per Vote.

3.3 Summary of additional allocations for the 2017/18 MTEF

3.3.1 Existing growth in the 2016/17 MTEF baseline allocation

Table 3.3 shows the baseline budgets for the 2016/17 MTEF before any changes made as part of the 2017/18 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 2016/17 MTEF baseline budgets

R thousand	Main Appropriation	Medium-term baseline budgets			Ann. % growth
	2016/17	2017/18	2018/19	2019/20	16/17-19/20
1. Office of the Premier	658 644	697 499	742 904	784 507	6.0
2. Provincial Legislature	518 652	538 851	569 128	600 999	5.0
3. Agriculture and Rural Development	2 170 644	2 224 422	2 353 838	2 467 019	4.4
4. Economic Development, Tourism & Enviro. Affairs	2 702 992	2 844 613	3 022 744	3 188 287	5.7
5. Education	45 464 373	47 528 559	50 249 078	52 862 469	5.2
6. Provincial Treasury	675 280	659 029	688 508	727 063	2.5
7. Health	36 578 637	39 541 537	42 183 873	44 047 792	6.4
8. Human Settlements	3 485 112	4 205 672	4 475 736	4 497 213	8.9
9. Community Safety and Liaison	210 123	195 948	207 297	218 906	1.4
10. Sport and Recreation	426 479	438 628	453 016	472 721	3.5
11. Co-operative Governance and Traditional Affairs	1 545 923	1 461 452	1 546 475	1 633 078	1.8
12. Transport	9 571 940	10 012 734	10 580 528	10 989 429	4.7
13. Social Development	2 778 162	3 004 633	3 174 018	3 343 741	6.4
14. Public Works	1 432 608	1 503 706	1 590 995	1 683 273	5.5
15. Arts and Culture	786 472	857 179	870 986	909 383	5.0
Total	109 006 041	115 714 462	122 709 124	128 425 880	5.6

3.3.2 Summary of changes to baselines

The additional allocations to departments 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 regarding additional allocations can be found under each Vote's chapter in the *EPRE*.

Table 3.4 : Summary of changes to allocations, 2017/18 MTEF

	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
				Percentage share		
Vote 1 : Office of the Premier	44 626	44 233	38 061	(18.1)	14.4	3.1
Removal of Poverty Eradication Master Plan operation centre	-	-	(13 642)	-	-	(1.1)
Susp. of KZN Gaming and Betting Board from Vote 6	47 626	47 626	50 293	(19.3)	15.5	4.1
Allocation of parts of surrendered surplus for office accommodation for KZNGBB	767	821	879	(0.3)	0.3	0.1
PES and Provincial Own Revenue reductions	(2 734)	(3 125)	(5 543)	1.1	(1.0)	(0.5)
Budget cuts to fund remuneration of <i>Izinduna</i>	(1 033)	(1 089)	(1 149)	0.4	(0.4)	(0.1)
Additional from National Treasury	-	-	7 223	-	-	0.6
Vote 2 : Provincial Legislature	(3 551)	(3 914)	34 288	1.4	(1.3)	2.8
Zero-base budget baseline adjustment	-	-	34 569	-	-	2.8
Reduction of 2% to Zero-base adjustment	(641)	(658)	(691)	0.3	(0.2)	(0.1)
PES and Provincial Own Revenue reductions	(2 112)	(2 414)	(4 282)	0.9	(0.8)	(0.3)
Budget cuts to fund remuneration of <i>Izinduna</i>	(798)	(842)	(888)	0.3	(0.3)	(0.1)
Additional from National Treasury	-	-	5 580	-	-	0.5
Vote 3 : Agriculture and Rural Development	(10 312)	(11 541)	1 452	4.2	(3.7)	0.1
PES and Provincial Own Revenue reductions	(7 485)	(8 558)	(15 179)	3.0	(2.8)	(1.2)
Budget cuts to fund remuneration of <i>Izinduna</i>	(2 827)	(2 983)	(3 147)	1.1	(1.0)	(0.3)
Additional from National Treasury	-	-	19 778	-	-	1.6

Table 3.4 : Summary of changes to allocations, 2017/18 MTEF

	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
				Percentage share		
Vote 4 : Economic Development, Tourism & Enviro. Affairs	(66 359)	(17 188)	(7 593)	26.9	(5.6)	(0.6)
EKZNW - Rhino anti-poaching	-	-	(9 757)	-	-	(0.8)
Susp. of balance of funds from SBGE to V7: Health for exchange rate pressures	(51 000)	-	-	20.6	-	-
PES and Provincial Own Revenue reductions	(11 148)	(12 745)	(22 606)	4.5	(4.1)	(1.8)
Budget cuts to fund remuneration of <i>Izinduna</i>	(4 211)	(4 443)	(4 687)	1.7	(1.4)	(0.4)
Additional from National Treasury	-	-	29 457	-	-	2.4
Vote 5 : Education	(238 347)	367 889	719 678	96.5	119.5	58.8
PES and Provincial Own Revenue reductions	(172 998)	(197 773)	(350 792)	70.0	(64.2)	(28.6)
Budget cuts to fund remuneration of <i>Izinduna</i>	(65 349)	(68 943)	(72 735)	26.4	(22.4)	(5.9)
Additions for <i>Compensation of employees</i>	-	634 605	686 110	-	206.1	56.0
Additional from National Treasury	-	-	457 095	-	-	37.3
Vote 6 : Provincial Treasury	(51 185)	(51 608)	(49 792)	20.7	(16.8)	(4.1)
Susp. of KZN Gaming and Betting Board to Vote 1	(47 626)	(47 626)	(50 293)	19.3	(15.5)	(4.1)
PES and Provincial Own Revenue reductions	(2 583)	(2 953)	(5 237)	1.0	(1.0)	(0.4)
Budget cuts to fund remuneration of <i>Izinduna</i>	(976)	(1 029)	(1 086)	0.4	(0.3)	(0.1)
Additional from National Treasury	-	-	6 824	-	-	0.6
Vote 7 : Health	(64 599)	(129 417)	228 172	26.1	(42.0)	18.6
Susp. of balance of funds from V4: SBGE for exchange rate pressures	51 000	-	-	(20.6)	-	-
PES and Provincial Own Revenue reductions	(84 370)	(96 452)	(171 079)	34.1	(31.3)	(14.0)
Budget cuts to fund remuneration of <i>Izinduna</i>	(31 870)	(33 623)	(35 473)	12.9	(10.9)	(2.9)
Additions for exchange rate pressures	-	-	211 111	-	-	17.2
Additional from National Treasury	-	-	222 922	-	-	18.2
Baseline adjustment	641	658	691	(0.3)	0.2	0.1
Vote 8 : Human Settlements	(1 764)	(1 938)	544	0.7	(0.6)	0.0
PES and Provincial Own Revenue reductions	(1 420)	(1 624)	(2 880)	0.6	(0.5)	(0.2)
Budget cuts to fund remuneration of <i>Izinduna</i>	(537)	(566)	(597)	0.2	(0.2)	(0.0)
Additional from National Treasury	-	-	3 753	-	-	0.3
Baseline adjustment	193	252	268	(0.1)	0.1	0.0
Vote 9 : Community Safety and Liaison	7 051	7 331	9 141	(2.9)	2.4	0.7
Carry-through funds for new organisational structure	8 109	8 515	8 992	(3.3)	2.8	0.7
PES and Provincial Own Revenue reductions	(768)	(878)	(1 557)	0.3	(0.3)	(0.1)
Budget cuts to fund remuneration of <i>Izinduna</i>	(290)	(306)	(323)	0.1	(0.1)	(0.0)
Additional from National Treasury	-	-	2 029	-	-	0.2
Vote 10 : Sport and Recreation	8 148	(2 071)	260	(3.3)	(0.7)	0.0
Suspension of Sport Development Centre funds from 16/17	10 000	-	-	(4.0)	-	-
PES and Provincial Own Revenue reductions	(1 344)	(1 536)	(2 725)	0.5	(0.5)	(0.2)
Budget cuts to fund remuneration of <i>Izinduna</i>	(508)	(535)	(565)	0.2	(0.2)	(0.0)
Additional from National Treasury	-	-	3 550	-	-	0.3
Vote 11 : Co-operative Governance and Traditional Affairs	120 436	126 555	148 410	(48.7)	41.1	12.1
PES and Provincial Own Revenue reductions	(5 728)	(6 548)	(11 614)	2.3	(2.1)	(0.9)
Budget addition to fund remuneration of <i>Izinduna</i>	126 164	133 103	140 424	(51.1)	43.2	11.5
Additional from National Treasury	-	-	15 134	-	-	1.2
Vote 12 : Transport	10 627	(42 579)	4 466	(4.3)	(13.8)	0.4
Cross-border crime fighting initiative (25kms)	48 000	-	-	(19.4)	-	-
PES and Provincial Own Revenue reductions	(27 051)	(30 925)	(54 853)	10.9	(10.0)	(4.5)
Budget cuts to fund remuneration of <i>Izinduna</i>	(10 219)	(10 781)	(11 373)	4.1	(3.5)	(0.9)
Additional from National Treasury	-	-	71 475	-	-	5.8
Baseline adjustment	(103)	(873)	(783)	0.0	(0.3)	(0.1)
Vote 13 : Social Development	(15 725)	(17 597)	2 214	6.4	(5.7)	0.2
PES and Provincial Own Revenue reductions	(11 414)	(13 048)	(23 144)	4.6	(4.2)	(1.9)
Budget cuts to fund remuneration of <i>Izinduna</i>	(4 311)	(4 549)	(4 799)	1.7	(1.5)	(0.4)
Additional from National Treasury	-	-	30 157	-	-	2.5
Vote 14 : Public Works	(3 343)	(9 086)	1 143	1.4	(3.0)	0.1
Mayville Conference Centre - Dining facility	4 776	-	-	(1.9)	-	-
PES and Provincial Own Revenue reductions	(5 893)	(6 737)	(11 950)	2.4	(2.2)	(1.0)
Budget cuts to fund remuneration of <i>Izinduna</i>	(2 226)	(2 349)	(2 478)	0.9	(0.8)	(0.2)
Additional from National Treasury	-	-	15 571	-	-	1.3
Vote 15 : Arts and Culture	17 200	48 805	94 063	(7.0)	15.9	7.7
Archive Repository	20 881	52 925	93 544	(8.5)	17.2	7.6
PES and Provincial Own Revenue reductions	(2 672)	(3 055)	(5 418)	1.1	(1.0)	(0.4)
Budget cuts to fund remuneration of <i>Izinduna</i>	(1 009)	(1 065)	(1 123)	0.4	(0.3)	(0.1)
Additional from National Treasury	-	-	7 060	-	-	0.6
Total	(247 097)	307 874	1 224 507	100.0	100.0	100.0

Table 3.5 shows the revised budgets of departments for the 2017/18 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.

Table 3.5 : Summary of revised budgets by department, 2017/18 MTEF

R thousand/ percentage	Main Appropriation	Medium-term Estimates			Annual Percentage Growth		
	2016/17	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
1. Office of the Premier	658 644	742 125	787 137	822 568	12.7	6.1	4.5
2. Provincial Legislature	518 652	535 300	565 214	600 520	3.2	5.6	6.2
3. Agriculture and Rural Development	2 170 644	2 197 144	2 316 800	2 467 494	1.2	5.4	6.5
4. Economic Development, Tourism and Environmental Affairs	2 702 992	2 784 403	3 005 556	3 180 694	3.0	7.9	5.8
5. Education	45 464 373	47 476 599	50 631 848	53 791 211	4.4	6.6	6.2
6. Provincial Treasury	675 280	607 844	636 900	677 272	(10.0)	4.8	6.3
7. Health	36 578 637	39 548 473	41 959 574	44 992 728	8.1	6.1	7.2
8. Human Settlements	3 485 112	3 843 870	4 112 605	4 379 544	10.3	7.0	6.5
9. Community Safety and Liaison	210 123	204 486	214 628	228 047	(2.7)	5.0	6.3
10. Sport and Recreation	426 479	463 590	481 833	510 277	8.7	3.9	5.9
11. Co-operative Governance and Traditional Affairs	1 545 923	1 585 226	1 673 030	1 777 022	2.5	5.5	6.2
12. Transport	9 571 940	9 847 024	10 313 722	10 970 256	2.9	4.7	6.4
13. Social Development	2 778 162	3 041 364	3 181 765	3 382 158	9.5	4.6	6.3
14. Public Works	1 432 608	1 506 951	1 581 909	1 681 234	5.2	5.0	6.3
15. Arts and Culture	786 472	874 068	917 191	1 010 819	11.1	4.9	10.2
Total	109 006 041	115 258 467	122 379 712	130 471 844	5.7	6.2	6.6

Most departments except Provincial Treasury and DCSL show positive growth in 2017/18 despite the above-mentioned budget cuts. Additional allocations and, in some instances conditional grant increases have offset the budget cuts. These additional allocations mainly relate to the Archive Repository, which was allocated to DAC, compensation for exchange rate pressures allocated to DOH, funding allocated to DOT for the cross-border crime fighting structure etc. Provincial Treasury's baseline reflects negative growth mainly due to the movement of KZN Gaming and Betting to the OTP, while DCSL's negative growth is mainly due to the above-mentioned budget cuts that were effected across all votes. DCSL, however, was allocated funding for implementation of its revised organisational structure, as mentioned.

The provincial budget grows by 5.7 per cent in 2017/18 from the 2016/17 Main Appropriation, largely due to the once-off provision of funds for various provincial priorities, as mentioned.

4. RECEIPTS

4.1 National Fiscal Framework and Division of Revenue for the 2017/18 MTEF

4.1.1 Background

Section 214(1) of the Constitution requires that every year a Division of Revenue Act determines the equitable division of nationally raised revenue between national government, the nine provinces and 257 municipalities. This process takes into account the powers and functions assigned to each sphere of government. The Intergovernmental Fiscal Relations (IGFR) (Act 97 of 1997), which promotes co-operative governance of fiscal, budgetary and financial matters, prescribes the process for determining the equitable sharing and allocation of nationally raised revenue. S9 and S10(4) of the Act set out the consultation process to be followed with the Financial and Fiscal Commission (FFC), including consideration of recommendations made regarding the division of revenue. In terms of S10 of the IGFR Act, the Division of Revenue Bill must be tabled when the annual budget is tabled in the National Assembly.

In terms of S214 of the Constitution, an equitable system of vertical (between the spheres of government) and horizontal (based on context and demand for services in each of the provinces) 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, resource allocation for basic services and developmental needs, fiscal capacity and efficiency of government, obligations of national legislation, economic disparities, stability and predictability, among others.

4.1.2 Division of revenue and fiscal framework

4.1.2.1 Fiscal policy and trends

The 2017/18 MTEF budget is prepared in the context of weak economic growth, with a downward revision to the 2017 growth forecast from 0.9 per cent to 0.5 per cent in the MTBPS. Economic growth is forecast to increase moderately off a very low base, with real GDP growth projected at 2.3 per cent in 2019/20. Subdued short term growth is expected, with subsequent restrained tax revenue growth. Notwithstanding, the 2017 Budget tax proposals will raise R28 billion in additional revenue in 2017/18.

The central fiscal objectives over the MTEF are to stabilise the growth of debt as a share of GDP and to strictly adhere to the planned expenditure ceiling. However, the most important public spending programmes that help poor South Africans, contribute to growth and generate employment have been protected from major reductions. Some fiscal consolidation was required in order to prioritise funds to social services, with priority given to higher education, health and social development. As such, the 2017 division of revenue reprioritises existing funds to ensure these objectives are met, despite a lower expenditure ceiling, with reductions of R10 billion in 2017/18 and R16 billion in 2018/19.

Government's policy priorities for the 2017/18 MTEF that are funded through reprioritisation include:

- Strengthening specialised tertiary health services for children through a new paediatric hospital.
- Preserving the school nutrition initiative by countering the effects of rapid food price inflation and increasing the number of children receiving meals.
- Providing free basic services to poor households.
- Promoting access to social housing through increased subsidies.
- Introducing a new grant to promote equitable, countrywide access to social services.
- Introducing a new grant to educate learners with profound intellectual disabilities.

4.1.2.2 Division of revenue

The 2017/18 MTEF strikes a balance between the need to make reductions to accommodate the lower expenditure ceiling, and the need to ensure real growth in transfers to provinces and municipalities so that they can provide services to growing populations. As such, the MTEF budget 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. Excluding debt-service costs and the Contingency Reserve, allocated expenditure shared between the three spheres amounts to R1.241 trillion, R1.332 trillion and R1.435 trillion over the MTEF.

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, 2013/14 – 2019/20

R million	Audited Outcome			Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
National departments	453 406	489 987	546 065	557 495	590 178	631 447	681 600
Indirect transfers to provinces	2 693	5 808	3 458	3 654	4 258	1 765	1 864
Indirect transfers to local government	5 945	8 250	10 370	7 824	7 338	7 596	8 015
Provinces	410 572	439 544	471 424	500 391	538 160	578 614	620 995
Equitable share	336 495	359 922	386 500	410 699	441 331	471 522	506 104
Conditional grants	74 077	79 623	84 924	89 692	96 829	107 092	114 892
Local government	82 595	87 570	98 338	103 255	112 524	121 470	132 277
Equitable share	38 964	41 592	49 367	51 169	57 012	62 732	69 273
Conditional grants	34 018	35 788	38 313	40 863	43 727	46 270	49 836
General fuel levy sharing with metros	9 613	10 190	10 659	11 224	11 785	12 469	13 167
Total	946 574	1 017 102	1 115 827	1 161 141	1 240 862	1 331 532	1 434 872
Percentage shares							
National departments	47.9%	48.2%	48.9%	48.0%	47.6%	47.4%	47.5%
Provinces	43.4%	43.2%	42.2%	43.1%	43.4%	43.5%	43.3%
Local government	8.7%	8.6%	8.8%	8.9%	9.1%	9.1%	9.2%

Source: National Treasury

In 2017/18, national departments receive 47.6 per cent of available funds, provinces 43.4 per cent and local government 9.1 per cent. At R590.178 billion in 2017/18, and increasing to R681.600 billion in 2019/20, 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 the 43.4 per cent mark, while the local government share increases from 9.1 per cent in 2017/18 to 9.2 per cent in 2019/20.

Table 4.2 shows how the changes 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 baselines, 2017/18 – 2018/19

R million	2017/18	2018/19	Total	% Share
National departments	(3 372)	1 181	(2 191)	39.3
Provinces ¹	(4 234)	1 502	(2 732)	49.0
Local government	(816)	159	(657)	11.8
Total reduction	(8 422)	2 842	(5 580)	-

1. This reduction includes a R2.6 billion conversion from the Education Infrastructure grant to the School Infrastructure Backlogs grant

The combined baseline decreases by R8.422 billion in 2017/18 and increases by R2.842 billion in 2018/19, compared to indicative figures published in the 2016 MTBPS. Over 2017/18 and 2018/19, the provincial baseline decreases by R2.732 billion, which accounts for 49 per cent of the total reduction. National departments lose R2.191 billion over the next two years and local government baselines decline by R657 million, in line with fiscal consolidation.

4.1.3 Provincial equitable share (PES)

Provincial revenue is made up of the PES, conditional grants and Provincial 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, 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 2017/18 MTEF, the PES formula has been updated with data from the Census 2011 age cohorts, 2016 mid-year population estimates, 2016 School Realities Survey (SNAP Survey), the 2014 GDP-R, District Health Information Services for patient load data (2014/15 – 2015/16), 2012 risk adjusted index (risk equalisation fund), insured population (2015 GHS), and the 2010 Income and Expenditure Survey.

The formula consists of six components that capture the relative demand for services between provinces and take into account specific provincial circumstances. 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 (2017/18 to 2019/20). 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 enrolment data drawn from the Department of Basic Education's 2016 School Realities (SNAP) Survey. Each of these elements is assigned a weight of 50 per cent. From 2015 to 2016, the school enrolment in KZN decreased by 1 735, resulting in the weighted average for KZN being revised downward by 0.11 per cent.

Health (27 per cent)

The health component uses a risk-adjusted capitation index based on data from the Council for Medical Scheme's Risk Equalisation Fund and output data from public hospitals to estimate each province's share of the health component. These methods work together to balance needs (risk-adjusted capitation) and demands (output component). The percentage of the population with medical aid, as per the 2015 GHS, is deducted from the 2016 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, decreased from 21.8 per cent in 2016 to 20.9 per cent in 2017.

The output sub-component uses patient load data from the DHIS. The average number of visits at primary healthcare clinics in 2014/15 and 2015/16 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 2014/15 and 2015/16 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 24.2 per cent and the share of the hospital workload patient-day is 24.0 per cent.

The composite result of data updates applied to the health component result in a decrease in the weighted share of 21.8 per cent in 2015 to 21.7 per cent in 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 2017/18 MTEF, population data is drawn from the 2016 mid-year population estimates. Although the updated data shows that the province's population increased by 161 000, the province's share of the population decreases from 19.9 per cent in 2016/17 to 19.8 per cent in 2017/18, i.e. the basic component share decreased by 0.05 per cent.

Institutional component (5 per cent)

The institutional component recognises that some costs associated with running a provincial government and providing services are not directly related to the size of the population and other factors included in the other PES components. Hence, 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 2016 mid-year population estimates. The proportion of poor households in KZN from the 2010/11 Income and Expenditure Survey is 45.3 per cent. Based on the 2016 mid-year population estimates of 11 080, the poor population is equal to 5 020 households, which represents a weighted share of 22.2 per cent, resulting in a decrease of 0.1 per cent from 2016/17.

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 2017/18 MTEF, 2015 GDP-R data is used. KZN's weighted share of the economic activity component increases by 0.15 per cent, from 16 per cent to 16.1 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 2016/17 and 2017/18 MTEF periods.

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

	2016/17 MTEF weighted	2017/18 MTEF weighted	Difference
Eastern Cape	14.0%	14.0%	-0.02%
Free State	5.6%	5.6%	-0.01%
Gauteng	19.7%	19.8%	15.00%
KwaZulu-Natal	21.2%	21.1%	-0.09%
Limpopo	11.8%	11.7%	-0.03%
Mpumalanga	8.2%	8.1%	-0.07%
Northern Cape	2.6%	2.7%	0.00%
North West	6.9%	6.9%	0.00%
Western Cape	10.0%	10.1%	0.06%
Total	100.0%	100.0%	0.00%

Due to changes in the data used in the PES formula, the weighted average share of KZN decreased by 0.09 per cent from the 2016/17 to the 2017/18 MTEF. To mitigate the impact of annual data updates on the PES, the new shares are phased-in over the 2017/18 MTEF. The phase-in mechanism provides for a smoother path towards achieving the weighted shares by 2019/20. As reflected in Table 4.5, KZN receives 21.1 per cent of the PES in 2019/20, down from the 21.2 per cent shown in the 2016/17 MTEF.

Table 4.5 : Implementation of the equitable share weights, 2017/18 – 2019/20

	2017/18 Indicate weighted shares from 2016/17 MTEF	2017/18 2016 MTEF weighted shares	2018/19 3-year phasing	2019/20
Percentage				
Eastern Cape	14.1%	14.0%	14.0%	14.0%
Free State	5.6%	5.6%	5.6%	5.6%
Gauteng	19.6%	19.6%	19.7%	19.8%
KwaZulu-Natal	21.2%	21.2%	21.2%	21.1%
Limpopo	11.8%	11.8%	11.7%	11.7%
Mpumalanga	8.2%	8.2%	8.2%	8.1%
Northern Cape	2.7%	2.7%	2.7%	2.7%
North West	6.9%	6.9%	6.9%	6.9%
Western Cape	10.0%	10.1%	10.1%	10.1%
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 21.1 per cent for KZN when the data updates are implemented fully over the 2017/18 MTEF. The phase-in mechanism provides a smooth path to achieving these new weighted shares by the third year of the MTEF. It takes the difference between the target weighted share for each province at the end of the MTEF and the indicative allocation for 2017/18 that was published in the 2016/17 MTEF, and closes the gap between these shares by a third in each year of the 2017/18 MTEF.

Table 4.6 : Distributing the equitable shares by province, 2017/18 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%	16.3%	7.6%	11.1%	14.0%
Free State	5.3%	5.3%	5.1%	5.2%	5.0%	11.1%	5.6%
Gauteng	18.0%	21.8%	24.1%	17.3%	34.3%	11.1%	19.8%
KwaZulu-Natal	22.3%	21.7%	19.8%	22.2%	16.1%	11.1%	21.1%
Limpopo	13.0%	10.3%	10.4%	13.6%	7.1%	11.1%	11.7%
Mpumalanga	8.4%	7.3%	7.7%	9.1%	7.5%	11.1%	8.1%
Northern Cape	2.3%	2.1%	2.1%	2.2%	2.1%	11.1%	2.7%
North West	6.5%	6.7%	6.8%	8.0%	6.5%	11.1%	6.9%
Western Cape	9.1%	11.3%	11.3%	6.1%	13.6%	11.1%	10.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Table 4.7 depicts the revisions to the KZN PES for the 2017/18 MTEF. The PES is revised upward by a total of R1.818 billion, which is the net effect of new data updates, Fiscal Framework reductions, plus education, health and wage inflation additions to the PES.

Table 4.7 : Revisions to the KZN Provincial Equitable Share (PES), 2017/18 MTEF

R thousand	2017/18 MTEF			Total Revisions
	2017/18	2018/19	2019/20	
PES as per 2016/17 MTEF allocation letter	94 051 218	99 449 582	105 018 759	298 519 559
Adjustments to baseline due to new data updates in PES formula (phased-in)	(188 708)	(231 760)	(454 884)	(875 352)
Total: Technically adjusted PES before adjustments to baselines	93 862 510	99 217 822	104 563 875	297 644 207
Adjustments to baseline	(105 980)	522 777	2 276 967	2 693 764
Less: Fiscal Framework reductions (PES)	(105 980)	(111 828)	(117 862)	(335 670)
Plus: Education related	-	634 605	686 110	1 320 715
Plus: Health related	-	-	211 111	211 111
Plus: Baseline adjustment for wage inflation	-	-	1 497 608	1 497 608
Total PES for 2017/18 MTEF	93 756 530	99 740 600	106 840 842	300 337 971
Variance 2016/17 MTEF vs 2017/18 MTEF	(294 688)	291 018	1 822 083	1 818 412

Adjustment to baseline due to impact of new data updates in the PES formula (R875.352 million)

As discussed, the PES formula has been updated with new data. The new shares are phased in over three years. The impact of these data updates is a reduction of KZN's share of the PES of R188.708 million, R231.760 million and R454.884 million over the 2017/18 MTEF. National Treasury also implemented a further round of fiscal consolidation reductions, largely due to the 2017/18 budget being informed by weak economic growth, as mentioned. These reductions amount to R105.980 million, R111.828 million and R117.862 million over the MTEF.

New priorities requiring additions for social spending has also necessitated fiscal consolidation alongside additions to the budget. In this regard, Education receives R634.605 million in 2018/19 and R686.110 million in 2019/20, with no additional funding given for the first year of the 2017/18 MTEF. These funds are allocated to provinces as budget pressures over the past few years have not allowed for the filling of some of the posts that have become vacant or to employ additional teachers to respond to increasing enrolment. This has resulted in an increase in class size over time in some instances.

An allocation is made to Health with regard to the exchange rate pressures in the procurement of medicines and medical supplies. In this regard, an allocation of R211.111 million is made in 2019/20, with no funds given in the first two years of the 2017/18 MTEF.

In addition, an amount of R1.498 billion in 2019/20 is provided to compensate for the wage shortfalls.

The variance in the province's share of the PES in the 2017/18 MTEF, compared to the 2016/17 MTEF is negative R294.688 million in 2017/18 and positive variances of R291.018 million and R1.822 billion in 2018/19 and 2019/20, respectively.

Total transfers to provinces

Table 4.8 reflects total transfers to the nine provinces for 2017/18, after the revisions. KZN receives the highest share of PES at R93.757 million, 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 R112.580 billion in 2017/18.

Table 4.8 : Total transfers to provinces, 2017/18

R million	Equitable share	Conditional grants	Total transfers
Eastern Cape	61 848	11 297	73 145
Free State	24 522	7 267	31 789
Gauteng	86 643	20 828	107 471
KwaZulu-Natal	93 757	18 824	112 580
Limpopo	51 960	7 885	59 845
Mpumalanga	36 082	7 183	43 264
Northern Cape	11 720	4 289	16 009
North West	30 330	7 552	37 882
Western Cape	44 470	11 580	56 050
Unallocated	-	123	123
Total	441 331	96 829	538 160

4.1.4 Conditional grants to provinces

Table 4.9 reflects the conditional grant baseline allocations at a national level for 2017/18 to 2019/20.

Taking into account the sluggish economic outlook and low growth projections, fiscal consolidation cuts were effected to the baselines of a number of conditional grants. However, changes to conditional grants are limited. In addition to the cuts, a number of conditional grants benefit from additions, while two new grants are incorporated into the fiscal framework as part of the expansion of social spending. The decreases to grants have focused on poor performing grants, as well as those which have higher-than average growth rates, in order for cuts not to have a negative impact on service delivery.

Agriculture

The CASP grant is aimed at enhancing the capacity of the Agriculture sector by providing support to newly established and emerging famers, particularly subsistence, smallholder and previously disadvantaged farmers. The CASP grant was reduced by R235.900 million over the 2017/18 MTEF, of which R135.500 million is kept within the sector to conduct the agricultural rural census to assess the farming landscape in South Africa. This study will also contribute to the definition of rurality, and the extent thereof across provinces. The allocation for 2017/18 includes R131.800 million for the repair of flood damaged agricultural infrastructure. The grant is allocated R5.273 billion over the MTEF.

The Ilima/Letsema Projects grant aims to unlock the potential of unutilised land and other assets, particular in communal areas. This grant is utilised for projects to boost food production by helping previously disadvantaged farming communities, mechanisation projects and irrigation schemes. This grant is allocated R1.658 billion over the MTEF.

The Land Care grant aims to improve productivity, food security, job creation and a better quality of life for all through the sustainable use of natural resources. This grant is allocated R234 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 R4.499 billion over the MTEF. Due to slow spending, savings of R20.800 million over the MTEF are reprioritised from the grant.

Table 4.9 : Conditional grants to provinces 2016/17 – 2019/20

R million	Revised Est.	Medium-term Estimates			MTEF total
	2016/17	2017/18	2018/19	2019/20	
Agriculture, Forestry and Fisheries	2 202	2 242	2 381	2 542	7 164
Comprehensive Agricultural Support Programme grant	1 642	1 646	1 751	1 876	5 273
Ilima/Letsema Projects grant	491	522	552	583	1 658
Land Care grant	69	74	78	82	234
Arts and Culture	1 357	1 420	1 499	1 580	4 499
Community Library Services grant	1 357	1 420	1 499	1 580	4 499
Basic Education	16 586	17 154	21 023	22 230	60 408
Education Infrastructure grant	9 933	10 046	13 390	14 141	37 576
HIV and AIDS (Life Skills Education) grant	231	245	260	274	779
Learners with Profound Intellectual Disabilities grant	-	72	185	221	478
Maths, Science and Technology grant	362	365	386	408	1 160
National School Nutrition Programme grant	6 060	6 426	6 802	7 186	20 414
Co-operative Governance	-	123	131	138	392
Provincial Disaster grant	-	123	131	138	392
Health	33 981	37 520	41 217	44 615	123 352
Comprehensive HIV, AIDS and TB grant	15 291	17 558	19 922	22 039	59 519
Health Facility Revitalisation grant	5 273	5 654	5 916	6 247	17 817
Health Professions Training and Development grant	2 477	2 632	2 784	2 940	8 357
Human Papillomavirus Vaccine grant	-	-	200	211	411
National Tertiary Services grant	10 847	11 676	12 395	13 178	37 248
National Health Insurance grant	94	-	-	-	-
Human Settlements	18 284	19 969	21 115	22 338	63 423
Human Settlements Development grant	18 284	19 969	21 115	22 338	63 423
Public Works	762	781	824	882	2 487
EPWP Integrated Grant for Provinces	402	396	416	452	1 263
Social Sector EPWP Incentive Grant for Provinces	360	386	408	431	1 224
Social Development	86	556	758	806	2 120
Substance Abuse Treatment grant	86	57	71	75	203
Early Childhood Development grant	-	318	491	518	1 327
Social Worker Employment grant	-	182	197	213	591
Sport and Recreation	556	586	618	653	1 857
Mass Participation and Sport Development grant	556	586	618	653	1 857
Transport	15 878	16 477	17 526	18 507	52 510
Provincial Roads Maintenance grant	10 478	10 754	11 536	12 182	34 471
Public Transport Operations grant	5 400	5 723	5 990	6 326	18 039
Total direct conditional allocations¹	89 692	96 829	107 092	114 292	318 213
Indirect transfers	3 654	4 258	1 765	1 864	7 886
Agriculture, Forestry and Fisheries	212	-	-	-	-
Comprehensive Agricultural Support Programme indirect grant	212	-	-	-	-
Basic Education	2 181	2 595	-	-	2 595
School Infrastructure Backlogs indirect grant	2 181	2 595	-	-	2 595
Health	1 261	1 663	1 765	1 864	5 292
National Health Insurance indirect grant	1 261	1 663	1 765	1 864	5 292

1. Excludes provisional allocations

Basic Education

Provinces use the EIG to construct, maintain and refurbish education infrastructure and schools. The School Infrastructure Backlogs grant is an indirect grant to provinces that was introduced in 2011 as a temporary, high-impact grant. The DBE uses this grant to build and upgrade schools on behalf of provinces to address inappropriate structures and access to basic services. The School Infrastructure Backlogs grant was to be merged with the EIG in 2017/18, but it has been deferred until 2018/19, to allow time for projects to be completed and for the grant transition process. The EIG's baseline has been protected over the medium term and the total allocation is R37.576 billion. This includes the School Infrastructure Backlogs grant component, which will remain unallocated in 2018/19 and 2019/20 at R3.800 billion and R4.100 billion, respectively.

The HIV and AIDS (Life-Skills Education) grant funds a life-skills programme aimed at creating awareness among learners and educators. The baseline is preserved and a total of R779 million over the MTEF period is provided.

The Learners with Profound Intellectual Disabilities grant provides educational opportunities for learners with severe and profound intellectual disabilities. Over the MTEF, the grant is allocated R72 million, R185 million and R221 million, respectively.

The MST grant provides targeted interventions to improve outcomes in Maths and Science learning. The baseline was reduced by R63 million over the MTEF, due to slow spending, leaving a baseline of R1.160 billion over the MTEF.

The 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). Inflationary pressures, particularly on food, have placed the grant under pressure and, to this end, R390 million is added over the MTEF. The grant is allocated R20.414 billion over the MTEF.

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 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 2017/18, the baseline is preserved, with an allocation of R392 million over the MTEF.

Health

The Comprehensive HIV, AIDS and TB grant supports prevention programmes and specific interventions, including voluntary counselling and testing, ARV, etc. This grant is reduced by R327.300 million over the MTEF, but still shows good growth over the MTEF. This growth rate preserves the capacity of the grant to deliver treatment services to the same number of patients. To make provision for the continued expansion of ARV coverage in response to the universal test-and-treat policy, R1 billion is added in 2019/20. The grant allocation is R59.519 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, health technology, general maintenance and infrastructure projects at smaller hospitals, and the refurbishment and upgrading of nursing colleges and schools. The grant enables provinces to plan, manage, modernise, rationalise and transform the infrastructure, health technology, monitoring and evaluation of hospitals and to transform hospital management and improve quality of care, in line with national policy objectives. This grant baseline is reduced by R363.600 million over the 2017/18 MTEF. This reduction does not impact on the implementation of current projects, but rather new projects, which possibly will need to be rescheduled to commence later in the future. An amount of R17.817 billion remains in the baseline.

The Health Professions Training and Development grant funds the training and development of health professionals, the development and recruitment of medical specialists in under-served provinces, and supporting and strengthening under-graduate teaching and training processes in health facilities. It enables the shifting of teaching activities from central to regional and district hospitals. The grant's baseline is protected over the medium term, with a total of R8.357 billion provided toward this grant.

The HPV grant, which was scheduled to end in 2015/16, continued as an indirect grant for 2017/18, before changing to a direct grant in 2018/19. Over the MTEF, R411 million is allocated to ensure that provincial departments are ready to take over the provision of this service and preserve the coverage ratio.

The National Tertiary Services grant provides strategic funding to enable provinces to plan, modernise, rationalise and transform tertiary hospital service delivery in line with national policy objectives. This grant benefits from an additional R600 million over the MTEF, which is earmarked and allocated to Gauteng for the operational costs related to the Nelson Mandela Children's Hospital. The grant is allocated R37.248 billion over the MTEF period.

The NHI grant funded the national health insurance pilots introduced in 2012/13, aimed at strengthening primary healthcare for the implementation of national health insurance. Due to slow spending and failure to reach targets, the direct NHI grant will be discontinued from 2017/18.

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 R3.400 billion over the MTEF (R1.100 billion in 2017/18, R1.200 billion in 2018/19 and R1.200 billion in 2019/20). Of this, R600 million is moved to SHRA to promote subsidies for social housing, and R60 million goes toward the HDA to operationalise catalytic projects. The balance of the cut goes toward fiscal consolidation. Despite the baseline cuts, the grant receives R63.423 billion over the MTEF.

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 reduced by R82.600 million over the MTEF (R28.200 million, R32.300 million and R21.900 million, respectively), bringing the allocation to R1.263 billion for the 2017/18 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 R1.224 billion over the 2017/18 MTEF.

Social Development

The 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 R203 million over the MTEF.

The ECD grant seeks to address both the access of young children to early childhood education, while also ensuring the adequacy of facilities that house these young minds during these crucial education years. The grant has two distinctive components, i.e. the subsidy component, which aims to address poor children's access to early childhood education, while the maintenance component is to ensure the appropriateness of the infrastructure where children access ECD programmes. Over the 2017/18 MTEF, the grant is allocated a total of R1.327 billion.

A new grant, called the Social Worker Employment grant, will be introduced into the Social Development sector. The aim of the grant is to address a need for social workers in the sector and reduce the backlog in the number of social worker graduates that remain unemployed after completion of their government subsidised education. Over the 2017/18 MTEF, R591 million is allocated to this grant.

Sport and Recreation

The 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 2017/18 is R10 million. It is allocated R1.857 billion over the MTEF.

Transport

The PRMG 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. The total allocation for the MTEF is R34.471 billion, including a ring-fenced allocation of R480 million for the repair of infrastructure damaged by floods.

The PTOG 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 R5.723 billion in 2017/18, R5.990 billion in 2018/19 and R6.326 billion in 2019/20.

Indirect grants

Provinces use the EIG, as discussed, to construct, maintain and refurbish education infrastructure and schools. The School Infrastructure Backlogs grant is an indirect grant to provinces which was used by the

DBE to build and upgrade inappropriate structures in schools. The merger of the School Infrastructure Backlogs grant and the EIG, planned for 2017/18, has been deferred for another year and an amount of R2.595 billion is provided for this in 2017/18 only.

The NHI grant was introduced in 2013/14 to fund the NHI pilot sites. Ten pilot districts were selected to test interventions that aim to strengthen the health system in preparation for NHI, including primary healthcare re-engineering. In future, the NDOH will fund all preparatory work under the NHI indirect grant, to support infrastructure projects, support the NHI scheme pilot sites, support the roll-out of the HPV by provinces, implement the ideal clinic initiative and roll-out the patient information system, envisaged to start in 2017/18.

The infrastructure component will be used to accelerate construction, maintenance, upgrades and rehabilitation for new and existing health infrastructure. The second component will be used to contract general practitioners from the private sector for national health insurance sites. The last component will support ten central hospitals to strengthen their patient information systems, and develop and pilot alternative hospital reimbursement tools, which will allow for appropriate reimbursement of hospitals when the health sector transitions to universal health coverage. An amount of R5.292 billion is provided toward this over the MTEF.

4.2 Provincial receipts

4.2.1 Overall provincial position

Table 4.10 shows the actual and projected total revenue for 2013/14 to 2019/20, while *Annexure 1.A* provides more detail.

Table 4.10 : Analysis of total receipts

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2013/14	2014/15	2015/16		2017/18	2018/19	2019/20	2013/14-2016/17	2016/17-2019/20
R thousand									
Transfers from national	88 230 571	94 195 075	100 318 136	105 406 575	112 580 183	119 719 335	128 320 824		
Equitable share	73 926 587	78 138 477	83 131 565	87 897 580	93 756 530	99 740 600	106 840 842		
Conditional grants	14 303 984	16 056 598	17 186 571	17 508 995	18 823 653	19 978 735	21 479 982		
Own revenue	2 772 190	3 148 995	3 260 603	3 031 768	3 038 628	3 193 034	3 309 028		
Total receipts	91 002 761	97 344 070	103 578 739	108 438 343	115 618 811	122 912 369	131 629 852		
% of total revenue									
Transfers from national	97.0	96.8	96.9	97.2	97.4	97.4	97.5		
Equitable share	81.2	80.3	80.3	81.1	81.1	81.1	81.2		
Conditional grants	15.7	16.5	16.6	16.1	16.3	16.3	16.3		
Own revenue	3.0	3.2	3.1	2.8	2.6	2.6	2.5		
Nominal growth (%)									
Transfers from national		6.8	6.5	5.1	6.8	6.3	7.2	6.1	6.8
Equitable share		5.7	6.4	5.7	6.7	6.4	7.1	5.9	6.7
Conditional grants		12.3	7.0	1.9	7.5	6.1	7.5	7.0	7.1
Own revenue		13.6	3.5	(7.0)	0.2	5.1	3.6	3.0	3.0
Total		7.0	6.4	4.7	6.6	6.3	7.1	6.0	6.7
Real growth (%)									
Transfers from national		1.1	1.0	(1.4)	0.6	0.4	1.5	0.5	0.5
Equitable share		0.1	0.9	(0.8)	0.4	0.5	1.4	0.3	0.4
Conditional grants		6.3	1.6	(4.4)	1.2	0.2	1.8	1.3	0.8
Own revenue		7.6	(1.8)	(12.8)	(5.6)	(0.8)	(1.9)	(2.4)	(3.1)
Total receipts		1.3	1.0	(1.8)	0.4	0.4	1.4	0.4	0.4

National transfers to the province, which include equitable share and conditional grants, make up 97.2 per cent of provincial revenue in 2016/17. Provincial Own Revenue consists of revenue collected by provincial departments, and contributes 2.8 per cent of the total receipts in 2016/17.

The share of national transfers increased from R88.231 billion in 2013/14 to R105.407 billion in 2016/17, increasing to R128.321 billion in 2019/20. The PES is the most significant portion of national transfers amounting to R93.757 billion, R99.741 billion and R106.841 billion over the MTEF.

Conditional grant funding provides a further R18.824 billion, R19.979 billion and R21.480 billion over the MTEF. The balance of the total receipts emanates from Provincial Own Revenue. It should be noted

that the prior years' Provincial Own Revenue figures were restated in view of technical adjustments that were made. This grows from R3.039 billion to R3.309 billion over the MTEF.

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 average revenue growth is at 0.4 per cent between 2016/17 and 2019/20. Provincial Own Revenue shows a negative real average annual growth of 2.4 per cent between 2013/14 and 2016/17, and negative 3.1 per cent from 2016/17 to 2019/20.

4.2.2 Provincial equitable share (PES)

The PES 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 by the implementation of fiscal consolidation, and it therefore continues to look for ways of generating own revenue in an attempt to somewhat 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 PES, 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 2013/14. As a share of total revenue, the conditional grant allocation averages at around 16.3 per cent over the MTEF.

Table 4.11 summarises conditional grant transfers per Vote and more detail is given in *Annexure I.C*.

The CASP grant under DARD was reduced over the 2017/18 MTEF due to fiscal consolidation, to allow DAFF to conduct an agriculture and rural census, and also to correctly allocate disaster funds that were inadvertently allocated to all nine provinces instead of Northern Cape. The CASP grant sees budget cuts of R26.114 million and R25.497 million and R6.354 million over the 2017/18 MTEF.

Relative to other provincial departments, DOH is the largest recipient of conditional grant funds. The Comprehensive HIV, AIDS and TB grant increases over the MTEF. It is important to note that this grant was subject to fiscal consolidation cuts in the first two years of the 2017/18 MTEF, with R37.369 million cut in 2017/18 and R69.194 million in 2018/19. However, these reductions are followed by a significant increase of R556.599 million in 2019/20.

DOHS is the second largest recipient of grant allocation. The HSDG shows a significant increase over the MTEF despite budget cuts of R365.661 million, R361.193 million and R118.213 million over the MTEF.

Table 4.11 : Summary of national conditional grant transfers by Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Vote 3 : Agriculture and Rural Development	287 036	319 760	308 524	300 503	300 503	300 503	297 432	307 254	331 774
CASP grant	202 522	212 632	226 161	222 155	222 155	222 155	209 598	223 975	243 118
Ilima/Letsema Projects grant	65 768	92 093	69 401	63 876	63 876	63 876	67 356	71 263	75 253
Land Care grant	18 746	10 854	10 666	10 632	10 632	10 632	12 012	12 016	13 403
EPWP Integrated Grant for Provinces	-	4 181	2 296	3 840	3 840	3 840	8 466	-	-
Vote 4 : Econ. Dev., Tourism and Environ. Affairs	550	16 827	7 027	6 927	6 927	6 927	6 149	-	-
EPWP Integrated Grant for Provinces	550	16 827	7 027	6 927	6 927	6 927	6 149	-	-
Vote 5 : Education	2 615 744	2 796 382	3 395 026	3 459 225	3 467 761	3 467 761	3 573 374	3 596 268	3 790 451
Education Infrastructure grant	1 306 421	1 385 781	1 978 683	1 958 321	1 958 321	1 958 321	1 993 146	1 924 302	2 032 063
HIV and AIDS (Life-Skills Education) grant	38 907	61 988	50 588	53 096	53 096	53 096	56 115	59 369	62 694
National School Nutrition Programme (NSNP) grant	1 206 190	1 237 534	1 287 034	1 355 247	1 363 783	1 363 783	1 450 087	1 534 878	1 611 622
Maths, Science and Technology grant	61 226	64 848	59 998	62 453	62 453	62 453	61 660	62 980	66 527
OSD for Education Sector Therapists grant	-	41 581	13 079	-	-	-	-	-	-
Learners with Profound Intellectual Disabilities grant	-	-	-	-	-	-	5 558	14 739	17 545
Social Sector EPWP Incentive Grant for Provinces	-	2 580	3 000	27 318	27 318	27 318	4 808	-	-
EPWP Integrated Grant for Provinces	3 000	2 070	2 644	2 790	2 790	2 790	2 000	-	-
Vote 7 : Health	5 429 296	6 428 886	6 903 596	7 302 804	7 306 804	7 306 804	8 085 518	8 804 721	9 616 367
Health Professions Training and Development grant	276 262	292 837	299 513	312 377	312 377	312 377	331 944	351 197	370 863
Health Facility Revitalisation grant	1 072 531	1 362 469	1 229 775	1 114 693	1 114 693	1 114 693	1 149 355	1 128 018	1 191 186
National Tertiary Services grant	1 415 731	1 496 427	1 530 246	1 596 286	1 596 286	1 596 286	1 696 266	1 794 649	1 895 149
Comprehensive HIV, AIDS and TB grant	2 652 072	3 257 992	3 812 972	4 244 243	4 244 243	4 244 243	4 852 495	5 485 881	6 111 674
Social Sector EPWP Incentive Grant for Provinces	3 000	2 580	3 000	13 000	13 000	13 000	47 058	-	-
EPWP Integrated Grant for Provinces	-	2 581	3 682	7 122	7 122	7 122	8 400	-	-
National Health Insurance grant	9 700	14 000	14 408	15 083	19 083	19 083	-	-	-
Human Papillomavirus Vaccine grant	-	-	-	-	-	-	-	44 976	47 495
Vote 8 : Human Settlements	3 335 584	3 509 045	3 550 432	3 139 896	3 139 896	3 139 896	3 483 192	3 731 031	3 974 011
Human Settlements Development grant	3 332 584	3 509 045	3 543 852	3 124 702	3 124 702	3 124 702	3 477 567	3 731 031	3 974 011
EPWP Integrated Grant for Provinces	3 000	-	6 580	15 194	15 194	15 194	5 625	-	-
Vote 9 : Community Safety and Liaison	5 369	2 580	1 000	11 043	11 043	11 043	1 487	-	-
Social Sector EPWP Incentive Grant for Provinces	5 369	2 580	1 000	11 043	11 043	11 043	1 487	-	-
Vote 10 : Sport and Recreation	84 760	95 595	92 198	99 019	106 324	106 324	112 592	132 031	138 439
Mass Participation and Sport Development grant	79 883	85 435	88 696	90 785	98 090	98 090	98 427	132 031	138 439
EPWP Integrated Grant for Provinces	550	2 102	2 000	2 000	2 000	2 000	2 000	-	-
Social Sector EPWP Incentive Grant for Provinces	4 327	8 058	1 502	6 234	6 234	6 234	12 165	-	-
Vote 11 : Co-op. Governance and Traditional Affairs	-	3 471	4 119	3 667	3 667	3 667	3 338	-	-
EPWP Integrated Grant for Provinces	-	3 471	4 119	3 667	3 667	3 667	3 338	-	-
Vote 12 : Transport	2 464 340	2 752 384	2 759 623	2 992 478	2 992 479	2 992 479	2 934 054	3 054 506	3 255 094
Public Transport Operations grant	852 325	904 783	924 766	1 011 045	1 011 046	1 011 046	1 071 439	1 121 507	1 184 311
EPWP Integrated Grant for Provinces	88 487	59 443	55 602	56 055	56 055	56 055	33 645	-	-
Provincial Roads Maintenance grant	1 523 528	1 788 158	1 779 255	1 925 378	1 925 378	1 925 378	1 828 970	1 932 999	2 070 783
Vote 13 : Social Development	14 610	5 746	3 000	3 958	3 958	3 958	144 836	170 202	181 151
Social Sector EPWP Incentive Grant for Provinces	14 610	3 746	3 000	3 958	3 958	3 958	19 498	-	-
EPWP Integrated Grant for Provinces	-	2 000	-	-	-	-	-	-	-
Early Childhood Development grant	-	-	-	-	-	-	71 879	112 347	118 629
Social Worker Employment grant	-	-	-	-	-	-	53 459	57 855	62 522
Vote 14 : Public Works	3 000	3 168	3 056	4 471	4 471	4 471	6 588	-	-
EPWP Integrated Grant for Provinces	3 000	3 168	3 056	4 471	4 471	4 471	6 588	-	-
Vote 15 : Arts and Culture	63 695	122 754	158 969	165 162	165 162	165 162	175 093	182 722	192 695
Community Library Services grant	63 145	122 754	157 569	163 162	163 162	163 162	173 093	182 722	192 695
EPWP Integrated Grant for Provinces	550	-	1 400	2 000	2 000	2 000	2 000	-	-
Total	14 303 984	16 056 598	17 186 570	17 489 153	17 508 995	17 508 995	18 823 653	19 978 735	21 479 982

DOE is the third largest recipient of grant funding over the MTEF. This is largely due to the EIG and the NSNP grants to address learning infrastructure and provide food to learners from highly impoverished communities, respectively. It should be noted that the NSNP grant was not affected by budget cuts, but grows from R1.450 billion in 2017/18 to R1.611 billion in 2019/20. The EIG grant is affected by the fiscal consolidation cuts. However, the grant increases from R1.993 billion in 2017/18 to R2.032 billion in 2019/20.

In the 2016/17 Adjusted Appropriation, DOT had an allocation of R2.992 billion which increases to R3.255 billion in 2019/20. Both the PTOG and the PRMG increase substantially over the MTEF, despite the PRMG being affected by budget cuts of R209.982 million, R224.228 million and R86.444 million.

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	Adjusted	Revised	Medium-term Estimates		
	2013/14	2014/15	2015/16	Appropriation	Appropriation 2016/17	Estimate	2017/18	2018/19	2019/20
Tax receipts	1 889 687	2 045 246	2 081 369	2 120 649	2 120 650	2 183 372	2 212 785	2 314 570	2 401 412
Casino taxes	421 355	467 319	487 788	478 167	478 189	485 330	510 227	545 111	561 464
Horse racing taxes	66 899	71 205	78 102	79 171	79 150	80 602	76 497	77 835	80 170
Liquor licences	5 110	25 596	25 306	27 577	27 577	27 577	28 898	30 574	32 286
Motor vehicle licences	1 396 323	1 481 126	1 490 173	1 535 734	1 535 734	1 589 863	1 597 163	1 661 050	1 727 492
Sale of goods and services other than capital assets	447 633	460 875	419 939	487 238	487 238	455 587	476 322	505 650	526 184
Transfers received	-	-	1 535	-	-	315	-	-	-
Fines, penalties and forfeits	39 547	44 808	46 493	38 939	38 939	42 165	41 615	44 440	46 196
Interest, dividends and rent on land	262 846	313 851	399 059	303 280	303 280	279 933	218 406	236 953	237 961
Sale of capital assets	31 147	48 899	23 034	24 006	24 006	52 590	30 466	28 666	30 921
Transactions in financial assets and liabilities	101 330	235 316	289 174	57 656	57 656	111 314	59 033	62 754	66 354
Total receipts	2 772 190	3 148 995	3 260 603	3 031 768	3 031 768	3 125 276	3 038 628	3 193 034	3 309 028

Table 4.12 shows *Tax receipts* which exhibits significant growth from R1.890 billion to R2.183 billion between 2013/14 and 2016/17. The major revenue sources in this category are *Motor vehicle licences* and *Casino taxes*. Over the MTEF, this category is projected to rise from R2.213 billion in 2017/18 to R2.401 billion in 2019/20.

Sale of goods and services other than capital assets increased from R447.633 million in 2013/14 to R526.184 million in 2019/20. 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 anticipated low collection over the MTEF is due to the expected low bank balances as a result of the spending pressures shown by some departments.

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 provides a detailed analysis of revenue per Vote. The most significant revenue contributors are DOT, OTP, DOH, Provincial Treasury and DOE.

Table 4.13 : Summary of provincial own receipts by Vote

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2013/14	2014/15	2015/16	Appropriation	Appropriation 2016/17	Estimate	2017/18	2018/19	2019/20
1. Office of the Premier	489 160	540 248	567 020	573	271 333	280 123	587 336	623 593	642 350
2. Provincial Legislature	3 924	2 950	3 338	774	774	5 614	813	860	907
3. Agriculture and Rural Development	17 882	32 267	23 712	24 720	24 720	22 809	24 476	26 600	27 827
4. Economic Development, Tourism and Enviro Affairs	9 555	135 161	63 726	30 356	30 356	35 115	32 105	33 937	35 827
5. Education	107 494	96 705	93 518	87 684	87 684	125 547	92 392	97 751	103 224
6. Provincial Treasury	250 738	312 443	396 415	859 859	589 100	561 313	217 645	236 056	236 983
7. Health	270 747	289 933	243 594	283 710	283 710	290 603	260 508	275 952	291 405
8. Human Settlements	9 431	28 920	168 075	4 198	4 198	15 295	4 499	4 809	5 126
9. Community Safety and Liaison	79	76	756	97	97	131	101	107	114
10. Sport and Recreation	737	399	979	317	317	740	413	432	452
11. Co-operative Governance and Traditional Affairs	7 470	23 471	13 710	3 829	3 829	5 115	4 418	4 812	5 110
12. Transport	1 577 298	1 656 407	1 664 980	1 717 978	1 717 977	1 756 247	1 790 761	1 866 791	1 937 222
13. Social Development	6 182	8 954	6 858	7 841	7 841	12 920	8 234	8 710	8 946
14. Public Works	18 258	19 486	12 996	8 967	8 967	12 839	14 010	11 644	12 506
15. Arts and Culture	3 235	1 575	926	865	865	865	917	980	1 029
Total provincial own receipts	2 772 190	3 148 995	3 260 603	3 031 768	3 031 768	3 125 276	3 038 628	3 193 034	3 309 028
Provincial Legislature receipts not surrendered to PRF	3 924	2 950	3 338	774	774	5 614	813	860	907
Total adjusted provincial own receipts	2 768 266	3 146 045	3 257 265	3 030 994	3 030 994	3 119 662	3 037 815	3 192 174	3 308 121

Transport

DOT continues to be the main contributor to total Provincial Own Revenue (mainly against *Motor vehicle licences*). The department's revenue rises from R1.577 billion in 2013/14 to R1.937 billion in 2019/20. 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. Revenue generated from *Motor vehicle licences* increases from R1.396 billion in 2013/14 to R1.727 billion in 2019/20 (Table 4.12). The major reason for the slow growth in revenue is lower than inflationary growth of motor vehicle licence fees 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).

Office of the Premier

The KZN Gaming and Betting Board (KZNGBB) was moved to OTP with effect from 28 September 2016, as determined by Premier's Minute No. 2 of 2016. Also, it must be noted that the revenue budget from 28 September onward was suspended, whereas the balance remained with Vote 6 in 2016/17, as this Vote had incurred the related revenue and expenditure in the first half of 2016/17. The figures of KZNGBB were also restated for prior years. The full amount is thus moved from the prior years and over the 2017/18 MTEF. The department's main source of revenue is *Casino taxes*.

Provincial Treasury

The department's was affected by the function shift as mentioned above as KZNGBB was moved from Vote 6 to Vote 1.

Provincial Treasury generates a significant portion of Provincial 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*. However, the anticipated low collection over the MTEF is due to the expected low bank balances as a result of the spending pressures shown by some departments resulting in a reduction of R100 million per year over the MTEF.

Health

The receipts of DOH increase from R270.747 million in 2013/14 to R290.603 million in the 2016/17 Revised Estimate. Over the MTEF, significant growth from R260.508 million in 2017/18 to R291.405 million in 2019/20 is expected. DOH's largest proportion of revenue is from patient fees and boarding fees for staff accommodation. The department has decreased its revenue budget relating to health patient fees over the MTEF and this is due to the widening of income scales for free services by NDOH, translating to an increased number of patients who qualify for free public health care.

The department is focusing on increasing efficiencies in patient billing and revenue collection together with Provincial Treasury. 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 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.

4.2.5 Donor funding and agency receipts

Table 4.14 indicates donor funding and agency receipts, per department, over the 2017/18 MTEF. More detail is provided in Table 1.F 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, Provincial Treasury 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		
	2013/14	2014/15	2015/16	2016/17			2017/18	2018/19	2019/20
Donor Funding	5 118	1 478	10 791	59 750	34 527	34 527	78 400	-	-
Agriculture and Rural Development	2 291	-	2 895	-	-	-	-	-	-
Provincial Treasury	-	-	7 073	59 750	34 527	34 527	78 400	-	-
Health	2 000	125	60	-	-	-	-	-	-
Human Settlements	-	-	-	-	-	-	-	-	-
Co-operative Governance and Traditional Affairs	827	1 353	763	-	-	-	-	-	-
Agency Receipts	24 299	97 610	65 994	31 070	39 022	70 014	10 722	10 522	3 922
Office of the Premier	24 079	38 020	21 700	26 798	26 798	26 798	6 800	6 600	-
Provincial Treasury	-	-	720	480	480	240	-	-	-
Health	220	1 054	3 909	-	7 952	7 952	-	-	-
Co-operative Governance and Traditional Affairs	-	-	990	-	-	-	-	-	-
Transport	-	58 536	38 675	3 792	3 792	35 024	3 922	3 922	3 922
Total	29 417	99 088	76 785	90 820	73 549	104 541	89 122	10 522	3 922

4.2.5.1 Donor funding

Total donor funding is R34.527 million in the 2016/17 Revised Estimate, R78.400 million in 2017/18, and no donor funding is expected to be received beyond that at this stage. For further details, the particular Vote's chapter can be referred to in the *EPRE*.

4.2.5.2 Agency receipts

Agency receipts of R70.014 million are anticipated to be collected in 2016/17. The Agency receipts anticipated to be received over the MTEF amount to R10.722 million in 2017/18, R10.522 million in 2018/19 and R3.922 million in 2019/20. For further details, the particular Vote's chapter can be referred to in the *EPRE*.

5. PAYMENTS

5.1 Overall position

Total provincial payments increased from R91.611 billion in 2013/14 to an estimated R115.258 billion in 2017/18. This positive growth is set to continue over the 2017/18 MTEF, with aggregated estimates of R122.380 billion in 2018/19 growing to R130.472 billion in 2019/20.

The additional funding over and above the existing (2016/17 MTEF) growth within the various departments' baselines caters for, among others:

- An additional allocation from National Treasury of R897.608 million, which has been provided to all departments in 2019/20 and off-sets the budget cuts in that year.
- Provincial Legislature receives an additional allocation in 2019/20 (R34.569 million) for the zero-based budget adjustment, in line with Resolution 4/2015 taken by STACOV.
- DOE receives R634.605 million in 2018/19 and R686.110 million in 2019/20. National Treasury allocated this additional funding to allow provinces to fill some of the posts which became vacant or to employ additional teachers to respond to increasing enrolment which has resulted in an increase in class sizes in some instances. The department is urged to undertake the study that the Executive Council has requested to see how many posts the department can afford to fill before allocating these funds to its various programmes.
- DOH receives additional funding of R211.111 million from National Treasury in 2019/20 to assist with the exchange rate pressures relating to the procurement of medicines and medical supplies.
- DCSL receives a carry-through baseline allocation for the continued roll-out of the new structure. In this regard, R8.109 million, R8.515 million and R8.992 million was allocated to the department over the 2017/18 MTEF.
- DOT receives R48 million in 2017/18 for the construction of a crime fighting structure on the border between KZN and Mozambique.
- DOPW receives R4.776 million in 2017/18 for the Mayville Conference Centre to sound proof the main facility, and convert an existing building on the premises into a dining facility.
- DAC receives R20.881 million in 2017/18, R52.925 million in 2018/19, and R93.544 million in 2019/20 for the construction of an Archive Repository in Pietermaritzburg.

The 2017/18 MTEF is prepared against the backdrop of nationally implemented fiscal consolidation cuts, PES reductions due to an update in the formula and Provincial Own Revenue reductions. In addition, the Executive Council determined that the province should commence the process of remunerating *Izinduna* in compliance with previously issued Presidential proclamations, as mentioned.

5.2 Payments by Vote

Table 5.1 illustrates the summary of provincial payments by Vote.

As mentioned, budget cuts were effected against departments due to formula updates of the PES, Provincial Own Revenue reductions, as well as cuts to provide for the remuneration of *Izinduna*. On the other hand, National Treasury is adding some funds to the provincial baseline for Education and Health in 2018/19 and 2019/20, as well as R1.498 billion in 2019/20 to offsets the budget cuts in the outer year. However, only R897.608 million out of the R1.498 billion is allocated to departments at this stage, with the balance of R600 million remaining unallocated, as mentioned.

Interesting to note is that, while the budget cuts are significant in 2017/18 and 2018/19, there is a positive allocation to all departments in the outer year, albeit a small increase for most. Compounding the reduction in some departments' budgets from 2016/17 to 2017/18, is the fact that a number of departments had once-off allocations in 2016/17. As a result, five departments, namely Provincial

Legislature, DARD, Provincial Treasury, DCSL, and COGTA's budgets are set to decrease from 2016/17 Revised Estimate to 2017/18.

Table 5.1 : Summary of provincial payments and estimates by Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
1. Office of the Premier	766 981	765 252	728 464	658 644	690 318	689 883	742 125	787 137	822 568
2. Provincial Legislature	460 929	476 027	436 137	518 652	556 331	556 331	535 300	565 214	600 520
3. Agriculture and Rural Development	2 005 528	2 003 044	2 199 187	2 170 644	2 216 742	2 216 742	2 197 144	2 316 800	2 467 494
4. Economic Development, Tourism and Enviro Affairs	3 311 354	2 955 803	2 983 585	2 702 992	2 604 611	2 604 611	2 784 403	3 005 556	3 180 694
5. Education	37 156 042	39 146 083	42 887 911	45 464 373	45 653 119	45 680 527	47 476 599	50 631 848	53 791 211
6. Provincial Treasury	578 426	630 949	604 650	675 280	651 306	631 844	607 844	636 900	677 272
7. Health	29 531 410	31 245 510	34 110 724	36 578 637	37 039 000	37 391 656	39 548 473	41 959 574	44 992 728
8. Human Settlements	3 617 002	3 873 178	4 131 025	3 485 112	3 530 377	3 530 377	3 843 870	4 112 605	4 379 544
9. Community Safety and Liaison	171 922	179 239	190 811	210 123	210 123	210 123	204 486	214 628	228 047
10. Sport and Recreation	414 968	451 245	437 496	426 479	427 536	427 536	463 590	481 833	510 277
11. Co-operative Governance and Traditional Affairs	1 242 496	1 482 587	1 518 088	1 545 923	1 616 068	1 616 068	1 585 226	1 673 030	1 777 022
12. Transport	8 055 187	9 051 949	9 338 492	9 571 940	9 577 620	9 577 620	9 847 024	10 313 722	10 970 256
13. Social Development	2 329 906	2 487 432	2 610 357	2 778 162	2 782 299	2 774 885	3 041 364	3 181 765	3 382 158
14. Public Works	1 270 253	1 388 082	1 406 247	1 432 608	1 460 688	1 449 526	1 506 951	1 581 909	1 681 234
15. Arts and Culture	698 686	710 027	763 542	786 472	811 424	811 424	874 068	917 191	1 010 819
Total	91 611 090	96 846 407	104 346 716	109 006 041	109 827 562	110 169 153	115 258 467	122 379 712	130 471 844

Offsetting the budget cuts are additional allocations provided to departments. DCSL receives additional carry-through funds for its new organisational structure, while COGTA receives additional funding for the remuneration of *Izinduna*.

The Provincial Legislature's additional funding requirements were discussed between the Speaker and the MEC for Finance in terms of the FMPPLA. The discussion between the MEC and the Speaker resulted in a baseline increase in 2019/20, which comprises additional funding from the zero-based budget exercise to fund escalating costs relating to operating payments, property payments, as well travel and subsistence. In addition, the Legislature receives an additional allocation from National Treasury in 2019/20, as mentioned.

All other departments' baselines show an increase when compared to the 2016/17 Revised Estimate. This increase, however, is marginal as it relates to inflationary adjustments over the MTEF. There were departments who received additional funding for various provincial priorities. OTP's baseline has increased mainly due to the move of both the KZNGBB and the administration unit dealing with gaming and betting from Provincial Treasury to OTP. It must also be noted that only the budget from 28 September 2016 onward was suspended, whereas the balance remained with Vote 6 in 2016/17, as this Vote had already incurred the related expenditure in the first half of 2016/17. Therefore, the full amount is moved over the 2017/18 MTEF.

An upward trend is evident in DOE's baseline, emanating from the additional allocation from National Treasury in 2018/19 and 2019/20 to allow provinces to fill some of the posts which became vacant or to employ additional teachers to respond to increasing enrolment, as mentioned.

In 2017/18, DOH receives funds which were suspended from EDTEA for the exchange rate pressures.

DOT receives R48 million in 2017/18 for the construction of a crime fighting structure on the border between KZN and Mozambique.

DOPW receives R4.776 million for the Mayville Conference Centre, as mentioned.

DAC receives additional funding for the construction of the Archive Repository.

An upward trend noted in the baselines of DOHS, DOSR, as well as DSD was mainly due to inflationary adjustments, increases in conditional grants, as well as additional funding provided by National Treasury in 2019/20. DOSR receives R20 million which was suspended from 2015/16 for the construction of a sports development centre in Durban. DSD receives an allocation for two new conditional grants, namely the ECD grant and the Social Worker Employment grant, with funding commencing in 2017/18 and growing strongly in 2018/19. The HSDG in DOHS sees a reduction over the MTEF, however, despite these cuts the budget for the HSDG grows 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	
	2013/14	2014/15	2015/16		2016/17	2017/18	2018/19	2019/20	2013/14-2016/17
R thousand									
Education	37 156 042	39 146 083	42 887 911	45 653 119	47 476 599	50 631 848	53 791 211		
Health	29 531 410	31 245 510	34 110 724	37 039 000	39 548 473	41 959 574	44 992 728		
Social Development	2 329 906	2 487 432	2 610 357	2 782 299	3 041 364	3 181 765	3 382 158		
Other Functions	22 593 732	23 967 382	24 737 724	24 353 144	25 192 031	26 606 525	28 305 747		
Total expenditure	91 611 090	96 846 407	104 346 716	109 827 562	115 258 467	122 379 712	130 471 844		
% of total expenditure									
Education	40.6	40.4	41.1	41.6	41.2	41.4	41.2		
Health	32.2	32.3	32.7	33.7	34.3	34.3	34.5		
Social Development	2.5	2.6	2.5	2.5	2.6	2.6	2.6		
Other Functions	24.7	24.7	23.7	22.2	21.9	21.7	21.7		
Nominal growth (%)									
Education		5.4	9.6	6.4	4.0	6.6	6.2	7.1	5.6
Health		5.8	9.2	8.6	6.8	6.1	7.2	7.8	6.7
Social Development		6.8	4.9	6.6	9.3	4.6	6.3	6.1	6.7
Other Functions		6.1	3.2	(1.6)	3.4	5.6	6.4	2.5	5.1
Total expenditure		5.7	7.7	5.3	4.9	6.2	6.6	6.2	5.9
Real growth (%)									
Education		(0.2)	3.9	(0.1)	(2.1)	0.7	0.6	1.4	(0.6)
Health		0.2	3.6	1.9	0.5	0.2	1.5	2.1	0.4
Social Development		1.1	(0.4)	(0.0)	2.9	(1.2)	0.7	0.5	0.4
Other Functions		0.5	(2.1)	(7.6)	(2.6)	(0.3)	0.7	(2.9)	(1.0)
Total expenditure		0.1	2.2	(1.3)	(1.2)	0.3	1.0	0.6	(0.3)

The Social Sector, comprising Education, Health and Social Development, reflects steady average annual growth from 2013/14 to 2016/17 and also from 2016/17 to 2019/20 in nominal terms while, in real terms, there is fairly low growth in the first period (2013/14-2016/17). In the latter period (2017/18-2019/20), Education shows negative growth, while Health and Social Development show fairly low growth. The share of total spending fluctuates over the seven years, with 2016/17 being high at 77.8 per cent, reducing slightly to 78.1 per cent in 2017/18 and 78.3 per cent in 2018/19 and 2019/20. Important to note is that the Social Sector's share of total expenditure has increased from 76.3 in 2015/16 to an average of approximately 78 per cent over the MTEF.

DOE remains the highest spending provincial department, at 41.6 per cent in 2016/17 and reducing slightly to 41.2 per cent in 2017/18 and in 2019/20, attributable to the PES and Provincial Own Revenue reductions, as well as the budget reductions due to the provincial reprioritisation to fund the remuneration of *Izinduna*. DOE's budget increases by an average annual nominal (real) growth of 7.1 (1.4) per cent between 2013/14 and 2016/17, and 5.6 (-0.6) per cent between 2016/17 and 2019/20.

DOH remains the second highest spending provincial department, with a generally steady share of 32.2 per cent in 2013/14, remaining fairly constant until 2015/16 and increasing in 2016/17 and over the 2017/18 MTEF to 34.5 per cent in 2019/20. The budget of the department reflects a healthy average annual nominal (real) growth of 7.8 (2.1) per cent between 2013/14 and 2016/17, and a steady average annual growth of 6.7 (0.4) per cent between 2016/17 and 2019/20. The healthy growth is due to the decision to protect Health's baseline from budget cuts in the 2016/17 MTEF and to provide additional funding for the department to manage exchange rate and NHLS pressures, as well as the above-budget wage agreements. However, the department was affected by the budget cuts as a result of the PES and Provincial Own Revenue reductions over the 2017/18 MTEF, as well as the budget reductions due to the provincial reprioritisation to fund the remuneration of *Izinduna*. The budget cuts were offset in the outer year, though, by the additional allocation from the National Treasury for the exchange rate pressures and the amount allocated to departments to offset the budget cuts, as mentioned.

DSD reflects a steady share of total expenditure, at 2.5 per cent in 2013/14, which increases over the MTEF to a steady percentage of 2.6 per cent. The department's budget increases at an average nominal (real) growth of 6.1 (0.5) per cent between 2013/14 and 2016/17 and 6.7 (0.4) per cent between 2016/17 and 2019/20. The additional funding in 2016/17 and 2017/18 is for the support to the NGO sector, in terms of providing funding for a 6 per cent increase in these transfers. The department will reprioritise accordingly to fund the carry-through of this increase from 2018/19 onward. The slight decrease in the growth over the 2017/18 MTEF is mainly due to budget cuts as a result of the PES and Provincial Own Revenue reductions over the MTEF, as well as the budget reductions due to the provincial reprioritisation to fund the remuneration of *Izinduna*. The department receives two new conditional grants, namely the ECD grant and the Social Worker Employment grant, but with the funding commencing in 2017/18. It

should be noted that the ECD grant was introduced in the 2016/17 MTEF but funding commencing in 2017/18 and this was cut over the 2017/18 MTEF due to fiscal consolidation.

Other Functions reflect a steady average annual nominal (real) growth of 2.5 (-2.9) per cent between 2013/14 and 2016/17, and increases between 2016/17 and 2019/20 to 5.1 (-1) per cent.

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		
	2013/14	2014/15	2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Current payments	71 798 224	76 382 678	82 946 028	90 179 001	90 661 729	90 767 969	95 892 956	102 616 764	109 379 541
Compensation of employees	54 022 777	57 902 629	62 635 953	67 799 512	68 254 132	68 051 112	73 154 097	78 319 235	83 275 512
Goods and services	17 768 901	18 476 054	20 170 244	22 376 144	22 405 113	22 713 860	22 736 653	24 291 175	26 097 297
Interest and rent on land	6 547	3 995	139 831	3 345	2 484	2 997	2 206	6 353	6 732
Transfers and subsidies to:	11 516 658	12 146 645	12 511 265	10 820 225	11 269 561	11 571 098	11 580 777	12 165 955	12 814 111
Provinces and municipalities	1 139 824	1 365 806	1 417 732	1 084 929	1 183 395	1 227 101	1 164 447	1 229 582	1 291 143
Departmental agencies and accounts	1 847 630	1 962 754	2 112 823	1 846 560	1 912 113	1 911 836	2 045 030	2 118 507	2 207 768
Higher education institutions	501	3 046	2 000	8 500	17 617	15 520	10 980	10 973	11 587
Foreign governments and international organisations	221	207	292	217	217	217	228	241	255
Public corporations and private enterprises	1 396 597	1 687 664	1 706 864	1 389 254	1 692 378	1 690 101	1 371 149	1 427 917	1 502 669
Non-profit institutions	3 419 944	3 116 896	3 197 332	3 232 372	3 162 412	3 164 614	3 264 633	3 396 482	3 538 169
Households	3 711 942	4 010 272	4 074 222	3 258 393	3 301 429	3 561 709	3 724 310	3 982 253	4 262 520
Payments for capital assets	8 186 603	8 229 007	8 640 102	7 771 970	7 654 263	7 587 705	7 557 177	7 503 743	8 179 719
Buildings and other fixed structures	7 523 677	7 524 475	7 917 113	6 819 032	6 726 450	6 700 317	6 545 682	6 460 741	6 995 992
Machinery and equipment	630 393	665 046	698 211	931 253	909 740	866 564	987 203	1 018 074	1 156 222
Heritage assets	4 659	2 608	3 682	4 500	4 508	4 508	4 594	4 819	5 099
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	474	145	350	636	1 347	957	668	707	747
Land and sub-soil assets	-	23 000	-	-	-	-	-	-	-
Software and other intangible assets	27 400	13 733	20 746	16 549	12 218	15 359	19 030	19 402	21 659
Payments for financial assets	38 511	5 983	172 117	157 055	158 730	159 102	139 501	-	-
Total	91 539 995	96 764 313	104 269 512	108 928 251	109 744 283	110 085 874	115 170 411	122 286 461	130 373 371
Statutory payments (Members' remuneration)	71 095	82 094	77 204	77 790	83 279	83 279	88 056	93 251	98 473
Total economic classification (incl. stat. payment)	91 611 090	96 846 407	104 346 716	109 006 041	109 827 562	110 169 153	115 258 467	122 379 712	130 471 844

Current payments consumes the bulk of the total provincial spending, and is set to increase from R90.768 billion in the 2016/17 Revised Estimate to R109.380 billion in 2019/20. The largest portion of this category and the entire budget relates to *Compensation of employees*, which is set to increase from R68.051 billion in the 2016/17 Revised Estimate to R83.276 billion in 2019/20. The increase from the 2016/17 Revised Estimate to 2017/18 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.

Transfers and subsidies shows a fluctuating trend from 2013/14 to 2019/20. A substantial portion of this category is allocated against *Households* and *Non-profit institutions* and a large portion thereof relates to transfers to public schools for norms and standards, and the HSDG.

Buildings and other fixed structures, which consumes a large portion of the allocation, reflects minimal growth from 2017/18 to 2019/20, mainly due to the reprioritisation of some of the funding from new projects to accelerate the day-to-day maintenance of existing infrastructure by DOH and the reprioritisation of equitable share infrastructure budgets under DOE to fund personnel spending pressures. In addition, it should be noted that there were some reductions made by National Treasury against conditional grant allocations in support of the government-wide fiscal consolidation efforts. These reductions, however have focused on poor performing grants, as well as grants which have higher than average growth rates. As such, reductions were effected against the PRMG over the MTEF, while reductions against the EIG were effected in 2018/19.

Payments for financial assets mainly reflects the first charge amounts (in line with S34(2) of the PFMA) in respect of unauthorised expenditure.

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 2016/17	Medium-term Estimates			Average Annual Growth	
	2013/14	2014/15	2015/16		2017/18	2018/19	2019/20	2013/14-2016/17	2016/17-2019/20
R thousand									
Current	71 869 319	76 464 772	83 023 232	90 745 008	95 981 012	102 710 015	109 478 014		
Transfers	11 516 658	12 146 645	12 511 265	11 269 561	11 580 777	12 165 955	12 814 111		
Capital	8 186 603	8 229 007	8 640 102	7 654 263	7 557 177	7 503 743	8 179 719		
Financial assets	38 511	5 983	172 117	158 730	139 501	-	-		
Compensation	54 093 872	57 984 723	62 713 157	68 337 411	73 242 153	78 412 486	83 373 985		
Non-compensation	37 517 219	38 861 684	41 633 559	41 490 151	42 016 314	43 967 226	47 097 859		
Non-compensation (excl. transfers)	26 000 561	26 715 039	29 122 294	30 220 590	30 435 537	31 801 271	34 283 748		
Non-compensation non-capital (NCNC)	29 330 616	30 632 677	32 993 457	33 835 888	34 459 137	36 463 483	38 918 140		
NCNC (excl. transfers)	17 813 959	18 486 032	20 482 192	22 566 327	22 878 360	24 297 528	26 104 029		
Total expenditure	91 611 090	96 846 407	104 346 716	109 827 562	115 258 467	122 379 712	130 471 844		
% of total expenditure									
Current	78.5	79.0	79.6	82.6	83.3	83.9	83.9		
Transfers	12.6	12.5	12.0	10.3	10.0	9.9	9.8		
Capital	8.9	8.5	8.3	7.0	6.6	6.1	6.3		
Financial assets	0.0	0.0	0.2	0.1	0.1	-	-		
Compensation	59.0	59.9	60.1	62.2	63.5	64.1	63.9		
Non-compensation	41.0	40.1	39.9	37.8	36.5	35.9	36.1		
Non-compensation (excl. transfers)	28.4	27.6	27.9	27.5	26.4	26.0	26.3		
Non-compensation non-capital (NCNC)	32.0	31.6	31.6	30.8	29.9	29.8	29.8		
NCNC (excl. transfers)	19.4	19.1	19.6	20.5	19.8	19.9	20.0		
Nominal growth (%)									
Current		6.4	8.6	9.3	5.8	7.0	6.6	8.1	6.5
Transfers		5.5	3.0	(9.9)	2.8	5.1	5.3	(0.7)	4.4
Capital		0.5	5.0	(11.4)	(1.3)	(0.7)	9.0	(2.2)	2.2
Financial assets		(84.5)	2 776.8	(7.8)	(12.1)	(100.0)	-	60.3	(100.0)
Compensation		7.2	8.2	9.0	7.2	7.1	6.3	8.1	6.9
Non-compensation		3.6	7.1	(0.3)	1.3	4.6	7.1	3.4	4.3
Non-compensation (excl. transfers)		2.7	9.0	3.8	0.7	4.5	7.8	5.1	4.3
Non-compensation non-capital (NCNC)		4.4	7.7	2.6	1.8	5.8	6.7	4.9	4.8
NCNC (excl. transfers)		3.8	10.8	10.2	1.4	6.2	7.4	8.2	5.0
Real growth (%)									
Current		0.8	3.0	2.5	(0.4)	1.0	0.9	2.4	0.2
Transfers		(0.1)	(2.3)	(15.5)	(3.2)	(0.8)	(0.3)	(6.0)	(1.8)
Capital		(4.8)	(0.4)	(16.9)	(7.0)	(6.2)	3.2	(7.4)	(3.8)
Financial assets		(85.3)	2 629.4	(13.5)	(17.2)	(100.0)	(5.3)	51.8	(100.0)
Compensation		1.5	2.6	2.2	0.9	1.1	0.7	2.4	0.6
Non-compensation		(1.9)	1.6	(6.5)	(4.6)	(1.2)	1.4	(2.1)	(1.8)
Non-compensation (excl. transfers)		(2.7)	3.4	(2.7)	(5.2)	(1.3)	2.1	(0.4)	(1.8)
Non-compensation non-capital (NCNC)		(1.1)	2.2	(3.8)	(4.1)	(0.1)	1.1	(0.7)	(1.4)
NCNC (excl. transfers)		(1.7)	5.1	3.4	(4.5)	0.3	1.7	2.5	(1.2)

Current expenditure is the largest category, and the percentage of total expenditure grows from 78.5 per cent in 2013/14 to 83.9 per cent in 2019/20. This category reflects average annual nominal (real) growth of 8.1 (2.4) per cent between 2013/14 and 2016/17 and declines to 6.5 (0.2) per cent between 2016/17 and 2019/20. The increase is mainly attributable to the carry-through costs of the above-budget 2015 wage agreement, as well as the provision for filling of vacant posts that has been made by some departments. Also, departments were told to budget for an inflationary wage adjustment of 7.2 per cent in 2017/18, 6.9 per cent in 2018/19 and 6.6 per cent for 2019/20, and a 1.5 per cent pay progression. However, some departments, including DOE and DOH, 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 12.6 per cent in 2013/14 to 9.8 per cent in 2019/20 due to increases and decreases in the HSDG. There was also additional funding provided by EDTEA to EKZNW over the 2017/18 MTEF to fund the filling of critical vacancies and to address some of the entity's critical programmes. The decrease noted in the prior years is mainly due to budget-cuts effected against transfers to entities.

The expenditure trend for *Capital* reflects fluctuations, and a declining trend in terms of its share of total expenditure, with its share being 8.9 per cent in 2013/14, before declining to 7 per cent in 2016/17 and further declining to 6.3 per cent in 2019/20. The decline is mainly attributable to the lower allocation of the infrastructure grants, as well as reprioritisation of infrastructure budgets to *Compensation of employees*, in order to cover the shortfall of the above-budget wage agreements.

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 affecting mainly DOE and DOH. It is also indicative of the impact that the continued budget cuts have had on the province's budget.

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	
	2013/14	2014/15	2015/16		2017/18	2018/19	2019/20	2013/14-2016/17	2016/17-2019/20
R thousand									
Current	33 110 544	35 266 056	38 506 958	41 543 657	43 648 235	46 859 412	49 685 616		
Transfers	1 666 384	1 857 892	1 908 152	1 877 655	1 938 940	2 034 164	2 148 860		
Capital	2 379 114	2 022 135	2 440 909	2 199 915	1 857 531	1 738 272	1 956 735		
Financial assets	-	-	-	31 892	31 893	-	-		
Compensation	29 930 297	32 037 938	34 527 080	37 902 801	39 869 285	42 847 187	45 469 947		
Non-compensation	7 225 745	7 108 145	8 360 831	7 750 318	7 607 314	7 784 661	8 321 264		
Non-compensation (excl. transfers)	5 559 361	5 250 253	6 452 679	5 872 663	5 668 374	5 750 497	6 172 404		
Non-compensation non-capital (NCNC)	4 846 631	5 086 010	5 919 922	5 550 403	5 749 783	6 046 389	6 364 529		
NCNC (excl. transfers)	3 180 247	3 228 118	4 011 770	3 672 748	3 810 843	4 012 225	4 215 669		
Total expenditure	37 156 042	39 146 083	42 887 911	45 653 119	47 476 599	50 631 848	53 791 211		
% of total expenditure									
Current	89.1	90.1	89.8	91.0	91.9	92.5	92.4		
Transfers	4.5	4.7	4.4	4.1	4.1	4.0	4.0		
Capital	6.4	5.2	5.7	4.8	3.9	3.4	3.6		
Financial assets	-	-	0.1	0.1	0.1	-	-		
Compensation	80.6	81.8	80.5	83.0	84.0	84.6	84.5		
Non-compensation	19.4	18.2	19.5	17.0	16.0	15.4	15.5		
Non-compensation (excl. transfers)	15.0	13.4	15.0	12.9	11.9	11.4	11.5		
Non-compensation non-capital (NCNC)	13.0	13.0	13.8	12.2	12.1	11.9	11.8		
NCNC (excl. transfers)	8.6	8.2	9.4	8.0	8.0	7.9	7.8		
Nominal growth (%)									
Current		6.5	9.2	7.9	5.1	7.4	6.0	7.9	6.1
Transfers		11.5	2.7	(1.6)	3.3	4.9	5.6	4.1	4.6
Capital		(15.0)	20.7	(9.9)	(15.6)	(6.4)	12.6	(2.6)	(3.8)
Financial assets		-	-	-	0.0	(100.0)	-	-	(100.0)
Compensation		7.0	7.8	9.8	5.2	7.5	6.1	8.2	6.3
Non-compensation		(1.6)	17.6	(7.3)	(1.8)	2.3	6.9	2.4	2.4
Non-compensation (excl. transfers)		(5.6)	22.9	(9.0)	(3.5)	1.4	7.3	1.8	1.7
Non-compensation non-capital (NCNC)		4.9	16.4	(6.2)	3.6	5.2	5.3	4.6	4.7
NCNC (excl. transfers)		1.5	24.3	(8.5)	3.8	5.3	5.1	4.9	4.7
Real growth (%)									
Current		0.9	3.6	1.2	(1.1)	1.4	0.4	2.1	(0.1)
Transfers		5.6	(2.6)	(7.7)	(2.8)	(0.9)	0.0	(1.5)	(1.6)
Capital		(19.5)	14.5	(15.5)	(20.5)	(11.6)	6.6	(7.7)	(9.5)
Financial assets		(5.3)	(5.1)	(6.2)	(5.8)	(100.0)	(5.3)	-	(100.0)
Compensation		1.4	2.2	3.0	(1.0)	1.5	0.5	2.5	0.0
Non-compensation		(6.8)	11.6	(13.0)	(7.6)	(3.4)	1.2	(3.1)	(3.6)
Non-compensation (excl. transfers)		(10.6)	16.6	(14.6)	(9.1)	(4.2)	1.6	(3.5)	(4.3)
Non-compensation non-capital (NCNC)		(0.6)	10.4	(12.0)	(2.5)	(0.7)	(0.3)	(0.9)	(1.5)
NCNC (excl. transfers)		(3.9)	17.9	(14.1)	(2.3)	(0.6)	(0.5)	(0.6)	(1.5)

As illustrated in the table, the largest proportion of DOE's budget in 2016/17 is allocated under *Current* at 91 per cent. Minor growth is evident in the outer years at 92.5 per cent and 92.4 per cent, respectively. The growth is ascribed to reprioritisation that was undertaken towards adequately funding maintenance and repairs in order to respond to the need for the maintenance of schools and administration buildings. Also, the department receives an additional allocation from National Treasury in 2018/19 and 2019/20 to allow provinces to fill some of the posts which became vacant or to employ additional teachers to respond to increasing enrolment which has resulted in increases in class sizes in some instances.

Current reflects real growth of 2.1 per cent from 2013/14 to 2016/17, mainly attributed to a baseline reprioritisation towards *Compensation of employees* from *Capital* which was carried through from 2015/16 and additional funding provided in respect of the above-budget 2016 wage adjustment. However, despite the additional funding of R634.605 million in 2018/19 and R1.143 billion in 2019/20, negative real growth of 0.1 per cent is evident from 2016/17 to 2019/20. This is largely ascribed to the baseline reduction in respect of the deductions implemented against the PES and Provincial Own Revenue, as well as reductions in respect of the provincial reprioritisation undertaken for the remuneration of *Izinduna*.

The share of total expenditure under *Transfers* reflects a downward trend from 4.5 to 4 per cent between 2013/14 to 2019/20, mainly due to the reduction relating to *Transfers and subsidies to: Non-profit institutions*, 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. Also, the department undertook reprioritisation over the 2017/18 MTEF for the purchase of LTSM on behalf of ECD schools. This was to ensure cost efficiency, as well as consistency in material supplied through the central procurement of LTSM on behalf of S21 (c) schools.

Transfers reflects negative real growth of 1.5 per cent and 1.6 per cent from 2013/14 to 2019/20, which is mainly attributed to reprioritisation undertaken as previously mentioned, as well as limited budget to increase the allocation for transfers to schools.

Capital as a share of total expenditure fluctuates from 2013/14 to 2016/17 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. Furthermore, the allocation for the EIG has been reduced by R24.585 million in 2018/19 in line with fiscal consolidation cuts effected by National Treasury.

Compensation comprises the highest proportion of DOE's budget. The share of total expenditure reflects an increasing trend from 80.6 per cent in 2013/14 to 84.5 per cent in 2019/20. The increase in the share of total expenditure in 2014/15 reflects the adjustment that was undertaken to increase *Compensation of employees* in order to offset pressures as a result of various wage adjustments. The 2017/18 MTEF allocations include the budget reduction in 2017/18 in respect of the deductions implemented against the PES and Provincial Own Revenue and the budget decrease relating to the provincial reprioritisation undertaken for the remuneration of *Izinduna*. Also, the significant reduction in the Social Sector EPWP Grant for Provinces in 2017/18 contributes to the decrease. As such, the real growth percentage share is at 0 per cent from 2016/17 to 2019/20. This low growth makes it difficult for the department to fill posts which arise through attrition. While the department receives additional funding for filling of posts in 2018/19 and 2019/20, a comprehensive HR analysis has to be undertaken to determine the adequacy of the personnel budget and the number of posts that can be afforded over the MTEF.

5.3.3 Analysis of payments and estimates by economic classification – Health

Table 5.6 shows DOH's expenditure by economic classification.

As was the case in previous years, the largest share of total expenditure is in respect of *Current* payments, where the percentage increases from 91.1 per cent in 2013/14 to 93.5 per cent in 2015/16. The share climbs to 94.1 per cent in 2019/20. The growing share is largely because the department has reduced funding for *Capital* due to various budget cuts, as well as reprioritising funding away from *Capital* payments to *Maintenance and repair: Current*, thus boosting the share of *Current* payments to 94.1 per cent. Furthermore, the Health Facility Revitalisation grant decreases in 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 strong growth in the Comprehensive HIV, AIDS and TB grant in 2018/19 and 2019/20. 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 just under 64 per cent over the 2017/18 MTEF.

Compensation shows a positive trend from 2016/17 to 2019/20, with an average annual real growth of only 0.4 per cent though. This means that the department has minimal room for additional appointments to grow services at this stage. No additional funding has been provided over the 2017/18 MTEF for the carry-through effects of the 2016 above-budget wage adjustment.

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

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2013/14	2014/15	2015/16		2017/18	2018/19	2019/20	2013/14-2016/17	2016/17-2019/20
R thousand									
Current	26 890 291	28 911 128	31 899 939	34 777 645	37 075 809	39 521 148	42 341 539		
Transfers	740 159	828 088	843 093	845 421	923 771	949 480	1 002 688		
Capital	1 867 332	1 505 879	1 257 629	1 308 327	1 441 285	1 488 946	1 648 501		
Financial assets	33 629	415	110 063	107 607	107 608	-	-		
Compensation	18 676 776	20 014 542	21 793 160	23 486 647	25 246 832	26 828 865	28 548 396		
Non-compensation	10 854 635	11 230 968	12 317 564	13 552 353	14 301 641	15 130 708	16 444 332		
Non-compensation (excl. transfers)	10 114 476	10 402 880	11 474 471	12 706 932	13 377 870	14 181 229	15 441 644		
Non-compensation non-capital (NCNC)	8 987 303	9 725 089	11 059 935	12 244 026	12 860 356	13 641 762	14 795 831		
NCNC (excl. transfers)	8 247 145	8 897 001	10 216 842	11 398 605	11 936 585	12 692 283	13 793 143		
Total expenditure	29 531 410	31 245 510	34 110 724	37 039 000	39 548 473	41 959 574	44 992 728		
% of total expenditure									
Current	91.1	92.5	93.5	93.9	93.7	94.2	94.1		
Transfers	2.5	2.7	2.5	2.3	2.3	2.3	2.2		
Capital	6.3	4.8	3.7	3.5	3.6	3.5	3.7		
Financial assets	0.1	0.0	0.3	0.3	0.3	-	-		
Compensation	63.2	64.1	63.9	63.4	63.8	63.9	63.5		
Non-compensation	36.8	35.9	36.1	36.6	36.2	36.1	36.5		
Non-compensation (excl. transfers)	34.2	33.3	33.6	34.3	33.8	33.8	34.3		
Non-compensation non-capital (NCNC)	30.4	31.1	32.4	33.1	32.5	32.5	32.9		
NCNC (excl. transfers)	27.9	28.5	30.0	30.8	30.2	30.2	30.7		
Nominal growth (%)									
Current		7.5	10.3	9.0	6.6	6.6	7.1	9.0	6.8
Transfers		11.9	1.8	0.3	9.3	2.8	5.6	4.5	5.9
Capital		(19.4)	(16.5)	4.0	10.2	3.3	10.7	(11.2)	8.0
Financial assets		(98.8)	26 421.2	(2.2)	0.0	(100.0)	-	47.4	(100.0)
Compensation		7.2	8.9	7.8	7.5	6.3	6.4	7.9	6.7
Non-compensation		3.5	9.7	10.0	5.5	5.8	8.7	7.7	6.7
Non-compensation (excl. transfers)		2.9	10.3	10.7	5.3	6.0	8.9	7.9	6.7
Non-compensation non-capital (NCNC)		8.2	13.7	10.7	5.0	6.1	8.5	10.9	6.5
NCNC (excl. transfers)		7.9	14.8	11.6	4.7	6.3	8.7	11.4	6.6
Real growth (%)									
Current		1.8	4.7	2.3	0.4	0.7	1.5	3.2	0.5
Transfers		5.9	(3.4)	(5.9)	2.9	(2.9)	0.0	(1.0)	(0.4)
Capital		(23.6)	(20.8)	(2.4)	3.7	(2.4)	4.8	(15.9)	1.7
Financial assets		(98.8)	25 062.4	(8.3)	(5.8)	(100.0)	(5.3)	39.6	(100.0)
Compensation		1.5	3.3	1.1	1.2	0.3	0.8	2.2	0.4
Non-compensation		(2.0)	4.1	3.2	(0.6)	(0.1)	2.9	2.0	0.4
Non-compensation (excl. transfers)		(2.6)	4.6	3.9	(0.9)	0.1	3.1	2.2	0.4
Non-compensation non-capital (NCNC)		2.5	7.9	3.9	(1.1)	0.2	2.7	5.0	0.2
NCNC (excl. transfers)		2.2	9.0	4.7	(1.4)	0.4	2.9	5.5	0.3

Although the share of *Transfers* fluctuates from 2013/14 to 2016/17, largely due to delays with regard to transfers to municipal clinics caused by problems in finalising SLAs with municipalities, the share stabilises at around 2.3 per cent over the 2017/18 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 subsidy transfer. The peak in 2013/14 to 2015/16, is largely due to higher than expected medico-legal claims and an increase in the number of students in the Cuban Doctors' programme. The negative real growth rate of 0.4 per cent for *Transfers* from 2016/17 to 2019/20 relates to the once-off costs for medico-legal claims in 2016/17, as well as costs for the Cuban Doctors' programme, which were higher than expected due to the effects of the weaker Rand/Dollar exchange rate. The department has budgeted for medico-legal claims over the MTEF, but not at the level required.

The share of total expenditure on *Capital* decreases over the seven-year period, largely as per the reasons discussed under *Current* payments above.

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

Table 5.7 shows DSD's expenditure by economic classification.

As a share of total expenditure, *Current* increases from 58.8 per cent in 2013/14 to 66.4 per cent in 2019/20. The growth in percentage share up to 2015/16 is due to the above-budget wage increments in 2014, 2015 and 2016, as well as the carry-through effect of absorbing social work graduates. The increase in the outer years of the MTEF is mainly due to additional funding received in the form of a new conditional grant, namely the Social Worker Employment grant, with funding commencing in 2017/18 and allocated to *Compensation of employees*. In addition, a second new grant, namely the ECD grant, commences in 2017/18, with a portion of this grant allocated to *Goods and services*. The category *Current* shows real average annual growth of 2.2 per cent between 2013/14 and 2016/17, increasing to

2.8 per cent between 2016/17 and 2019/20. The 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* reflects a real average annual growth of 0.3 per cent from 2013/14 to 2016/17, due to additional funding added in 2015/16 for a 6 per cent increase for subsidies to NGOs, with carry-through to 2017/18. *Capital* reflects negative average annual real growth of 13.7 per cent from 2013/14 to 2016/17 and a negative 8 per cent from 2016/17 to 2019/20 due to the removal of additional funding for existing infrastructure development, which ended in 2013/14 in line with project requirements, as well as a portion of the Isibindi model which was erroneously allocated against this category, and this was corrected.

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

	Audited Outcome			Adjusted Appropriation 2016/17	Medium-term Estimates			Average Annual Growth	
	2013/14	2014/15	2015/16		2017/18	2018/19	2019/20	2013/14-2016/17	2016/17-2019/20
R thousand									
Current	1 371 148	1 520 152	1 614 697	1 723 802	1 942 820	2 070 366	2 245 809		
Transfers	753 289	806 210	827 552	896 035	940 909	980 992	991 013		
Capital	205 469	161 070	152 669	155 483	157 635	130 407	145 336		
Financial assets	-	-	15 439	6 979	-	-	-		
Compensation	1 015 767	1 156 790	1 238 550	1 310 609	1 531 019	1 635 341	1 773 684		
Non-compensation	1 314 139	1 330 642	1 371 807	1 471 690	1 510 345	1 546 424	1 608 474		
Non-compensation (excl. transfers)	560 850	524 432	544 255	575 655	569 436	565 432	617 461		
Non-compensation non-capital (NCNC)	1 314 139	1 330 642	1 356 368	1 464 711	1 510 345	1 546 424	1 608 474		
NCNC (excl. transfers)	560 850	524 432	528 816	568 676	569 436	565 432	617 461		
Total expenditure	2 329 906	2 487 432	2 610 357	2 782 299	3 041 364	3 181 765	3 382 158		
% of total expenditure									
Current	58.8	61.1	61.9	62.0	63.9	65.1	66.4		
Transfers	32.3	32.4	31.7	32.2	30.9	30.8	29.3		
Capital	8.8	6.5	5.8	5.6	5.2	4.1	4.3		
Financial assets	-	-	0.6	0.3	-	-	-		
Compensation	43.6	46.5	47.4	47.1	50.3	51.4	52.4		
Non-compensation	56.4	53.5	52.6	52.9	49.7	48.6	47.6		
Non-compensation (excl. transfers)	24.1	21.1	20.8	20.7	18.7	17.8	18.3		
Non-compensation non-capital (NCNC)	56.4	53.5	52.0	52.6	49.7	48.6	47.6		
NCNC (excl. transfers)	24.1	21.1	20.3	20.4	18.7	17.8	18.3		
Nominal growth (%)									
Current		10.9	6.2	6.8	12.7	6.6	8.5	7.9	9.2
Transfers		7.0	2.6	8.3	5.0	4.3	1.0	6.0	3.4
Capital		(21.6)	(5.2)	1.8	1.4	(17.3)	11.4	(8.9)	(2.2)
Financial assets				(54.8)	(100.0)	-	-	-	(100.0)
Compensation		13.9	7.1	5.8	16.8	6.8	8.5	8.9	10.6
Non-compensation		1.3	3.1	7.3	2.6	2.4	4.0	3.8	3.0
Non-compensation (excl. transfers)		(6.5)	3.8	5.8	(1.1)	(0.7)	9.2	0.9	2.4
Non-compensation non-capital (NCNC)		1.3	1.9	8.0	3.1	2.4	4.0	3.7	3.2
NCNC (excl. transfers)		(6.5)	0.8	7.5	0.1	(0.7)	9.2	0.5	2.8
Real growth (%)									
Current		5.0	0.8	0.1	6.1	0.6	2.7	2.2	2.8
Transfers		1.3	(2.6)	1.6	(1.1)	(1.5)	(4.3)	0.3	(2.7)
Capital		(25.8)	(10.1)	(4.5)	(4.5)	(21.9)	5.5	(13.7)	(8.0)
Financial assets		(5.3)	(5.1)	(57.6)	(100.0)	(5.6)	(5.3)	-	(100.0)
Compensation		7.8	1.6	(0.7)	10.0	0.9	2.7	3.1	4.1
Non-compensation		(4.1)	(2.2)	0.6	(3.4)	(3.3)	(1.5)	(1.7)	(3.1)
Non-compensation (excl. transfers)		(11.5)	(1.5)	(0.8)	(6.9)	(6.2)	3.4	(4.5)	(3.7)
Non-compensation non-capital (NCNC)		(4.1)	(3.3)	1.3	(2.9)	(3.3)	(1.5)	(1.8)	(2.9)
NCNC (excl. transfers)		(11.5)	(4.3)	0.9	(5.7)	(6.2)	3.4	(4.9)	(3.3)

The share of total expenditure on *Transfers* decreases from 32.3 per cent in 2013/14 to 29.3 per cent in 2019/20. This category shows a fluctuating trend due to the above-budget wage increments in 2014, 2015 and 2016, which resulted in *Current* growing faster than *Transfers*. The downward trend from 2016/17 to 2019/20 is ascribed to the previously mentioned new ECD and Social Worker Employment grants. The trend is aggravated by the fact that carry-through costs for the previously mentioned 6 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.

Capital as a percentage of total expenditure decreased from 8.8 per cent in 2013/14 to 4.3 per cent in 2019/20, due to the removal of the additional funding for existing infrastructure development, as well as a portion of the Isibindi model which was erroneously allocated against this category. The average annual real growth reflects negative growth of 13.7 per cent from 2013/14 to 2016/17, due to reasons mentioned. Also impacting on the declining share of *Capital* over the 2017/18 MTEF is the significant increase in *Current* due to the commencement of the new ECD and Social Worker Employment grants, as well as a markedly higher allocation in 2017/18 only, to the Social Sector EPWP Incentive Grant for Provinces.

Compensation shows a positive trend from 2016/17 to 2019/20, with an average annual real growth of 4.1 per cent. This is mainly due to additional funding received regarding the previously mentioned new ECD and Social Worker Employment grants.

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

Table 5.8 shows the remaining departments' payments and estimates by economic classification (i.e. all departments excluding Education, Health and Social Development).

Table 5.8 : Analysis of expenditure summary by classification - Other

	Audited Outcome			Adjusted Appropriation	Medium-term Estimates			Average Annual Growth	
	2013/14	2014/15	2015/16		2017/18	2018/19	2019/20	2013/14-2016/17	2016/17-2019/20
R thousand									
Current	10 497 336	10 767 436	11 001 638	12 699 904	13 314 148	14 259 088	15 205 050		
Transfers	8 356 826	8 654 455	8 932 468	7 650 450	7 777 157	8 201 319	8 671 550		
Capital	3 734 688	4 539 923	4 788 895	3 990 538	4 100 726	4 146 118	4 429 147		
Financial assets	4 882	5 568	14 723	12 252	-	-	-		
Compensation	4 471 032	4 775 453	5 154 367	5 637 354	6 595 017	7 101 093	7 581 958		
Non-compensation	18 122 700	19 191 929	19 583 357	18 715 790	18 597 014	19 505 432	20 723 789		
Non-compensation (excl. transfers)	9 765 874	10 537 474	10 650 889	11 065 340	10 819 857	11 304 113	12 052 239		
Non-compensation non-capital (NCNC)	18 117 818	19 186 361	19 568 634	18 703 538	18 597 014	19 505 432	20 723 789		
NCNC (excl. transfers)	9 760 992	10 531 906	10 636 166	11 053 088	10 819 857	11 304 113	12 052 239		
Total expenditure	22 593 732	23 967 382	24 737 724	24 353 144	25 192 031	26 606 525	28 305 747		
% of total expenditure									
Current	46.5	44.9	44.5	52.1	52.9	53.6	53.7		
Transfers	37.0	36.1	36.1	31.4	30.9	30.8	30.6		
Capital	16.5	18.9	19.4	16.4	16.3	15.6	15.6		
Financial assets	0.0	0.0	0.1	0.1	-	-	-		
Compensation	19.8	19.9	20.8	23.1	26.2	26.7	26.8		
Non-compensation	80.2	80.1	79.2	76.9	73.8	73.3	73.2		
Non-compensation (excl. transfers)	43.2	44.0	43.1	45.4	42.9	42.5	42.6		
Non-compensation non-capital (NCNC)	80.2	80.1	79.1	76.8	73.8	73.3	73.2		
NCNC (excl. transfers)	43.2	43.9	43.0	45.4	42.9	42.5	42.6		
Nominal growth (%)									
Current		2.6	2.2	15.4	4.8	7.1	6.6	6.6	6.2
Transfers		3.6	3.2	(14.4)	1.7	5.5	5.7	(2.9)	4.3
Capital		21.6	5.5	(16.7)	2.8	1.1	6.8	2.2	3.5
Financial assets		14.1	164.4	(16.8)	(100.0)	-	-	35.9	(100.0)
Compensation		6.8	7.9	9.4	17.0	7.7	6.8	8.0	10.4
Non-compensation		5.9	2.0	(4.4)	(0.6)	4.9	6.2	1.1	3.5
Non-compensation (excl. transfers)		7.9	1.1	3.9	(2.2)	4.5	6.6	4.3	2.9
Non-compensation non-capital (NCNC)		5.9	2.0	(4.4)	(0.6)	4.9	6.2	1.1	3.5
NCNC (excl. transfers)		7.9	1.0	3.9	(2.1)	4.5	6.6	4.2	2.9
Real growth (%)									
Current		(2.9)	(3.1)	8.3	(1.3)	1.1	1.0	0.9	(0.1)
Transfers		(1.9)	(2.1)	(19.7)	(4.3)	(0.4)	0.1	(8.0)	(1.9)
Capital		15.1	0.1	(21.8)	(3.2)	(4.5)	1.2	(3.2)	(2.6)
Financial assets		8.0	150.9	(21.9)	(100.0)	(5.6)	(5.3)	28.7	(100.0)
Compensation		1.1	2.4	2.6	10.2	1.7	1.1	2.3	3.9
Non-compensation		0.3	(3.2)	(10.3)	(6.4)	(1.0)	0.6	(4.3)	(2.6)
Non-compensation (excl. transfers)		2.2	(4.1)	(2.5)	(7.9)	(1.3)	1.0	(1.3)	(3.2)
Non-compensation non-capital (NCNC)		0.3	(3.2)	(10.3)	(6.4)	(1.0)	0.6	(4.3)	(2.6)
NCNC (excl. transfers)		2.2	(4.2)	(2.5)	(7.8)	(1.3)	1.0	(1.3)	(3.1)

The share of *Current* payments to total budget is set to increase from 46.5 per cent in 2013/14 to 53.7 per cent in 2019/20. Even though the budget against *Current* is increasing, its percentage against total expenditure decreases from 2013/14 to 2015/16, due to the fact that the other categories have higher growth rates compared to *Current*, which can be attributed to the continuation of cost-cutting which reduced spending related to *Goods and services*. The Executive Council determined that the *Izinduna* in KZN must be remunerated, in line with Presidential proclamations in this regard. As such, COGTA is providing 50 per cent of the required amount through extensive reprioritisation of their budget, while the remaining 50 per cent is sourced by proportionately reducing all remaining Votes' budgets. This resulted in strong growth against *Compensation of employees* over the MTEF. However, the growth over the 2017/18 MTEF is also affected by the various budget cuts, as mentioned.

Transfers is expected to decrease from 37 per cent in 2013/14 to 30.6 per cent in 2019/20. This trend can be ascribed to the baselines of various entities under EDTEA decreasing over the MTEF, in line with the budget cuts and major reprioritisation undertaken by the department. Under DAC, there is a reduction of transfers to the eThekweni Metro for provincialisation, and the department will no longer transfer funds in respect of the construction of the mega-library due to the continuous challenges experienced by the

eThekweni Metro. These funds were moved to *Buildings and other fixed structures* for the construction of the Imbali library. This accounts for the negative real growth of 1.9 per cent from 2016/17 to 2019/20

Capital payments reflect the share of total expenditure declining from 16.5 per cent in 2013/14 to 15.6 per cent in 2019/20, mainly due to the budget cuts effected against infrastructure by some departments. As an example, DOPW reduced the budget for various projects, including the construction of a new district office in iLembe, new offices in the CBD of Newcastle, upgrades to the Vryheid depot and refurbishment of an existing facility in the eThekweni regional office. Also contributing to the declining share is the decrease against DOHS in respect of the Social and Economic Amenities programme where the department terminated contracts for uMkhanyakude, Amajuba and uMgungundlovu as a result of poor performance. COGTA undertook extensive reprioritisation and moved funds from *Goods and services* and *Buildings and other fixed structures* in order to fund the remuneration of *Izinduna* over the MTEF.

The fluctuating trend against *Financial assets* was mainly due to the implementation of the first charge against some Votes, in line with S34(2) of the PFMA.

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.E (a) and (b) of the *Annexure to OPRE*.

The provincial budget has been impacted by various budget cuts over the last few years, including the Census data budget cuts implemented from the 2013/14 MTEF onward, various fiscal consolidation budget cuts implemented by National Treasury, as well as Provincial Own Revenue downward revisions. These cuts have had an impact on all Votes.

Table 5.9 : Summary of payments and estimates by functional area

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
General Public Services	4 637 463	5 055 609	5 054 206	5 211 395	5 366 631	5 363 978	5 387 841	5 702 026	6 044 255
Public Order and Safety	171 922	179 239	190 811	210 123	210 123	210 123	204 486	214 628	228 047
Economic Affairs	12 152 472	12 717 125	13 178 866	13 141 797	13 121 852	13 141 738	13 393 493	14 122 377	15 035 624
Environmental Protection	823 604	933 738	928 753	857 496	827 543	825 596	956 414	994 223	1 032 124
Housing and Community Amenities	3 617 002	3 873 178	4 131 025	3 485 112	3 530 377	3 530 377	3 843 870	4 112 605	4 379 544
Health	29 009 949	30 704 059	33 528 865	36 004 535	36 397 698	36 742 863	38 914 716	41 290 326	44 286 005
Recreation, Culture and Religion	1 128 224	1 179 437	1 216 751	1 228 071	1 248 374	1 248 374	1 353 932	1 415 829	1 538 637
Education	37 754 001	39 730 054	43 517 884	46 100 480	46 356 142	46 343 762	48 175 497	51 359 678	54 560 117
Social Protection	2 316 453	2 476 468	2 599 425	2 767 032	2 768 822	2 762 342	3 028 218	3 168 019	3 367 491
Total	91 611 090	96 848 907	104 346 586	109 006 041	109 827 562	110 169 153	115 258 467	122 379 712	130 471 844

Table 5.9 shows that the highest expenditure is on *Education*, and is anticipated to increase from R48.175 billion in 2017/18 to R54.560 billion in 2019/20. The category makes provision for education including public ordinary schools, public special school education, ECD and infrastructure development. The growth over the 2017/18 MTEF is mainly inflation related, as well as National Treasury allocating additional funding in 2018/19 and 2019/20 to allow the sector to fill some of the posts, as mentioned. The additional funding allocated by National Treasury to provinces in the outer year of the 2017/18 MTEF is to ensure that the budget cuts referred to above are offset in that year, and *Education* received the bulk of those funds.

The second largest expenditure is on *Health*, and is expected to increase from R38.915 billion in 2017/18 to R44.286 billion in 2019/20. This reflects the province's commitment to provide effective and efficient health care services to the people of the province. National Treasury allocated additional funding in 2019/20 to ensure that the budget cuts referred to above are offset in that year and to assist with the exchange rate pressures relating to the procurement of medicines and medical supplies.

Economic Affairs comprises DOT (caters for the construction and maintenance of the provincial road network, public transport services and law enforcement), DARD (focus on providing support to food insecure communities at subsistence and household food production level), EDTEA (provides for the Radical Agrarian Socio-Economic Transformation (RASET) strategy, the One Village One Product Craft Enterprise, implementation of Industrial Economic Hubs in all districts) and a portion of Provincial

Treasury (caters for community outreach programmes, special projects including infrastructure projects). This category shows an increasing trend, with the exception of 2016/17, which can be attributed to the 2016/17 budget cuts affecting these departments. The overall growth, though, relates to inflationary increases, as well as additional funding allocated by National Treasury in 2019/20 to ensure that the budget cuts are offset in that year.

General Public Services includes the Legislature (provides oversight role over all provincial departments and public entities) and administrative departments such as Provincial Treasury (caters for financial management, internal audit, SCM, as well as support for transversal and interlinked financial systems), OTP (provides for cross-cutting and transversal activities, such as OSS, Integrity Management, youth, Nerve Centre, support to His Majesty, the King, as well as transfers to its three public entities, Amafa, KZNGBB and the Royal Household Trust (RHT)), COGTA (provides support and ensures that there is alignment between the national, provincial, and local government priorities, promotes good governance and enhances financial management in municipalities, as well as provides support and builds the capacity of traditional institutions), DOPW (provides for municipal property rates payments, the implementation of GIAMA projects, as well infrastructure projects), and a portion of DOT (provides for administrative, strategic, financial and corporate support services). The growth over the 2017/18 MTEF mainly relates to COGTA, due to the substantial additional funds, which were reduced from other Votes to fund the remuneration of *Izinduna*. Also, additional funding from National Treasury was allocated to departments in the outer year of the 2017/18 MTEF, accounting for the high amount in 2019/20.

Housing and Community Amenities relates to DOHS, and is mainly in respect of 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 2016/17 amount is due to the budget cuts affecting the HSDG. In 2017/18 and over the MTEF, the HSDG sees a reduction of R365.661 million, R361.193 million and R118.213 million and, despite these cuts, the budget for the HSDG grows over the MTEF.

Social Protection relates to DSD and caters for various social services programmes such as services to older persons and persons with disabilities, HIV and AIDS programme, social relief of distress, care and services to families, child care and protection services, early childhood development and partial care, child and youth care centres, community-based care services to children, crime prevention and support, victim empowerment, substance abuse programme, youth and women development, among others. The growth over the 2017/18 MTEF relates to inflationary increments.

Environmental Protection relates to Environmental Affairs under EDTEA and is made up of Environmental Affairs and transfers to EKZNW. The category mainly caters for the integrated sustainable environmental planning, mitigate the impact of and manage waste and pollutants, empower communities with regard to sustainable resource utilisation and prevent and control the spread of invasive alien species, among others. The bulk of the budget against this category is a subsidy for EKZNW, and is used by the entity for the rhino anti-poaching campaign, eradication of invasive alien species plants in demarcated areas, operational costs and infrastructure maintenance, among others. The budget shows healthy growth over the MTEF.

Recreation, Culture and Religion falls under DOSR and DAC. DOSR provides sport and recreation facilities, School Sport programme through funding from the MPSD grant, while DAC's core mandate is ensuring cultural advance of all people in the province through hosting various cultural events and provision of reading and writing material, as well as the provincialisation of museums and libraries, and the construction of new libraries in order to increase outreach across the province. The growth over the 2017/18 MTEF relates mainly to additional funding received by DAC for the construction of an Archive Repository, as well as the Arts and Culture Academy.

The category *Public Order and Safety* relates to DCSL, who provides oversight over the Office of the Provincial Commissioner and specialised units, as well as community police relations at a provincial level. In addition, it performs the function of safety information analysis, crime awareness projects, including school safety, substance abuse and stock theft, among others. The growth over the MTEF is for

the roll-out of the Civilian Secretariat for Police Services Act, community safety initiatives, including the Voluntary Social Crime Prevention Programme (VSCPP), maintenance of Community Safety Forums (CSFs) and Community Policing Forums (CPFs), crime awareness campaigns (victim empowerment, drug abuse, etc.), police station evaluations, justice crime prevention and security, stock theft, cross border conflicts, taxi violence, among others. The department receives R8.109 million, R8.515 million and R8.992 million over the 2017/18 MTEF and this provides for the carry-through costs of the continued roll-out of the new structure in compliance with the Civilian Secretariat for Police Services Act.

5.5 Infrastructure payments and estimates

5.5.1 Introduction

KZN has made substantial progress in the delivery of public infrastructure such as schools, roads, health facilities etc. Investment in socio-economic infrastructure contributes positively to the economic growth of the province and the well-being of the society. The development of a Provincial Infrastructure Master Plan for KZN is well underway and is being developed with various infrastructure related authorities. The key areas to be focused on are harbours, airports, road, rail, water, sanitation, electricity, ICT, school and health facilities, human settlements, as well as specialist infrastructure to support lead economic sectors in the province. Sustainable growth and development in rural areas through infrastructure development is also a priority. This is evident in the infrastructure investment which has been made with regard to the Nkululeko project at Ndumo in the uMkhanyakude District, where the province provided integrated infrastructure development to this rural area. This northern part of the province had very minimal infrastructure prior to 2011. Through the Nkululeko project, departments have provided infrastructure investments such as a new library and sports field, bulk water supply, upgrading of a gravel road to a blacktop road and a model MST school. DOHS also contributes through the construction of low income and subsidised housing.

5.5.1.1 Infrastructure management

The province approved the KZN-Infrastructure Delivery Management System (KZN-IDMS) framework in 2012/13 and during 2016/17 the framework was reviewed. The review intends to roll out IDMS best practices to all departments. All departments with an infrastructure budget were required to institutionalise IDMS in 2016/17. This is an improvement from previous years where IDMS was piloted in two departments *viz.* Health and Education. The system aims to standardise the control framework with outlined processes from infrastructure project initiation to its maintenance and/or operation. IDMS implementation reached another milestone in 2016/17 whereby an instruction note from National Treasury was issued enforcing the implementation of the Standards for Infrastructure Procurement and Delivery Management. These standards enforce alignment to the construction procurement environment thus ensuring each phase is documented and approved by a relevant authority. The institutionalisation of IDMS requires a review of organisational structures to ensure that human resource capacity meets minimum requirements of the standards.

In-year reporting is achieved through the Infrastructure Reporting Model (IRM). All departments are expected to report detailed project data on the IRM, while ensuring that reported information is consistent with what is reported on in the IYM.

Detailed infrastructure analysis is presented on the *2017/18 Estimates of Capital Expenditure*, which is being published for the first time for the 2017/18 MTEF.

5.5.2 Trends in infrastructure payments and estimates

The payments and estimates on infrastructure are categorised as shown in Table 5.10. 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. The *Non infrastructure* category is specifically for spending not directly related to the construction or purchase of infrastructure assets. Such spending can either be of a current or capital nature and includes payments relating to stand-alone purchases of *Goods and services*, as well as purchases relating to the maintenance and repair of non-infrastructure assets.

The category also caters for the purchase of stand-alone capital assets and for projects for the creation of new, and or the upgrading, rehabilitation or refurbishment of existing non-infrastructure assets, as well as other non-infrastructure projects of a capital nature.

Table 5.10 shows an increase in the value of the provincial allocations for infrastructure, from R11.978 billion in 2016/17 to R12.041 billion in 2017/18.

Table 5.10 : Summary of infrastructure payments and estimates by category

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation 2016/17	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16				2017/18	2018/19	2019/20
Existing infrastructure assets	8 560 953	8 838 332	8 848 690	9 603 629	9 594 879	9 492 079	8 125 526	8 549 755	9 439 590
Maintenance and repair: Current	2 902 408	2 952 109	2 680 263	4 361 572	4 303 261	4 313 453	3 736 639	3 998 440	4 293 230
Upgrades and additions: Capital	3 987 658	4 165 323	4 182 622	3 071 705	3 354 247	3 302 057	2 705 798	2 932 379	3 325 392
Refurbishment and rehabilitation: Capital	1 670 887	1 720 900	1 985 805	2 170 352	1 937 371	1 876 569	1 683 089	1 618 935	1 820 968
New infrastructure assets: Capital	1 865 053	1 638 042	1 757 868	1 776 975	1 634 795	1 696 011	2 267 954	1 975 907	1 998 213
Infrastructure transfers	669 496	656 561	877 969	576 483	613 625	625 772	677 194	686 723	716 605
Infrastructure transfers: Current	3 322	3 337	2 450	2 000	2 000	2 000	2 000	-	-
Infrastructure transfers: Capital	666 174	653 224	875 519	574 483	611 625	623 772	675 194	686 723	716 605
Infrastructure: Payments for financial assets	-	-	-	-	-	-	-	-	-
Infrastructure: Leases	80 675	95 684	108 096	21 285	61 285	73 765	163 462	125 777	139 784
Non infrastructure	450 759	535 346	590 502	-	-	-	806 535	911 636	970 240
Total	11 626 936	11 763 965	12 183 125	11 978 372	11 904 584	11 887 627	12 040 672	12 249 798	13 264 433
<i>Capital infrastructure</i>	<i>8 189 772</i>	<i>8 177 489</i>	<i>8 801 814</i>	<i>7 593 515</i>	<i>7 538 038</i>	<i>7 498 409</i>	<i>7 332 036</i>	<i>7 213 944</i>	<i>7 861 178</i>
<i>Current infrastructure</i>	<i>2 986 405</i>	<i>3 051 130</i>	<i>2 790 809</i>	<i>4 384 857</i>	<i>4 366 546</i>	<i>4 389 218</i>	<i>3 902 101</i>	<i>4 124 217</i>	<i>4 433 014</i>

The bulk of the infrastructure funding is reflected against the *Existing Infrastructure assets*, through *Maintenance and repairs*, *Upgrades and additions* and *Refurbishment and rehabilitation*. This indicates that the province is focusing on the maintenance of the assets to prevent deterioration of government assets.

Table 5.11 shows the infrastructure payments by Vote.

Table 5.11 : Summary of infrastructure payments and estimates by Vote

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation 2016/17	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16				2017/18	2018/19	2019/20
1. Office of the Premier	24 272	10 049	2 271	3 108	11 108	12 404	5 034	6 152	6 508
2. Provincial Legislature	11 338	8 587	3 791	4 490	17 032	17 032	5 110	4 995	5 275
3. Agriculture and Rural Development	162 293	209 013	198 000	162 844	172 251	195 514	97 287	112 040	136 310
4. Economic Dev, Tourism and Enviro Affairs	559 655	540 775	632 203	463 691	463 691	463 691	493 524	530 513	560 222
5. Education	2 553 784	2 212 374	2 557 995	2 452 129	2 452 129	2 465 953	2 293 147	2 179 674	2 412 276
6. Provincial Treasury	21 970	31 665	10 280	-	-	-	-	-	-
7. Health	2 000 806	1 679 037	1 517 618	1 536 515	1 472 695	1 465 469	1 657 528	1 684 848	1 891 350
8. Human Settlements	66 334	144 915	190 062	138 531	128 831	139 634	167 698	161 987	163 629
9. Community Safety and Liaison	312	-	-	-	-	-	-	-	-
10. Sport and Recreation	50 466	62 375	41 338	59 609	49 964	49 964	67 077	45 366	46 375
11. Co-operative Governance and Traditional Affairs	39 069	41 689	43 086	76 596	42 395	33 695	20 674	24 558	24 672
12. Transport	5 805 930	6 506 106	6 674 684	6 771 540	6 771 540	6 728 933	6 846 738	7 137 890	7 591 840
13. Social Development	203 739	152 152	142 701	137 701	137 701	128 919	156 708	128 959	144 866
14. Public Works	84 143	108 762	80 325	72 618	70 498	70 498	67 282	61 139	70 406
15. Arts and Culture	42 825	56 466	88 771	99 000	114 749	115 921	162 864	171 677	210 704
Total	11 626 936	11 763 965	12 183 125	11 978 372	11 904 584	11 887 627	12 040 672	12 249 798	13 264 433

Departments such as DOT, DOH, EDTEA, DSD, DOHS and DAC contribute to the positive growth in the infrastructure allocations in 2017/18. DOT has the largest infrastructure budget in the province with a budget of R21.576 billion over the MTEF. DOE has the second biggest infrastructure budget of R6.885 billion over the MTEF. The budget has however, decreased from R2.466 billion in 2016/17 to R2.293 billion in 2017/18 due to the redirection of funds in order to fund personnel pressures.

DOH has the third largest infrastructure budget of R5.234 billion over the MTEF and focuses on hospital revitalisation, nursing colleges, Community Health Centres and clinics. The hospital revitalisation programme includes major hospitals like King Dinuzulu Hospital, Edendale Hospital, King George IV Hospital etc. The programme focuses on refurbishment and rehabilitation of buildings to improve health care. The department's main infrastructure project over the MTEF is the continued construction of the Dr

Pixley ka Seme Hospital with an allocation of R512.406 million, R410.289 million and R361.504 million over the three MTEF years.

Detailed infrastructure projects and analysis per department are contained in a separate publication titled *2017/18 Estimates of Capital Expenditure*. The publication contains a list of infrastructure projects per department funded over the 2017/18 MTEF.

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, the province took a decision to resuscitate the project after it had previously been put on hold, and mandated both DOPW and Provincial Treasury 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 in order 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 Executive Council then instructed both Provincial Treasury 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 the Executive Council with instruction received to apply for TA1. The feasibility study was submitted to National Treasury, and the province has since received the TA1.

The Request for Qualification has been developed and both Provincial Treasury and DOPW are awaiting the Executive Council's instruction with regard to Black Economic Empowerment (BEE) strategy for this project prior to going out to the market.

KZN Legislature

This project entails the design, finance, and construction of a new Legislature complex, comprising of 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 to update the feasibility study.

In light of the provision of the FMPPLA, the finalisation of the Due Diligence report took longer than anticipated as S28 of the Act prevents the Legislature from concluding and implementing a PPP agreement as it does not have the legal capacity to bind itself to unitary payments under a PPP arrangement. Various options had to be explored and this took longer than anticipated. The Legislature is still awaiting the decision of the Executive Council on their request to invoke S125(2)(d) or S125(2)(e) of the Constitution, which will then allow DOPW to be the developer and lessor of the property to the Legislature. 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.

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. As required by the contract, the department has finalised the final works programme, as well as a contract review.

The term of this contract ended in 31 January 2017 and had to be extended by a further three years, as the DOH is in the process of preparing its exit strategy. The extension will allow the department to finalise its exit strategy, which will assess the best viable options available to the department in dealing with services currently performed by the private party. A detailed feasibility study will then be undertaken, informed by the option chosen and the implementation thereof of such option. Negotiation for the extension of the contract took the majority of 2016/17 to conclude, as all issues that were identified while conducting both

the final works programme and the contract review had to be taken into account in finalising the three-year contract. Furthermore, the department had to comply with all National Treasury's conditions for the extension of the contract.

King Shaka International Airport Public Transport Link

KZN has identified the need to develop a public transport solution linking King Shaka International Airport (KSIA) to the cities of Durban, Pietermaritzburg, Richards Bay and Port Shepstone. The need for such public transport solution has also been identified in the KZN Integrated Aerotropolis Strategy (IAS) as a catalytic project to increase ground connectivity for KSIA. The project is envisaged to be an important investment into the public transport infrastructure on the KZN north coast, reducing the need for investment in new highways, or delaying the demand for an increase in the capacity of freeways with concomitant social and environmental benefits. The department is finalising the appointment of a Transaction Advisor to undertake the feasibility study of this project. The appointment of the Transaction Advisor is expected to be finalised before the end of March 2017.

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, 2000 (Act No. 32 of 2000), the municipality finalised public participation and stakeholder consultation. Treasury Views and Recommendation 1 (TVR1) for the project were received from National Treasury during 2016/17. Transaction Advisors prepared and submitted a Request for Proposal to National Treasury, Provincial Treasury and COGTA, for their views and recommendations before the municipality can go out to the market.

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 the contract reviewable on a five-year basis. The district municipality finalised its third five-year review and five-year plan for 2014-2019 and both National Treasury and Provincial Treasury are assisting the district municipality in implementing recommendations of the third contract review and the five-year plan for 2014-2019.

5.7 Transfers

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

One of the strategies implemented by the province to achieve the lower expenditure ceiling set by National Treasury and in line with a directive from the President and the Minister of Finance, was the rationalisation of provincial public entities. The main aim of the rationalisation exercise, which commenced in 2016/17, is to achieve improved operational efficiency that will allow public entities to “do more with less”, thereby helping government to use fewer resources to achieve more, while generating increased revenue. Although decisions taken on the rationalisation of public entities are expected to have an impact on the 2017/18 MTEF budgets of the departments and entities, the baselines for most entities were maintained, with inflationary growth provided for over the MTEF, as the rationalisation exercise is still underway.

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 2013/14 to 2015/16, 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		
	2013/14	2014/15	2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
Vote 1 : Office of the Premier	86 276	92 587	91 377	45 195	75 260	75 260	91 635	94 954	100 696
Amafa aKwaZulu-Natali	29 095	35 149	34 977	30 028	33 028	33 028	32 263	33 989	35 960
KwaZulu-Natal Gaming and Betting Board	41 881	39 276	32 398	-	19 255	19 255	42 871	42 925	45 650
Royal Household Trust	15 300	18 162	24 002	15 167	22 977	22 977	16 501	18 040	19 086
Vote 3 : Agriculture and Rural Dev.	147 759	178 306	162 199	181 580	181 580	181 580	190 949	201 576	212 864
Agri-Business Development Agency	101 152	106 410	99 500	128 397	128 397	128 397	134 948	142 775	150 770
Ithala Development Finance Corporation	-	11 080	12 193	-	-	-	-	-	-
Mjindi Farming (Pty) Ltd	46 607	60 816	50 506	53 183	53 183	53 183	56 001	58 801	62 094
Vote 4 : Economic Dev, Tourism and Enviro. Affairs	1 774 090	1 949 585	2 001 379	1 631 825	1 611 755	1 611 755	1 707 213	1 849 511	1 938 453
Dube TradePort Corporation	575 402	515 375	477 780	384 223	387 223	387 223	415 817	452 905	478 268
Ezemvelo KwaZulu-Natal Wildlife	588 522	703 395	718 966	604 227	613 622	613 622	707 720	737 512	761 038
Ithala Development Finance Corporation	300 000	278 800	192 000	121 600	77 567	77 567	45 074	94 559	102 998
KwaZulu-Natal Liquor Authority	43 920	77 282	70 008	73 753	73 753	73 753	75 990	80 189	84 680
KwaZulu-Natal Tourism Authority	99 983	109 297	117 566	101 846	110 414	110 414	116 980	124 017	130 962
KwaZulu-Natal Sharks Board	59 985	57 109	63 178	69 175	72 175	72 175	66 079	69 597	73 494
Richards Bay Industrial Development Zone	25 164	68 170	198 947	126 370	126 370	126 370	127 605	129 530	136 784
Trade and Investment KwaZulu-Natal	75 084	81 476	96 195	82 420	82 420	82 420	80 105	84 935	89 691
KZN Film Commission	6 030	58 681	66 739	68 211	68 211	68 211	71 843	76 267	80 538
Vote 6 : Provincial Treasury	-	-	-	34 255	21 137	21 137	-	-	-
KwaZulu-Natal Gaming and Betting Board	-	-	-	34 255	21 137	21 137	-	-	-
Vote 8 : Human Settlements	-	932	18 000	18 000	118 000	118 000	14 000	-	-
Housing Development Agency	-	-	18 000	18 000	18 000	18 000	14 000	-	-
Social Housing Regulatory Authority	-	932	-	-	-	-	-	-	-
Ithala Development Finance Corporation	-	-	-	-	100 000	100 000	-	-	-
Vote 11 : COGTA	-	18 850	6 150	-	14 550	14 550	-	-	-
Agri-Business Development Agency	-	18 850	6 150	-	14 550	14 550	-	-	-
Vote 15 : Arts and Culture	7 057	7 445	7 787	8 176	7 787	7 787	8 174	8 657	9 141
The Playhouse Company	7 057	7 445	7 787	8 176	7 787	7 787	8 174	8 657	9 141
Total	2 015 182	2 247 705	2 286 892	1 919 031	2 030 069	2 030 069	2 011 971	2 154 698	2 261 154

The province is facing a declining Provincial Own Revenue, as well as cuts implemented by National Treasury as a result of the need to lower the expenditure ceiling across the country and to reprioritise funding to various national priorities. As a result of the reduction in the funding available to the province, transfers to public entities see a significant decline from 2016/17 onward.

Vote 1: Office of the Premier

- Amafa aKwaZulu-Natali (Amafa) is responsible for administering heritage conservation and supporting cultural tourism in the province. The decrease in 2015/16 and 2016/17 is ascribed to the fact that the additional funding received in 2014/15 was largely once-off. Also, the decrease from 2015/16 to 2016/17 is mainly ascribed to the fiscal consolidation cuts of R4.888 million with carry-through, which the department also implemented against its entities. There were no further cuts affected against the entity over the 2017/18 MTEF. It is envisaged that a new Schedule 3 public entity will be formed, amalgamating Amafa and the Heritage unit under OTP. This Heritage Institute is anticipated to commence operating in 2017/18, once the necessary legislative processes have been concluded. The cost of the merged institute has not yet been factored into the 2017/18 MTEF.
- The main objective of the KZNGBB is 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 addition, the Board promotes KZN's objective to develop the industry as a vehicle for the promotion of tourism, employment creation and economic development. It must be noted that this entity now falls under OTP in line with Premier's Minute No. 2 of 2016 to shift the function of gaming and betting from Vote 6 to Vote 1 and comparatives were restated. The entity's budget was also increased by R767 000 in 2017/18 with carry-through in respect of the office accommodation at the Marine Building. KZNGBB's transfer in the 2017/18 MTEF allocation grows steadily in anticipation of the new KZN Gaming and Betting Amendment Act, as the KZN Gaming and Betting Amendment Bill is being debated at the KZN Legislature.
- The RHT is responsible for rendering administrative support pertaining to the activities of His Majesty, the activities of the Queens and other members of the Royal Household. The entity's budget was cut in 2016/17 with carry-through as a result of budget cuts implemented by the department. In the 2016/17 Adjusted Appropriation, the entity received an amount of R7.810 million for operational expenses. There were no further cuts affected against the RHT over the 2017/18 MTEF.

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 EDTEA to DARD in terms of the ADA Bill (historical figures were adjusted for comparative purposes). From 2016/17, the entity started focusing on secondary agriculture with particular focus on the agro-processing sector, whereas the department focuses on primary agriculture aligned to the department's agrarian transformation strategy. The 2017/18 MTEF allocation is for projects to be implemented by ADA, as well as the operational costs of the entity.
- As a 62 per cent shareholder of Ntingwe Tea Estate, DARD made once-off transfers to Ithala in 2014/15 and 2015/16 to cater for a shortfall in wages of Ntingwe Tea Estate labourers, 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 a vehicle to channel funding to Ntingwe Tea Estate.
- Mjindi is mandated to provide farming support to farmers in the Makhathini area. During 2015/16, the department started to undertake 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. The allocations to Mjindi grow steadily over the MTEF.

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 Dube TradePort. The decrease in the 2016/17 Main Appropriation was mainly caused by the reprioritisation undertaken within the department to fund various priorities, in particular toward drought relief for EKZNW and the acquisition of land by the RBIDZ, as well as budget cuts. This reprioritisation was possible as some key projects implemented by DTPC were delayed as a result of outstanding EIAs and water use licences. During the 2016/17 Adjusted Appropriation, the entity received once-off additional funding of R2 million for the development of a framework for the automotive supplier park project and R1 million for the cutflower project. The budget over the MTEF shows inflationary growth and is mainly for capital projects, in line with the entity's 60-year Master Plan.
- The transfers to EKZNW are largely to subsidise the entity's efforts in respect of nature conservation. The decrease in the 2016/17 Main Appropriation is due to the budget cuts, part of which the department effected against the entity. During the 2016/17 Adjusted Appropriation, the entity received R9.395 million for the development of concept plans required for revamping three resorts (Midmar, Amatikhulu and Umlalazi), conducting a fleet needs analysis and to appoint legal advisors on the proposed outsourcing of the commercial operations of the Ntshondwe resort. Furthermore, EKZNW received funding for the drought relief programme, the Ndumo Lodge upgrade and the above-budget 2016 wage adjustment. The entity received additional funding toward rhino anti-poaching from 2016/17 to 2018/19. EKZNW receives additional funding over the 2017/18 MTEF as a result of the reprioritisation undertaken by the department to fund its operational costs, to address some critical programmes.
- 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. Due to budget cuts effected and the internal reprioritisation exercise undertaken by the department to protect some of the departmental priorities, decreases were effected against the transfer to the Enterprise Development Fund from 2016/17 with R41 million in each year of the MTEF being cut and this funding being reprioritised to fund EKZNW. There were no further cuts over the 2017/18 MTEF.

In the 2016/17 Adjusted Appropriation, Ithala saw a substantial decrease totaling R44.033 million in its baseline, due to the entity's positive cash balance. These funds were taken from the Enterprise Development Fund, KZN Property Development Holdings SOC Ltd (KZNPDH) and the Small Business Growth Enterprise (SBGE) and these were slightly offset by an increase toward the KZN Industrial Economic Hub, which all fall under Ithala.

- The KZN Liquor Authority (KZNLA) was established in 2012/13 to issue liquor licences and administer the collection of liquor licence fees. There is inflationary growth over the MTEF, to cater for an increase in the operational costs, in line with an anticipated increase in liquor licence applications.
- Tourism KwaZulu-Natal (TKZN) is responsible for the development, promotion and marketing of tourism into and within KZN. The increase in the 2016/17 Revised Estimate caters for the STEM Festival Conference and projects/events that the entity is responsible to co-ordinate on behalf of the department such as the Loeries Creative Week, the Vodacom Durban July, Metro FM Awards and the Forward Keys project. The increase over the 2017/18 MTEF is due to inflationary increments.
- The core function of the KZN Sharks Board (KZNSB) is the protection of bathers against shark attacks. The entity also provides for activities of the Maritime Centre of Excellence (MCOE), including learning material, accreditation of courses, conversion of workshops to classrooms, etc. During the 2016/17 Adjusted Appropriation, the entity's allocation was increased by R3 million for the MCOE initiative, to provide safe and reliable river crossing boats for the community in the Mfolozi area, which will be done in partnership with the Mfolozi Municipality. There is steady growth over the two outer years of the MTEF.
- RBIDZ is a Schedule 3D public entity established to undertake the development of industrial land in the Richards Bay area. The significant increase in 2015/16 was attributed to a once-off additional transfer for infrastructure and the acquisition of land for the first phase of the proposed RBIDZ expansion area as defined in the 50-year Master Plan. This explains the decrease in 2016/17. However, the entity received an additional allocation in 2016/17 toward the acquisition of land, funded through the department's internal reprioritisation exercise. The allocations to RBIDZ grow steadily over the MTEF to provide for the completion of constructing the administration block.
- Trade and Investment KZN (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. The decrease in 2017/18 is linked to funding for the Technical Assistance Fund (TAF) and marketing, which was allocated from 2014/15 to 2016/17, and these funds were not carried through beyond 2016/17. There is steady growth over the MTEF.
- The KZN Film Commission (KZNFC) is a public entity with its purpose being to promote the film industry in KZN. The transfers to KZNFC include funding yearly events such as the Durban International Film Festival and Simon Mabunu Sabela Film Awards, which are hosted by this entity. The increase over the MTEF also provides for costs to setup a Film Fund which will co-fund the production of feature films. This increase in funding is also linked to an increase in the number of productions, associated markets and distribution channels. The MTEF budget funds operational costs and the entity's projects and reflects inflationary growth over the MTEF.

Vote 6: Provincial Treasury

- Provincial Treasury exercised oversight over one public entity, namely the KZNGBB prior to the Premier signing Minute No. 2 of 2016. As mentioned, this entity now falls under OTP.

Vote 8: Human Settlements

- The allocation of R18 million to the HDA in 2015/16 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 and 2019/20.
- The amount in 2014/15 allocated to SHRA 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. Over the 2017/18 MTEF there is no allocation for this entity due to the fact that this entity receives funds from NDHS and not from the province in respect of the implementation of social housing programmes.

- The allocation to Ithala in 2016/17 is for the implementation of the Military Veterans' Housing Project where Ithala was an implementing agent in this regard.

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. This project was successfully implemented by the entity and, as such, the department undertook further transfers in 2015/16 for the entity to pilot the *Amakhosi* Rural Economic Development programme in other districts. The amount in the 2016/17 Adjusted Appropriation was for the implementation of the Okhahlamba community vineyard, the Empangisweni community citrus fruit and vegetable production and the Chiliza piggery projects. The department is not anticipating to transfer funds to ADA over the MTEF.

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 2017/18 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 R4.481 billion in 2013/14 to R4.885 billion in 2019/20.

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		
	2013/14	2014/15	2015/16	2016/17			2017/18	2018/19	2019/20
1. Office of the Premier	-	4 226	-	-	27	27	-	-	-
2. Provincial Legislature	30 221	33 139	30 292	30 217	35 217	35 217	35 228	35 241	35 255
3. Agriculture and Rural Development	8 878	25 291	63 157	55 816	266 455	237 456	61 820	12 950	5 784
4. Economic Dev, Tourism and Enviro Affairs	744 900	314 403	307 276	228 398	211 052	222 955	136 219	127 339	131 424
5. Education	1 556 294	1 688 344	1 734 980	1 795 769	1 767 449	1 780 829	1 854 721	1 945 060	2 054 767
6. Provincial Treasury	893	1 365	4 340	3 370	3 741	3 701	9 105	886	936
7. Health	256 751	222 051	213 402	203 313	203 313	202 342	210 687	222 241	234 685
8. Human Settlements	167 940	143 688	241 687	182 455	187 685	187 685	206 368	190 189	188 895
9. Community Safety and Liaison	-	-	-	-	-	-	-	-	-
10. Sport and Recreation	35 911	65 144	53 911	46 078	50 579	50 579	48 391	52 556	55 178
11. Co-operative Governance and Traditional Affairs	-	33 254	45 100	-	7 526	10 110	-	-	-
12. Transport	915 867	985 852	993 057	1 016 045	1 011 046	1 011 046	1 071 439	1 121 507	1 184 311
13. Social Development	729 779	780 982	803 769	854 957	866 457	866 429	912 831	951 337	959 802
14. Public Works	-	-	-	-	-	-	-	-	-
15. Arts and Culture	33 450	63 399	49 046	44 303	45 122	45 122	32 487	33 276	33 554
Total	4 480 884	4 361 138	4 540 017	4 460 721	4 655 669	4 653 498	4 579 296	4 692 582	4 884 591

Vote 1: Office of the Premier

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.

In the 2016/17 Adjusted Appropriation, a sponsorship of R27 000 was given to the KZN Law Society for a function to honour the appointment of members of the judiciary.

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

The department makes provision for contributions to various agricultural show societies, which are aimed at showcasing the latest developments in agriculture. Transfers were made to the SA Sugarcane Research Institute to assist small-scale farmers affected by drought, and a one-year partnership with the Animal Anti-Cruelty League in 2014/15 for the KZN Outreach programme, among others.

Transfers were also made relating to the soil conservation subsidy, People's Bio Oil (Pty) Ltd, Lungisisa Indlela Village (LIV) in respect of a hydroponics project 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.

The peak in the 2016/17 Adjusted Appropriation is mainly to cater for projects funded through direct transfer payments such as the SA Sugar Association, Inqanawe Tunnels, Rapid Dawn 1064 CC, River Valley Project, Siyathuthuka Farms, Independent Development Trust (IDT), among others.

Vote 4: Economic Development, Tourism and Environmental Affairs

Over the 2017/18 MTEF, the department transfers funds to various entities, such as the KZN Growth Fund Trust (KZNGFT), Clothing Textile, Moses Kotane Institute (MKI), Ugu ICT incubator, Wildlife and Environmental Society of South Africa (WESSA) and the South African Association for Marine Biological Research (SAAMBR). There are no funds allocated for the SBGE over the MTEF.

The MKI was established to enhance economic development through Science, Technology, Engineering and Mathematics (STEM) skills. The transfers to this entity grow steadily over the MTEF.

The KZNGFT was established to lend funds to commercially viable projects. The transfer to this entity remains constant over the MTEF.

Also, transfers to various entities were made relating to partnership funding and for major events as detailed in Vote 4's chapter in the *EPRE*.

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 the outer years of the 2017/18 MTEF increases, due to reprioritisation that was undertaken to provide for claims of learners who cannot pay for school fees and are therefore exempted from paying, as per the "No Fee School" policy. These funds are therefore claimed by the school on behalf of the learners. Public special schools also receive transfers and this reflects an upward trend from 2013/14 to 2019/20, to ensure that schools are allocated funding that will enable them to assist the learners. There is healthy growth for these schools over the 2017/18 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). 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 to co-operatives, old age homes, etc.

A donation of R860 000 in 2015/16 was towards the Coastal Horse Care Unit to cater for the education and rehabilitation relating to horses, and a further R270 000 in 2016/17. In 2017/18, a donation of R5 million is made to the Futurelife Foundation Trust to provide food for disadvantaged children in the uMgungundlovu District, where the MEC for Finance is a district champion in terms of OSS.

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, as well as the ceasing of funding for the development and refurbishment of the KZN Children's Hospital Trust in the eThekweni Metro due to the completion of the contract. Over the MTEF, the baseline growth is for inflationary purposes only. It must be noted that R210.687 million in 2017/18, R222.241 million in 2018/19 and R234.685 million in 2019/20 is earmarked for further negotiations pending recommendations upon receipt of requests for additional or new funding from the districts (for NGOs). These funds will be allocated as soon as the figures from the department's Committee for Grant Funding are received in 2017/18, and will therefore be formalised in the 2017/18 Adjustments Estimate, while the process for 2018/19 onward will be completed in time for the 2018/19 MTEF budget process.

Vote 8: Human Settlements

The department is funding the KZN Housing Fund. The increase in 2015/16 relates to municipal services and rates and taxes for housing properties, as well as funds in respect of an Executive Council decision 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. The fluctuating trend over the 2017/18 MTEF relates to the rectification of pre-1994 housing stock, which will be implemented in phases due to financial constraints.

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.

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 further 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.

There are no allocations over the 2017/18 MTEF.

Vote 12: Transport

The transfers under this Vote relate to the PTOG for the payment of bus subsidies to bus operators. 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. However, no funds are allocated for this purpose over the 2017/18 MTEF.

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 department is currently under-taking a rationalisation process in order to identify funding for the carry-through costs of the 6 per cent increase granted to NGOs in 2015/16, with this funding from the provincial fiscus ending in 2017/18. As such, the department will reprioritise accordingly to fund the carry-through of this increase from 2018/19 onward. The strong growth in 2017/18 and 2018/19 against ECD and Partial Care relates to the new ECD grant 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. The decrease in 2017/18 MTEF is attributed to the discontinuation and decrease of transfers to some museums based on a decision taken by the department.

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 1D and 1.G (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		
	2013/14	2014/15	2015/16		2016/17		2017/18	2018/19	2019/20
Category A	484 868	517 367	686 945	594 375	630 002	630 247	622 847	679 590	713 712
Category B	560 399	776 539	690 146	462 408	521 169	529 574	516 411	504 973	529 004
Category C	82 603	55 874	27 721	11 333	17 183	50 116	9 396	12 245	14 508
Unallocated	549	1 749	167	2 060	60	1 795	60	16 060	16 236
Total	1 128 419	1 351 529	1 404 979	1 070 176	1 168 414	1 211 732	1 148 714	1 212 868	1 273 460

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.

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, EDTEA, 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, as well as the provincialisation of libraries and museums.
- The South African Music Conference, to cater for the Durban Fashion Fair, the launch of the Essence Festival and Woza Durban New Year's Picnic.

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.
- The provision for transfers for the construction and maintenance of sport facilities.
- 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 Bhongweni light industrial park.

- The Greenest Municipality Competition, the construction of trading centres in the Mandeni Municipality, rehabilitation of South Port Beach in the Ray Nkonyeni Municipality, 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.
- Transfer to the King Cetshwayo District Municipality in respect of museum subsidies and to the Zululand District Municipality in respect of art centre subsidies for the Indonsa art centre.

The amounts against *Unallocated* are usually allocated to specific recipients during the course of the year, and are formalised annually during the Adjustments Estimate.

Table 5.15 shows a summary of provincial transfers to local government by Vote and grant type. It should be noted that a detailed analysis of these transfers to local government is provided in the individual votes in the *EPRE*.

EDTEA transferred funds in 2016/17 for various projects including the South African Music Conference, Ladysmith airport, Richards Bay airport, etc. and no transfers are made over the MTEF.

Provincial Treasury transferred funds to various municipalities in prior years but there are no transfers to municipalities planned over the 2017/18 MTEF.

The transfers under DOH relate to the funding to meet the health funding requirements of the clinics in the Metro including pressures in the treatment of HIV and AIDS, the extension of hours of services, as well as to cater for an increase in neonatal services.

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 transfer under DOSR relates to funds transferred to municipalities for the construction of sport facilities. The increase in the 2016/17 Adjusted Appropriation is attributed to the reprioritisation of funds from *Buildings and other fixed structures* for the construction of sport facilities by municipalities, such as Cwaka sport complex (Nquthu Municipality), and Nxamalala sport field (iMpendle Municipality). The increase was mitigated by the suspension of R10 million to 2017/18 in respect of the construction of the sport development centre as a result of an agreement between the department and the eThekweni Metro. The department has also budgeted for the maintenance of the KwaMashu, Phoenix and Clermont sport fields in 2017/18.

The significant transfers made by COGTA relate to projects such as Corridor Development, Massification, Small Town Rehabilitation, among others. Over the MTEF, provision is made for transfers in respect of the Schemes Support programme, Development Planning and Shared Services, Spatial Development Framework Support, as well as the construction of TSCs and CSCs. The increase in the 2016/17 Revised Estimate relates to post Adjustments Estimate shifts and virements for drought relief interventions, the Okhahlamba infill electricity project and the upgrade of the Manaye Hall Precinct and the Youth Enterprise Park roll-out.

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, the Community Library Services grant and the operational costs of art centres.

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

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2013/14	2014/15	2015/16	Appropriation	Appropriation	Estimate	2017/18	2018/19	2019/20
Vote 1 : Office of the Premier	-	4 865	-	-	-	-	-	-	-
Indian Indentured Labourers	-	4 865	-	-	-	-	-	-	-
Vote 4 : Economic Dev., Tourism and Enviro. Affairs	11 076	17 005	9 500	6 000	8 500	8 500	500	-	-
South African Music Conference	-	-	1 500	-	1 500	1 500	-	-	-
Joint Project Funding	2 414	-	-	-	-	-	-	-	-
SMME Fair and Exhibition	-	992	-	-	-	-	-	-	-
Essence Festival	-	-	500	-	500	500	-	-	-
Durban Fashion Fair	-	-	500	-	500	500	-	-	-
Richards Bay airport	-	-	-	-	1 000	1 000	-	-	-
Ladysmith airport	-	-	-	-	2 000	2 000	-	-	-
Ladysmith Black Mambazo Academy	-	-	-	-	1 000	1 000	-	-	-
eThekweni Innovation Forums	-	-	-	-	500	500	-	-	-
Beaches Rehabilitation	3 400	900	1 000	-	-	-	-	-	-
Dundee July event	479	495	-	-	-	-	-	-	-
Drakensberg Cable Car	4 183	1 793	-	-	-	-	-	-	-
Tourism Route Strategy	-	500	-	-	-	-	-	-	-
Africa Bike Week event	-	6 000	-	6 000	-	-	-	-	-
Top Gear Festival	-	4 425	-	-	-	-	-	-	-
Woza Durban New Year's Picnic	-	-	1 500	-	1 500	1 500	-	-	-
Ingodini Study	-	-	-	-	-	-	500	-	-
Dev of EMFs and SEAs	-	1 000	4 500	-	-	-	-	-	-
Greenest Munic. Comp	600	900	-	-	-	-	-	-	-
Vote 6 : Provincial Treasury	21 970	31 665	10 280	-	-	-	-	-	-
Pietermaritzburg airport	17 071	-	-	-	-	-	-	-	-
Prince Mangosuthu Buthelezi airport	596	-	-	-	-	-	-	-	-
Margate airport	2 009	-	-	-	-	-	-	-	-
Shayamoya eco-complex	615	9 552	8 000	-	-	-	-	-	-
Development of light industrial park	1 679	16 830	2 062	-	-	-	-	-	-
Msunduzi electricity-related dev	-	5 283	218	-	-	-	-	-	-
Vote 7 : Health	74 736	117 404	129 600	169 048	221 786	201 786	193 000	205 394	216 896
Subsidy: Municipal clinics	74 736	117 404	129 600	169 048	221 786	201 786	193 000	205 394	216 896
Vote 8 : Human Settlements	40 384	68 318	163 053	85 792	85 792	97 939	124 210	140 210	140 210
Accredited municipalities	33 421	57 460	54 296	26 792	26 792	26 792	55 210	55 210	55 210
CRU programme	6 963	-	108 757	59 000	59 000	71 147	69 000	85 000	85 000
Rates and taxes	-	10 858	-	-	-	-	-	-	-
Vote 10 : Sport and Recreation	21 465	22 200	21 650	12 000	13 141	13 141	37 839	16 000	16 173
Maintenance grant	3 300	3 300	1 650	2 000	2 000	2 000	2 000	-	-
Infrastructure	18 165	18 900	20 000	10 000	11 141	11 141	35 839	16 000	16 173
Vote 11 : COGTA	232 074	353 061	272 906	32 816	71 234	117 870	20 900	16 800	19 800
Con. and migration of records mgt system	-	-	-	-	1 000	1 000	-	-	-
Work study at merged municipalities	-	-	-	-	3 500	3 500	-	-	-
Promulgation of municipal by-laws	-	-	-	-	1 000	1 000	-	-	-
Pounds Act	-	1 000	-	-	-	-	-	-	-
Public Participation Satisfaction Survey	1 500	-	-	-	-	-	-	-	-
Municipal Excellence awards	2 000	5 000	-	-	-	-	-	-	-
Schemes Support programme	-	2 705	-	-	-	-	7 000	11 000	12 000
Spatial Development Framework Support	-	-	-	-	-	-	1 200	-	-
Manaye Hall Precinct and Youth Ent. Park	-	-	-	-	-	5 526	-	-	-
Corridor Development programme	82 843	92 101	-	-	-	-	-	-	-
Small Town Rehabilitation programme	77 654	109 800	50 000	-	40 500	40 500	-	-	-
Construction of TSCs and CSCs	-	5 000	-	-	7 500	7 500	7 500	-	-
Operational Support for TSCs	250	5 250	15 000	-	-	-	-	-	-
Mandela Day Marathon event	-	-	-	-	6 500	6 500	-	-	-
Massification prog (incl. elec. projects)	54 827	119 455	180 956	28 016	6 434	12 544	-	-	-
Drought relief interventions	-	-	-	-	-	35 000	-	-	-
Disaster Management	8 000	7 000	24 100	-	-	-	-	-	-
Community participation in IDPs	2 000	-	-	-	-	-	-	-	-
Dev. Planning and Shared Serv	2 000	4 750	2 850	4 800	4 800	4 800	5 200	5 800	7 800
Vote 14 : Public Works	466 799	512 510	524 543	533 931	533 931	538 466	561 873	594 455	628 933
Property rates	466 799	512 510	524 543	533 931	533 931	538 466	561 873	594 455	628 933
Vote 15 : Arts and Culture	259 915	224 501	273 447	230 589	234 030	234 030	210 392	240 009	251 448
Art Centres (Operational costs)	1 639	1 729	2 587	3 822	1 911	1 911	2 911	2 911	2 911
Museum subsidies	9 593	8 181	8 142	8 887	8 159	8 159	8 558	8 987	9 438
Provincialisation of libraries	225 111	198 182	212 586	180 805	167 870	167 870	159 197	197 965	207 863
Community Library Services grant	23 572	16 409	50 132	37 075	56 090	56 090	39 726	30 146	31 236
Total	1 128 419	1 351 529	1 404 979	1 070 176	1 168 414	1 211 732	1 148 714	1 212 868	1 273 460

5.8 Personnel numbers and costs

Table 5.16 provides personnel numbers, by Vote, as well as the total personnel costs for KZN. It must be noted that some departments made amendments to prior year personnel numbers, as a result of restating prior year information.

The National Treasury guidelines instructed departments to provide for the annual wage increase of 7.2, 6.9 and 6.6 per cent for each of the three years of the 2017/18 MTEF, respectively. Departments were also required to make provision for the carry-through costs of the above-budget 2016 wage agreement, as well as a 1.5 per cent pay progression. *Compensation of employees* grows by 7.5, 7.1 and 6.3 per cent in

aggregate over the 2017/18 MTEF. This growth is not sufficient for the annual wage increases prescribed by National Treasury and the 1.5 per cent pay progression. Departments will have to review the *Compensation of employees* budget in-year.

Table 5.16 : Summary of personnel numbers and costs by Vote¹

Personnel numbers	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	As at 31 March 2020
1. Office of the Premier	2 401	488	511	763	763	788	830
2. Provincial Legislature	289	290	287	270	289	289	289
3. Agriculture and Rural Development	3 370	3 099	2 857	2 788	3 073	3 073	3 073
4. Economic Development, Tourism and Enviro Affairs	627	687	695	658	726	726	726
5. Education	113 795	112 573	112 562	115 635	115 635	115 635	115 635
6. Provincial Treasury	569	520	560	571	571	571	571
7. Health	81 606	82 146	82 872	82 685	82 685	82 685	82 685
8. Human Settlements	611	609	650	623	623	664	663
9. Community Safety and Liaison	143	166	182	217	217	217	217
10. Sport and Recreation	1 493	1 349	1 329	718	741	456	456
11. Co-operative Governance and Traditional Affairs	1 659	1 650	1 892	1 872	5 162	5 166	5 167
12. Transport	4 133	4 099	4 112	4 060	4 517	4 517	4 517
13. Social Development	7 421	9 250	9 055	7 749	7 921	7 923	7 923
14. Public Works	2 060	1 886	1 852	1 842	1 924	1 924	1 924
15. Arts and Culture	527	517	578	665	720	742	751
Total	220 704	219 329	219 994	221 116	225 567	225 376	225 427
Total personnel cost (R thousand)	54 022 777	57 902 629	62 635 953	68 051 112	73 154 097	78 319 235	83 275 512
Unit cost (R thousand)	245	264	285	308	324	348	369

1. Full-time equivalent

It must be noted that funds were suspended to COGTA from all other Votes for the remuneration of *Izinduna*, as mentioned. This resulted in an increase in personnel numbers and *Compensation of employees* against COGTA.

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 from 2014/15. However, the permanent personnel increased as a result of the proclamation that amalgamated Votes 1 with the Royal Household. As a result, 106 employees were transferred to Vote 1. Also, Gaming and Betting unit staff were transferred from Vote 6 to Vote 1 in line with the Premier's Minute No. 2 of 2016.

With respect to DOE, personnel numbers include both educators and non-educators. It should be noted that the permanent funded establishment for the department is currently at 107 433, excluding periodic employees who are employed on a temporary basis. The budget against Programme 2 was decreased by R238.347 million in 2017/18 attributed to the PES and Provincial Own Revenue reductions, as well as the budget reductions due to the provincial reprioritisation to fund the remuneration of *Izinduna*.

DOH's staff numbers includes approximately 131 personnel working at the Provincial Pharmaceutical Supply Depot (PPSD), who were previously paid from the Medicine Trading Account, but who are now paid from voted funds, following the decision to incorporate the PPSD into the departmental facilities. From 2013/14 onward, the staff numbers include the placing of student nurses and community care-givers (CCG) on the payroll. Note that the cost to the department for CCGs has not increased, as the affected staff were paid *via* transfers to NGOs previously. In the case of student nurses, the costs are lower as they receive a stipend, instead of a full salary.

For DOSR, 718 posts are filled in 2016/17, of which 462 relate to volunteers and 256 relate to posts on the department's approved establishment. The number of volunteers appointed decreases from 2018/19 onward due to the non-allocation of the Social Sector EPWP Incentive Grant for Provinces, at this stage.

The personnel numbers of DSD show an increase over the period, due 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.

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 Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17			2017/18	2018/19	2019/20
1. Office of the Premier	3 125	2 630	5 380	4 516	5 848	5 469	9 986	10 686	9 831
2. Provincial Legislature	3 627	2 529	898	2 952	2 454	2 454	3 123	3 306	3 489
3. Agriculture and Rural Development	10 430	8 040	7 161	9 951	10 357	7 304	10 961	11 728	12 382
4. Economic Development, Tourism and Enviro Affairs	2 258	2 362	3 647	2 895	2 155	2 263	3 474	3 670	3 875
5. Education	53 837	106 981	189 579	278 224	290 224	106 964	303 115	323 656	344 657
6. Provincial Treasury	2 022	2 591	2 065	2 571	2 629	2 047	2 518	2 626	2 743
7. Health	999 351	1 018 949	1 058 794	1 100 150	1 215 150	1 215 150	1 241 683	1 309 351	1 382 674
8. Human Settlements	861	1 602	2 892	2 072	1 167	4 195	2 117	2 483	2 461
9. Community Safety and Liaison	12 385	10 107	797	2 200	2 900	2 900	4 476	4 529	4 078
10. Sport and Recreation	3 279	6 633	6 878	8 902	8 651	8 651	6 324	6 729	6 914
11. Co-operative Governance and Traditional Affairs	1 300	1 528	1 112	1 700	2 300	2 300	1 800	1 900	2 006
12. Transport	8 296	3 444	6 496	9 500	6 509	6 969	6 912	7 322	7 731
13. Social Development	2 653	3 083	6 218	3 005	12 484	10 917	3 597	3 952	5 344
14. Public Works	3 868	2 935	7 197	6 562	6 645	5 557	9 717	10 051	10 209
15. Arts and Culture	2 256	649	2 759	2 760	3 260	4 785	3 154	3 497	3 828
Total	1 109 548	1 174 063	1 301 873	1 437 960	1 572 733	1 387 925	1 612 957	1 705 486	1 802 222

DOE's training budget increases over the 2017/18 MTEF, to address educators' skills gaps.

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.

DOT's training costs 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 is not anticipating training under the Vukuzakhe emerging contract attributed to delays with the appointment of the service provider.

Arts and Culture's training budget includes the SLIMS training of public library librarians and the provision of the literacy training and reading promotion projects at all public libraries.

The number of staff illustrated in 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 the 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.

Table 5.18 : Information on training

	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17			2017/18	2018/19	2019/20
Number of staff	220 773	219 398	220 063	221 185	221 185	221 185	225 636	225 445	225 496
Number of personnel trained	21 116	50 022	61 045	61 914	62 964	61 828	65 468	69 820	73 421
of which									
Male	7 611	24 945	27 802	28 899	28 795	28 852	30 685	32 720	34 432
Female	13 505	25 077	33 243	33 015	34 169	32 976	34 783	37 101	38 989
Number of training opportunities	17 888	53 274	67 523	67 438	67 111	67 462	69 490	73 285	77 376
of which									
Tertiary	2 370	4 618	6 400	6 821	6 671	6 827	6 933	7 193	7 607
Workshops	3 613	4 069	5 060	4 402	4 319	4 415	4 052	4 237	4 451
Seminars	371	595	560	627	533	632	587	609	641
Other	11 534	43 992	55 503	55 588	55 588	55 588	57 919	61 246	64 677
Number of bursaries offered	2 405	17 476	8 435	10 005	9 984	9 977	10 555	11 155	11 772
Number of interns appointed	866	1 325	1 210	1 283	1 342	1 301	1 429	1 492	1 563
Number of learnerships appointed	732	477	396	375	375	375	387	380	400
Number of days spent on training	8 425	7 663	7 327	5 555	5 555	5 555	4 598	4 651	4 839

6. MEASURING PERFORMANCE IN GOVERNMENT

DPME is 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 devolved from Provincial Treasury to the OTP. As a result, OTP is also the responsible department for the assessment of SPs and APPs. Due to human resource capacity constraints within OTP, a protocol agreement between Provincial Treasury and OTP was signed whereby Provincial Treasury 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, but has been hampered by resignations/promotions and the slow process in recruitment (impacted by the moratorium on appointments). 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, National Treasury, OTP and Provincial Treasury 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 was published in a national gazette quarterly, with DSD's data ceasing to be published in 2016/17. 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 National Treasury 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 2017/18 are applicable to DOE, DOH, DSD, Provincial Treasury, Legislature, OTP, DARD, DOHS, DCSL, EDTEA, COGTA, DOSR, DAC, DOPW and DOT. The budget and programme structures for these remain unchanged. Note that OTP, Provincial Treasury, DOPW, DOHS 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 OTP and not EDTEA and Heritage falls under OTP and not DAC, as required in the uniform structure.

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 2016/17 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.

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		
	2013/14	2014/15	2015/16		2016/17		2017/18	2018/19	2019/20
Tax receipts	1 889 687	2 045 246	2 081 369	2 120 649	2 120 650	2 183 372	2 212 785	2 314 570	2 401 412
Casino taxes	421 355	467 319	487 788	478 167	478 189	485 330	510 227	545 111	561 464
Horse racing taxes	66 899	71 205	78 102	79 171	79 150	80 602	76 497	77 835	80 170
Liquor licences	5 110	25 596	25 306	27 577	27 577	27 577	28 898	30 574	32 286
Motor vehicle licences	1 396 323	1 481 126	1 490 173	1 535 734	1 535 734	1 589 863	1 597 163	1 661 050	1 727 492
Sale of goods and services other than capital asset	447 633	460 875	419 939	487 238	487 238	455 587	476 322	505 650	526 184
Sale of goods and services produced by dept. (excl. capital assets)	446 921	459 838	418 616	486 305	486 305	454 087	475 223	504 486	524 955
Sales by market establishments	37 567	36 271	37 678	42 249	42 249	39 096	44 461	47 050	49 007
Administrative fees	123 186	121 315	114 065	127 479	127 479	97 736	134 193	142 177	143 161
Other sales	286 168	302 252	266 873	316 577	316 577	317 255	296 569	315 260	332 787
of which									
Health patient fees	145 608	156 079	119 100	166 888	166 888	159 047	126 343	133 797	141 290
Tuition fees	4 686	8 017	5 798	7 763	7 763	5 918	6 800	7 200	7 400
Other	890	942	957	1 107	1 107	965	1 012	1 034	1 047
Sale of scrap, waste, arms and other used current goods (excluding capital assets)	712	1 037	1 323	933	933	1 500	1 099	1 164	1 229
Transfers received from:	-	-	1 535	-	-	315	-	-	-
Other governmental units	-	-	-	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	1 535	-	-	315	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	39 547	44 808	46 493	38 939	38 939	42 165	41 615	44 440	46 196
Interest, dividends and rent on land	262 846	313 851	399 059	303 280	303 280	279 933	218 406	236 953	237 961
Interest	262 582	313 527	398 637	302 897	302 897	279 500	218 010	236 529	237 518
Dividends	24	23	25	27	27	35	40	43	45
Rent on land	240	301	397	356	356	398	356	381	398
Sale of capital assets	31 147	48 899	23 034	24 006	24 006	52 590	30 466	28 666	30 921
Land and subsoil assets	9 607	14 009	-	12 000	12 000	13 129	12 600	13 343	14 091
Other capital assets	21 540	34 890	23 034	12 006	12 006	39 461	17 866	15 323	16 831
Transactions in financial assets and liabilities	101 330	235 316	289 174	57 656	57 656	111 314	59 033	62 754	66 354
Total	2 772 190	3 148 995	3 260 603	3 031 768	3 031 768	3 125 276	3 038 628	3 193 034	3 309 028

Overview of Provincial Revenue and Expenditure

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

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2013/14	2014/15	2015/16	Appropriation	Appropriation	Estimate	2017/18	2018/19	2019/20
				2016/17	2016/17				
Current payments	71 798 224	76 382 678	82 946 028	90 179 001	90 661 729	90 767 969	95 892 956	102 616 764	109 379 541
Compensation of employees	54 022 777	57 911 298	62 635 953	67 799 512	68 256 621	68 053 601	73 158 810	78 324 226	83 280 782
Salaries and wages	44 901 210	50 447 334	54 204 750	55 573 288	56 086 064	59 005 252	60 279 510	64 579 917	68 852 884
Social contributions	9 121 567	7 463 964	8 431 203	12 226 224	12 170 557	9 048 349	12 879 300	13 744 309	14 427 898
Goods and services	17 768 901	18 467 385	20 170 244	22 376 144	22 402 624	22 711 371	22 731 940	24 286 184	26 092 027
Administrative fees	35 330	23 816	35 952	30 624	35 983	50 544	39 425	38 754	41 039
Advertising	194 433	140 474	196 179	170 805	149 275	154 781	141 930	184 946	186 242
Minor assets	110 120	122 384	128 436	209 769	239 855	181 756	148 279	141 052	169 063
Audit cost: External	87 220	195 426	163 497	92 564	98 801	95 845	96 692	102 238	107 893
Bursaries: Employees	73 031	79 373	98 902	78 578	69 916	79 523	81 041	87 429	92 295
Catering: Departmental activities	143 878	147 118	128 634	134 501	128 153	138 414	123 344	126 300	135 137
Communication (C&S)	307 489	311 506	299 450	281 482	293 342	321 753	298 178	315 292	333 638
Computer services	546 928	530 743	567 136	654 766	668 242	644 621	660 632	688 058	729 043
Cons & prof serv: Business and advisory services	848 977	748 030	743 951	930 286	940 218	902 001	895 580	968 446	1 101 123
Infras and planning	226 504	184 578	212 288	232 081	244 091	260 341	282 052	301 188	305 025
Laboratory services	587 884	913 617	1 357 021	1 631 910	1 646 455	1 715 105	1 754 322	1 884 328	1 984 313
Scientific and tech services	-	-	-	-	-	-	-	-	-
Legal costs	68 884	72 085	188 079	62 846	75 585	92 781	67 865	76 813	80 751
Contractors	1 926 274	1 836 174	1 916 136	2 847 571	2 596 586	2 635 979	2 419 039	2 665 796	2 857 557
Agency and support / outsourced services	2 425 634	2 477 211	2 637 453	2 590 115	2 567 131	2 561 666	2 465 467	2 661 695	2 815 198
Entertainment	2 567	740	273	1 633	946	1 511	917	949	832
Fleet services (incl. govt motor transport)	356 477	522 433	536 080	512 650	558 821	565 482	562 448	591 926	612 971
Housing	8 006	-	-	-	-	-	-	-	-
Inventory: Clothing material and accessories	14 496	23 189	38 793	45 758	30 352	39 978	49 996	52 192	55 065
Inventory: Farming supplies	147 592	145 546	262 542	178 443	94 204	166 848	95 529	101 157	129 410
Inventory: Food and food supplies	119 026	121 365	120 872	135 287	131 657	131 384	145 263	151 094	159 556
Inventory: Fuel, oil and gas	308 392	171 442	161 160	161 959	169 804	147 813	165 707	166 667	176 194
Inventory: Learner and teacher support material	492 090	455 957	614 788	566 677	567 132	617 970	585 728	628 976	664 119
Inventory: Materials and supplies	118 571	132 628	133 042	173 999	162 074	114 203	176 400	186 899	197 065
Inventory: Medical supplies	1 340 288	1 511 591	1 480 300	1 573 053	1 522 454	1 553 391	1 671 319	1 739 843	1 840 644
Inventory: Medicine	2 542 498	2 412 220	2 926 015	3 135 057	3 225 342	3 237 316	3 546 015	3 896 339	4 462 309
Medisas inventory interface	-	3	-	-	-	-	-	-	-
Inventory: Other supplies	53 308	165 983	215 548	195 213	233 858	177 620	220 387	239 746	251 725
Consumable supplies	312 871	348 572	394 471	585 621	587 784	576 223	489 012	486 969	513 839
Consumable: Stationery, printing and office supplies	227 080	238 875	298 810	265 088	247 052	196 735	240 361	254 142	265 990
Operating leases	389 897	453 623	393 647	486 556	514 555	476 730	548 217	531 168	577 404
Property payments	1 828 446	1 967 793	2 178 043	2 207 460	2 435 193	2 535 202	2 622 258	2 769 536	2 918 059
Transport provided: Departmental activity	268 131	290 530	369 549	403 213	383 551	430 439	430 030	449 374	475 662
Travel and subsistence	807 756	774 539	778 052	724 224	696 165	851 277	723 116	769 248	812 381
Training and development	123 043	150 910	121 164	309 549	323 221	129 662	345 134	359 631	379 952
Operating payments	124 679	175 902	246 521	334 153	410 109	554 805	282 359	280 099	287 855
Venues and facilities	201 063	189 114	176 339	127 893	121 038	140 311	132 813	148 979	157 413
Rental and hiring	400 039	431 895	51 121	304 760	233 681	231 361	225 085	238 915	251 267
Interest and rent on land	6 547	3 995	139 831	3 345	2 484	2 997	2 206	6 353	6 732
Interest	6 147	3 332	139 674	3 274	2 302	2 861	2 131	6 274	6 649
Rent on land	400	63	157	71	182	136	75	79	83
Transfers and subsidies to	11 516 658	12 146 645	12 511 265	10 820 225	11 269 561	11 571 098	11 580 777	12 165 955	12 814 111
Provinces and municipalities	1 139 824	1 365 806	1 417 732	1 084 929	1 183 395	1 227 101	1 164 447	1 229 582	1 291 143
Provinces	11 405	14 243	12 740	14 715	14 957	15 345	15 693	16 672	17 639
Provincial Revenue Funds	269	325	285	223	223	168	246	244	258
Provincial agencies and funds	11 136	13 918	12 455	14 492	14 734	15 177	15 447	16 428	17 381
Municipalities	1 128 419	1 351 563	1 404 992	1 070 214	1 168 438	1 211 756	1 148 754	1 212 910	1 273 504
Municipalities	1 117 943	1 330 559	1 395 979	1 064 176	1 164 914	1 208 232	1 148 214	1 212 868	1 273 460
Municipal agencies and funds	10 476	21 004	9 013	6 038	3 524	3 524	540	42	44
Departmental agencies and accounts	1 847 630	1 962 754	2 112 823	1 846 560	1 912 113	1 911 836	2 045 030	2 118 507	2 207 768
Social security funds	7	6	-	102	102	67	75	73	100
Entities receiving funds	1 847 623	1 962 748	2 112 823	1 846 458	1 912 011	1 911 769	2 044 955	2 118 434	2 207 668
Higher education institutions	501	3 046	2 000	8 500	17 617	15 520	10 980	10 973	11 587
Foreign governments and international organisations	221	207	292	217	217	217	228	241	255
Public corporations and private enterprises	1 396 597	1 687 664	1 706 864	1 389 254	1 692 378	1 690 101	1 371 149	1 427 917	1 502 669
Public corporations	1 304 253	1 437 718	1 491 807	1 317 198	1 388 492	1 399 602	1 300 119	1 404 397	1 486 187
Subsidies on production	914 416	984 952	993 057	1 011 045	1 011 046	1 011 046	1 071 439	1 121 507	1 184 311
Other transfers	389 837	452 766	498 750	306 153	377 446	388 556	228 680	282 890	301 876
Private enterprises	92 344	249 946	215 057	72 056	303 886	290 499	71 030	23 520	16 482
Subsidies on production	-	-	-	-	-	-	-	-	-
Other transfers	92 344	249 946	215 057	72 056	303 886	290 499	71 030	23 520	16 482
Non-profit institutions	3 419 944	3 116 896	3 197 332	3 232 372	3 162 412	3 164 614	3 264 633	3 396 482	3 538 169
Households	3 711 942	4 010 272	4 074 222	3 258 393	3 301 429	3 561 709	3 724 310	3 982 253	4 262 520
Social benefits	249 114	374 527	344 453	223 974	262 943	293 380	257 316	271 287	285 950
Other transfers to households	3 462 828	3 635 745	3 729 769	3 034 419	3 038 486	3 268 329	3 466 994	3 710 966	3 976 570
Payments for capital assets	8 186 603	8 229 007	8 640 102	7 771 970	7 654 263	7 587 705	7 557 177	7 503 743	8 179 719
Buildings and other fixed structures	7 523 677	7 524 475	7 917 113	6 819 032	6 726 450	6 700 317	6 545 682	6 460 741	6 995 992
Buildings	4 255 783	3 566 301	3 686 957	3 531 843	3 350 459	3 326 069	3 028 687	2 926 680	3 246 833
Other fixed structures	3 267 894	3 958 174	4 230 156	3 287 189	3 375 991	3 374 248	3 516 995	3 534 061	3 749 159
Machinery and equipment	630 393	665 046	698 211	931 253	909 740	866 564	987 203	1 018 074	1 156 222
Transport equipment	237 599	362 908	405 347	425 555	450 118	427 370	387 673	404 561	425 110
Other machinery and equipment	392 794	302 138	292 864	505 698	459 622	439 194	599 530	613 513	731 112
Heritage assets	4 659	2 608	3 682	4 500	4 508	4 508	4 594	4 819	5 099
Specialised military assets	-	-	-	-	-	-	-	-	-
Biological assets	474	145	350	636	1 347	957	668	707	747
Land and sub-soil assets	-	23 000	-	-	-	-	-	-	-
Software and other intangible assets	27 400	13 733	20 746	16 549	12 218	15 359	19 030	19 402	21 659
Payments for financial assets	38 511	5 983	172 117	157 055	158 730	159 102	139 501	-	-
Total	91 539 995	96 764 313	104 269 512	108 928 251	109 744 283	110 085 874	115 170 411	122 286 461	130 373 371
Statutory payments	71 095	82 094	77 204	77 790	83 279	83 279	88 056	93 251	98 473
Total (including statutory payments)	91 611 090	96 846 407	104 346 716	109 006 041	109 827 562	110 169 153	115 258 467	122 379 712	130 471 844
Unauth. Exp. (1st charge) not available for spending	(2 500)	(2 500)	(121 153)	(157 055)	(157 055)	(157 055)	(144 053)	(31 893)	-
Baseline available for spending after 1st charge	91 608 590	96 843 907	104 225 563	108 848 986	109 670 507	110 012 098	115 114 414	122 347 819	130 471 844

Table 1.C : Information relating to conditional grants

Vote and Grant	2013/14			2014/15			2015/16			2016/17			2017/18			2018/19			2019/20		
	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	Actual Transfer	Audited Expenditure	Adjusted Appropriation	Actual Transfer	Audited Expenditure	Adjusted Appropriation	Revised Transfer Estimate	Revised Exp Estimate
R thousand																					
Vote 3 : Agriculture and Rural Development	287 036	287 036	264 586	319 760	319 760	319 760	308 524	331 524	308 524	300 503	300 503	300 503	300 503	297 432	307 254	331 774					
CASP grant		202 522	202 522	212 632	212 632	212 632	226 161	226 161	226 161	222 155	222 155	222 155	222 155	209 598	223 975	243 118					
Ilima/Leisema Projects grant	65 768	65 768	42 768	92 093	92 093	92 093	69 401	92 401	69 401	63 876	63 876	63 876	63 876	67 356	71 263	75 253					
Land Care grant	18 746	18 746	18 746	10 854	10 854	10 854	10 666	10 666	10 666	10 632	10 632	10 632	10 632	12 012	12 016	13 403					
EPWP Integrated Grant for Provinces	-	-	550	4 181	4 181	4 181	2 296	2 296	2 296	3 840	3 840	3 840	3 840	8 466	-	-					
Vote 4 : Economic Development, Tourism and Enviro Affairs	550	550	550	16 827	16 827	13 120	7 027	7 027	10 734	6 927	6 927	6 927	6 927	6 149	-	-					
EPWP Integrated Grant for Provinces	550	550	550	16 827	16 827	13 120	7 027	7 027	10 734	6 927	6 927	6 927	6 927	6 149	-	-					
Vote 5 : Education	2 615 744	2 615 744	2 665 918	2 796 382	2 802 124	2 847 881	3 395 026	3 395 026	3 395 026	3 467 761	5 363 629	3 467 761	3 467 761	3 573 374	3 598 268	3 790 451					
Education Infrastructure grant	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	1 958 321	1 958 321	1 958 321	1 958 321	1 993 146	1 924 302	2 032 063					
HIV and AIDS (Life-Skills Education) grant	38 907	38 907	19 348	61 988	50 588	85 683	50 588	50 588	50 588	53 096	53 096	53 096	53 096	56 115	59 369	62 694					
National School Nutrition Programme (NSNP) grant	1 206 190	1 206 190	1 283 939	1 237 534	1 287 034	1 253 708	1 287 034	1 287 034	1 287 034	1 363 783	53 096	1 363 783	1 363 783	1 450 087	1 534 878	1 611 622					
Maths, Science and Technology grant	61 226	61 226	54 870	64 848	59 998	75 610	59 998	59 998	59 998	62 453	1 363 783	62 453	61 660	62 980	66 527	66 527					
OSD for Education Sector Therapists grant	-	-	-	41 581	13 079	41 581	13 079	13 079	13 079	-	-	-	-	-	-	-					
Learners with Profound Intellectual Disabilities grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Social Sector EPWP Incentive Grant for Provinces	-	-	-	2 580	3 000	5 518	3 000	3 000	3 000	27 318	27 318	27 318	27 318	4 808	-	-					
EPWP Integrated Grant for Provinces	3 000	3 000	1 340	2 070	2 644	2 644	2 644	2 644	2 644	2 790	2 790	2 790	2 790	2 000	-	-					
Vote 7 : Health	5 429 296	5 429 296	5 435 051	6 428 886	6 428 886	6 436 113	6 903 596	6 908 271	6 901 749	7 308 804	7 308 253	7 313 167	7 313 167	8 085 518	8 804 721	9 816 387					
Health Professions Training and Development grant	276 262	276 262	276 262	292 837	292 837	292 837	299 513	299 513	299 513	312 377	312 377	312 377	312 377	331 944	351 197	370 863					
Health Facility Revitalisation grant	1 072 531	1 072 531	1 072 529	1 362 469	1 362 469	1 362 469	1 229 775	1 229 775	1 229 775	1 114 693	1 114 693	1 114 693	1 114 693	1 149 355	1 128 018	1 191 186					
National Tertiary Services grant	1 415 731	1 415 731	1 415 731	1 496 427	1 496 427	1 496 426	1 530 246	1 530 246	1 530 246	1 596 286	1 596 286	1 596 286	1 596 286	1 696 266	1 794 649	1 895 149					
Comprehensive HIV, AIDS and TB grant	2 652 072	2 652 072	2 651 997	3 257 992	3 257 992	3 258 231	3 812 972	3 812 972	3 813 455	4 244 243	4 244 243	4 244 243	4 244 243	4 852 495	5 485 881	6 111 674					
Social Sector EPWP Incentive Grant for Provinces	3 000	3 000	3 000	2 580	2 580	2 580	13 000	13 000	13 000	13 000	13 000	13 000	13 000	47 058	-	-					
EPWP Integrated Grant for Provinces	-	-	3 000	2 581	3 682	3 682	3 682	7 122	7 122	7 122	7 122	7 122	8 400	-	-	-					
National Health Insurance grant	9 700	9 700	15 520	14 000	14 000	18 399	14 008	19 083	9 494	19 083	20 532	25 446	-	-	-	-					
Human Papillomavirus Vaccine grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Vote 8 : Human Settlements	3 335 584	3 335 584	3 309 243	3 509 045	3 509 045	3 509 045	3 550 432	3 559 046	3 549 910	3 138 896	3 138 896	3 138 896	3 138 896	3 483 192	3 731 031	3 974 011					
Human Settlements Development grant	3 332 584	3 332 584	3 309 243	3 509 045	3 509 045	3 509 045	3 543 852	3 543 852	3 543 852	3 124 702	3 124 702	3 124 702	3 124 702	3 477 567	3 731 031	3 974 011					
EPWP Integrated Grant for Provinces	3 000	3 000	-	-	-	-	6 580	15 194	6 058	15 194	15 194	15 194	15 194	5 625	-	-					
Vote 9 : Community Safety and Liaison	5 369	5 369	3 758	2 580	2 580	2 580	1 000	1 000	1 000	11 043	11 043	11 043	11 043	1 487	-	-					
Social Sector EPWP Incentive Grant for Provinces	5 369	5 369	3 758	2 580	2 580	2 580	1 000	1 000	1 000	11 043	11 043	11 043	11 043	1 487	-	-					
Vote 10 : Sport and Recreation	84 760	84 760	84 760	95 595	95 595	93 063	92 198	92 198	93 063	106 324	106 324	106 324	106 324	112 592	132 031	138 439					
Mass Participation and Sport Development grant	79 883	79 883	79 883	85 435	85 435	83 063	88 696	88 696	90 131	98 090	98 090	98 090	98 090	98 427	132 031	138 439					
EPWP Integrated Grant for Provinces	550	550	550	2 102	2 102	2 102	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	-	-					
Social Sector EPWP Incentive Grant for Provinces	4 327	4 327	4 327	8 058	8 058	8 058	1 502	1 502	1 502	6 234	6 234	6 234	6 234	12 165	-	-					
Vote 11 : Co-op. Governance and Traditional Affairs	-	-	-	3 471	3 471	3 471	4 119	4 119	4 119	3 667	3 667	3 667	3 667	3 338	-	-					
EPWP Integrated Grant for Provinces	-	-	-	3 471	3 471	3 471	4 119	4 119	4 119	3 667	3 667	3 667	3 667	3 338	-	-					
Vote 12 : Transport	2 464 340	2 464 340	2 464 340	2 752 384	2 752 384	2 464 340	2 759 623	2 759 623	2 729 382	2 992 479	2 992 479	2 992 479	2 992 479	2 834 054	3 054 506	3 255 094					
Public Transport Operations grant	852 325	852 325	852 325	904 783	904 783	852 325	924 766	924 766	924 766	1 011 046	1 011 046	1 011 046	1 011 046	1 071 439	1 121 507	1 184 311					
EPWP Integrated Grant for Provinces	88 487	88 487	88 487	59 443	59 443	88 487	55 602	55 602	55 602	58 055	58 055	58 055	58 055	33 645	-	-					
Provincial Roads Maintenance grant	1 523 528	1 523 528	1 523 528	1 788 158	1 788 158	1 523 528	1 779 255	1 779 255	1 749 014	1 925 378	1 925 378	1 925 378	1 925 378	1 828 970	1 932 999	2 070 783					
Vote 13 : Social Development	14 610	14 610	14 610	5 746	5 746	5 746	3 000	3 000	3 000	3 958	3 958	3 958	3 958	144 836	170 202	181 151					
Social Sector EPWP Incentive Grant for Provinces	14 610	14 610	14 610	3 746	3 746	3 746	3 000	3 000	3 000	3 958	3 958	3 958	3 958	19 498	-	-					
EPWP Integrated Grant for Provinces	-	-	-	2 000	2 000	2 000	-	-	-	-	-	-	-	-	-	-					
Early Childhood Development grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Social Worker Employment grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Vote 14 : Public Works	3 000	3 000	3 000	3 168	3 168	3 168	3 056	3 056	3 057	4 471	4 471	4 471	4 471	6 588	-	-					
EPWP Integrated Grant for Provinces	3 000	3 000	3 000	3 168	3 168	3 168	3 056	3 056	3 057	4 471	4 471	4 471	4 471	6 588	-	-					
Vote 15 : Arts and Culture	63 695	63 695	64 472	122 754	122 754	108 428	138 969	138 969	134 172	165 162	165 162	165 162	165 162	175 093	182 722	192 695					
Community Library Services grant	63 145	63 145	63 145	122 754	122 754	108 428	157 569	157 569	132 772	163 162	163 162	163 162	163 162	173 093	182 722	192 695					
EPWP Integrated Grant for Provinces	550	550	1 032	-	-	-	1 400	1 400	1 400	2 000	2 000	2 000	2 000	2 000	-	-					
Total	14 303 984	14 303 984	14 310 288	16 056 598	16 062 340	15 807 317	17 186 570	17 222 659	17 134 306	17 508 995	19 406 312	17 528 412	18 823 653	19 978 735	21 479 982						

Table 1.D : Summary of transfers to municipalities

R thousand	Audited Outcome			Main	Adjusted	Revised	Medium-term Estimates		
	2013/14	2014/15	2015/16	Appropriation	Appropriation	Estimate	2017/18	2018/19	2019/20
				2016/17					
A KZN2000 eThekweni	484 868	517 367	686 945	594 375	630 002	630 247	622 847	679 590	713 712
Total: Ugu Municipalities	62 312	52 421	62 628	35 971	57 671	62 728	41 347	44 955	46 393
B KZN212 uMdoni	7 101	8 421	23 260	6 843	30 843	31 788	9 356	11 816	10 950
B KZN213 uMzombe	2 752	9 457	10 636	3 075	3 075	1 955	3 895	4 121	5 504
B KZN214 uMuziwabantu	11 515	3 524	6 576	3 608	5 608	5 785	5 560	7 077	6 207
B KZN216 Ray Nkonyeni	17 004	26 709	16 906	22 045	17 745	17 800	22 136	21 441	23 132
C DC21 Ugu District Municipality	23 940	4 310	5 250	400	400	5 400	400	500	600
Total: uMgungundlovu Municipalities	197 392	197 355	128 196	110 628	118 170	125 123	139 919	139 390	148 786
B KZN221 uMshwathi	7 303	9 155	6 895	6 532	6 532	4 673	21 078	20 812	22 006
B KZN222 uMngeni	25 001	51 020	5 405	9 146	9 146	5 112	11 436	13 278	12 741
B KZN223 Mpofana	1 259	6 111	4 677	1 225	1 225	1 579	1 598	1 678	2 959
B KZN224 iMpindle	10 661	1 476	1 426	1 579	3 020	2 928	7 368	1 285	2 547
B KZN225 Msunduzi	117 208	111 163	103 642	88 685	88 685	91 258	95 469	98 712	103 759
B KZN226 Mkhambathini	1 244	681	1 673	1 654	1 655	1 718	1 980	2 085	2 686
B KZN227 Richmond	9 820	1 395	4 478	1 407	1 407	1 355	990	1 040	1 588
C DC22 uMgungundlovu District Municipality	24 896	16 354	-	400	6 500	16 500	-	500	500
Total: uThukela Municipalities	66 339	70 168	90 123	62 877	72 245	77 371	68 433	60 657	65 220
B KZN235 Okhahlamba	33 943	35 672	50 657	28 977	30 367	45 692	28 289	21 987	23 269
B KZN237 iNkosi Langalibalele	16 430	21 945	30 726	20 515	24 015	8 597	23 071	23 009	24 796
B KZN238 Alfred Duma	15 966	12 301	8 490	11 676	16 154	11 373	16 773	15 261	16 355
C DC23 uThukela District Municipality	-	250	250	1 709	1 709	11 709	300	400	800
Total: uMzinyathi Municipalities	32 592	84 750	118 178	50 758	46 819	49 837	40 516	39 946	42 520
B KZN241 eNdumeni	12 401	16 944	23 255	12 253	14 253	14 494	12 947	13 662	14 404
B KZN242 Nquthu	10 832	24 396	23 473	19 283	11 344	11 716	11 618	12 101	12 772
B KZN244 uMsinga	4 271	5 307	1 826	5 523	7 523	8 790	8 453	5 976	6 312
B KZN245 uMvoti	5 088	31 353	64 374	13 299	13 299	14 437	7 198	7 607	8 032
C DC24 uMzinyathi District Municipality	-	6 750	5 250	400	400	400	300	600	1 000
Total: Amajuba Municipalities	20 198	63 548	33 594	23 819	44 594	47 095	41 620	30 538	32 177
B KZN252 Newcastle	14 119	19 740	16 057	14 944	30 369	31 092	31 114	20 732	21 354
B KZN253 eMadlangeni	3 855	4 859	4 814	3 523	8 523	7 728	3 611	3 815	4 025
B KZN254 Dannhauser	1 745	37 454	6 473	4 952	4 952	7 525	5 595	5 491	5 798
C DC25 Amajuba District Municipality	479	1 495	6 250	400	750	750	1 300	500	1 000
Total: Zululand Municipalities	50 865	81 339	70 663	55 613	48 138	55 163	54 434	57 998	58 847
B KZN261 eDumbe	3 370	9 602	3 450	3 573	3 773	5 415	6 895	4 644	4 899
B KZN262 uPhongolo	7 909	11 339	18 714	11 614	5 170	5 170	5 044	5 151	5 429
B KZN263 AbaQulusi	20 178	20 971	16 305	10 296	10 475	11 971	10 998	12 802	12 227
B KZN265 Nongoma	4 310	6 670	7 230	6 251	6 251	6 819	6 559	8 134	7 325
B KZN266 Ulundi	12 863	30 778	21 399	21 568	20 558	23 877	23 027	24 356	25 756
C DC26 Zululand District Municipality	2 235	1 979	3 565	2 311	1 911	1 911	1 911	2 911	3 211
Total: uMkhanyakude Municipalities	26 827	39 997	39 722	30 223	34 923	36 752	38 519	38 621	39 188
B KZN271 uMhlabyalingana	10 403	13 982	23 222	13 390	13 390	8 378	13 982	13 724	14 501
B KZN272 Jozini	4 934	7 375	8 325	6 692	6 692	11 295	7 728	8 163	9 615
B KZN275 Mtubatuba	6 325	7 728	5 039	5 505	9 505	11 047	11 932	10 420	9 717
B KZN276 Big Five Hlabisa	4 165	4 862	3 136	4 236	5 336	6 032	4 377	5 814	4 855
C DC27 uMkhanyakude District Municipality	1 000	6 050	-	400	-	-	500	500	500
Total: King Cetshwayo Municipalities	84 668	67 138	64 860	48 566	57 162	60 040	50 631	49 995	51 822
B KZN281 uMfolozi	3 832	5 736	3 817	1 817	9 322	9 322	6 548	3 867	2 790
B KZN282 uMhlathuze	42 992	38 346	27 329	23 372	23 372	26 250	24 880	26 091	27 334
B KZN284 uMlalazi	6 128	9 686	19 992	7 823	7 409	7 409	7 633	7 736	8 143
B KZN285 Mthonjaneni	4 864	3 287	723	3 416	3 416	3 416	3 502	3 699	3 903
B KZN286 Nkandla	4 588	7 548	11 196	11 738	12 243	12 243	7 668	8 102	9 052
C DC28 King Cetshwayo District Municipality	22 264	2 535	1 803	400	1 400	1 400	400	500	600
Total: iLembe Municipalities	41 322	61 217	40 665	32 989	32 755	33 715	31 646	33 637	35 720
B KZN291 Mandeni	19 238	5 036	10 387	3 270	3 270	3 034	3 426	3 602	3 769
B KZN292 KwaDukuza	11 899	18 221	11 431	16 554	16 554	19 041	16 666	17 196	17 734
B KZN293 Ndwedwe	2 679	15 560	11 166	7 265	7 265	6 906	2 732	2 881	3 528
B KZN294 Maphumulo	7 006	11 469	7 431	5 500	5 666	4 734	8 822	9 158	9 689
C DC29 iLembe District Municipality	500	10 931	250	400	-	-	-	800	1 000
Total: Harry Gwala Municipalities	60 487	114 480	69 238	22 297	25 875	31 866	18 742	21 481	22 839
B KZN433 Greater Kokstad	14 380	36 486	16 032	2 190	2 190	1 687	4 945	6 420	5 499
B KZN434 uBuhlebezwe	13 838	40 911	25 679	738	738	738	771	810	1 346
B KZN435 uMzimkhulu	20 644	20 465	9 873	9 465	11 965	11 445	2 174	2 290	2 403
B KZN436 Dr Nkosazana Dlamini Zuma	4 336	11 398	12 551	5 391	6 869	5 950	6 567	6 927	8 294
C DC43 Harry Gwala District Municipality	7 289	5 220	5 103	4 513	4 113	12 046	4 285	5 034	5 297
Unallocated	549	1 749	167	2 060	60	1 795	60	16 060	16 236
Total	1 128 419	1 351 529	1 404 979	1 070 176	1 168 414	1 211 732	1 148 714	1 212 868	1 273 460

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

R thousand	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17			2017/18	2018/19	2019/20
General Public Services									
Executive and Legislature	716 855	729 046	677 588	754 341	810 804	840 387	784 322	825 753	876 927
Office of the Premier	58 532	52 815	46 085	37 411	47 921	47 921	33 914	36 652	38 776
Provincial Legislature	658 323	676 231	631 503	716 930	762 883	792 466	750 408	789 101	838 151
Financial and Fiscal Services	513 021	562 630	546 041	626 009	602 335	583 533	555 015	603 565	638 683
Provincial Treasury	513 021	562 630	546 041	626 009	602 335	583 533	555 015	603 565	638 683
General Services (Public Works, Local Government)	3 407 587	3 761 433	3 830 707	3 831 045	3 953 492	3 940 058	4 048 504	4 272 708	4 528 645
Total: General Public Services	4 637 463	5 053 109	5 054 336	5 211 395	5 366 631	5 363 978	5 387 841	5 702 026	6 044 255
Public Order and Safety									
Police Services	171 922	179 239	190 811	210 123	210 123	210 123	204 486	214 628	228 047
Community Safety and Liaison	171 922	179 239	190 811	210 123	210 123	210 123	204 486	214 628	228 047
Total: Public Order and Safety	171 922	179 239	190 811	210 123	210 123	210 123	204 486	214 628	228 047
Economic Affairs									
General Economic Affairs	2 499 020	2 036 752	2 064 055	1 839 938	1 771 715	1 772 462	1 823 173	1 989 197	2 128 476
Economic Dev, Tourism and Enviro Affairs	2 457 080	1 992 940	2 030 660	1 819 512	1 748 789	1 749 903	1 800 689	1 982 342	2 117 956
Provincial Treasury	41 940	43 812	33 395	20 426	22 926	22 559	22 484	6 855	10 520
Agriculture	1 855 569	1 887 396	2 082 340	2 040 111	2 086 493	2 105 632	2 058 348	2 179 150	2 321 771
Agriculture and Rural Development	1 855 569	1 887 396	2 082 340	2 040 111	2 086 493	2 105 632	2 058 348	2 179 150	2 321 771
Transport	7 797 883	8 792 977	9 032 471	9 261 748	9 263 644	9 263 644	9 511 972	9 954 030	10 585 377
Transport	7 797 883	8 792 977	9 032 471	9 261 748	9 263 644	9 263 644	9 511 972	9 954 030	10 585 377
Total: Economic Affairs	12 152 472	12 717 125	13 178 866	13 141 797	13 121 852	13 141 738	13 393 493	14 122 377	15 035 624
Environmental Protection									
Environmental Affairs and Conservation	823 604	933 738	928 753	857 496	827 543	825 596	956 414	994 223	1 032 124
Total: Environmental Protection	823 604	933 738	928 753	857 496	827 543	825 596	956 414	994 223	1 032 124
Housing and Community Amenities									
Housing Development	3 617 002	3 873 178	4 131 025	3 485 112	3 530 377	3 530 377	3 843 870	4 112 605	4 379 544
Human Settlements	3 617 002	3 873 178	4 131 025	3 485 112	3 530 377	3 530 377	3 843 870	4 112 605	4 379 544
Total: Housing and Community Amenities	3 617 002	3 873 178	4 131 025	3 485 112	3 530 377	3 530 377	3 843 870	4 112 605	4 379 544
Health									
Outpatient services	8 412 477	9 436 767	10 451 086	11 578 193	11 708 193	11 687 938	12 765 941	13 908 658	15 209 834
Hospital Services	20 597 472	21 267 292	23 077 779	24 426 342	24 689 505	25 054 925	26 148 775	27 381 668	29 076 171
Total: Health	29 009 949	30 704 059	33 528 865	36 004 535	36 397 698	36 742 863	38 914 716	41 290 326	44 286 005
Recreation, Culture and Religion									
Sporting and Recreational Affairs	1 128 224	1 179 437	1 216 751	1 228 071	1 248 374	1 248 374	1 353 932	1 415 829	1 538 637
Sport and Recreation	414 968	451 245	437 496	426 479	427 536	427 536	463 590	481 833	510 277
Arts and Culture	684 161	693 043	744 278	771 564	787 810	787 810	858 079	900 007	992 400
Office of the Premier	29 095	35 149	34 977	30 028	33 028	33 028	32 263	33 989	35 960
Total: Recreation, Culture and Religion	1 128 224	1 179 437	1 216 751	1 228 071	1 248 374	1 248 374	1 353 932	1 415 829	1 538 637
Education									
Pre-primary & Primary Phases	17 505 623	18 854 664	20 509 962	22 819 551	22 799 551	22 079 281	24 027 761	25 803 380	27 337 530
Secondary Education Phase	12 200 791	12 950 753	14 177 406	14 200 790	14 385 790	15 127 987	15 002 176	16 126 207	17 161 327
Subsidiary Services to Education	6 497 784	6 342 644	7 144 789	7 312 667	7 321 203	7 301 871	7 241 324	7 416 700	7 932 821
Education not defined by level	1 549 803	1 581 993	1 685 727	1 767 472	1 849 598	1 834 623	1 904 236	2 013 391	2 128 439
Total: Education	37 754 001	39 730 054	43 517 884	46 100 480	46 356 142	46 343 762	48 175 497	51 359 678	54 560 117
Social protection									
Social Services and Population Development	2 316 453	2 476 468	2 599 425	2 767 032	2 768 822	2 762 342	3 028 218	3 168 019	3 367 491
Total: Social protection	2 316 453	2 476 468	2 599 425	2 767 032	2 768 822	2 762 342	3 028 218	3 168 019	3 367 491
Total	91 611 090	96 846 407	104 346 716	109 006 041	109 827 562	110 169 153	115 258 467	122 379 712	130 471 844

Overview of Provincial Revenue and Expenditure

Table 1.E(b) : Details of function

Function	Category	Department	Programme
General Public Services	Legislative	Office of the Premier	Administration
		Provincial Legislature	Administration Parliamentary Business Members Remuneration Office of the MEC
	General Services	All departments	Administration
		Office of the Premier	Institutional Development Policy and Governance 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	Economic Dev, Tourism and Enviro Affairs	Administration Integrated Econ Dev Services Trade and Sector Development Business Regulation and Governance Economic Planning Growth and Development
Economic Affairs	Agriculture	Provincial Treasury	Administration
		Agriculture and Rural Development	Agriculture Rural Development
	Transport	Transport	Transport Infrastructure Transport Operations Transport Regulations Community Based Programme
	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.
	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	Office of the Premier	Public Ordinary School Education Early Childhood Development
			Public Ordinary School Education
	Education	Education	Public Ordinary School Education Public Special School Education Independent School Subsidies Agriculture (Structured Agric Training) Health Sciences and Training
Education	Pre-primary & Primary Levels	Education	Administration Public Ordinary School Education Public Special School Education Early Childhood Development Infrastructure Development Examination and Education Related Services
	Secondary Education Phase	Education	
	Education Services not defined by level	Education	
	Subsidiary services to education	Agriculture and Rural Development	
		Health	
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.F : Donor funding and agency receipts

Name of Donor Organisation	Audited Outcome			Main Appropriation	Adjusted Appropriation	Revised Estimate	Medium-term Estimates		
	2013/14	2014/15	2015/16	2016/17	2016/17	2016/17	2017/18	2018/19	2019/20
R thousand									
Donor funding	5 118	1 478	10 791	59 750	34 527	34 527	78 400	-	-
Agriculture and Rural Development	2 291	-	2 895	-	-	-	-	-	-
World Health Organisation (Rabies project)	2 291	-	2 895	-	-	-	-	-	-
Provincial Treasury	-	-	7 073	59 750	34 527	34 527	78 400	-	-
Development of KwaZulu-Natal Science Parks	-	-	7 073	59 750	34 527	34 527	78 400	-	-
Health	2 000	125	60	-	-	-	-	-	-
European Union PHC project	2 000	-	-	-	-	-	-	-	-
MASEA Awards	-	125	60	-	-	-	-	-	-
Co-operative Governance and Traditional Affairs	827	1 353	763	-	-	-	-	-	-
Development Bank of SA	452	-	-	-	-	-	-	-	-
Dept. of Prov. and Local Govt	375	1 353	763	-	-	-	-	-	-
Agency receipts	24 299	97 610	65 994	31 070	39 022	70 014	10 722	10 522	3 922
Office of the Premier	24 079	38 020	21 700	26 798	26 798	26 798	6 800	6 600	-
National Skills Fund	16 079	28 583	3 900	11 398	11 398	11 398	-	-	-
MERSETA (1st addendum)	8 000	9 437	6 700	6 800	6 800	6 800	-	-	-
MERSETA (2nd addendum)	-	-	4 500	6 800	6 800	6 800	6 800	6 600	-
Work Integrated Learning (SSETA)	-	-	5 800	-	-	-	-	-	-
Work Integrated Learning (PSETA)	-	-	800	1 800	1 800	1 800	-	-	-
Provincial Treasury	-	-	720	480	480	240	-	-	-
PSETA	-	-	720	480	480	240	-	-	-
Health	220	1 054	3 909	-	7 952	7 952	-	-	-
HWSETA Learnership - Bethesda Sub-Campus	-	-	-	-	20	20	-	-	-
HWSETA Learnership - Edendale Campus	-	-	-	-	126	126	-	-	-
HWSETA Learnership - Head Office	-	-	137	-	99	99	-	-	-
HWSETA Learnership - HIV and AIDS Support	-	-	-	-	45	45	-	-	-
HWSETA Learnership - King Edward Sub-Campus	1	23	188	-	67	67	-	-	-
HWSETA Learnership - Mosvold	-	-	-	-	91	91	-	-	-
HWSETA Learnership - Mseleni	-	-	-	-	12	12	-	-	-
HWSETA Learnership - Ngwelezane	-	-	-	-	158	158	-	-	-
HWSETA Learnership - Nkandla	73	6	-	-	26	26	-	-	-
HWSETA Learnership - Pharmacy	-	-	-	-	28	28	-	-	-
HWSETA Learnership - Prince Mshiyeni Hospital	18	-	-	-	15	15	-	-	-
HWSETA Learnership - Social and Auxilliary	-	-	35	-	-	-	-	-	-
HWSETA Learnership - St Aidan's	128	-	1	-	194	194	-	-	-
HWSETA Learnership - Unemployed Graduates	-	-	-	-	-	-	-	-	-
HWSETA	-	1 025	329	-	2 542	2 542	-	-	-
HWSETA Learnership - Dental/Oral Hygiene	-	-	2 610	-	1 490	1 490	-	-	-
HWSETA Learnership - Sign Language Training	-	-	-	-	691	691	-	-	-
HWSETA Learnership - Social Environ Health	-	-	300	-	280	280	-	-	-
HWSETA Learnership - Tradesman RPL	-	-	-	-	897	897	-	-	-
HWSETA Learnership - TVET Graduates	-	-	-	-	450	450	-	-	-
Impumelelo Trust Innovation	-	-	-	-	24	24	-	-	-
PSETA Learnership - Church of Scotland, Ekombe and Nkandla Hospitals	-	-	309	-	697	697	-	-	-
Co-operative Governance and Traditional Affairs	-	-	990	-	-	-	-	-	-
LGSETA	-	-	990	-	-	-	-	-	-
Transport	-	58 536	38 675	3 792	3 792	35 024	3 922	3 922	3 922
SANRAL	-	-	3 363	3 792	3 792	6 073	3 922	3 922	3 922
RTMC	-	40 000	35 312	-	-	20 710	-	-	-
eThekwin Metro	-	18 536	-	-	-	8 241	-	-	-
Total	29 417	99 088	76 785	90 820	73 549	104 541	89 122	10 522	3 922

Table 1.G(i) : 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	11.3	11.4	14.1	15.1	15.2	15.3	15.4	
R thousand																
eThekweni	-	193 000	69 000	17 966	20 000	300	-	-	-	-	249 018	4 854	6 376	1 000	61 333	622 847
Ugu Municipalities																
uMdoni	-	-	-	5 082	-	600	-	1 000	-	400	16 061	350	2 895	-	14 959	41 347
uMzumbi	-	-	-	-	-	-	-	-	-	-	3 215	-	1 435	-	4 706	9 356
uMzizabantu	-	-	-	-	-	-	-	-	-	-	3 895	-	-	-	-	3 895
Ray Nkonyeni	-	-	-	5 082	-	600	-	-	-	-	4 789	-	188	-	583	5 560
Ugu District Municipality																
uMgungundlovu Municipalities																
uMshwathi	-	-	-	9 688	5 847	300	-	2 000	-	400	91 606	786	2 482	-	28 810	139 919
uMngeni	-	-	-	-	-	-	-	1 000	-	400	18 746	183	188	-	744	21 078
Mpofana	-	-	-	-	-	-	-	-	-	-	8 103	183	376	-	2 774	11 436
iMpindle	-	-	-	-	-	300	-	-	-	-	109	183	188	-	1 118	1 598
Misunduzi	-	-	-	9 688	5 847	-	-	-	-	-	289	420	188	-	744	7 368
Mkhambathini	-	-	-	-	-	-	-	1 000	-	-	63 646	-	612	-	20 103	95 469
Richmond	-	-	-	-	-	-	-	-	-	-	655	-	742	-	583	1 980
uMgungundlovu District Municipality											58	-	188	-	744	990
Uthukela Municipalities																
Okhahlamba	-	-	-	3 959	-	-	7 500	2 000	1 700	-	43 180	716	1 552	-	7 826	68 433
iNkosi Langalibalele	-	-	-	-	-	-	7 500	-	-	-	19 637	183	212	-	757	28 289
Alfred Duma	-	-	-	3 959	-	-	-	1 000	300	-	17 986	350	564	-	2 871	23 071
uThukela District Municipality																
Unzinyathi Municipalities																
eNdumeni	-	-	-	-	2 800	167	-	-	300	-	5 557	183	776	-	4 198	16 773
Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	300
uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	40 516
uMvoti	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12 947
uMzinyathi District Municipality																
Anajuba Municipalities																
Newcastle	-	-	-	8 761	-	-	-	-	300	-	-	-	-	-	-	11 618
eMadlangeni	-	-	-	8 761	-	-	-	-	-	400	11 780	350	11 940	-	7 089	41 620
Damthauser	-	-	-	-	-	-	-	-	-	-	4 516	350	11 564	-	5 923	31 114
Amajuba District Municipality																
Zululand Municipalities																
eDumbe	-	-	-	-	-	167	-	-	-	-	-	-	188	-	583	3 611
uPhongolo	-	-	-	-	-	-	-	1 000	1 500	-	3 277	-	212	-	906	6 895
AbaQulusi	-	-	-	-	-	167	-	-	-	-	3 499	-	376	-	1 002	5 044
Nongoma	-	-	-	-	-	-	-	-	-	-	6 946	183	906	-	2 963	10 988
Ulundi	-	-	-	-	-	-	-	-	-	-	5 788	-	188	-	583	6 559
Zululand District Municipality																
Unkhanyakude Municipalities																
uMhlabyalingana	500	-	-	-	3 192	-	-	-	-	-	22 009	-	212	-	806	23 027
Jozini	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 911
Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 911
Big Five Habisa	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1 911
uMkhanyakude District Municipality																
	500	-	-	-	-	-	-	-	-	-	24 980	-	1 999	-	6 848	38 519
	-	-	-	-	-	-	-	-	-	-	11 325	-	188	-	1 469	13 982
	-	-	-	-	-	-	-	-	-	-	5 790	-	1 059	-	879	7 728
	-	-	-	-	-	-	-	-	-	-	5 462	-	376	-	2 902	11 932
	-	-	-	-	-	-	-	-	-	-	2 403	-	376	-	1 598	4 377
	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500

Table 1.G(i) : 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	11.3	11.2	14.1		15.1	15.2	15.3	15.4	
R thousand																				
King Cetshwayo Municipalities																				
uMfolozi	-		-	-	2 628		4 000	300		-	-	400	-	25 819		533	3 716	-	13 235	50 631
uMhlatuze	-		-	-	2 628		4 000	-		-	-	-	-	541		-	906	-	1 101	6 548
uMlalazi	-		-	-	-		-	-		-	-	-	-	12 684		183	1 504	-	7 881	24 880
Mthonjaneni	-		-	-	-		-	300		-	-	-	-	3 496		350	400	-	3 087	7 633
Nkandla	-		-	-	-		-	-		-	-	-	-	2 731		-	188	-	583	3 502
King Cetshwayo District Municipality	-		-	-	-		-	-		-	-	-	-	6 367		-	718	-	583	7 668
Ilembe Municipalities																				
Mandeni	-		-	-	7 126		-	166		-	-	400	-	16 598		183	2 400	-	5 173	31 646
KwaDukuza	-		-	-	-		-	-		-	-	-	-	787		-	1 094	-	1 545	3 426
Ndwedwe	-		-	-	7 126		-	-		-	-	-	-	5 748		183	564	-	3 045	16 666
Mphumulo	-		-	-	-		-	166		-	-	-	-	1 407		-	742	-	583	2 732
Ilembe District Municipality	-		-	-	-		-	-		-	-	-	-	8 656		-	-	-	-	8 822
Harry Gwala Municipalities																				
Greater Kokstad	-		-	-	-		-	-		-	-	-	-	12 479		-	2 212	-	4 091	18 742
uBuhlebezwe	-		-	-	-		-	-		-	-	-	-	3 187		-	376	-	1 382	4 945
uMzimkhulu	-		-	-	-		-	-		-	-	-	-	-		-	188	-	583	771
Dr Nkosazana Dlamini Zuma	-		-	-	-		-	-		-	-	-	-	849		-	742	-	583	2 174
Harry Gwala District Municipality	-		-	-	-		-	-		-	-	-	-	4 158		-	906	-	1 503	6 527
Unallocated/unclassified	-		-	-	-		-	-		-	-	-	-	4 285		-	-	-	-	4 285
Total	500		193 000	69 000	55 210		35 839	2 000		7 500	7 000	5 200	1 200	561 873		8 558	39 726	2 911	159 237	1 148 714

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.G(ii) : Details of transfers to local government: 2018/19

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	11.3	11.2	14.1	15.1	15.2	15.3		15.4
R thousand																		
eThekwini	-		205 394		85 000	17 966	-	-	-	-	-	-	263 458	5 097	6 695	1 000	94 980	679 590
Ugu Municipalities	-		-		-	5 082	-	-	-	-	500	-	16 993	368	3 043	-	16 369	44 955
uMdoni	-		-		-	-	-	-	-	-	1 400	-	3 401	-	1 508	-	5 507	11 816
uMzombe	-		-		-	-	-	-	-	-	-	-	4 121	-	-	-	-	4 121
uMuziwabantu	-		-		-	-	-	-	-	-	1 200	-	5 067	-	197	-	613	7 077
Ray Nkonyeni	-		-		-	5 082	-	-	-	-	-	-	4 404	368	1 338	-	10 249	21 441
Ugu District Municipality	-		-		-	-	-	-	-	-	-	500	-	-	-	-	-	500
uMgungundlovu Municipalities	-		-		-	9 688	-	-	-	-	1 200	500	96 918	825	2 604	-	27 655	139 390
uMshwathi	-		-		-	-	-	-	-	-	-	-	19 833	-	197	-	782	20 812
uMgeni	-		-		-	-	-	-	-	-	1 200	-	8 573	192	394	-	2 919	13 279
Mpofana	-		-		-	-	-	-	-	-	-	-	115	192	197	-	1 174	1 678
iMpendle	-		-		-	-	-	-	-	-	-	-	306	-	197	-	782	1 285
Msunduzi	-		-		-	9 688	-	-	-	-	-	-	67 337	441	643	-	20 603	98 712
Mkhambathini	-		-		-	-	-	-	-	-	-	-	693	-	779	-	613	2 085
Richmond	-		-		-	-	-	-	-	-	-	-	61	-	197	-	782	1 040
uMgungundlovu District Municipality	-		-		-	-	-	-	-	-	-	500	-	-	-	-	-	500
uThukela Municipalities	-		-		-	3 959	-	-	-	-	400	-	45 684	752	1 628	-	8 234	60 657
Okhahlamba	-		-		-	-	-	-	-	-	-	-	20 776	192	223	-	796	21 987
iNkosi Langalibalele	-		-		-	-	-	-	-	-	-	-	19 029	368	591	-	3 021	23 009
Alfred Duma	-		-		-	3 959	-	-	-	-	-	-	5 879	192	814	-	4 417	15 261
uThukela District Municipality	-		-		-	-	-	-	-	-	-	400	-	-	-	-	-	400
uMzinyathi Municipalities	-		-		-	-	-	-	-	-	600	-	30 441	633	2 372	-	5 900	39 946
eNdameni	-		-		-	-	-	-	-	-	-	-	9 162	441	950	-	3 109	13 662
Nquthu	-		-		-	-	-	-	-	-	-	-	9 875	-	1 002	-	1 224	12 101
uMsinga	-		-		-	-	-	-	-	-	-	-	5 140	-	223	-	613	5 976
uMvoti	-		-		-	-	-	-	-	-	-	-	6 264	192	197	-	954	7 607
uMzinyathi District Municipality	-		-		-	-	-	-	-	-	600	-	-	-	-	-	-	600
Amajuba Municipalities	-		-		-	8 761	-	-	-	-	500	-	12 464	368	985	-	7 460	30 538
Newcastle	-		-		-	8 761	-	-	-	-	-	-	4 778	368	591	-	6 234	20 732
eMadiangeni	-		-		-	-	-	-	-	-	-	-	3 005	-	197	-	613	3 815
Dannhauser	-		-		-	-	-	-	-	-	-	-	4 681	-	197	-	613	5 491
Amajuba District Municipality	-		-		-	-	-	-	-	-	500	-	-	-	-	-	-	500
Zululand Municipalities	-		-		-	-	-	-	-	-	2 400	1 000	43 928	192	1 987	1 911	6 580	57 998
eDumbe	-		-		-	-	-	-	-	-	-	-	3 467	-	223	-	954	4 644
uPhongolo	-		-		-	-	-	-	-	-	-	-	3 702	-	394	-	1 055	5 151
AbaQulusi	-		-		-	-	-	-	-	-	1 200	-	7 349	192	950	-	3 111	12 802
Nongoma	-		-		-	-	-	-	-	-	1 200	-	6 124	-	197	-	613	8 134
Ulundi	-		-		-	-	-	-	-	-	-	-	23 286	-	223	-	847	24 356
Zululand District Municipality	-		-		-	-	-	-	-	-	-	1 000	-	-	-	1 911	-	2 911
uMkhanyakude Municipalities	-		-		-	-	-	-	-	-	2 400	500	26 429	-	2 099	-	7 193	38 621
uMhlabuyalingana	-		-		-	-	-	-	-	-	-	-	11 982	-	197	-	1 545	13 724
Jozini	-		-		-	-	-	-	-	-	-	-	6 126	-	1 114	-	923	8 163
Mtubatuba	-		-		-	-	-	-	-	-	1 200	-	5 779	-	394	-	3 047	10 420
Big Five Hlabisa	-		-		-	-	-	-	-	-	1 200	-	2 542	-	394	-	1 678	5 814
uMkhanyakude District Municipality	-		-		-	-	-	-	-	-	-	500	-	-	-	-	-	500

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

Municipality R thousand	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	11.3	11.2	14.1	15.1	15.2		15.3	15.4
King Cetshwayo Municipalities	-	-	-	2 628	-	-	-	1 200	500	-	27 316	560	3 896	-	13 895	49 995
uMfolozi	-	-	-	-	-	-	-	1 200	-	-	572	-	950	-	1 145	3 867
uMhlatuze	-	-	-	2 628	-	-	-	-	-	-	13 420	192	1 576	-	8 275	26 091
uMlalazi	-	-	-	-	-	-	-	-	-	-	3 699	368	420	-	3 249	7 736
Mthonjaneni	-	-	-	-	-	-	-	-	-	-	2 889	-	197	-	613	3 699
Nkandla	-	-	-	-	-	-	-	-	-	-	6 736	-	753	-	613	8 102
King Cetshwayo District Municipality	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	500
Ilembe Municipalities	-	-	-	7 126	-	-	-	1 200	800	-	17 561	192	2 517	-	5 441	33 637
Mandeni	-	-	-	-	-	-	-	-	-	-	833	-	1 147	-	1 622	3 602
KwaDukuza	-	-	-	7 126	-	-	-	-	-	-	6 081	192	591	-	3 206	17 196
Ndwedwe	-	-	-	-	-	-	-	-	-	-	1 489	-	779	-	613	2 881
Maphumulo	-	-	-	-	-	-	-	-	-	-	9 158	-	-	-	-	9 158
Ilembe District Municipality	-	-	-	-	-	-	-	-	-	800	-	-	-	-	-	800
Harry Gwala Municipalities	-	-	-	-	-	-	-	1 200	500	-	13 203	-	2 320	-	4 258	21 481
Greater Kokstad	-	-	-	-	-	-	-	1 200	-	-	3 372	-	394	-	1 454	6 420
uBuhlebezwe	-	-	-	-	-	-	-	-	-	-	-	-	197	-	613	810
uMzimkhulu	-	-	-	-	-	-	-	-	-	-	898	-	779	-	613	2 290
Dr Nkosazana Dlamini Zuma	-	-	-	-	-	-	-	-	-	-	4 399	-	950	-	1 578	6 927
Harry Gwala District Municipality	-	-	-	-	-	-	-	-	-	500	4 534	-	-	-	-	5 034
Unallocated/unclassified	-	-	-	-	16 000	-	-	-	-	-	60	-	-	-	-	16 060
Total	-	205 394	85 000	55 210	16 000	-	-	11 000	5 800	-	594 455	8 987	30 146	2 911	197 965	1 212 868

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.G(iii) : Details of transfers to local government: 2019/20

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	11.3	11.2	14.1	15.1	15.2	15.3	15.4	
R thousand																		
eThekweni	-	216 896	-	-	85 000	17 966	-	-	-	-	-	-	278 739	5 352	7 030	1 000	99 729	713 712
Ugu Municipalities	-	-	-	-	-	5 082	-	-	-	-	2 000	600	17 979	386	3 151	-	18 195	46 393
uMdoni	-	-	-	-	-	-	-	-	-	-	1 000	-	3 598	-	1 569	-	5 783	10 950
uMzumbane	-	-	-	-	-	-	-	-	-	-	500	-	4 360	-	-	-	644	5 504
uMuziwabantu	-	-	-	-	-	-	-	-	-	-	-	-	5 351	-	202	-	644	6 207
Ray Nkonyeni	-	-	-	-	-	5 082	-	-	-	-	500	-	4 660	386	1 380	-	11 124	23 132
Ugu District Municipality	-	-	-	-	-	-	-	-	-	-	600	-	-	-	-	-	-	600
uMgungundlovu Municipalities	-	-	-	-	-	9 688	-	-	-	-	4 500	500	102 540	867	2 683	-	28 008	148 786
uMshwathi	-	-	-	-	-	-	-	-	-	-	-	-	20 983	-	202	-	821	22 006
uMngeni	-	-	-	-	-	-	-	-	-	-	-	-	9 070	202	404	-	3 065	12 741
Mpofana	-	-	-	-	-	-	-	-	-	-	1 200	-	122	202	202	-	1 233	2 959
iMpendle	-	-	-	-	-	-	-	-	-	-	1 200	-	324	-	202	-	821	2 547
Msunduzi	-	-	-	-	-	9 688	-	-	-	-	1 100	-	71 243	463	662	-	20 603	103 759
Mkhambathini	-	-	-	-	-	-	-	-	-	-	500	-	733	-	809	-	644	2 686
Richmond	-	-	-	-	-	-	-	-	-	-	500	-	65	-	202	-	821	1 588
uMgungundlovu District Municipality	-	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	-	500
Uthukela Municipalities	-	-	-	-	-	3 959	-	-	-	-	1 000	800	48 333	790	1 672	-	8 666	65 220
Okhahlamba	-	-	-	-	-	-	-	-	-	-	-	-	21 981	202	230	-	856	23 269
iNkosi Langalibalele	-	-	-	-	-	-	-	-	-	-	500	-	20 132	386	606	-	3 172	24 796
Alfred Duma	-	-	-	-	-	3 959	-	-	-	-	500	-	6 220	202	836	-	4 638	16 355
uThukela District Municipality	-	-	-	-	-	-	-	-	-	-	800	-	-	-	-	-	-	800
Umzinyathi Municipalities	-	-	-	-	-	-	-	-	-	-	1 000	-	32 206	665	2 454	-	6 195	42 520
eNdameni	-	-	-	-	-	-	-	-	-	-	-	-	9 693	463	983	-	3 265	14 404
Nquthu	-	-	-	-	-	-	-	-	-	-	-	-	10 448	-	1 039	-	1 285	12 772
uMsinga	-	-	-	-	-	-	-	-	-	-	-	-	5 438	-	230	-	644	6 312
uMvoti	-	-	-	-	-	-	-	-	-	-	-	-	6 627	202	202	-	1 001	8 032
uMzinyathi District Municipality	-	-	-	-	-	-	-	-	-	-	1 000	-	-	-	-	-	-	1 000
Anajuba Municipalities	-	-	-	-	-	8 761	-	-	-	-	1 000	-	13 186	386	1 010	-	7 834	32 177
Newcastle	-	-	-	-	-	8 761	-	-	-	-	-	-	5 055	386	606	-	6 546	21 354
eMadiqeni	-	-	-	-	-	-	-	-	-	-	-	-	3 179	-	202	-	644	4 025
Damhauser	-	-	-	-	-	-	-	-	-	-	-	-	4 952	-	202	-	644	5 798
Anajuba District Municipality	-	-	-	-	-	-	-	-	-	-	1 000	-	-	-	-	-	-	1 000
Zululand Municipalities	-	-	-	-	-	-	-	-	-	-	1 300	-	46 476	202	2 049	1 911	6 909	58 847
eDumbe	-	-	-	-	-	-	-	-	-	-	-	-	3 668	-	230	-	1 001	4 899
uPhongolo	-	-	-	-	-	-	-	-	-	-	-	-	3 917	-	404	-	1 108	5 429
AbaQulusi	-	-	-	-	-	-	-	-	-	-	-	-	7 775	202	983	-	3 267	12 227
Nongoma	-	-	-	-	-	-	-	-	-	-	-	-	6 479	-	202	-	644	7 325
Ulundi	-	-	-	-	-	-	-	-	-	-	-	-	24 637	-	230	-	889	25 756
Zululand District Municipality	-	-	-	-	-	-	-	-	-	-	1 300	-	-	-	-	1 911	-	3 211
Umkhanyakude Municipalities	-	-	-	-	-	-	-	-	-	-	1 000	500	27 961	-	2 175	-	7 552	39 188
uMhlabuyalingana	-	-	-	-	-	-	-	-	-	-	-	-	12 677	-	202	-	1 622	14 501
Jozini	-	-	-	-	-	-	-	-	-	-	1 000	-	6 481	-	1 165	-	969	9 615
Mtubatuba	-	-	-	-	-	-	-	-	-	-	-	-	6 114	-	404	-	3 199	9 717
Big Five Habisa	-	-	-	-	-	-	-	-	-	-	-	-	2 689	-	404	-	1 762	4 855
uMkhanyakude District Municipality	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-	-	-	500

Table 1.G(iii) : Details of transfers to local government: 2019/20 (continued)

Municipality R thousand	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 11.3 11.2	Vote 14 14.1	Vote 15 15.1 15.2 15.3 15.4	Total
King Cetshwayo Municipalities	-	-	- 2 628	-	- 500 600	28 902	588 4 014	51 822
uMfolozi	-	-	-	-	-	605	-	2 790
uMhlatuze	-	-	2 628	-	-	14 199	983	27 334
uMlalazi	-	-	-	-	-	3 914	1 616	8 689
Mthonjaneni	-	-	-	-	-	3 057	432	3 411
Nkandla	-	-	-	-	-	7 127	202	3 903
King Cetshwayo District Municipality	-	-	-	-	-	-	781	9 052
Ilembe Municipalities	-	-	7 126	-	500 1 000	18 579	2 600	35 720
Mandeni	-	-	-	-	-	881	1 185	3 769
KwaDukuza	-	-	7 126	-	-	6 434	606	17 734
Ndwedwe	-	-	-	-	500	1 575	809	3 528
Maphumulo	-	-	-	-	-	9 689	-	9 689
Ilembe District Municipality	-	-	-	-	1 000	-	-	1 000
Harry Gwala Municipalities	-	-	-	-	1 500 500	13 969	2 398	22 839
Greater Kokstad	-	-	-	-	-	3 568	404	5 499
uBuhlebezwe	-	-	-	-	500	-	202	1 346
uMzimkhulu	-	-	-	-	-	950	809	2 403
Dr Nkosazana Dlamini Zuma	-	-	-	-	1 000	4 654	983	8 294
Harry Gwala District Municipality	-	-	-	-	500	4 797	-	5 297
Unallocated/unclassified	-	-	-	16 173	-	63	-	16 236
Total	-	216 896	85 000 55 210	16 173	12 000 7 800	628 833	9 438 31 236 2 911	1 273 460

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**

