



Province of the  
**EASTERN CAPE**  
MEC: FINANCE

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The Chairperson

Select Committee on Finance

National Council of Provinces

P.O. Box 15

CAPE TOWN

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Dear Sir

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**REPORT ON CONDITIONAL GRANT AND INFRASTRUCTURE PERFORMANCE AS AT 30 SEPTEMBER 2007 OF  
THE 2007/08 FINANCIAL YEAR**

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**1. PURPOSE**

The purpose of this memorandum is to apprise the Select Committee on Finance on the financial performance of Conditional Grants and Infrastructure as at 30 September 2007.

**2. EXECUTIVE SUMMARY**

In as far as conditional grants expenditure is concerned, actual expenditure stood at R1, 3 billion or 88, 3 per cent against transfers of R1, 4 billion, thus recording an under expenditure of R165, 78 million or 11, 7 per cent. Of the spent amount, R822 million was spent in the second quarter. All other months recorded over expenditure except for the months of April and May. In this period under expenditure grew from R90 million to R359 million. As from June onwards, expenditure maintained an over expenditure trend averaging R71 million a month.



Table 1: Projected and Actual Expenditure on Conditional Grants by Type, April to September 2007

Grant Type	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers
Comprehensive agriculture support programme	6,984	34,619	(27,635)	495.7%	-395.7%
Land care programme	701	6,591	(5,890)	940.2%	-840.2%
Further Education and Training	39,408	39,408	-	100.0%	0.0%
HIV / AIDS Life skills (Education)	13,399	7,657	5,742	57.1%	42.9%
National school nutrition program	118,943	111,178	7,765	93.5%	6.5%
Comprehensive HIV/AIDS (Health)	116,598	96,361	20,237	82.6%	17.4%
Forensic pathology services	34,068	48,910	(14,842)	143.6%	-43.6%
Health professions training and development	66,972	49,334	17,638	73.7%	26.3%
Hospital revitalisation	123,378	93,069	30,309	75.4%	24.6%
National tertiary services	214,184	165,229	48,955	77.1%	22.9%
Integrated housing & human resettlement dev.	386,135	95,329	290,806	24.7%	75.3%
Provincial infrastructure grant	280,836	495,354	(214,518)	176.4%	-76.4%
Community library services grant	5,670	29	5,641	0.5%	99.5%
Mass sports and recreational participating program	9,610	8,068	1,542	84.0%	16.0%
<b>Total Conditional Grants</b>	<b>1,416,886</b>	<b>1,251,136</b>	<b>165,750</b>	<b>88.3%</b>	<b>11.7%</b>

Table 1 above shows accumulated actual expenditure on conditional grant for the period under review. As already alluded to, actual spending for the first half of the year, amounted to R1, 3 billion or 88.3 per cent was spent against transfers of R1, 4 billion. This resulted in the under expenditure of R165, 7 million or 11, 7 per cent. The Comprehensive Agricultural Support Programme (R27, 6 million), Land Care (R5, 8 million), Forensic Pathology Services (R14, 8 million) and Provincial Infrastructure (R214, 5 million) registered over expenditures. All other grants recorded under expenditure, with the following grants recording the highest levels of under spending:

- Integrated Housing and Human Resettlement Development      R290, 8 million
- National Tertiary Services      R48, 9 million
- Hospital Revitalization      R30, 3 million
- Comprehensive HIV and AIDS      R20, 2 million

## 2.2 INFRASTRUCTURE

The infrastructure budget has increased from R 3, 1 billion in 2006/07 to R3, 8 billion in the current financial year. Of the R1, 9 billion transferred in the period under reviewed, a sum of R1, 5 billion or 79 per cent was actually spent. As at the end of the period under review R404, 8 million remained unspent.

Table 2: Projected and Actual Expenditure on Infrastructure by Vote, April to September 2007

Department	2007/08 Budget	April	May	June	July	August	September	Total Actual Expenditure	S 40 projection April-Sept 07	Difference Actual and Projection	% Spent	% Projects d to Spend	Remaining Budget for 07/08 fin. Yr	
		Actual Expenditure	Actual Expenditure	Actual Expenditure	Actual Expenditure	Actual Expenditure	Actual Expenditure							
	R000	R000	R000	R000	R000	R000	R000	R000	R000	R000				
Health	876,477	1,624	28,915	37,864	164,871	97,285	40,361	370,920	431,369	60,439	42%	49%	505,557	
Roads & Transport	1,834,629	82,581	58,582	206,594	118,473	153,071	235,584	854,885	892,351	37,466	47%	49%	979,744	
Education	729,633	526	2,277	214	7,680	67,001	58,174	135,872	376,111	240,239	19%	52%	593,761	
Agriculture	112,724	576	684	2	459	31,436	1,462	34,619	71,774	37,155	31%	64%	78,105	
Public Works	180,013	6,585	6,932	4,348	16,992	11,762	21,589	68,208	85,011	16,803	38%	47%	111,805	
Social Development	30,470	-	1,104	1,488	2,524	1,967	1,581	8,684	16,116	7,432	29%	53%	21,786	
Sports	33,397	-	-	-	-	-	-	18,808	18,808	18,235	(572)	56%	55%	14,589
Housing	26,821	-	-	1,535	803	2,460	-	4,798	10,676	5,878	18%	40%	22,023	
<b>Total</b>	<b>3,824,164</b>	<b>91,852</b>	<b>98,494</b>	<b>252,045</b>	<b>311,802</b>	<b>365,002</b>	<b>377,559</b>	<b>1,496,794</b>	<b>1,901,634</b>	<b>404,840</b>	<b>39%</b>	<b>50%</b>	<b>2,327,370</b>	

According to the table 2 above, actual expenditure on a month-to-month basis had sustained a positive outlook as it increased from R91, 8 million in April to R377, 5 million in September. In the month of April for example, actual spending stood at R91, 9 million and increased to R98, 5 million in May. In June the figure significantly increased to R252 million, reaching R311, 8 million in July. In the month of August the figure again increased to R365 million reaching the highest level of R377, 5 million in September. As for under expenditure amount of R404, 8 million, the bulk was attributed to the Department of Education

The Department of Sport recorded the highest expenditure at 56 per cent, followed by Roads and Transport at 47 per cent, Health at 42 per cent, Public Works 38 per cent, Agriculture 31 per cent, Social Development 29 per cent, Education 19 per cent and Housing at 18 per cent.

### 3. DISCUSSION

#### 3.1 COMMENTS ON EXPENDITURE TRENDS BY GRANT

##### 3.1.1 DEPARTMENT OF HEALTH

Table 3: Projected and Actual Expenditure on Conditional Grants, April to September 2007

Grant Type	Budget 2007/08	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Comprehensive HIV/AIDS (Health)	233,204	116,598	96,361	20,237		17.4%	41.3%
Forensic pathology services	68,135	34,068	48,910	(14,842)	143.6%	-43.6%	71.8%
Health professions training and development	133,944	66,972	49,334	17,638	73.7%	26.3%	36.8%
Hospital revitalisation	246,750	123,378	93,069	30,309	75.4%	24.6%	37.7%
National tertiary services	428,912	214,184	165,229	48,955	77.1%	22.9%	38.5%
<b>Total Conditional Grants - Health</b>	<b>1,110,945</b>	<b>555,200</b>	<b>452,903</b>	<b>102,297</b>	<b>81.6%</b>	<b>18.4%</b>	<b>40.8%</b>

#### COMPREHENSIVE HIV AND AIDS

In the reporting period, transfers of R116, 6 million were received, while expenditure for the same period amounted to R96, 4 million or 41, 3 per cent of actual transfers, resulting to an under expenditure of R20, 2 million or 17, 4 per cent. Since no transfers were received during the first quarter, the expenditure in the second quarter was fast tracked as there were activities that took place that needed to be paid retrospectively, namely:

- Transfer of funds to the Home Based Care Non-Governmental Organizations;
- Procurement of Ante-Retroviral Drugs - payments are done quarterly;
- Payment of National Health Laboratories for laboratory tests;
- Payment of Nestle for formula feed for the Prevention of Mother To Child Transmission (PMTCT) program; and
- Procurement of test kits for the Voluntary Counseling & Testing (VCT) program.

Further, through the grant the department managed to put 3, 196 HIV infected new clients on the ART programme. A number of facilities were accredited to provide ART (38 Hospitals, 10 CHC's and 1 Correctional Service), and 29, 103 new patients accessing home based care services (totalling 154, 738). Also accredited were 4 new facilities to provided VCT services and 10 new facilities accredited to provide PMTCT services.

### FORENSIC PATHOLOGY SERVICES

Of the R34, 068 million transfers received, R48, 9 million or 143, 6 per cent of the actual transfers has been spent, leading to an over expenditure of R14, 8 million or 43, 6 per cent of actual transfers unspent. The grant has shown significant improvement compared to the same period in 2006/07 financial year, when only 9% of transfers was spent.

### HEALTH PROFESSIONS, TRAINING AND DEVELOPMENT (HPTD)

Against transfers of R66, 9 million, actual spending stood at R49, 3 million or 73, 7 per cent and thus leaving R17, 6 million or 26, 3 per cent unspent in the period under review. The largest proportion of the grant is allocated to the Walter Sisulu University.

### HOSPITAL REVITALIZATION

In the period under review, R93, 1 million or 75, 4 per cent was recorded as actual expenditure against transfers of R123, 4 million received. A significant spending improvement is noted when compared to the previous year actual spending (R12, 9 million) in the same period.

### NATIONAL TERTIARY SERVICES

Of the R214, 1 million transferred in the first half of the year, R165, 2 million or 77, 1 per cent was recorded as actual expenditure, leaving R49 million or 22, 9 per cent unspent. This shows a marked improvement of R74, 7 million when compared to last year's expenditure. A month to month expenditure analysis shows that in the months of April and June expenditure were low at R13, 8 million and R22 million respectively, when compared to other months

### 3.1.2 DEPARTMENT OF EDUCATION

Table 4: Projected and Actual Expenditure on Conditional Grants, April to September 2007

Grant Type	Budget 2007/08	Transfers, April - September (R'000)	Actual April - September (R'000)	Over(-)/Under(+) (R'000)	Actual as % of Transfers	Over(-)/Under(+) as % of Transfers	Actual as % of Budget
Further Education and Training	78,815	39,408	39,408	-	100.0%	0.0%	50.0%
HIV / AIDS Life skills (Education)	26,797	13,399	7,657	5,742	57.1%	42.9%	28.6%
National school nutrition program	237,885	118,943	111,178	7,765	93.5%	6.5%	46.7%
<b>Total Conditional Grants - Education</b>	<b>343,497</b>	<b>171,750</b>	<b>158,243</b>	<b>13,507</b>	<b>92.1%</b>	<b>7.9%</b>	<b>46.1%</b>

### FURTHER EDUCATION AND TRAINING (FET)

During the reporting period, an amount of R39, 4 million was transferred and spent. The bulk of the actual expenditure amounting to R34,4 million took place in the month of July. In the first quarter, only R5 million was spent.



From a service delivery point of view, progress has been made on the construction of the new motor mechanic workshop at Charles Goodyear in the East Cape Midlands FET College. The planning of new infrastructure is currently underway as well as the purchasing of related equipment. At King Sabata Dalindyebo FET College, a supply chain committee is in place and the procurement of student furniture was done (chairs for computer labs).

At Lovedale FET College the first phase of renovations and upgrading of workshops, classrooms at Zwelitsha Campus were completed. All the new equipments are commissioned at the workshops. Two computer labs and two classrooms have been completed and fully equipped at King Campus. Purchase of equipment for the Office Admin Simulation and electrical workshop equipment was done at King Hintsa FET College. Equally spending is proceeding according to the plans in other FET Colleges.

#### LIFE SKILLS AND HIV/AIDS GRANT

Of the R13, 4 million transferred a sum amount of R7, 7 million or 57, 1 per cent was recorded as actual expenditure, thus leaving R5, 7 million 42, 9 per cent unspent. The bulk (R6 million) was spent in the second quarter.

#### NATIONAL SCHOOLS NUTRITION PROGRAMME GRANT

The grant registered actual expenditure of R111, 2 million or 93, 5 per cent against transfers of R118, 9 million, thus leading to an under expenditure of R7, 8 million or 6, 5 per cent. This spending pattern reflects a marked improvement when compared to the last year's actual expenditure of R23, 9 million.

As an attempt to improve service delivery, as at end of June, the department created an interim management structure and awarded 56 new contractors. Feeding resumed on 1 February 2007 and two administration centers have been established. The number of grades to be fed has been increased as follows:

- Feeding in grades R - 7 in quintiles 1,2 and 3;
- Feeding in grades R - 7 in all farm schools; and
- Feeding in grades R - 4 in all schools.

