



national treasury

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**REPORT TO THE SELECT COMMITTEE ON FINANCE
(NATIONAL COUNCIL OF PROVINCES)**

**DETAILED ANALYSIS FOR THE FIRST SIX MONTHS OF THE
2006/07 FINANCIAL YEAR**

1. The budgeted figures for provinces are based on the 2006/07 provincial budget statements (main budgets) tabled in the various provincial legislatures during February 2006.
2. This analysis is based on the statement of receipts and payments, published by the National Treasury on 30 October 2006 and is available on the treasury website www.treasury.gov.za. The information is based on the Section 40(4) PFMA reports signed by each head of provincial department to their provincial treasury, and submitted to the National Treasury by 20 October 2006. Queries on spending or budget numbers should therefore, in the first instance, be referred to the relevant head official of the provincial department, and in the second instance to the head official of the provincial treasury. Queries on conditional grants may also be referred to the relevant head official of the administering national department.
3. The information presented here is mostly restricted to financial information only. Non-financial performance information is becoming increasingly necessary to measure outputs and performance and to assess value for money.
4. Except for housing delivery statistics, where figures are available from the national Department of Housing's website at www.housing.gov.za, no other sector is publishing non-financial data at this stage. However, work is under way to improve the quality of the data in service delivery sectors of departments for reporting purposes. As a result of the shift of social security grants to national government with effect from 01 April 2006, information on social grant beneficiaries is no longer part of this report.
5. This second quarter information will provide a valuable basis for determining spending pressures which provinces must take into account when preparing their adjustments budgets during November 2006.

Total Expenditure

6. Table 1 indicates that provinces have spent 45,2 per cent or R82,7 billion of budgeted expenditure after the first half of the current financial year. Spending to date is at a slightly lower level in percentage terms against spending over the same period in the 2005/06 financial year (46,9 per cent). However, in nominal terms, spending is 11,4 per cent or R8,4 billion higher than for the same period last year when provinces had spent R74,3 billion.
7. Between provinces, spending ranges from the lowest share of 42,0 per cent in Gauteng and 44,5 per cent in Limpopo, to the highest at 48,7 per cent in Northern Cape and 47,2 per cent in Free State.

Table 1: Provincial Aggregated Budgets and Expenditure as at 30 September 2006

R thousand	Main budget 2006/07				Actual as at 30 September 2006				Actual as % of main budget	2005/06: Actual as at 30 September 2005
	Current payments	Transfers and subsidies	Payments for capital assets	Total	Current payments	Transfers and subsidies	Payments for capital assets	Total		
Eastern Cape	21 110 682	3 688 074	2 028 368	26 827 124	9 976 279	1 492 290	723 257	12 191 826	45,4%	11 237 286
Free State	9 681 558	1 362 986	581 638	11 626 182	4 522 183	702 353	259 768	5 484 304	47,2%	5 064 963
Gauteng	22 348 850	9 562 626	2 548 263	34 459 739	10 543 241	2 992 339	932 550	14 468 131	42,0%	12 324 390
KwaZulu-Natal	29 593 311	4 065 809	3 532 490	37 191 610	13 958 483	1 987 731	1 297 459	17 243 673	46,4%	15 388 140
Limpopo	18 584 714	2 577 236	1 736 839	22 898 789	8 504 654	1 036 638	645 673	10 186 965	44,5%	9 273 505
Mpumalanga	10 488 185	1 213 193	1 103 602	12 804 980	4 851 806	554 737	456 474	5 863 017	45,8%	5 628 744
Northern Cape	3 429 415	497 526	468 395	4 395 336	1 671 723	270 602	198 553	2 140 878	48,7%	1 868 055
North West	11 539 731	1 780 647	1 079 675	14 400 053	5 311 897	728 799	536 053	6 576 749	45,7%	5 956 115
Western Cape	14 341 223	2 417 596	1 616 771	18 375 590	6 721 045	1 267 633	564 912	8 553 590	46,5%	7 535 542
Total	141 117 669	27 165 693	14 696 041	182 979 403	66 061 312	11 033 122	5 614 699	82 709 133	45,2%	74 276 739

The 2005/06 financial year excludes Programme 2: Social assistance grants of provincial social development departments, which were transferred to the SA Social Security Agency (SASSA) with effect from 01 April 2006.

Social Services

8. Social services budgets total R136,0 billion and comprise 74,3 per cent of the total R183,0 billion provincial budgets in 2006/07.
9. It should be noted that the 2005/06 financial year figures have been adjusted to exclude Programme 2: Social assistance grants of provincial social development departments, which were transferred to national government with effect from 01 April 2006. This makes the 2006/07 figures and the 2005/06 figures comparable.
10. The function shift changes the composition of provincial expenditure with the social services share to total provincial budgets now becoming 74,3 per cent in 2006/07, while non-social services rise to 25,7 per cent. Significantly, the proportion that goes to capital is now 8,0 per cent.
11. Table 2 indicates that provinces spent 47,1 per cent or R64,0 billion of the budgeted R136,0 billion for the three social services (education, health and social welfare services). This is 10,3 per cent or R6,0 billion more than spending over the same period in 2005/06.

Table 2: Provincial Social Services Expenditure as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of total provincial expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Education	79 050 799	36 840 346	46.6%	44.5%	34 505 038	6.8%
Health	51 685 947	24 989 328	48.3%	30.2%	21 658 990	15.4%
Social Development	5 288 973	2 178 745	41.2%	2.6%	1 854 843	17.5%
Total	136 025 719	64 008 419	47.1%	77.4%	58 018 871	10.3%

Education

12. Education budgets of R79,1 billion comprise 43,2 per cent of total provincial budgets. Table 3 indicates that education expenditure is at 46,6 per cent or R36,8 billion of the total education budget, an increase of 6,8 per cent or R2,3 billion compared to the R34,5 billion spent over the same period in 2005/06.
13. Spending between provinces for education ranges from the lowest rate in Gauteng at 43,9 per cent and Limpopo at 45,0 per cent to the highest in Northern Cape at 50,4 per cent and KwaZulu-Natal at 49,2 per cent.
14. Spending on goods and services (mostly learner support material) in education is recorded at 30,1 per cent or R2,6 billion of its R8,7 billion budget. It comprises approximately 11 per cent of total provincial education budgets, which is 1 percentage point more than the share in 2005/06.

Table 3: Provincial Education Expenditure as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Education to total provincial expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	13 065 022	6 026 646	46.1%	49.4%	5 527 108	9.0%
Free State	5 272 241	2 544 309	48.3%	46.4%	2 390 268	6.4%
Gauteng	12 281 967	5 387 101	43.9%	37.2%	5 146 289	4.7%
KwaZulu-Natal	16 209 078	7 976 875	49.2%	46.3%	7 081 269	12.6%
Limpopo	11 066 540	4 980 421	45.0%	48.9%	4 900 132	1.6%
Mpumalanga	6 218 010	2 834 918	45.6%	48.4%	2 792 938	1.5%
Northern Cape	1 644 424	828 582	50.4%	38.7%	795 703	4.1%
North West	6 305 386	3 046 477	48.3%	46.3%	2 807 632	8.5%
Western Cape	6 988 131	3 215 017	46.0%	37.6%	3 063 699	4.9%
Total	79 050 799	36 840 346	46.6%	44.5%	34 505 038	6.8%

15. The bulk of education expenditure is on personnel (82,5 per cent), amounting to 48,9 per cent or R30,4 billion of the education personnel budgets of R62,2 billion.
16. Spending between provinces ranges from the lowest in Gauteng at 45,4 per cent and Mpumalanga at 47,9 per cent, to the highest in Limpopo and North West at 50,9 per cent and 50,7 per cent respectively.

Table 4: Provincial Personnel Expenditure: Education as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Education Personnel to total personnel expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	10 432 269	5 248 003	50,3%	65,2%	4 966 665	5,7%
Free State	4 185 791	2 046 262	48,9%	57,4%	1 946 854	5,1%
Gauteng	9 579 954	4 345 962	45,4%	56,6%	4 123 873	5,4%
KwaZulu-Natal	12 941 988	6 319 788	48,8%	59,9%	5 862 462	7,8%
Limpopo	8 766 625	4 461 658	50,9%	62,9%	4 393 826	1,5%
Mpumalanga	4 595 159	2 202 850	47,9%	61,6%	2 120 236	3,9%
Northern Cape	1 314 953	646 601	49,2%	55,3%	615 546	5,0%
North West	5 039 244	2 554 428	50,7%	61,4%	2 456 210	4,0%
Western Cape	5 385 473	2 582 658	48,0%	53,9%	2 465 343	4,8%
Total	62 241 456	30 408 210	48,9%	60,0%	28 951 015	5,0%

17. Education capital expenditure is low at 31,7 per cent or R1,1 billion of the R3,6 billion budget. This is marginally higher than the R978,8 million spent on capital over the same period last year.
18. Spending between provinces ranges from the lowest in KwaZulu-Natal at 17,9 per cent and Gauteng at 23,1 per cent to the highest in North West at 76,0 per cent and Mpumalanga at 51,5 per cent.
19. Education capital expenditure reflects wide fluctuations compared to the same period last year. Some provinces show very significant improvements while others are moving slowly to implement projects.

Table 5: Provincial Capital Expenditure: Education as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Education Capital to total Capital expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	733 690	246 797	33,6%	34,1%	139 553	76,8%
Free State	54 430	13 506	24,8%	5,2%	19 024	-29,0%
Gauteng	725 679	167 522	23,1%	18,0%	180 652	-7,3%
KwaZulu-Natal	843 428	150 879	17,9%	11,6%	115 810	30,3%
Limpopo	494 156	176 449	35,7%	27,3%	180 194	-2,1%
Mpumalanga	277 539	142 836	51,5%	31,3%	81 606	75,0%
Northern Cape	25 273	11 246	44,5%	5,7%	8 856	27,0%
North West	205 025	155 832	76,0%	29,1%	116 429	33,8%
Western Cape	218 945	69 567	31,8%	12,3%	136 666	-49,1%
Total	3 578 165	1 134 634	31,7%	20,2%	978 790	15,9%

20. Education has benefited from the support extended by National Treasury through the Infrastructure Delivery Improvement Programme (IDIP). The programme was rolled out as a pilot in education during 2005/06. It is currently being extended into public works while continuing with education. It became evident from the pilot phase that major weaknesses in infrastructure delivery result from misalignment between budget and cash flow requirements for projects, and failure to undertake forward planning in spite of the three-year MTEF.

Health

21. Health budgets totalling R51,7 billion comprise 28,2 per cent of total provincial budgets. Table 6 indicates that health expenditure is at 48,3 per cent or R25,0 billion of the total health budget, representing an increase of 15,4 per cent or R3,3 billion compared to spending after the first half of the 2005/06 financial year.
22. North West and Limpopo health have spent the lowest share of their budgets at 44,9 per cent and 46,1 per cent respectively. The highest shares are recorded in Mpumalanga at 50,9 per cent and Northern Cape at 50,5 per cent.

Table 6: Provincial Health Expenditure as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Health to total provincial expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	6 892 701	3 354 708	48.7%	27.5%	3 119 631	7.5%
Free State	3 249 613	1 628 405	50.1%	29.7%	1 490 559	9.2%
Gauteng	10 404 351	5 235 334	50.3%	36.2%	4 436 425	18.0%
KwaZulu-Natal	11 736 761	5 536 942	47.2%	32.1%	4 836 296	14.5%
Limpopo	5 447 933	2 508 986	46.1%	24.6%	2 053 696	22.2%
Mpumalanga	2 912 242	1 483 530	50.9%	25.3%	1 261 146	17.6%
Northern Cape	1 291 249	652 294	50.5%	30.5%	481 938	35.3%
North West	3 427 604	1 538 559	44.9%	23.4%	1 365 735	12.7%
Western Cape	6 323 493	3 050 570	48.2%	35.7%	2 613 564	16.7%
Total	51 685 947	24 989 328	48.3%	30.2%	21 658 990	15.4%

23. Table 7 indicates that health personnel expenditure is R14,0 billion or 48,8 per cent of the health personnel budget, an increase of R1,6 billion or 13,4 per cent compared to the R12,3 billion spent over the same period in 2005/06.

Table 7: Provincial Personnel Expenditure: Health as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Health Personnel to total personnel expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	3 732 331	1 864 312	50,0%	23,2%	1 695 135	10,0%
Free State	2 014 412	1 002 174	49,8%	28,1%	909 896	10,1%
Gauteng	5 081 905	2 605 398	51,3%	33,9%	2 248 155	15,9%
KwaZulu-Natal	6 961 199	3 221 044	46,3%	30,5%	2 843 666	13,3%
Limpopo	3 181 101	1 549 923	48,7%	21,9%	1 364 095	13,6%
Mpumalanga	1 571 871	833 686	53,0%	23,3%	696 145	19,8%
Northern Cape	585 742	298 407	50,9%	25,5%	253 711	17,6%
North West	1 901 573	926 991	48,7%	22,3%	858 230	8,0%
Western Cape	3 598 358	1 675 346	46,6%	35,0%	1 459 221	14,8%
Total	28 628 492	13 977 281	48,8%	27,6%	12 328 254	13,4%

24. Spending on non-personnel non-capital items in health, which includes medicines, drugs and other current expenditure is recorded at 48,5 per cent or R9,1 billion of the

R18,7 billion budget, an increase of 12,3 per cent or R999,8 million compared to the R8,1 billion spent over the same period in 2005/06.

25. Capital expenditure in the health sector is at 44,3 per cent or R1,9 billion. This is significantly higher at 55,3 per cent or R681,5 million more than the R1,2 billion spent for the same period last year (Table 8).
26. Between provinces, with a varying degree of spending, the lowest rate of spending is in North West at 32,7 per cent and Limpopo at 39,3 per cent with Free State and Gauteng recording the highest rate of spending at 54,2 per cent and 51,1 per cent respectively.

Table 8: Provincial Capital Expenditure: Health as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Health Capital to total Capital expenditure	2005/06: Actual as at 30 September 2005	Year-on-year growth
R thousand						
Eastern Cape	463 791	211 022	45.5%	29.2%	167 457	26.0%
Free State	162 950	88 304	54.2%	34.0%	61 886	42.7%
Gauteng	943 756	482 648	51.1%	51.8%	267 283	80.6%
KwaZulu-Natal	1 039 618	444 816	42.8%	34.3%	372 651	19.4%
Limpopo	573 108	225 025	39.3%	34.9%	94 572	137.9%
Mpumalanga	216 717	104 973	48.4%	23.0%	90 997	15.4%
Northern Cape	269 212	114 024	42.4%	57.4%	37 609	203.2%
North West	266 389	87 130	32.7%	16.3%	52 123	67.2%
Western Cape	379 680	155 263	40.9%	27.5%	87 083	78.3%
Total	4 315 221	1 913 205	44.3%	34.1%	1 231 661	55.3%

Social Welfare Services

27. With the shifting of the social security function to national government, provinces are only left with welfare services. Social welfare services budgets, at R5,3 billion, comprise 2,9 per cent of total provincial budgets.
28. Provinces registered spending of 41,2 per cent or R2,2 billion of their R5,3 billion budget (Table 9). This represents an increase of 17,5 per cent or R323,9 million above the R1,9 billion spent over the same period last year (excluding social assistance grants).
29. Between provinces, there are varying degrees of spending with the lowest being in Mpumalanga at 33,4 per cent and North West at 34,1 per cent while the highest being Gauteng at 45,8 per cent and Eastern Cape at 45,7 per cent.

Table 9: Provincial Social Welfare Services Expenditure as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Soc welfare to total provincial expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	762 772	348 373	45,7%	2,9%	218 552	59,4%
Free State	417 850	169 428	40,5%	3,1%	170 154	-0,4%
Gauteng	981 782	450 139	45,8%	3,1%	373 351	20,6%
KwaZulu-Natal	894 810	377 423	42,2%	2,2%	324 093	16,5%
Limpopo	431 750	153 365	35,5%	1,5%	170 231	-9,9%
Mpumalanga	430 279	143 508	33,4%	2,4%	120 492	19,1%
Northern Cape	215 025	86 829	40,4%	4,1%	83 445	4,1%
North West	427 562	145 980	34,1%	2,2%	129 597	12,6%
Western Cape	727 143	303 700	41,8%	3,6%	264 928	14,6%
Total	5 288 973	2 178 745	41,2%	2,6%	1 854 843	17,5%

The 2005/06 financial year excludes Programme 2: Social assistance grants of provincial social development departments, which were transferred to the SA Social Security Agency (SASSA) with effect from 01 April 2006.

Housing and Local Government

30. Housing and local government budgets at R9,3 billion comprise 5,1 per cent of total provincial budgets.
31. Housing and local government spending at the end of September 2006 is at 41,1 per cent or R3,8 billion of the R9,3 billion budget (Table 10). This represents an increase of 16,4 per cent or R540,8 million on the R3,3 billion spent over the same period last year.
32. Spending varies between provinces with the lowest being in Eastern Cape at 31,9 per cent and KwaZulu-Natal at 35,7 per cent while the highest being Western Cape at 61,0 per cent and Limpopo at 46,6 per cent.

Table 10: Provincial Housing & Local Government Expenditure as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Local Gov & Housing to total provincial expenditure	2005/06: Actual as at 30 September 2005	Year-on-year growth
R thousand						
Eastern Cape	1 250 606	399 145	31,9%	3,3%	414 473	-3,7%
Free State	718 062	274 211	38,2%	5,0%	249 312	10,0%
Gauteng	2 241 812	928 139	41,4%	6,4%	811 313	14,4%
KwaZulu-Natal	1 847 718	658 865	35,7%	3,8%	595 452	10,6%
Limpopo	834 158	388 363	46,6%	3,8%	239 533	62,1%
Mpumalanga	625 770	237 920	38,0%	4,1%	232 020	2,5%
Northern Cape	260 680	113 546	43,6%	5,3%	142 648	-20,4%
North West	774 314	358 760	46,3%	5,5%	344 371	4,2%
Western Cape	776 962	473 767	61,0%	5,5%	262 818	80,3%
Total	9 330 082	3 832 716	41,1%	4,6%	3 291 940	16,4%

Housing conditional grant

Table 11: Provincial Integrated Housing and Human Settlement Development Grant Expenditure as at 30 September 2006

R thousand	Division of Revenue Act, 2006 (Act No. 2 of 2006)	Actual as at 30 September 2006	Actual as % of main budget	% share of grant to total provincial expenditure	2005/06: Actual as at 30 September 2005	Year-on-year growth
Eastern Cape	761 994	163 989	21.5%	1.3%	227 713	-28.0%
Free State	522 601	216 780	41.5%	4.0%	177 744	22.0%
Gauteng	1 757 666	768 739	43.7%	5.3%	628 979	22.2%
KwaZulu-Natal	1 048 376	394 535	37.6%	2.3%	340 849	15.8%
Limpopo	521 331	194 790	37.4%	1.9%	133 070	46.4%
Mpumalanga	421 002	120 202	28.6%	2.1%	138 743	-13.4%
Northern Cape	104 774	41 585	39.7%	1.9%	63 513	-34.5%
North West	613 405	311 046	50.7%	4.7%	255 547	21.7%
Western Cape	598 800	362 225	60.5%	4.2%	180 482	100.7%
Total	6 349 949	2 573 891	40.5%	3.1%	2 146 640	19.9%

33. Most of the housing and local government expenditure is on the Integrated Housing and Human Settlement Development conditional grant (formally the housing subsidy grant). Table 11 indicates that provinces spent 40,5 per cent or R2,6 billion of their R6,3 billion housing conditional grant. These spending figures are higher by 19,9 per cent or R427,3 million over the same period last year.

Personnel expenditure

34. Personnel expenditure ("compensation of employees") is at 48,3 per cent or R50,6 billion of the R104,9 billion budget. Spending to date is 7,3 per cent or R3,4 billion higher than the R47,2 billion spent last year.

35. Western Cape at 46,9 per cent and Gauteng at 47,1 per cent recorded the lowest rate of personnel spending while Limpopo and Eastern Cape recorded the highest rates at 49,7 per cent and 49,5 per cent respectively.

Table 12: Provincial Personnel Expenditure as at 30 September 2006

R thousand	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Personnel to total provincial expenditure	Personnel head-counts ¹	2005/06: Actual as at 30 September 2005	Year-on-year growth
Eastern Cape	16 284 955	8 053 047	49,5%	66,1%	120 458	7 577 200	6,3%
Free State	7 379 544	3 564 947	48,3%	65,0%	55 431	3 351 681	6,4%
Gauteng	16 308 163	7 682 764	47,1%	53,1%	117 191	7 078 866	8,5%
KwaZulu-Natal	22 088 548	10 552 593	47,8%	61,2%	163 692	9 676 198	9,1%
Limpopo	14 269 965	7 088 670	49,7%	69,6%	109 188	6 776 683	4,6%
Mpumalanga	7 400 937	3 577 304	48,3%	61,0%	65 023	3 303 082	8,3%
Northern Cape	2 409 568	1 169 828	48,5%	54,6%	17 402	1 059 147	10,5%
North West	8 526 390	4 161 607	48,8%	63,3%	64 390	3 964 413	5,0%
Western Cape	10 210 629	4 788 415	46,9%	56,0%	70 840	4 404 924	8,7%
Total	104 878 699	50 639 176	48,3%	61,2%	783 615	47 192 193	7,3%

1. Headcounts as extracted from Vulindlela on 02 October 2006.

Overall capital budgets and expenditure

36. By the end of September 2006, provinces have spent 38,2 per cent or R5,6 billion of their R14,7 billion capital budgets ("payments for capital assets"). This is significantly higher (21,8 per cent or R1,0 billion) than the R4,6 billion spent over the same period last year.
37. Table 13 also provides capital spending information by province, which indicates low rates of spending in Western Cape at 34,9 per cent and Eastern Cape at 35,7 per cent to the highest in North West at 49,6 per cent and Free State at 44,7 per cent. However, in absolute terms, KwaZulu-Natal has spent the most at R1,3 billion followed by Gauteng at R932,6 million and Eastern Cape at R723,3 million.
38. The Infrastructure Delivery Improvement Programme (IDIP) encourages that infrastructure budgets should be aligned with spending capacity of the departments. It also aims to facilitate improvements in the capacity of departments both in terms of skills and efficiency in the delivery management systems.

Table 13: Provincial Capital (Payments for Capital Assets) Expenditure as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Capital to total provincial expenditure	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	2 028 368	723 257	35.7%	5.9%	717 043	0.9%
Free State	581 638	259 768	44.7%	4.7%	195 630	32.8%
Gauteng	2 548 263	932 550	36.6%	6.4%	518 891	79.7%
KwaZulu-Natal	3 532 490	1 297 459	36.7%	7.5%	1 185 824	9.4%
Limpopo	1 736 839	645 673	37.2%	6.3%	430 261	50.1%
Mpumalanga	1 103 602	456 474	41.4%	7.8%	559 442	-18.4%
Northern Cape	468 395	198 553	42.4%	9.3%	105 110	88.9%
North West	1 079 675	536 053	49.6%	8.2%	346 251	54.8%
Western Cape	1 616 771	564 912	34.9%	6.6%	551 507	2.4%
Total	14 696 041	5 614 699	38.2%	6.8%	4 609 959	21.8%

39. The biggest capital budgets in provinces are in public works, roads and transport departments at 35 per cent or R5,1 billion of the total provincial capital budget of R14,7 billion. Spending for these departments is at 38,6 per cent or R2,0 billion which is only 0,7 per cent or R14,6 million more than the nearly R2,0 billion spent last year over the same period.
40. Between provinces, the lowest rate of spending is recorded in Limpopo at 24,1 per cent and Northern Cape at 29,4 per cent, whilst North West and Free State recorded the highest rates of spending at 53,8 per cent and 45,1 per cent respectively.

**Table 14: Provincial Capital Expenditure: Public Works, Roads & Transport
as at 30 September 2006**

R thousand	Main budget	30 September 2006	of main budget	% share of to total Capital expenditure	Actual as at 30 September 2005	Year-on- year growth
Eastern Cape	733 176	243 049	33.2%	33.6%	383 856	-36.7%
Free State	272 888	224 184	55.8%	41.9%	163 093	37.8%
Western Cape	954 730	320 034	33.5%	33.6%	383 856	-36.7%

30 September 2006 for all provinces. It excludes expected conditional grant roll-overs from the Department of the provinces' health and capital budgets.

42. Spending on the Comprehensive Agricultural Support Programme grant (also Schedule 4) is subsumed in a range of programmes and therefore no separate reporting is required in terms of the Division of Revenue Act, 2006 (Act No. 2 of 2006).
43. The total conditional grant allocation for all grants is R25,9 billion with health making up the largest grant spending amounts to 32,7 per cent or R4,9 billion.
45. Specific grants that show low rates of spending include Forensic Pathology Services (15,5 per cent) and Mass Sport and Recreation Participation Programme (24,2 per cent).
46. Spending on the Further Education and Training Grant is R1,1 billion or 4,3 per cent of the total conditional grant allocation.

Table 15: Provincial Conditional Grants Expenditure as at 30 September 2006

	Division of Revenue Act, 2006 (Act No. 2 of 2006)	Transferred from National to province	Actual as at 30 September 2006	Actual as % of budget (excluding Schedule 4 grants)
R thousand				
Agriculture	344 500	134 871	15 371	34.5%
1. Comprehensive Agricultural Support Programme	300 000	116 845		
Land Care Programme Grant: Poverty Relief and Infra	44 500	18 026	15 371	34.5%
Education	1 712 507	856 262	823 238	48.1%
Further Education and Training College Sector Recap	470 000	235 000	246 689	52.5%
HIV and Aids	144 471	72 240	50 365	34.9%
National School Nutrition Programme	1 098 036	549 022	526 184	47.9%
Health	10 033 366	5 016 675	1 456 535	41.2%
Comprehensive HIV and Aids	1 567 214	783 606	711 029	45.4%
Forensic Pathology Services	525 176	262 590	81 620	15.5%
1. Health Professions Training and Development	1 520 180	760 086		
Hospital Revitalisation	1 439 647	719 811	663 886	46.1%
1. National Tertiary Services	4 981 149	2 490 582		
Housing	6 349 949	3 362 381	2 573 891	40.5%
Integrated Housing and Human Settlement Developm	6 349 949	3 362 381	2 573 891	40.5%
Land Affairs	8 000	8 000		
Land Distribution: Alexandra Urban Renewal Project C	8 000	8 000		
National Treasury	4 118 119	1 395 657		
1. Provincial Infrastructure Grant	4 118 119	1 395 657		
Sport and Recreation South Africa	119 000	73 936	28 780	24.2%
Mass Sport and Recreation Participation Programme	119 000	73 936	28 780	24.2%
Transport	3 241 000	-	-	0.0%
Gautrain Rapid Rail Link	3 241 000	-	-	0.0%
Total	25 926 441	10 847 782	4 897 815	32.7%

1. Spending of these grants is subsumed in the spending of a range of programmes across provincial departments and therefore no reporting is required on these grants.

48. Table 16 indicates that provinces are spending slowly on conditional grants (Table 16 excludes Schedule 4 conditional grants). The figures indicate that five or more provinces have spent less than 35 per cent of their grant budget after six months for the following grants: Land Care Programme, HIV and Aids (Life Skills Education), Forensic Pathology Services and Mass Sport and Recreation Participation Programme.

Table 16: Selected Conditional Grants Spending Rate as at 30 September 2006

	Number of provinces spent less than 35%	Number of provinces spent between 35% and 45% (inclusive)	Number of provinces spent more than 45%
Agriculture			
Land Care Programme: Poverty Relief and	5 EC, FS, GT, KZN, MPU	2 NW, WC	2 LIM, NC
Education			
Further Education and Training College S	1 NC	-	8 EC, FS, GT, KZN, LIM, MPU, NW, WC
HIV and Aids (Life Skills Education)	5 GT, KZN, LIM, NC, NW	-	4 EC, FS, MPU, WC
National School Nutrition Programme	-	4 EC, GT, MPU, WC	5 FS, KZN, LIM, NC, NW
Health			
Comprehensive HIV and Aids	1 FS	4 KZN, MPU, NC, NW	4 EC, GT, LIM, WC
Forensic Pathology Services	8 EC, FS, GT, KZN, MPU, NC, NW, WC	4 LIM	

budgets.

50. Although the rate of spending is encouraging and reflects an improvement over previous financial years, overall spending still lies below average.

Provincial revenue

51. Provincial revenue includes budgeted equitable share allocations of R150,8 billion, conditional grants of R25,9 billion and own revenue of R6,6 billion. The total provincial revenue received and collected to date is recorded at 50,7 per cent or R92,9 billion of total budgeted total revenue of R183,2 billion.

52. National government transferred 52,0 per cent or R78,4 billion of the equitable share, and 41,8 per cent or R10,2 billion of the conditional grants.

Table 17: Provincial Own Revenue Collection as at 30 September 2006

	Main budget	Actual as at 30 September 2006	Actual as % of main budget	% share of Own Revenue to total provincial revenue	2005/06: Actual as at 30 September 2005	Year-on- year growth
R thousand						
Eastern Cape	472 484	359 040	76.0%	2.5%	251 495	42.8%
Free State	395 000	216 309	54.8%	3.6%	202 327	6.9%
Gauteng	1 758 263	1 032 853	58.7%	6.5%	932 600	10.7%
KwaZulu-Natal	1 173 812	705 290	60.1%	3.7%	634 977	11.1%
Limpopo	396 230	110 729	27.9%	0.9%	173 820	-36.3%
Mpumalanga	322 727	185 683	57.5%	2.9%	179 272	3.6%
Northern Cape	131 551	57 566	43.8%	2.5%	169 752	-66.1%
North West	466 071	231 303	49.6%	3.1%	181 841	27.2%
Western Cape	1 435 680	732 796	51.0%	7.9%	727 296	0.8%
Total	6 551 818	3 631 569	55.4%	3.9%	3 453 379	5.2%

LUNGISA FUZILE

DEPUTY DIRECTOR-GENERAL: INTERGOVERNMENTAL RELATIONS

DATE: 02 NOVEMBER 2006