

NORTHERN CAPE PROVINCIAL GOVERNMENT

ESTIMATES OF PROVINCIAL REVENUE AND EXPENDITURE

"we serve with passion we deliver on time"



WHAT IS A BUDGET?

A Budget is:

- A legal document that is passed by the legislature,
- A key instrument for the execution of government policies,
- A tool that explains how much revenue is raised through different kinds of taxes,
- A tool that forecasts of government's expenditures and revenues for a particular financial year.

This budget represents a three year rolling spending plan, called the Medium-Term Expenditure Framework (MTEF).

2017/18 MTEF BUDGET OVERVIEW

The 2017 MTEF budget continues to be informed by weak economic growth in the South African economy, with a downward revision to the 2017 growth forecast from 0.9 per cent at the time of the 2016 Budget down to 0.5 per cent in the Medium Term Budget Policy Statement (MTBPS). Although a moderate recovery is forecasted over the 2017 MTEF, growth is expected to remain fragile, projected to average 1.8 per cent over the next three years, which is far less than the average growth of 5 per cent experienced before the 2008 crisis.

A subdued economic growth implies the same for tax revenue and therefore, changes in the 2017 MTEF reflect both fiscal consolidation and additions to alleviate certain pressures in the province.

Conditional grants have also not been spared from government's overall fiscal consolidation stance, this however, has focused on poor performing grants as

well as those that have an above average growth so as to ensure that reductions to these grants does not affect service delivery.

The budget seeks to improve efficiency and effectiveness in spending within available provincial resources. In order to stimulate economic activity and to supplement the ever dwindling equitable share it will become more important for the province to look at own revenue collection measures, which remains an essential source of provincial funding. The province will have to find extra-ordinary means to optimise collection on existing sources as well as exploring new sources of own revenue.

The following are the Carry-through provincial priorities funded in the 2016 adjustment budget:

- **R10.2 million** over the MTEF for Youth Development Programme.
- **R10.1 million** over the MTEF for operational costs for secure centres (De Aar and Upington).
- **R5.6 million** for Northern Cape Economic Development Trade and Investment Promotion Agency (NCEDA), **R4.8 million** over the MTEF for Liquor Board, **R0.506 million** for Gambling Board, **R0.472 million** for Northern Cape Tourism Authority (NCTA),

WHERE DOES THE MONEY COME FROM AND WHERE DOES IT GO TO?

The budget framework consists of equitable share, conditional grants and provincial own collected revenue.

Figure 1: Provincial Revenue

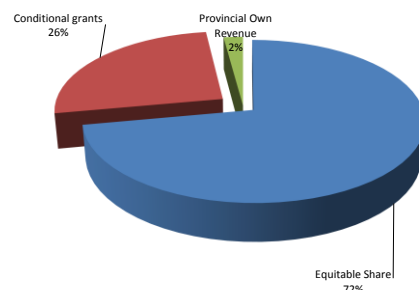


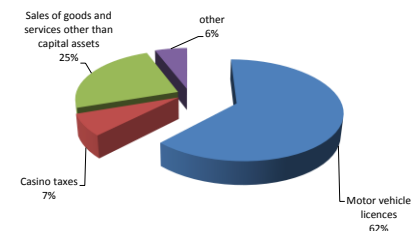
Table 1: Total Provincial Revenue

R'000	Revised Estimate	Medium-term estimates		
	2016/17	2017/18	2018/19	2019/20
Transfer receipts from National	15 359 539	15 724 792	16 349 441	17 214 144
Equitable Share	11 437 508	11 580 955	12 246 246	12 999 509
Conditional grants	3 922 031	4 143 837	4 103 195	4 214 635
Provincial Own Revenue	337 637	339 830	360 538	381 968
Total Provincial receipts	15 697 175	16 064 622	16 709 979	17 596 112
Tax receipts	207 107	243 000	258 153	273 805
Casino taxes	22 762	25 036	28 513	29 051
Horse racing taxes	2 214	1 637	1 734	1 835
Liquor licences	3 839	4 327	4 582	4 848
Motor vehicle licences	178 292	212 000	225 324	239 071
Non-Tax Receipts	119 642	87 616	92 664	97 889
Sales of goods and services other than capital assets	82 662	83 039	87 825	92 815
Fines, penalties and forfeits	3 251	3 531	3 731	3 903
Interest, dividends and rent on land	33 729	1 046	1 108	1 171
Transfers received	4 232	3 271	3 465	3 666
Sales of capital assets	6 656	5 943	6 256	6 608
Transactions in financial assets and liabilities	337 637	339 830	360 538	381 968

A total of 98 per cent of the budget comes from national government and 2 per cent accounts for the provincial own revenue.

The major contributors to the provincial own revenue are: Motor vehicle licenses which contribute 62 per cent and sales of other goods and services which accounts for 25 per cent of the total provincial own revenue.

Figure 2: Composition of Provincial Own Revenue



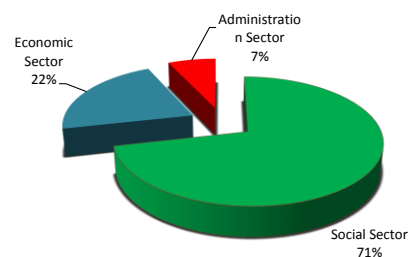
BUDGET AGGREGATES

- The 2017 MTEF budget provides for total expenditure of **R16.1 billion** in 2017/18 rising to **R16.7 billion** and **R17.5 billion** in 2018/19 and 2019/20 financial years respectively.
- Conditional grants also increase from **R4.2 billion** in 2017/18 and rise to **R4.3 billion** in the outer year of the MTEF.
- The receipts increase from **R16.3 billion** in 2017/18 and rising to **R17.1 billion** and **R18.1 billion** in the 2018/19 and 2019/20 financial years respectively.

PROVINCIAL SPENDING

The provincial government's receipts amounts to **R16.363 billion** in 2017/18. Total payments amounts to **R16.065 billion**, which is divided into several categories as shown in Chart 3.

Figure 3: Provincial Spending



The largest slice of spending goes to Social Services Sector which provides *health care services* to the people of the province, *investing in education system* and *social development*. This accounts for total spending amounting of **R11.481 billion** for the 2017/18 financial year.

Economic Sector's spending totals to **R3.464 billion** in 2017/18 financial year. This accounts for 22 per cent of the total provincial spending.

Administration and Governance Sector totals to **R1.119 million** in 2017/18 financial year. This accounts for 7 per cent of the total provincial spending.

2017/18 Financial Year Proposed Spending.

The total of 71 per cent of provincial spending or **R11.481 billion** has been allocated to the Social Services Sector, of which:

Education: Total spending amounts to **R5.858 billion** in 2017/18 financial year or 51 per cent of the total budget.

Health: Total spending amount to **R4.434 billion** or 39 per cent of the total budget in 2017/18 financial year.

Social Development: Total spending amounts to **R818.612 million** or 7 per cent of the total budget in 2017/18 financial year.

Sport, Arts and culture: Total spending amounts to **R371.088 million** or 3 per cent of the total budget in 2017/18 financial year.

Other Sectors: Total budget for the other combined sectors total to **R4.583 billion** or 28 per cent of the total budget for 2017/18 financial year.

Summary of Expenditure per Department

Table 2: Summary of Provincial Payments by Sector

R '000	Revised Estimate	Medium-term estimates			Annual percentage growth		
	2016/17	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Social Sector	11 341 599	11 481 440	11 980 725	12 701 090		1%	4%
Education	5 574 233	5 857 847	6 139 972	6 496 564		5%	5%
Health	4 663 027	4 433 893	4 614 984	4 933 205		-5%	4%
Social Development	756 899	818 612	854 006	903 446		8%	4%
Sport, Arts and Culture	347 540	371 088	371 753	367 875		7%	0%
Economic Sector	3 179 771	3 464 014	3 633 495	3 775 818		8%	5%
Economic Development	296 818	296 518	312 385	330 523		0%	5%
Roads and Public Works	1 561 345	1 683 788	1 752 139	1 869 637		8%	4%
Co-Operative Governance, Human Settlement and Traditional Affairs	715 876	725 432	766 377	809 098		1%	6%
Agriculture, Land Reform and Rural Development	555 055	609 304	646 642	662 582		10%	6%
Environment and Nature Conservation	141 677	148 991	155 953	164 998		5%	5%
Administration Sector	1 084 707	1 119 148	1 085 759	1 159 204		3%	-2%
Office of the Premier	227 611	226 115	234 521	248 451		4%	+1%
Provincial Legislature	198 772	194 971	188 267	199 186		-2%	-3%
Provincial Treasury	281 848	299 175	284 732	290 085		6%	-12%
Transport, Safety and Liaison	376 276	388 689	407 950	431 482		3%	5%
Total provincial payments	15 697 176	16 064 622	16 769 979	17 596 112		4%	3%

HOW DO WE SPEND THE PROVINCIAL BUDGET BY ECONOMIC CLASSIFICATION

What is economic classification?

“Current Payments” - means any payments made by a provincial department in respect of the operational requirements of a department, and includes, amongst others, compensation of employees, goods and services, interest, rental of immovable properties.

“Transfers and subsidies” - means any payments made by a provincial department to another organ of state or any other person in respect of which that department does not receive anything of similar value directly in return.

“Payments for capital assets” - means any payments made by a provincial department for assets that can be used continuously or repeatedly in production for more than one year.

Table 3: Summary of provincial payments and estimates by economic classification

R '000	Revised Estimate		Medium-term estimates					
	2016/17	% of Budget	2017/18	% of Budget	2018/19	% of Budget	2019/20	% of Budget
Current Payments	12 547 730	80%	12 864 183	80%	13 696 881	82%	14 467 641	82%
Compensation of employees	8 541 894	54%	9 036 586	56%	9 666 387	58%	10 255 322	58%
Goods and services	4 002 187	25%	3 824 127	24%	4 030 476	24%	4 212 300	24%
Other	3 669	0%	3 469	0%	18	0%	19	0%
Transfers and subsidies to:	1 644 499	10%	1 664 785	10%	1 676 474	10%	1 761 318	10%
Provinces and municipalities	160 617	1%	138 416	1%	121 982	1%	112 737	1%
Departmental agencies and accounts	132 841	1%	126 592	1%	129 176	1%	134 983	1%
Universities and technikons	2 543	0%	3 122	0%	3 232	0%	3 225	0%
Public corporations and private enterprises	90 061	1%	91 489	1%	97 306	1%	103 083	1%
Non-profit institutions	738 097	5%	819 868	5%	814 072	5%	866 103	5%
Households	520 340	3%	485 298	3%	510 705	3%	541 187	3%
Payments for capital assets	1 504 888	10%	1 535 655	10%	1 336 624	8%	1 367 153	8%
Buildings and other fixed structures	1 189 609	8%	1 273 759	8%	1 033 766	6%	1 020 213	6%
Machinery and equipment	287 345	2%	245 625	2%	289 277	2%	332 599	2%
Heritage assets	-	-	-	-	1	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	923	0%	-	-	-	-	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	27 011	0%	16 271	0%	13 580	0%	14 340	0%
Payments for financial assets	59	-	-0	-	-	-	-	-
Total economic classification	15 697 176	100%	16 064 622	100%	16 769 979	100%	17 596 112	100%

Total allocated budget in 2017/18: R16.065 billion

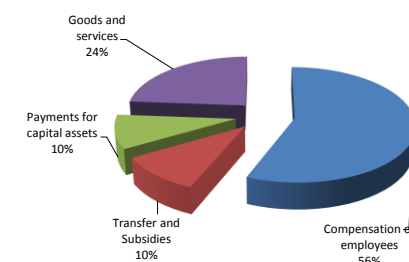
Compensation of employees account for 56 per cent of the total allocated budget.

Goods and services share 24 per cent of the total allocation.

Transfers and subsidies represent 10 per cent of the total allocation.

Capital spending accounts for 10 per cent of the total spending.

Figure 4: Allocation by major spending items



Policy Priorities

The budget framework also provide for the following priorities:

- Provincial Growth and Development Plan: Spatial Planning Land use Management Act (SPLUMA)
- Provincial Legislature Renovations
- Municipal Standard Chart of Accounts (MSCOA)
- Municipal Support and Governance
- Health Intervention

Infrastructure Spending

- Infrastructure expenditure is essential for effective service delivery, sustainable economic growth and job creation.
- The total infrastructure budget for the province amounts to **R8.462 billion** over the 2017 MTEF.
- Spending in the 2017/18 financial year will focus on the upgrading, maintenance and repairs to the existing provincial structures, other than building new.

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