

Budget 2016 Summary

INTRODUCTION

Since the tabling of the 2015 Budget and the 2016 - 2019 MTBPS, economic growth forecasts for 2016 have been revised downwards by both the International Monetary Fund and the National Treasury to below 1 per cent. Growth prospects for 2017 remain under pressure and has resulted in a decline in revenue projections. Government continues to remain committed to reducing the budget deficit and spiralling debt service costs, meeting assurances given to fund new National priorities while maintaining government expenditure within income ceilings. This has however necessitated budget reductions at both the national and provincial spheres of government. The 2016 National Budget reduces the growth in baseline expenditure nationally by R43.7 billion over the MTEF which translates into a downward revision of approximately R1.5 billion for the Western Cape over the 2016 MTEF compared to the 2015 MTEF. As a result the Provincial Equitable Share and selected conditional grants will increase at a slower pace than previously projected.

To this effect, the WCG has strengthened its approach toward fiscal consolidation, which aims to deliver frontline services whilst maintaining fiscal stability. Given the Province's limited own revenue raising potential, fiscal consolidation entails lowering baseline budgets to remain within the revised expenditure ceiling, particularly through the management of personnel headcounts as Cost of Employees (CoE) budgets are key to ensuring sustainable budgets. Furthermore, the Province has taken a position to create a conservative fiscal base over the 2016 MTEF to deal with the anticipated deterioration of the economic environment and its concomitant impact on the overall provincial fiscal envelope.

Substantial public investment in infrastructure, both to create employment directly in construction, operation and maintenance as well as the production of inputs; and indirectly by improving efficiency across the economy – has been identified as a driver for smart, sustainable and inclusive growth. The projects as contained in the Province's infrastructure budget have been based on extensive consultations with role-players to create public value.

The 2016 Budget attempts to respond to the principles outlined in the Province's strategic goals, and aims to provide a platform for innovative and fit-for-purpose facilities and institutions. Some of the innovative concepts being interrogated and piloted at the moment include transit-oriented developments, urban intensification, mixed-use developments, and a range of housing options. Given the fiscal constraints and the option to protect the infrastructure budget, an update is provided on the status of the WCG's main infrastructure budgets which highlight investment in both social and economic infrastructure over the 2016 MTEF.

An overview of the spatial and sectoral distribution of the WCG's 2016 Budget is provided. It also unpacks the distribution of provincial allocations to the various municipalities. The spatial and sectoral dispersion of the 2016 Budget aims to address current socio-economic challenges, policies and strategies that jointly confront municipalities and the Province as a whole.

CHAPTER 1: SOCIO-ECONOMIC CONTEXT AND OUTLOOK

Economic Outlook

The global economy grew by 3.1 per cent in 2015, down from 3.4 per cent in 2014. Growth in emerging economies slowed for a fifth consecutive year while economic growth in advanced economies accelerated marginally. The recovery in the United States (US) remained on track through 2015 and the US Federal Reserve Bank raised the US interest rate for the first time since 2006. However, Chinese economic growth slowed further in 2015. The rebalancing to the consumption led growth has resulted in significant excess capacity in the Chinese secondary sector which has weighed heavily on demand for industrial commodities leading to sharply lower international prices. The global economic outlook expects growth accelerating to 3.4 per cent in 2016, and then to 3.6 per cent in 2017. The outlook for advanced economies is for improved growth due to better prospects for the Eurozone while growth in the US is expected to be more or less unchanged. Stronger growth is expected in developing economies mainly due to gradual improvements in countries in current economic distress such as Brazil and Russia.

Table 1: Economic Outlook, 2015 – 2017

	2015e	2016f	2017f
Global economy	3.1	3.4	3.6
Advanced economies	1.9	2.1	2.1
Developing economies	4.0	4.3	4.7
South Africa	1.3	0.8	1.5
Western Cape	1.4*	1.0	1.8

e denotes estimate and f denotes forecast

* Western Cape 2015 growth is a forecast

The national economy contracted by 1.3 per cent in the second quarter of 2015. The economy escaped a technical recession after registering growth of 0.7 per cent in the third quarter of 2015. On an annual basis, growth slowed to just 1.2 per cent from 1.6 per cent in the second quarter of 2015. The main drag on growth was the primary sector, which plunged by 10.4 per cent after a 9.5 per cent decline in the second quarter. Agriculture suffered a third consecutive steep fall as severe drought conditions continued and the mining sector was faced with the lower international commodity prices.

After weakening for a fourth consecutive year in 2015, the weaker rand exchange rate contributed to higher consumer inflation. Inflation moved steadily higher and rose from 3.9 per cent year-on-year in February to 5.2 per cent in December 2015. The national economic outlook expects subdued economic growth of less than one per cent for 2016. The Bureau of Economic Research (BER) forecast economic growth of 0.8 per cent for 2016 before marginally improving to 1.5 per cent in 2017. The National Treasury is slightly more optimistic and forecasts growth of 0.9 per cent for 2016 and 1.7 per cent for 2017.

The consumer inflation outlook has also deteriorated significantly. Inflation is expected to accelerate to 6.9 per cent during 2016 and, at 6.6 per cent, it will remain well outside the upper inflation target range during 2017. The extent and timing of future rate hikes depend, among other factors, on currency movements and inflation expectations going forward.

The Western Cape economy has managed to grow marginally faster than the national economy for the most part of the last decade. However, the margin by which the Province outperformed has narrowed in recent years. On average, the Western Cape grew by 3.4 per cent year-on-year between 2004 and 2014 compared to the national 2.9 per cent. Going forward, the Western Cape is forecast to continue to outperform the national economy, and the Western Cape is forecast to marginally expand by 1.0 per cent in 2016, improving gradually to 1.8 per cent in 2017.

On average, the provincial economy is forecast to expand by 2.2 per cent year-on-year from 2015 to 2020. The construction sector is anticipated to record the fastest growth rate, on average, between 2015 and 2020. In contrast, the agriculture, forestry and fishing sector is expected to, on average, contract by 1.4 per cent year-on-year mainly due to sharp declines in 2015 and 2016 amid a severe drought. Domestic risks are largely tilted to the downside. These include structural challenges such as the high unemployment and the large current account deficit, domestic economic policy uncertainty and intensifying pressure on government fiscal revenue, and the possible downgrade of the international credit ratings. Should the drought conditions persist and turn out worse than currently projected; this could affect the Western Cape disproportionately, due to the closely linked agri-processing and broader manufacturing sector within the Province.

Labour market dynamics

The recently released Statistics South Africa Quarterly Labour Force Survey, reflects that the national labour market had 16 million individuals employed but with 5.1 million individuals unemployed in the last quarter of 2015 with an unemployment rate of 24.5 per cent. Nationally, employment increased by 2.4 per cent between the first and third quarters of 2015, to reach almost 15.9 million individuals.

In the fourth quarter of 2015, the Western Cape had 2.3 million individuals employed and 571 000 unemployed, giving an unemployment rate of 19.4 per cent, according to Statistics South Africa Quarterly Labour Force Survey. In the Western Cape, during the first and third quarters of 2015, provincial narrow unemployment fluctuated at just over 600 000 during the period, while there were roughly 50 000 unemployed individuals who were not actively seeking employment.

Table 2: Labour Market Trends

	2014Q3	2014Q4	2015Q1	2015Q2	2015Q3	Change (2015Q1-Q3)	
						Absolute	Relative
Western Cape							
<i>Aggregates (thousands)</i>							
Working age population	4 235	4 263	4 276	4 293	4 327	51	1.2
Employment	2 190	2 179	2 271	2 263	2 321	51	2.2
Narrow unemployment	675	643	600	627	603	3	0.4
Narrow labour force	2 865	2 822	2 871	2 890	2 924	53	1.9
<i>Rates (per cent)</i>							
Narrow unemployment	23.6	22.8	20.9	21.7	20.6	-0.3	
South Africa							
<i>Aggregates (thousands)</i>							
Working age population	35 729	35 896	36 063	36 224	36 416	352	1
Employment	15 157	15 363	15 498	15 685	15 876	378	2.4
Narrow unemployment	5 152	4 909	5 536	5 231	5 420	-116	-2.1
Narrow labour force	20 308	20 272	21 034	20 917	21 296	262	1.2
<i>Rates (per cent)</i>							
Narrow unemployment	25.4	24.2	26.3	25	25.5	-0.9	

In 2015, nearly two-thirds (65.3 per cent) of the unemployed in South Africa were aged 15 to 34 years, while this group accounted for only 46.4 per cent of the narrow labour force. Approximately 3.5 million youth are unemployed in South Africa, of which roughly 10 per cent (357 000) are located within the Western Cape in 2015. The national youth unemployment rate (using the narrow definition of unemployment) was 35.8 per cent in 2015, compared with 30.0 per cent in the Western Cape.

Selected socio-economic indicators show improvements in the outcomes of health and education. The Western Cape has the highest life expectancy for both males and females as compared to South Africa. However, the leading cause of premature mortality (years of life lost) is HIV/AIDS followed by interpersonal violence. The Western Cape has the highest school retention rates even in the environment of increasing enrolment numbers and consequent pressures on educational resources. Social ills such as crime and substance abuse are continuing to afflict the Western Cape. Gang violence is the biggest contributing factor to the high murder and attempted murder rates while poly-substance abuse remains high within the Western Cape.

CHAPTER 2: PROVINCIAL REVENUE

Provincial Revenue

The Western Cape Government receives its revenue from national transfers (provincial equitable share, and conditional grants), own financing, and own revenue. Total projected revenue for 2016/17 is budgeted to amount to R55.564 billion. Provincial equitable share contributes the largest share to total receipts followed by conditional grants and own receipts.

Figure 1: Composition of Provincial Revenue Sources: 2016/17

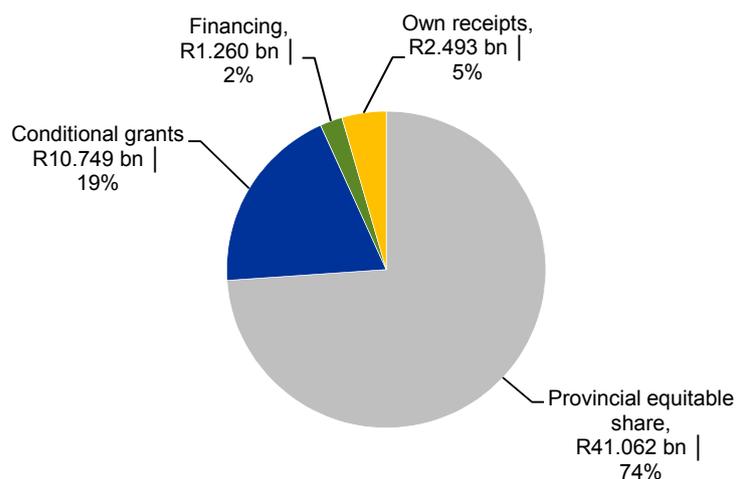
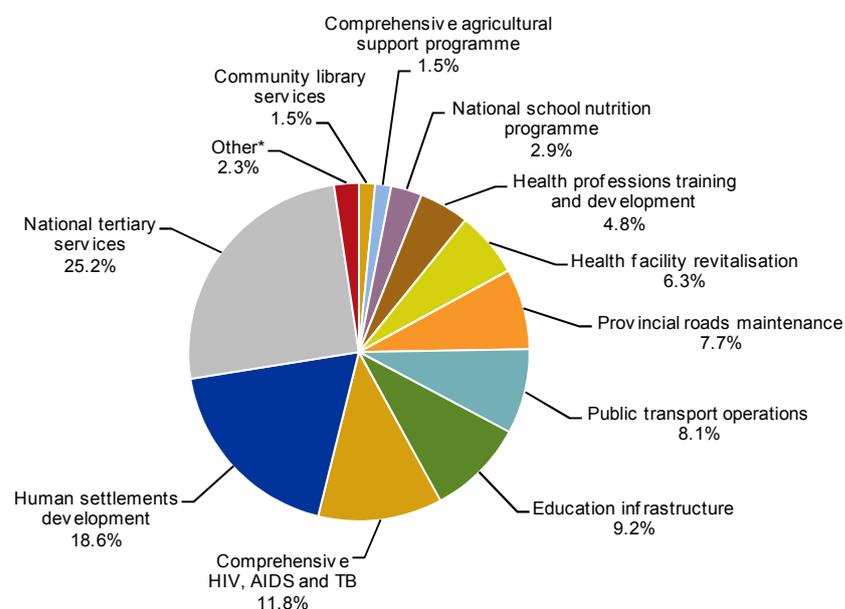


Figure 2: Shares of Western Cape Conditional Grants: 2016/17



*Other consists of eight smaller conditional grants: Land Care Programme; National Health Insurance; HIV and AIDS (Life Skills Education); Maths, Science and Technology Grant; Expanded Public Works Programme; Social Sector Expanded Public Works Programme; Ilima/Letsema projects; Mass Participation and Sport Development.

The Human Settlements Development, National Tertiary Services and the Comprehensive HIV, AIDS, and TB conditional grants comprise more than 50 per cent of total grants in the Western Cape.

CHAPTER 3: BUDGET POLICY PRIORITIES

Game Changers

The Game Changer budgets over the 2016 MTEF include (i) allocations which departments mainstreamed and/or reprioritised, and (ii) additional budget allocations made where further reprioritisation by departments were not possible. The overview of the estimated Game Changer budgets are as follows (excluding allocations provided for in previous financial years, where applicable):

Table 3: Game Changer Budgets

Game Changer	Additional Game Changer allocation 2016 - 2017	Department Budget 2016 - 2017	Total Game Changer Budget 2016 - 2017	MTEF 2016
	R'000	R'000	R'000	R'000
Energy	4 309	13 759	18 068	53 005
Skills	2 500	98 344	100 844	273 294
After schools	19 059	131 114	150 173	419 494
e-Learning	0	307 000	307 000	757 518
Alcohol	6 387	12 194	18 582	56 181
Better Living Model	0	17 735	17 735	41 718
Total	32 255	580 146	612 402	1 601 210

Provincial Strategic Goal 1: To Create Opportunities for Growth and Jobs

Agri-processing, Tourism, Oil and Gas: Identified by Project Khulisa as a high-potential contributor to opportunities for growth and jobs. Key enablers such as energy, water, skills, infrastructure and ease of doing business are critical to realise the potential for growth and job creation.

Ease of doing business: The WCG will continue to focus on the ease of doing business in the Province, recognising red tape as a primary inhibitor. Red Tape as an inhibitor of successful economic growth and is largely caused by two fundamental issues, namely economic unfriendly legislation and inefficient processes and procedures. R16.046 million has been allocated in 2016/17; R16.618 million in 2017/18 and R17.825 million in 2018/19 toward resolving barriers to starting and growing business.

Skills development: The Province will continue to focus on skills development to match demand for appropriate skills, thereby enhancing regional competitiveness. Targets include training 250 artisan and 310 semi-skilled candidates. Amounts of R63.242 million for the 2016/17 financial year, R62.239 million in 2017/18 and R70.834 million in 2018/19 are allocated for skills development.

Strategic Catalytic Infrastructure and Initiatives: Remain a key priority; thus the amount of R349.351 million has been allocated over the 2016 MTEF. Initiatives to be continued in 2016/17 include the Saldanha Bay IDZ, improved air access, Cape Health Technology Park, expansion of the Cape Town International Convention Centre and implementation of broadband related projects.

Green Economy: The focus will be on four strategic themes: Energy security, resource efficiency, better living models as well as ecosystems goods and services. Alternative energy sources such as Liquefied Natural Gas and Smart Grids will be explored. In addition, agricultural and biodiversity management projects include, the clearing of alien vegetation and addressing environmental rehabilitation projects (such as the Berg River Improvement plan). The amount of R72.753 million has been allocated for these initiatives over the 2016 MTEF.

Provincial Strategic Goal 2: To Improve Education Outcomes and Opportunities for Youth Development

Improving Education Outcomes: A total of R61.007 billion has been allocated to the Department of Education over the next three years. Key focus areas include:

- Excellent administration boosted by online services; a five year teacher development plan; good school management; needs-based education provisioning; support for independent schools; a programme to minimise barriers to learning; social support and a platform for youth development which includes the school nutrition programme, fee relief and safe schools; an effective infrastructure programme to create an inspiring environment; quality Grade R; and provincial curriculum management strategies with a specific focus on Language and Mathematics Development Strategies.

e-Learning is identified as a key priority for the Department of Education in order to enhance the quality of teaching and learning. e-Learning aims to create an e-Culture in schools, backed by e-Infrastructure; an e-Admin system to run the school, and well-trained e-Teachers using e-Technology and e-Content in their lessons. Activities to be undertaken include investing in high speed broadband connectivity (complemented by a well-managed Local Area Network/LAN) to enable the construction of technology enhanced smart classrooms in the Western Cape.

Early Childhood Development (ECD) and Partial Care: Improving the quality of ECD programmes and providing safe environments and nutrition for children remain a priority. A new national Early Childhood Development Grant will be introduced in the outer years of the MTEF for the maintenance and upgrade of facilities with allocations of R15.274 million in 2017/18 and R23.104 million in 2018/19. Additional support is provided through a special ECD programme for English Language, strengthening reading in English and cognitive development.

Western Cape Library Services: With over 300 public libraries supported across the Western Cape, the amounts allocated toward the Library Service which include conditional grant and provincial equitable share funding are R323.826 million in 2016/17, R337.022 million in 2017/18 and R355.171 million in 2018/19.

The Mass Participation, Opportunity and Access, Development and Growth (MOD) Centres: The Province is supporting after-school programmes, in particular the 181 school-based MOD Centres where learners participate in after-school activities.

- The Year Beyond programme forms the academic leg of the MOD Programme operating in 22 academically under performing schools. The MOD programme is the focal point of the After Schools Game Changer, which is based on four pillars, namely academic support, life skills, arts and culture and sport.

Youth Cafés are an innovative initiative designed to be vibrant, positive spaces where young people are afforded opportunities to access skills development programmes, training workshops, seminars, and entrepreneurial opportunities. These contribute to implementing the Western Cape Youth Development Strategy – which focuses on holistic skills development of young people to render them more employable, positive, healthy and well prepared for adulthood.

Provincial Strategic Goal 3: To Increase Wellness, Safety and Tackle Social Ills

Improving wellness: A total of R63.588 billion has been allocated to the Department of Health over the next three years toward improving the wellness of Western Cape citizens. Key strategic interventions over the 2016 MTEF entail:

- Focusing on prevention, promotion, quality and efficiency. The preventative interventions will range from upstream interventions that address the broader societal issues to more specific measures to optimise the opportunity of engaging patients and their relatives within the health service.
- Redoubling departmental efforts to reduce the waiting times and improve the experience of waiting within health facilities.
- The re-design of primary healthcare service; a multi-sectoral community based initiative to reduce the harms from alcohol abuse; the first 1 000 days project; the Western Cape on Wellness (WoW) project; and the integrated service delivery model in Drakenstein.

Enabling and empowering the poor and vulnerable: A budget of R6.208 billion is allocated to the Department of Social Development over the 2016 MTEF to provide services in this regard. Over the next five years, the Department's goal will be to raise the quality of services as is required by their legislative mandates, i.e. the Children's Act, the Child Justice Act, the Substance Abuse Act and the Older Persons Act.

- An amount of R314.058 million has been allocated towards Substance Abuse, Prevention and Rehabilitation over the 2016 MTEF by the Department of Social Development.
- Over the next five years, drug treatment services will be introduced in all departmental Child and Youth Care Centres, providing sentenced youth with the opportunity to break the cycle of drug misuse and abuse.
- Promoting of the rights, well-being and socio-economic empowerment of Persons with Disabilities remain a key priority. R464.218 million has been allocated over the 2016 MTEF to support persons with disabilities. Of this amount, R119.660 million has been earmarked, specifically for the educational needs of severe and profoundly disabled children and the expansion of group homes for adults and children with intellectual disabilities and those presenting challenging behaviours.

Community Safety Improvement Partnership (CSIP): The Department of Community Safety implements the NDP Goal through the development of this service delivery model – which also adopts the 'whole-of-society' approach.

- The key outcomes of the CSIP are to promote professional policing through systems of effective oversight, to ensure the safety of all public buildings and spaces and to build viable and sustainable safety partnerships.
- In its efforts to establish safety partnerships aimed at increasing safety, the Department initiated the Stabilisation Units within and under the auspice of the City of Cape Town Law Enforcement. As a result of the successful implementation of these Community Stabilisation Units, further resources will be allocated toward the project over the 2016 MTEF, i.e. R3 million in 2016/17, R3.5 million 2017/18 and R3.938 million in 2018/19. The Community Stabilisation Units provides for local communities to become involved in building safety through adequate training, equipment and under the day-to-day supervision of the City of Cape Town.

Promoting Arts, Culture and Heritage: Amounts of R109.443 million for 2016/17, R107.174 million for 2017/18 and R113.181 million for 2018/19 are allocated to the Cultural Affairs Programme in the Department of Cultural Affairs and Sport for this purpose.

Provincial Strategic Goal 4: To Enable a Resilient, Sustainable and Inclusive Living Environment

Provincial Spatial Development Framework (PSDF): Serves to guide the location and form of public investment in the natural and built environments, so that the returns on these investments are consistent with the Province's development objectives.

Sustainable Living and Resource Use: Key initiatives in this regard include:

- The Department of Environmental Affairs and Development Planning has been allocated a budget of R550.964 million for 2016/17, R591.528 million for 2017/18 and R582.535 million for 2018/19 to drive these key interventions.
- The Province will continue to strive in protecting biodiversity and ecosystems including safeguarding of coastal and inland water resources while managing the use of water given that the Province is experiencing water scarcity and drought. Climate change response frameworks developed for district municipalities; River and estuarine sites monitored in respect of pollution control; River Improvement Plans to be developed; Waste management planning interventions undertaken; and Monitoring of ambient air quality.
- The creation of sustainable and integrated human settlements in the Western Cape includes the promotion of social inclusion, economic growth and spatial restructuring. The Department of Human Settlements plans to deliver a large number of housing opportunities over the 2016 MTEF.
- The Regional Socio-Economic Project (RSEP)/Violence Prevention Urban Upgrade Project (VPUU) is the practical application of developmental planning and integrated service delivery. The programme is being implemented in five partner municipalities, namely Saldanha Bay, Swartland, Breede Valley, Drakenstein and Theewaterskloof, and the Cape Town Metro. The 2016 MTEF allocations are R38.8 million for 2016/17, R64.3 million for 2017/18 and R37.096 million for 2018/19.

Provincial Strategic Goal 5: To Embed Good Governance and Integrate Service Delivery through Partnerships and Spatial Alignment

Citizen Centered Services: The WCG aims to communicate its goals and service delivery outcomes to the people of the Western Cape. Initiatives include the continued roll-out of the Cape Access Centres, the Rural Library Connectivity Project, Public Access Wi-Fi as well as the Thusong and Community Development Worker Programmes.

Ensuring a Capable and Efficient State:

- Improving business process optimisation.
- Implementing the single Integrated Financial Management System (IFMS) in order to replace the existing transversal systems, namely Basic Accounting System (BAS), Personnel and Salary Administration System (PERSAL) and Logistical Information System (LOGIS).

Strengthening Financial and Public Sector Governance:

- Continuing to balance public finances and maintain fiscal stability within the current constrained fiscal environment by Provincial Treasury. The emphasis is on appropriate management of fiscal risk, strengthening fiscal consolidation and to enable government to be responsive in dealing with unforeseen and unaffordable expenditure. A specific strategy in this regard was to set strict expenditure ceilings and efficiency targets over the 2016 MTEF.
- The Chartered Accountants Academy (CAA) aims to provide an avenue for prospective chartered accountants to receive accredited training inside the public sector.
- Working toward finalising the Western Cape Government Good Governance Index (WCGGGI) the aim is to measure the level of good governance, shifting away from the traditional emphasis on measuring compliance exclusively as a way to determine performance.
- With reference to finalising the Combined Assurance Framework by the Department of the Premier, the focus remains on improving assurance coverage as encapsulated within departmental internal control and audit coverage plans.

Supporting Local Government: The Department of Local Government's service-delivery outreach will entail the review and introduction of best practice governance models (which span the ward committee and public participation context, including ICT governance).

- Continued support for each district is to be provided in respect of developing bulk water and sanitation Master Plans.
- Investment in order to enhance municipal fire-fighting capability remains a key local government priority. Non-investment, as a result of the difficult financial situation of most district municipalities, has resulted in old and obsolete equipment not being replaced.
- Continued support of local government through availing the municipal Financial Management Improvement Grant - in order to strengthen financial-management capability and skills within municipalities.
- With the emphasis on 'clean governance', the Municipal Governance Review and Outlook (MGRO) process aims to directly contribute to good financial governance. The Provincial Treasury has conducted revenue master classes within the local government space to consider elements of revenue efficiency, adequacy and utilisation to address the current fiscal environment.

2016 Local Government Elections Support: The Department of Local Government is preparing for and intensifying its support of municipalities both before and after the 2016 local government elections. Post-election, the Department aims to provide, in partnership with the Nelson Mandela Bay University, a fully accredited councillor training programme. A Helpdesk will also be established to assist municipalities both before and after the 2016 elections.

CHAPTER 4: PUBLIC INFRASTRUCTURE INVESTMENT IN THE WESTERN CAPE

Substantial public investment in infrastructure has been identified as a driver for smart, sustainable and inclusive growth over the 2016 MTEF. A delivery governance framework has been developed to strengthen the monitoring and delivery of infrastructure in the Province and to identify and mitigate any key risks. An understanding of the geographical spread of the infrastructure investment footprint enables government to strategically align spending and infrastructure investment to priority needs and objectives. This allows for greater integration and alignment of service delivery and thereby increases the impact of government interventions.

The focus over the MTEF will be to:

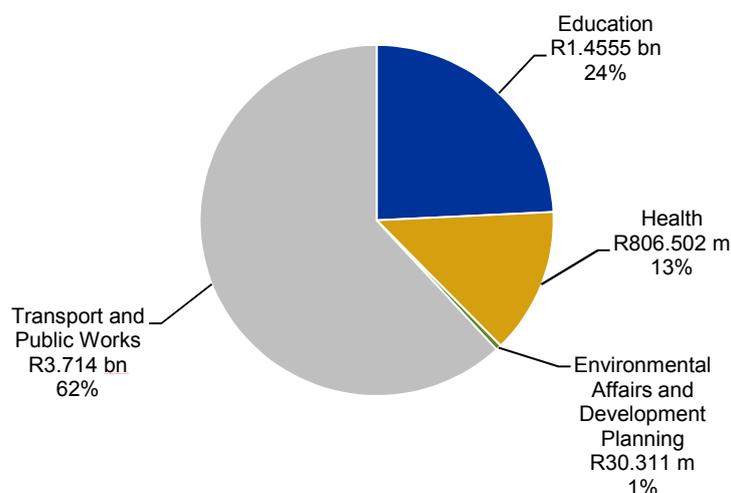
- Continuously drive innovative practices in the delivery of infrastructure and to concentrate on the lean government approach; and
- Monitor adherence to efficiency gains and to place the citizen at the centre of all budgetary decisions.

Specific principles which underpin the Provincial Infrastructure Outlook are outlined as follows:

- Increased investment in infrastructure and infrastructure-assets;
- Increased expenditure on maintenance to address ageing infrastructure and maintain existing facilities;
- Strengthened monitoring of infrastructure delivery through the development of a Governance Framework; and
- Roll-out of the broadband solution in order to ensure related savings for Provincial Departments.

The breakdown of the approximately R26.7 billion investment over the 2016 MTEF per Provincial Department is outlined in Figure 3:

Figure 3: Summary of provincial infrastructure payments and estimates by vote



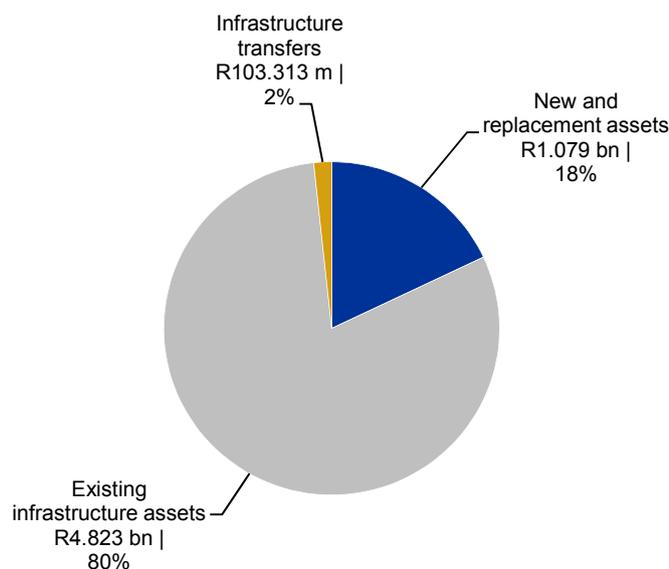
The infrastructure investment programme primarily revolves around:

- Construction of new schools/classrooms and replacing schools constructed with inappropriate materials within Education;
- Construction of new health facilities and refurbishing, upgrading and maintaining existing facilities – including health technology within Health; and
- Investment in public sector assets (buildings) and road infrastructure aims to:
 - Provide infrastructure promoting integration, accessibility, equity, environmental sensitivity, economic growth and social empowerment.
 - Preserve surfaced roads, gravel roads and bridges and to prevent the accumulation of backlogs.

Further infrastructure expenditure over the 2016 MTEF entails:

- Human Settlements: R7.08 billion which makes up the Human Settlements Development Grant to be spent on human settlement development;
- Western Cape Government (WCG) Integrated Strategy and Implementation Plan for Broadband: R1.6 billion to be invested addressing focus areas such as citizen access to affordable broadband infrastructure and services, including establishing the Schools/ Libraries Networks; and
- Provincial Public Private Partnership Investment: The total PPP projects under implementation amount to R68.3 million in 2016/17, increasing to R78.8 million in 2018/19.

Figure 4: Summary of infrastructure spend per category

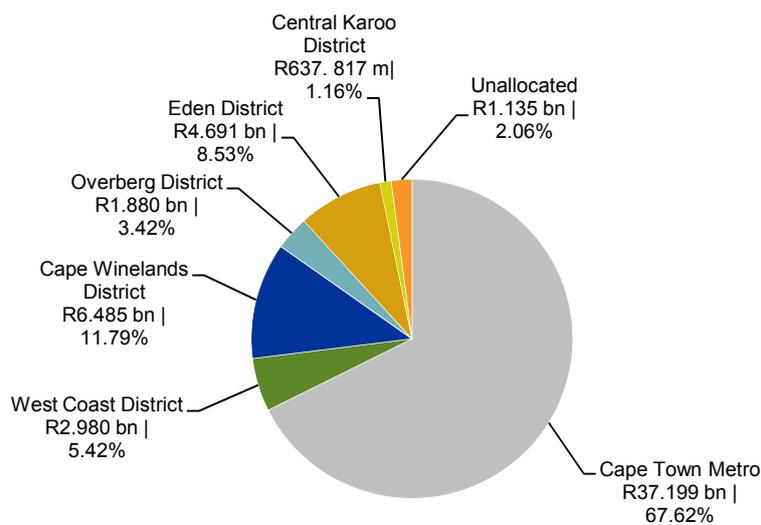


CHAPTER 5: SPATIAL DISTRIBUTION OF PROVINCIAL EXPENDITURE

Chapter 5 provides an overview of the spatial and sectoral distribution of the 2016 MTEF Budget amongst the various municipalities of the Western Cape. The dispersion of this Budget aims to address socio-economic challenges that confront the Province as a whole and compliments current developmental policies and strategies.

On aggregate, the total provincial budget increases by 5.61 per cent from the 2015/16 revised estimate of R52.084 billion to R55.009 billion in 2016/17.

Figure 5: Provincial payments by Metro and Districts



Note: Unallocated not yet allocated to a specific district.

As can be seen in Figure 5 above, the lion's share (67.62 per cent) of the Provincial Budget is spent in the **Cape Town Metro**. This mirrors the Metro's economic contribution and population size within the Province.

The **Cape Winelands District** (11.79 per cent) receives the second largest per cent of provincial expenditure, of which the majority is divided between Drakenstein (24.94 per cent), Breede Valley (23.30 per cent) and Stellenbosch (22.30 per cent).

Provincial expenditure within the **Eden District** amounts to R4.691 billion of which George (R1.592 billion or 33.94 per cent), Oudtshoorn (R662.286 million or 14.12 per cent) and Mossel Bay (R594.756 million or 12.68 per cent) receive the majority.

As being one of the smaller districts in terms of population size, R2.980 billion (5.42 per cent) of provincial expenditure will occur in the **West Coast District**. Of this, Swartland and Saldanha Bay receive the largest shares with expenditure of R781.791 million and R565.210 million, respectively.

In the **Overberg District**, the majority of provincial expenditure is channeled towards Theewaterskloof (R632.633 million or 33.65 per cent) and Overstrand (R443.981 million or 23.61 per cent).

Being the smallest district in the Province, the **Central Karoo District** receives R637.817 million or 1.16 per cent of total provincial expenditure. Of this expenditure, Beaufort West receives the majority with R372.063 million or 58.33 per cent.

- Sector spend

Amongst the three sectoral spending clusters (social, economic and governance and administration), the majority of total provincial expenditure is directed towards the social sector with an allocation of R44.444 billion or 80.8 per cent in 2016/17. This is done with the intention of enhancing education, health and other related social outcomes. The economic sector promotes economic growth and increased employment mainly facilitated through infrastructure-led growth. This sector is allocated R7.479 billion or 13.6 per cent in 2016/17 of provincial expenditure. Within the economic sector allocation, the Central Karoo District receives the highest increase from 2015/16 to 2016/17 to facilitate inclusive growth. The governance and administration sector aims to create public value to advance sound governance, integration, partnerships, spatial targeting, active citizenry and enabling a capable state. This sector receives R1.951 billion or 3.6 per cent of the provincial budget.

- Physical infrastructure spend

The core mandate of municipalities is the provision of basic services to ensure a quality and dignified life for all citizens within its borders. A municipality's ability to improve the quality of life of its citizens is; however, largely dependent on the presence and quality of supportive physical and organisational structures and facilities. There is thus a direct correlation between the extent of infrastructure investment and the improvement of general standards of living through the provision of basic services.

The WCG's commitment to facilitate economic growth as a catalyst for enhanced service delivery is evident from its 2016 MTEF infrastructure investment of R25.045 billion which will be rolled-out to various local and district municipalities within the Province.

The largest proportions of total infrastructure spend across both the Cape Town Metro and all Districts are allocated towards roads projects in 2016/17. The second largest proportions across all regions are allocated towards human settlements in 2016/17.

Furthermore, the WCG will allocate R1.474 billion towards cross-district infrastructure projects in 2016/17 of which the bulk will be reserved for education with an allocation of R562.555 million.

- Provincial transfers to local government

Total allocations across the various categories of municipalities amount to R2.447 billion in 2016/17. The bulk of these allocations will be transferred to the Cape Town Metro R1.263 billion or 51.62 per cent, followed by Category B municipalities R1.156 billion or 47.26 per cent and R826 000 or 0.03 per cent to Category C municipalities. Funding reserved under the unallocated portion relate to municipal support initiatives by the Provincial Treasury and the Department of Local Government.

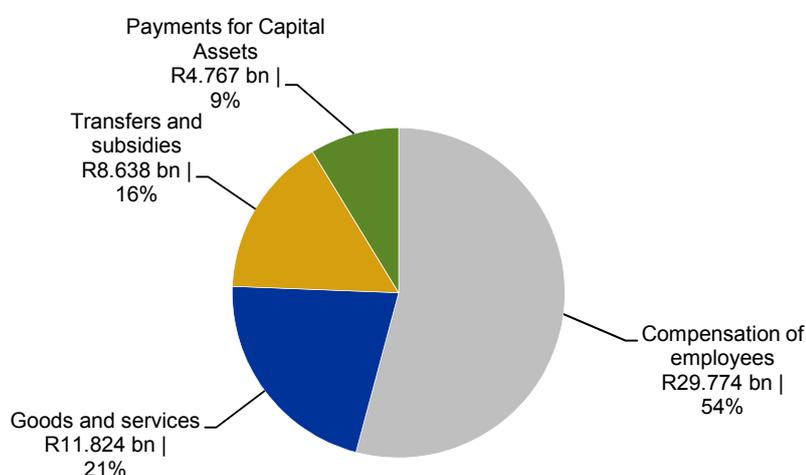
Overall, the spatial and sectoral distribution of the Province's budget is based on current socio-economic realities, policies and strategies that jointly confront the Province and municipalities.

CHAPTER 6: BUDGET BY ECONOMIC CLASSIFICATION

The weakened economic climate, lower projections for revenue collection, increasing service debt costs and pursuit of fiscal stability, has necessitated a review of allocations to the various spheres of government. In response to the change in the fiscal framework, the Western Cape 2016 Budget focuses on establishing a stable fiscal base while giving effect to the policy imperatives of the Province. This, together with mitigating fiscal risks and ensuring sustainable growth, remains the objective of the 2016 Budget which enables inclusive economic growth.

Through the application of key fiscal principles; the WCG will continue to ensure and restore fiscal consolidation, fiscal discipline, allocative efficiency as well as creating public value. All spending will continue to be directed at enhancing service delivery efficiency and achieving economic, governance and social objectives.

Figure 6: Total provincial budget by economic classification: 2016/17



- **Personnel expenditure (CoE) - 54 per cent or R29.774 billion** accounts for the largest share of the 2016/17 budget. Given the impact of the revisions to the fiscal framework, the 2016 Budget is the setting of upper limits on personnel budgets which is aimed at reducing or maintaining current personnel headcounts over time. Overall, personnel numbers have to be tailored to departmental goals; the available overall upper limits for personnel budgets; and appropriately balanced between planned personnel and non-personnel expenditures. To achieve this, departments will have to maintain the current levels of fiscal reserves; personnel expenditure ceilings; measures to address inefficiencies in the personnel system; and managing personnel (headcounts and quantum).
- **Goods and services expenditure (G&S) - 21 per cent or R11.824 billion** includes the purchasing of items such as medicine; medical supplies; Learner and Teacher Support Material (LTSM); travel and subsistence; and consultants and professional services.
- **Transfers and subsidies (T&S) - 16 per cent or R8.638 billion** consist mainly of expenditure transfers to non-profit institutions and transfers to households.
- **Payments for capital assets (PoCA) - 9 per cent or R4.767 billion** is driven by, the Departments of Education, Health and Transport and Public Works. Expenditure is primarily vested within buildings and other fixed structures which relate to infrastructure spending.

CHAPTER 7: SUMMARY OF BUDGET AGGREGATES

The overall budget summary of the key provincial revenue and expenditure components of the 2016 MTEF budget, as well as the programme breakdown for each vote, are as follows:

Figure 7: Social Sector Budget Summary, 2016/17

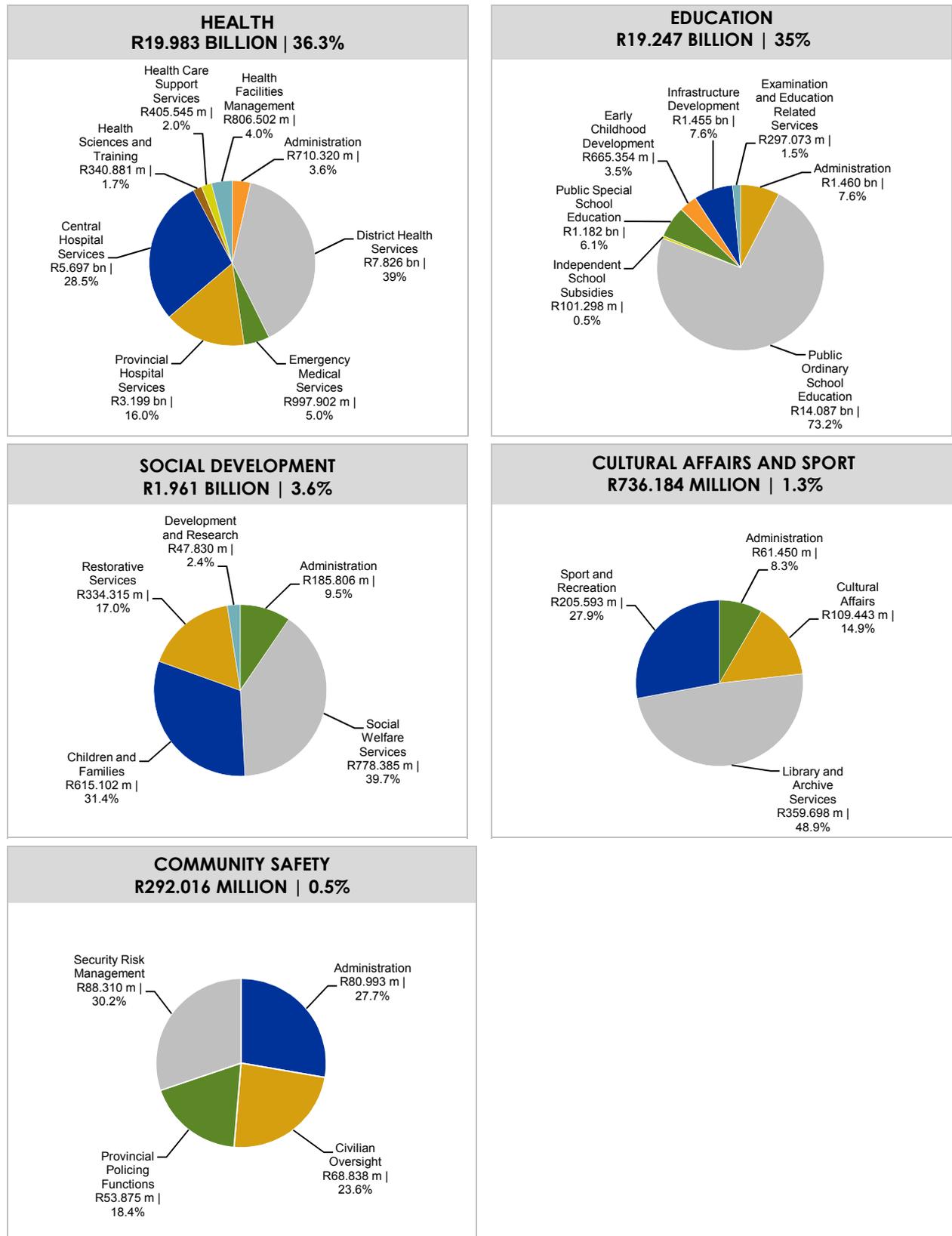


Figure 8: Economic Sector Budget Summary, 2016/17

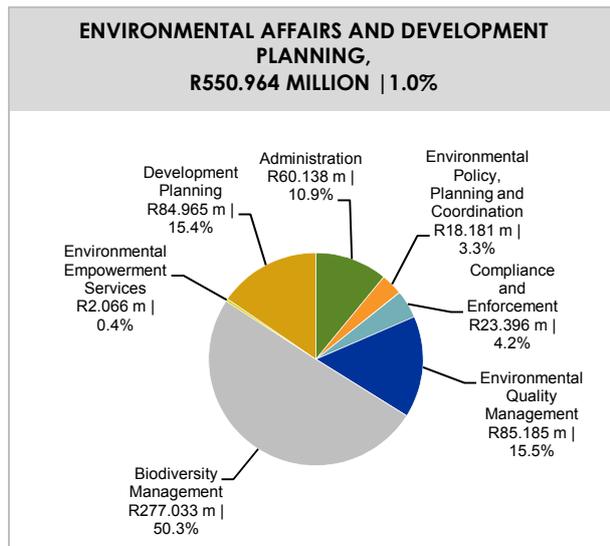
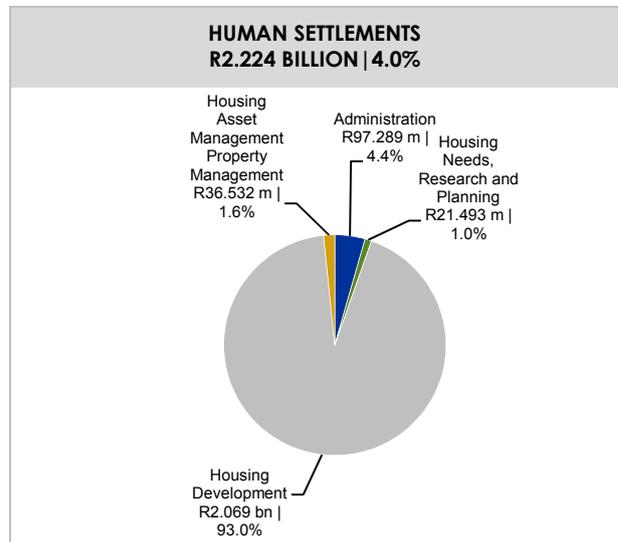
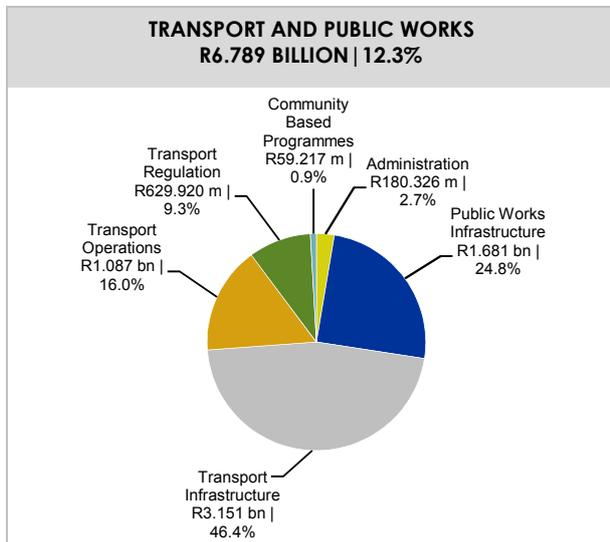
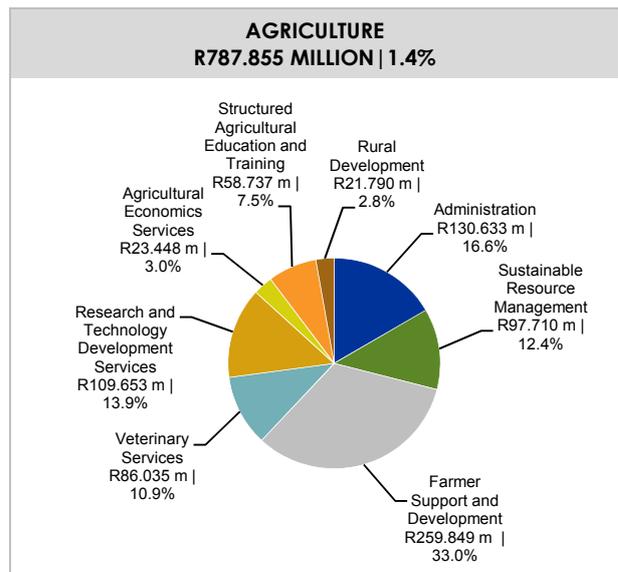
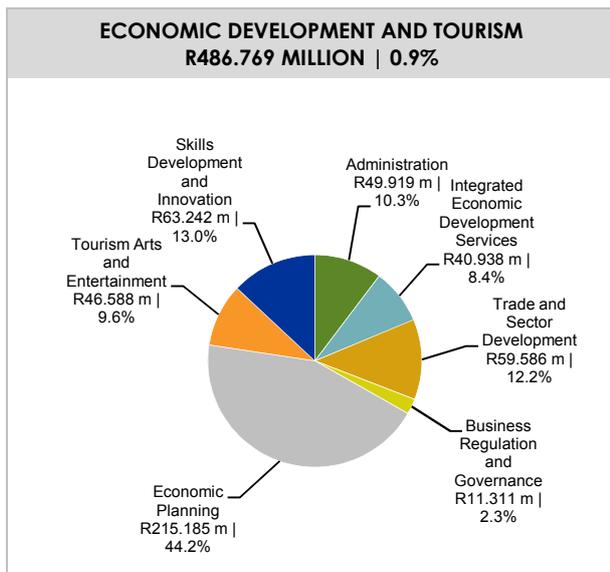


Figure 9: Governance and Administration Sector Budget Summary, 2016/17

