

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).

2018/19 MTEF BUDGET OVERVIEW

The 2018 budget continues to be informed by the weak economic growth. The contraction in the first quarter of 2017 plunged South Africa into a technical recession, defined as two consecutive quarters of contraction. For the second quarter of 2017, growth rebound to 2.5 per cent, quarterly annualised, from a previous contraction of 0.6 per cent in the first quarter of 2017. In spite of this rebound in growth, the economy remains fragile and this is reflected in the downward revision of overall growth for 2017 to 0.7 per cent in the Medium Term Budget Policy Statement (MTBPS) from 1.3 per cent at the time of 2017 Budget in February of this year. Over the Medium Term Expenditure Framework (MTEF), growth averages 1.5 per cent.

A sluggish economic growth implies the same for tax revenue growth. Moreover, new social spending priorities will require fiscal consideration alongside additions to the budget. In spite of these pressures

of the fiscus, efforts have been made to protect provincial equitable share baselines which grow by an average of 7.4 per cent over the 2018 MTEF period.

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 2017 adjustment budget:

- **R35.9 million** over the MTEF for Northern Cape Economic Development Trade and Investment Promotion Agency (NCEDA): Special Economic Zones (SEZ).
- **R47.3 million** is allocated for Boegoebay/Port Nolloth Ports; of which **R22.3 million** is allocated in 2018/19 and **R25 million** in 2019/20 financial years respectively.

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

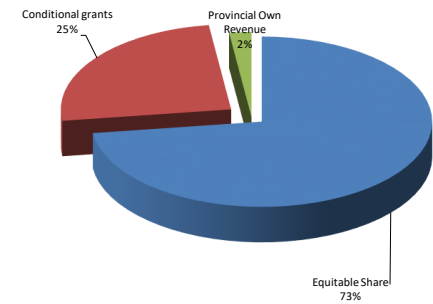


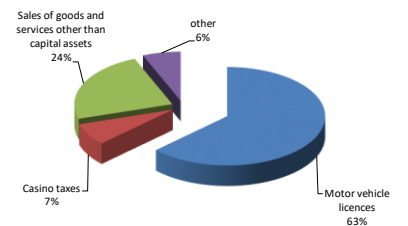
Table 1: Total Provincial Revenue

R'000	Revised Estimate	Medium-term estimates		
		2017/18	2018/19	2019/20
Transfer receipts from National	16 547 677	16 789 727	17 465 964	18 546 227
Equitable Share	12 156 036	12 495 104	13 345 576	14 135 125
Conditional grants	4 391 641	4 294 623	4 120 388	4 411 102
Provincial Own Revenue	358 088	360 539	381 969	402 975
Total Provincial receipts	16 905 765	17 150 266	17 847 933	18 949 202
Tax receipts	230 544	259 646	275 856	291 022
Casino taxes	23 111	26 180	27 646	29 166
Horse racing taxes	2 370	1 924	2 032	2 144
Liquor licences	4 399	4 639	4 899	5 168
Motor vehicle licences	200 664	226 903	241 279	254 544
Non-Tax Receipts	117 038	93 208	98 422	103 851
Sales of goods and services other than capital assets	79 286	84 786	89 565	94 474
Fines, penalties and forfeits	2 971	3 614	3 777	4 014
Interest, dividends and rent on land	34 781	4 808	5 080	5 363
Transfers received	-	-	-	-
Sales of capital assets	2 125	3 811	3 607	3 806
Transactions in financial assets and liabilities	8 381	3 874	4 084	4 295
Total provincial own receipts	358 088	360 539	381 969	402 975

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 63 per cent and sales of other goods and services which accounts for 24 per cent of the total provincial own revenue.

Figure 2: Composition of Provincial Own Revenue



BUDGET AGGREGATES

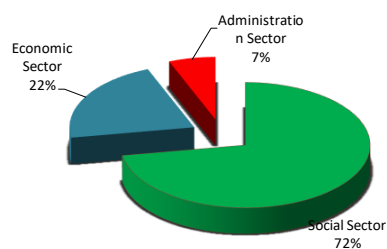
- The 2018 MTEF budget provides for total expenditure of **R17.1 billion** in 2018/19 rising to **R17.8 billion** and **R18.9 billion** in 2019/20 and 2020/21 financial years respectively.

- Conditional grants also increase from **R4.3 billion** in 2018/19 and rise to **R4.4 billion** in the outer year of the MTEF.
- The receipts increase from **R17.1 billion** in 2018/19 and rising to **R17.8 billion** and **R18.9 billion** in the 2019/20 and 2020/21 financial years respectively.

PROVINCIAL SPENDING

The provincial government's receipts amounts to **R17.150 billion** in 2018/19. Total payments amounts to **R17.150 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 **R12.406 billion** for the 2018/19 financial year or 72 per cent of the total provincial spending.

Economic Sector's spending totals to **R3.702 billion** in 2018/19 financial year. This accounts for 22 per cent of the total provincial spending.

Administration and Governance Sector totals to **R1.042 billion** in 2018/19 financial year. This accounts for 6 per cent of the total provincial spending.

2018/19 Financial Year Proposed Spending.

A total of 72 per cent of provincial spending or **R12.406 billion** has been allocated to the Social Services Sector, of which:

Education: Total spending amounts to **R6.417 billion** in 2018/19 financial year or 37 per cent of the total budget.

Health: Total spending amount to **R4.735 billion** or 28 per cent of the total budget in 2018/19 financial year.

Social Development: Total spending amounts to **R870.916 million** or 5 per cent of the total budget in 2018/19 financial year.

Sport, Arts and culture: Total spending amounts to **R382.821 million** or 2 per cent of the total budget in 2018/19 financial year.

Other Sectors: Total budget for the other combined sectors total to **R4.744 billion** or 28 per cent of the total budget for 2018/19 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		
		2017/18	2018/19	2019/20	2020/21	2018/19	2019/20
Social Sector	12 052 390	12 406 195	13 146 119	14 507 264	3%	6%	7%
Education	6 069 346	6 417 223	6 687 716	7 103 237	6%	4%	6%
Health	4 722 157	4 735 195	5 132 248	5 504 376	0%	8%	7%
Social Development	870 316	870 916	922 584	975 277	0%	6%	6%
Sport, Arts and Culture	390 531	382 621	403 571	424 874	-2%	5%	5%
Economic Sector	3 162 367	3 791 973	4 032 907	3 856 148	1%	-2%	6%
Economic Development	303 091	314 834	332 797	351 603	4%	6%	6%
Roads and Public Works	1 844 003	1 747 944	1 722 632	1 818 177	-5%	-1%	6%
Co-Operative Governance, Human Settlement and Traditional Affairs	744 654	831 899	866 804	913 620	12%	4%	5%
Agriculture, Land Reform and Rural Development	617 384	648 908	644 217	676 685	5%	-16%	6%
Environment and Nature Conservation	152 625	157 988	166 457	176 064	4%	5%	6%
Administration Sector	1 191 049	1 042 539	1 058 907	1 165 086	-12%	3%	2%
Office of the Premier	251 526	248 331	255 748	270 440	-1%	3%	6%
Provincial Legislature	209 223	200 280	200 703	212 211	-4%	0%	6%
Provincial Treasury	312 754	302 232	306 913	303 931	-3%	1%	6%
Transport, Safety and Liaison	417 546	291 696	306 143	298 507	-30%	5%	-2%
Total provincial payments	16 905 765	17 150 266	17 847 933	18 949 202	4%	9%	10%

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						
		2017/18	% of Budget	2018/19	% of Budget	2019/20	% of Budget	2020/21
Current Payments	13 526 911	80%	14 207 633	83%	14 958 410	84%	15 940 236	84%
Compensation of employees	9 308 414	55%	10 073 249	59%	10 753 912	60%	11 424 879	60%
Goods and services	4 215 438	25%	4 134 150	24%	4 204 253	24%	4 515 098	24%
Other	3 059	0%	233	0%	246	0%	259	0%
Transfers and subsidies to:	1 733 028	10%	1 758 210	10%	1 797 362	10%	1 893 062	10%
Provinces and municipalities	134 387	1%	114 060	1%	118 242	1%	122 604	1%
Departmental agencies and accounts	120 153	1%	104 322	1%	104 865	1%	109 859	1%
Universities and technicians	2 901	0%	5 103	0%	4 740	0%	4 984	0%
Public corporations and private enterprises	102 809	1%	97 753	1%	105 795	1%	112 295	1%
Non-profit institutions	836 360	5%	862 667	5%	876 511	5%	925 867	5%
Households	537 418	3%	574 889	3%	587 209	3%	617 463	3%
Payments for capital assets	1 645 725	10%	1 184 424	7%	1 092 161	6%	1 115 904	6%
Buildings and other fixed structures	1 322 979	8%	918 554	5%	815 415	5%	823 602	4%
Machinery and equipment	302 517	2%	264 916	2%	274 901	2%	291 348	2%
Heritage assets	-	-	-	-	-	-	-	-
Specialised military assets	-	-	-	-	-	-	-	-
Biological assets	638	0%	800	0%	800	0%	-	-
Land and sub-soil assets	-	-	-	-	-	-	-	-
Software and other intangible assets	19 591	0%	154	0%	1 045	0%	954	0%
Payments for financial assets	101	0%	-	0%	-	0%	-	0%
Total economic classification	16 905 765	100%	17 150 266	100%	17 847 933	100%	18 949 202	100%

Total allocated budget in 2018/19: R17.150 billion

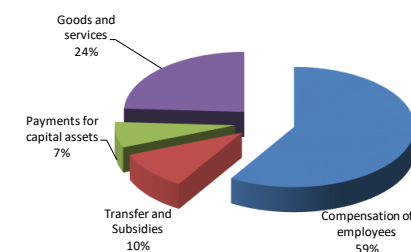
Compensation of employees account for 59 per cent of the total allocated budget.

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 7 per cent of the total spending.

Figure 4: Allocation by major spending items



Policy Priorities

The budget framework also provides for the following priorities:

- Youth Development Programme, Provincial Growth and Development Plan: Spatial Planning Land Use Management Act (SPLUMA)
- 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 **R8.346 billion** over the 2018 MTEF.
- Spending in the 2018/19 financial year will focus on the upgrading, maintenance and repairs to the existing provincial structures, other than building new.

**MetLife Towers
Market Square
Private Bag X5054
Kimberley
8300
Contact person: Mr ATM Mabija
Tel: (053) 8308358
Fax: (053) 8317535**