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DRAFT 1

Report of the Joint Budget Committee

Third Quarter National Expenditure 2006/07 Financial Year

This report provides a brief analysis of National Departments' expenditure from April to December 2006. The report is divided into four main sections. The first section provides an analysis of National Departments' total expenditure¹. The second section focuses on current expenditure by National Departments. The third section of the report provides an analysis of transfer expenditure. The final section provides an analysis of capital expenditure. Each section includes the five highest and lowest spenders.

1. Total Expenditure

By the end of the third quarter of the 2006/07 financial year Departments spent an average of 70.46% of their total budgets. During the first quarter Departments spent 21.44%, during the second quarter they spent 24.80% and during the third quarter they spent 25.31% of its total budget. National Departments spent R55.7 billion during the first quarter, R64.5 billion during the second quarter and R67.3 billion during the third quarter. To date Departments spent R187.6 billion.

Table 1 Highest expenditure Departments at the end of the third quarter.

Table 1: Highest Total Expenditure to date

	Total Budget	Total Expenditure to date	% Total Expenditure to date	Projected Expenditure in final quarter	Projected % Expenditure in final quarter	Projected Over/Under Expenditure	Projected % Under/Over Expenditure
R'000							
Education	14,299,176	13,024,956	91.09%	1,274,219	8.91%	0	0.00%
Environmental Affairs and Tourism	2,061,804	1,700,511	82.48%	361,291	17.52%	0	0.00%
Social Development	62,382,425	49,910,022	80.01%	11,960,300	19.17%	512,134	0.82%
Arts and Culture	1,330,139	1,005,783	75.61%	320,073	24.06%	0	0.00%
Science and Technology	2,617,093	1,958,562	74.84%	658,530	25.16%	0	0.00%

The Department of Education at 91.09% spent the highest portion of its budget. Even though the Department spent more than 90% of its budget by the end of the third quarter of this financial year it does not appear that they will overspend their budget based on previous years expenditure patterns and the cash flow projections. Expenditure from April and December of 2006 is exactly the same compared to the same period of the previous financial year. Of the R13 billion spent by the Department of Education R12.7 billion was transfer expenditure R10.36 billion being transferred to universities and technikons and R1.4 billion to provinces and municipalities. Where the department is experiencing problems is with its current expenditure, thus far the department only spent 46.95% of its current budget.

¹ Total Expenditure includes current expenditure, transfer expenditure and capital expenditure.

The Department of Environmental Affairs and Tourism's expenditure at the end of the third quarter of the financial year was R1.7 billion which is 82.46% of the main appropriation. Of the R1.7 billion spent by the Department R1.28 billion was transfer payments R869 million transferred to departmental agencies and accounts and R373 million to households. The department plans spending R361 million or 17.52% of its budget during the final quarter.

The Department of Social Development expenditure during the first three quarters of the financial year was R49.9 billion i.e. 80.01% of the adjusted appropriation of R62.38 billion. The department plans spending R11.96 billion or 19.17% of its budget during the final quarter. This will result in an under expenditure of R512 million, R496 million being transfer payments to households.

The Department of Arts and Cultures expenditure during the first nine months of the financial year was R1.005 billion which is 75.61% of the adjusted appropriation compared to 62.26% during the first nine months of the 2005/06 financial year. The department plans spending R320 million or 24.06% of its budget during the final quarter. R267 million of this amount is transfer expenditure earmarked for departmental agencies and accounts as well as households.

The Department of Science and Technology spent R1.96 billion i.e. 74.84% of the adjusted appropriation of R2.61 billion during the first three quarters of the 2006/07 financial year. The department plans spending R625 million or 25.16% of its budget during the final quarter. R588 million of this amount is transfer expenditure earmarked for departmental agencies and accounts as well as non-profit institutions.

Table 2 illustrates Departments with the lowest expenditure at the end of the third quarter.

Table 2: Lowest Total Expenditure to date

R'000	Total Budget	Total Expenditure to date	% Total Expenditure to date	Projected Expenditure in final quarter	Projected % Expenditure in final quarter	Projected Over/ Under Expenditure	Projected % Under/ Over Expenditure
Sport and Recreation South Africa	959,946	398,955	41.56%	560,990	58.44%	0	0.00%
Public Enterprises	2,869,923	1,579,769	55.05%	1,290,153	44.95%	0	0.00%
Statistics South Africa	1,161,781	658,601	56.69%	444,731	38.28%	58,448	5.03%
Provincial and Local Government	25,392,288	14,441,154	56.87%	10,948,820	43.12%	2,313	0.01%
Water Affairs and Forestry	4,660,303	2,822,813	60.57%	1,516,473	32.54%	337,000	7.23%

The Department of Sport and Recreation South Africa at the end of the third quarter spent only 41.56% of its budget, making it the lowest in the expenditure pattern. At the end of the third quarter of the 2005/06 financial year the Department actually spent less of its total budget, i.e. 25.92%. The current pattern of expenditure if not addressed may lead to the same problem

as reflected in the previous financial year when the department spent 65% of its total budget during the last month of the financial year. Based on the cash flow projections the department plans transferring R424 million to provinces and municipalities during the last quarter of the financial year. It is important to note that the department received an additional R600 million via the adjusted estimates for the construction of stadia for the 2010 FIFA world cup. The department also plans spending 42% of its compensation of employees budget during the final quarter of the year.

The Department of Public Enterprises spent R1.58 billion or 55.05% of its total budget by the end of the third quarter. Its important to note that the department received an additional R2.186 billion via the adjusted estimates and this could be the reason for the low expenditure by the end of the third quarter. The department plans to spend R1.29 billion or 44.95% of its budget during the final quarter. Of this amount R1.255 billion is transfer expenditure.

Statistics South Africa spent R659 million or 56.69% of its budget by the end of the third quarter of the 2006/07 financial year. Expenditure is lagging behind the allocated budget due to the low level of expenditure related to current expenditure, which include compensation of employees as well as goods and services. Only R641 million of the R1.11 billion current budget has been spent thus far. According to the cash flow projections StatsSA plans spending R444.7 million or 38.28% of its total budget during the final quarter of the financial year. This will result in an under expenditure of R58 million or 5.03% and the major reason for this under expenditure is because StatsSA will only be able to spend R439 million of its R489 million budget for compensation of employees. The Committee will be engaging StatsSA during the final quarter to evaluate the degree of impact this under expenditure will have on its achievements and stated targets.

The Department of Provincial and Local Government spent R14.44 billion or 56.87% of its total budget by the end of the third quarter. This slow down of expenditure is due to transfer schedule of the equitable share which is now paid every four months instead of every three months, and because of delayed expenditure following the completion of a contractual commitment for municipal profiling. Of the R14.44 billion spent thus far by the Department R14.23 billion was transfer expenditure almost the entire amount transferred to provinces and municipalities. The department plans spending R10.9 billion or 43.12% of its budget during the final quarter of the financial year, R10.8 billion budgeted for provinces and municipalities.

The Department of Water Affairs and Forestry spent R2.8 billion or 60.57% of its budget by the end of the third quarter of the financial year. The department plans spending an additional 1.5 billion or 32.5% of its budget during the final quarter of the financial year. This will result in an under expenditure of R337 million or 7.23%. The department predicts under expenditure on both goods and services (R65 million) and compensation of employees (R16 million). In addition the department predicts under spending its line budget for departmental agencies and accounts by R265 million. The Committee will be engaging the department during the final quarter to evaluate the reasons for

this level of under expenditure and the degree of impact this under expenditure will have on its achievements and stated targets.

Table 3 represents Departments total expenditure at the end of the third quarter.

Table 3: Departmental Expenditure to date

	Total Budget	Total Expenditure to date	% Total Expenditure to date	Projected Expenditure in final quarter	Projected % Expenditure in final quarter	Projected Over/ Under Expenditure	Projected % Under/ Over Expenditure
R'000							
Voted Amounts	266,163,164	187,595,513	70.48%	75,383,831	28.32%	3,193,609	1.20%
Central Government Administration	35,372,602	20,754,244	58.67%	14,110,170	39.89%	544,472	1.54%
The Presidency	238,865	156,078	65.34%	74,787	31.31%	8,000	3.35%
Parliament	782,133	505,683	64.65%	156,570	20.02%	135,741	17.36%
Foreign Affairs	3,042,149	1,849,944	60.81%	1,172,209	38.53%	20,000	0.66%
Home Affairs	2,800,405	1,709,002	61.03%	741,972	26.50%	349,430	12.48%
Provincial and Local Government	25,392,288	14,441,154	56.87%	10,948,820	43.12%	2,313	0.01%
Public Works	3,116,762	2,092,383	67.13%	1,015,812	32.59%	8,564	0.27%
Financial and Administrative Services	21,654,212	14,434,407	66.66%	6,879,791	31.77%	340,014	1.57%
Gov. Communications and Info. Services	294,580	209,498	71.12%	85,081	28.88%	0	0.00%
National Treasury	16,729,581	11,578,659	69.21%	4,869,976	29.11%	280,946	1.68%
Public Enterprises	2,869,923	1,579,769	55.05%	1,290,153	44.95%	0	0.00%
Public Service and Administration	442,426	297,138	67.16%	145,290	32.84%	0	0.00%
Public Service Commission	97,003	70,482	72.66%	25,901	26.70%	620	0.64%
S A Management Development Institute	58,918	40,260	68.33%	18,659	31.67%	0	0.00%
Statistics South Africa	1,161,781	658,601	56.69%	444,731	38.28%	58,448	5.03%
Social Services	91,919,174	73,719,567	80.20%	17,543,417	19.09%	651,935	0.71%
Arts and Culture	1,330,139	1,005,783	75.61%	320,073	24.06%	0	0.00%
Education	14,299,176	13,024,956	91.09%	1,274,219	8.91%	0	0.00%
Health	11,453,993	8,326,993	72.70%	3,029,648	26.45%	97,350	0.85%
Labour	1,493,495	1,052,858	70.50%	398,187	26.66%	42,451	2.84%
Social Development	62,382,425	49,910,022	80.01%	11,960,300	19.17%	512,134	0.82%
Sport and Recreation South Africa	959,946	398,955	41.56%	560,990	58.44%	0	0.00%
Justice and Protection Services	72,800,200	48,873,138	67.13%	23,237,026	31.92%	651,813	0.90%
Correctional Services	9,831,512	6,293,616	64.01%	3,380,900	34.39%	157,000	1.60%
Defence	23,902,904	15,328,624	64.13%	8,633,680	36.12%	-59,400	-0.25%
Independent Complaints Directorate	65,906	45,484	69.01%	20,420	30.98%	0	0.00%

R'000	Total Budget	Total Expenditure to date	Total Expenditure to date	Projected Expenditure in final quarter	Projected % Expenditure in final quarter	Projected Over/ Under Expenditure	Projected % Under/ Over Expenditure
Justice and Constitutional Dev.	6,478,647	4,062,194	62.70%	1,824,015	28.15%	592896	9.15%
Safety and Security	32,521,231	23,143,220	71.16%	9,378,011	28.84%	0	0.00%
Econ. Services & Infrastructure Dev.	44,416,976	29,814,157	67.12%	13,613,427	30.65%	1,005,375	2.26%
Agriculture	2,367,630	1,532,883	64.74%	834,748	35.26%	0	0.00%
Communications	1,322,306	944,920	71.46%	372,107	28.14%	5,280	0.40%
Environmental Affairs and Tourism	2,061,804	1,700,511	82.48%	361,291	17.52%	0	0.00%
Housing	7,333,726	5,482,497	74.76%	1,433,229	19.54%	418,000	5.70%
Land Affairs	3,730,196	2,298,958	61.63%	1,431,237	38.37%	0	0.00%
Minerals and Energy	2,635,100	1,840,648	69.85%	794,452	30.15%	0	0.00%
Science and Technology	2,617,093	1,958,562	74.84%	658,530	25.16%	0	0.00%
Trade and Industry	3,942,028	2,449,373	62.13%	1,452,223	36.84%	40,433	1.03%
Transport	13,746,790	8,782,992	63.89%	4,759,137	34.62%	204,662	1.49%
Water Affairs and Forestry	4,660,303	2,822,813	60.57%	1,516,473	32.54%	337,000	7.23%

The cash flow projections provided by the National Treasury indicate that departments plan to spend R75.38 billion or 28.32% of the total national budget during the final quarter of the financial year. It also predicts that under expenditure for the 2006/07 financial year will be R3.193 billion or 1.2% of the total national budget.

Table 3 shows that only one Department predicts overspending its budget and that is the Department of Defence who predicts overspending its budget by R59 million or 0.25%. Of major concern to the committee is the Department of Home Affairs who ones again predict under expenditure of R349 million or 12.48% of its total budget. Even though Parliament does not fall under the five lowest spending departments at the end of the third quarter they predict under expenditure of R135.7 million or 17.36% of its total budget, which is the highest percentage under expenditure of all national institutions.

The Joint Budget Committee will be engaging these departments again during the final quarter to ascertain what measures have been adopted to arrest this pattern.

2. Current Expenditure

Table 4 represents departments' overall current expenditure per quarter as well as to date for the 2006/07 financial year. Departments spent on average 67.24% of their current budgets by the end of the third quarter. They spent on average 19.7% of their current budgets during the first quarter, 23.91% during second quarter and 23.45% during the third quarter. At the end of the third quarter of the 2005/06 financial year departments spent on average 67.77%

of their current budgets. This shows that there's been a minuscule decrease in the average percentage expenditure by departments.

Table 4: Current Expenditure

R'000	First Quarter Cur. Exp	% Cur. Exp for 1st Quarter	Second Quarter Cur. Exp	% Cur. Exp for 2nd Quarter	Third Quarter Cur. Exp	% Cur. Exp for 3rd Quarter	Total Current Budget	Current Expenditure to date	% Current Expenditure to date
Voted Amounts	16,036,692	19.70%	19,473,113	23.91%	19,012,916	23.45%	81,091,278	54,522,721	67.24%
Central Government Administration	1,271,229	19.86%	1,689,221	26.38%	1,525,827	23.21%	6,575,103	4,486,277	68.23%
The Presidency	38,247	17.13%	47,008	21.06%	49,883	23.97%	208,118	135,138	64.93%
Parliament	107,989	17.96%	189,368	31.49%	164,065	27.29%	601,208	461,422	76.75%
Foreign Affairs	426,813	19.77%	565,208	26.18%	483,724	21.62%	2,237,586	1,475,745	65.95%
Home Affairs	366,758	19.89%	471,596	25.57%	466,529	25.40%	1,836,732	1,304,883	71.04%
Provincial and Local Government	60,475	18.75%	70,042	21.71%	71,201	22.34%	318,753	201,718	63.28%
Public Works	270,947	21.65%	345,999	27.64%	290,425	21.16%	1,372,706	907,371	66.10%
Financial and Administrative Services	731,172	17.39%	862,220	20.50%	903,725	21.99%	4,109,004	2,497,117	60.77%
Gov. Communications and Info. Services	41,084	21.29%	46,546	24.13%	45,041	22.66%	198,786	132,671	66.74%
National Treasury	413,499	17.03%	467,523	19.26%	462,835	20.99%	2,204,877	1,343,857	60.95%
Public Enterprises	19,873	19.50%	22,951	22.52%	27,710	27.34%	101,336	70,534	69.60%
Public Service and Administration	62,213	19.26%	61,326	18.98%	93,890	25.89%	362,710	217,429	59.95%
Public Service Commission	20,235	21.38%	23,830	25.17%	25,868	27.14%	95,329	69,933	73.36%
S A Management Development Institute	6,913	20.66%	8,283	24.75%	6,194	18.51%	33,460	21,390	63.93%
Statistics South Africa	167,355	16.22%	231,761	22.47%	242,187	21.77%	1,112,506	641,303	57.64%
Social Services	555,031	17.40%	701,628	22.00%	596,541	19.14%	3,116,775	1,853,200	59.46%
Arts and Culture	105,578	45.31%	72,331	31.05%	77,504	32.29%	239,994	255,413	106.42%
Education	70,024	12.16%	113,651	19.74%	89,495	15.38%	581,778	273,170	46.95%
Health	107,793	13.33%	155,739	19.25%	130,565	16.76%	778,896	394,097	50.60%
Labour	202,077	18.09%	259,613	23.24%	217,332	20.24%	1,073,731	679,022	63.24%
Social Development	52,856	19.06%	78,139	28.18%	59,199	22.26%	265,913	190,194	71.52%
Sport and Recreation South Africa	16,703	9.42%	22,155	12.50%	22,446	12.72%	176,463	61,304	34.74%
Justice and Protection Services	12,143,545	20.31%	14,421,959	24.11%	14,096,246	23.80%	59,225,284	40,661,750	68.66%
Correctional Services	1,776,857	19.24%	2,044,134	22.14%	1,992,843	23.09%	8,630,038	5,813,834	67.37%
Defence	2,845,356	19.10%	3,705,361	24.88%	3,476,169	23.31%	14,912,947	10,026,886	67.24%
Independent Complaints Directorate	13,838	21.61%	15,436	24.11%	15,146	23.68%	63,970	44,420	69.44%
Justice and Constitutional Dev.	833,783	16.65%	1,099,312	21.95%	1,110,434	21.96%	5,055,825	3,043,529	60.20%
Safety and Security	6,673,711	21.81%	7,557,716	24.70%	7,501,654	24.55%	30,562,504	21,733,081	71.11%

	First Quarter Cur. Exp	% Cur. Exp for 1st Quarter	Second Quarter Cur. Exp	Cur. Exp for 2nd Quarter	Third Quarter Cur. Exp	Cur. Exp for 3rd Quarter	Total Current Budget	Current Expenditure to date	% Current Expenditure to date
R'000									
Econ. Services & Infrastructure Dev.	1,335,715	17.07%	1,798,085	22.97%	1,890,577	23.44%	8,065,112	5,024,377	62.30%
Agriculture	127,615	14.47%	175,630	19.90%	203,272	21.58%	941,914	506,517	53.78%
Communications	62,031	20.38%	69,831	22.95%	71,658	23.14%	309,628	203,520	65.73%
Environmental Affairs and Tourism	117,131	19.04%	142,948	23.24%	137,713	24.59%	560,093	397,792	71.02%
Housing	33,535	8.98%	45,482	12.18%	67,835	25.86%	262,307	146,852	55.98%
Land Affairs	149,290	15.07%	223,584	22.57%	221,267	22.47%	984,731	594,141	60.34%
Minerals and Energy	88,601	16.56%	110,433	20.65%	124,491	23.90%	520,952	323,525	62.10%
Science and Technology	46,010	25.45%	44,886	24.83%	42,747	20.87%	204,861	133,643	65.24%
Trade and Industry	113,610	14.76%	147,309	19.13%	166,033	21.00%	790,635	426,952	54.00%
Transport	105,194	19.52%	184,614	34.26%	126,394	17.44%	724,802	416,202	57.42%
Water Affairs and Forestry	492,698	18.69%	653,368	24.79%	729,167	26.37%	2,765,189	1,875,233	67.82%

Table 5 illustrates Departments with the highest current expenditure at the end of the third quarter.

Table 5: Highest Current Expenditure to date

	First Quarter Cur. Exp	% Cur. Exp for 1st Quarter	Second Quarter Cur. Exp	% Cur. Exp for 2nd Quarter	Third Quarter Cur. Exp	% Cur. Exp for 3rd Quarter	Total Current Budget	Current Expenditure to date	% Current Expenditure to date
R'000									
Arts and Culture	105,578	45.31%	72,331	31.05%	77,504	32.29%	239,994	255,413	106.42%
Parliament	107,989	17.96%	189,368	31.49%	164,065	27.29%	601,208	461,422	76.75%
Public Service Commission	20,235	21.38%	23,830	25.17%	25,868	27.14%	95,329	69,933	73.36%
Social Development	52,856	19.06%	78,139	28.18%	59,199	22.26%	265,913	190,194	71.52%
Safety and Security	6,673,711	21.81%	7,557,716	24.70%	7,501,654	24.55%	30,562,504	21,733,081	71.11%

The Department of Arts and Culture spent R255 million or 106.42% of its current budget by the end of the third quarter. At the end of the third quarter of the previous financial year the department spent 106.52% of its current budget and at the end of the year the current expenditure stood at 109.24%. The Committee noted that this is a repetition of the previous financial years pattern and believes measures should, if they have not already, be taken to address this pattern of over expenditure.

Parliament's current expenditure at the end of the third quarter was R461 million or 76.75% of its adjusted budget. Parliament spent 18% of its current budget during the first quarter, 31.49% during the second quarter and 27.29% during the third quarter. At the end of the third quarter of the 2005/06 financial year Parliament spent 71.63% of its current budget.

The Public Service Commission's current expenditure at the end of the third quarter of the financial year was R69.9 million or 73.36% of its adjusted budget. To date they spent 73.4% of their compensation to employees budget and 74.6% of its goods and services budget. Projections show that the

department will spend R24.78 million during the final quarter. A risk of under or over expenditure is statistically insignificant at this point of the expenditure cycle.

The Department of Social Development current expenditure at the end of the third quarter of the financial year was R190 million or 71.52% of its current budget. The department plans spending a further R70 million during the final quarter of the financial year. This expenditure pattern would appear to give no cause for concern however given the previous financial years expenditure of 136.75% the Department should track all line expenditure more closely.

The Department of Safety and Security current expenditure at the end of the third quarter of the financial year was R21.7 billion or 71.11% of its current budget. The department plans spending R8.5 billion during the final quarter of the financial year. The projected under and over expenditure for line budgets within current expenditure shows that the department expect to overspend its goods and services by R385.6 million and under spend its compensation of employees budget by R712 million. It is important to note that the department spent R2.68 billion or 10.06% of its budget during the last month of the previous financial year.

Table 6 illustrates Departments with the lowest current expenditure at the end of the second quarter.

Table 6: Lowest Current Expenditure to date

	First Quarter Cur. Exp	% Cur. Exp for 1st Quarter	Second Quarter Cur. Exp	% Cur. Exp for 2nd Quarter	Third Quarter Cur. Exp	% Cur. Exp for 3rd Quarter	Total Current Budget	Current Expenditure to date	% Current Expenditure to date
R'000									
Sport and Recreation South Africa	16,703	9.42%	22,155	12.50%	22,446	12.72%	176,463	61,304	34.74%
Education	70,024	12.16%	113,651	19.74%	89,495	15.38%	581,778	273,170	46.95%
Health	107,793	13.33%	155,739	19.25%	130,565	16.76%	778,896	394,097	50.60%
Agriculture	127,615	14.47%	175,630	19.90%	203,272	21.58%	941,914	506,517	53.78%
Trade and Industry	113,610	14.76%	147,309	19.13%	166,033	21.00%	790,635	426,952	54.00%

The Department of Sport and Recreation is the lowest spending department with expenditure at R61.3 million or 34.74% of its current budget. The reason for the slow expenditure is because of the Departments slow expenditure on goods and services (28%) and compensation of employees (42%). During the 2005/06 financial year the Department spent only 79.5% of its current budget.

In the Committee's opinion the current pattern of expenditure reflects the under expenditure pattern of the previous financial year and therefore gives cause for concern. The Committee will be engaging the department during the final quarter to evaluate the degree of impact this under expenditure will have on its achievements and stated targets. Measures should be developed and implemented to arrest this under expenditure pattern.

The Department of Education's current expenditure at the end of the third quarter of the financial year was R273 million, or 46.95% of the current budget. The reason for this is the slow expenditure on goods and services,